

**AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
GOVERNMENT OF PAKISTAN
AUDIT YEAR 2024-25**



AUDITOR-GENERAL OF PAKISTAN

**SERVING THE NATION BY PROMOTING ACCOUNTABILITY, TRANSPARENCY AND
GOOD GOVERNANCE IN THE MANAGEMENT AND USE OF PUBLIC RESOURCES**

FOR THE CITIZENS OF PAKISTAN

PREFACE

Articles 169 and 170 of Constitution of the Islamic Republic of Pakistan 1973 read with Sections 8, 12 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 / receipts 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 (PSEs) of Government of Pakistan for the financial year 2023-24. The Audit Report also contains audit observations of the previous financial years. The Directorate General of Commercial Audit & Evaluation, Islamabad and Karachi conducted audit during the Audit Year 2024-25 on 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 issues and significant audit findings. Relatively less significant issues have been listed in the Annex-1 of the Audit Report. 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 all cases 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.

Thematic Audit has been made part of this report at Chapter-17. It is an attempt to improve organization's performance through critically reviewing its business processes to identify those risks which are hindering the achievement of intended purposes.

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

Most of the paras in the Audit Report have been finalized in the light of discussions in the DAC meetings held from January 2024 to January 2025 and after seeking written responses of the entities.

There are certain audit paras which were also reported in last years' Audit Reports for the years 2014-15 to 2023-24. Recurrence of such irregularities is a matter of concern and needs to be addressed.

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).

Islamabad
Dated:

(Muhammad Ajmal Gondal)
Auditor-General of Pakistan

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ABBREVIATIONS AND ACRONYMS

A&LD	Asset and Logistic Department
A&P	Admin & Personnel
ADBP	Agricultural Development Bank of Pakistan
ADO	Assistant Development Officer
ADR	Advances to Deposit Ratio
AED	United Arab Emirates Dirham
AG	Accountant General
AGM	Annual General Meeting
AGP	Auditor-General of Pakistan
AHAN	Aik Hunar Aik Nagar
AHC	Animal Husbandry Commissioner
AIR	Audit Inspection Report
AJK	Azad Jammu & Kashmir
ALCO	Assets Liabilities Committee
ALS	Agriculture Loan Scheme
AM	Assistant Manager
AMR	Antimicrobial Resistance
AMU	Acute Medical Unit
AO	Accounts Officer
AP	Aluminum Phosphide
APICTA	Asia Pacific ICT Alliance Award
APP	Associated Press of Pakistan
APPC	Associated Press of Pakistan Corporation
APPM	Accounting Policies and Procedures Manual
APU	Auxiliary Power Unit
ATMs	Automated Teller Machine
AVP	Assistant Vice President
B.Sc. / BSc	Bachelor of Science
BAC	Board Audit Committee
BBA	Bachelor of Business Administration
BEL	Bankers Equity Limited
BG	Bank Guarantee
BHRC	Board Human Resource Committee
BISP	Benazir Income Support Program
BM	Branch Manager
BoD	Board of Directors
BoG	Board of Governors
BoP	Bank of Punjab

BoQ	Bill of Quantities
BOT	Board of Trustees
BPD	Biological Production Division
BPH	Bullet Proof Helmet
BPS	Basic Pay Scale
BSC	Banking Services Corporation
C&F	Cost and Freight
CA	Chartered Accountant
CAA	Civil Aviation Authority
CAD	Computer-Aided Design / Credit Administration Department / Canadian Dollar
CAM	Computer-Aided Manufacturing
CAS	Chief of Air Staff
CBA	Collective Bargaining Agreement
CCI	Council of Common Interest
CCTV	Closed-Circuit Television
CCWC	Civil Construction Work Committee
CDR	Call Deposit Receipt
CEO	Chief Executive Officer
CF&AO	Chief Finance and Accounts Officer
CFF	Calf Feedlot Fattening
CFO	Chief Financial Officer
CFT	Cubic Feet
CGR	Corporate Governance Rules
CIA	Chief Internal Auditor
CIF	Cost, Insurance, and Freight
CLDP	Car Loan Depreciation Policy
CMA	Controller Military Accounts
CMC	Central Material Control
CNC	Computer Numerical Control
CNIC	Computerized National Identity Card
CNS	Chief of Naval Staff
CNY	Chinese Yen
Co.	Company
COAS	Chief of Army Staff
Col.	Colonel
COVID	Coronavirus Disease
CP	Contributory Provident
CPC	Central Procurement Committee
CPF	Contributory Provident Fund
CPLA	Civil Petition for Leave to Appeal

CRMS	Civil Registration Management System
CSI	Customer Support Identifier
CSR	Corporate Social Responsibility
CTO	Chief Technical Officer
CV	Curriculum Vitae
CWF	Chairman Welfare Fund
D.O	Demi Official
DA	Dearness Allowance / Daily Allowance
DAC	Departmental Accounts Committee
DAE	Diploma of Associate Engineer
DC	Deputy Commissioner
DDFA	Deputy Director Field Administration
DDO	Drawing and Disbursing Officer
DDR	Demand Driven Research
DDWP	Departmental Development Working Party
DFI	Development Financial Institution
DG	Director General
DG CA&E	Director General Commercial Audit & Evaluation
DGR	Directorate General of Registration
DICR	Director Industrial & Commercial Relations
DP	Defence Production
DPC	Departmental Promotion Committee
DR	Delivery Report / Disaster Recovery
Dr.	Doctor
DSC	Defence Savings Certificate / Departmental Selection Committee
DSc	Doctor of Science
DSD	Disposal Store Department
DSOSB	Defense Services Officers Selection Board
DW&CE	Director of Works & Chief Engineers
EASA	European Union Aviation Safety Agency
EBM	Executive Board Members
ECC	Economic Coordination Committee
ECNEC	Executive Committee of National Economic Council
ECP	Election Commission of Pakistan
EGC	Engineering General Consultant
EIC	Engineer In Charge
EOBI	Employees' Old age Benefits Institution
EOL	Extraordinary Leave
EPZA	Export Processing Zones Authority
ERE	Employee Related Expenses
ERP	Enterprise Resource Planning

ETC	Evacuee Trust Complex
ETO	Electronic Transaction Ordinance
EVP	Executive Vice President
Exp.	Expenditure
F&A	Finance and Accounts
FA	Financial Advisor
FAC	Finance & Audit Committee
FAOF	Financial Advisor Ordnance Factories
FAP	Foreign Aided Projects
FAT	Final Acceptance Test
FBR	Federal Board of Revenue
FCF	Federal Consolidated Fund
FCV	Flue Cured Virginia
FD	Finance Division
FDE	Federal Directorate of Education
FE&PT	Ministry of Federal Education and Professional Training
FESCO	Faisalabad Electric Supply Company
FIA	Federal Investigation Agency
FIDIC	Fédération Internationale des Ingénieurs-Conseils (International Federation of Consulting Engineers)
FIFA	International Federation of Association Football
FIFO	First In, First Out
FIO	Financial Institutions (Recovery of Finances) Ordinance, 2001
FIR	First Information Report
FIU	Field Intelligence Unit
FOH	Fixed Overhead
FR	Fundamental Rules
FSD	Food Services Department
FY	Financial Year
GAS	Ghar Aasan Scheme
GB	Gilgit Baltistan
GD	Goods Declaration
GDP	Gross Domestic Product
GE	Garrison Engineer /General Electric
GFR	General Financial Rules
GHQ	General Headquarters
GIS	Geographic Information System
GL	General Ledger
GM	General Manager
GoP	Government of Pakistan
Govt.	Government
GP Fund	General provident Fund

GPA	Gwadar Port Authority
GRC	Grievance Redressal Committee
GRN	Goods Receipt Note
GSD	General Services Division
gsm	Grams per square meter
GST	General Sales Tax
H&AID	Health & Accidental Insurance Division
HBF	House Building Finance
HBFCL	House Building Finance Company Limited
HBL	Habib Bank Limited
HEC	Higher Education Commission
HESC	Hyderabad Engineering Support Centre
HMC	Heavy Mechanical Complex (Pvt.) Limited
HMT	Heavy Mechanical Transport
HO	Head Office
HPL	Hascol Petroleum Limited
HPP	High Pressure Processing
HQ	Head Quarter
HR	Human Resource
HRMG	Human Resource Management Group
HROD	Human Resource Operations Department
HT/LT	High Tension/ Low Tension
HVAC	Heating, Ventilation and Air Conditioning
IA	Internal Audit / Implementation Agreement
IAD	Internal Audit Department
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IATA	International Air Transport Association
IB	Intelligence Bureau
IBCC	Inter Board Committee of Chairmen
IBs	Islamic Banks
IC	Investment Committee
ICAO	International Civil Aviation Organization
ICC	International Cricket Council
ICT	Islamabad Capital Territory
ID	Identity Card
IDG	Inclusive Development Group
IE&FR	Institute of Engineering and Fertilizer Research
IET	Institute of Engineering and Technology
IG	Inspector General
IHC	Islamabad High Court

IPC	Interim Payment Certificate
IPO	Initial Public Offering
IRIS	Iris Recognition System
ISA	International Standard on Auditing
ISMS	Information Security Management System
ISO	International Standards Organization
IT	Information Technology
JD	Job Description
JIT	Joint Investigation Team
JV	Joint Venture / Journal Voucher
KE	K-Electric
KIBOR	Karachi Interbank Offered Rate
KoFHA	Korangi Fisheries Harbour Authority
KP	Khyber Pakhtunkhwa
KPI	Key Performance Indicator
KPO	Key Punch Operator
KPT	Karachi Port Trust
KS&EW	Karachi Shipyard & Engineering Works
KSE	Karachi Stock Exchange
KSSL	Kissan Support Services Private Limited
KTDMC	Karachi Tools, Dies and Moulds Centre
KW&SB	Karachi Water & Sewerage Board
KYC	Know Your Customer
LACIP	Loan for Agricultural, Commercial and Industrial Purposes
LC	Letter of Credit
LD	Liquidated Damages
LDC	Lower Division Clerk
LDDB	Livestock and Dairy Development Board
LFA	Leave Fare Assistance
LME	London Metal Exchange
LMS	Learning Management System
LNG	Liquefied Natural Gas
LOA	Letter of Acceptance
LOI	Letter of Intent
LPR	Leave Preparatory To Retirement
LS	Logistic Services
Ltd	Limited
LTFF	Long Term Financing Facility
M.Ton /MT	Metric Ton
M/o	Ministry of
M/s	Messer

MAA	Medium Artillery Ammunition
MBA	Master in Business Administration
MBMC	Master Business Management Consumerism
MCB	Muslim Commercial Bank
MD	Managing Director
MFB	Microfinance Bank
MFDAC	Memorandum for Departmental Accounts Committee
MGR	Minimum Guaranteed Revenue
MIBS	Management Information Base
MIS	Management Information System
Misc.	Miscellaneous
ML&C	Military Land & Cantonment De
MMT	Million Metric Ton
MNFSR	Ministry of National Food Security and Research
MoD	Ministry of Defence
MoDP	Ministry of Defence Production
MOE	Ministry of Education
MoF	Ministry of Finance
MOI&P	Ministry of Industries & Production
MoIB	Ministry of Information, Broadcasting
MoITT	Ministry of Information Technology and Telecommunication
MOLM	Ministry of Labour and Manpower
MOU	Memorandum of Understanding
MP	Management Position
MPA	Master in Public Administration
MPC	Member Production Co-Ordination
MRO	Maintenance, Repair, and Overhaul
MSc	Master of Science
MSP	Minimum Support Programme
MTBs	Market Treasury Bills
MTM	Monthly Transport Monetization
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
NCA	National Command Authority
NDO	National Database Organization
NDW	National Data Warehouse
NEFT	National Express Freight Train
NESPAK	National Engineering Services Pakistan (Pvt.) Ltd
NEST	National Endowment Scholarship for Talent

NFS&R	National Food Security and Research
NH&LH	National History and Literary Heritage
NHR&C	National Health Services Regulation and Coordination
NIBAF	National Institute of Banking & Finance
NICL	National Insurance Company Limited
NIH	National Institute of Health
NLB	National Logistic Board
NLC	National Logistic Cell
NOC	No Objection Certificate
NPL	Non-Performing Loans
NPLs	Non-Performing Loans
NPS	National Pay Scale
NRC	National Registration Centers
NRTC	National Radio & Telecommunications Corporation
NSPC	National Security Printing Company
NSS	National Savings Schemes
NTC	National Telecommunication Corporation
NTISB	National Telecommunication and Information Technology Security Board
NTL	NADRA Technologies Limited
NTN	National Tax Number
OEM	Original Equipment Manufacturer
OG	Officer Grade
OGDCL	Oil and Gas Development Corporation Limited
OIC	Officer in Command / Officer Incharge / Organization of Islamic Cooperation
OM	Office Memorandum
OMR	Omani Riyal
OS	Outstanding
OTT	Over-The-Top
P.E.C	Precision Engineering Complex
PAC	Public Accounts Committee
PACRA	Pakistan Credit Rating Agency
PAEC	Pakistan Atomic Energy Commission
PAO	Principal Accounting Officer
PAR	Performance Appraisal Report
PARCO	Pak Arab Refinery Company Limited
PASDEC	Pakistan Stone Development Company
PASSCO	Pakistan Agricultural Storage & Corporation Limited
PBA	Pakistan Broadcasting Association
PBC	Pakistan Broadcasting Corporation
PBS	Pakistan Bureau of Statistics

PCB	Programmable Circuit Board
PCP	Printing Corporation of Pakistan
PCSIR	Pakistan Council of Scientific and Industrial Research
PD	Project Director
PD&S	Planning, Development, and Special Initiatives
PEC	Pakistan Engineering Council / Pakistan Expo Centre
PECO	Pakistan Engineering Company
PECPL	Pakistan Expo Centre Private Limited
PEDO	Pakhtunkhwa Energy Development Organization
PEEF	Pakistan Education Endowment Fund
PFM	Public Finance Management
PG	Pay Group
PG&JDC	Pakistan Gems & Jewellery Development Company
PhD	Doctor of Philosophy
PI	Principal Investigator
PIAC	Pakistan International Airlines Corporation
PIB/T Bills	Pakistan Investment Bonds / Treasury Bills
PIBs	Pakistan Investment Bonds
PID	Press Information Department
PIDC	Pakistan Industrial Development Corporation (Pvt.) Limited
PIDC	Pakistan Industrial Development Corporation
PIDE	Pakistan Institute of Development Economics
PIM	Pakistan Institute of Management
PIPS	Pakistan Institute for Parliamentary Services
PKR	Pak. Rupees
PLA	Personal Ledger Account
PLCE	Personal Load Carrying Equipment
PLD	Pakistan Legal Decisions
PLEC	Peshawar Light Engineering Centre
PM	Prime Minister
PMA	Prime Minister's Assistance / Punjab Mass Transit Authority
PMCL	Pakistan Mobile Communications Limited
PMT	Poverty Measurement Test
PMTF	Pakistan Machine Tool Factory
PMYB	Prime Minister Youth Business
PMYB & ALS	Prime Minister's Youth Business and Agriculture Loan Scheme
PN	Pakistan Navy
PNSC	Pakistan National Shipping Corporation
PO	Principal Office
POF	Pakistan Ordnance Factory
POL	Petrol, Oil and Lubricants

POS	Point of Sale
PPC	Planning & Production Coordination
PPOs	Pension Payment Orders
PPR	Public Procurement Rule
PPRA	Public Procurement Regulatory Authority
PPRA	Public Procurement Regulatory Authority
PQA	Port Qasim Authority
PRA	Punjab Revenue Authority
PRCL	Pakistan Reinsurance Company Limited
PRs	Prudential Regulations
PSA	Passenger Sales Agreement
PSAA	Passenger Sales Agency Agreement
PSDP	Public Sector Development Programme
PSDP	Public Sector Development Program
PSEB	Pakistan Software Export Board (Guarantee) Limited
PSEs	Public Sector Enterprises
PSI	Pre-Shipment Inspection
PSM	Pakistan Steel Mills
PSPC	Pakistan Security Printing Corporation
PSU	Primary Service Unit
PTB	Pakistan Tobacco Board
PTBB	Punjab Textbook Board
PTC	Pakistan Tobacco Company
PTCL	Pakistan Telecommunication Corporation Limited
PTDC	Pakistan Tourism Development Corporation
PTL	Pakistan Tours (Pvt.) Limited
PTV	Pakistan Television
PTVC	Pakistan Television Corporation
PTVCL	Pakistan Television Corporation Limited
PTVF	Pakistan Television Foundation
Pvt.	Private
QA	Quality Assurance
QC	Quality Control
QTR	Qatari Riyal
R&D	Research and Development
RAC	Research Advisory Committee
RASTA	Research For Social Transformation & Advancement
RBS	Re-Broadcasting Station
RD&R	Revenue, Debt and Remittance
RE	Risk & Expense
RFP	Request for Proposal
RHO	Regional Head Office

RMB	Renminbi
RO	Regional Office
Rs	Rupees
S&A	Safety and Arming
S&C	Stock and Control
SAA	Small Arms & Ammunition
SAM	Special Assets Management
SAP	System Application & Products
SAR	Special Assessment Report / Saudi Riyal
SBP	State Bank of Pakistan
SCM	Supply Chain Management
SCM	Supply Chain Management
SCO	Special Communication Organization
SDF	Special Deposit Fund
SEC	State Engineering Corporation (Pvt.) Ltd.
SECP	Securities and Exchange Commission of Pakistan
SECP	Securities and Exchange Commission of Pakistan
SEVP	Senior Executive Vice President
SEVP	Senior Executive Vice President
SLIC	State Life Insurance Corporation
SLTS	Ship Lift And Transfer System
SMC	Single Member Company
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprise Development Authority
SOE's	State Owned Enterprises
SOP	Standard Operating Procedure
SPD	Strategic Plans Division
Sq.ft.	Square Feet
SRB	Sindh Revenue Board
SRBC	Shalimar Recording and Broadcasting Company
SRL	SkyRooms Limited
SRO	Statutory Regulatory Order
SSB	Standing Survey Board
SSC	Special Savings Certificate
SSGC	Sui Southern Gas Company
STC	Save the Calf
STN	Sales Tax Number
STP	Software Technology Park
SVP	Senior Vice President
TA	Travelling Allowance
TCP	Trading Corporation of Pakistan
TDR	Term Deposit Receipt

TDR	Term Deposit Receipt
TE	Tender Enquiry
TEVTA	Technical Education & Vocational Training Authority
TF	Telecommunications Foundation
TFCs	Term Finance Certificates
TGS	Technical Ground Service
TIC	Treasury Investment Committee
TIR	Transports Internationaux Routiers, International Road Transport
TMF	Tobacco Model Farm
TOR	Terms of Reference
ToR	Terms of Reference
TPT	Transport
TPV	Third Party Validation
TUSDEC	Technology Upgradation and Skill Development Company
U.O	Unofficial
UBL	United Bank Limited
UET	University of Engineering & Technology
UK	United Kingdom
UNICEF	United Nations Children's Fund
US\$	United States Dollar
USA	United States of America
USC	Utility Store Corporation
USD	United States Dollar
USF	Universal Service Fund
USSD	Un-Structured Supplementary Service Data
V.U	Virtual University
VAT	Value Added Tax
VC	Vice Chancellor
VOH	Variable Overhead
VP	Vice President
VP	Vice President
VPN	Virtual Private Network
VRF	Variable Refrigerant Flow
VU	Virtual University
W&R	Welfare & Rehabilitation
w.e.f.	With effect from
WAPDA	Water and Power Development Authority
WBM	Wah Brass Mill
WCL	Wah Construction (Pvt.) Ltd
WHT	Withholding tax
WIL	Wah Industries Limited
WLL	With Limited Liability

WOAH	The World Organization for Animal Health
WSTP	Woman Software Technology Park
ZH	Zonal Head
ZTBL	Zarai Taraqiati Bank Ltd

EXECUTIVE SUMMARY

The Directorate General of Commercial Audit & Evaluation (North & South) carry out audit and evaluation of Public Sector Enterprises (PSEs) established / controlled by Federal Government, which maintain their accounts on commercial basis. Sections 8, 12 & 15 of the Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 empower the Auditor-General of Pakistan to conduct audit of companies and corporations established in the public sector.

DG, CA&E (North & South) have human resource of 157 officers and staff equivalent to 39,517 man-days for audit out of which, 10,875 man-days were allocated for undertaking field audit activities. Out of these, 9,919 man-days were utilized for conducting audit of Federal Public Sector Enterprises by DG CA&E. The annual budget of the Directorate General (HO) for the year 2023-24 amounted to Rs 300.895 million. This report contains results of audit inspection and evaluation of financial performance of public sector entities for the financial year 2023-24.

This report also contains comments on the audited annual accounts of 33 public sector enterprises. However, comments on 52 PSEs (Annex-2) could not be included in this report as the concerned management failed to submit their audited accounts by the cut-off date i.e. December 31, 2024. Moreover, 6 organizations (Annex-3) ceased their operational activities during the period 1990 till 2008. These are still under the process of liquidation / privatization.

Thematic Audit

A thematic audit is an in-depth examination of a selected area, which may involve more than one public sector entities. Such in-depth examination enables DAGP to report on good practices in financial governance and controls that it may come across in the course of audit, in addition to lapses. The area selected for thematic audit was "Compliance of PPRA rules in contract management", being the primary framework of public sector enterprises procurements. National Logistic Cell was the organization audited for compliance of PPRA rules in contract management. Resultantly audit observations of the theme were reported in a separate report in addition to

main regularity audit report. Major procedural lapses were observed in thematic audit report and corrective measures were suggested.

a. Scope of Audit

This office is mandated to conduct audit of 87 federal entities working under 22 PAOs of 16 Ministries. Total expenditure and receipts of audited entities were Rs 1,845.89 billion and Rs 5,354.686 billion respectively for the financial year 2023-24.

Audit coverage relating to expenditure for the current year comprises 46 entities of 15 PAOs under 12 Ministries having a total expenditure of Rs 882.279 billion for the financial year. In terms of percentage, the audit coverage for expenditure is 47.8% of auditable expenditure.

Audit coverage relating to receipts for the current year comprises 46 entities of 15 PAOs under 12 Ministries having a total receipt of Rs 1,207.189 billion for the financial year. In terms of percentage, the audit coverage for auditable receipts is 22.54%.

In addition to this audit report, DG, CA&E (North) conducted two Financial Attest Audits, one Foreign-Aided Project Audit, and one thematic audit. Reports of these audits (except thematic audit) are being published separately.

b. Recoveries at the instance of Audit

As a result of audit, recovery of Rs 861,837.666 million was pointed out in this report. Recovery effected from Jan. to Dec. 2024 is Rs 29,616.56 million which has been verified by Audit. (Annex-4).

c. Audit Methodology

Audit methodology for conducting audit of the accounts for the year 2023-24 of the auditee organizations started from audit planning, consulting and updating permanent files. Desk audit helped the auditors in understanding the systems, procedures and environment of the entities before starting field activity. This facilitated to identify high risk areas for audit tests to be applied in the field. Audit was carried out based on adequacy of internal control system in the organization with specific emphasis on high value items and inherent risk areas. Audit checks were applied keeping in view the nature of transaction, accounting

standards and best auditing practices as well as rules and regulations contained in relevant financial and operational manuals.

d. Comments on Internal Controls and Internal Audit Department

Though Internal Audit wing exists in most of the organizations, but the real spirit of independence has been compromised by placing it directly under the management. In other instances, it has been noticed that internal audit works under the supervision of heads of the finance wing leading to conflict of interest. Resultantly, free and fair opinion of the internal audit wing could not be achieved. The observations relating to violation of rules and regulations by the organizations are due to under performance of the internal audit wing. It is stressed that internal audit wing should be placed directly under the supervision of audit committee of the BoD, to make its role more effective and meaningful.

e. Key Audit Findings

- i. 18 cases of embezzlement / misappropriation of funds were identified - Rs 3,576.262 million¹.
- ii. Irregularities in 134 HR / employees related issues were identified - Rs 16,965.690 million².
- iii. 137 cases of mis-procurement due to violation of rules, procedures & regulations were identified – Rs 185,828.117 million³.
- iv. 13 cases of imprudent investments leading to loss - Rs 25,328.945 million⁴.

¹ Para-3.3.4.19, 3.5.4.1, 3.5.4.4, 6.2.4.24, 6.2.4.28, 6.5.4.19, 6.5.4.32, 6.5.4.34, 6.5.4.35, 6.7.4.23, 7.5.4.8, 7.12.4.3, 8.1.4.9, 9.1.4.15, 9.1.4.16, 9.1.4.20, 9.1.4.27, 12.2.4.5

² Para-1.1.4.23, 1.1.4.28, 1.1.4.46, 1.1.4.47, 1.2.4.7, 1.2.4.9, 2.1.4.5, 2.1.4.6, 2.1.4.7, 2.1.4.10, 2.2.4.8, 2.2.4.16, 2.2.4.22, 3.2.4.12, 3.3.4.12, 3.3.4.14, 3.3.4.16, 3.3.4.18, 4.1.4.4, 4.1.4.14, 4.1.4.15, 4.3.4.4, 4.3.4.6, 4.3.4.12, 5.1.4.2, 5.1.4.5, 5.2.4.1, 5.2.4.9, 6.1.4.13, 6.2.4.30, 6.4.4.2, 6.4.4.15, 6.5.4.8, 6.5.4.17, 6.5.4.29, 6.5.4.31, 6.5.4.36, 6.5.4.37, 6.5.4.38, 6.5.4.41, 6.7.4.1, 6.7.4.2, 6.7.4.6, 6.7.4.7, 6.7.4.10, 6.7.4.13, 6.7.4.16, 6.7.4.20, 6.7.4.21, 7.3.4.8, 7.3.4.11, 7.3.4.12, 7.4.4.3, 7.4.4.4, 7.5.4.11, 7.5.4.15, 7.5.4.17, 7.10.4.2, 7.12.4.15, 8.1.4.2, 8.1.4.3, 8.1.4.4, 8.1.4.13, 9.1.4.10, 9.1.4.11, 9.1.4.12, 9.1.4.13, 9.1.4.17, 9.1.4.18, 9.1.4.23, 9.1.4.24, 9.1.4.25, 9.2.4.1, 9.2.4.5, 9.2.4.6, 9.2.4.7, 9.2.4.9, 9.2.4.12, 9.2.4.16, 9.2.4.17, 9.2.4.18, 9.2.4.19, 9.2.4.20, 9.2.4.25, 9.2.4.27, 9.2.4.28, 10.1.4.8, 10.1.4.9, 10.1.4.11, 10.1.4.15, 10.1.4.24, 10.1.4.26, 10.1.4.28, 10.1.4.29, 10.1.4.30, 10.1.4.31, 10.2.4.1, 10.2.4.4, 10.2.4.6, 10.2.4.9, 10.2.4.10, 10.2.4.11, 10.2.4.12, 10.2.4.13, 10.2.4.17, 10.2.4.18, 11.1.4.5, 11.2.4.3, 11.3.4.16, 11.3.4.24, 11.3.4.28, 11.3.4.29, 11.3.4.30, 11.3.4.31, 11.3.4.32, 11.3.4.34, 11.3.4.36, 11.3.4.37, 11.4.4.12, 11.4.4.13, 11.4.4.17, 11.4.4.18, 12.1.4.1, 12.1.4.4, 12.2.4.12, 12.2.4.16, 12.3.4.10, 14.2.4.1, 14.2.4.2, 14.2.4.3, 14.2.4.4, 14.2.4.8, 14.2.4.9, 14.2.4.10

³ Para-1.1.4.14, 1.1.4.16, 1.1.4.17, 1.1.4.19, 1.1.4.24, 1.1.4.29, 1.1.4.30, 1.1.4.32, 1.1.4.33, 1.1.4.37, 1.1.4.38, 1.1.4.41, 1.1.4.42, 1.1.4.44, 1.2.4.3, 1.2.4.4, 1.2.4.5, 1.2.4.6, 2.1.4.3, 2.1.4.4, 2.1.4.12, 2.1.4.13, 2.1.4.14, 2.2.4.2, 2.2.4.18, 2.2.4.19, 3.1.4.8, 3.3.4.3, 3.3.4.5, 3.3.4.10, 3.4.4.10, 3.4.4.11, 3.5.4.10, 3.5.4.11, 4.1.4.6, 4.1.4.7, 4.1.4.9, 4.1.4.11, 4.1.4.12, 4.1.4.13, 4.2.4.1, 4.2.4.5, 4.2.4.6, 4.2.4.13, 4.2.4.14, 4.2.4.15, 4.2.4.18, 4.2.4.19, 4.3.4.3, 4.3.4.5, 4.3.4.8, 4.3.4.9, 4.3.4.14, 4.4.4.1, 4.4.4.2, 4.5.4.1, 4.5.4.8, 5.1.4.4, 5.2.4.2, 6.1.4.8, 6.1.4.9, 6.2.4.17, 6.2.4.29, 6.3.4.3, 6.3.4.6, 6.3.4.7, 6.3.4.8, 6.4.4.4, 6.4.4.6, 6.4.4.8, 6.4.4.13, 6.4.4.14, 6.4.4.16, 6.5.4.26, 6.7.4.17, 7.3.4.3, 7.3.4.4, 7.3.4.6, 7.3.4.7, 7.3.4.10, 7.5.4.13, 7.11.4.3, 7.12.4.1, 7.12.4.2, 7.12.4.6, 7.12.4.9, 7.12.4.12, 7.12.4.19, 9.1.4.1, 9.1.4.2, 9.1.4.3, 9.2.4.8, 9.2.4.10, 9.2.4.15, 9.2.4.23, 10.1.4.1, 10.1.4.3, 10.1.4.4, 10.1.4.7, 10.1.4.23, 10.1.4.27, 10.2.4.3, 10.2.4.16, 11.1.4.1, 11.1.4.2, 11.3.4.2, 11.3.4.4, 11.3.4.6, 11.3.4.7, 11.3.4.10, 11.3.4.12, 11.3.4.14, 11.3.4.23, 11.3.4.27, 11.3.4.38, 11.4.4.5, 11.4.4.9, 11.4.4.14, 11.4.4.15, 11.4.4.16, 11.4.4.19, 12.2.4.4, 12.2.4.6, 12.2.4.7, 12.2.4.11, 12.2.4.13, 12.2.4.14, 12.2.4.15, 12.3.4.6, 14.1.4.4, 14.1.4.5, 14.1.4.6, 14.1.4.11, 14.2.4.11, 15.1.4.1, 15.1.4.2, 15.1.4.4

⁴ Para-2.2.4.11, 3.1.4.3, 3.3.4.7, 3.4.4.8, 3.5.4.3, 6.3.4.1, 6.4.4.3, 6.7.4.9, 7.1.4.5, 7.3.4.1, 9.1.4.22, 11.4.4.1, 11.4.4.8

- v. 130 cases of non-recovery were identified – Rs 861,837.666 million⁵.
- vi. In two cases, management did not produce auditable record⁶.
- vii. Value for money was compromised in 30 cases - Rs 40,913 million⁷

f. Recommendations:

- i. Internal control structure needs to be strengthened to curb the incidence of embezzlement, fraud and misappropriation.
- ii. Appointments should be made in transparent manner and according to the respective HR policies of the organizations with due regard to Government policies on the subject.
- iii. Procedure of procurement in public sector enterprises should be streamlined to achieve economy, efficiency and value of money as per Public Procurement Rules, 2004.
- iv. Efforts should be made by the management to improve its fund management with commercial banks with respect to investments.
- v. PAOs should make efforts for early realization of receivables.
- vi. All expenditure should be incurred after due diligence keeping in view the sense of probity & propriety.
- vii. Procedure of procurement in public sector enterprises should be streamlined to achieve economy, efficiency and value of money as per Public Procurement Rules, 2004.
- viii. Efforts should be made by the management to improve its fund management with commercial banks with respect to investments.
- ix. PAOs should make efforts for early realization of receivables.
- x. Record should be provided to Audit besides fixing responsibility on the person(s) at fault.

⁵Para-1.1.4.2, 1.1.4.21, 1.1.4.40, 1.2.4.2, 2.1.4.1, 2.1.4.2, 2.1.4.4, 2.1.4.7, 2.1.4.11, 2.2.4.4, 2.2.4.6, 2.2.4.7, 2.2.4.10, 2.2.4.12, 2.2.4.13, 2.2.4.15, 2.2.4.17, 3.1.4.10, 3.2.4.1, 3.3.4.1, 3.3.4.6, 3.3.4.13, 3.3.4.15, 3.4.4.1, 3.5.4.1, 3.5.4.4, 3.5.4.7, 3.5.4.12, 4.2.4.2, 4.2.4.4, 4.2.4.5, 4.2.4.8, 4.2.4.9, 4.2.4.11, 4.2.4.15, 4.2.4.16, 4.2.4.18, 4.2.4.21, 4.2.4.22, 4.2.4.23, 4.2.4.24, 4.3.4.2, 4.5.4.2, 4.5.4.3, 4.5.4.4, 4.5.4.5, 4.5.4.6, 4.5.4.8, 4.5.4.9, 5.1.4.1, 6.1.4.2, 6.2.4.1, 6.4.4.7, 6.4.4.11, 6.5.4.20, 6.5.4.22, 6.7.4.3, 6.7.4.4, 6.7.4.5, 6.7.4.18, 6.7.4.22, 7.1.4.2, 7.1.4.7, 7.3.4.2, 7.5.4.4, 7.5.4.9, 7.10.4.3, 7.11.4.4, 7.12.4.3, 7.12.4.16, 8.1.4.8, 9.1.4.6, 9.1.4.7, 9.1.4.8, 9.1.4.9, 9.1.4.15, 9.1.4.20, 9.1.4.26, 9.2.4.1, 9.2.4.7, 9.2.4.9, 9.2.4.12, 9.2.4.13, 9.2.4.14, 9.2.4.17, 9.2.4.21, 9.2.4.25, 9.2.4.26, 9.2.4.27, 9.2.4.28, 10.1.4.1, 10.1.4.5, 10.1.4.8, 10.1.4.10, 10.1.4.12, 10.1.4.13, 10.1.4.14, 10.1.4.24, 10.1.4.29, 10.1.4.30, 10.2.4.1, 10.2.4.12, 10.2.4.14, 10.2.4.15, 11.2.4.1, 11.3.4.1, 11.4.4.3, 11.4.4.7, 12.1.4.1, 12.2.4.2, 12.2.4.3, 12.2.4.8, 12.2.4.10, 12.2.4.11, 12.2.4.16, 12.2.4.17, 12.3.4.1, 12.3.4.2, 12.3.4.4, 12.3.4.5, 12.3.4.6, 12.3.4.8, 14.1.4.3, 14.1.4.12, 14.2.4.2, 14.2.4.3, 14.2.4.7, 15.1.4.3, 15.1.4.5, 15.1.4.6

⁶Para-4.6.1, 9.3.4.1

⁷Para-1.1.4.4, 1.1.4.7, 1.1.4.45, 4.1.4.2, 4.2.4.7, 4.2.4.8, 4.2.4.17, 4.2.4.21, 4.5.4.4, 6.1.4.12, 6.2.4.9, 6.2.4.13, 6.2.4.25, 6.2.4.26, 6.3.4.4, 6.4.4.10, 6.5.4.5, 6.5.4.16, 6.5.4.25, 6.5.4.33, 7.5.4.1, 7.5.4.2, 7.5.4.6, 9.2.4.11, 11.3.4.8, 11.3.4.13, 11.3.4.19, 11.3.4.22, 11.3.4.25, 12.2.4.18

- xi. All expenditure should be incurred after due diligence keeping in view the sense of probity & propriety.
- xii. Internal Audit setups be utilized by BoD.

Chapter-1

Aviation Division Cabinet Secretariat

Overview

The Aviation Division spearheads strategy, policy and oversight of all matters related to civil aviation. It has the primary focus on matters concerning civil aviation by virtue of its structural and human-resource oriented acumen. A developed civil air transport system is vital to economic development of a country. Important economic centers like trade and tourism rely on functioning of air transport system. This Division's activities hence are geared directly towards aviation and indirectly corroborating existing national economic growth plans. Aviation sector must thrive to some reasonable degree on its own terms. An entrepreneurial spirit and 'can-do' attitude among many other business values is encouraged.

Aviation Division had been working under Ministry of Defense as a wing until it was separated and created a new Division under the Cabinet Secretariat in June, 2013.

The vision is to promote and regulate civil aviation activities and to develop an infrastructure for safe, secure, efficient, adequate, economical and well-coordinated civil air transport service in Pakistan. Three main drivers of control to pursue this vision are strategy, policy and oversight.

Aims and Objectives

1. Improve Governance and Oversight: Enhance compliance with International Civil Aviation Organization ICAO standards for aviation safety, security, and efficiency.
2. Level-Playing Field: Provide a fair environment for national airlines and liberalize the aviation sector by allowing market forces to determine air services options.
3. Public-Private Partnership (PPP): Adopt suitable PPP models for airport operations, management, and development.

4. State-of-the-Art Infrastructure: Develop modern infrastructure for safe and efficient air transportation.
5. Incentivize Aviation Sector: Encourage socio-economic growth by providing incentives to the aviation sector.
6. Affordable General Aviation: Create conducive conditions for affordable general aviation activities, including sports flying, inter-city air travel, and air-taxi services.

Governing Laws and Policies

- Pakistan International Airlines Corporation Act, 2016
- Aircraft (Removal of Danger to Safety) Ordinance, 1965
- Pakistan Civil Aviation Authority Act 2023
- Airport Security Force Act, 1975
- Carriage by Air Act, 2012
- IATA Operational Safety Audit (IOSA) Standards.

Audit Profile of Aviation Division

(Rs. in million FY 2023-24)					
S#	Description	Total	Audited	Expenditure	Revenue / Receipts
1	Formations	2	2	229,128.294	238,183.286
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations of Rs. 165,534.535 million were raised as a result of this audit. This amount also includes recoverable amounts of Rs. 24,007.973 million, as pointed out by the audit. Summary of the audit observations, classified by nature, is as follows:

(Rs. in million)		
S#	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	-
3.	Irregularities	-
A.	HR / Employees related irregularities	298.533
B.	Procurement related irregularities	2,592.705
C.	Management of Accounts with Commercial Banks	-
4.	Value for Money and service delivery issues	24,819.350
5.	Others	137,823.947

1.1 Pakistan International Airlines Corporation Ltd.

1.1.1 Introduction

Pakistan International Airlines Corporation Ltd. (PIACL) was incorporated on April 18, 1956, under the Pakistan International Airlines Corporation Ltd. Act, 1956 (PIAC Act 1956). With effect from April 19, 2016, the company was converted from a statutory company into a Public Limited Company by shares, Pakistan International Airlines Company Limited, through Act No. XV of 2016. As a result of this conversion, its shares are quoted on the Pakistan Stock Exchange.

The principal activity of the corporation is to provide air transport services. Additionally, the corporation is engaged in providing engineering and allied services to other airlines.

1.1.2 Comments on Audited Accounts

1.1.2.1 The Corporation's financial performance for the year ended December 31, 2023, is summarized below, highlighting key changes compared to the previous year ended December 31, 2022.

Rs. in million					
	2023	% Inc / (Dec)	2022	% Inc / (Dec)	2021
Revenue - net	237,882.76	38.27	172,038.13	99.61	86,185.39
Other operating income	5,156.09	(17.84)	6,275.63	(4.17)	6,548.79
Operating expenses	239,144.34	26.11	189,629.87	75.97	107,761.22
Operating profit/loss	3,894.50	(134.42)	(11,316.11)	(24.69)	(15,027.03)
Exchange Loss-Net	25,956.03	2.88	25,229.81	243.43	7,346.43
Loss before interest & tax	(22,061.53)	(39.63)	(36,545.92)	63.34	(22,373.47)
Financial charges	79,429.50	58.95	49,971.13	82.44	27,390.28
Loss before taxation	(101,491.02)	17.31	(86,517.06)	73.86	(49,763.75)
tax expenses	3,009.58	101.80	1,491.36	341.57	337.74
Loss after taxation	(104,500.60)	18.74	(88,008.42)	75.66	(50,101)
(Source: Audited Accounts 2022 & 2023)					
The entity has last audited annual accounts of year 2022-23 till finalization of this report.					

Asset analysis

The non-current assets increased by 8.49% from Rs 105,608.317 million in 2022 to Rs 114,553.561 million in 2023. This rise is primarily attributed to the revaluation of property, plant, and equipment, as well as an increase in aircraft fleet lease deposits. Current assets decreased by 8.58% from Rs 49,366.097 million in 2022 to Rs 45,135.781 million in 2023. This decline is primarily attributed to a reduction in trade debts, as well as a decrease in cash and bank balances. Overall, the Company's total assets have increased, showing growth in its asset base. However, the decrease in current assets suggests the company may be facing challenges in managing its working capital.

Liability growth

The current liability of the entity has increased significantly from Rs 380,593.624 million in 2022 to Rs 483,120.786 million in 2023, representing a rise of Rs 102,527.162 million or 26.9%. Furthermore, the non-current liability of the entity has also increased from Rs 362,054.679 million in 2022 to Rs 366,782.669 million in 2023, representing a rise of Rs 4,728.0 million or 1.3%.

1.1.2.2 Revenue Growth

Revenue has consistently increased, with a significant growth rate of 99.61% in 2022, followed by a 38.27% increase in 2023. This indicates a positive trend in the company's revenue stream.

1.1.2.3 Operating Expenses and Profit/Loss

However, operating expenses have also risen substantially, with a 75.97% increase in 2022 and a 26.11% increase in 2023. This has resulted in fluctuating operating profits, with a significant decline of 134.42% in 2023. The company reported an operating loss in 2022, which turned into a profit in 2023.

1.1.2.4 Exchange Loss and Financial Charges

The exchange loss has increased significantly, with a 243.43% growth in 2022, although it slowed down to 2.88% in 2023. Financial charges have also risen, with a substantial increase of 82.44% in 2022 and 58.95% in 2023. These increases have contributed to the company's growing losses.

1.1.2.5 Tax Expenses and Net Loss

Tax expenses have increased significantly, with a 341.57% growth in 2022 and a 101.80% increase in 2023. The net loss has also grown, with a 75.66% increase in 2022 and an 18.74% increase in 2023. This indicates that the company's financial performance has deteriorated over the past three years.

1.1.2.6 Reserve Account Performance

The Corporation's Reserve account showed a negative trend by registering 16.99% increase in 2023, reaching Rs. (761,749.73) million, up from Rs. 651,151.05 million in 2022. The rising pattern of negativity in reserve account is attributed by increasing accumulated losses, which rose to Rs. (754,409.91) million in 2023 from Rs. (649,973.68) million in 2022.

1.1.2.7 Financial Risk and Management Concerns

The Corporation's debt-to-asset ratio stands at 5.32:1, indicating a high reliance on debt financing and potentially signaling a higher level of financial risk. This raises concerns about the soundness of the Corporation's financial management.

1.1.2.8 Liquidity Crisis

The Corporation's cash and cash equivalents have declined drastically by 63.01 % compared to the previous year, from Rs 8,880.16 million in 2022 to Rs 3,284.73 million in 2023. This significant decrease is primarily attributed to a substantial cash outflow of Rs 16,707.97 million, mainly due to the repayment of long-term financing, lease liabilities, and other obligations.

1.1.2.9 Growing Third-Party Liabilities

The Corporation's collection on behalf of others has increased by 14.21% to Rs 74,112.04 million in 2023, up from Rs 64,891.21 million in 2022. This liability comprises taxes, embarkation, security, and infrastructure charges, as well as dues owed to the Pakistan Civil Aviation Authority, payable at foreign stations.

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	7	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	21, 22, 24, 25, 26, 27, 28	27%
2006-07	32	23	9	18,19, 20, 22, 24,25, 26, 28, 30	72%
2007-08	29	23	6	27,31,32,33,34,35	79%
2009-10	12	6	6	38,39,41 (i),41 (ii), 43,44,46	50%
2010-11	25	7	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,	
2012-13	15		3	4.1.4.10, 4.1.4.1, 4.1.4.8	0%
2014-15	40		9	1.1.4.7, 1.1.4.25, 1.1.4.37, 1.1.4.5, 1.1.4.6, 1.1.4.22, 1.1.4.3, 1.1.4.38, 1.1.4.33	0%
2016-17	30	8	22	1.1.4.1, 1.1.4.7, 1.1.4.8, 1.1.4.30, 1.1.4.29, 1.1.4.19, 1.1.2.2, 1.1.2.4, 1.1.3, 1.1.4.12, 1.1.4.13, 1.1.4.15, 1.1.4.16, 1.1.4.17, 1.1.4.20, 1.1.4.22, 1.1.4.23, 1.1.4.24, 1.1.4.25, 1.1.4.26, 1.1.4.27, 1.1.4.28	27%
2017-18	49			1.1.4.2, 1.1.4.31, 1.1.4.23, 1.1.4.9	
2018-19	42	1	41	(1.1.4.1, 1.1.4.3, 1.1.4.9, 1.1.4.12, 1.1.4.18, 1.1.4.19, 1.1.4.20, 1.1.4.23, 1.1.4.27, 1.1.4.32 (remaining to be discussed in PAC)	2%
2019-20	18		18	1.1.4.1, 1.1.4.8, 1.1.4.9, 1.1.4.10, 1.1.4.11, 1.1.4.12 (remaining to be discussed in PAC)	0%
Total	411	148	171		36%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

The overall compliance of PAC directives was not satisfactory, which required the attention of the management.

1.1.4 Audit Paras

1.1.4.1 Non-receipt of aircraft engines, auxiliary power units and landing gears from the repair facility - Rs. 40,044.060 million

Rule 5 (1) 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 interests of the company.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Engineering Department for the year 2022 and 2023, it was observed that the management sent engines, auxiliary power units, and landing gears for repair abroad during 2017-2022. However, the assets were not received back despite lapse of considerable time. The details are as under:

S #	Description	No. of units	Awaiting since	Cost (Rs. in million)
1.	Aircraft engines	12	2017-2022	38,887.630
2.	Auxiliary power unit	03	2020	680.250
3.	Landing gears	06	2021	476.180
Total				40,044.060

Furthermore, 5 engines were sent abroad for repair, but were still awaiting return for a long time. The details are hereunder:

S#	S#	Status	Vendor Name	Amount (Lease Rental USD) 31.12.2023
1	90044002	Leased	GE Aircraft Engine	\$200,000 * 36 months= 7,200,000
2	90046409	Leased	GE Aircraft Engine	\$200,000 * 36 months= 7,200,000
3	900471	Leased	GE Aircraft Engine	\$200,000 * 36 months= 7,200,000
4	900406	Leased	GE Aircraft Engine	\$200,000 * 36 months= 7,200,000
5	699996	Leased	MTU Zhuhai Co. Ltd.	\$200,000 * 5 months= 1,000,000
Total USD 29,800,000*PKR 200/-(avg.) = Rs. 5,960.000 million				

Audit is of the view that non-receipt of aircraft engines and units is a serious matter and reflected poor management and weak internal controls.

The matter was reported to management in April and September, 2024. The management in its reply stated that delays in repairing and retrieving engines are due to significant financial constraints, which have limited PIACL's ability to

meet agreed payment schedules with service providers. The management reply is not tenable as non-receipt of engines resulted in wasteful lease rental cost.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may retrieve these assets and put in place controls for avoiding recurrence in future.

(DP Nos. 243 & 413)

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.1.4.15 having financial impact of Rs. 1,205.986 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.2 Non-recovery from various debtors - Rs. 23,631.055 million

Clause 2.02 of the Credit Policy of Pakistan International Airlines Corporation Ltd. (PIACL) states that the credit period may be up to 30 days (60 days for the Government of Pakistan), a financing cost of 1.25% per month is to be added to all overdue credit for such period (s), except for the Government of Pakistan, and all further credit on overdue accounts should be stopped until all past dues are cleared.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Finance Department for the year 2023, it was observed that an amount of Rs. 23,631.055 million was outstanding against various debtors as of December 31, 2023 (Annex-5).

Description	Account Code	Outstanding (Rs in million)
Pax Sales	60201001	19,385.580
Cargo Receivables		2,314.801
PM General Receivable	60204001	115.262
Precision Engineering Complex (P.E.C)	60204002	653.070
GoP	60403001	591.925
Speedex	-	157.999
Receivables –Engineering Dept	-	128.565
Sohni Dharti Programme		24.143
Ground Handling Agents	-	100.433
M/s Airblue Ltd (Catering Services)	-	5.377

M/s Fast Technical & Engineering Services Pvt Ltd		3.483
Various 23 defaulted Agents	-	150.417
The amount pertains to 03 years or more		
Total		23,631.055

Audit is of the view that the non-recovery of the receivables over a long period reflected poor financial management and weak recovery mechanism.

The matter was reported to the management in September 2024. The management in its reply stated that the above referred amount was deducted from invoices in lieu of withholding taxes and same was deposited by M/s Air Blue to FBR, Government of Pakistan. The management reply is not tenable as the amount invoiced to M/s Air Blue was in excess as compared to receipt amount.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to take prompt action to recover the outstanding amount from the defaulters.

(DP Nos.304, 305, 310, 375, 411,862, 248, 830 & 892)

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.1.4.3 having financial impact of Rs. 10,260.084 million and for Audit Year (s) 2022-23 vide para (s) number 1.1.4.8 having financial impact of Rs. 11,342.290 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.3 Loss due to induction of old leased aircrafts and increase in maintenance and overhaul expenses - Rs. 18,680.000 million

The Federal Aviation Administration (FAA) guidelines for cost controlling of engine overhaul planning and budgeting recommend developing a comprehensive maintenance plan and budget that includes all anticipated maintenance, repair, and overhaul costs (FAA Order 8900.1, Vol. 6, Chap. 3, Sec. 1). Additionally, the guidelines suggest identifying cost-saving opportunities through the use of reliability-centered maintenance (RCM) and other maintenance optimization techniques (FAA Order 8900.1, Vol. 6, Chap. 3, Sec. 2).

During special audit of Pakistan International Airlines Corporation Limited (PIACL) from 2008-2017, it was observed that there was a significant loss of Rs. 18,680.000 million due to induction and maintenance of aircrafts. This loss was attributed to increased maintenance and overhaul expenses. The audit reflected that PIACL inducted 36 aircrafts (A320 and ATR 72-500), but lacked in-house maintenance and overhaul facilities. As a result, these services were outsourced abroad. The average annual maintenance expenses for these aircrafts increased substantially, from Rs. 4,000 million (2008-2014) to Rs. 14,573 million. The detail is hereunder:

- a. Management inducted A320 & ATR 72-500 whose in-house maintenance and overhaul facility did not exist and the same were sent abroad. The average expenses from year 2008 to 2014 were of Rs. 4,000 million per year which increased to amount of Rs. 14,573 million.
- b. Expenses on account of engine rentals increased. Average expenses of rentals prior to the induction of aircrafts were Rs. 164.00 million per year which increased to amount of Rs. 4,109 million from 2014 to 2017.
- c. Engines of all aircrafts were beyond eleven/twelve thousand cycles which led to immediate overhaul after consumption of 2,000 - 3,000 cycles, thereby increased repair & overhaul expenses. As such, yearly expenses of Component Support Package (CSP) also increased.

Further:

- a. There was no any Standard Operating Procedure on the requirements and mechanism of technical evaluation of the aircraft induction. Weight-age of technical evaluation was only 30% and that of financial evaluation was 70%. All the aircrafts inducted in years 2014 & 2015 were 3 to 10 years old. Therefore, giving 30 per cent weightage to technical evaluation reflected negligence of management to the importance of technical requirements and expenses associated with maintenance of aircrafts. Due to non-existence of SOPs, evaluation criteria of ATRs and A320 largely vary from each other. In the technical evaluation bid, criteria of "maintenance facility with PIAC" was made part of bidding document for ATR induction but same was

not made part of technical evaluation for A320 aircraft induction in the same year despite absence of in-house facility at PIA workshops.

- b. Moreover, minutes of technical evaluation of aircraft induction in year 2014 to 2015 were not recorded nor were names of members recorded. When Audit required the document, this fact was mentioned to Audit. Engineering Maintenance Department or Chief Technical Officer (CTO) neither devised any feasibility report for induction of aircrafts, nor was its input taken in any other feasibility as told to the Audit. The details of maintenance costs were also not included in financial feasibility and net present value (NPV) analysis.
- c. Maintenance reserves of each aircraft, which was deposited with lessor from previous user/airline, had also not been taken from the lessor. Non-transfer of maintenance reserves (MR) increased burden of maintenance expenses on PIA. When Audit required the rationale behind non-transfer of the MR to PIA, it was not shown till close of the audit.

Furthermore, in Engineering Department, the management failed to transfer the opening balance of the maintenance reserve, resulting in a loss of Rs. 2,820.790 million. The details are hereunder:

Year	Aircraft	Event	Claim lodge	MR available	Claim approved	Loss (Rs)
Dec-15	AP-BLA	APU	425,000	25,655	25,655	399,345
Apr-17	AP-BLA	APU	452,700	114,270	114,270	338,429
	Auxiliary power unit-MR Loss					737,774
Nov-16	AP-BLA	ESN 697120	8,428,155	764,958	764,958	7,663,196
Mar-18	AP-BLA	ESN 697119	6,311,431	2,493,510	2,493,510	3,817,921
	Engine-MR loss					11,481,118
Mar-17	AP-BLA	Landing Gear	300,000	80,591	80,591	219,408
Feb-19	AP-BLA	6Y/12Y	897,713	868,443	868,443	29,270
	Maintenance reserve Loss-US-\$					12,467,571
	Maintenance Reserve Loss-PKR(@ Rs. 226.25					2,820,788,116

Audit is of the view that due to imprudent induction of aircrafts, poor technical evaluation criteria, expenses on accounts of maintenance & overhaul and engine rentals increased.

The matter was reported to the management during July, 2018, to September, 2018. This office requested the Principal Accounting Officer (PAO) / the Secretary, Aviation Division, Islamabad on 08.03.2019, followed by eight reminders, for holding of DAC meeting so that the Management's para-wise viewpoint is incorporated. In response to this office requests, the PAO convened a DAC meeting on 12 – 14 July 2021, wherein only three chapters 4.1, 4.2 & 4.3 were discussed. The request for convening of DAC meeting on remaining part of the report and provision of the draft minutes of DAC meeting on the discussed paras was also made on 05.11.2021, followed by nine reminders from July, 2022 to February, 2023, but DAC meeting was not convened by the PAO nor were the draft DAC minutes provided to audit for vetting till finalization of this Audit Report.

Audit recommends that the management may consider framing SOPs/rules for technical evaluation, increasing weightage for technical evaluation, ensuring timely induction of aircraft with in-house maintenance, recording committee minutes, and fixing responsibility on individuals at fault.

(DP Nos.250 and 1000 (Para No. 4.10.1.1 of SAR of PIAC for the years 2008-2017))

1.1.4.4 Loss on account of prolonged grounded aircrafts and non-disposal of aircraft engines - Rs. 14,975.590 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Engineering Department for the year 2022, it was observed that the management could not observe the standard timeline for routine aircraft checks, which resulted in prolonged grounding and substantial loss of revenue, as detailed below:

S#	Boeing Reg. #	Planned		Actual		Days			Loss of revenue @ Rs 19,990,189.03
		Date In	Date Out	Date In	Date Out	Planned	Actual	Delay	
1	BMG	15-Nov-21	18-Dec-21	17-Nov-21	14-Aug-22	34	271	237	(4,737,674,800.11)
2	BGK	01-Aug-22	25-Aug-22	26-Jul-22	12-Mar-23	25	229	204	(4,077,998,562.12)
3	BMH	14-Jan-22	24-Jan-22	17-Jan-22	04-Feb-22	11	19	8	(159,921,512.24)
				Total					(8,975,594,874.47)

Besides, five other aircraft were also grounded due to different checks and engine failures, but reportedly declared preserved. The details of preserved aircraft are as follows:

S #	Aircraft	REG#	Title	Reason	Grounded on
1	B777-300 ER	AP-BHW	PIAC	#2 Engine BSI failed	11-Mar-20
2	ATR72-212	AP-BKZ	Leased	Frame 47 damaged by trestle during heavy rain	06-Aug-20
3	B777-200 ER	AP-BGL	PIAC	Check C+Door+Engines+Parts	28-Feb-20
4	B777-300 ER	AP-BID	PIAC	Check C+Engines+Parts	1-Mar-21
5	ATR72-212	AP-BKV	Leased	Check C (Heavy Maintenance) + Structural MIC+ Engines+ Parts	10-Feb-20

Furthermore, special audit of PIACL from 2008-2017 showed that the management incurred a significant loss of Rs. 6,000.000 million due to the devaluation of the market value of engines that were made off-wing or removed from 25 aircraft permanently grounded during this period. These off-wing engines were neither utilized properly nor sold in a timely manner.

In addition, audit of the Engineering Department for the year 2023 reflected that parking charges of Rs. 285.219 million was charged to PIAC by Civil Aviation Authority (CAA) against grounded / phased-out aircrafts at Karachi Airport since long (Annex-6).

Audit is of the view that prolonged grounding of aircrafts resulted in non-realization of potential revenue. Further, non-disposal / utilization of reported engines resulted in a loss.

The matter was reported to management in April 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may establish a maintenance planning system to minimize grounding time. Additionally, asset management practice needs to be reviewed and made effective to avoid further loss.

(DP. No. 238, 285 & 1001-Para No. 4.10.1.11 of SAR of PIAC for the years 2008-2017)

1.1.4.5 Non-adjustment of advances against suppliers - Rs. 10,714.697 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Finance Department for the year 2023, it was observed that the management made huge payments of advances to local and foreign suppliers, but advances remained unadjusted, amounting to Rs. 10,714.697 million as of December 31, 2023.

S#	Description	Amount in Rs.
1	Advances to Suppliers	5,764.710
2	Advances-Fuel	4,847.915
3.	Vendors-Engineering	102.072
Total		10,714.697
The amount pertains to 1-3 years		

Audit is of the view that non-adjustment of material advances for a longer time reflected poor management control on corporation fund resources. Further, provisioning against deposits and advances accumulates further losses, which is also a point of concern.

The matter was reported to the management in August 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends prompt action for adjustments of the outstanding amount.

(DP Nos. 247, 306, 412 & 992)

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.1.4.6 having financial impact of Rs. 8,413.030 million and for Audit Year (s) 2022-23 vide para (s) number 1.1.4.14 having financial impact of Rs. 3,797.120 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.6 Non-payment of component support program obligation - Rs. 10,647.980 million

Rule 5 (1) 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 interests of the company.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Engineering Department for the year 2022, it was observed that due to non-payment of component support programs, the service providers suspended their support. The details of long-term outstanding dues at the time of suspension are as follows:

S #	Particulars	Supplier	Suspend on	Amount (Rs)
1	Airbus - CSP	Société Air France	20.03.2023	29,682,959.77
2	Boeing- CSP	Boeing Global Services	01.10.2023	8,011,434
3	ATR-CSP	Avions de transport regional	03.10.2023	398,055.62
	Total -US \$			38,092,449.39
	Total - PKR (Rs. 279.530)			10,647,982,377.99

Non-payment of component support program liability resulted in suspension of component support from the service provider, which eventually led to the use of an unrestrained cannibalization strategy, as detailed below.

S#	Description	No. of items cannibalized
1	A320 CSP Components	224
2	B777 CSP Components	30
3	ATR CSP Components	03

Audit is of the view that non-payment of component support program dues was a serious financial irregularity on the part of management. Furthermore, long-term grounding of aircraft and operational disruption would be unavoidable.

The matter was reported to management in April 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may prioritize settling the outstanding dues with the service providers by negotiating a payment plan or seeking alternative financing options. Additionally, PIACL may review and revise its component support program contracts to ensure that PIACL's operations are not disrupted due to non-payment.

1.1.4.7 Wasteful expenditure due to non-functional / grounded aircrafts – Rs. 9,843.760 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Engineering Department for the year 2022, it was observed that leased aircraft were grounded due to various checks but couldn't be made operational, resulting in wasteful expenditure of leased cost amounting to Rs. 903.57 million.

No.	Reg. #	Status	Check			Delay	Daily			Total
				Date Out	Date Out	Days	Leased cost	M.R	Total-USD	USD
1	BLC	A-320 Leased	INT-REFUB+MIC+C2		25/Oct/22	652	4,500	766.1	5,266.10	3,433,497.20
2	BMX	A-320 Leased	6YE + 12YE	14/Aug/22	20/Sep/22	37	7,833	7,227.84	15,000.84	557,251.08
3	BLB	A-320 Leased	C2 + MIC	14/Dec/22	28/Jan/23	43	4,500	5,413.59	9,913.59	426,284.37
						732			30,240.53	4,417,032.65
Total-PKR (@ Rs 204.5654)										903,572,205.86

Furthermore, management's failure in making the grounded aircraft operational on time also attributed to the non-realization of revenue of 732 days at Rs. 12.21 million per day, amounting to Rs. 8,940.19 million, and extended the cumulative financial loss to Rs. 9,843.76 million.

Audit is of the view that poor management, monitoring and internal controls resulted in wasteful expenditure to the tune of Rs. 9,843.760 million which was held irregular.

The matter was reported to the management in April 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may develop a comprehensive maintenance strategy to minimize grounding time and ensure timely completion of checks. Additionally, PIACL may renegotiate lease agreements to include provisions for reduced lease payments during grounding periods and consider diversifying its fleet to reduce dependence on leased aircraft.

1.1.4.8 Non-depositing of provident fund & markup - Rs. 9,234.025 million

Section 218 of the Companies Act, 2017, states that all moneys or securities deposited with a company by its employees in pursuance of their contracts of service with the company shall be kept or deposited by the company within fifteen days from the date of deposit in a special account to be opened by the company.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Finance Department for the year 2023, it was observed that the management failed to fulfill their contractual obligation by non-depositing the employee's provident fund and markup in a separate bank account on a monthly basis, as per the details given below:

(Rs. in million)	
Particulars	Year 2023
Provident Fund	435.879
Accrued Markup	8,798.146
Total	9,234.025

Audit is of the view that the management failed to formulate a strategy to pay off their provident fund liability and to protect the interest of their employees. This showed in-efficiency, weak policy-making and poor financial management.

The matter was reported to the management in August 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may formulate a comprehensive strategy to pay off their provident fund liability, protect their employees' interests, and Revise Policy Framework to prevent such lapses.

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.1.4.4 having financial impact of Rs. 9,867.370 million and for Audit Year (s) 2022-23 vide para (s) number 1.1.4.2 having financial impact of Rs. 26,488.649 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.9 Revenue loss due to allowing free and discounted tickets - Rs. 9,043.720 million

S# 8.45, Chapter-VIII of the Schedule of Powers dated 21-01-2011 states that the Managing Director/Chairman is authorized to issue complementary Tickets.

Schedules of Powers states that the Managing Director is authorized to approve concession in fares to Charitable, Sports, & other Organizations up to Rs. 100,000 and the Chairman exceeding Rs. 100,000.

During special audit of Pakistan International Airlines Corporation Limited (PIACL) from 2008-2017, it was observed that the management allowed 258,990 passengers to travel free of cost over a period of six years, disregarding

the corporation's financial position, resulting in a loss of Rs. 5,551.140 million. The year-wise breakdown of free traveling by passengers, excluding employees, is as follows:

			Amount in Rs
Year	No of passenger at zero fare	Avg. fare	Total impact
2016	26,729	17,599	470,403,671
2015	21,816	23,525	513,221,400
2014	43,077	26,411	1,137,706,647
2013	56,815	20,891	1,186,922,165
2012	51,692	19,739	1,020,348,388
2011	58,861	20,770	1,222,542,970
Total	258,990	128,935	5,551,145,241

Furthermore, the management issued 190,724 discounted tickets to passengers and employees, with discounts ranging from 25% to 95%, over a six-year period from 2011 to 2016. A significant portion of these tickets, 116,273, were given at a 95% discount to non-employee passengers on both domestic and international routes, resulting in only 5% of the fare being charged. This generous discounting led to a substantial revenue loss of Rs. 3,492,586,677. Notably, the management failed to obtain approval from the Chairman or Managing Director for these fare concessions. The detail is as under:

Percent discount	Total pax	Employees	Other than employees	Avg. fare 2014	Discount	Total amount (Rs)
95	153,322	37,049	116,273	26,411	25090	2,917,341,892
85	29411	7701	21,710	26,411	22449	487,375,388
Others (50...)	7991	1337	6,654	26,411	13205	87,869,397
Total	190,724	46,087	144,637	79,233	60,744	3,492,586,677

Audit is of the view that practice of allowing free tickets to the passengers other than employees reflects weaknesses in financial prudence, misuse of discretionary powers, inadequate internal controls, and lack of transparency and accountability, as the management disregarded the corporation's financial well-being. Further, allowing discounted tickets to the passengers without obtaining necessary approvals from the Chairman or Managing Director, raises concerns about the lack of transparency, accountability, and adherence to established policies and procedures.

The matter was reported to the management during July, 2018, to September, 2018. This office requested the Principal Accounting Officer (PAO) / the Secretary, Aviation Division, Islamabad on 08.03.2019, followed by eight reminders, for holding of DAC meeting so that the Management's para-wise viewpoint is incorporated. In response to this office requests, the PAO convened a DAC meeting on 12 – 14 July, 2021, wherein only three chapters 4.1, 4.2 & 4.3 were discussed. The request for convening of DAC meeting on remaining part of the report and provision of the draft minutes of DAC meeting on the discussed paras was also made on 05.11.2021, followed by nine reminders from July, 2022 to February, 2023, but DAC meeting was not convened by the PAO nor were the draft DAC minutes provided to audit for vetting till finalization of this Audit Report.

Audit recommends immediate withdrawal of the free ticketing policy to prevent misuse and minimize financial losses. Furthermore, the audit suggests reviewing and revising travel policies to ensure they align with the corporation's financial goals and objectives. Management may establish a transparent fare concession policy, approved by the Board of Directors, which clearly outlines the criteria, procedures, and limits for offering discounts.

(DP No. 996 & 997 Para No 4.6.8, 4.6.10 of SAR of PIAC for the years 2008-2017)

1.1.4.10 Loss due to default by the agents – Rs. 5,032.178 million

Article 27 of the Passenger Sales Agency (PSA) Agreement states that the PSA is liable for outstanding amounts in default, and upon default, ticketing authority will be de-linked and guarantees encashed. Additionally, Article 9 requires the PSA to submit sales reports and remittances fortnightly. According to the Capping for PSAs (Financial Circular: 03/2016), capping is permitted based on available guarantees, and amounts exceeding the guarantee limit require an advance payment via pay order/bank draft.

During special audit of Pakistan International Airlines Corporation Limited (PIACL) for the period 2008-2017, it was observed that various agents defaulted on depositing sales amounts fortnightly. In cases of default, agents were allowed to continue selling tickets beyond the prescribed limits/capping (Annex-7). The summary is as under:

S#	Nature	Period			Total
		1 to 2 year	2 to 3 years	Over 3 years	
1.	International	129.99	677.45	703.33	1,510.77
2.	Domestic	60.04	171.41	161.72	393.17
3.	Domestic/International	9.999	755.835	-	765.385
Total (Rs. in million)					2,669.325

Further, Karachi Booking Office (KBO) audit reflected that various agents exceeded their sales beyond capping limit. The detail is as under:

(Rs. in million)							
S#	Name of agent	Security	Bank guarantee	UIC	Total security/sale limit	Monthly sale	Variance
1	Quality Int'l Travels	1.00	97.25	150.00	248.25	508.706	260.456
2	Easy Way Travels	3.00	15.00	-	18.00	58.864	40.864
3	Meezab Aviation	1.00	26.50	25.00	52.50	160.940	108.440
4	Visair Aviation	1.00	1.50	100.00	102.50	496.873	394.372
Total							804.132

Furthermore, audit of Islamabad Station for the years 2021-2023 showed that the management also exceeded the prescribed capping limit for agents, surpassing the amount secured by their bank guarantees amounting to Rs. 1,558.721 million in violation of the established policy mentioned above. Resultantly, some agents defaulted in payments.

Audit is of the view that the management's failure to enforce the prescribed capping limits on agents' sales resulted in defaults and exposed the organization to financial risks. This weakness in internal controls and non-compliance with established policies compromised the financial discipline and integrity of the organization's sales operations.

The matter was reported to the management during July, 2018, to September, 2018 and in August, 2024. This office requested the Principal Accounting Officer (PAO) / the Secretary, Aviation Division, Islamabad on 08.03.2019, followed by eight reminders, for holding of DAC meeting so that the Management's para-wise viewpoint is incorporated. In response to this office requests, the PAO convened a DAC meeting on 12 – 14 July, 2021, wherein only three chapters 4.1, 4.2 & 4.3 were discussed. The request for convening of DAC

meeting on remaining part of the report and provision of the draft minutes of DAC meeting on the discussed paras was also made on 05.11.2021, followed by nine reminders from July, 2022 to February, 2023, but DAC meeting was not convened by the PAO nor were the draft DAC minutes provided to audit for vetting till finalization of this Audit Report.

Audit recommends that the management may strengthen its agent management and default recovery processes. Furthermore, PIACL may take action against defaulting agents, including pursuing legal action and imposing penalties, to prevent further losses.

(DP Nos. 995 of Para No. 4.6.4 of SAR of PIAC for the years 2008-2017), 307, 831, 832, 92 & 841)

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.1.4.13 having financial impact of Rs. 1,356.459 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.11 Loss due to launching of premiere service flight operations – Rs. 3,197.162 million

Rule 5 (1) 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 interests of the company.

During special audit of Pakistan International Airlines Corporation Limited (PIACL) from 2008-2017, it was observed that the premiere service was launched by the management on August 14, 2016, for the London Sector on the directives of the Prime Minister. However, the management hired an aircraft on a wet lease from Sri Lanka for an initial period of three months which was extended up to December, 2016, despite a negative financial feasibility report, even on Direct Operating Cost (DOC), prior to the decision of acquiring the aircraft. An indicative feasibility study for three months is as follows:

One Aircraft for three months lease term	Amount
Revenue	1,297
Cost	
Fuel	374
Other – Non Fuel	307
Variable Operating cost	681
Rental & others	1,086
Direct Fixed Cost	1,086
Direct Operating Cost	1,767
Contribution to DOC (Rs. in million)	(470)

Thus, PIAC suffered loss of Rs. 3,197.162 million in terms of operations and decrease of revenue (Annex-8).

Audit is of the view that the management's decision to launch the premiere service on the London sector, despite a negative financial feasibility report, was ill-conceived and resulted in significant financial losses. This weakness in decision-making and failure to consider financial implications compromised the financial prudence and sustainability of the organization's operations.

The matter was reported to the management during July, 2018, to September, 2018. This office requested the Principal Accounting Officer (PAO) / the Secretary, Aviation Division, Islamabad on 08.03.2019, followed by eight reminders, for holding of DAC meeting so that the Management's para-wise viewpoint is incorporated. In response to this office requests, the PAO convened a DAC meeting on 12 – 14 July, 2021, wherein only three chapters 4.1, 4.2 & 4.3 were discussed. The request for convening of DAC meeting on remaining part of the report and provision of the draft minutes of DAC meeting on the discussed paras was also made on 05.11.2021, followed by nine reminders from July, 2022 to February, 2023, but DAC meeting was not convened by the PAO nor were the draft DAC minutes provided to audit for vetting till finalization of this Audit Report.

Audit recommends that the management may conduct a comprehensive feasibility study with due approval from the Board of Directors for acquiring aircraft or launching new services.

(DP No. 998 (Para No. 4.7.1.2 of SAR of PIAC for the years 2008-2017))

1.1.4.12 Blockage of revenue due to non-auction of inventory of phased out aircrafts – Rs. 3,140.366 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL) Supply Chain Management for the year 2023, it was observed that inventory worth Rs. 3,140.366 million of different stock items was lying in various store rooms as of December 31, 2023. This inventory was for aircraft that were no longer in PIA service and had been phased out a long time ago. Despite yearly provisions for stores and spares, the management failed to dispose of surplus/obsolete inventory of phased-out aircraft worth billions of rupees.

Audit is of the view that the huge quantity of surplus inventory indicated that management made purchases without proper planning and due diligence. Furthermore, management's failure to dispose of surplus/obsolete inventory of phased-out aircraft, despite yearly provisions for stores and spares, indicates a lack of effective inventory management and control. This inefficiency not only resulted in a significant blockage of revenue but also raises concerns about the management's ability to utilize funds and resources efficiently and effectively.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may develop and implement a comprehensive inventory management system to ensure timely procurement and disposal of surplus/obsolete inventory. The management may conduct regular inventory reviews, identify items that are no longer required.

(DP Nos.378, 414, 890 & 244)

Note: The issue was also reported earlier in the Audit Reports for Audit Year (s) 2023-24 vide para (s) number 1.1.4.5 having financial impact of Rs. 8,566.720 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.13 Imposition of late payment charges - Rs. 1,909.156 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL) Engineering Department for the year 2022, it was observed that the management was unable to pay lease-related dues on time, resulting in the imposition of late payment interest. The details are as follow:

Aircraft Leases – Outstanding Amount (Aug-2023)				
Lessor	Aircraft Type	Number of Aircraft	Outstanding	Late Payment Interest
Shikra	B777-200ER	1	6.9	2.006
ALAFCO	A320	1	2.9	0.036
AACL (ending redelivery)	A320	2	31.3	4.315
Total (US\$ in million)				6.357
Total US\$ 6.357 million @ Rs 300.29				Rs. 1,909.156

Audit is of the view that non-payment of outstanding lease liability in time resulted in charging late payment interest which reflected negligence on the part of management.

The matter was reported to management in April 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may prioritize timely payments of lease-related dues. The management may establish a robust payment tracking system to ensure that all payments are made within the stipulated timeframe. Additionally, PIACL may consider negotiating with lessors to waive or reduce late payment interest charges.

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.1.4.4 having financial impact of Rs. 9,867.370 million and for Audit Year (s) 2022-23 vide para (s) number 1.1.4.2 having financial impact of Rs. 26,488.649 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.14 Unjustified award of contract at higher rates - Rs. 885.398 million

Rule 38 of PPRA Rules, 2004, states that the procuring agency shall consider single bid in goods, works and services if it- (a) meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents; (b) is not in conflict with any provision of the Ordinance; (c) conforms to the technical specifications; (d) has financial conformance in terms of rate reasonability.

During audit of Pakistan International Airlines Corporation Limited (PIACL) Supply Chain Management for the year 2023, a contract awarded to M/s Pak Telecom Mobile Ltd for hiring call centre services was not in order. Initially, the contract was awarded at a cost of Rs. 360.6 million, effective from January 1, 2021, to December 31, 2023. However, the management later awarded the same work to M/s Pak Telecom at a significantly higher cost of Rs. 885.398 million for three years, effective from August 1, 2024, to July 31, 2027. Notably, this contract was awarded to a single bidder at a rate 145.53% higher than the previous contract, without ensuring financial conformance in terms of rate reasonability.

Audit is of the view that award of contract to single bidder without confirmation of market rate was not a prudent decision of the management. This resulted in procurement of services at much higher rates.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may conduct a thorough review of the procurement process to identify the reasons for the significant increase in cost and ensure that future contracts are awarded based on competitive bidding

and rate reasonability. Additionally, PIACL may establish a robust monitoring system to track procurement processes and prevent similar irregularities.

1.1.4.15 Refund of tickets without charging cancellation fees – Rs. 460.000 million

Job description manual/ policy of Revenue Accounting Division of PIAC (Chapter-4, page 302), states that the responsibility of Pax Revenue Section is to physically calculate 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 Pakistan International Airlines Corporation Limited (PIACL), Islamabad Station for the years 2021-2023, it was observed that M/s Six Sigma, (passenger sales agent) frequently refunded the tickets without depositing cancellation / refund charges amounting to Rs. 460.000 million during the year 2022. In addition, the finance department of PIAC has no record in the system.

Audit is of the view that the management's actions may have benefited the agent, as refund charges were not deposited to PIACL, which reflected weaknesses in ticketing system.

The matter was reported to the management on June 6, 2024. In response, the management stated that PIA ticketing is automatically priced, and refunds are also auto-priced. Furthermore, they claimed that they are not in a position to provide ticket-wise data or refund information for M/s Six Sigma. However, this explanation is not acceptable. Given that PIA has invested heavily in software and has a robust ticketing system in place. The management is unable to track refunds or cancellation charges. This lack of transparency and accountability raises concerns.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may strengthen its ticketing system and revenue accounting processes. The management may ensure that

cancellation charges are properly calculated and deposited, and that all refunds are accurately recorded and reported. Additionally, PIACL may enhance its oversight and monitoring mechanisms to prevent similar irregularities. The management should also provide detailed ticket-wise data and refund information for M/s Six Sigma and take corrective action.

1.1.4.16 Irregular award of aircraft repair work on direct contract basis – US \$ 1.593 million equivalent to Rs. 450.819 million

Rule 20 of PPRA Rules, 2004, stipulates that 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 Pakistan International Airlines Corporation Limited (PIACL), Supply Chain Management and Technical Ground Support (TGS) for the year 2023, it was observed that:

- a. The management awarded the aircraft repair work to M/s Turbine Aero Asia (TAA) amounting to Rs. 450.819 million (US\$1.593 million) on direct contract basis in violation of above rules. The details are as under:

Document ID	Description	Amount (US\$)
SCM/747/2023	Repair of B-777 APU S/N P-1299	602,550
CPC/751/2023	Repair of B-777 APU (S/N P-1171)	602,550
CPC /751/2023	Repair of A320 APU (GTC 131-9A) S/N 7223	387,966
Total		1,593,066

- b. The management pre-qualified 11 vendors which agreed to supply the material / service as per agreed rates. However, local purchases were mostly made on direct / three quotation basis from other vendors. Detail is as under:

S#	Description (s)	Amount in Rs.
1	Purchased from the Pre-qualified vendor (s)	9,833,294
2	Direct or three quotation basis purchased	24,142,449
Total Purchases		33,975,743
Direct / three quotation basis purchased		71%
Purchased from the pre-qualified vendors		29%

Audit is of the view that the management awarded the repair work without competitive process and non-prequalified bidders reflected weak internal controls, as well as undue favor.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may conduct an internal inquiry to determine the reasons behind the irregular award and take disciplinary action against responsible officials.

(DP Nos.909 & 371)

1.1.4.17 Undue favor in award of catering contract – Rs. 413.115 million

Rule 29 of PPRA, 2004, states that 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 criterion in the bidding documents shall amount to mis-procurement.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Food Services Department (FSD) Karachi for the year 2023, it was observed that the management awarded the catering contract to M/s Newrest Catering Services at Toronto (Canada) for in-flight catering to PIA at CAD \$2,019,137, equivalent to PKR 413.11 million per annum, on March 5, 2023. Record reflected that the management floated a tender on June 25, 2022, wherein two bidders, namely M/s Newrest Catering Services (existing service provider) and M/s CLS (LSG) Catering, participated. The Technical Evaluation Committee qualified M/s CLS (LSG) Catering, whereas it technically disqualified M/s Newrest Catering Services on the grounds of no Haram and Halal segregation of Dry Store, Cold Storage, and Washing Area. Consequently, the Catering Contract Committee (CCC) recommended M/s CLS (LSG) for the award of the contract, on October 24, 2022. However, contrary to this, the Central Purchases Committee (CPC) deferred the case and directed the user department to retender the contract

without recording reasons. Resultantly, the contract was retendered in December 2022, and M/s Newrest Catering Services was awarded the contract.

Audit is of the view that the management extended undue favor to M/s Newrest Catering Services by scrapping the 1st tender without recording reasons of rejection. This showed undue favor extended to the vendor.

The matter was reported to the management on September 25, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may investigate the reasons behind the CPC decision to defer the case and retender the contract without recording reasons.

1.1.4.18 Loss of revenue due to non-imposition of levy surcharge on web sales - Rs. 382.937 million

Minutes approved by Chief Executive Officer (CEO) (PIACL) on 21-12-2022, entailed levy of USD 2.5 per document for web ticketing on account of risk free premium must be ensured by commercial department.

During audit of Pakistan International Airlines Corporation Limited (PIACL) Finance Department for the year 2023, it was observed that the management failed to impose a levy surcharge of USD 2.5 per ticket on web sales, effective from December 2022, across the entire PK network. This surcharge was intended to cover insurance risk premiums associated with M/s World Pay. The details are hereunder:

Rate in USD per ticket	Average web sales tickets	Total USD	PKR Rate (278.50 per USD)
2.5	550,000	1,375,000	382,937,500

Audit is of the view that this oversight not only reflects poor compliance with established policies.

The matter was reported to the management in August 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may implement the approved levy surcharge per ticket on web sales across the entire PK network.

1.1.4.19 Procurement of aircraft parts / components from unapproved vendors without tendering – Rs. 237.913 million

Rule 20 of PPRA Rules, 2004, stipulates that 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 Pakistan International Airlines Corporation Limited (PIACL), Engineering Department for the year 2022, it was observed that the management procured different aircraft parts, components, and services amounting to Rs. 237.913 million from unapproved vendors without competitive bidding.

Audit is of the view that the management extended undue favor to vendors and procured aircraft parts / components directly from vendors in violation of PPRA Rules. Hence, the procurement of Rs. 237.913 million was held irregular and unjustified (Annex-9).

The matter was reported to management in April 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may strengthen its procurement processes to ensure compliance with PPRA Rules.

1.1.4.20 Non-revision of rates and award of discount - USD 851,093 equivalent to Rs. 236.602 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His

responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Technical Ground Support for the year 2023, it was observed that the management entered into a Ground Handling Agreement with Air China Limited (CA) in the year 2008 for providing ground handling services to Air China Limited at Karachi and Islamabad for its aircrafts. However, the rates were not revised since 2008, which resulted in depriving the management of getting charges at current rates. Furthermore, the management entered into a ground handling agreement with M/s. Shaheen Airport Services in the year 2017 and with Gerry's Dnata in the year 2006. The management charged M/s. Shaheen Airport Services on account of providing GSE equipment at a 20% discount, and the rates were not revised since entering into contractual agreement. The management received meager amount of (calculated for years 2023 & 2024 only) Rs. 100.433 million (US\$ 361,273, calculated at Rs. 277.990 per USD) from M/s Air China Limited. The detail is hereunder:

S#	Description(s)	2023	2024 (06 months)
1	Numbers of Flights	121	79
2	Earning USD	295,708	194,112
Total Earning in USD		489,820 * Rs. 277.990 Equivalent to PKR 136.169 million	

Furthermore, the management entered in a ground handling agreement with M/s. Shaheen Airport Services and Gerry's Dnata in the year 2017 and 2006 respectively. The management charged M/s. Shaheen Airport Services on account of providing GSE equipment at 20% discount and rates were not revised since 2006. The management earned Rs. 100.433 million (US\$ 361,273*Rs. 277.990)

Audit is of the view that non-revision of rates and granting of discount reflected undue favor and weak financial management.

The matter was reported to the management on August 23, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

1.1.4.21 Non-recovery of dues from government and private departments - Rs. 324.650 million

Clause 2.02 of Credit Policy of Pakistan International Airlines Corporation Ltd. (PIACL) states that credit period may be up to 30 days (Government of Pakistan 60 days), financing cost @ 1.25% per month is to be added to all overdue credit for such period (s) (except Government of Pakistan) and all further credit on overdue accounts should be stopped until all past dues are cleared.

During audit of Pakistan International Airlines Corporation Limited (PIACL) Cargo Division for the year 2023, it was observed that a substantial amount of Rs. 218.488 million (Annex-10) was outstanding against various government and private customers for several years. This prolonged non-payment has resulted in operational issues for the corporation, hindering its ability to meet regular expenditures.

Furthermore, an audit of Islamabad Station for the years 2021-2023 reflected that Passenger Sales Agent M/s Royal Travel Service failed to deposit sales amounts. Moreover, the agent's cheques were reported dishonored from April 2019 to February 2020, leading to a non-recovery of Rs. 106.162 million.

Audit is of the view that the management failed to recover an outstanding amount of Rs. 324.650 million which reflected negligence and weak recovery management.

The matter was reported to the management in August, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may take immediate action to strengthen its recovery management and that financing costs be added to overdue credits and further credit be stopped until past dues are cleared.

(DP Nos.91, 420, 419,418 & 845)

1.1.4.22 Non-settlement of insurance claims – US\$ 705,535 equivalent to Rs. 194.022 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Supply Chain Management for the year 2023, it was observed that the management lodged 05 insurance claims with M/s National Insurance Company Limited (NICL) during 2014 to 2021 which had not been settled till-date.

Audit is of the view that the claims could not be settled despite lapse of considerable period which showed non-pursuance of claims on the part of the management.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends pursue outstanding claims with NICL to ensure early settlement.

1.1.4.23 Unjustified expenditure of allowances to engineers posted at foreign stations - Rs. 193.388 million

Rule 5 (1) 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 interests of the company.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Engineering Department for the year 2023, it was observed that the management had posted 42 engineers (Pay Group VIII) at various foreign stations and was paying them different types of foreign allowances, amounting to Rs. 193.388 million (Annex-11), in addition to their salaries. Furthermore, the

management posted engineers at those stations without any cost-benefit analysis although Technical Ground Support services were available at each foreign station.

Audit is of the view that at the time of the contract, all Technical Ground Support services were available at each foreign station, which the management ignored, thereby extended undue favor. Thus, the expenditure of Rs. 193.388 million was held unjustified.

The matter was reported to management in September, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may adopt the measures to cut the unnecessary expenditure in order to keep the corporation in profit.

1.1.4.24 Loss due to receipt of rejected and short inventory from suppliers – Rs. 167.111 million

Para 12 and 14 of the Pakistan International Airlines Corporation Ltd.'s (PIACL) Purchase Manual, all items must fully adhere to specifications and conditions as mentioned in the order and must be in good condition upon receipt/delivery, failing which they will be liable to rejection. In cases of rejection of supplies, the cost of their removal and replacement will be borne by the supplier.

During audit of Pakistan International Airlines Corporation Limited (PIACL) Supply Chain Management for the year 2023, it was observed that the management received items valued at Rs. 69.794 million, which were subsequently identified and rejected by the Quality Control (QC) department. Despite making timely payments, the management failed to obtain replacements from the suppliers. Furthermore, an analysis of receipt inventory against purchases reflected a shortage of items amounting to Rs. 97.317 million. The details are as follows:

Stock Room No.	Total Line Items	Stock taking date	Short items Nos	(Rs.)
SR 81 Consumable	12157	27.02.2023	372	65,651,413
SR 17 FSD Khi	238	25.09.2023	20	30,674,700
SR 80 Raw material Khi	521	20.02.2023	03	991,184
Total				97,317,297

Audit is of the view that the management sustained loss due to non-receipt of compensation against defected and short-supply of inventory.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends management to pursue compensation from suppliers for defective and short-supplied inventory.

(DP Nos.987 & 988)

1.1.4.25 Loss due to payments on delayed flights – Rs. 147.680 million

Chapter-17, page-12 of Job Description Manual of Passenger Handling Services Division (PIAC), states that 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 Pakistan International Airlines Corporation Limited (PIACL), Finance Department for the year 2023, it was observed that the management incurred a significant expense of Rs. 147.680 million on account of delayed flights. There was a lack of proper planning and control over the flights schedule and flight operation, which caused disruption, delays, and cancellation of flights, due to which heavy payment were made on account of delayed flight allowance, penalty paid to passengers, passenger layover, parking charges of aircraft, etc. Despite being a persistent problem, management has failed to implement effective measures to mitigate these losses.

Audit is of the view that there is lack of proper planning and control over the flights schedule and flight operation, resulting in disruption, delays, and cancellation of flights. This inadequacy led to significant financial losses, with the company incurring a heavy payment of Rs. 147.680 million.

The matter was reported to the management in August 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management should establish effective controls to monitor and mitigate disruptions, delays, and cancellations of flights.

(DP Nos. 302 & 849)

1.1.4.26 Loss due to negligence and misuse of aircraft components – Rs. 130.225 million

Clause 3.4 of the B-777 Component Services Program (CSP) agreement between The Boeing Company and PIA states that if a removed component is damaged due to abnormal wear and tear, mishandling, misuse, neglect, aircraft incident or accident, improper aircraft operation or maintenance, improper component maintenance, or non-standard operational condition, Boeing will invoice the customer for repair costs at its current rate.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Engineering Department for the year 2022, it was observed that the management made payments related to Customer-Induced Damage (CID) for components under the Boeing, Airbus and ATR component program. These payments were made due to losses on account of negligence and mishandling as detailed below:

S#	Description	Year	Amount (USD)	Amount (PKR)
1	Boeing CSP Program	2020 to 2022	105,210	18,516,000
2	A-320 CSP Program	2022	101,398	20,279,600.
3	A-320 CSP Program	2020-22	-	79,100,457
4	ATR -CSP Program	2020-22	-	12,329,628
Total				130,225,685

Audit is of the view that the management failed to receive parts in lieu of the damaged ones (negligence and mishandling) under Customer-Induced Damage (CIP) component of the Component Services Program which reflected inadequate case presentation and subsequent follow-up. The damage caused by negligence and mishandling by the Engineering department resulted in loss of Rs. 130.225 million.

The matter was reported to management in April 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may strengthen its internal processes and ensure that all damaged components are properly documented and claimed under the Customer-Induced Damage (CID) component of the Component Services Program. The management should also develop a robust follow-up mechanism to pursue replacement parts from the suppliers and ensure that all eligible claims are processed and settled in a timely manner.

1.1.4.27 Variation in quantity of meals produced vs consumed and meal wastage – Rs. 115.389 million

Standard Operating Procedure allows for additional meal uplift onboard, specifically 08 extra meals on A-320 aircraft and 12 extra meals on B-777 aircraft. IATA Regulations, once meals are uplifted, they cannot be reused on other flights.

Rule 4 of PPRA 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.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Food Services Division (FSD) and Supply Chain Management for the year 2023, it was observed that:

The meal consumption (production) report and the meal uplift report that there was a significant difference in the number of meals produced and consumed on flights. The details of this difference are provided below:

Year	Meal Production	Meal Uplift	Variation Qty	Aver: Cost per meal (Rs)	Variation Cost (Rs.)	Wastage percent
2023	1,294,313	1,085,555	208,758	250	52,189,500	16.129
2022	1,371,125	1,118,327	252,798		63,199,500	18.437
Total	2,665,438	2,203,882	461,556		115,389,000	17

- a. A total of 2,203,882 meals were uplifted, whereas the actual number of passengers who traveled during 2022 and 2023 was 2,040,946. This discrepancy resulted in an excess of 162,936 meals. Considering the allowed 5% wastage as per Standard Operating Procedures (SOPs), the total meal wastage accounted for 154,784 meals, valued at Rs. 38.697 million.

Year	Uplift	Pax Travel	Meal wastage	Allowable limit 5%	Actual meal wastage	Average Cost per meal (Rs.)	Total Loss (Rs)
2022	1,118,327	1,019,447	98,880	4,944	93,936	250	23,484,000
2023	1,085,555	1,021,499	64,056	3,203	60,853	250	15,213,300
Total	2,203,882	2,040,946	162,936	-	154,789		38,697,300

Audit is of the view that the management failed to control meal wastage, uplifted the excess quantity of meal and awarded the contract for a mere time which was unjustified. This indicates weak demand forecasting and meal planning, resulting in a loss due to the excess meal uplift and wastage of meal.

The matter was reported to the management on September 25, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter besides taking corrective measures.

(DP Nos. 861, 860 & 907)

1.1.4.28 Appointment of officers / officials on fake degrees - Rs. 97.200 million

Establishment Division, Government of Pakistan, instructed on March 8, 2011, that all federal government employees' degrees and certificates be verified by their respective ministries and organizations, with foreign degrees verified by the Higher Education Commission (HEC), as reinforced by a Supreme Court ruling (2009 SCR 1492) emphasizing the severity of bogus degree cases.

Para 75 (aj) Misconduct and Para 76 (h) of the Pakistan International Airlines Corporation Ltd. (PIACL) Personnel Policy Manual, entails that providing false information is considered a serious offense. This includes giving incorrect details about one's name, age, father's name, educational or professional qualifications, previous service, or experience. Such misconduct, whether committed at the time of joining the corporation or during one's service, is punishable by dismissal from service.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Islamabad Station for the year 2021-2023, it was observed that the management appointed 27 employees having fake degrees on various posts during different periods.

Furthermore, during Special Audit of Pakistan International Airlines Corporation Limited (PIACL) from 2008-2017, it was also observed that degrees / certificates of 458 employees were found fake/bogus on the verifications, out of which 208 employees were dismissed / terminated. The detail is attached as (Annex-12) the position summarized as under:

Status	2012	2013	2014	2015	2016	2017	Total
Court Case	2	7	47	66	80	34	236
Under process	-	-	1	2	8	3	14
Grand Total	2	7	48	68	88	37	250

Among the fake degree-holders appointed include, 16 Pilots (07) were still working on stay order from court), 52 Engineering staff/officers (36 were still in service) 67 officers (AM to DGM) and 33 Airhostesses. The position showed that on key and sensitive positions, fake degree holders were appointed and their certificates were not got verified by the management in time. Further,

no action as per directives of the Honorable Supreme Court of Pakistan was taken against the culprits.

Audit is of the view that the continuation of services of the employees appointed on fake degrees reflected negligence of the management. This resulted in the irregular payment of salary amounting to Rs. 97.200 million (Rs. 100,000 p.m. x 12 x 3 x 27 employees).

Audit is of the view that the management failed to take action against the employees who submitted fake degrees / certificates.

The matter was reported to the management during July, 2018, to September, 2018. This office requested the Principal Accounting Officer (PAO) / the Secretary, Aviation Division, Islamabad on 08.03.2019, followed by eight reminders, for holding of DAC meeting so that the Management's para-wise viewpoint is incorporated. In response to this office requests, the PAO convened a DAC meeting on 12 – 14 July, 2021, wherein only three chapters 4.1, 4.2 & 4.3 were discussed. The request for convening of DAC meeting on remaining part of the report and provision of the draft minutes of DAC meeting on the discussed paras was also made on 05.11.2021, followed by nine reminders from July, 2022 to February, 2023, but DAC meeting was not convened by the PAO nor were the draft DAC minutes provided to audit for vetting till finalization of this Audit Report.

Audit recommends that the management may take action against the employees with fake degrees.

(DP Nos. 85, 852 & 993 of Para No. 4.2.7 of SAR of PIAC for the years 2008-2017)

1.1.4.29 Extension in catering contracts beyond permissible limit – Rs. 88.080 million

Rule 42 (c) (iv) of PPRA Rules, 2004 states that repeat orders not exceeding fifteen per cent of the original procurement.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Food Services Division (FSD) for the year 2023, it was observed that:

- a) the management extended following contracts beyond permissible limit to contractors.

S#	Description	Name of contractor	Violation	Amount (Rs. in million)
1.	Award of contract for inflight catering services at Toronto	M/s Newrest Catering Services	Management approved extension up to 33% (120 days) of the original contract from November 05 2022 to March 04, 2023 instead of 15%	61.000
2.	Award of contract for inflight catering services at Beijing	M/s Beijing Air Catering	Management approved extension up to 34% of the original contract instead of 15%	27.080
Total				88.080

b) the management awarded a catering contract to M/s Newrest Catering Services at Toronto (Canada) for in-flight catering services to PIA. The contract, valued at CAD 1,765,389 (equivalent to Rs. 185,348,323), was signed on September 9, 2019, for a period of one year, with the option to extend for two years under the same terms and conditions. The management extended the contract for two years until September 8, 2022. However, during the second term extension, from September 2021 to September 2022, the management made excess payments amounting to Rs. 72.089 million for catering costs. This represented a 39% increase over the original contract.

Amount in CAD			
Period	Actual payment	Contract amount	Difference
September 2021 to September 2022	2,452,110	1,765,389	686,721
CAD 686,721*Rs. 104.99 = Rs. 72,098,837.79			

Audit is of the view that the management extended undue favor to the contractors and extended the contracts up to 34% of the original contract, which was held irregular.

The matter was reported to the management on September 25, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may ensure compliance with PPRA Rules, 2004, and hold accountable those responsible for the irregular extensions.

(DP Nos.863, 864 & 867)

1.1.4.30 Loss due to award of transportation contract at higher rate - Rs. 73.803 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Motor Transport Department for the year 2023, it was observed that management awarded transportation contract to M/s Airport Limousine Services Pvt. Ltd. (ALS) at substantially higher rates than the existing contract for transportation services for crew members. Furthermore, the management had split the same scope of work/services contract, which was already awarded to M/s Shani Travels, effective February 25, 2023, to February 24, 2024. A comparative analysis of the contracts showed that the rates awarded to M/s Airport Limousine Services were significantly higher than those of M/s Shani Travels. Specifically, the excess amounts per vehicle per month were: Rs. 74,595 for Karachi, Rs. 81,648 for Lahore, and Rs. 132,699 for Islamabad. These excessive rates resulted in a substantial loss to the corporation, amounting to Rs. 73.803 million.

Audit is of the view that the management awarded transportation contract at higher rate which resulted in a loss to the corporation amounting to Rs. 73.803 million.

The matter was reported to the management on August 16, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may establish a robust contract management system, ensuring transparent and competitive contract awards, and implement effective internal controls to prevent contract splitting.

1.1.4.31 Losses due to creation of two regions (North & South) at UK – Rs. 63.770 million

Rule 5 (1) 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 interests of the company.

During special audit of Pakistan International Airlines Corporation Limited (PIACL) from 2008-2017, it was observed that the management restructured the UK & Ireland vide Order No. 12/2008 dated 21 July 2008, creating two regions: the North region, based at Manchester, covering Manchester, Bradford, Birmingham, and Glasgow, and the South region, based at London, covering only the London station. This caused creation of new post of country manager and additional payment of GBP 455,561 equivalent to Rs. 63.77 million (Annex-13).

Audit is of the view that the restructuring of the UK & Ireland Territory resulted in the unnecessary creation of a new post of Country Manager, leading to additional expenditure. This indicates weaknesses in management's decision-making process, lack of cost-benefit analysis, and inadequate controls over expenditure.

The matter was reported to the management during July, 2018, to September, 2018. This office requested the Principal Accounting Officer (PAO) / the Secretary, Aviation Division, Islamabad on 08.03.2019, followed by eight reminders, for holding of DAC meeting so that the Management's para-wise viewpoint is incorporated. In response to this office requests, the PAO convened a DAC meeting on 12 – 14 July, 2021, wherein only three chapters 4.1, 4.2 & 4.3 were discussed. The request for convening of DAC meeting on remaining part of the report and provision of the draft minutes of DAC meeting on the discussed paras was also made on 05.11.2021, followed by nine reminders from July, 2022 to February, 2023, but DAC meeting was not convened by the PAO nor were the

draft DAC minutes provided to audit for vetting till finalization of this Audit Report.

Audit recommends that the management may ensure that all major restructuring decisions undergo rigorous cost-benefit analysis and are subject to adequate controls over expenditure. Besides, necessary action may be taken against the person (s) at fault.

(Para No. 4.7.1.7 of SAR of PIAC for the years 2008-2017)

1.1.4.32 Irregular procurement of insurance services against advertised criteria - Rs. 58.148 million

Advertisement published in Daily Business Recorder dated 29.05.2022, entailed that sealed bids were invited from insurance companies having an A++/A/AAA rating from JCR-VIS/PACRA. These companies were required to be registered with the Income Tax and Sales Tax Departments and listed as active taxpayers with the Federal Board of Revenue. The bids were for Group Life Insurance Coverage for PIA employees and insurance coverage for PIA's cabin crew, cockpit crew, and employees.

During audit of Pakistan International Airlines Corporation Limited. (PIACL), Supply Chain Management for the year 2023, it was observed that the management awarded contracts of Group Life Insurance Coverage for PIA Employees (Category 1 & 2) to M/s Adamjee Life Assurance Company and M/s EFU Life Assurance Ltd amounting to Rs. 58.148 million without being registered with Sindh Sales Tax Service Act.

Audit is of the view that the management failed to comply with the advertisement criteria as the contractors were not registered with Sindh Sales Tax.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may take immediate action to rectify the irregular procurement of insurance services and that the management may ensure the compliance with the advertised criteria.

1.1.4.33 Irregular award of contract to a technically disqualified bidder - Rs. 53.296 million

Rule 36 (b) (viii) of the Public Procurement Rules, 2004, entails that 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;

During audit of Pakistan International Airlines Corporation Limited (PIACL), Food Services Division (FSD) for the year 2023, it was observed that a contract worth Rs. 53.296 million was awarded to M/s Haneef Traders on January 5, 2023, for the procurement of mayonnaise. However, the vendor failed to provide mandatory HACCP or ISO-22000 certificates and earnest money.

Audit is of the view that the management extended undue favor to the contractor, who failed to meet technical evaluation criteria and submit earnest money. This raises serious questions about the management's decision-making process. As a result, the contract award of Rs. 53.296 million is irregular.

The matter was reported to the management on September 25, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may investigate the circumstances surrounding the award of contract to a technically disqualified bidder and take disciplinary action against those responsible.

1.1.4.34 Unjustified rebate allowed to cargo agents – Rs. 46.105 million

Approved process for regularization of ad hoc rates entails that the management may grant adhoc rate / short deal to agents in order to meet the competition and utilize the available capacity.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Cargo Division for the year 2023, it was observed that cargo agents were allowed to book the cargo on commercial rebate i.e. 5% of the total rate without the approval of the Committee constituted for the approval of commercial rebate cargo rates. Detail is as under:

S#	Month (s)	No. of agents	Adhoc rate allowed (US\$)	Rs. 285/USD
01	January-23	23	13,278	3,784,230
02	February-23	18	8,956	2,552,460
03	March-23	18	11,113	3,167,205
04	April-23	12	10,074	2,871,090
05	May-23	18	20,093	5,726,505
06	June-23	20	19,345	5,513,325
07	July-23	12	16,072	4,580,520
08	August-23	15	19,485	5,553,225
09	September-23	11	13,011	3,708,135
10	October-23	11	11,368	3,239,880
11	November-23	15	7,859	2,239,815
12	December-23	14	11,118	3,168,630
Total		164	161,772	46,105,020

Audit is of the view that the management allowed rebate without approval of Committee which reflected undue financial favor to the cargo agents.

The matter was reported to the management in August, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may recover the total amount of Rs. 46,105,020 from the cargo agents and take disciplinary actions against the personnel responsible for allowing these unauthorized rebates.

1.1.4.35 Loss of revenue due to hoarding of cargo space by agents – Rs. 29.134 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Cargo Division for the year 2023, it was observed that cargo agents booked cargo spaces on flights at various sectors or destinations from Karachi. However, the agents failed to utilize the allocated space, and due to the non-availability of cargo on booked sectors, the management cancelled the allocated space. Consequently, the space remained unutilized on those flights (Annex-14).

Audit is of the view that the management failed to utilize the full capacity of cargo space and due to unnecessary hoarding of the cargo space by the agents. Later on, cancellation of the allocated space, the PIAC failed to generate revenue of Rs. 29.134 million on account of blockage of cargo space by the agents.

The matter was reported to the management in August, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to implement a more efficient cargo space allocation system, introducing penalties for agents who fail to utilize booked space.

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.1.4.26 having financial impact of Rs. 131.101 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.36 Loss due to immigration fines / penalties - Rs. 28.451 million

Clause 6, article 4 of Passenger Sales Agent (PSA) states that the duty of sales agent is to advise passenger concerning passport, health, currency, immigration and other regulations in force in countries to and through which they are to travel and ensure as far as practicable that such regulations are observed by all passengers. In case the passenger is found travelling on invalid documents at transit of destination and if a penalty is imposed on the principal, the loss shall be recovered from the agent.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Finance Department for the year 2023, it was observed that the management paid an amount of Rs. 28.451 million on account of immigration

penalties/fines. As per the rules, these fines/penalties were supposed to be recovered from Passenger Service Agents (PSAs), but this was not done.

Audit is of the view that due to weak internal controls, management failed to recover immigration fines, which are directly affected its revenues.

The matter was reported to the management in August 2024. The management in its reply stated that there are certain reasons declared as beyond control due to which the passengers are deported from foreign stations and recovery cannot be made by PIAC. Further, this is an ongoing process and time to time such cases occur, however, the station follows up with the travel agents to recover the fines. The management's reply is not tenable as recovery from passengers is still pending.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may recover fines/penalties from Passenger Service Agents (PSAs).

(DP Nos. 301, 834 & 844)

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.1.4.29 having financial impact of Rs. 33.947 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.37 Award of contracts without open competitive bidding - Rs. 27.509 million

Rule 20 of PPRA Rules, 2004, stipulates that 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 Pakistan International Airlines Corporation Limited (PIACL), Motor Transport Department for the year 2023, it was observed that the management awarded following contracts amounting to Rs. 17.555 million without open competitive bidding. The details are as under:

S#	Description	Rs. in million
1	Transport Services for Engineering Apron Karachi Station	5.793
2	Transport Services for medical duties	3.414
3	Stores for Workshop at PIACL Motor Transport Department	8.348
Total		17.555

In addition, audit of TGS for the year 2023 reflected that the management procured various ground support equipment parts from the vendors without competitive bidding process. Detail is as under:

S#	Name of Vendors	Amount in Rs.
1.	Al Taqwa Traders	6,786,915
2.	Khan Zai Corporation	3,167,456
Total		9,954,371

Audit is of the view that management extended undue favour to the contractors/clients/parties and obtained the services directly without inviting tender and competitive bidding, in violation of PPRA rules. Hence, the award of contracts was held irregular and unjustified.

The matter was reported to the management on August 16, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends management to immediately initiate a formal inquiry to investigate the circumstances surrounding the award of contracts without competitive bidding. The management may take steps to award contract in accordance with PPRA rules.

(DP Nos. 372 & 399)

1.1.4.38 Unjustified expenditure on hiring of ground support equipment – Rs. 24.477 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His

responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Technical Ground Support for the year 2023, it was observed that the management hired ground support equipment from Ground Handling Agents located across the country. The payment for hiring the equipment was made in USD 88,048, equivalent to PKR 24.477 million, to the agents. However, according to record, 34 ground support equipment had remained unserviceable at Karachi Station for a long time, and over time, their condition may have deteriorated, causing them to go out of order or become damaged due to non-operation.

Audit is of the view that management failed to repair the equipment despite lapse of considerable time which reflected weak financial management.

The matter was reported to the management on August 23, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may take immediate action to repair and maintain the unserviceable ground support equipment by implementing a rigorous maintenance program and adopting a proactive maintenance approach.

1.1.4.39 Loss due to theft incidents - Rs. 20.691 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Engineering Department for the year 2022, it was observed that a theft occurred at the Quick Engine Change (QEC) build-up workshop in Karachi on October 7, 2020. The details are hereunder:

S. No.	Description	Amount in USD
1.	Hydraulic Pumb (Serviceable)	59,397
2.	Adapter (Serviceable)	134.59
3.	Adapter (Serviceable)	143.00
4.	Adapter (Serviceable)	72.32
5.	Reducer (Serviceable)	67.05
6.	Check Valve (Serviceable)	2,469.00
7.	Check Valve (Serviceable)	1,493.00
8.	Harness (Serviceable)	2.046
9.	Harness (Serviceable)	14,937.00
10.	Harness (Unserviceable)	9,561.00
11.	Harness (Unserviceable)	14,937.00
12.	Harness (Unserviceable)	9,561.00
13.	Harness (Unserviceable)	3,665.00
14.	Harness (Unserviceable)	8,794.00
15.	Harness (Unserviceable)	2,046.00
	Total US \$	129,322.96
	PKR (US \$ 129,322.96 x 160)	20,691,674

Audit is of the view that above reported theft incidence reflects serious breaches and weakness in security and control system to protect valuable assets of corporation which is irregular and unjustified.

The matter was reported to management in April, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that management may conduct a thorough investigation to identify the security breaches and hold accountable those responsible. Management should also review and strengthen its security protocols to prevent similar incidents.

1.1.4.40 Loss due to non-recovery of cost of deportees from agents - Rs. 20.112 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His

responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Karachi Booking Office (KBO) for the year 2023, it was observed that an amount of Rs. 20.112 million related to the Cost of Deportees (COD) dating back to 2012 was outstanding. This significant expense was incurred due to tickets and meal costs for passengers deported by foreign immigration authorities, often due to issues like blacklisting, visa problems, or overstaying. The current practice dictates that PIA should recover these costs from the concerned agents. However, despite over 12 years having passed, the amount remains unrecovered.

Audit is of the view that the management failed to recover cost of deportees despite a lapse of more than 12 years which reflected negligence and weak recovery mechanism.

The matter was reported to the management on August 19, 2024. The management in its reply stated that they are in process of recovery from agents. The management reply is not tenable as recovery is still pending.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends management to initiate a thorough review of its recovery mechanism and take immediate action to claim the costs from concerned agents.

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2022-23 vide para (s) number 1.1.4.54 having financial impact of Rs. 15.642 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.41 Irregular award of contract of water supply – Rs. 12.416 million

Rule 39 of PPRA Rules, 2004 states that Performance Guarantee-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.

Terms of Reference for the annual Operation Maintenance Contract require tender documents to specify that only national firms meeting the

standards of Pakistan Standard Quality Control Authority (PSQCA) and World Health Organization (WHO) are eligible to participate.

During audit of Pakistan International Airlines Corporation Limited (PIACL) for the year 2023, it was noted that the contract for supplying water bottles and operating/maintaining the RO Plant at MT Karachi Airport was awarded to M/s. Saleem Sons, valued at Rs. 4,138,800. Despite granting two extensions to the supplier, the management failed to obtain a performance guarantee of Rs. 1.241 million. Moreover, the contractor did not provide valid certificates from PSQCA and WHO with their bidding documents.

Audit is of the view that lapses indicate inadequate contract management and oversight, exposing PIACL to potential risks and financial losses.

The matter was reported to the management in December, 2024 but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management may ensure strict adherence to PPRA rules and its own procurement policies. Specifically, performance guarantees should be obtained from contractors as required, and suppliers may be mandated to provide necessary certifications and documentation.

1.1.4.42 Non-utilization of software resulted in additional payment – Rs. 10.325 million

Rule 5 (1) 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 interests of the company.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Supply Chain Management for the year 2023, it was observed that the management awarded a contract to M/s Oracle System Pakistan Pvt. Ltd. for the renewal of ERP software licenses, totaling Rs. 30.256 million. However, an examination of the contract reflected that out of the 47 software licenses procured, 14 were not being utilized by the company. Consequently, the

management was making unnecessary additional payments amounting to Rs. 10.325 million.

Audit is of the view the payment for software without utilization of services reflected weak financial management.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management immediately review and renegotiate the contract with M/s Oracle System Pakistan Pvt. Ltd. to remove unused software licenses and refund of the paid amount.

1.1.4.43 Irregular return of claim to a defaulter – Rs. 5.000 million

Article 9 of Passenger Sales Agency Agreement states that 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 Pakistan International Airlines Corporation Limited (PIACL)'s Islamabad office for 2021-2023, an irregular payment was discovered. On March 10, 2020, Rs. 5 million was paid to M/s Hania Travel, a defaulted sale agent, as a security deposit refund. This refund was made while performing data migration from COSSAP to ORACLE accounting software. However, the audit raised concerns about the payment's legitimacy, as it was made three to four years after the default and without proper verification of default status, indicating a lack of due diligence and potential misuse of funds.

Audit is of the view that instead of taking action against the defaulter, the agent was paid Rs. 5.000 million which reflected undue favor.

The matter was reported to the management on June 06, 2024. The management in its reply stated that the agent was returned its cash guarantee and joining fees in line with PIA policy and the said agent M/s Hania Travels had not

defaulted. The reply was not tenable as the name of M/s Hania Travel is available in the defaulted list, if not so, a certificate and recovery status of the agent for last 8/10 years be submitted.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the irregular payment, considering it was made without proper verification and effecting recovery of the defaulted amount.

1.1.4.44 Unjustified award of contract of dry cleaning - Rs. 3.872 million

Rule 4 of PPRA 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.

During audit of Pakistan International Airlines Corporation Limited (PIACL)'s Supply Chain Management, for the year 2023, it was observed that the management awarded a three-month tender, valued at Rs. 3.872 million, to Movenpick Hotel Karachi for the dry cleaning of FSD linen. Further, the management re-tendered the same work three times, each time awarding it to the same bidder, Movenpick, for a mere three months.

Audit is of the view that management unjustifiably retendered the same work time and again, which indicated poor planning on the part of management, resulting in a significant loss of time, money, and resources.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may develop clear guidelines for retendering, ensuring that such actions are justified and in the best interest of the organization which will ultimately save time, money, and resources.

1.1.4.45 Blockage of fund due to non-auction of condemned vehicles

Rule 5 (1) 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 interests of the company.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Supply Chain Management for the year 2023, it was observed that there were 249 vehicles were declared as un-serviceable / condemned by the management which was not auctioned since 2017.

Audit is of the view that due to weak internal controls, the vehicles were not auctioned and were causing blockage of fund.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may auction the un-serviceable/condemned vehicles, which have been unused since 2017.

(DP No. 397 & 894)

1.1.4.46 Non-appointment of Chief Internal Auditor

Rule 13 (1) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall appoint a Chief Internal Auditor.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Finance Department for the year 2023, it was observed that the management failed to appoint the Chief Internal Auditor.

Audit is of the view that non-appointment of Chief Internal Auditor reflected negligence and non-compliance of regulatory requirement.

The matter was reported to the management in August 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may appoint a Chief Internal Auditor.

(DP No. 299 & 878)

1.1.4.47 Irregular appointments and promotions due to un-approved defective Service rules

Sections 30 and 31 of PIACL, 1956, state that the Board may make regulations with the prior approval of the Federal Government, and such regulations must be published in the Official Gazette to come into force, and subsequently laid before the National Assembly.

During Special Audit of Pakistan International Airlines Corporation Ltd. Limited (PIACL) from 2008-2017, it was observed that the Regulations were neither approved by the Federal Government nor published in the official Gazette and nor presented in the National Assembly as required Section 31 of the PIAC Act, 1956 till conversion of PIAC in to PIACL through PIAC (conversion) Act, 2016. Therefore, all the promotions made by the management under the Regulations were irregular as it was unapproved by the Federal Govt. Furthermore, the Promotion Policy so prepared was irrational as evident from only one criteria of minimum service required for promotion from Pay Group-IX to X was 05 years in PG-IX or 15 years in PG-V and above or 20 years total service. Therefore, if a person has service of even less than one year in PG-IX and has 15 years in PG-V & above then he is eligible for next promotion in PG-X. Due to this provision, undue favour was extended to the employees who got promoted within few years. The officers got multiple promotions within a short span of time. Furthermore, S# 34.01.02 of Service Rules states that induction in PIAC shall be up to PG-V / VI. However, as per corporation's requirement and non-availability of suitable personnel for promoting/ selecting internally, induction in PG-VII and above can also be made. Contrary to that, the management made practice of appointment on key posts in Group-VII & above without considering the specialized qualification, experience, and seniority etc.

Audit is of the view that un-approved/defective Service Rules resulted into irregular appointments and promotions.

The matter was reported to the management during July, 2018, to September, 2018. This office requested the Principal Accounting Officer (PAO) / the Secretary, Aviation Division, Islamabad on 08.03.2019, followed by eight reminders, for holding of DAC meeting so that the Management's para-wise viewpoint is incorporated. In response to this office requests, the PAO convened a DAC meeting on 12 – 14 July, 2021, wherein only three chapters 4.1, 4.2 & 4.3 were discussed. The request for convening of DAC meeting on remaining part of the report and provision of the draft minutes of DAC meeting on the discussed paras was also made on 05.11.2021, followed by nine reminders from July, 2022 to February, 2023, but DAC meeting was not convened by the PAO nor were the draft DAC minutes provided to audit for vetting till finalization of this Audit Report.

Audit recommends that the management may take corrective actions accordingly.

(Para No. 4.2.8 of SAR of PIAC for the years 2008-2017)

1.1.4.48 Loss due to non-depositing of sales revenue by the agents - Rs. 32,051.040 million

Section 54 of S&D 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. He will also be liable to disciplinary action, including dismissal from service.

During special audit of PIAC for the years 2008-17, while reviewing the soft data on sample basis, audit observed discrepancy of 1,611,215 tickets of Rs. 32,051.040 million in passenger sales data (ticket sales) and passenger uplift data (passenger travelled), meaning thereby that the passengers travelled were more than the passenger's amount deposited in PIAC. The Pax Revenue Section generated the report "lift and unmatched" as highlighted in the internal audit reports, but the same was not provided and the General Manager (Revenue Accounting), Mr. Faisal Raza, who is posted in Revenue Accounting as DGM from 19.04.2010 and GM from 15.09.2011 till - date, denied that such reports were being prepared in PIA. Thus, this information was not provided to audit which is evident from internal audit report. The year - wise discrepancy is given as under:

Year	No. of passengers not showing in sales report	Financial impact (Rs.)
2016	290,392	4,931,640,839
2015	473,565	8,832,550,057
2014	191,223	3,842,060,923
2013	578,466	13,652,457,989
2012	77,569	792,331,122
Total	1,611,215	32,051,040,930

Audit is of the view that the above difference showed that the sales amount of 1,611,215 tickets of Rs. 32,051.040 million were not deposited with the PIA as it did not appear in the Sales Reports, but the passenger travelled in the flights. Such type of irregularities were also highlighted by internal audit department in 2007-2008 and mentioned that either tickets were not reported or reported as void, but no proper action was taken on such observations. Further Audit is of the view that the discrepancy in the tickets and sales system is a fraudulent practice. The responsibility of the subject loss may lie with General Manager, Revenue Accounting and Chief Financial Officer.

The matter was reported to the management during July, 2018, to September, 2018. This office requested the Principal Accounting Officer (PAO) / the Secretary, Aviation Division, Islamabad on 08.03.2019, followed by eight reminders, for holding of DAC meeting so that the Management's para-wise viewpoint is incorporated. In response to this office requests, the PAO convened a DAC meeting on 12 – 14 July, 2021, wherein only three chapters 4.1, 4.2 & 4.3 were discussed. The request for convening of DAC meeting on remaining part of the report and provision of the draft minutes of DAC meeting on the discussed paras was also made on 05.11.2021, followed by nine reminders from July, 2022 to February, 2023, but DAC meeting was not convened by the PAO nor were the draft DAC minutes provided to audit for vetting till finalization of this Audit Report.

Audit recommends detailed probe into the matter and fixing of responsibility on the person (s) at fault.

(Para No. 4.6.6 of SAR of PIAC for the years 2008-2017)

1.1.4.49 Inefficient Flight Operations from Islamabad to other stations (domestic/international)

The Job Description Manual dated January 15, 2015, outlines specific roles and responsibilities. The District Manager is responsible for performing sales activities related to passengers and freight, as well as developing local marketing plans for implementation. Additionally, the General Manager, Network and Schedule Planning, PG-X, who reports to the Director Marketing, is responsible for supervising and monitoring the design of long-term and short-term operating plans, focusing on network management, and evaluating multiple scenarios of schedule changes.

During audit of Pakistan International Airlines Corporation Limited (PIACL), Islamabad Station for the years 2021-2023, it was observed that management's inefficient flight operations resulted in 1,118 flights operating with only one or two passengers from Islamabad to other domestic and international stations, as evident from the recorded provided by the management, as detailed below:

S#	No. of flights	No of passenger
1	816	1
2	302	2
Total	1,118	

Furthermore, the management did not properly operate the flights due to which number of flights operated with passengers carrying 03 to 50 passengers per flight. Instead of cancelling the flight and refunding the amount of tickets, the flights were allowed to operate, which is unjustified (Annex-15).

Audit is of the view that the management's inefficient flight operations resulted in a significant number of flights operating with an unusually low number of passengers, indicating poor route planning and utilization of resources. Furthermore, the management's decision to operate flights with a low passenger load instead of cancelling and refunding tickets is unjustified and reflects weaknesses in operational planning and cost management.

The matter was reported to the management on June 06, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to Implement Efficient Flight Planning, enhancing operational control along with conducting Regular Performance Reviews will enable the management to identify areas for improvement and take corrective actions to prevent such losses.

(DP No.231 & 235)

1.1.4.50 Unjustified retention of employees at non-operational station - Rs. 210.000 million

Rule 5 (1) 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 interests of the company.

During audit of Pakistan International Airlines Corporation Limited's (PIACL) Engineering Department for the year 2023, it was observed from Minutes of the BoD that 35 local employees were retained at the PIACL London station, despite the fact that no operational activity had been going on for the last five years. This was due to a ban imposed on PIACL flight operations by the European Aviation Safety Agency (EASA) on routes to the U.K. and Europe.

Audit is of the view that management retained 35 local employees at the London station for an extended period, despite no flights being operated on the Europe route due to the ban imposed by EASA on PIA flight operations. Thus, the expenditure amounting to Rs. 210.000 million was held irregular.

The matter was reported to management in September, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to probe the matter.

1.1.4.51 Losses due to mishandling - Rs. 11.705 million

Clause 1.4.2.7 of the Maintenance Organization Exposition states that the Chief Engineer (Component Maintenance) is responsible for component-level maintenance on various aircraft components, as defined in the scope of work under PCAA ANO 145 Approval. Additionally, Clause 1.4.2.11 designates the General Manager (Logistics) as the overall administrator for procurement, storage, handling, logistics support, and distribution of aircraft stores.

During audit of Pakistan International Airlines Corporation Limited (PIACL) Supply Chain Management for the year 2023, it was observed that:

a) On September 17, 2022, a driver collided with an aircraft at Islamabad Airport, causing damage to the right wing tip structure. The investigation that followed showed a lapse in protocol: the driver lacked the requisite Airport Driving Permit (ADP), a fact duly noted by the Civil Aviation Authority (CAA). Moreover, the Motor Transport Supervisor was absent at the time of the incident. This negligence had severe financial consequences, resulting in repair expenditures totaling Rs. 66.673 million (equivalent to US\$ 242,449). Compounding the issue, this amount remained unrecovered from the service provider, M/s Air Blue.

b) Further, the audit of Engineering Department for the year 2022 reflected that the management incurred losses amounting to Rs. 61.220 million due to the mishandling of aircraft components. Specifically, components sent abroad for repair were found to be damaged upon delivery to the repair facility, as recorded by the repairer's finding reports (Annex16).

c) a B-777 aircraft spare part, removed for service on August 30, 2019, due to a fault, went missing during transit to Honeywell's repair facility in Singapore. The part was initially sent to Kuala Lumpur for onward transmission via Malaysian Airlines, but it was lost on January 26, 2021, while in the possession of the Malaysian airline authority. Despite efforts to locate it, the component remains untraceable, resulting in a loss of US\$124,615.13, equivalent to Rs. 28.194 million.

d) an incident occurred involving a catering van and a grounded Boeing 777 aircraft (AP-BGK). On January 8, 2020, the aircraft was parked for an anti-hijacking exercise. The transport in-charge allowed SSG personnel to operate the

catering van. Unfortunately, the van's extended platform struck the aircraft's door, causing damage to the R1 door mechanism. This incident resulted in a financial loss of Rs. 11.710 million.

S#	Description	Amount (Rs)
1	Hinge ARM	43,000
2	Fitting Assy	3,500
3	Man hours	4,172
4	Material	1,063.94
5	Total US \$	51,735.94
Total (US \$ 51,735.94 @ Rs 226.25)		11,705,256

Audit is of the view that the incidents took place due to negligence, which caused loss to the national exchequer.

The matter was reported to the management in November, 2024. The management in its reply stated that the incident was occurred on September 17, 2022 and the latter was served to M/s Air Blue on the same day. M/s Air Blue agreed to accept negligence on incident and action taken to immediate terminate concern staff. Furthermore, M/s Air Blue has agreed to settle the issue subject to clearance from PIA insurance for undertaking for the policy claim or coverage. The management's reply was not tenable as the amount of loss due to incident had not been recovered.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may conduct a thorough investigation into the incidents, identify the responsible personnel, and take disciplinary actions accordingly. Moreover, PIACL may recover the damages.

(DP Nos. 236, 241, 828 & 889)

1.1.4.52 Unjustified transfer of vehicles

Chapter 24 of PIAC's Personnel Policy Manual (approved by the Board) outlines the entitlement and conditions for car allotment and transfer. As per the policy, the CEO is entitled to a 2000 CC car for their tenure, which remains non-transferable. However, if a regular employee is appointed as CEO, they can transfer their existing car, which is a 1800 CC model. General Managers or equivalents are entitled to a Honda City MT or Toyota Corolla (1300 CC).

During audit of Pakistan International Airlines Corporation Limited (PIACL), Engineering Department for the years 2023, it was observed that management procured 02 nos. of vehicles one 1,800 CC car for Chief Executive Officer (CEO) and one 1,300 CC car for General Manager (General Accounting) amounting to Rs. 15.694 million. The Board authorized issuance of 1,800 and 1300 cc cars through leasing arrangement to CEO and GM respectively, transferable at the end of leasing tenure. The decision of the Board was against the above mentioned policy which restricts allotment to regular employee only.

Further, the audit of Motor Transport Department for the year 2023 reflected that the management allotted vehicles to individual officers without obtaining approval from the competent authority. Additionally, it was found that these officers were already receiving conveyance allowances.

S#	Allocation of Vehicle	Vehicle	Fuel (Ltr.) per year	Amount (Rs.)
01	Station Manager	Suzuki Cultus (ALN-694)	2,046	5,115,000
02	Chief (safety department)	Toyota Corolla (GA-8562)	320	80,000
03	Chief Financial Officer (CFO)	Toyota Corolla (AXE-301)	287	71,750
	Total			5,266,750

Audit is of the view that management extended undue favor to above-mentioned officers and allotted the vehicles without approval and in violation of rules.

The matter was reported to management in September, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may ensure strict adherence to the company's policy regarding vehicle allotments, restricting them only to regular employees as per entitlement based on pay scale. Besides, corrective action may be taken.

(DP Nos. 400 & 406)

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 Ltd. 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 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 2020 to 2023 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2020 to 2023 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (Annex-2).

1.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2018-19	10	1	9	1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4, 1.2.3, 1.1.2.1, 1.1.2.2, 1.1.2.3, 1.1.2.4 (remaining to be discussed in PAC)	10%
2019-20	1		1	1.2.4.1	0%
Total	11	1	9		9%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

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

1.2.4 Audit Paras

1.2.4.1 Loss of revenue due to out of order and below optimal occupancy rates – Rs. 102.630 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2023, it was observed that:

- a) Out of 310 rooms, 108 rooms were out of order/ non-operational resulting in a significant loss of revenue. The management received the reservation requests which could not be entertained due to non-availability of operational rooms (Annex-17).
- b) The management sustained a significant revenue loss of Rs. 61.000 million due to below / less optimal occupancy rates. Despite the potential for higher occupancy, the management failed to devise and implement strategies to maximize utilization of rooms.

Audit is of the view that the substantial number of out-of-order rooms signifies a systemic issue within the company's operations. Furthermore, less optimal occupancy rates showed absence of an annual business plan and monthly revenue targets indicated a serious lapse in management's oversight and operational efficiency.

The matter was reported to the management on August 19, 2024. The management in its reply stated that various haphazard renovation initiatives had been taken and management take due care for maximum occupancy of rooms. The management's reply was not tenable as no annual business and procurement plans duly approved by the Board for the said fiscal year are submitted. Additionally, the audit has not been provided with approved comprehensive plan to operationalize all rooms available with management along with revenue impact of newly operationalized rooms.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to probe the matter.

(DP Nos. 422 & 423)

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.2.4.2 having financial impact of Rs. 245.639 million. Recurrence of same irregularity is a matter of serious concern.

1.2.4.2 Non-recovery of dues from various parties – Rs. 32.156 million

Rule 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 Skyrooms (Pvt.) Limited (SRL) for the year 2023, it was observed that note no. 9 to the financial statements reflected that an amount of Rs. 32.156 million remained outstanding against various parties as on December 31, 2023.

Audit is of the view that the management's failure to recover this substantial amount reflected a significant deficiency in the company's credit and collection processes. This indicated weak internal controls and a lack of oversight in managing receivables. The continued non-recovery of this amount poses a risk to the company's financial health.

The matter was reported to management on August 19, 2024. The management in its reply stated that recovery of outstanding dues is in progress. The management's reply is not tenable as the amount is still outstanding.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to take immediate action to recover the outstanding receivables.

1.2.4.3 Unjustified termination of contracts - Rs. 30.254 million

Rule 4 of PPRA, 2004 states that procuring agencies, while engaging in procurement, 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 audit of Skyrooms (Pvt.) Limited (SRL) for the year 2023, it was observed that the management terminated following services and works contracts without any valid reasons.

Description	Period	Amount (Rs)
M/s Fakhri Enterprise	01.06.2023 to 31.05.2024	16,124,590
M/s MAQ Corporation	01.06.2023 to 30.09.2023	1,041,750
M/s M.Z Enterprise	28.04.2023 to 27.04.2024	3,118,164
M/s JNR Enterprise	01.06.2023 to 31.05.2024	7,724,080
M/s JNR Enterprise	28.04.2023 to 27.04.2024	2,245,966
TOTAL		30,254,550

Audit is of the view that the management's actions constituted a serious breach of rules and undermine the principles of transparency, fairness, and competition in public procurement. These violations may have resulted in financial losses to the organization and compromised the integrity of the procurement process.

The matter was reported to management on August 19, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

1.2.4.4 Deficiencies in award of food services contracts - Rs. 19.984 million

Rule 15 (2) of PPRA, 2004 states that a procuring agency while engaging in pre-qualification may take into consideration the following factors, namely:- (a) relevant experience and past performance; (b) capabilities with respect to personnel, equipment, and plant; (c) financial position; (d) appropriate managerial capability; and (e) any other factor that a procuring agency may deem relevant, not inconsistent with these rules.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2023, it was observed that the management awarded various contracts of food items to M/s H.M Traders amounting to Rs. 19.984 million despite the fact that vendor lacked requisite experience in food services and also failed to provide mandatory microbial specifications and chemical test reports as stipulated in the tender documents.

Audit is of the view that absence of essential due diligence in assessing the vendor's qualifications and adherence to hygiene standards poses significant risks to the hotel's reputation and customer health. This oversight constitutes a serious lapse in management's fiduciary responsibilities.

The matter was reported to management on August 19, 2024. The management in its reply stated that all codal formalities were observed in awarding of contract. The management's reply was not tenable as contracts were awarded without requisite experience.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

1.2.4.5 Mis-procurement in award of contract of water supply – Rs. 18.200 million

Rule 15 (2) of PPRA, 2004 states that a procuring agency while engaging in pre-qualification may take into consideration the following factors, namely: (a) relevant experience and past performance; (b) capabilities with respect to personnel, equipment, and plant; (c) financial position; (d) appropriate managerial capability; and (e) any other factor that a procuring agency may deem relevant, not inconsistent with these rules.

Further, Rule 23 (1) of PPRA, 2004 states that 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.

Further, Rule 29 of PPRA, 2004 states that 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 Skyrooms (Pvt.) Limited (SRL) for the year 2023, it was noted that the management awarded a water supply contract to M/s Ghulam Nabi amounting to Rs. 18.200 million. However, audit observed the following irregularities:

- 1) The tender notice was issued on February 24, 2023 and opened on February 27, 2023 which was unjustified.
- 2) Bidding documents skipped critical factors including Water Quality Standards and Testing Procedures.
- 3) The contractor failed to provide the necessary certificates including company registration, FBR registration and SRB registration.
- 4) The bidder was not experienced; however, the management awarded 30 marks.
- 5) There was no mention of Hydrant Facility Approved from KWSB.
- 6) The extension of the contract was granted without adequate justification.

Audit is of the view that the irregularities identified in the contract award process constituted a serious breach of procurement procedures and financial discipline. The management's actions indicated a lack of oversight, control, and adherence to established standards. Thus, award of contract amounting to Rs. 18.200 million stands irregular.

The matter was reported to management on August 19, 2024. The management in its reply stated that all codal formalities were fulfilled in award of contract. The management's reply is not tenable as the above deviations reflected violation of contract conditions.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to probe the matter.

1.2.4.6 Irregular award of contract of shuttle services - Rs. 17.985 million

The Instruction to Bidders on APH-PUR-Shuttle Service-05-2023 outlined the following mandatory requirements: a Fitness Certificate for the

Coasters, Coaster Insurance Documents, a First Aid Box, at least 5 years of experience in the transportation sector for the bidding company, a minimum of 3 years of driving experience for the drivers, and all submitted documents must bear the company seal.

During audit of Skyrooms (Pvt.) Ltd for the year 2023, it was noted that the management awarded a contract to M/s Universal Transport Shuttle Service for the provision of shuttle services amounting to Rs. 17.985 million. However, the contract was awarded in absence of above mandatory requirements.

Audit is of the view that the irregularities identified in the contract award and extension constitute a serious breach of the Public Procurement Rules and undermine the principles of transparency, fairness, and competition. The management's actions indicate a lack of oversight and control in the procurement process, raising concerns about potential conflicts of interest or favoritism.

The matter was reported to management on August 19, 2024, but no reply was received.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to probe the matter.

1.2.4.7 Irregular payment of daily wages - Rs. 7.945 million

FBR Notification No. F.4 (1) TP/2004-EC dated July 17, 2004, states that expenditure incurred under single account was inadmissible if it exceed 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 of Rs. 10,000 for the purpose of making payment through crossed Cheque under a single account head.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2023, it was observed that contrary to above, the company disbursed Rs. 7.945 million in cash and open cheques as daily wages to employees. Moreover, the company failed to maintain adequate records to substantiate the utilization of these funds.

Audit is of the view that the disbursement of funds through cash and open cheques for daily wages was irregular. The authorization of such payments

represents a misuse of power and raises concerns about the potential misappropriation of funds.

The matter was reported to management on August 19, 2024. The management in its reply stated that bank has refused to open accounts of daily wagers earning below PKR40, 000. The management's reply was not tenable as banks generally offer Assan Account facility without financial discrimination.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the comprehensive investigation should be conducted to ascertain the exact utilization of the disbursed funds and to identify individuals responsible for these irregularities.

1.2.4.8 Non-finalization of annual accounts

Section 233 of Companies Act, 2017, states that the company shall prepare the annual accounts within four months after closure of accounts for the specific year.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2023, it was observed that management did not finalize the annual audited accounts for the years 2021 onwards.

Audit is of the view that due to non-preparation of annual audited accounts, fair and true picture of the affairs of the corporation could not be ascertained.

The matter was reported to management on August 19, 2024. The management in its reply stated that the preparation of annual accounts is still in progress. The management's reply is not tenable as the management was still struggling to prepare financial statement for fiscal year 2021, 2022 and 2023 as on 2nd September, 2024. Additionally, the management failed to submit clear timelines for preparation of annual financial statements, their approval from the Board and subsequent submission of the same to SECP.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

Note: The issue was also reported earlier in the Audit Report for Audit Year (s) 2023-24 vide para (s) number 1.2.4.16. Recurrence of same irregularity is a matter of serious concern.

1.2.4.9 Irregular promotion of employees

The Schedule of Administrative, Financial, Miscellaneous and Standing Committees Powers, approved by the Board of Directors in its 56th meeting on June 19, 2013, outlines the following promotion criteria for advancement to the next post in its employee rules.

Grade	Duration of Service
From S-V to E-I (Assistant Manager)	04 years' service in S-V cadre
From Deputy Manager to Manager	05 years' service as Deputy Manager
Manager to Dy. General Manager	07 years' service as Manager
Dy. Gen. Manager to General Manager	10 years' service as Deputy Gen. Manager

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2023, it was observed that the management promoted all 61 permanent employees on November 02, 2022, bypassing established promotion procedures. The absence of supporting working papers from the Employment Committee and the lack of Board approval for these promotions indicated a significant deviation from Standard Operating Procedures (SOPs).

Audit is of the view that the aforementioned actions constituted a clear breach of established promotion guidelines and represent an undue favoritism extended to all permanent employees. This irregular promotion process undermines the principles of merit and fairness in the organization.

The matter was reported to management on August 19, 2024. The management in its reply stated that no promotions / higher grade were awarded to employees since 2017, therefore employees were promoted. The management's reply is not tenable as promotions were made in violation of policy / rules.

Despite requests and subsequent reminders on 02.01.2025, 06.1.2025 and 17.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the Board conduct a thorough investigation into the circumstances surrounding these promotions, identifying the individuals responsible for the deviations.

Chapter-2

Cabinet Division

Overview

The Cabinet Division's role is to facilitate Federal Cabinet, its meetings and official visits of delegations.

Aims & Objectives

1. All secretarial work for the Cabinet, National Economic Council and their Committees, Secretaries' Committee.
2. National Economic Council: Its constitution and appointment of members.
3. Secretaries Committee.
4. Central Pool of Cars.
5. All matters relating to President, Prime Minister, Federal Ministers, Ministers of State, Persons of Minister's status without Cabinet rank, Special Assistants to the Prime Minister.
6. Appointments, resignations, salaries, allowances and privileges of Provincial Governors.
7. Strength, terms and conditions of service of the personal staff of the Ministers, Ministers of State, Special Assistants to the Prime Minister, dignitaries who enjoy the rank and status of a Minister or Minister of State.
8. Rules of Business: Setting up of a Division, allocation of business to a Division and constitution of a Division or group of Divisions as a Ministry.
9. Implementation of the directives of the President/Prime Minister.
10. Follow up and implementation of decisions of all the bodies mentioned above.

Governing Laws and Policies

- Rules of Business 1973
- Rules for the Use of Staff Cars 1980
- Pakistan Commissions of Inquiry Act, 2017

- Administrative functions in respect of National Anti-Money Laundering and Counter Financing of Terrorism Authority Act, 2023
- Policy for Monetization of Transport Facility
- Telephone Policy
- Internet and Email Policy
- Guidelines regarding Agreements/MOUs with Foreign Governments / Private entities not covered in the Rules of Business, 1973
- Awards Policy and Guidelines-2024

Audit Profile of Cabinet Division

(Rs in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	8	2	2,901.816	3,947.734
2	Assignment Accounts (excluding FAP)				
3	Authorities /Autonomous Bodies etc. under the PAO	6	2	2,901.816	3,947.734
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations of Rs 49,900.531 million were raised as a result of this audit. This amount also includes recoverable of Rs 4,418.920 million. Summary of the audit observations classified according to respective subjects' nature is as under:

Overview of the Audit Observations

S. No.	Classification	Amount (Rs)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	228.578
B	Procurement related irregularities	3,749.437
C	Management of accounts with Commercial Banks	1,580.000
4	Value for money and services delivery issues	-
5	Others	44,342.516

2.1 Printing Corporation of Pakistan (Pvt.) Limited

2.1.1 Introduction

Printing Corporation of Pakistan (Pvt.) Limited was incorporated on January 01, 1969 as a private limited company under the Companies Act, 1913 (now Companies Act, 2017). The entire shares of the Company are held by the Government of Pakistan. The registered office of the Company is situated at Khayaban-e-Suhrawardy, Islamabad.

The Company is principally engaged in the business of printing of government publications. Currently, the Company has the following presses:

1. PCP Printing Press Islamabad;
2. PCP Printing Press Lahore; and
3. PCP Printing Press Karachi.

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 annual accounts for the years 2021-22 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the years 2021-22 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

2.1.2.2 The working results of Printing Corporation of Pakistan (Pvt.) Limited for the year 2020-21 in comparison of the previous years are given below:

	2020-21	% Inc/ (Dec)	2019-20	% Inc/ (Dec)	2018-19
INCOME					
Sales Net	204,847,461	-15%	239,737,908	-64%	662,796,015
Cost of Sales	(259,251,046)	-4%	(270,165,730)	-24%	(356,148,183)
Gross Profit (loss)	(54,403,585)	79%	(30,427,822)	-110%	306,647,832
OPERATING EXPENSE					
General & administrative expenses	(205,160,833)	-3%	(210,546,248)	-9%	(232,147,434)
Selling Expenses	(1,622,440)	66%	(979,046)	-58%	(2,358,202)
OPERATING INCOME/LOSSES	(261,186,858)	-8%	(241,953,116)	-435%	72,142,196

OTHER CHARGES & INCOME					
Financial Charges	(253,585,075)	-11%	(285,192,472)	-3%	(295,241,798)
Other income	81,951,157	-46%	152,541,318	41%	107,868,308
PROFIT/LOSS BEFORE TAXATION	(432,820,776)	-16%	(374,604,270)	225%	(115,231,294)
Taxation	(4,301,979)	-27%	(5,884,188)	-29%	(8,284,949)
PROFIT/LOSS AFTER TAXATION	(437,122,755)	-15%	(380,488,458)	208%	(123,516,243)
Prior year adjustments	42,887,941	-34%	64,506,683	3607%	1,740,049
NET LOSS FOR THE YEARS	(394,234,814)	-25%	(315,981,775)	159%	(121,776,194)
BASIC EPC	(41.82)	15%	(36.40)	208%	(11.82)

Gross loss of the company stood at Rs 54.403 million in 2020-21 which is 79% higher than 2019-20. Moreover, cost of sales is higher than sales which means the business model that PCP has adopted is unviable and may result in going concern issues sooner or later.

2.1.2.3 There is an unmatching trend in sales and cost of sales, i.e. sales decrease by 15% while cost of sales decreased by only 4%, which led to 79% increase in gross loss for the year ending 30th June 2021. Furthermore, selling expenses, which should ideally have decreased (with lower amount of sales in 2021), were actually increased. Reasons for the unparalleled fall should be explained.

2.1.2.4 The company obtained numerous loans amounting to Rs 2.519 billion (2020: Rs 2.519 billion) from government of Pakistan (GoP) as long-term loans. However, no repayment of these loans has been made since obtaining the said loans. The position may be explained.

2.1.2.5 No provision for doubtful receivables has been made in financial statements during the year. Reasons for non-provision may be explained.

2.1.2.6 Note-3 of Financial Statements indicates a net loss of Rs 394.235 million (2020: 315.982 million) during the year ending 30th June 2021. Accumulated loss in 2021 piled up to Rs 4,121 million which eradicated equity of the company which has become negative to the tune of Rs 4,012 million.

2.1.2.7 Receivables amounting to Rs 8.310 million were written-off. Justification for writing-off by provided alongwith aging at the time of writing off.

2.1.2.8 The interest coverage ratio has fallen to negative of 1.030 times which means the corporation is struggling to cover its interest expenses and their current earnings are insufficient to service its outstanding debt.

2.1.2.9 Interest income has decreased by 100% from Rs 149.636 million in 2019-20 to Rs 74.702 million in 2020-21 which needs explanation.

2.1.3 Compliance of PAC Directives

S. #	Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1	1990-91	08	7	1	12	88
2	1991-92	08	7	1	8	88
3	1992-93	12	10	2	6, 10	83
4	1996-97	07	1	6	5, 6, 7, 9, 10, 11	14
5	1998-99	07	6	1	41	86
6	1999-00	11	8	3	14, 37, 44	73
7	2000-01	08	6	2	34, 35	75
8	2002-03	15	14	1	5.6	93
9	2003-04	09	7	2	3.1, 3.7	78
10	2004-05	03	2	1	3	67
11	2005-06	09	8	1	2.1	89
12	2006-07	06	4	2	2.4, 2.5	67
13	2007-08	03	3	0	0	100
14	2008-09	04	3	1	1.1	75
15	2009-10	06	0	6	1, 1.1, 1.2, 1.3, 2, 3	0
16	2010-11	08	0	8	1.1.1 & 1.1.2.1, 1.1.2.3, 1.1.2.4, 1.1.4.2, 1.1.2.2, 1.1.3, 1.1.4.1, 1.1.4.3	0
17	2013-14	08	06	02	3.3.2.4, 3.3.2.5	75
18	2015-16	03	2	01	2.1.4.1	67
19	2017-18	12	0	12	2.1.1, 2.1.2.1, 2.1.2.2, 2.1.2.3, 2.1.2.4, 2.1.2.5, 2.1.2.6, 2.1.2.7, 2.1.2.8, 2.1.2.9, 2.1.2.10, 2.1.3	0
Total		147	94	53		64

Overall compliance of the PAC directives was not satisfactory which needs to be improved.

2.1.4 Audit Paras

2.1.4.1 Irregular drawl of special allowance without approval of Finance Division - Rs 107.145 million

According to Finance Division letter dated March 06, 2013, “Special allowance @ 20 percent of running basic pay w.e.f. 01.03.2013 will be admissible to officers / officials serving in Ministries/ divisions only.

As per Finance Division letter dated 23.01.2024 vide Para No. 5(iii & iv) - Pays, allowances and their revision of all Government employees, including those employed in Autonomous/Semi-Autonomous/Corporate bodies require prior approval of Finance Division. Furthermore, Auditor-General of Pakistan should ensure during audits of all offices of the Federation, Finance Division's specific approvals are available and verified in respect of all expenditures and charges including pay and allowances.

During audit of Printing Corporation of Pakistan for the year 2023-24, it was observed that special allowance @ 20 percent was being granted to employees of corporation since March 2013 without obtaining approval from the Finance Division. As a result, a payment of Rs 107.145 million was made, whereas, this allowance was intended solely for employees of Ministries / Divisions.

Payment of special allowance without concurrence of Finance Division is indicative of poor internal controls.

Audit is of the view that the special allowance can be granted only with the approval of the Finance Division.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the matter in question, fixing responsibility besides effecting recovery since 2013.

(Para-1, PCP 2023-24)

2.1.4.2 Unjustified drawl of dual medical allowance - Rs 11.38 million

According to para (9) of the Finance Division Letter dated July 7, 2015, the medical allowance was increased to 25% of the existing admissible amount as of July 2015, and it would be frozen at that same level.

During audit of the Printing Corporation of Pakistan for the year 2023-24, it was observed that officers and officials were receiving medical allowance @ 10% of their current basic pay. In addition, they were also receiving a government-notified medical allowance @ 25 percent, since July 2015. Since the Corporation follows National Pay scales and all other allowances are in accordance with government rules, the medical allowance must also be aligned with government rules/policies.

Thus, the payment of Rs 11.38 million for the additional medical allowance for the year 2023-24 was considered unjustified and irregular.

Weak internal controls resulted in the granting of dual medical allowances.

Audit is of the view that only the medical allowance as per government policy should be disbursed, rather than allowing both allowances simultaneously.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the grant of both medical allowances simultaneously, fixing responsibility besides effecting recovery of the 10% medical allowance.

(Para-2, PCP 2023-24)

2.1.4.3 Loss due to purchase of machines at exorbitant rates - Rs 7.516 million

According to Rule 4 of PPRA 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.

During audit of the Printing Corporation of Pakistan for the year 2023-24, it was observed that a tender for procurement of printing machines i.e. six-color Digital Production Printer and a Black Digital Press was advertised on September 09, 2022 and two firms, M/s Sherazi Traders and M/s Office Automation Group qualified both technically and financially.

However, the tender was scrapped on the plea that financial offer of M/s Sherazi was conditional subject to opening of LC and M/s Office Automation's rates were higher. A second tender was issued on March 19, 2023 for Black Digital Press and with modified specifications from six to four-color Digital Production printer, M/s Office Automation group was declared lowest bidder and awarded tender at a higher rate as compared to 1st tender. Detail is as under:

	M/s Sherazi Traders, Islamabad (Rs)	Office Automation Group Islamabad (Rs)	Loss (Rs)
Digital Production Printer	4,967,000 (six color rate)	9,500,000 (four color rate)	4,533,000
Black Digital Press	4,217,000	7,200,000	2,983,000
Total Loss			7,516,000

Loss to the Corporation was caused by weak internal controls.

Audit is of the view that first tender should not have been scrapped and awarded to the lowest bidder, preventing a loss of Rs 7.516 million. Additionally, opting for a lower-capacity four-color printer at almost double rate instead of a more suitable six-color model indicated poor planning, potentially affecting production.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends inquiring the scrapping of the tender, besides fixing responsibility.

(Para-3, PCP 2023-24)

2.1.4.4 Loss due to the delay in awarding of civil work – Rs 4.84 million

According to rule-4 of PPRA, “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 audit of the Printing Corporation of Pakistan (PCP) for the financial year 2023-24, it was observed that civil works for the construction of boundary wall and guard rooms at Gulshan-e-Ravi Scheme, Lahore amounting to Rs 5.681 million was awarded to M/s Bismillah Traders on 04.08.2023. Audit observed the following discrepancies during scrutiny of record:

1. Manager PCP Lahore requested head office to release a sum of Rs 1.50 million for the said civil work vide letters dated 04.10.2017, 18.10.2017, and 10.01.2018.
2. A tender was floated on 26.11.2022, the lowest bidder M/s KSS Engineering quoted Rs 834,165 but he did not start work and the management did not forfeit his bid security.
3. The said civil work was retendered on 30.06.2022 and the lowest bidder M/s Jugwal Engineering & Construction, Rawalpindi quoted Rs 4.618 million on 19.07.2022. The work order was issued on 03.01.2023 after six months but the contractor requested to increase the rates. Management cancelled the tender and did not forfeit the bid security amount of Rs 205,000.
4. The third tender was floated on 08.05.2023 and M/s Best Service Construction Co. Lahore quoted the lowest bid of Rs 4.637 million. However, the firm requested certain amendments in the terms and conditions vide letter dated 04.05.2023 which was not acceded to and the contract was awarded to the second-lowest bidder i.e. M/s Bismillah, at Rs 5.681 million without forfeiting the bid security of Rs 220,000 (dated 02.05.2023) submitted by first lowest bidder.

As a result, PCP sustained a loss of Rs 4.84 million (Rs 5.86 million – Rs 0.834 million) due to the delay in awarding the civil work besides non-forfeiture of bid security of Rs 425,000.

The loss incurred due to the weak internal controls.

Audit is of the view that management should award the work in time to avoid extra expense besides obtaining prior approval of technical section, engineer/consultant estimates/ Bill of Quantities (BOQ) for each work. Furthermore, payments made to the contractor should have been verified and authenticated by the engineer or consultant.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the matter regarding delay in awarding of civil work besides recovery of bid security of all three tenders from defaulting vendors and fixing responsibility.

(Para-6 & 7, PCP 2023-24)

2.1.4.5 Irregular appointment and undue financial benefits to Medical officer (BPS-17) in violation of merit – Rs 3.496 million

The Govt. of Pakistan announced recruitment policy vide its OM No. F.53/1/2008-SP dated October 22, 2014 which was equally applicable on autonomous bodies, companies and corporations etc. As per clause (xv), administrative Ministries / Division shall ensure merit and transparency in recruitment process at all levels.

During audit of the Printing Corporation of Pakistan (PCP) for the financial year 2023-24, it was noted that a medical officer (BPS-17) namely Mr. Ehsan Ur Rehman, was appointed on 10.03.2022 at a monthly salary of Rs 102,832. Upon reviewing the appointment file the following points were noted:

1. Nine MBBS-qualified doctors were given the minimum marks (5/10) without justification, while the selected candidate received the maximum marks (10/10).
2. Nine doctors with over five years of experience received the minimum marks (5/10), while the selected candidate got the maximum marks (10/10).

3. The officer was granted health professional and risk allowance (Rs 20,000 per month) without approval of BoD as well as Finance Division.

Non-compliance with government instructions, rules, and appointment criteria was due to weak internal controls.

Audit is of the view that favoritism was shown in selecting candidate by violating the rules and advertised criteria. He was paid salary of Rs 3,496,288 (Rs 102,832*34 month).

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the matter besides fixing responsibility.

(Para-8, PCP 2023-24)

2.1.4.6 Irregular grant of selection grade BPS-18 to Assistant Accounts Officer

Establishment Division vide letter dated April 01, 2010 upgraded the posts of Assistant Accounts Officer from BPS-16 to BPS-17 working under the administrative control of Controller General of Accounts. Additionally, no policy has been issued by the Federal Government regarding the grant of the next scale to officers in BPS-17 and above.

During the audit of the Printing Corporation of Pakistan (PCP) for the financial year 2023-24, it was observed that Mr. Muhammad Farooq, Assistant Accounts Officer (BPS-17), was upgraded to a higher scale (BPS-18) without the approval of the Finance Division. Further, it was noted that the post of Assistant Accounts Officer was originally sanctioned at BPS-16 in the service rules of PCP. However, the said officer was granted two times upgradation without approval of the Finance Division. Personal file regarding upgradation of post and financial impact was not provided to the audit team despite issuance of written requisition No. 12 dated 21.11.2024, and several verbal requests till the close of audit, which was a serious lapse on the part of management. Furthermore, the

officer was also appointed after retirement on daily wages basis without approval of authority.

The upgradation to BPS-18 and re-appointment after retirement was due to weak internal controls.

Audit is of the view that there was no provision for the two-time upgradation of the Post of AAO from BPS-16 to BPS-17 and then to BPS-18 and appointment on daily wages at such post.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends inquiring the matter besides effecting recovery,

(Para-9, PCP 2023-24)

2.1.4.7 Unauthorized grant of leave encashment annually along with 365 days encashment on retirement - Rs 12.852 million

According to Para-3 of Cabinet Division's letter No. 5/88/2021.Org-1 dated 14.10.2022, "each employee of PCP in its entire service, to encash a maximum of 365 days leave if not availed". Further, as per Para-2 (a), an employee shall be entitled to 35 days earned leave for every year of service with accumulated benefit upto a maximum of 180 days enhanced to 365 days by the BoD in its 83rd meeting held on 10.08.2016.

During the audit of the Printing Corporation of Pakistan (PCP) for the financial year 2023-24, it was found that officers were being granted encashment for un-availed leave each year, in addition to the 365 days upon retirement. This practice could result in exceeding the maximum limit of 365 days for the officer's entire service period. Detail is as under:

Leave Encashment	
Description	Amount (Rs)
Head Quarter	8,818,725
Islamabad Press	4,034,270
Lahore Press	Detail not provided to audit
Karachi Press	
Total	12,852,995

Granting leave encashment in violation of rules was a result of weak internal controls.

Audit is of the view that management was required to comply with the Cabinet and Finance Division's directions regarding leave encashment in their true letter and spirit.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends inquiring the matter besides fixing responsibility and effecting recovery.

(Para-10, PCP 2023-24)

2.1.4.8 Non recovery of electricity bill in compliance of BoD's directives – Rs 1.648 million

PCP's Board of Directors in its 80th meeting held on 20.05.2015 vide agenda item No.10 (ii), directed to install new electricity meters at the residences situated in the press premises.

As per the paragraph (5) of office order dated 15.07.2015, inquiry committee constituted by the Board of Directors (BoD) directed that the amount to be recovered for electricity usage may be determined on a rationalized basis, as outlined below:

Residences	Summer	Winter
Manager	400 units	200 units
Dy. Manager	400 units	200 units

During the audit of the Printing Corporation of Pakistan (PCP) for the financial year 2023-24, it was observed that electric meters were not installed on the residences for Manager and Deputy Manager and one quarter and the Corporation had been providing electricity.

It was further noted that a nominal amount of Rs 3,500, Rs 2,000, and Rs 500 had been deducted monthly from their salaries. However, bills for 400 and 200 units were not charged and separate meters were not installed. As a

result, a total amount of Rs 1,648,000 (Rs 478,000, Rs 606,000, and Rs 564,000) is recoverable from the concerned individuals.

The failure to install separate meters and bill according to the approved unit rate was a result of weak financial and managerial internal controls.

Audit is of the view that management was obligated to implement the BoD's directions in their true letter and spirit.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends inquiring the matter besides effecting recovery and fixing responsibility for non-compliance of BoD's directions.

(Para-11, PCP 2023-24)

2.1.4.9 Non-purchase of machinery since long and non-repayment of loan - Rs 1,440.00 million

As per Finance Division letter dated September 12, 2017, a loan of Rs 864.00 million was released in favour of PCP for procurement of new machines and it would be recoverable in five equal installments along with interest chargeable at prevailing rates for the respective year.

During audit of Printing Corporation of Pakistan (PCP) for the year 2023-24, it was observed that a loan amounting to Rs 864.00 million was received from the Government in 2017 for the purchase of machinery. The funds were kept in a saving account at HBL. Only Rs 19.10 million were spent on acquiring four machines leaving a balance of Rs 845.00 million in saving account in the year 2023. Following discrepancies were observed:

- i. Due to inflation and increased demand, machinery prices have risen since 2017, further reducing the loan's purchasing power and limiting the number of machines that could be purchased.
- ii. PCP did not establish any mechanism for repayment of loan along with the prevailing interest rates for the respective years.

Weak internal controls resulted in failure to utilize funds for the timely procurement of machines.

Audit is of the view that management was required to purchase the machines in time so that printing work could not be affected.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the matter at administrative level for non-procurement of machinery even after lapse of seven years besides fixing responsibility.

(Para-13, PCP 2023-24)

2.1.4.10 Irregular re-appointment of officers after superannuation - Rs 5.715 million

In terms of Para 81(j) of General Financial Rules (Volume-I) contingent expenditure may be incurred on hiring/appointment of contingent staff (part time employees such as Sweepers, Farashes, Malis, etc.).

According to Establishment Division letter dated 20.06.2005, all Ministries /Divisions were requested not to allow any officer to continue in service beyond the age of superannuation or contractual appointment without prior approval of the competent authority i.e. Prime Minister. Furthermore, the post should be advertised as per guidelines for contract appointments in autonomous/semi-autonomous bodies/corporation, issued by the Establishment Division vide dated 6th May 2000.

During the audit of PCP for the year 2023-24, it was found that two officers, a Coordinator (BPS-19) and a Deputy Chief Accountant (BPS-18), were appointed after superannuation in January 2021 and July 2022, respectively, on daily wage basis at Rs 95,000 and Rs 80,000 per month. Their appointments were made without the required approval from the Prime Minister and advertisement. Their contracts were renewed 6 to 15 times until August 2024, with total salaries amounting to Rs 5.715 million. Additionally, the Coordinator never attended the office since appointment and performed any tasks, suggesting that he was a ghost employee, appointed against non-sanctioned post.

Furthermore, the rules only permit the appointment of contingent staff on daily wages basis, such as sweepers and gardeners, and not officers in higher

positions. Consequently, the payment of Rs 5.715 million in salary was considered irregular.

Appointments made without following the prescribed rules were a result of weak internal controls.

Audit is of the view that appointments should be made in accordance with the rules notified by the Government.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the matter, fixing responsibility and terminating the contracts besides recovery.

(Para-4, & 14, PCP 2023-24)

2.1.4.11 Loss due to non-receipt of standard rent from sub-allottees - Rs 10.728 million

According to PCP service rule -8/XIX, (i) “accommodation shall not be sublet by the allottee nor shall it be used for any business or profession. (ii) If it is proved that an allottee has sublet the accommodation or is carrying out any business or profession the Manager/Secretary shall cancel the allotment and debar him from allotment as well as provision of hired accommodation for a period of five years besides initiating disciplinary action against him under the relevant rules of the Corporation.

During the audit of the Printing Corporation of Pakistan (PCP) for the financial year 2023-24, it was found that twenty-nine quarters of various categories within the colony (PCP) had been illegally sublet to private individuals. On February 10, 2023, the Manager (Press) issued an office order directing the allottees to provide an explanation within three days regarding the subletting of the quarters. However, no response was received from the allottees. Complete file regarding cancellation of houses/ notice was not provided to audit team despite issuance of requisition No. 12 dated 21.11.2024, and several verbal requests till close of audit, which was a serious lapse on the part of management.

Thus, the allottees should be charged rent at the following rate per sq. as notified by the Ministry of Housing and Works. Detail is as under:

Sr. No.	Category	Per Square ft. Rate (Rs)	Covered Area (sq. ft.)	No. of Quarters	Amount per Month (Rs)	Amount per Year (Rs)
1	A	60	500	11	330,000	3,960,000
2	B	60	500	15	450,000	5,400,000
3	C	60	600	2	72,000	864,000
4	D	60	700	1	42,000	504,000
				Total	894,000	10,728,000

The irregularity occurred due to weak internal controls.

Audit is of the view that the management should take disciplinary action as per rule against those involved in subletting the quarters for business purposes.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

The audit recommends taking disciplinary action against the allottees and recovering the standard rent according to the rates notified by the Ministry of Housing and Works.

(Para-17, PCP 2023-24)

2.1.4.12 Irregular purchase of solar system during ban period without tender - Rs 1.717 million

Rule 12 of the PPRA Rules 2004 requires that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. According to Finance Division (Expenditure Wing) O.M dated February 20, 2024 and July 07, 2022, there was a complete ban on purchase of machinery and equipment from current budget except for medical machinery/equipment.

During the audit of PCP for the year 2023-24, it was found that a solar system, costing Rs 1.717 million, was procured in June 2023 during the ban period through the direct supplier M/s Al Karam Solar System (SNC), without floating a tender on the website and assessment of requirements of electricity.

Additionally, four batteries worth Rs 64,000 were missing and no stock entry for batteries and solar panels was recorded.

Non-adherence to the procurement rules and Government instructions resulted into irregular procurement of solar system.

Audit is of the view that the solar system should have been installed through a tendering process, accompanied by a feasibility study to achieve electricity cost savings.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends inquiring the matter at administrative level besides fixing the responsibility.

(Para-20, PCP 2023-24)

2.1.4.13 Unjustified selection of a private hospital without competitive process - Rs 5.592 million

According to Rule 12 of the PPRA Rules 2004, procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

According to the Finance Division's letter dated May 31, 2011, medical reimbursement charges are not permitted without prior approval and referral by an authorized medical officer of a government hospital and upon non-availability of said facilities at government hospitals.

During audit of the Printing Corporation of Pakistan (PCP) for the financial year 2023-24, it was noted that a private hospital was selected without competition and advertisement to provide medical facilities to PCP employees, resulting in Rs 5.592 million in expenses. Government hospitals were overlooked, and the private hospital's fees were not compared with those of government medical facilities. Additionally, the authenticity of reimbursement

bills was not verified through the Federal dispensary or other government hospitals.

The violation of rules was caused by weak managerial internal controls.

Audit is of the view that management should select private hospital and pharmacies through open competition for maximum discounts, with medical bills reimbursed only after verification by a government hospital.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the selection of the hospital without a tender process and the reimbursement of pharmacy bills without verification by government hospitals.

(Para-23, PCP 2023-24)

2.1.4.14 Irregular receipt of paper materials without conducting laboratory tests – Rs 500.00 million

According to rule 10 (I & II) of GFR Vol – I, 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. The expenditure should not be prima facie more than the occasion demands.

During audit of the Printing Corporation of Pakistan (PCP) for the financial year 2023-24, it was noted that paper reams/sheets (local and imported), amounting to Rs 500.00 million, were purchased from various suppliers. However, the Corporation failed to conduct laboratory tests to verify the authenticity of the paper material in terms of its required specifications, such as weight (Grammage), color, brightness, and thickness etc.

The irregularity occurred due to weak managerial internal controls.

Audit is of the view that the paper reams purchased, both local and imported, should have undergone laboratory testing to verify its specifications, such as weight, brightness, etc. but the same was not conducted, and therefore, the accuracy of the specifications could not be confirmed.

The matter was reported to the management and PAO on December 09, 2024 but no reply was received. Despite repeated requests, no DAC meeting could be arranged till finalization of this report.

Audit recommends to inquire the matter for non-conducting the lab tests besides fixing the responsibility.

(Para-25, PCP 2023-24)

2.2 National Engineering Services Pakistan (Pvt.) Ltd.

2.2.1 Introduction

The Company was incorporated in 1973 under the Companies Act 1913 (now Companies Act 2017). The Government of Pakistan owns it and is engaged to provide engineering consultancy services through its Divisional Offices at Lahore, Islamabad, Karachi, Peshawar and Quetta in Pakistan and Masqat, Oman, Riyadh, Qatar and Kabul abroad.

2.2.2 Comments on Audited Accounts

2.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the year 2019-20 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the years 2019-20 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

2.2.3 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	-
2007-08	07	05	02	178,178.1	71
2009-10	06	06	00	-	100
2010-11	21	15	06	25.1.2.1, 25.1.2.4, 25.1.4.1, 25.1.4.2, 25.1.4.3, 25.1.4.5	71
2011-12	15	0	15	25.1.1, 25.1.2.1, 25.1.2.2, 25.1.2.3, 25.1.2.4, 25.1.2.5, 25.1.2.6, 25.1.2.7, 25.1.3, 25.1.4.1, 25.1.4.2, 25.1.4.3, 25.1.4.4, 25.1.4.5, 25.1.4.6	0
2013-14	22	07	15	18.1.2.2, 18.1.2.3, 18.1.2.4, 18.1.2.5, 18.1.4.1, 18.1.4.2, 18.1.4.4, 18.1.4.5, 18.1.4.6, 18.1.4.7, 18.1.4.8, 18.1.4.9, 18.1.4.10, 18.1.4.12, 18.1.4.14	32

2016-17	21	07	14	18.1.2.1, 18.1.2.2, 18.1.2.3, 18.1.3, 18.1.4.1, 18.1.4.2, 18.1.4.4, 18.1.4.5, 18.1.4.6, 18.1.4.7, 18.1.4.8, 18.1.4.9, 18.1.4.11, 18.1.4.12	33
2017-18	26	01	25	8.13.2.1, 8.13.2.3, 8.13.2.4, 8.13.2.5, 8.13.2.6, 8.13.3, 8.13.4.1, 8.13.4.2, 8.13.4.3, 8.13.4.4, 8.13.4.5, 8.13.4.6, 8.13.4.7, 8.13.4.8, 8.13.4.9, 8.13.4.10, 8.13.4.11, 8.13.4.12, 8.13.4.13, 8.13.4.14, 8.13.4.15, 8.13.4.16, 8.13.4.17, 8.13.4.18, 8.13.4.19	04
2018-19	32	05	27	7.1.2.1, 7.1.2.2, 7.1.3, 7.1.4.1, 7.1.4.2, 7.1.4.3, 7.1.4.4, 7.1.4.5, 7.1.4.6, 7.1.4.7, 7.1.4.9, 7.1.4.12, 7.1.4.13, 7.1.4.15, 7.1.4.16, 7.1.4.17, 7.1.4.18, 7.1.4.19, 7.1.4.20, 7.1.4.21, 7.1.4.22, 7.1.4.23, 7.1.4.24, 7.1.4.25, 7.1.4.26, 7.1.4.27, 7.1.4.28	16
Total	162	54	108		33

Overall compliance of PAC directives was not satisfactory which needs to be improved.

2.2.4 Audit Paras

2.2.4.1 Loss of Govt. due to faulty consultancy services for Neelum Jehlum Power project – Rs 42.934 billion

According to Rule 2A (1) (a) of Public Sector Companies (Corporate Governance) Rules, 2013, the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

During audit of NESPAK for the year 2023-24, it was observed that management had been providing consultancy services to M/s Neelum Jehlum Hydro Power Company (Pvt.) Limited (a subsidiary of WAPDA) by making an un-incorporated JV with different parties i.e. M/s MioH, M/s NORPLAN, M/s ACE and M/s NDC. Scrutiny of record revealed that Neelum Jehlum Power generation plant was closed in July 2022 due to collapse of its tunnel. Plant was handed over to company in November 2023. Power generation plant worked for five to six months and again collapsed in May 2024. Since then power generation

was ceased. An estimated loss of Rs 42.934 billion (as detailed below) had been incurred on account of generation and restoration of the project due to poor workmanship and consultancy services provided by NESPAK JV. NESPAK remained involved in all phases of construction of Neelum Jehlum project from the design to construction supervision phase. Government had incurred huge expenditure on its construction but project was now closed due to a number of technical faults and causing loss to public exchequer.

S. No.	Period of closure	Loss (Rs in million)	Remarks
1	July 2022 to Dec. 2022	20,387.422	Generation loss
3	March 2023 to June 2023	10.500	Generation loss
4	July 2023 to June 2024	16,192	Generation loss
5	July 2024 to Sep. 2024	7.875	Generation loss
6		2,499.994	Restoration work
7		3,836.683	Restoration work
	Total	42,934.474	

Due to weak project management, government sustained heavy losses as a result of closure of project.

Audit is of the view that frequent closure of project indicates design, construction and supervision failures for which an independent inquiry should be conducted involving third party experts.

The matter was reported to the PAO and management on 15.11.2024. The management replied that Neelum Jehlum Hydropower Project, a Joint Venture named “Neelum Jehlum Consultants” has been made in which M/s MWH is the leading firm and NESPAK is a JV member. After the suspension of power generation operation, Government of Pakistan has constituted a high-level committee to conduct an inquiry to fix the responsibility.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the frequent closure of the project besides conducting independent inquiry from a third party expert to find the root causes of failure and fix responsibility besides recovery of loss.

(Para-66, NESPAK 2023-24)

2.2.4.2 (i) Irregular award of work amounting to Rs 2,351.576 million and payment of overheads claim to NESPAK subsidiaries - Rs 424.055 million
(ii) Avoidable extra financial burden of sales tax on services from Turkpak - Rs 118.190 million

According to Rule 12 of the PPRA Rules 2004, procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency. According to Rule-5(5) of the 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.

During audit of NESPAK for the year 2023-24, it was observed that the company owned 100% shares of M/s NESPAK Foundation and 49% shares in M/s Turkpak. It was observed that these subsidiaries were awarded work without tender in violation of PPRA rules. Furthermore, these subsidiaries were charging 22% to 25% overhead charges apart from actual claim. Management of NESPAK paid/booked an amount of Rs 2,351.576 million to both these subsidiaries during 2023-24 out of which 22-25% was charged extra by these subsidiaries i.e. Rs 424.055 million $(2,351.576 * 22/122)$ in the form of overhead claim. Moreover, NESPAK had to bear 16% sales tax on hiring of these services from M/s Turkpak amounting to Rs 118.190 million

Due to weak internal controls and poor financial management, subsidiaries were awarded work in violation of PPRA rules and payment of fixed overheads and sales tax on services was made @ 22%-25% and 16% respectively without any justification.

Audit is of the view that management was required to hire staff on contract basis following PPRA rules on its own to avoid extra overhead charges and sales tax on services.

The matter was reported to the PAO and management on 15.11.2024. The management replied that hiring through subsidiaries were made to save cost because its own overhead cost was 92.52%. Reply is not tenable as management could hire staff on contract basis on lump sum pay keeping in view the rates decided in consultancy agreements.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the award of work in violation of PPRA rules and the payment of extra overhead @ 22-25% over & above the salary claim and 16% sales tax on services, fixing responsibility on the persons at fault besides recovery of the excess payment made to subsidiaries. Further, hiring of staff through M/s Turkpak be avoided in future.

(Para-1 & 39, NESPAK 2023-24)

2.2.4.3 Charging of working hours of employees to inactive jobs without any billing to clients – Rs 1,829.955 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 audit of NESPAK (HO) for the year 2023-24, it was observed that the management had been using job costing systems in which every employee's daily hours were charged to specific jobs. Audit observed that NESPAK employees were charging their working hours to in-active/closed jobs/projects but the staff was working without any need. Audit checked on sample basis and observed that an amount of Rs 651.273 million (146,255 hours x average hourly rate Rs 4,453) had been charged on account of staff cost against closed projects, which caused loss to the company. It is pertinent to mention here that hours were billed to relevant clients, but in these cases, working hours were not charged to customers.

Similarly, it was observed that the management had been using job-costing systems in which every employee's daily hours were charged to specific jobs. A number of employees (130 No.) remained idle due to non-availability of any job. Employees charged 264,694 idle hours having a financial impact of Rs 1,178.682 million (i.e. 264,694 x Rs 4,453 per hour)

Due to weak HR and financial management, idle hours and working hours were charged to justify the existence of over-staffed inactive and idle employees.

Audit is of the view that overstaffing was justified by charging the working hours to inactive/closed projects, which was a serious lapse on the part of the management. Audit also holds the view that major restructuring was needed in NESPAK to hire staff against active jobs only.

The matter was reported to the PAO and management on 15.11.2024. The management informed that some of wrong charging was reversed and in software "Inactive" and "temporary closed" are same. The reply of the management was not tenable as evidence of temporary closed jobs, aging and detail of wrong charging was demanded but the same was not provide.

No DAC meeting could be arranged till finalization of this report.

Audit recommends inquiring the matter besides fixing responsibility.

(Para-2 & 42 NESPAK 2023-24)

2.2.4.4 Non-recovery of design fee due to defective contracting - Rs 27.968 million

According to Clause (XII) (2) of the contract signed with State Bank of Pakistan, 20% amount had to be paid by the client for design of the project.

During audit of NESPAK (RO) Islamabad for the year 2023-24, it was observed that the management executed contract on October 29, 2015 with State Bank of Pakistan for designing and construction supervision of new office building at D.I.Khan. According to contract, the design work had to be completed within five months of award of contract. The management completed design work and prepared bidding documents but the tendering process was never completed by the client for the last nine years. According to summary of profit/loss as on June 30, 2024, total billing of Rs 28.839 million was done out of

which only Rs 0.871 million were received leaving a balance of Rs 27.968 million.

Due to poor contract management, NESPAK had to complete the designing without any recovery of charges.

Audit is of the view that management had not exercised due care while signing the contract to ensure timely receipt against work done.

The matter was reported to the PAO and management on 15.11.2024. The Management replied that they have done the design work and pursuing the payment. However, default in contract management is evident. NESPAK should have agreed terms in which they could secure the payments against work done in a timely manner. In instant case 2nd phase of contract i.e. bidding has been pending for the last ten years and also the NESPAK's payment for work done is pending.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the signing of contract which was deficient to safeguard the timely payments against work done. Recover the design fee on the basis of revised cost estimates.

(Para-3, NESPAK 2023-24)

2.2.4.5 Fraudulent verification of work done by NESPAK resulting into wrong payment – Rs 1.400 billion

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 audit of NESPAK (HO) for the year 2023-24, it was observed that the company provided consultancy and supervision services for the Federal Government Employees Housing Authority's infrastructure development project at Park Road, Islamabad. The NESPAK engineer representative incorrectly

certified the value of work done by the contractors, leading to incorrect payments for mobilization advances and IPCs. Fake bank guarantees were submitted by the contractors, and the consultant, M/s NESPAK, wrongly verified IPC-1, IPC-2, and IPC-3, valued at Rs 1.4 billion. When enquired, the management verbally stated that an inquiry was ongoing and would be completed in due time, but no detailed records were shared with the audit. The Federal Government Employees' Housing Authority estimated a potential loss of over Rs 1.40 billion.

Due to poor project management and weak internal controls, wrong payments were made to the contractor.

Audit is of the view that NESPAK is one of renowned and established organization providing consultancy and supervision services in construction sector. In the instant case, it is evident that proper control mechanism was not in place resulting in connivance of local staff with the contractors causing serious damages to NESPAK's reputation.

The matter was reported to the PAO and management on 15.11.2024. The management replied that NESPAK was responsible for certifying payments of the Contractor as per provisions of PEC/ FIDIC based Construction Contract. The Consultant cannot be held responsible for authenticity/ verification of mobilization advance bank guarantee as per provisions of the Contract. Internal enquiry was conducted and concluded by the management. The reply of the management was not tenable as inquiry conducted by the employer showed that there was difference between work certified and payment certified by the NESPAK. Further outcome of internal inquiry was demanded but not shared by the NESPAK.

No DAC meeting could be arranged till finalization of this report.

Audit recommends conducting an inquiry at ministry level against the management and field staff to fix responsibility and accordingly take appropriate action against persons at fault. Recover the fraudulent payment and complete record related to this fraudulent verification may be shared with audit.

(Para-7, NESPAK 2023-24)

2.2.4.6 Non-recovery of retention money and earnest money – Rs 73.914 million

According to Rule 5(5)(a) of 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.

During audit of NESPAK (HO) for the year 2023-24, it was observed that huge amount of Rs 73.914 million of retention money and earnest money were outstanding against a number of clients, which were not recovered by the management. Non-recovery of company's pending retention money and earnest money is considered a serious lapse on the part of company.

Due to in-effective internal controls, company's balance could not be recovered.

Audit is of the view that management was required to recover the company's dues in a timely manner but the same was not done.

The matter was reported to the PAO and management on 15.11.2024. Management replied that an amount of Rs 11.542 million has been against retention money and Rs 7.260 million against retention money and remaining amount is being pursued.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to recover the pending retention money and earnest money at earliest.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2022-23 vide para number 7.1.4.10 having financial impact of Rs 32.964 million. Recurrence of same irregularity is a matter of serious concern.

(Para-10, NESPAK 2023-24)

2.2.4.7 Non-viable operations of NESPAK-Qatar subsidiary resulting into heavy losses of Rs 874.40 million and non-recovery of amount due - Rs 663.619 million

According to Rule 2(A) 1 of the Public Sector Companies (Corporate Governance) Rules, 2013, for the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

During Audit of NESPAK for the year 2023-24, it was observed that the management registered a company in state of Qatar with the name of NESPAK-WLL on October 08, 2009 with the objectives to provide engineering services in Qatar. The management provided last audited financial statements of NESPAK-WLL Qatar for the year 2022-23 which showed that company had been sustaining continuous losses and the accumulated loss piled upto Rs 1,784.480 million (QTR 23.480 million @ Rs 76/QTR). The company's ability to continue as a going concern was dependent upon continued financial support from the shareholders. NESPAK holds 49% shares of the company and share of loss which NESPAK sustained from its operations in Qatar grossed upto Rs 874.40 million. More over amount due from Qatar subsidiary was Rs 663.619 million (QTR 8,731,838 @Rs 76/QTR) which needs to be recovered.

Due to weak financial management and poor decision-making, NESPAK had been sustaining heavy losses.

Audit is of the view that management had not exercised due care and diligence while running the business affairs of the company.

The matter was reported to the PAO and management on 15.11.2024. Management in its reply admitted the audit observation and blamed that the local partner in Qatar was not making efforts for obtaining local business. Management also informed that they had made a side agreement for 5% fee. The reply of the management is not convincing as management was paying 5% per invoice to local partner and still not getting any business.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the operation of NESPAK-WLL Qatar and to conduct an inquiry at Ministry level for poor decision-making and non-viable operation of foreign subsidiary and fix responsibility for huge losses. Besides, the amount due also be recovered.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2020-21 vide para number 6.1.4.8 having financial impact of Rs 18.717 million. Recurrence of same irregularity is a matter of serious concern.

(Para-11 & 47, NESPAK 2023-24)

2.2.4.8 Concealment of staff perquisites and non-deduction of income tax from employees - Rs 161.150 million

According to Section-13(1) of Income Tax Ordinance 2001, for the purposes of computing the income of an employee for a tax year chargeable to tax under the head Salary, the value of any perquisite provided by an employer to the employee in that year that is included in the employee's salary under section-12 shall be determined in accordance with this section.

During the audit of NESPAK, Lahore for the years 2023-24, it was observed that management allowed monthly cash payment of POL, entertainment allowance, driver pay and telephone allowance to its employees but the management did not include the benefit in the salary while determining income tax liability of the staff. Management paid an amount of Rs 3,047.09 million (609.418*5) to its employees on account of perquisites during last five years but the income tax of Rs 161.150 million (32.230*5) was not deducted as per rule mentioned above.

Due to weak financial control, the amount of perquisites paid to the specific officers was not included in the salary during deduction of income tax.

Audit is of the view that non-inclusion of perquisites in salary resulted into loss to government exchequer on account of Tax.

The matter was reported to the PAO and management on 15.11.2024. The management replied that these expenditures incurred by the staff for the purpose of Company's business and such reimbursements were not taxable in the hand of employees. The reply of the management is not tenable as fixed allowances per

month were given to the staff which were part of salary and tax thereon should be recovered.

No DAC meeting could be arranged till finalization of this report.

Audit recommends intimating the reasons regarding payment of allowances to the employees without deduction of income tax besides recovery of income tax.

(Para-12, NESPAK 2023-24)

2.2.4.9 Loss due to non-admittance of claim of direct cost by the client - Rs 12.887 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 2023-24, it was observed that management executed project of Torcamp Godubar HPP sponsored by PEDO Peshawar in Dec 2017 and issued invoices to the client amounting to Rs 37.081 million during Dec 2017 to Jan 2019. The client paid only Rs 16.298 million and withheld Rs 12.887 million. Management requested the client to pay remaining amount as it included the cost related to key professional salaries, TA/DA, vehicle rent and POL, but the client disowned the claim and deducted the said amount from the bill. Last letter was written on Feb 28, 2023 in which it was requested to release the withheld amount but neither any response was received from the client nor management made any further effort for recovery till the close of audit.

Due to weak financial control, the said amount was not recovered from the client.

Audit is of the view that management was required to follow up the matter of deduction of the actual claim from the invoices by the client effectively but the same was not done.

The matter was reported to the PAO and management on 15.11.2024. The management replied that staff had to reside in Peshawar as per contract but NESPAK staff reside in Lahore and claimed TA which was disallowed by the client. The reply of the management showed that NESPAK wrongly claimed TA/DA cost.

No DAC meeting could be arranged till finalization of this report.

Audit recommends stating the reason for non-admittance of claim by the client besides recovery of withheld amount from the client under intimation to audit.

(Para-14, NESPAK 2023-24)

2.2.4.10 Loss due to late / non-receipt of receivables - Rs 1,435.808 million

As per the minutes of 130th meeting of NESPAK Board of Directors held on Aug 9, 2010, the Board instructed to the Managing Director, NESPAK to keep its receivables at the minimum level.

During audit of NESPAK (HO) Lahore for the year 2023-24, it was observed that an amount of Rs 14,358.075 million was recoverable from various clients since long. Most of the projects against which the receivables were pending were in-active but no concrete efforts were made by the management for recovery. Had NESPAK recovered their debts in time, a markup income of Rs 1,435.808 million ($14,358.075 \times 0.10$) could be earned.

Due to poor financial management, receivables were piling up over the years and the management sustained financial loss in terms of interest income.

Audit is of the view that management of NESPAK was not making serious efforts to recover the outstanding dues.

The matter was reported to the PAO and management on 15.11.2024. The management replied that NESPAK has been pursuing the recovery of receivables with extreme vigor and importance. Different government departments are being

pursued by the Secretary as well as Joint Secretary, Ministry of Energy (Power Division) for payment of NESPAK's receivables at the earliest.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying piling up huge receivables and early recovery of receivable is stressed upon the management.

Note: The issue of non-receipt of receivables was also reported earlier in the Audit Reports for Audit Year 2022-23 vide para numbers 7.1.4.1, 7.1.4.5, 7.1.4.8 and 7.1.4.34 having financial impact of Rs 736.446 million, Rs 676.798 million, Rs 260.905 million and Rs 11,808.645 million respectively. Recurrence of same irregularity is a matter of serious concern.

(Para-18, NESPAK 2023-24)

2.2.4.11 Irregular CP Fund investments in commercial bank without any competitive process - Rs 1,580.00 million

According to Finance Division O.M. No. F.4(1)/2002-BR-II dated July 02, 2003, investment of working balances/surplus funds be made subject to fulfillment of various requirements such as investment in 'A' rating banks, competitive bidding process, investment exceeding Rs 10 million shall not be kept in one bank, setting up of in-house professional treasury management functions, formation of Investment Committee, employment of qualified investment management staff, utilization of services of professional fund managers approved by SECP, annual certificate of the Chief Executive of the organization, etc.

During Audit of NESPAK for the year 2023-24, it was observed that management had established recognized provident fund with the name of NESPAK Employees Contributory Provident Fund Trust. The Financial Statement of the said trust funds for the years 2022-23 and 2023-24 had not been prepared. Last audited financial statements for the year 2021-22 showed that management made short-term investment of Rs 1,580.00 million in Commercial Banks without any open competitive process, thus held irregular. Audit demanded investment files but nothing was provided to audit.

Due to weak internal controls, irregular investment was made.

Audit is of the view that management had not exercised due care resulting into irregular investments.

The matter was reported to the PAO and management on 15.11.2024. Management in its reply stated that it has followed the due process and get the approval of the same from Board of Trustees.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the investments without competitive process and ignoring Government instructions besides fixing responsibility.

(Para-56, NESPAK 2023-24)

2.2.4.12 Non-recovery of arbitration award from PMA - Rs 963.192 million

The Arbitrator decided the dispute between NEAPAK and PMA (Punjab Mass Transit Authority) regarding extended services for Orange Line Metro Train Project in favor of NESPAK.

During audit of NESPAK (HO) Lahore for the year 2023-24, it was noted that the management launched claim of Rs 1,423.00 million on account of additional services performed by NESPAK for Orange Line Metro Train Project. The arbitrator awarded the case in favor of NESPAK in February 2024 for an amount of Rs 963.192 million but not a single penny was recovered from PMA till the close of audit which is a serious lapse on the part of the management.

Due to weak internal controls, arbitration award could not be recovered.

Audit is of the view that management was required to take up the matter with PMA for recovery of arbitration award without any wastage of time.

The matter was reported to the PAO and management on 15.11.2024. Management replied that the arbitration award was challenged in the Court of law by the NESPAK management, as per decision of Board of Directors (BoDs). The matter is, therefore, expected to be resolved after Court's final decision.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the non-recovery of arbitration award and effect recovery without further wastage of time.

(Para-20, NESPAK 2023-24)

2.2.4.13 Loss to government exchequer due to non-inclusion of leave fare assistance in taxable income - Rs 235.635 million

Section-13(1) regarding value of perquisites of Income Tax Ordinance 2001 describes that for the purposes of computing the income of an employee for a tax year chargeable to tax under the head Salary, the value of any perquisite provided by an employer to the employee in that year that is included in the employee's salary under section-12 shall be determined in accordance with this section.

During audit of NESPAK, Lahore for the year 2023-24, it was observed that management paid one-month basic salary and technical pay to its employees after the close of each financial year on account of Leave Fare Assistance (LFA) along with 10 days leave. The management did not include the benefit in the salary while determining income tax liability of the staff. Management paid an amount of Rs 938.825 million to its employees on account of above head but the income tax of Rs 47.127 million was not deducted as per rule mentioned above. The practice was carried on since long however audit assessed the tax impact of five years as Rs 235.635 million (47.127*5).

Due to weak financial control, the amount of Leave Fare Assistance (LFA) was paid without deducting income tax.

Audit is of the view that non-inclusion of LFA in taxable income resulted into loss to government exchequer during the last five years.

The matter was reported to the PAO and management on 15.11.2024. The management replied that it had initiated rectification action to recover the tax after the incorporation of Leave Fare Assistance (LFA) and full recovery will be made in due course of time.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to intimating the reasons regarding payment of LFA to the employees without deduction of income tax besides recovery of tax at earliest.

(Para-24, NESPAK 2023-24)

2.2.4.14 Heavy losses incurred due to running foreign companies – Rs 1,535.638 million

According to Rule-(2A)(1)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, For the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely: - (a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities;

During audit of National Engineering Services of Pakistan (NESPAK) for the year 2023-24, it was observed that the management established subsidiary companies in Musqat-Oman, and Riyadh-Saudi Arabia. Audit observed that the performance of these subsidiaries was poor and all of them were generating losses which accumulated to Rs 1,535.638 million (SAR 0.619 million @ PKR 74.53/SAR = Rs 46.099 million + OMR 2.058 million @ PKR 723.78/OMR = Rs 1,489.539 million) as on June 30, 2024.

Due to imprudent management, heavy losses were incurred in foreign subsidiaries.

Audit is of the view that management had not been running the affairs of subsidiaries companies with due care resulting into heavy losses.

The matter was reported to the PAO and management on 15.11.2024. Management in its reply admitted that foreign companies were running on losses due to different reasons and list out the corrective action which were taken to reduce these losses.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the continuous losses, taking corrective measures to increase profitability besides fixing responsibility.

(Para-45, NESPAK 2023-24)

2.2.4.15 Non-recovery of huge amount of receivables in foreign companies - Rs 672.218 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 audit of National Engineering Services of Pakistan (NESPAK) for the year 2023-24, it was observed that the management established three subsidiary companies in Musqat-Oman, Doha-Qatar and Riyadh-Saudi Arabia. An amount of Rs 672.218 million (38.034+634.184) was receivables from foreign clients, which were pending for recovery. Non-recovery of company's dues was considered a serious lapse on the part of the management.

Due to weak financial management, the performance of the subsidiaries remained poor and resulted into non-recovery of consultancy fee from these subsidiaries.

Audit is of the view that the management was required to enhance the performance of the subsidiaries and effect early recovery from these subsidiary companies.

The matter was reported to the PAO and management on 15.11.2024. Management in its reply stated that it has reduced the receivable in Oman by booking of provision for expected credit losses/impairment because of staff stay on site without approval and some bills were duplicate. In Qatar no reason for long outstanding receivable was provided. The reply of the management was not tenable as management was asked to provide the aging of receivables and approval of competent authority to write off the receivables in Oman but same was not provided.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying non-recovery, taking corrective measures to increase profitability and recover the receivables.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2016-17, 2018-19, 2020-21, 2022-23 and 2023-24 vide para numbers 18.1.4.2, 7.1.4.26, 6.1.4.5, 7.1.4.3 and 6.1.4.5 having financial impact of Rs 286.963 million, Rs 53.210 million, Rs 120.005 million, Rs 576.249 million and Rs 149.725 million respectively. Recurrence of same irregularity is a matter of serious concern.

(Para-53, NESPAK 2023-24)

2.2.4.16 Irregular appointment of employees on tailor made criteria – Rs 30.931 million

The Govt. of Pakistan announced recruitment policy vide its OM No. F.53/1/2008-SP dated October 22, 2014, which was equally applicable on autonomous bodies, companies, and corporations etc. according to clause (v) of said OM, the initial appointment shall be made strictly in accordance with the provision contained in recruitment rules. In the absence of recruitment rules, the appointing bodies are required to frame recruitment rules and lay down the eligibility conditions for such appointments. No recruitment shall be made in absence of approved recruitment rules. Further, as per clause (xv), administrative Ministries / Division shall ensure merit and transparency in recruitment process at all level.

During audit of NESPAK for the year 2023-24, it was observed that management made appointments of different engineering cadres. Scrutiny of record revealed that these appointments were made on tailor made criteria, which was frequently changed for the same post in order to favor a specific candidate. The criteria for the post of Sr. Engineer was changed three times, in the same financial year, which created doubts of favoritism. It is pertinent to mention here that all these employees were working in NESPAK subsidiaries. Audit demanded the recruitment files of these employees but only personal files were provided to audit. Hence, appointment of said staff on tailor made criteria and payment of pay and allowances amounting to Rs 30.931 million was held irregular. Detail is given at Annex-18.

Due to weak internal controls, the irregularity occurred.

Audit is of the view that NESPAK used its subsidiaries as a back door channel for appointment of employees of its own choice in violation of merit and transparency.

The matter was reported to the PAO and management on 15.11.2024. Management in its reply stated that hiring was made as per the demands of the project and all policies and procedures were duly followed NESPAK provide equal opportunity to all including the employees of Nespak foundation and all appointment were made on merit. The reply of the management was not convincing as reason (s) for advertising different criteria for the same job was not explained by the management neither in its reply not during verification which will compromise the transparency in recruitment process.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the recruitment of employees from NESPAK Foundation / Turkpak employees by changing appointment criteria frequently, prepare induction and promotion policy of NESPAK in line with Federal Govt. recruitment policy in order to ensure merit based employment in NESPAK besides fixing responsibility on the person(s) at fault.

(Para-55, NESPAK 2023-24)

2.2.4.17 Irregular over-contribution by the company in CP Fund - Rs 199.621 million

According to Funding policy stated in annual financial statement of NESPAK Employees CP Fund Trust, the monthly rate of contribution by members is 10% of basic salary and technical allowance. While the minimum monthly rate of contribution is 10%, there is no upper limit and a subscriber may contribute any amount in excess of 10%. The company contributes a sum equal to 10% of the basic salary and technical allowance each month.

During Audit of NESPAK for the year 2023-24, it was observed that management had established recognized provident fund with the name of NESPAK Employees Contributory Provident Fund Trust. The Financial Statements of the said trust funds for the year 2022-23 and 2023-24 had not been prepared. Last audited financial statements for the year 2021-22 showed that total contribution by the Trust Fund members was Rs 942.771 million against which

the company contributed Rs 1,142.393 million which means that Rs 199.621 million was over contributed by NESPAK in violation of funding policy which states equal monthly contributions. Over-contribution was held irregular in audit.

Due to weak internal controls, over contribution was made.

Audit is of the view that management had not exercised due care resulting into over contribution.

The matter was reported to the PAO and management on 15.11.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying over contribution of company, fixing responsibility for these lapses and taking appropriate action.

(Para-57, NESPAK 2023-24)

2.2.4.18 Defective consultancy resulted into irregular award of contract to technically non-qualified bidder - Rs 255.727 million

According to Rule 4 of PPRA Rules 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.

During the audit of audit of NESPAK for the year 2023-24, it was observed that management executed the contract with Pakistan Expo Centre Limited for overall supervision of Expo Centre Quetta (Job No. 4465). Management of NESPAK was responsible for the evaluation and selection of contractor for construction of boundary wall of Expo Centre Quetta. During scrutiny of bids in January 2023, two bidders who submitted bids namely M/s Ali Ahmad Jan and M/s Billing Associates declared both bidders non-qualified on technical grounds by NESPAK. Later, the tender was re-advertised with the closing date of Feb 13, 2023. This time five bidders, including M/s Ali Ahmad Jan (previously technically non-qualified), participated in the bidding process and this time M/s NESPAK pointed out the same shortcomings in the bids of M/s Ali Ahmad Jan but made him technically qualified despite the fact that more

technically compliant bidders were available. Extracts from evaluation report is as under:

Clause No.	Description	Evaluation on 19.01.2023	Evaluation on 22.02.2023
2.8	Equipment	Not acceptable (Criteria partially met)	Marginally acceptable
Appendix –E	Proposed construction schedule	No submission	No submission
Appendix-F	Method of Performing the work	No complete submission	No submission
Appendix-G	List of Major Equipment related items	No submission	Marginally acceptable
Appendix-H	Construction camp and housing facilities	No submission	No submission
Appendix-J	Estimated Progress payment	No submission	No submission
Appendix-L	Integrity Pact	No submission	No submission
Appendix-M	Quality Management Plan	No submission	No submission
Appendix-N	Health and Safety Program	No submission	No submission

Due to weak internal controls, poor bid evaluation was done by the management, which resulted into award of contract to technically non-qualified bidder.

Audit is of the view that management was required to evaluate the bid on facts and then decide on merit to whom it should recommend technically qualified but the same was not done.

The matter was reported to the PAO and management on 15.11.2024. Management replied that in first bid evaluation conducted in January, 2023, all bidders failed to meet the eligibility and qualification criteria mentioned in the bidding documents. For the next bidding in February, 2023; in conformance with evaluation criteria, all bidders (5) met the eligibility and qualification criteria mentioned in the bidding documents. The reply of the management is not convincing as objection of audit was not addressed by the management.

No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the matter for awarding of contract to technically non-qualified contractor besides fixing responsibility.

(Para-59, NESPAK 2023-24)

2.2.4.19 Procurement of IT hardware without competitive process for FESCO - Rs 72.931 million and loss due to imposition of LD - Rs 7.29 million

According to Rule 20 of PPRA Rules, save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Moreover, Rule 4 of PPRA rules 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

During Audit of NESPAK for the year 2023-24, it was observed that management signed JV agreement with M/s NDS for implementation of web-based GIS along with mobile application and mapping of HT/LT distribution network of FESCO. M/s NDS supplied IT hardware worth Rs 72.931 million which was purchased without any competitive process. Audit is of the view that JV mode was used in order to by-pass the PPRA rules, which was a serious lapse on the part of the management. Formation of JVs as well as supply of IT hardware worth Rs 72.931 million was held irregular in audit. Moreover, M/s NDS did not supply the requisite hardware and software in time resulting into deduction of LD charges amounting to Rs 7.293 million.

Due to weak internal controls and incompetent management practices, PPRA rules were violated.

Audit is of the view that management had not exercised due care resulting into irregular expenditure in violation of PPRA rules and deduction of LD charges.

The matter was reported to the PAO and management on 15.11.2024. Management replied that as per the joint venture agreement with the M/s NDS, it was agreed to provide comprehensive services, including the supply, installation, and commissioning of all necessary hardware and software for the project. The reply of the management is not convincing as PPRA rules for procurement of IT equipment were violated which was the responsibility of NESPAK to ensure being lead partner.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying supply of hardware through JV and violation of PPRA rules, fixing responsibility for these lapses, taking appropriate action, and taking corrective measures.

(Para-60, NESPAK 2023-24)

2.2.4.20 Revenue leakages due to un-incorporated Joint Ventures made by NESPAK without any competitive process – Rs 548.01 million

According to Rule 20 of PPRA Rules, save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Moreover, Rule 4 of PPRA rules 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

During Audit of NESPAK for the year 2023-24, it was observed that management signed JV agreements with a number of private consultancy firms without any competitive process. NESPAK is the largest consultancy service provider in construction design and supervision areas had more than 2,300 employees and having its own subsidiaries with the names of NESPAK Foundation and Turkpak from where all HR needs could be fulfilled. In this scenario, JV with private firms were made without any fair and transparent manner as no competitive process was shown to audit. Audit checked on sample basis and instances were noted where JV partners were selected and a business of worth Rs 548.01 million was given to them. It is pertinent to mention here that all Joint Ventures were made as un-incorporated JVs, which might result into non-protection in a court of law. A few instances are given as under:

(Rs in million)

S. No.	Name of Project	Nature of job	JV partners	JV date	Total Amount of Job	NESPAK share%	JV partners share	JV Partners share
i.	Trimmu and Panjnad Barrages Improvement Project	Construction Supervision	NESPAK, SMEC , EGC	10.05.2016	783.00	75%	25%	195.75
ii.	Harnessing of Hill Torent	Detailed design	NESPAK, AHT AG Group, ACE		278.00	70%	30%	83.40
iii.	Islam Barrage Project	Construction Supervision	NESPAK, NDC, ACE, BARQAB, RDC		42.54	29%	70%	29.78
iv.	KP Water Resources Dev.	Detailed design	NESPAK, MAES, Turpkap, WSL	18.08.2023	576.73	71%	29%	167.25
v.	Jalapur Irrigation Project	Consultancy	NESPAK, NDC, ACE, WCE	2020	105.63	32%	68%	71.83
	Total				1,785.90			548.01

Due to weak internal controls and incompetent management practices, PPRA rules were violated.

Audit is of the view that un-incorporated JVs with private consultants without advertisement resulted not only into revenue leakages which otherwise could be earned by NESPAK itself but also are in conflict with principles of fairness and transparency envisaged in PPRA rules.

The matter was reported to the PAO and management on 15.11.2024. The management replied that Joint Venture (JV) Consultants and Sub-Consultants were selected based upon their expertise, presence in the region or links with the clients. The reply of the management is not convincing as NESPAK provided business to these JV partner without any open competition. Further these JV agreements were not registered at any forum so these could not be sued if the JV partner failed to meet its obligation.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying formation of un-incorporated JVs without any competitive process and matter may be investigated for fixing responsibility besides taking corrective actions.

(Para-61, NESPAK 2023-24)

2.2.4.21 Wasteful expenditure on dormant, inefficient companies - Rs 13.622 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013, 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; objectivity, integrity and honesty and relationship with the stakeholders.

During audit of NESPAK for the year 2023-24, it was observed that the management opened a company with the name of NESPAK UK Limited incorporated in UK in 2014. Since 2014, no business was carried out but company was being maintained and annual charges for preparation of accounts were paid. NESPAK had paid an amount of Rs 13.622 million (£ 37,220 payable to NESPAK Pakistan x Rs 366 = Rs 13,622,520). No transactional data of last ten years was made available. Maintaining a UK based company without any outcome and business activity was considered wastage of resources.

Due to ineffective management practices, a dormant company was kept without any business activity.

Audit is of the view that management had not exercised due care resulting into wasteful expenditure.

The matter was reported to the PAO and management on 15.11.2024. Management in its reply admitted that NESPAK UK was dormant since 2017 and they proposed its dissolution in the Board meeting.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the purpose of UK Limited without any business activity and fixing responsibility for wasteful expenditure and taking

corrective measures under intimation to audit besides providing transactional details of expenditure.

(Para-65, NESPAK 2023-24)

2.2.4.22 Irregular payment of double allowances – Rs 14.434 million

According to Rule 5(5)(a) of Public Sector Companies (Corporate Governance) Rules, 2013, 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; objectivity, integrity and honesty and relationship with the stakeholders.

During audit of NESPAK for the year 2023-24, it was observed that the management was paying double allowances. Employees serving as EVP were getting allowance of post VP and VP Head. The employees serving as VP were also given VP Head Allowance. Moreover, employees were given GM allowances as well as GM Head allowance simultaneously. An amount of Rs 14.434 million was paid as double allowances. When serving in higher/lower post, the allowance relating to lower/higher post were not admissible. (Annex-19).

Due to weak internal controls, double allowance were paid to employees.

Audit is of the view that management has not exercised due care to ensure that compliance of principal of probity and propriety. Payment of double allowance was considered irregular and a serious lapse at the part of management.

The matter was reported to the PAO and management on 15.11.2024. Management in its reply apprised that the entire matter was discussed and approved by the Board of Directors in its 144th meeting held on 09.09.2017. The reply of the management is not convincing as same person could not get double allowance. The matter needs to be clarified from the Finance Division.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the payment of double allowances besides holding inquiry and fixing responsibility.

(Para-68, NESPAK 2023-24)

2.2.4.23 Irregular investment of foreign currency funds in banks without any competitive process - Rs 773.820 million

According to Finance Division O.M. No. F.4(1)/2002-BR-II dated July 02, 2003, investment of working balances/surplus funds be made subject to fulfillment of various requirements such as investment in 'A' rating banks, competitive bidding process, investment exceeding Rs 10 million shall not be kept in one bank, setting up of in-house professional treasury management functions, formation of Investment Committee, employment of qualified investment management staff, utilization of services of professional fund managers approved by SECP, annual certificate of the Chief Executive of the organization, etc.

During Audit of NESPAK for the year 2023-24, it was observed that the management had been maintaining foreign current USD account in Bank Alflah Township, Lahore. Management had invested Rs 773.820 million in the said bank without any competitive process thus held irregular. Banks were selling their financial products, which include TDRs. In order to purchase these financial products proper procedure as per PPRA rules should have been followed.

Due to weak internal controls, irregular investment was made.

Audit is of the view that management had not exercised due care resulting into irregular investments.

The matter was reported to the PAO and management on 15.11.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the investments without competitive process besides fixing responsibility.

(Para-62, NESPAK 2023-24)

2.2.4.24 Non-adjustment of Misc. advances to employees - Rs 11.308 million

No provision was found in the rules of NESPAK for Misc. advance.

During audit of NESPAK (HO) Lahore for the year 2023-24, it was observed that management disbursed Misc. loan and advance to its employees for different reasons without any provision in NESPAK rules. When record was scrutinized, it was found that such advance remained unadjusted even at the end of the year. Detail is as under:

(Rs in million)			
Opening Balance	Addition during the year	Adjustment during the year	Advance un-adjusted at the end of year
13.562	37.147	39.401	11.308

Due to weak internal controls, advances were given without any provision in the NESPAK rules.

Audit is of the view that management was required to make rules for giving such advance and adjust these advances in time frame but the same was not done. Hence, non-adjustment of advances amounting to Rs 11.308 million was considered doubtful in audit.

The matter was reported to the PAO and management on 15.11.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends stating the reason for non-adjustment of advance completely during the year, fixing responsibility on the person at fault and adjusting the advance under intimation to audit.

(Para-48, NESPAK 2023-24)

2.3 Pakistan Tourism Development Corporation (Head Office) Islamabad

2.3.1 Introduction

Pakistan Tourism Development Corporation (Pvt.) Limited (the Company) was incorporated in Pakistan on March 30, 1970 under the repealed Companies Act, 1913 (now Companies Act 2017) as a public corporation limited by shares. The registered office of the Corporation is in Kohsar Block, Ground floor, Pak Secretariat, Islamabad. The core objective of the Corporation is the promotion and development of tourism industry in Pakistan.

The associated objectives are:

- To develop and improve its hotels, motels and tourist information centers.
- To produce publicity and promotional material for distribution at home and abroad.
- To conduct promotional programs, activities and events for attracting tourists.
- To create awareness for tourists through private sector, missions abroad, PIA offices, tour operators, travel agents and hoteliers.

The Corporation owns and controls the following subsidiaries:

- a. Pakistan Tours (Pvt.) Ltd.
- b. PTDC Motels North (Private)
- c. Associated Hotels of Pakistan
- d. PTDC Motels South (Private)

These financial statements have been prepared on going concern basis without any adjustment to assets and liabilities.

2.3.2 Comments on Audited Accounts

2.3.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2022-23 and 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the years 2022-23 and 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

2.3.2.2 The working results of the Company for the year 2021-22 as compared with the preceding years are as under:

(Rs in million)					
Description	2021-22	% inc / (dec)	2020-21	% inc / (dec)	2019-20
Sales	-	-	0.02	(99.96)	49.77
Cost of sales	-	-	11.25	(81.90)	62.17
Gross Profit/loss	-	-	(11.23)	(9.40)	(12.40)
Administrative expenses	3.23	(55.40)	7.24	(80.51)	37.16
Hotels HO expenses			-	-	-
Selling expenses			-	-	0.03
Financial Charges	0.005	(74.44)	0.02	(99.17)	2.18
Operating profit/(loss)	(3.23)	(0.82)	(18.49)	(64.29)	(51.78)
Other income	17.75	158.80	6.86	(88.11)	57.71
Under/(Overspent) grant			56.04		
Head Office expenses	(4.03)	(84.05)	25.27	(285.80)	(6.55)
Tourist Information Centre	(1.25)	97.91	59.87	1019.06	5.35
Publicity & promotion	(16.80)	(21.64)	21.44	52.19	24.44
Profit/(Loss) before taxation	26.04	41.36	44.41	52.19	29.18
Taxation			-	-	0.75
Profit/(Loss) after taxation	(1.89)	95.75	44.41	56.21	28.43
Accumulated loss	611.27	(0.144)	635.42	(04.01)	679.83

During the year, the sales of the Corporation become zero from Rs 0.02 million due to closure of operational activities of the company and its subsidiary vide Board of Directors decision in its meeting held on 17.06.2020. During the year the Corporation sustained operating loss of Rs 3.234 million against operating loss of Rs 18.49 million in 2020-21. The Corporation has accumulated loss of

Rs 611.273 million as on June 30, 2022. In pursuance of the direction of the Federal Government, the Board of Directors in their 95th meeting and Members, through special resolution in their extra ordinary meeting held on 15.12.2021 approved transfer of assets/assets/properties located in provinces to the respective provincial governments. The employees of the Corporation approached different courts. Furthermore, there is no commitment by the Government of Pakistan to keep funding the Corporation through grants. These conditions indicate the existence of material uncertainty, which may cast doubt about the Corporation's ability to continue as going concern.

2.3.2.3 During the year Government grant of Rs 30.41 million was received and placed in PTDC's assignment account. The same amount remained un-utilized and lapsed. The management needs to elucidate the position.

2.3.2.4 Receivable from the subsidiary companies i.e. PTDC Motel North (Private) limited showing Rs 86.486 million receivable. This amount was actually incurred on behalf of subsidiary company over the years. Non-recovery of dues from the company needs to be justified.

2.3.2.5 Other receivables increased to Rs 96.390 million in 2021-22 (Rs 3.723 million in 2020-21) registering 2,489.04% increase. The increase of other receivables was due to receivable from FBR Rs 91.360 million and Rental Income by Rs 3.763 million (i.e. Rs 2.863 Million in 2020-21. Reasons for increase in other receivables and its non-recovery may be explained.

2.3.2.6 The Chartered Accountants while finalizing the accounts submitted adverse opinion on following issues:

1. The management has not accounted for the transfer of properties situated in Khyber Pakhtunkhwa in Note 6.2 of the financial statements. These properties should have been treated as disposed and hence written off from the financial statements,
2. Capital work in progress amounting to Rs 208.675 million as reflected in the statement of financial position (note 7) has neither been capitalized nor did management conduct any impairment review of the assets classified under Capital Work in progress. In such circumstances, it is difficult to verify the work in progress is reasonably reported.

3. Investment in Term Deposit Receipts amounting to Rs 10 million and equity investment in Tourism Promotion Services(Pakistan) limited amounting to Rs 10.750 million as reflected in Notes 9.2 and 9.3 respectively have not been accounted for as per the requirement of IFRS-09.
4. The Corporation has receivable balance amounting to Rs 86.485 million from its subsidiary PTDC Motel North (private) limited while the respective balance as per the financial statement of the subsidiary amounts to Rs 94.631 million. No reasonable justification was provided by the management regarding the difference of Rs 8.145 million.
5. Current tax asset amounts to Rs 13.404 million as reflected in Note-15 of the financial statements, out of which only Rs 3.865 million could be traced back to the tax returns. The remaining amount of Rs 10.335 million could not be verified due to non-availability of respective records.
6. The other receivable include an amount of Rs 91.360 million receivable from FBR, which has not been confirmed by the tax consultant of the Corporation. In the absence of this confirmation its recovery is doubtful.
7. It is noted that the Finance Division, Government of Pakistan through Office Memo dated October 16, 1984 has directed all autonomous bodies / semi-autonomous bodies and corporation under their administrative control, where the pension scheme does not exist that payment of gratuity to contributory provident fund should not be allowed to their employees on their tenure of service. However, the Corporation has accounted for both the retirement benefits and the provision of gratuity amounting to Rs 137.071 million up to the year-end June 30, 2022, which mainly relates to employees appointed after 1984.
8. The Corporation has payable balance amounting to Rs 15.527 million to its subsidiary Pakistan Tours (Private) limited while the respective balance as per the financial statements of the subsidiary amounts to Rs 29.524 million. No justification was provided by the management regarding the difference of Rs 13.997 million.
9. The management did not provide the financial statements of its subsidiary company, M/s Associated Hotel of Pakistan for the year 2021-22. In the

absence of which accuracy of payable balance of Rs 22.149 million could not be verified.

10. The Corporation has not accounted for deferred taxation, which is contrary to the requirement of International Accounting Standard 12 “Income Taxes”. Moreover, deferred tax liability/assets as at June 30, 2022 cannot be quantified due to non-availability of related records.

2.3.2.7 The Corporation has not prepared consolidated financial statements of the Corporation and its subsidiaries as required under section 228 of the companies Act, 2017. According to Section 228, there shall be attached to financial statements of a holding company having a subsidiary or subsidiaries, consolidated financial statement of the group presented as a single enterprise.

2.3.3 Compliance of PAC Directives

S. #	Audit Report	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1	2005-06	02	1	1	207	50
2	2006-07	07	04	03	203.2, 203.3, 203.4	57
3	2007-08	03	01	02	174, 175	33
4	2008-09	06	05	01	224.1	83
6	2014-15	07	01	06	2.4.2.1, 2.4.3, 2.4.4.1, 2.4.4.2, 2.4.4.3, 2.4.4.4	14
7	2015-16	06	02	04	2.4.1, 2.4.2, 2.4.3, 2.4.4.1	66
8	2017-18	14	03	11	2.4.2.2, 2.4.2.3, 2.4.2.4, 2.4.2.5, 2.4.2.6, 2.4.2.7, 2.4.2.8, 2.4.2.9, 2.4.3, 2.4.4.1, 2.4.4.2	21
Total		45	17	28		38

Overall compliance of the PAC directives was not satisfactory which needs to be improved.

2.4 Associated Hotels of Pakistan Limited

2.4.1 Introduction

The Company was incorporated under repealed Companies Act 1913 (Now Companies Act 2017) as public Limited Company with the main objective of carrying out and promoting hoteling business in Pakistan. The Company is a wholly owned subsidiary of Pakistan Tourism Development Corporation Limited whose entire share capital is held by the Government of Pakistan. The register office of the company is situated at 17-22 Flashman Hotel, the Mall, Saddar, Rawalpindi.

The board of director in their meeting held on June 11,2020 resolve to close down the operation of Flash Man's hotel which was leased out to PTDC vide agreement dated July 27,1992 with immediate effect. PTDC vide its circular dated July 01, 2020 announce the closure of Fleishman's operations. The board of directors of the company are deliberating on different operation to lease out the hotel to generate rental income.

2.4.2 Comments on Audited Accounts

2.4.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the year 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

2.4.2.2 The working results of the Company for the year 2018-19 as compared to the preceding year are as under:

	2022-23	% Inc. / (Dec)	2021-22	% Inc. / (Dec)	2020-21	% Inc. / (Dec)	2019-20
General & Admin: Exp:	(352,826)	(1.06)	(356,618)	(9.89)	(395,796)	21.04	327,000
Profit/(Loss) from Operating activities	(352,826)		(356,618)		(395,796)	49.62	264,530
Other income	1154	118	530	44.02	368	(96.99)	12,213
(Loss) before Taxation.	(351,672)	1.24	(356,087)	10	(395,428)	429.47	74,683
Taxation.	-		-		-		(66,863)
Profit/Loss after Taxation.	351,672	(1.24)	(356087)	(9.95)	395,428	4956.62	7,820

(Source: Annual Audited Accounts)

2.4.2.3 The company has been classified as non-operational or closed w.e.f July 01, 2020. As a result, the financial statements reflect limited expenses or no revenue-generating activities. Thus, operational activities could not be commented upon.

2.4.2.4 Included in the current assets is an amount of Rs 22.15 million as on June 30, 2023 recoverable from a holding Company Pakistan Tourism Development Corporation Limited. The amount is receivable since 2019-20. The present status may be intimated to audit.

2.4.2.5 The Chartered Accountants while finalizing the accounts submitted adverse opinion on following issues:

1. The financial statements of the company have not been prepared in accordance with International Financial Reporting standards as applicable in Pakistan as required by the third schedule of the companies Act, 2017. Moreover, statement of comprehensive Income and the statement of cash flows have not been prepared and do not form part of the financial statements of the company.
2. The company has the policy to present its property and equipment under revaluation method. It was however, observed that revaluation has not been carried out with sufficient regularity as required by International Accounting Standard (IAS)-16 Property Plant and Equipment.
3. The Board of Directors in their meeting held on June 11, 2020 decided to close down the operations of Flashman's hotel. However, the financial statement do not disclose this fact. These financial statements have been prepared on going concern basis.

2.4.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

2.5 Pakistan Tours (Pvt.) Limited

2.5.1 Introduction

Pakistan Tours (Pvt.) Limited (PTL) was incorporated as a private limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) on Dec 26, 1970. The Company is a wholly owned subsidiary of Pakistan Tourism Development Corporation Limited whose entire share capital is owned and held by the Government of Pakistan through Cabinet Division. Since incorporation, there is no change in the pattern of shareholding of the Company. The registered office of the Company is situated at Flash man's Hotel, The Mall, Rawalpindi.

The Board of Directors of the Company in its meeting held on June 17, 2020, unanimously resolved to close the operations of the Company due to irreparable and continuous loss, having no other resources of income accordingly, the company has been placed on the list of inactive companies by the SECP.

2.5.2 Comments on audited accounts

2.5.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the year 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

2.5.2.2 The working results of the company for the year 2021-22 to 2022-23 as compared to previous years are as under:-

	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21
Grant Income	3.79	54.10	8.25	(64.55)	23.27
Admn & General Exp	(4.13)	22%	(5.28)	(61.47)	(13.71)
Finance Income	0.22	56.83	0.14	(37.39)	0.22
Profit / (Loss) before taxation /	(0.15)	(93.84)	2.43	75.11	9.78
Provision for taxation	(0.06)	57.50	0.04	37.50	(0.06)
Profit / (Loss) after taxation	(0.21)	(91.06)	2.39	75.36	9.71

(Source Annual Audited Accounts)

Administrative expenses decreased by 22% to Rs 4.126 million in 2022-23 (Rs 5.283 million – 2021-22). Administrative expenses included payment of salaries and allowances Rs 2.570 million during the period as against Rs 3.383 million (2021-22) and payment on account of vehicle repair and maintenance Rs 1.249 million and Rs 0.948 million, whereas Board of Directors in its meeting held on 17.06.2020 has decided to close the operation of PTL and terminate the services of all employees, officers/workmen of the company. Continuous occurring of such expenditure despite clear decision needs to be justified.

2.5.2.3 Included in the current assets is an amount of Rs 29.523 million as on June 30, 2023 recoverable from related parties under the head Current Accounts from holding Company Rs 24.241 million and Flashman's hotel Rs 5.309 million. This amount is receivable since long. The present status may be intimated to audit.

2.5.2.4 Receivable from staff decreased to Rs 0.884 million in 2022-23 (Rs 1.099 million - 2021-22). Similarly receivable from Punjab Road Ways showing Rs 0.272 million since long. Early recovery / adjustment of receivable along with aging analysis is stressed upon the management.

2.5.2.5 The Chartered Accountants while finalizing the accounts submitted adverse opinion on following issues:

1. Receivable balances from related parties under the head "Current Account" from Flashman's hotel Current Account amounting to Rs 3,508,960 and Rs 22,591,291 respectively remained unverified due to absence of record. Moreover, due to unrecorded and un-reconciled items, the audit could not confirm the outstanding balances of these parties through external confirmation.
2. The auditor are unable to verify existence, right and completeness of the under mentioned assets due to absence of underlying record, supporting documents.
 - a. Provident fund receivable amounting to Rs 366,761 as disclosed in note-8 to financial statements.
 - b. Receivable from Punjab Roadways amounting to Rs 272,304 as disclosed in note-8 to financial statements.

3. The Company operated an unfunded gratuity scheme covering all its employees entitled under the scheme and recognized a provision for gratuity amounting to Rs 11.411 million (2022: Rs 11.411 million). However, the provision for gratuity has not been recognized as per actuarial valuation to cover the obligation under the scheme as required by the International Accounting Standard (IAS-19) “Employees Benefit”. In the absence of actuarial valuation, the effects on the financial statements could not be determined. Accordingly, accuracy and completeness of the provision could not be ensured.
4. The company has not provided deferred income tax in its books of account and resultantly in financial statements as against explicit requirements of the International account standard (IAS-12 “Income Taxes”. In the absence of any supporting documents and relevant information, financial impact could not be determine on non-recognition of deferred tax in financial statements.
5. The auditor are unable to verify a related party payable balances amounting to Rs 649,209 under the Head PTDC Motel current account and Rs 860,114 under the PTDC Ho hotels” due to non-availability of the supporting record. Moreover, the accuracy of the balance through external confirmation could not be verified due to unrecorded and un-reconciled items.
6. Due to absence of underlying record, supporting documents the under mentioned liabilities could not be verified:
 - a. Payable to Delhi Transport Corporation amounting to Rs 13.353 million as disclosed in note 14 to the financial statement.
 - b. Withholding tax amounting to Rs 3.354 million as disclosed in note-14 to financial statements
 - c. Welfare fund amounting to Rs 14,404, officer association Fund amounting to Rs 39,290 and staff group Insurance payable amounting to Rs 568,947 as disclosed in not 14 to financial statements.
 - d. EOBI payable amounting Rs 68,250 and Union Fund amounting to 92,820 as disclosed in not 14 to financial statements.
7. The Board of Directors of the Company in its meeting held on June17, 2020, unanimously resolved to close the operations of the Company,

accordingly, the company has been placed on the list of inactive companies by the SECP. However, no provisions for applicable statutory fee, final tax liability and winding up expenses have been recognized or related contingent liabilities disclosed in financial statements.

8. Despite the decision of Board of Director to close all the operations of the company and preparation of financial statements on going concern basis is inappropriate.

Furthermore, the Accounts were not approved by the Board.

2.5.3 Compliance of PAC Directives

Sr. #	Audit Report	Total Paras	Full compliance	Partial Compliance	Pending paras No.	% of compliance
1	2008-09	07	0	07	226, 226., 226.2, 226.3, 226.4, 226.5, 226.6	0
2	2010-11	07	0	07	24.3.2.4	86
	Total	14	06	08		86

Overall compliance of the PAC directives was not satisfactory which needs to be improved.

Chapter-3

Ministry of Commerce & Textile

Overview

Ministry of Commerce is contributing to the national economy through trade liberalization and facilitation, improving export competitiveness and reducing cost of doing business. It aims to achieve higher market access for Pakistani products in existing markets as well as new markets with ultimate aim of improving quality of life of the people of Pakistan.

Aims & Objectives

Commerce Division is assigned the following objectives:

- Imports and exports across customs frontiers
- Exports promotion
- Commercial intelligence and statistics
- Tariff policy and its implementation
- Anti-dumping duties, countervailing duties and safeguard laws
- Inter-Provincial trade
- Domestic Commerce
- Organization and control of Chambers and trade associations
- Law of Insurance and regulation and control of Insurance companies
- Administrative Control of Attached Departments/Organizations
- Selection of Trade Officers for posting in Pakistan's Missions abroad

Governing Laws and Policies

- Rules of Business, 1973
- Studies on Domestic Commerce
- OIC Ten Year Plan of Action for Science & Technology for the years 2016-25
- Export /Import Policy Order, 2009
- Trade Organization Ordinance, 1961

(Rs in million)				
Description	Total	Total	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
Formations	6	5	514,414.997	561,037.586
Assignment Accounts (excluding FAP)	-	-	-	-
Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations of Rs 881,879.431 million were raised as a result of this audit. This amount also includes recoverable of Rs 450,873.061 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

S#	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	220.763
3.	Irregularities	0
A.	HR / Employees related irregularities	160.561
B.	Procurement related irregularities	3,370.808
C.	Management of Accounts with Commercial Banks	7,799.81
4.	Value for Money and service delivery issues	0
5.	Others	870,327.489

3.1 National Insurance Company Limited

3.1.1 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 National Insurance Company Limited provides general insurance coverage to all of the state-owned movable and immovable assets belonging to Federal and provisional Governments, Local Authorities, and Statutory Corporations. 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.

3.1.2 Comments on Audited Accounts

3.1.2.1 The working results of the Company for the year ended December 31, 2020 as compared with those of the previous years are given as under:

	2020	% Inc/ (Dec)	2019	% Inc/ (Dec)	2018	% Inc/ (Dec)	2017
Premium Earned	17,322	66.16%	10,425	50.85%	6,911	8.14%	6,391
Re-Insurance Cession	(13,010)	100.98%	(6,473)	93.28%	(3,349)	24.92%	(2,681)
Net Premium Revenue	4,312	9.12%	3,952	10.95%	3,562	-3.99%	3,710
Net Claim Paid	(774)	-20.57%	(974)	26.82%	(768)	-3.94%	(800)
Management Expenses	(1,983)	50.89%	(1,314)	-0.83%	(1,325)	83.52%	(722)
Commission from Reinsurer	539	234.91%	161	29.84%	124	45.88%	85
Net Underwriting Expenses	(1,444)	25.20%	(1,153)	-4.00%	(1,201)	88.54%	(637)
Underwriting Surplus	2,095	14.81%	1,825	14.56%	1,593	-29.93%	2,274
Investment income	3,889	22.11%	3,185	126.91%	1,403	-18.88%	1,730
Rental Income	152	-13.03%	174	-27.66%	241	5.15%	229
Other Income	258	16.95%	221	-88.40%	1,901	18006.67%	11
General and Administration	(99)	-85.99%	(707)	-4.78%	(743)	8.69%	(683)
Other Expenses	50	66.67%	30	50.00%	20	-119.23%	(104)
Profit before tax	6,344	34.21%	4,727	7.05%	4,416	27.78%	3,456
Taxation	(1,950)	57.05%	(1,242)	-20.11%	(1,555)	14.89%	(1,353)
Profit after tax	4,394	26.08%	3,485	21.81%	2,861	36.07%	2,103

(Source: Annual Audited Accounts)

The entity has last audited annual accounts of year 2020 till finalization of this report.

3.1.2.2 Revenue Performance

- i. Premium earned has consistently increased over the past four years, with a 66.16% growth rate in 2020.
- ii. Net premium revenue has also increased, with a 9.12% growth rate in 2020.

3.1.2.3 Expense Performance

- i. Net claim paid has decreased by 20.57% in 2020.
- ii. Management expenses have increased by 50.89% in 2020.
- iii. Commission from reinsurer has significantly increased by 234.91% in 2020.

3.1.2.4 Profitability

- i. Underwriting surplus has increased by 14.81% in 2020.
- ii. Investment income has increased by 22.11% in 2020.
- iii. Profit before tax has increased by 34.21% in 2020.
- iv. Profit after tax has increased by 26.08% in 2020.

3.1.2.5 Asset analysis

There was a 9% increase in total assets, from Rs 63,604.992 million in 2019 to Rs 69,307.206 million in 2020. This increase is primarily attributed to a rise in investments, specifically Pakistan Investment Bonds, which led to an increase in the debt security portfolio from Rs 28,989.529 million in 2019 to Rs 34,549.685 million in 2020

3.1.2.6 Growth in Liability

The liability increase from Rs 28,390.475 million in 2019 to Rs 29,470.879 million in 2020 represents a rise of Rs 1,080.404 million or 3.8%. This increase warrants attention, as it may indicate a potential strain on the company's financial resources.

3.1.2.7 Financial Ratios

- i. Net profit ratio: 6.3% (2020), 5.48% (2019)
- ii. Return on equity (ROE): 11.03% (2020), 9.90% (2019)

3.1.2.8 Overall Performance

Annual accounts for the year 2021, 2022 and 2023 are not prepared which reflects management failure in producing timely financial reporting as required by SECP Guideline. However, The Company's financial performance for the year 2020 indicates a positive trend. Revenue has consistently increased, and profitability has also improved. However, management expenses have increased significantly, which may impact profitability.

3.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2004-05	3	2	1	4	67%
2010-11	11	8	1	2.1.4.1	73%
2011-12	15	3	12	3.1.3, 3.1.4.1, 3.1.4.2, 3.1.4.3, 3.1.4.4, 3.1.4.6, 3.1.4.7, 3.1.4.8, 3.1.4.9, 3.1.4.10, 3.1.4.11, 3.1.4.12	20%
2012-13	4	1	3	3.1.4.2, 3.1.4.3, 3.1.4.4	25%
2013-14	5	4	1	4.1.2	80%
2014-15	7	4	3	4.2.4.1, 4.1.4.2, 4.1.4.3	57%
2015-16	9	3	6	4.1.4.1, 4.1.2.1, 4.1.3, 4.1.4.2, 4.1.4.4, 4.1.4.5	33%
2016-17	11	3	8	3.1.4.6, 3.1.2.1, 3.1.3, 3.1.4.2, 3.1.4.3, 3.1.4.5, 3.1.4.6, 3.1.4.7	27%
2017-18	7	4	3	4.1.3, 4.1.4.3, 4.1.4.4	57%
2019-20	2		2	3.1.4.1, 3.1.4.2	
Total	74	32	40		43%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

The overall compliance of PAC directives needs improvement.

3.1.4 Audit Paras

3.1.4.1 Outstanding claims due to delay in submission of survey reports – Rs. 11,281.223 million

Section 118(1) of the Insurance Ordinance, 2000, states that insurers are required to make payments on insurance policies within 90 days of the payment becoming due or the claimant complying with all requirements. Failure to do so will result in the insurer paying liquidated damages, unless they can prove that the delay was due to circumstances beyond their control.

Section 47 (4) of Insurance Rules, 2017, states that every survey conducted by, and report given by, an insurance surveyor shall be conducted and given with due diligence and skill, and in good faith and the report shall be finalized as early as possible but within the period of ninety days.

During audit of National Insurance Company Limited (NICL) (HO) and North Zone, Islamabad for the year 2023, it was observed that the management recorded a number of outstanding estimated losses under various claim categories amounting to Rs. 11,281.223 million in different years. The date of losses pertained to the years between 2010 and 2023, but the surveyor's reports were still awaited or under process, resultantly dues associated with their claims to be paid were also outstanding. Furthermore, 141 cases of claims were pending due to non-submission of survey reports. The detail of such cases is as under:

(Rs. in million)			
		NICL (Islamabad)	NICL (Head Office)
S #	Description	Outstanding Claims	
1	Fire Claims	110.098	2,856.546
2	Engineering Claims	6,601.742	698.100
3	Motor Claims	8.220	41.149
4	Marine Claims	105.729	676.513
5	Miscellaneous Claim	20.507	162.619
Total		6,846.296	4,434.927
Grand Total		11,281.223	

Audit is of the view that delay in submission of reports by the surveyors indicated poor monitoring and pursuance of the management. Furthermore, the management did not have any criteria for assessing the performance of the surveyors.

The matter was reported to the management in April and October, 2024. The irregularity was discussed in the DAC meeting held on December 06, 2024. The management informed that the Claim department continuously issue reminders through every plausible means i.e. letters, emails and telecommunication to the insured for expeditious provision of required claim documents and survey reports. The DAC directed the management to provide ageing of outstanding claims i.e. client wise with revised reply to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.74, 81, 656 & 673)

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2023-24 vide para(s) number 3.1.4.1 having financial impact of Rs. 27,651.768 million and for Audit Year 2022-23 vide para(s) number 3.1.4.10 having financial impact of Rs.49.045 million. Recurrence of same irregularity is a matter of serious concern.

3.1.4.2 Irregular payment of insurance claim to foreign broker – US\$ 25.050 million equivalent to Rs.7,014.000 million

Section (x) of the Code of Corporate Governance for Insurers, 2016 states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that PIAC lodged three insurance claims with NICL. The broker M/s Marsh was required to pay an amount of US 21.716 million to NICL, whereas, the broker instead of paying its share of claims to NICL, obtained the share of PRCL & NICL and paid the same to the client. The detail is as under:

S #	Claim No.	Reinsurers (85%, 95% & 82.5%)	PRCL (10%, 2.5% & 10%)	NIC (5%, 2.5% & 7.5%)	Total 100%
1	NAV-PIA-H-715/16	10,200,000	1,200,000	600,00	12,000,000
2	NAV-PLL-51/20	5,700,000	150,000	150,000	6,000,000
3	NAV-PIA-H-745/19	5,816,250	705,000	528,750	7,050,000
Total		21,716,250	2,055,000	678,750	25,050,000

Audit is of the view that non-observance of procedure showed undue favour was extended to the broker. Hence, the payment of claim amounting to US\$ 21.00 million to the broker was irregular.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on December 6, 2024. The management clarified that, according to the Release Agreement, Citi Bank was designated as the loss payee, and all insurance proceeds were to be deposited in Citi Bank. M/s. Marsh confirmed via email on March 3, 2017, that they had transferred their 85% share, amounting to US\$ 10.2 million, to the Citi Bank account. PIACL requested that the NICL and PRCL share of 15%, amounting to US\$ 1.8 million, also be transferred to Citi Bank. In line with this request, PRCL transferred the US\$ 1.8 million payments to Citi Bank on July 18, 2017. However, the DAC was not satisfied with the explanation, as Audit is of the view that management was silent on the other two cases, and a procedural lapse was observed. Specifically, the payment process should have been through NICL rather than a foreign broker. The DAC directed the management to provide a revised reply to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.3 Unjustified placement of funds in savings account – Rs.5,893.000 million

The Board of Directors of NICL in its 104th meeting held on 03-03-2019, vide agenda item 4 - (iii) resolved that in case of any emergent situation, the management be and is hereby authorized to make investment in T-Bills through competitive bidding after obtaining approval by way of circulation, which shall be confirmed in the immediate next meeting of the board.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that the management has a balance of Rs.5, 894 million on account of working capital in NBP and HBL Saving A/Cs at FTC Branch Karachi as on 31-12-2023. These funds were placed in bank accounts instead of investing the same in high-yield instrument. The detail is as under:

S #	Bank Details	Account No.	Amount (Rs. in million)
1	National Bank of Pakistan (NBP) (National Income Daily Account)	3036103099	3,396.00
2	Habib Bank Limited (HBL) (Daily Munafa Account)	1216-00701110-01	2,498.00
	Total		5,894.00

Audit is of the view that the management's current practice of keeping large sums in savings accounts is not in line with prudent investment management practices and has resulted in a missed opportunity for earning higher returns.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 06, 2024. The management informed that the funds are only held in saving accounts temporarily, primarily when our competitive bids for T-bills are not accepted by the State Bank of Pakistan (SBP). During these periods, funds remain in saving accounts until the next T-bill auction date, as BoD instructions to consider working capital requirements also. The DAC directed the management to provide the approval of State Bank for dollar account and provide the bank statement of HBL. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.4 Irregular settlement of claims reported delayed - Rs. 266.040 million

Section – E (10) (b) of the of the general conditions, states that if any event giving rise to or likely to give rise to a claim under this policy comes to his knowledge, the Insured shall give notice in writing to the insurer as soon as possible but must be received by Insures within seven days, and within thirty days or such further time as the insurer may in writing allow deliver to the Insurers.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that the management settled two claims amounting to Rs.266.040 million which were reported delayed. Initially, the Zonal Head (South Zone) unauthorizedly condoned the late intimation. The detail is as under:

S#	Insurer	Claim No.	Date of Loss	Reported Date	Delayed by	Rs. in million
1	PPL	217/KB/B/F/PD/DP0084	17.07.2017	19.02.2018	7 Months	251.040
2	NBP	K/F-30-01/2018	19.02.2018	03.06.2018	56 days	15.000
		Total				266.040

Audit is of the view that the undue favor was extended to the insurer despite the fact that the insurer failed to comply their obligation within given time line. Hence, the management also failed to comply their SoP/Rules and Regulations. This showed weak internal controls prevailing in the company.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 06, 2024. The DAC directed the management to submit revised in chronological order supported by the relevant documents. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.5 Irregular settlement of claim - Rs.233.407 million

Section (x) of Code of Corporate Governance for Insurers, 2016 states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that the management settled a fire loss claim amounting to Rs.233.407 million in favor of M/s Pakistan Petroleum Limited (PPL) after an incident occurred on 30-08-2010 which was intimated to NICL on 06-09-2010 whereas the policy documents was signed on 27th September 2010.

Audit is of the view that the management insured assets of insurer after occurrence of incident which indicates that undue favor extended to the client at company cost.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 06, 2024. The management informed that the insured (PPL) due to non-finalization of sum insured values, requested NICL to issue Hold Cover against receipt of adhoc

Premium for PKR 40 million on 26.06.2010 which was issued on 28.06.2010 and on finalization of Sum Insured value and receipt of premium, insurance policy was issued on 27.09.2010. The management further informed hold cover was provided as practice. Audit stressed to provide documentary evidence along with laid down procedures / rules since practice has no legal standing in the official matters. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.6 Non-pursuance of recovery on settlement of claims - Rs.148.331 million

Section (x) of Code of Corporate Governance for Insurers, 2016 states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that the management settled 20 claims from 01.01.2018 to 30.09.2023 of National Bank of Pakistan (NBP) on account of fraud, dacoity & robbery amounting to Rs. 148.331 million occurred at different branches of NBP. In 8 cases, fraud was committed by the employees of bank, who were dismissed from the service without recovery. The management settled these claims in lieu of letter of subrogation.

Audit is of the view that the purpose of the subrogation letter is to assert the insurance company's rights to recover the amount paid out from the third party who caused the damage or loss. Further, the management failed to take any action despite lapse of considerable period which showed negligence and poor monitoring.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 6, 2024. The management informed that all the relevant information had been forwarded to the Law Department for review to explore any possibility of recovery and to decide on the further course of action. The DAC directed the management to submit a revised reply to Audit, confirming the number of recoveries made against the

subrogation letter, particularly in the case of NBP, and to pursue the matter vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.7 Loss due to non-undertaking of insurance business - Rs.133.776 million

Section 166 of Insurance Ordinance 2000 states that public property means any property, movable or immovable, which belongs to, or the safety of which is the legal responsibility of the Federal Government, a Provincial Government or a local authority or statutory corporation. The insurance business relating to any public property, or to any risk or liability pertaining to any public property, shall be placed with the Company (NICL) only and shall not be placed with any other insurer.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that Pakistan Railways (PR) approached NICL to buy insurance cover as their Passenger Insurance agreement of 08 years with Postal Life Insurance was expired on 06.02.2023. The matter was discussed in Central Claim Committee regarding estimated premium of Rs.133.776 million (Average Number of Passengers 38,221,952 x Premium @ Rs.3.50 per passenger). However, the management denied the business proposal of PR.

Audit is of the view that the management failed to undertake the insurance business from a government entity which deprived them from annual premium Rs. 133.776 million. This reflected poor financial management.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 06, 2024. The management explained that due to insightful information / non-provision of detail by the Pakistan Railways and also the business of Pakistan Railway is not feasible for NICL. DAC was not satisfied with explanation of management as Audit raised that Postal Life Insurance Agreement was discontinued with Pakistan Railway in February, 2023, hence concerned management failed to collect such data but due efforts were not taken to get the business of Pakistan Railway. The DAC directed the management to provide documentary evidence as

taken by the management and submit revised reply. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.8 Irregular hiring of hospital/consultant/chemist and laboratories - Rs. 42.965 million

Section (x) of Code of Corporate Governance for Insurers, 2016 states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that the management incurred an amount of Rs.42.965 million on account of medical expenditure. The management hired services of different Hospital/Consultant/Chemist and Laboratories as, inter alia, the agreement was not renewed in most of the cases for more than 40 years.

Audit is of the view that, the selection of hospital/consultant/chemist and laboratories without following proper procedure and hired at their own request which showed favoritism.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 06, 2024. The management informed that they had enlisted Hospital/ Consultant/Chemist and laboratories on the panel of NIC with the approval of the competent authority as per procedures to provide medical facilities to the employees. Audit stressed that available procedure to be reviewed by the concerned management as there were legacy issues hence contention of audit to be addressed properly. The DAC directed the management to submit revised reply justifying their stance. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.9 Reduction and refund of annual premium - Rs.29.827 million

Section (x) of Code of Corporate Governance for Insurers, 2016, the directors of an insurer shall exercise their powers and carry out their fiduciary

duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that the management reduced the annual premium amount of Rs.15 million in respect of M/s. Quaid-e-Azam Solar Power (Pvt.) Limited (QSPL) due to no claim experience for the last 05 years. Similarly, the management also refunded an amount of Rs.14.827 million on account of low claims bonus to M/s. Kot Addu Power Company Limited (KAPCO) on the plea that M/s. KAPCO is one of their valued clients for several years.

Audit is of the view that the undue favor was extended to the clients by decreasing and refunding the premium having without provision in policy. Thus, the reduction and refund amounting to Rs. 29.827 million was held irregular.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on December 6, 2024. The management explained that the premium is being charged after proper risk assessment and evaluation, considering the probability of loss occurrences and the consequences. It is a common practice in the insurance industry that, in case of no loss, a discount or No Claim Bonus (NCB) is offered to the client as a reward or incentive, so that the insured take every step for risk control and avoidance; otherwise, the insured will feel free after insurance. However, Audit is of the view that there is no provision for such incentives available in the policies, thus undue favor was extended to the clients. The DAC directed the management to submit a revised reply, which shall include past precedents, quoting cases where reduction of premium was also given to other clients. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.10 Non-recovery of claim from a foreign broker – US\$ 70,712.87 equivalent to Rs.20.153 million

Section (x) of Code of Corporate Governance for Insurers, 2016 states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that an amount of US \$ 398,115.490, out of which US\$ 327,393.55 has been recovered. However, Rs.20.153 million (US\$ 70,712.87) was still outstanding against M/s. PRCL/AON (Insurance Broker) in eight long outstanding claims of M/s. Pakistan International Airlines (PIA) since 2017 to 2021.

Audit is of the view that the undue favor was extended to re-insurer / broker due to non-recovery of outstanding claims. This showed poor financial management and weak internal controls prevailing in the company.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 06, 2024. The management claimed that the full amount has been recovered. Audit already pointed out that the management had recovered US\$ 327,393 million, remaining amount of US\$ 70,712 to be recovered but the management failed to provide documentary evidence for recovery of remaining amount during verification. The DAC settled the para to the extent of recovered amount and directed the management to pursue recovery of the remaining amount. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.1.4.11 Unjustified payment of dacoity / theft claim - Rs. 9.976 million

Clause (x) of Code of Corporate Governance for insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of that Insurer (company).

Under the policy executed between M/s Utility Stores Corporation (USC) and National Insurance Company Limited, it is the explicit responsibility of the insured to take all precautions for the safety of the property insured as if the same is not insured.

During audit of National Insurance Company Limited (NICL) North Zone, Islamabad for the year 2023, it was observed that the insured, M/s Utility Stores Corporation (USC), Islamabad, submitted a claim amounting to Rs.7.907 million due to a theft/dacoity accident at Warehouse Paniva, Haripur. Similarly, a

dacoity claim of Rs. 7.755 million was also lodged by USC. The joint surveyors in their report stated that as per Fact-Finding Enquiry Report of USC, it was submitted that the incident occurred due to the sheer negligence of the security guards which was also admitted by M/s Alpha Security Services.

Audit is of the view that the management extended undue favor to the client by settling the claim of Rs.5.070 million and Rs.4.906 million respectively, despite the client's failure to exercise efforts in ensuring the safety of the warehouse. As per the policy, it was the responsibility of the insured to take all necessary precautions for the safety of the insured property, as if it were not insured. Notably, the presence of armed guards at the location did not prevent the loss. Therefore, the payment of the claim was held irregular.

The matter was reported to the management in April, 2024, but no reply was received.

Audit recommends the management to justify the matter.

(DP Nos.75 & 76)

3.1.4.12 Non-preparation of annual audited accounts

Rule (xxviii) (c) of Code of Corporate Governance for insurers, 2016 states that the insurer shall ensure that the annual audited financial statements are circulated not later than four months from the close of the financial year.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that the management had not finalized the audited annual accounts for the years 2021-2023.

Audit is of the view that the non-compliance with statutory audit requirements may compromise the accuracy and reliability of the company's financial statements, thereby denying stakeholders a true and fair picture of the company's financial position, which is a fundamental statutory requirement.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 06, 2024. The management informed that Accounts for the year 2020 have been completed and placed before the Board of Directors for approval. The DAC directed the management to expedite and complete the remaining Annual Audited Account

from 2020 onwards. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 2.1.4.20. Recurrence of same irregularity is a matter of serious concern.

3.1.4.13 Non-observance of quota system

The Cabinet Secretariat Establishment Division's letter No.F.53/I/2008-SP dated October 22, 2014, states that the Company is required to follow the recruitment policy as under: (x) Regional/Provincial quota, Women quota, Minorities (Non-Muslim) quota and Disable Persons quota, or any other quota prescribed from time to time, should expressly and clearly be indicated against the vacant post(s) advertised. The details are as under:

Merit	Punjab	Sindh 19%		Khyber PK	Baluchistan	Northern Areas/ FATA	Gilgit- Baltistan	Azad Kashmir
7.50 %	50%	Rural 11.4%	Urban 7.6%	11.5%	6%	3%	1%	2%

- i. 10% women, 5% minorities and 2% disabled person quotas have also been prescribed.
- ii. The Provincial /Regional quota if not filled will be carry forward till suitable candidates are available from the Province/Region concerned.
- iii. No “substitute” recruitment will be made.

During audit of National Insurance Company Limited (NICL) for the year 2023, it was observed that the government instructions/orders regarding the recruitment process were not being implemented in NICL since its inception, which included specific guidelines for the allocation of seats according to provincial/regional, women, minorities, and disabled quotas.

Audit is of the view that the non-compliance with government directives is a serious violation, rendering the appointments made in NICL, which contravened the Constitution of Pakistan and Federal Government orders, as irregular and unlawful.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 06, 2024. The management replied that the Establishment Division's directions regarding the "Recruitment Policy for the Federal Services/Autonomous Bodies/Corporation and attached departments" were not applicable to NICL unless adopted by its Board of Directors (BoD). However, the audit team disagreed with this contention, deeming it untenable. Consequently, the DAC instructed the management to seek clarification from the Law Division to resolve the matter.

Audit recommends implementation of the DAC directives.

3.2 Pakistan Re-Insurance Company Limited

3.2.1 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.

3.2.2 Comments on Audited Accounts

3.2.2.1 The working results of the company for the year ended December 31, 2023 as compared to previous years is given below:

(Rs. in million)					
Description	2023	%Inc /(Dec)	2022	%Inc /Dec)	2021
Gross premium	33,696.24	38.83	24,271.39	17.05	20,994
Net premium	9,323.45	17.58	7,929.37	5.60	7,226
Net Insurance claim	(4,707.32)	9.17	(4,311.85)	(14.13)	(3,778)
Management expense	(1,569.67)	2.70	(1,528.43)	(109)	(729)
Commission paid	(949.37)	(7.46)	(1,025.92)	(5.99)	(968)
Underwriting profit/(loss)	1,892.82	14.58	1,652.02	(3.446)	1,682.81
Investment income	2,389.53	78.54	1,338.39	36.33	981.71
Rental income	148.54	17.29	126.64	21.33	104.38
Profit Before Tax	5,189.32	45.90	3,556.74	(1.605)	3,614
Taxation	2,124.07	(327.93)	(931.91)	(9.073)	(1,025)
Profit after tax	3,065.25	16.78	2,624.83	1.35	2,590
(Source: Annual Audited Accounts-2023)					
The entity has last audited annual accounts of year 2023 till finalization of this report.					

3.2.2.2 Revenue Performance

- Gross premium has increased by 38.83% in 2023, indicating significant growth in the insurance business.
- Net premium has also increased by 17.58% in 2023.

3.2.2.3 Expense Performance

- i. Net insurance claims have increased by 9.17% in 2023, which may impact profitability.
- ii. Management expenses have increased by 2.70% in 2023.
- iii. Commission paid has decreased by 7.46% in 2023.

3.2.2.4 Profitability

- i. Underwriting profit has increased by 14.58% in 2023.
- ii. Investment income has significantly increased by 78.54% in 2023.
- iii. Profit before tax has increased by 45.90% in 2023.
- iv. Profit after tax has increased by 16.78% in 2023.

3.2.2.5 Asset performance

- i. Loans and other receivables increased from Rs. 462.488 million in the year 2022 to Rs. 547.118 million in the year 2023 registering an increase of Rs. 84.630 million i.e. 18.30% This increase is due to rise in receivables from loans and others.
- ii. Reinsurance recoveries against outstanding claims including IBNR (Incurred But Not Reported) increased from Rs. 14.421 million in the year 2022 to Rs.18.206 million in the year 2023 registering an increase of Rs.3.758 million i.e. 26.25%. This increase is due to rise in reinsurance recoveries against outstanding claims including IBNR.
- iii. Prepayments increased from Rs. 8.994 million in the year 2022 to Rs. 11.900 million in the year 2023 registering an increase of Rs. 2.956 million i.e. 33.05% This increase is due to rise in prepaid expenditure.
- iv. An amount due from another insurer was written off Rs. 601.678 million during the year 2023 as per requirements of SECP. Securities and Exchange Commission of Pakistan (SECP) had proposed that the reconciliation activity be concluded by December 31, 2023, but this deadline was not met.

3.2.2.6 Liability Growth

The liability relating to underwriting provisions has increased significantly from Rs 33,855.814 million in 2022 to Rs 42,973.769 million in

2023, representing a rise of Rs 9,117.955 million or 26.9%. The significant increase in the underwriting provision liability poses a risk to the company's financial stability and solvency.

3.2.2.7 Financial Ratios

- Operating profit ratio: 20.30% (2023), 20.8% (2022)
- Return on Asset (ROA): 3.99% (2023), 4.11% (2022)
- Return on equity (ROE): 16.90% (2023), 18.32% (2022)

3.2.2.8 Overall Performance

The company's financial performance indicates a positive trend. Revenue has consistently increased, and profitability has also improved. However, net insurance claims have increased, which may impact profitability.

3.2.3 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%
2011-12	9	1	8	3.2.2.1, 3.2.2.2, 3.2.2.3, 3.2.3, 3.4.4.1, 3.4.4.2, 3.4.4.3, 3.4.4.4	11%
2013-14	6	3	3	4.2.2.1, 4.2.2.2, 4.2.3	50%
2014-15	10	6	4	4.2.4.2, 4.2.2.4, 4.2.4.1, 4.2.4.4	60%
2015-16	9	3	6	4.2.4.3, 4.2.2.3, 4.2.2.4, 4.2.3, 4.2.4.1, 4.2.4.2	33%
2016-17	6	3	3	3.2.3, 3.2.4.1, 3.2.4.3,	50%
2017-18	14	5	9	4.2.2.1, 4.2.4.3, 4.2.4.11, 4.2.3, 4.2.4.1, 4.2.4.4, 4.2.4.5, 4.2.4.6, 4.2.4.10	36%
2019-20	2		2	3.2.4.1, 3.2.4.2	
Total	76	37	39		49%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

The overall compliance of PAC directives needs improvement.

3.2.4 Audit Paras

3.2.4.1 Non-recovery of outstanding dues - Rs. 17,617.161 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

Para 43(1) of the Insurance Ordinance, 2000 states that every insurer having insurance with Pakistan Reinsurance Company Limited shall pay the amount payable on account of reinsurance with the company as required under sub section (2)6 of Section-42 within such period as may be prescribed by regulations and in default of such payment shall be liable to pay the company for the period during which the default continues a penalty calculated on the amount of the defaulted premium at the base rate prevailing on the date on which the default first occurred.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that an amount of Rs. 17,617.161 million is lying outstanding from different parties as on 31.12.2023. The detail is as under:

(Rs.in million)			
S#	Description	Amount	Period
1.	Premium receivable from Foreign non-resident insurance companies	684.244	24 to 36 months
2.	Premium receivable from NZO Based CO`S	1,343.393	3 to 36 months
3.	NICL	10,468.112	3 to 12 months
4.	Premium receivable from Karachi based Companies	4,563.367	3 to 36 months
5.	Advance to contractors	10.925	12 months
6.	Receivable	85.807	12 months
7.	Accrued investment income	182.869	12 months
8.	Sundry receivables - net	95.734	12 months
9.	Receivable from tenants	182.710	12 months
Total		17,617.161	

Audit is of the view that management failed to recover the outstanding amount of Rs. 17,617.161 million from various parties, which reflected weak internal control and poor financial management.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. The management stated that PRCL has received/recovered/adjusted PKR 15,311 million out of PKR 17,057 million (90%). The DAC directed the management to provide relevant documents to audit pertaining to recovery and pursue the leftover amount. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2023-24 vide para(s) number 3.2.4.2 having financial impact of Rs. 11,845.043 million. Recurrence of same irregularity is a matter of serious concern.

3.2.4.2 Exchange loss on account of delayed payment of premium – Rs. 1,425.699 million

Clause (x) of Code of Corporate Governance for insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of that Insurer (Company).

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that the management paid insurance premium to re-insurers, however, at the time of payment of insurance premium, the management sustained exchange loss of Rs.1,425.699 million (Annex-20).

Audit is of the view that due to delayed payment of premium, an exchange loss of Rs.1,425.699 million was sustained by the management which reflected weak financial management.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. The management stated that the net impact produced remains positive. DAC directed

the management to provide specific documents regarding subject matter for verification.

Audit recommends implementation of the DAC directives.

3.2.4.3 Loss due to written off outstanding insurance premium - Rs.601.678 million

Clause (x) of Code of Corporate Governance for insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of that Insurer (company).

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that there was an outstanding insurance premiums totaling Rs. 601.678 million, which had remained uncollected from various insurance companies for an extended period. The management had written off these amounts without undertaking concrete recovery efforts.

Audit is of the view that the management failed to recover outstanding insurance premium which resulted in write-off amounting to Rs. 601.678 million. This reflected negligence and weak recovery mechanism.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to provide relevant documents reflecting that the net impact is positive for verification. Verification reflected that approval of the BoD for the write-off amounting to Rs. 601.678 million was not obtained by the management.

Audit recommends implementation of the DAC directives.

3.2.4.4 Unjustified settlement of claim without release agreement - US\$1.221 million equivalent to Rs.280.991 million

Para 9 of draft settlement and release agreement dated 22.12.2022, states that within 35 days of the execution of this Agreement by the last Party to sign, the Retro Cedant shall pay the Reinsurance Payment to the M/s. General Electric Insured's bank account.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that M/s National Parks Management Co. Ltd (NPPMCL) approached NICL for an engineering claim for policy to National Parks Management Co. Ltd (NPPMCL), amounting to US\$1,221,700 equivalent to Rs.280,991 million ($US\$1,221,700 \times 230 = Rs.280,991,000$) was paid to M/s General Electric International Inc. (GE) on loss at plant dated 31.07.2017. Due to non-finalization of Survey Report by Surveyor, a briefing note to all (Re) Insures dated 12 December, 2022 by M/s. LLOYDWARWICK, a draft settlement and release agreement was made and four parties have signed the agreement however, 02 Retro Market Participants (having 70% of share) had not signed the agreement to settle GE's claim under the subject policy. Furthermore, the claim was paid to M/s General Electric International Inc. (GE) instead of M/s National Power Parks Management Co. Ltd. (NPPMCL) through NICL. The detail of payment is given below:

S#	Name of Party	Date of Payment	Amount paid in US\$
1	General Electric (GE)	26-01-2023	452,500
2	General Electric (GE)	13-07-2023	135,750
3	General Electric (GE)	16-10-2023	452,475
4	General Electric (GE)	26-10-2023	180,975
Total			1,221,700

Audit is of the view that the insurance claim was paid without the availability of final survey report and on draft settlement & release agreement which was executed in the absence of two parties. Furthermore, the claim was paid to M/s General Electric International Inc. (GE) instead of M/s National Power Parks Management Co. Ltd. (NPPMCL) through NICL. Hence, the payment of claim amounting to Rs. 280.991 million was held irregular.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. The management stated that the subject claim pertains to M/s General Electric, a co-insured party alongside NPPMCL. DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

3.2.4.5 Unjustified acceptance of delayed insurance claims - Rs.262.664 million

Terms and Conditions of insurance acceptance letter state that every loss / claim must be reported immediately but not later than 30 days after its occurrence, failing to comply with this condition may lead to rejection of such late reported claim by PRCL.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that the management considered the following 239 insurance claims amounting to Rs. 262.664 million after more than 30 days of its occurrence in violation of terms and conditions of insurance policy. The detail is as under: -

No. of insurance claim cases	Delay in days	Total claim (100%) in Rs.	PRCL Share in Rs.
239	78 to 396	6,150,358,887	262,664,848

Audit is of the view that management extended undue favor to the above insurer companies in violation of insurance terms and conditions.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to provide relevant documents regarding the claim reversed, the claim late intimated, and the claims entertained under reconciliation for verification.

Audit recommends implementation of the DAC directives.

3.2.4.6 Irregular payment of claims without receiving premium - Rs. 247.753 million

Clause (x) of Code of Corporate Governance for insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of that Insurer (company).

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that the management paid claims amounting to Rs. 247.753 million without receiving premium. Detail of such cases is as under:

Ceding Co.	Claim No.	Policy period		Date of Loss	Premium Payment date	Approval Date	PRC's Share in Rs.
		From	To				
Atlas	20622	01.07.21	10.01.24	04.10.21	30.09.22	10.01.24	7,000,409
Atlas	20937	01.07.20	10.01.24	27.08.20	26.11.20	10.01.24	8,230,009
EFU	21194	09.07.21	15.01.24	02.03.22	17.05.22	15.01.24	12,754,376
UBL INS.	21272	01.07.22	20.12.23	13.07.22	17.11.22	20.12.23	40,371,013
Atlas	20391	04.02.20	15.01.24	28.08.20	30.09.20	15.01.24	41,800,637
AICL	21043	04.04.23	18.10.23	28.07.23	16.08.23	18.10.23	93,120,000
NICL	20676	01.07.19	13.06.23	05.08.19	23.10.19	13.06.23	3,362,973
AICL	20776	29.04.22	25.09.23	13.06.22	15.3.23	25.09.23	4,704,340
EFU	21289	01.07.21	29.11.23	20.05.22	20.01.23	29.11.23	5,214,322
Jubilee	21451	09.07.21	09.01.24	02.03.22	23.05.23	09.01.24	9,578,198
CICL	154	01.10.11	14.03.23	17.08.22	05.09.22	14.03.23	1,125,000
CICL	139	09.03.22	17.05.23	10.08.22	05.09.22	17.05.23	1,373,732
AICL	174	01.07.21	23.08.23	29.06.22	15.03.23	23.08.23	2,256,818
AICL	50	01.07.20	16.03.23	02.09.20	11.11.21	16.03.23	9,245,529
EFU	20310	01.07.18	16.03.24	16.12.18	03.07.19	16.03.24	1,215,002
RICL	16593	13.11.19	25.09.23	29.05.20	01.02.21	25.09.23	1,437,190
RICL	20978	27.10.21	12.12.23	17.08.22	01.09.23	12.12.23	1,559,929
CICL	20516	24.09.21	18.04.23	24.08.22	12.12.22	18.04.23	1,693,519
RICL	20731	06.06.22	30.09.22	22.08.22	04.09.23	25.09.23	1,709,927
		Total					247,752,923

Audit is of the view that payment of claims without receiving the premium was held irregular.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. The management stated that the premium is not paid by the clients on a case-to-case basis, but on a bulk basis and the premiums against all the risks have been received. DAC directed the management to provide a comparative list for 03 years to audit for analyzing the recovery trend of premiums.

Audit recommends implementation of the DAC directives.

3.2.4.7 Imposition of tax penalty - Rs. 45.617 million

Federal Board of Revenue (FBR) issued various show cause notices dated 18.01.2024 under Income Tax Ordinance, 2001 to Pakistan Re-insurance Company Limited as detailed below:

Section	Status of the case	Tax Liability in Rs.
137(1)	Delayed filing of return	16,041,781
181	Non-updation of company registration profile.	8,390,000
147	Shortfall of 90% of the admitted tax liability of advance tax.	21,185,786

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that the Federal Board of Revenue (FBR) issued show cause notices and imposed penalty on account of delayed filing of return, non-updation of company registration profile and shortfall of 90% of the admitted tax liability amounting to Rs. 45.617 million.

Audit is of the view that the management failed to comply with FBR regulations which resulted in imposition of penalty of Rs. 45.617 million. This reflected weak financial management and negligence.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. The DAC settled the para subject to verification of tax settlements. However, no record was provided to audit during verification.

Audit recommends implementation of the DAC directives.

3.2.4.8 Unjustified settlement of claim before acceptance of policy - Rs. 40.371 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 in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that the management accepted the insurance policy of M/s Best Way Cement Limited vide policy reference No.73622 dated 26.07.2022 for the policy period 01.07.2022 to 30.06.2022. The insured submitted an insurance claim amounting to Rs. 40.371 million on account of rainfall incident on 13.07.2022. However, it was observed that the policy was accepted on 26.07.2022 and loss occurred on 13.07.2022 before acceptance of policy.

Audit is of the view that the management settled the claim before the acceptance of policy which was not in order. Thus, payment of claim amounting to Rs. 40.371 million stands unjustified.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

3.2.4.9 Non-imposition of liquidated damages – Rs. 5.731 million

As per clause 47.1 of condition of contract between Pakistan Reinsurance Company Limited (PRCL) and M/s Arham Associates on Liquidated Damages (LD), maximum 10% of contract price stated in the Letter of Acceptance be imposed.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that the management awarded a contract to M/s Arham Associates on September 20, 2022, for renovation works at the 10th to 14th floor of PRC Tower, amounting to Rs. 57.310 million. The completion time was 400 calendar days, from September 21, 2022, to October 31, 2023, but the contractors failed to complete the civil works by October 31, 2024. Nonetheless, the management did not impose LD charges of Rs. 5.731 million.

Audit is of the view that the management granted undue favor to the supplier / contractor by not imposing the LD charges despite making delay in completion of contract amounting to Rs. 8.681 million.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. The management stated that there are no cost overruns and extensions of time and work is at the finishing stage. The DAC directed the management to complete the work by 31.03.2025 and get the cost and extension of times verified from the audit.

Audit recommends implementation of the DAC directives.

3.2.4.10 Irregular expenditure on foreign tours - Rs. 2.726 million

Para IV of Cabinet Secretariat U.O. letter No: 9-148/2002-Min.II dated 26th October, 2018, states that for obligatory visits abroad by officers/officials up to and including BPS-19, and their equivalents in autonomous/semi-autonomous bodies and corporations, the Secretary or Additional Secretary in charge of the concerned Ministry/Division has the authority to approve such visits, provided the delegation size does not exceed three members.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that the management allowed a foreign tour for two officers to attend the 19th Singapore International Reinsurance Conference (SIRC) at Sands Expo & Convention Centre, Marina Bay Sands, Singapore. This resulted in an expenditure of Rs. 2.726 million, which was incurred without obtaining the necessary approval from the Administrative Ministry.

Audit is of the view that the expenditure on foreign tours was incurred without approval of in violation of Cabinet Division's directives.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to refer the matter to the Finance Division for clarification.

Audit recommends implementation of the DAC directives.

3.2.4.11 Non-concurrence of appointment of Chartered Accountant firm from Auditor-General of Pakistan – Rs. 2.047 million

The Ministry of Finance's notification dated March 25, 1981, instructs institutions to obtain the Auditor-General of Pakistan's approval before submitting an auditor's name for approval by the Board of Directors. Furthermore, the Auditor-General's office letter dated January 17, 2004, reiterates that public sector companies can only appoint Chartered Accountants firms after obtaining the Auditor-General of Pakistan's concurrence, as per various directives issued by the Finance Division.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that the management appointed Chartered Accountant

firm M/s. Kreston Hyder Bhimji & Company on 26.06.2023 without approval and concurrence of Auditor-General of Pakistan. The management paid an amount of Rs. 2.047 million to the Chartered Accountant firm.

Audit is of the view that the appointment of Chartered Accountant without obtaining concurrence from Auditor-General of Pakistan (AGP) was held irregular.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to comply with the directives of the Finance Division. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.2.4.12 Failure of management to take action against the Ex-Company Secretary

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 in the best interest of the company.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed from the minutes of 173rd meeting of BoD held on February 03, 2023 that the management charged the allegation of fraud, forgery and breach of trust against Mr. Shamsuddin Ex Company Secretary of PRCL. The officer used to manipulate the record of PRCL and presented to different forums, drafted fake minutes and submitted to SECP without intimating or getting due approvals from the Board or CEO. M/o Commerce investigated the matter on September 24, 2020 and directed the company to take cognizance of this matter in the light of section 46 of the Companies Act, 2017. The BoD directed the management to handover the matter to FIA to commence criminal proceedings and to initiate civil proceedings by filing a law suit. Further, it was directed to carryout extensive exercise and to compile the fraudulent activities, enabling the Board to ascertain and calculate the overall financial and non-financial impact or loss incurred to company. However, the management only

terminated the services of the incumbent and did not take any action in light of BoD directives.

Audit is of the view that the management extended undue favour to the incumbent and did not initiate any action. This showed favoritism and weak internal controls.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. Management explained that SECP has taken up the case in FIA against the Ex-Company Secretary. DAC directed the management to provide SECP decision along with other documents to audit for verification. DAC further directed to place the matter in the forthcoming BoD meeting in compliance of previous directives. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

3.2.4.13 Qualified opinion by external auditors on unreconciled balances in treaty and facultative business

Rule 43 (4) of Insurance Ordinance, 2000 states that the Company may call for or examine or cause to be examined such relevant accounts, books, documents, memorandum or other records of an insurer as it may reasonably require for the purpose of verifying the correctness of the claims, declarations, returns, statements or other information submitted to it by that insurer.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2023, it was observed that the external auditors issued a qualified opinion in the annual report of PRCL for the year 2023. The Company's amount due from other insurance companies, on account of treaty and facultative business, included an unreconciled gross amount of Rs. 16,089.612 million and a net amount of Rs. 15,905.456 million. Notably, the gross amount included a balance of Rs. 10,468.111 million of M/s NICL.

Audit was of the view that non-reconciliation of the amounts indicated lack of effective internal controls and raises concerns about the accuracy and reliability of PRCL's financial reporting and may impact the company's financial stability and stakeholder confidence.

The matter was reported to the management in November 01, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to provide 05 years of comparative statements/data to analyze the receivable amount's trend of reducing, considering the business volume.

Audit recommends implementation of the DAC directives.

3.3 State Life Insurance Corporation of Pakistan

3.3.1 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 by Insurance Ordinance, 2000. The main objective of the Corporation is to engage in the life insurance business, to maximize the return to the policy holder economizing on expenses and increasing the yield on investment and to use the policyholders fund in the wider interest of the community.

3.3.2 Comments on Audited Accounts

3.3.2.1 The working results of the Corporation for the year 2023 as compared to those of the previous years are tabulated below:

Description	2023	% inc/ (dec)	(Rs in million)		
			2022	% inc/ (dec)	2021
Premium revenue	269,198	10.15	244,392	50	162,623
Investment Income (net)	149,184	30.01	114,752	19	96,160
Net realized fair value gain/(loss) on financial assets	5,393	1125.68	440	646	59
Net fair value gain on financial assets at fair value through profit or loss	33,196	-344.75	(13,563)	58	(8,566)
Net rental income	854	19.78	713	72	415
Other income	69,379	83.68	37,772	75	21,560
Insurance benefits	248,058	41.19	175,695	79	98,364
Recoveries from re-insurers	(423)	49.47	(283)	190	(314)
Claim related expense	23	-8.00	25	79	14
Net change in insurance liabilities (other than outstanding claims)	205,389	37.06	149,856	14	130,887
Acquisition expenses	29,575	30.23	22,709	13	20,021
Marketing and administration expenses	17,973	27.51	14,095	11	12,729
Total expenses	253,886	35.46	187,429	14	164,070
Finance cost	(391)	-60.78	(997)	(37)	(1,582)
Profit before tax	24,556	18.97	20,641	120	9,380
Profit after tax	14,760	7.72	13,702	106	6,665
<i>(Source: - Annual Audited Accounts-2023)</i>					
The entity has last audited annual accounts of year 2023 till finalization of this report.					

3.3.2.2 Revenue Analysis

- i- Premium revenue has consistently increased over the past three years, with a 10.15% growth rate in 2023.
- ii- Investment income (net) has also increased, with a 30.01% growth rate in 2023.
- iii- Net realized fair value gain/(loss) on financial assets has significantly increased by 1125.68% in 2023.

3.3.2.3 Expense Analysis

- i. Insurance benefits have increased by 41.19% in 2023, which is a significant concern.
- ii. Acquisition expenses have increased by 30.23% in 2023.
- iii. Marketing and Administration expenses were Rs. 17,973 million as on Dec31, 2023 against Rs. 14,095 million in the preceding year 2022, registering an increase of 27.51 %. This increase is due to increase in Employees benefit, legal and professional charges, travelling expense, vehicle running expenses and utility charges.

3.3.2.4 Asset analysis

- i- Property and equipment increased to Rs 1,397.31 million in the year 2023 as against the previous year standing of Rs 1,033.49 million, registering an increase of 35%. The increase is due to procurement of electric installation, vehicles, furniture & fixture, office equipment and computer installation –peripherals.
- ii- Insurance/re-insurance receivables increased from Rs. 78,092 million in the year 2022 to Rs. 84,703 million in the year 2023 registering an increase of Rs. 106,611 million i.e. 136.52 %. This increase is due to rise in receivables from insurance contract holders.
- iii- Other loans and receivables increased by 46.91% from Rs. 5,281 million in the year 2022 to Rs. 95,910 million in the year 2023. However, increase of Rs. 30,629 million was due to rise in accrued investment income, other receivable.

3.3.2.5 Liability Analysis

The total liability has increased significantly from Rs 1,575,608.517 million in 2022 to Rs 1,891,083.056 million in 2023, representing a rise of Rs 315,474.539 million or 20.0%.

3.3.2.6 Profitability Analysis

- i- Profit before tax has increased by 18.97% in 2023.
- ii- Profit after tax has increased by 7.72% in 2023.

3.3.2.7 Financial Ratios

- i- Expense ratio: 94.31% (2023), 76.69% (2022)
- ii- Net profit ratio: 5.48% (2023), 5.6% (2022)

3.3.2.8 Balances of SLIC, Lahore Zone amounting to Rs. 10.171 million was blocked under various heads of accounts, despite being non-operational for many years. This amount represents both assets and liabilities, but there are no substantive details or audit trails to support these transactions.

3.3.2.9 Overall Performance

The company's financial performance indicates a mixed trend. While premium revenue and investment income have consistently increased, insurance benefits and expenses have also risen significantly. The company needs to focus on managing its claims and expenses to maintain profitability.

3.3.3 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%
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%
2011-12	6	5	1	3.3.2.1, 3.3.2.2, 3.3.3	83%

				,3.3.4.1, 3.3.4.2	
2012-13	22	15	7	3.3.4.3, 3.3.4.1, 3.3.4.11, 3.3.4.7, 3.3.4.9, 3.3.4.2, 3.3.4.5	68%
2013-14	4	3	1	4.3.2	75%
2014-15	17	16	1	4.3.2.11	94%
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%
2016-17	8	2	6	3.3.2.1, 3.3.2.2, 3.3.3, 3.3.4.1, 3.3.4.2, 3.3.4.4	25%
2017-18	25	7	18	4.3.4.6, 4.3.4.19, 4.3.4.1, 4.3.4.21, 4.3.3, 4.3.4.2, 4.3.4.5, 4.3.4.8, 4.3.4.9, 4.3.4.11, 4.3.4.12, 4.3.4.13, 4.3.4.14, 4.3.4.15, 4.3.4.16, 4.3.4.17, 4.3.4.18, 4.3.4.20	28%
2019-20	6		6	3.3.4.1, 3.3.4.2, 3.3.4.3, 3.3.4.4, 3.3.4.5, 3.3.4.6	
Total	185	117	68		63%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

The overall compliance of PAC directives needs improvement.

3.3.4 Audit Paras

3.3.4.1 Non-recovery under Sehat Sahulat Program - Rs. 109,559.000 million

Clause 21.2 (a) of the Contract between the Provincial Government and SLIC states that if the government fails to pay any premium amounts or dues to State Life pursuant to this contract, and not subject to dispute pursuant to Clause 17, within 60 days after receiving written notice from State Life that such payment is overdue.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that the management had entered into agreements with the Federal, Punjab, and KPK Governments to provide health services under the Sehat Sahulat Programs (SSPs). Despite being responsible for

service delivery and accountability, SLIC had an outstanding balance of Rs. 109,559.000 million against the concerned governments.

Client	SSP Phase –II			SSP Phase-II			Total Outstanding Amount
	Billed	Received	Outstanding	Billed	Received	Outstanding	
SSP Federal	102	102	-	11,194	-	11,194	11,194
SSP Punjab	1,721	-	1,721	130,734	54,777	75,957	75,957
SHP-V (KPK)	-	-	-	44,408	22,000	22,408	22,408
Total (Rs in million)				186,336	76,777	109,559	109,559

Audit is of the view that non-recovery of outstanding dues under Sehat Sahulat Program reflected weak financial management and poor recovery mechanism.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. The management stated that as a result of these continuous efforts, SLIC has subsequently collected the outstanding premium in 2024. However, in consideration of the premium received and insurance paid, SLIC remains in a positive balance. DAC directed the management to get the receivable amounts verified from the audit.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 3.3.4.1 having financial impact of Rs. 69,933.313 million. Recurrence of same irregularity is a matter of serious concern.

3.3.4.2 Abnormal increase of surrender cases of insurance policies - Rs. 88,544.319 million

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.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that policies amounting to Rs. 88,544.319 million were surrendered by various policyholders, as detailed below.

S.#	Description	Amount
01	Cash Surrender – Basic	18,106
02	Cash Surrendered-Part	10,972
02	Auto Surrender - Basic Auto Surrender	53,038
03	Cash Surrender - Bonus & Dividend	15,760
04	Auto Surrender Millenium – Bonus	1,241
05	30th Anniversary Bonus Surrenders	1,606
06	Cash Surrender - Persistency Bonus	2,500
07	Cash Surrender - Interim Bonus & Dividend	1,624
Total (Rs. in million)		88,544.319

Audit is of the view that the surrender of policies amounting to Rs. 88,544.319 million by various policyholders in 2023 indicates a significant failure on the part of the management of State Life Insurance Corporation to retain policyholders and maintain business continuity. This massive surrender of policies also raises concerns about the effectiveness of the corporation's marketing strategies, customer service, and overall business operations.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. The management apprised that economic and rising inflationary trends are an important aspect leading to encashment of the policies, by way of cash surrender. DAC settled the para subject to verification of the record in support of their contention.

Audit recommends implementation of the DAC directives.

3.3.4.3 Unjustified payment to legal advisors without any procedure - Rs. 2,711.809 million

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.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that the management paid Rs. 2,711.809 million on account of legal expenses without proper justification or following established procedures for hiring legal counsel. Furthermore, 190 legal cases were pending in courts from 2003 to 2023, relating to recovery, damages, death claims, and other miscellaneous cases, which significantly contributed to the Corporation's contingent liability.

Audit is of the view that the management showed lack of interest in pursuing legal cases, despite having a large legal setup. The management hired legal counsel irregularly, incurring high fees and significant administrative expenditures.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. The management explained that a major portion of the amount of Rs. 2,695 million pertains to Health Insurance. Professional Expenses which incurred by SLIC for specialized jobs done by External Auditors, Tax Consultants, and Management Consultants whereas expenses of Rs.7.200 million were incurred on account of legal. DAC directed the management to provide the relevant documents in support of their contention for verification.

Audit recommends implementation of the DAC directives.

3.3.4.4 Loss due to imprudent investment in sectors – Rs. 1,177.565 million

Finance Division O.M. No. F.15 (13)-R.14/82, dated September 05, 1982, states that the funds provided, acquired, or generated by autonomous, semi-autonomous bodies, and corporations are public funds, which cannot be utilized at the sole discretion of the management. The investible funds should be utilized with due care and caution.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that the management made an investment in shares of banks and companies for a sum of Rs. 1,177.565 million, which resulted in a significant loss due to an imprudent investment decision. The Investment Committee failed to conduct proper research, leading to a substantial reduction in the value of the shares, which shows a decline in market value from

Rs. 2,140,184,155 to Rs. 962,618,225 as of December 31, 2023, resulting in a loss of Rs. 1,177,565,930. The details are hereunder:

S#	Sector	Number of shares	Cost of share purchased in Rs.	Market value of shares in Rs.	Amount (Rs.)
1.	Property	375,211	4,018,510	1,039,334	2,979,176
2.	Synthetic	6,062,625	163,772,509	94,097,959	69,674,550
3.	Rayon Jute	206,010	2,484,981	742,250	1,742,731
4.	Transport	58,029,376	1,715,395,042	782,999,546	932,395,496
5.	Modaraba	13,048,017	189,604,028	76,100,355	113,503,673
6.	Glass & Ceramics	210,890	4,218,165	1,858,602	2,359,563
7.	Leasing Companies	3,067,573	55,281,010	5,011,281	50,269,729
8.	Textile Weaving	389,172	5,409,910	768,898	4,641,012
Total (Amount in Rs.)			2,140,184,155	962,618,225	1,177,565,930

Audit is of the view that the management made imprudent investments in stock market which showed weak financial controls.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. The management apprised that investments are not actually attributable to 2023 and have been made several years ago. However, when these investments were made, they were entirely in accordance with the Investment Policy and SOP, which was followed diligently at the time. DAC directed the management to provide trends showing details of dividends/ profit earned by these sectors over the last three years to audit for verification.

Audit recommends implementation of the DAC directives.

3.3.4.5 Wasteful expenditure on outsourcing arrangement - Rs. 489.470 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that the management entered into an agreement with M/s Global Business Assurance (GBA) Private Limited to carry out bancassurance business, despite having an in-house Bancassurance Division. This outsourcing decision raises concerns about the management and propriety of public money, especially since the division is fully dependent on M/s GBA. Furthermore, the audit scrutiny reflected that 268 bancassurance policies worth Rs. 32.861 million were cancelled or surrendered in 2023, indicating a significant failure in the business operations of the outsourced company. The management paid a substantial amount of Rs. 489.470 million to M/s GBA during the same year, despite the cancellation of policies and having its own setup and manpower.

Audit is of the view that the management's decision to outsource bancassurance business despite having an in-house Bancassurance Division reflects poor management and imprudent use of public money. The significant cancellation of policies and the substantial payment in 2023 highlight the weaknesses in the management's outsourcing decision and its inability to effectively monitor and control the outsourced business operations.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. The management explained that State Life is tending to procure a "Core Insurance Solution" with the objective to replace the third party i.e. GBA will be shifted to the in-house. However, SLIC has no IT solution to cater Bank insurance business. DAC directed the management to provide the relevant documents in support of their contention for verification.

Audit recommends implementation of the DAC directives.

3.3.4.6 Non-recovery of parking and utility charges from tenants - Rs. 354.693 million

Rule 2 on policy statement of SLIC Tenancy Policy 2023 states that the objectives are: maximization of rental income by effective recoveries, lease renewals, and active follow-up of court cases. Additionally, the policy aims to rent vacant spaces at reasonable/approved rates to reputable entities and to retain them by avoiding disputes over excessive rent increases above market rates.

Furthermore, the policy emphasizes providing all facilities agreed upon in the lease agreement as a bona fide landlord.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that an amount of Rs. 354.693 million was lying outstanding against tenants as on December 31, 2023, as summarized below:

(Rs. in million)					
Description of Charges	Opening Balance	Charged during the year	Total Recoverable	Receipt during the year	Outstanding
Rent	340.189	1,011.48	1,351.66	1,150.82	200.840
Electricity	76.525	334.127	410.652	298.218	112.433
Parking	34.738	18.776	53.757	12.356	41.420
Total	451.452	1,364.383	1,816.069	1,461.394	354.693

Audit is of the view that non-recovery of outstanding amount from tenants on different accounts and non-taking of action as per tenancy agreement showed negligence and poor monitoring by the management.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. DAC directed to submit the revised reply with a breakdown of amount and complete court case status.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 3.3.4.5 having financial impact of Rs.384.730 million. Recurrence of same irregularity is a matter of serious concern.

3.3.4.7 Selection of Bank without competitive bidding - Rs. 174.881 million

Paragraph 3 (b) on "Working Balances" of the Government of Pakistan, Finance Division (Budget Wing) notification No. F.4(1)/2002-BR.II dated July 02, 2003, provides that the process of selecting a bank(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in cases where the total working balances exceed Rs.10 million, the selection of the bank (s) as well as the terms of deposits will be approved by the concerned Board

of Directors/Governing Body on the basis of competitive bids from at least three independent banks.

During audit of State Life Insurance Corporation (SLIC), Lahore Zone (Central) for the years 2022 and 2023, it was observed that the Central Zone maintained a Uni-Saver account at UBL Bank Lahore, violating the Finance Division (Budget Wing) notification. The average working balance in this account exceeded Rs. 10 million. Furthermore, the management failed to obtain competitive bids from at least three independent banks, nor did they secure approval from the Board of Directors/Governing Body. Resultantly, audit remained unable to ascertain the prevailing highest rates offered by other banks.

Audit is of the view that the management made deposition of working balances in violation of above mentioned policy which shows poor financial management and weak internal controls.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. Management apprised that due to the year-end closing, the zone has a huge collection on account of the Policy premium, so the referred amount isn't deposited for investment purposes. DAC settled the Para subject to verification of the stated position.

Audit recommends implementation of the DAC directives.

3.3.4.8 Losses due to unsatisfactory performance of Window Takaful Operations – Rs. 168.380 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that 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.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that the management launched the Window Takaful Operations, effective from February 2021. However, the management incurred a significant loss of Rs. 168.380 million, as detailed below:

(Rs in million)			
Particulars	2023	2022	2021
Net Income	1,241.18	495.47	201.309
General Admin & Management Expenses	1,296.86	581.80	227.682
(Loss)	(55.68)	(86.33)	(26.37)

Audit is of the view that the management's decision to launch Window Takaful Operations, which incurring significant losses, raises concerns about the adequacy of risk assessment and financial planning. The failure to achieve financial viability in this venture reflects weaknesses in the management's decision-making and oversight.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. The management stated that the start of every new business has higher expenses than expected. In the first operational year, the operating costs/expenses are normally higher. Takaful Division commenced its operation on January 28, 2021. The startup costs including acquisition, general administrative, and management expenses were incurred, and the business was low in the years 2021 & 2022 but now it's gradually increasing. DAC directed the management to verify the facts and figures of income and expenditure for verification as reflected in the accounts.

Audit recommends implementation of the DAC directives.

3.3.4.9 Irregular expenditure on promotional activities without policy - Rs. 100.000 million

The CSR Voluntarily Guidelines, 2013, issued by the SECP, encourage companies to have a CSR policy endorsed by the board of directors, incorporating CSR goals, objectives, and targets into the company's vision, code of ethics, and business plan/strategy.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that the management incurred expenditure of Rs.100.000 million on Corporate Social Responsibility (CSR) activities such as qawwali night programs, sponsorship of Golf Club, annual micro finance conference, etc. without CSR approved policy. The expenditure

appears to be misaligned with the true spirit of CSR, as these activities may not be directly contributing to the welfare of the community or addressing pressing social and environmental issues, and seem more focused on entertainment, networking, and brand promotion, rather than making a meaningful impact on the lives of people or the environment, thereby raising concerns about the company's genuine commitment to social responsibility.

Audit is of the view that the expenditure of Rs. 100.000 million on CSR activities without an approved policy and was not in line with true spirit of CSR activities.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. Management apprised the DAC that CSR initiatives undertaken have remained within the Board approved CSR Budget for 2023. DAC showed displeasure in producing the irrelevant record to audit and directed a revised reply may be submitted to audit the actual expenditure made on account of CSR.

Audit recommends implementation of the DAC directives.

3.3.4.10 Procurement of vehicles during ban period – Rs. 77.316 million

Finance Division (Expenditure wing) GOP vide OM No. 7 (1) (i) 2016-Exp-IV dated February 27, 2023, applicable, inter alia, on the Autonomous Organizations, states that there shall be complete ban on purchase of all vehicles till June, 2024 under Austerity measures from time to time.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that the management purchased six (06) new vehicles during the ban period worth Rs. 77.316 million. The detail is as under:

S#	Name of vehicle	Name of Supplier (M/s)	Unit price	Quantity	Total
01	Fortuner 188 D GR-S	Indus Motor Company Ltd.	21.104	1	21.104
02	Honda Civic 1500 CC	Honda Atlas Ltd.	10.228	2	29.784
03	Honda Civic 1500 CC	Honda Atlas Ltd.	9.928	2	19.856
04	Altis 1.6 CVT M 22	Indus Motor Company Ltd.	6.572	1	6.572
Total (Rs in million)				06	77.316

Audit is of the view that the procurement of vehicles was made in violation of Finance Division's directives which reflected gross negligence. Thus, expenditure of Rs. 77.316 million incurred was held irregular.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. Management informed that the SLIC generates its own resources and gets no budget from the Federal Government, hence no ban is applicable. DAC directed the management that the matter may be taken up through the administrative Ministry with the Finance Division for clarification.

Audit recommends implementation of the DAC directives.

3.3.4.11 Irregular issuance of multiple insurance policies - Rs. 77.037 million

Section 79 (3) and (4) of Insurance Ordinance, 2000, states that if a policyholder fails to disclose material information or makes a fraudulent misrepresentation, the Corporation may avoid the contract, recover damages for losses suffered, pursue criminal liability for fraudulent acts, and forfeit all payments made under the policy.

During audit of State Life Insurance Corporation (SLIC), Quetta Zone, for the years 2020 to 2023, it was observed that the management issued five insurance policies to a policyholder, Mr. Pardeep Kumar, with a total sum assured of Rs. 77.037 million. However, irregularities were noted, including the lack of direct proof of income, and the charging of only 60% Extra Mortality despite the Chief Medical Officer's recommendation of 80%, while the policyholder also had outstanding premiums for two earlier policies.

(Rs. in million)			
S#	Policy No.	Sum Assured	Irregularity
1.	5029068440	20.000	- Direct proof of income was not obtained. - At proposal stage, medical tests of policyholder were not in normal range, Chief Medical Officer recommended for charge of 80% Extra Mortality. However, management issued policy by charging 60% Extra Mortality. - Policyholder was not paying insurance premium of his two earlier issued policies bearing No. 100170127333 and No. 5016090800.
2.	5029102784	20.000	
3.	5029102772	20.000	
4.	5029073047	10.000	
5.	5029058370	7.037	
Total		77.037	

Audit is of the view that the management's decision to issue multiple insurance policies to a policyholder without obtaining direct proof of income and disregarding the Chief Medical Officer's recommendation for Extra Mortality charges reflects weaknesses in underwriting practices and inadequate risk assessment. Furthermore, the issuance of policies despite the policyholder's outstanding premiums for earlier policies indicates ineffective premium collection and policy monitoring processes.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. Management informed that proof of income, two years' bank statements, accountant maintenance certificates, land ownership proof, proof of owning shops, and proof of business were obtained during the proposal stage. The reduction in the Extra Mortality charge was a decision made by the highest-level underwriting committee and is within their authority. DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

3.3.4.12 Irregular appointment of Assistant General Manager (B&C) - Rs. 67.000 million

The Dawn advertisement dated 31.07.2022, for the position of Head of Brand and Communication, specified the required qualification and experience as a graduate or postgraduate degree with at least 16 years of education, along with at least 5 years of related experience in marketing, PR, and communications, and a certificate or training in digital strategy and branding, with a maximum age limit of 40 years.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that the management appointed Ms. Maha Hyder as the Head of Brand & Communication Department on October 31, 2022, without possessing the required degree and experience. Her appointment was made on a contract basis for a period of two years, with a monthly salary of Rs. 140,000, plus additional fringe benefits. Moreover, the terms and conditions of her contract were revised with a backdated effect during her contract period.

Audit is of the view that appointment of the incumbent in violation of advertisement criteria and revision of her contract terms and conditions reflected undue favor. Thus, payment of Rs. 67.000 million of pay and allowances stands irregular.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. The management stated that the subject employee had a requisite qualification and experience as per the advertisement as such no undue favor was extended. DAC directed the management to submit a revised reply showing the progress of degree verification and BoD's retrospective approval for the contractual employees and get the relevant record verified from audit. During verification, no revised reply was provided to Audit. Regarding progress of degree verification, no letter was issued by the management. Ms. Maha Hyder herself written the letter to HEC on October 07th, 2022 for degree verification which is still in progress intimated by HEC on October 10th, 2022.

Audit recommends implementation of the DAC directives.

3.3.4.13 Non-recovery of defalcation and excess cost from Area Managers - Rs. 57.593 million

Clause (x) of Code of Corporate Governance for Insurers, 2016, states that the directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

During audit of State Life Insurance Corporation, (ZO), Quetta, Sukkur & Lahore for the year 2020 to 2023, it was observed that an amount of Rs. 57.593 million was outstanding against Area Managers (Annex-21).

Audit is of the view that the management failed to recover / adjust the various outstanding dues from Area Managers who did not achieve set business targets during the years which reflected inefficiency and poor recovery / adjustment mechanism.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025.

- a) The management apprised that the excess cost amount has been recovered from their salaries and incentive bonus. However, the pending amount of Rs. 214,048 will be adjusted from the final adjustment of PF and pension in respect of Mian Khan, Area Manager. DAC directed the management to provide relevant documents to audit for verification (DP No. 347).
- b) Management explained that an amount of Rs. 13,225,215 has been recovered on account of excess cost from Area Managers for the year 2022 out of the above-mentioned amount. Furthermore, the matter is sub-judice on account of defalcation and the accused is under custody and investigation. DAC directed to get the verification of the recovered amount and pursue the case vigorously.
- c) The management apprised that the excess cost amount has been recovered from their salaries and incentive bonus. However, the pending amount of Rs. 214,048 will be adjusted from the final adjustment of PF and pension in respect of Mian Khan, Area Manager. DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

(DP Nos.347, 363 & 704)

3.3.4.14 Irregular appointments in against higher pay & packages - Rs. 52.645 million

Clause-10 of State Life Insurance (Services) Rules 1973 states that the Chairman may make appointments to posts in Pay scales 1 to 3 and MN-1 to MN-III based on recommendations from a Selection Committee. Appointments are normally made at the minimum of the pay scale, but may be made at a higher level if the candidate's qualifications, experience, and standing warrant it.

Rule 5 (1) 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 interests of the company.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed that management appointed five chief officers, equivalent to General Manager (GM) cadre but with higher pay package and without any sanctioned post. The appointments were also made without solid justification for creating these vacancies or their impact on business enhancement. These appointments were made on a contract basis against high pay packages, with monthly remunerations ranging from Rs. 1,000,000 to Rs. 1,290,000, which appears to be exorbitant and not aligned with the corporation's existing management pay structure. The details are hereunder:

S#	Designation	Amount in Rs	
		Salary/month	Salary/year
1	Chief Human Resource Officer (CHRO)	1,290,000	15,480,000
2	Head of Takaful	1,090,000	13,080,000
3	Chief Engineer (CE)	1,000,000	12,000,000
4	Chief Investment Officer (CIO)	1,175,000	14,100,000
5	Chief Technology Officer (CTO)	1,025,000	12,300,000
Total			66,960,000
GM Pay scale 1095,56-5376-238580 (238580 x 5 x12 = 14,314,800)			
Difference (66,960,000- 14,314,800 = 52,645,200)			

Audit is of the view that the management's decision to appoint five chief officers, equivalent to General Manager (GM) cadre, on a contract basis with exorbitant pay packages, without sanctioned posts or solid justification, is not only a violation of the corporation's existing management pay structure but also a wasteful expenditure, resulting in an unnecessary additional per annum burden on the corporation.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. The management stated that the Organogram of SLIC with a C-level position subsequent to the Board approval is part of the Business Plan sent to the Ministry of Commerce (MOC) in terms of section 8 of SOE Act, 2023. DAC directed the management to submit a revised reply and get the relevant record verified from the audit specifically the approved organogram. During verification of record, no revised reply provided to Audit as directed by DAC. Approved organogram was provided.

Audit recommends implementation of the DAC directives.

3.3.4.15 Non-recovery of outstanding dues – Rs. 36.195 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that 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.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Zonal Office, Larkana for the year 2022 & 2023, it was observed that an amount of Rs. 36.195 million was lying outstanding against various tenants and sundry debtors (Annex-22).

Audit is of the view that the management failed to effect recovery of its dues in a timely manner. This indicates poor financial management and weak internal controls.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025.

- a) Management informed that Rs. 0.764 million has been recovered from M/S. Tower media. Frequent commitments were made by M/s Sindh Building Control Authority for clearance of outstanding rent signifying their procedural delay. However, the amount has not been paid yet. DAC directed the management that para extent to the recovered amount may be verified from Audit and pursue the matter for the rest of the outstanding amount (DP No. 352).
- b) Management apprised that it is an ongoing process where Loans and advances are disbursed for some time period. Recoveries of loans are being carried on a regular basis within the parameter of instructions except for the amount of defalcation/ fraud which is outstanding due to court cases or dismissal of Officers etc. DAC directed the management to pursue the court case regarding the defalcation/fraud and efforts may be taken to recover the outstanding amount.

Audit recommends implementation of the DAC directives.

(DP Nos. 352 & 359)

3.3.4.16 Irregular fixation of salary of Chairman/CEO - Rs. 22.042 million

Establishment Division's O.M. No. 1/60/2020-E-6, dated 16th December, 2020 stated that the Federal Government has appointed Mr. Shoaib Javeed Hussain, as Chairman, State Life Corporation of Pakistan (SLIC) for a period of (02) years with effect from date of joining at maximum of SPPS-I pay scale (all inclusive) in terms of Establishment Division's O.M. No.1/11/2018-E-6 dated 22.03.2019.

Establishment Divisions O.M No.1/11/2018-E-6 dated 13.07.2021 issued extended vide notification dated 15.05.2023 states that the Federal Government has been pleased to extend the contract appointment of Mr. Shoaib Javed Hussain, as Chairman State Life Insurance Corporation of Pakistan (SLIC) under the Ministry of Commerce for a period further period of two (02) years with effect from 17.03.2023 at maximum of SPPS-I pay scale in terms of Establishment Division.

During audit of State Life Insurance Corporation (SLIC), Principal Office, Karachi for the year 2023, it was observed Mr. Shoaib Javed Hussain was appointed as Chairman of SLIC by the Federal Government for a two-year term, effective March 17, 2021, with a maximum salary of Rs. 2.00 million under the SPPS-I pay scale. However, the management exceeded this limit, granting him additional salary, allowances, and benefits in violation of the established rules and instructions from the Establishment Division. The detail is as under:

Description	Salary due	Total paid	Excess paid
Total amount paid	24,000,000	46,042,000	22,042,000*
*Breakup of Excess Amount Paid			
Compensatory Allowance			6,000,000
Qualification Allowance			3,540,000
Health Insurance Department Allowance			3,000,000
Other allied benefits			9,502,000
Total			22,042,000

Audit is of the view that undue favor was extended to the incumbent at the cost of the Corporation and paid excess remuneration beyond the maximum limit of Rs. 2.000 million, which resulted in excess expenditure of Rs. 22.042 million.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. It is noted that before discussion of this Para, CEO/ PAO recused himself from DAC meeting and the meeting was chaired by the senior most Executive Director.

Management explained that:

- I. Pay of CEO is strictly same as fixed by Establishment Division. No pay increase has been given.
- II. Allowances are distinct from pay, and after seeking the opinion of two renowned lawyers (M/s Qaiser & Maitlo and M/s Fazleghani), were approved by Board considering the following legal opinions:
 - a. Establishment Division Notification dated 16th December, 2020 in which two separate and distinct appointments i.e. Chairman (under SPPS1) and Director (under terms of LINO, 1972; a Federal Law) were made.
 - b. Ministry of Commerce circular dated 7th March 2022 in which Chairman, SLIC was also given title of Executive Director.
 - c. Director's Rules framed under LINO (Federal Law) states that Executive Director shall be deemed to be a confirmed employee of the Corporation.
 - d. SLIC regulations state that Board can grant allowances to its confirmed employees/Executive Directors.
 - e. The Ministry of Commerce was informed about allowing the allowances vide letters dated 11.04.2022 and 11.01.2023.
- III. The above notes that the pay is strictly in accordance with the notification. Allowances, as per legal opinions, being distinct from pay are allowed in accordance with the Federal Law, LINO 1972, with the approval of the Board.

Audit Contention:

- I. The Establishment Division had fixed a maximum monthly salary of Rs. 2 million for the CEO, inclusive of all benefits, under the SPPS-I pay scales. However, the CEO/Chairman received a monthly payment of Rs. 3.045 million, exceeding the authorized amount by Rs. 1.045 million.

Furthermore, additional benefits such as a vehicle, fuel, and CEO House were provided irregularly, contravening the applicable conditions of appointment.

- II. A review of the SLIC regulations reveals that there is no provision for fixing the monthly salary for the CEO/Chairman. Besides, the BoD decision may not override the decision of Establishment Division in the subject matter.
- III. It is noted that the CEO's appointment as a Board Member was concurrent with their appointment as CEO, as required under corporate governance rules. However, management has incorrectly conflated the CEO's appointment as Executive Director with that of Executive Director of SLIC, which applies to permanent employees or deputations.

The management response is unsatisfactory; therefore, Audit recommends placing the matter before the PAC. During verification the management stated that pay was strictly in accordance with the notifications and as per legal opinions being distinct from pay are allowed in accordance with Federal Law, LINO 1972 with the approval of Board. However, Audit is of the view that the CEO was paid monthly in excess in violation of Establishment Division's orders.

Audit recommends that the management may place the matter before the Public Accounts Committee (PAC) for further necessary action.

3.3.4.17 Irregular settlement of death claims - Rs. 21.310 million

Clause (76) of Insurance Ordinance, 2000, amended up to November 2011, Insurer not to engage in misleading or deceptive conduct.- (1) An insurer shall not, in the course of its business as an insurer, engage in conduct that is misleading or deceptive or is likely to mislead or deceive (2) The inclusion in an insurance policy of unusual terms tending to limit the liability of the insurer, without the express acknowledgement of the policy holder, shall constitute misleading or deceptive conduct (77) Construction of ambiguities in favour of policy holder.- (1) Any ambiguity in a contract of insurance shall not be capable of being construed in a manner which is contrary to the interests of the policy holder.

During audit of State Life Corporation of Pakistan (SLIC) for the year 2022, it was observed that the management settled various death claims irregularly as detailed below:

					Rs. in million
S#	Name of Zone	Policy No	Name	Remarks	Amount
1.	Sukkur	5026849130	Mr. Zabeeullah	Double payment of claim against single policy.	3.016
2.		5026849130	Mrs Zubeda		2.869
3.		5026318391	Shewak Ram	The place and date of death of the policyholder was different and no treatment record of hospitals was available.	0.199
4.		6014029828			1.508
5.		6014873944			2.702
6.	Lahore	-	Hassan Bashir Choudhry	Management paid death claim of Rs.7.030 million to Mr. Khushi Muhammad, brother of the nominee on power of attorney instead of her wife, without seeking Court orders as per laid down procedure in power of attorney cases and death certificate and succession certificate in respect of claim, was waived off by the Zonal Claim Committee (ZCC) without any justification.	7.030
7.	Hyderabad	-	Bilawal Naseer (Late)	The policy holder died on 20-06-2022 to Cardio respiratory arrest. However was disclosed that the deceased was ne patient and as per his report, claim (father of the policy holder) did provide record of hospitalization of policy holder.	3.986
Total					21.310

Audit is of the view that management settled the claims without due diligence which reflected negligence and poor monitoring mechanism. Thus, payment of claims amounting to Rs. 21.310 million stands irregular.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025.

- a) Management informed the DAC that no concrete documentary evidence of pre-insurance ailment was found. So the claim was rightfully decided in favor of the nominee of the policy. DAC settled the Para subject to verification of record (DP No. 354).

- b) Management informed that the Special Power of Attorney was conferred by the Nominee of the policy, namely Mrs. Naheed Hassan Ch., in favor of Mr. Khushi Muhammad. After seeking the Legal opinion from Legal Department Lahore Central Zone, the subject claim was disbursed. DAC directed the management to conduct the Fact-Finding Inquiry (DP No. 362).
- c) The management stated that a single payment has been made to the designated nominee i.e. Mrs. Zubaida wife of the Late Mr. Zabeeullah as per the terms and conditions of the policy and no double payment has been issued. DAC settled the para subject to verification.
- d) The management stated that Mr. Shewak Ram had purchased three policies. On death, only the 3rd policy falls under the early death claim. Early death claim Inquiry was conducted and no pre-insurance ailment was found. The Regional claim committee has approved the death claim under all three policies. DAC directed the management to get the relevant record verified from the audit.

Audit recommends implementation of the DAC directives.

(DP Nos. 705, 706, 362 & 354)

3.3.4.18 Irregular appointment of Area Managers on fake certificate / degree - Rs. 18.874 million

Establishment Division (ED), Government of Pakistan, vide letter dated March 08, 2011, conveyed the Prime Minister's instructions to verify the degrees and certificates of all federal government employees, including those in ... autonomous bodies. The verification process is to be initiated by the respective ministries and heads of autonomous organizations, with the costs borne by the respective entities.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Zonal Office, Larkana for the year 2022 and 2023, it was observed that the management appointed two Area Managers, Mrs. Sheeba Mazhar and Mr. Hubdar Ali Sandilo, whose Master's degrees in Economics from Shah Abdul Latif University, Khairpur were declared fake. Despite this, the management paid them a substantial amount as pay and allowances, with Mrs. Mazhar receiving

Rs. 9.860 million and Mr. Sandilo receiving Rs. 9.013 million. The detail is as under:

S#	Name	Date of Appointment	Description
1.	Mrs. Sheeba Mazhar	November 29, 2010	M.A (Economics) Certificate issued by Shah Abdul Latif University, Khairpur which was declared as bogus. The management paid Rs.9.860 million as pay and allowances.
2.	Mr. Hubdar Ali Sandilo	November 16, 2012	M.A (Economics) Certificate issued by Shah Abdul Latif University, Khairpur which was declared as bogus. The management paid Rs.9.013 million as pay and allowances.

Audit is of the view that the management extended an undue favor to the employees by not conducting the verification of degree / certificate at the time of appointment. Thus, the payment of monthly salary and other allied benefits amounting to Rs. 18.874 million was held irregular.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. Management apprised that the Departmental Enquiry was conducted and charges have been established. DAC settled the para subject to the action taken against the person(s) at fault. During verification in light of DAC directives, record provided to Audit revealed that action was taken against the both Area Managers on submitting the bogus /fake degree of M.A. However, only one category from A to B was downgraded in same post whereas management was required to downgrade them in category of lower post i.e. sale manager.

Audit recommends implementation of the DAC directives.

3.3.4.19 Non-finalization of disciplinary actions – Rs. 13.313 million

Regulation No. 30 (1) (d) of the State Life Insurance Employee (Service) Regulations, 1973, states that any act of misappropriation or embezzlement of funds belonging to or intended for the Corporation constitutes misconduct, including assisting in such acts.

SECP Rules, 2013 require the Board to establish a sound internal control system to ensure compliance with principles of probity, objectivity, integrity, and honesty. This includes preventing the misuse of company assets and resources for private gain and exercising economy to reduce wastage, particularly in handling public funds, assets, and confidential information.

During audit of State Life Insurance Corporation of Pakistan (SLIC), Quetta Zone Office, for the year 2020 to 2023, it was observed that:

a) Policyholder, Mst. Shama Naz, reported that marketing personnel were misappropriating premium amounts. An investigation was conducted, which implicated four employees - two area managers and two sales representatives - in a scheme involving duplicate documents and fraudulent claims. These employees collectively embezzled Rs. 12.400 million through fake death claims and policy loans. Although one employee was terminated, the others were merely demoted, without being required to return the embezzled funds (Annex-23).

b) Dr. Shazia Memon misused Corporation funds amounting to Rs. 913,499 due to inadequate checks and balances. The inquiry report revealed a pattern of fraud, including bogus prescriptions prepared in the names of SLIC employees on Form-C, which were found to be fake, as well as fake prescriptions from doctors and consultants. Furthermore, the report implicated Dr. Shazia Memon in collusion with M/s Lucky Medical Store and M/s Bhattai Medical Store to commit the fraud, and also revealed the involvement of Mr. Iftikhar Channa, the then Zonal Auditor. Despite being involved in preparing bogus medical bills, Dr. Shazia Memon remained employed at the Zonal Office, and no action was taken against her.

Audit is of the view that the corporation's internal controls are inadequate, allowing fraudulent activities to occur, and that insufficient action was taken against employees implicated in these activities, indicating weaknesses in governance and accountability.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025.

- a) The management stated that the matter is under inquiry. DAC directed to complete the Denovo inquiry process on a priority basis and share the progress with Audit (DP No. 338).
- b) DAC was informed by the management that a Departmental inquiry was conducted the charges have been established, on the basis of the inquiry report Final Show Cause Notices have been issued vide letter dated

09.01.2025. DAC directed the management to finalize the matter under intimation to Audit.

Audit recommends implementation of the DAC directives.

(DP.Nos.338 & 358)

3.3.4.20 Unjustified payment of insurance death claim on duplicate documents - Rs. 11.200 million

Section 79 (3) and (4) of the Insurance Ordinance, 2000, states that if a policyholder fails to disclose material information or makes a fraudulent misrepresentation, the Corporation may void the contract, recover damages for losses suffered, and pursue criminal liability, and the policy holder may forfeit all paid premiums.

During audit of State Life Insurance Corporation (SLIC), (ZO), Quetta for the year 2020 to 2023, it was observed that Mr. Shakeel Ahmed Rao, the late Ex-Area Manager, obtained a policy worth Rs. 10 million despite his moderate income. Before his death in a road accident, he took out a loan of Rs. 1.453 million. The management paid out Rs. 9.601 million after his death, but it was later discovered that the documents used were duplicate.

Ms. Shama Naz filed a complaint, alleging that Mr. Shakeel Ahmed Rao and three other employees had issued policies in their own names instead of her, and that she had the original documents to prove it. Two inquiries were conducted on July 27, 2022 and Dec 29, 2022, and both reports concluded that Ms. Naz's claim was valid and that Mr. Rao was the mastermind behind the fraud and embezzlement scheme.

Audit is of the view that the management failed to act vigilantly at the time of payment of insurance claim which reflected negligence and poor monitoring mechanism. Thus, payment of claim of Rs.11.200 million stands irregular.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 30, 2025. Management informed that claim have been settled on the basis of duplicate documents after completing all codal formalities. Management further informed

that the matter is under inquiry. DAC directed the management to finalize the Denovo inquiry and share it with Audit for verification.

Audit recommends implementation of the DAC directives.

3.4 Trading Corporation of Pakistan (Pvt.) Limited

3.4.1 Introduction

Trading Corporation of Pakistan Limited (TCP) was set up as a private limited company in July, 1967, registered under the Companies Act 1913 (now Companies Act 2017). The shares of the Corporation are owned by the Ministry of Commerce, Government of Pakistan. The main objectives of the Corporation are as under:

- i. Acting on the directives of the Federal Government, TCP undertakes import of essential commodities to help ensure their availability to the common man at affordable prices. It intervenes in the market in the larger public interest to ensure fair price to public, as well as to preempt hoarding and profiteering.
- ii. Import of essential commodities in the emergent conditions.
- iii. Export of selected items of Public Sector Corporation, agencies, etc.
- iv. To perform innovative role of undertaking export of non-traditional items to non-traditional markets on experimental basis.

3.4.2 Comments on Audited Accounts

3.4.2.1 The working results of the Corporation for the year ended 2023-24 as compared to previous years are given below:

Particulars	Rs. in million						
	2023-24	% Inc / (Dec)	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21
Commission Income	481.35	(84.486)	3,102.77	108.27	1,489.76	137.2	628.049
Administrative expenses	(1,449.72)	(8.844)	(1,590.38)	51.96	(1,046.92)	8.52	(964.699)
Other income	5,384.52	17.777	4,571.79	53.43	2,979.63	23.36	2,415.29
Profit before taxation	4,412.39	(27.45)	6,081.85	77.7	3,422.47	64.65	2078.644
Profit before taxation	4,412.39	(27.45)	6,081.85	77.7	3,422.47	64.65	2078.644
Taxation	(1,811.20)	(12.981)	(2,081.39)	94.07	(1,072.45)	84.65	(580.79)

Profit after taxation	2,601.19	(34.978)	4,000.47	69.09	2,365.99	57.96	1,497.86
Due from Govt. of Pak.	208,053.90	30.662	159,230.36	96.29	81,116.98	11.48	72,766.063
Trade Debts	56,891.35	(30.231)	81,542.81	23.02	66,285.74	49.82	44,244.46
Prepayments & other receivables	20,728.71	16.807	17,746.18	11.59	15,902.89	6.01	15,001.46
<i>(Source: Annual Audited Accounts 2023-24)</i>							

3.4.2.2 Revenue Performance

- i. Commission income decreased by 84.486% from Rs. 3,102.77 million in 2022-23 to Rs. 481.35 million in 2023-24. The decline in commission income is due to a relatively shrinking volume of operational activity, limited to urea only. Further, no import activity exists for wheat in comparison to the previous year's import. The import of wheat declined by 100% from Rs. 273,627.14 million in 2022-23 to Rs. Nil in 2023-24.
- ii. Other income has increased by 17.78% in 2023-24, which is a positive trend.

3.4.2.3 Expense Performance

- i. Administrative expenses to commission income ratio registered a substantial increase by 249.92% from 51.26% in 2022-23 to 301.18% in 2023-24. The deteriorating ratio is due to inadequate generation of commissions along with a substantial increase in administration related costs. The head of salary, allowances, other benefits, repair and maintenance, fees and subscription, computer and software maintenance and vehicle running expenses registered an increase in relation to previous year's position.

3.4.2.4 Profitability

- i. Profit before taxation decreased by 27.45 % from Rs. 6,081.85 million in 2022-23 to Rs. 4,412.39 million in 2023-24. The decline is due to relatively lower operational volume and a rise in administrative expenses in contrast to the previous year.

- ii. Profit after taxation has decreased by 34.98% in 2023-24, which is a major concern.

3.4.2.5 Asset Performance

- i. Due from the Government of Pakistan (GoP) increased by 30.231% from Rs. 159,230.36 million in 2022-23 to Rs. 208,957.51 million in 2023-24. This increase is on account of a consistent pattern of non-recovery.
- ii. Prepayments & other receivables increased by 14.14 % from Rs. 17,746.17 million in 2022-23 to Rs. 20,667.63 million in 2023-24. This increase is on account of a significant increase in receivables from sugar mills and other receivables along with a rise in rent receivables.

3.4.2.6 Liability Analysis

The current liability has increased from Rs 270,364.849 million in 2023 to Rs 299,284.11 million in 2024, representing a rise of Rs 28,919.261 million or 10.7% which may indicate a higher level of short-term indebtedness

3.4.2.7 Overall Performance

The company's financial performance indicates a mixed trend. While other income and assets have increased, commission income and profitability have decreased significantly. The company needs to focus on improving its commission income and profitability.

3.4.2.8 Ratio Analysis

- i- Return on assets (ROA): 0.704% (2023-24), 1.370% (2022-23)
- ii- Return on equity (ROE): 03.72% (2023-24), 18.60% (2022-23)
- iii- Debt to asset ratio:81.09%(2023-24) ,92.64% (2022-23)

3.4.2.9 Conclusion

The company needs to focus on improving its commission income and profitability. The company's assets have increased, which is a positive trend. However, the company needs to be cautious about its decreasing profitability and take necessary steps to improve it.

3.4.3 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	1	2	15, 17	33%
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%
2011-12	16	1	15	3.4.2.1, 3.4.2.2, 3.4.2.3, 3.4.2.4, 3.4.2.5, 3.4.2.6, 3.4.2.7, 3.4.3,3.4.4.1, 3.4.4.2, 3.4.4.3, 3.4.4.4, 3.4.4.5, 3.4.4.6, 3.4.4.7	6%
2012-13	16		1	3.4.4.1	0%
2013-14	16	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	38%
2014-15	16	2	19	4.4.2.1, 4.4.4.1, 4.4.2.2, 4.4.2.3, 4.4.2.4, 4.4.2.5, 4.4.2.6, 4.4.2.7, 4.4.3, 4.4.4.2, 4.4.4.4, 4.4.4.5, 4.4.4.6, 4.4.4.7, 4.4.4.8, 4.4.4.9, 4.4.4.10, 4.4.4.11, 4.4.4.12	13%
2015-16	16	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	19%
2016-17	16	3	9	3.4.2.1(a), 3.4.2.3, 3.4.4.1, 3.4.4.2, 3.4.2.1(b), 3.4.2.4, 3.4.3, 3.4.4.4, 3.4.4.5	19%
2017-18	16	4	7	4.4.4.8, 4.4.4.2, 4.4.4.3, 4.4.3, 4.4.4.5, 4.4.4.6, 4.4.4.7	25%
2019-20	1		1	3.4.4.1	0%
Total	285	136	36		48%

No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.

The overall compliance of PAC directives needs improvement.

3.4.4 Audit Paras

3.4.4.1 Non-recovery of various dues - Rs. 322,996.510 million

Section 6 (1) (a) of State Owned Enterprises (SOE) Act, 2023, states that the business of the state-owned enterprise is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that management failed to recover outstanding rent amounting to Rs. 216.109 million from tenants of godown for more than three years (Annex-24). Furthermore, an amount of Rs. 322,780.401 million was lying receivable against following parties as of 30.06.2024, as detailed below:

S#	Head of Account	Name of Party / Company	Amount (Rs. in million)
1.	Trade Debts	Government Departments	93,693.384
2.	Outstanding against employees	TCP employees and others	3.482
3.	Pre-payments and other receivables	Prepaid expenses and other receivables	21,029.639
4.	Due from Govt. of Pakistan	Subsidy receivable	208,053.896
Total			322,780.401

Audit is of the view that the non-recovery of outstanding dues amounting to Rs. 322,996.510 million depicted suboptimal performance of the management.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to pursue the cases of recovery.

Audit recommends implementation of the DAC directives.

(DP Nos.713 & 729)

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 3.4.4.2 having financial impact of Rs. 81,568.058

million. Recurrence of same irregularity is a matter of serious concern.

3.4.4.2 Accumulation of circular debt due to defective financial model - Rs. 281,225.025 million

Section 6 (1) (a) of State Owned Enterprises (SOE) Act, 2023, states that the business of the state-owned enterprise is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that the management acted as an intermediary for the Government of Pakistan, facilitating commodity imports and trading while earning 2% commission. However, the current procurement model has led to significant financial burdens, as imports are initiated based on Cabinet Division directives, with financial arrangements secured through bank loans. Upon arrival, commodities are handed over to recipient agencies, which are responsible for repayment. However, persistent delays in repayment have resulted in substantial liabilities of Rs. 245.065 billion against these agencies. Consequently, TCP has to bear accumulated mark-up, with commercial banks charging Rs.173.00 million per day (approximately Rs. 63.145 billion annually). To manage this massive markup, TCP has had to obtain further bank loans frequently at prevailing commercial mark-up rates, leading to an increasing circular debt of Rs. 281,225.025 million.

Audit is of the view that flawed financial model of TCP had resulted in accumulation of liabilities along with exacerbating the circular debt issue.

The matter was reported to the management in November 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to expedite the process of new financial model, reconcile the receivables and pursue recovery cases.

Audit recommends implementation of the DAC directives.

3.4.4.3 Non-transferring of annual surplus to Federal Consolidated Fund - Rs. 11,885.426 million

Point No. 5(ii) of OM No. F 4(3) R-4/2011 dated 23-01-2024 of Finance Division (Regulation Wing) states that following instructions are issued in order to comply with the legal provisions as well as Rules of Business 1973: (ii) All offices are required to deposit, after caring out their expenditure as authorized by Federal Government / Finance Division, their annual surpluses in the Federal Consolidated Fund promptly in accordance with the provision of their own laws as well the Public Finance Management Act, 2019.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that the management had not been transferring annual profits after tax to the Government in the Federal Consolidated Fund, despite the Government holding of more than 90% of equity in the corporation. The Board approved only Rs. 200 million annually as dividend to the Government, while the remaining profits were retained by management instead of being transferred to the Federal Consolidated Fund, as required by the relevant laws. The detail is as under:

(Rs. in million)		
S#	Year	Profit after tax
1	2019-20	1,435.884
2	2020-21	1,497.856
3	2021-22	2,350.027
4	2022-23	4,000.465
5	2023-24	2,601.194
Total		11,885.426

Audit is of the view that the Board of Directors of the Corporation has not demonstrated a proactive role in ensuring transfer of annual profits after tax to the Government.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to frame the dividend policy and place before the Board for approval.

Audit recommends implementation of the DAC directives.

3.4.4.4 Un-reconciled receivable balances - Rs. 9,899.130 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that the financial statements for the year ended June 30, 2024, included trade debts with an un-reconciled amount of Rs. 9,899.130 million owed by government institutions. Despite statutory auditors' requests to the concerned parties for confirmation of these balances, no response was received, leaving the reported debts unverified. The absence of reconciliation exposed significant risks, including potential misstatement of financial statements, exposure to financial losses, and questions regarding the integrity of reported balances.

Audit is of the view that without prompt reconciliation and confirmation of these debts, the corporation remained vulnerable to financial inaccuracies and potential recoverability issues.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to reconcile the receivables and pursue recovery cases.

Audit recommends implementation of the DAC directives.

3.4.4.5 Non-reconciliation of quantity supplied – Rs. 56.860 million

Section 6 (1) (a) of State Owned Enterprises (SOE) Act, 2023, states that the business of the state-owned enterprise is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that according to reconciliation meeting dated 29.01.2024, the management supplied 6,269.517 MT of wheat to Government of Gilgit Baltistan (GoGB) for the years 2007-08 and 2008-09,

however, GoGB only acknowledged receiving of 5,376.681 MT, resulting in shortage or un-reconciled quantity of 892.836 MT. Detail is as under:

Wheat 2007-08		Rs. in million			
Description	Qty (MT)	Principal	Markup	Total	Cost (Rs. Per MT)
As per TCP's supply	6,269.517	97.879	301.394	399.273	63,685
As per Govt. of Baltistan's receipt	5,376.681	-	-	-	-
Difference in quantity	892.836				

Audit is of the view that un-reconciled quantity without proper validation through acknowledgment documentation reflected internal control weakness.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. Management stated that the referred quantity was delivered to AJK and billed accordingly. DAC directed the management to pursue the recovery.

Audit recommends implementation of the DAC directives.

3.4.4.6 Loss due to theft of iron gates and non-insurance – Rs. 34.930 million

Section 21 (2) (b) of State Owned Enterprises (SOE) Act, 2023, states that the audit committee shall be responsible for determination of appropriate measures to safeguard the enterprise's assets.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that a significant security breach occurred at the Pipri godown, resulting in the theft of 499 iron gates worth Rs. 34.930 million. Despite a substantial security presence, thieves used gas cutters to dismantle and remove the gates between February and March 2024. This incident was part of a recurring pattern of thefts, including 542 gates stolen in 2012. Contributing factors included non-insurance of assets, an ineffective inventory system, inadequate physical security, poor monitoring, and prolonged employee tenures, increasing collusion risk. Moreover, the management neither recovered the amount of Rs. 34.930 million involved in the theft nor blacklisted the security company in relevant authorities.

Audit is of the view that the management's failure to secure and safeguard

its assets, coupled with deficiencies in security oversight, resulted in the theft of iron gates worth Rs. 34.930 million. This incident highlights systemic failures in safeguarding TCP's assets, which were further exacerbated by the management's failure to report minor thefts, conduct asset verification, and address employee concerns.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. Management stated that out of Rs 34.93 million, an amount of Rs 19.10 million is adjusted. Moreover preventive security measures are in place and a suit had also been filed for recovery of loss. Besides, another enquiry is in process. DAC directed the management to recover the remaining amount, conduct physical verification and complete enquiry within 30 days along with pursuance of the case.

Audit recommends implementation of the DAC directives.

(DP Nos.707, 709 & 711)

3.4.4.7 Loss due to conservative investment approach – Rs. 29.159 million

Section 6 of the investment policy of TCP states that the investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and the liquidity needs. The investment portfolio should be designed keeping in view the current economic conditions in order to enable the company to utilize the excess funds in return of a high yield.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that the management did not adopt prudent approach in its investments in government securities, particularly Treasury Bills (T-Bills). The management relied solely on National Bank of Pakistan's (NBP) expected range of rates for T-bill auction, without seeking competitive quotes from other financial institutions or conducting any independent market research resulting in quotation of the bids in auction of T-Bills either at the minimum expected rates advised by NBP or 5 basis points below this minimum range. This resulted in significantly lower bid rates offered by TCP compared to the actual cut-off rates. Moreover, bids were even lower

than the weighted average yields for Non-Competitive Bidding. Detail of investment in T-bills along with loss is as follows:

Rs.in million								
T-Bills	Tenor (months)	Auction date	NBP expected range (%)	TCP's bid (%)	Cut-off rate (%)	Weighted Avg. Yield (%)	Difference in return B/w TCP's bid and Cut-off (%)	Loss
400.00	3	09.08.2023	22.85 to 22.99	22.80	22.90	22.8403	0.100	0.400
3,613.38	3	20.09.2023	22.70 to 22.80	22.70	22.7898	22.7564	0.090	3.245
2,000.0	3	01.11.2023	21.50 to 21.75	21.50	21.9495	21.8428	0.450	8.990
1,887.0	6	13.12.2023	21.25 to 21.50	21.25	21.4201	21.3554	0.1701	3.210
1,887.0	12	13.12.2023	21.25 to 21.50	21.25	21.43	21.411	0.18	3.397
1,683.5	6	27.12.2023	21.20 to 21.30	21.20	21.3999	21.3634	0.1999	3.365
1,683.5	12	27.12.2023	21.20 to 21.20	21.10	21.43	21.3371	0.33	5.556
1,000.0	3	24.01.2024	20.40 to 20.65	20.4	20.4997	20.4745	0.0997	0.997
Total loss								29.159

Audit is of the view that the management's approach of quoting lower than cut-off rates without any prior market research has resulted in missed opportunities for higher returns, leading to a financial loss of Rs. 29.159 million.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to develop in-house research capabilities along with contacting multiple banks for informed investment decisions.

Audit recommends implementation of the DAC directives.

3.4.4.8 Blockade of funds in dormant accounts – Rs. 26.085 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that the management was maintaining dormant accounts since years. However, seventy (70) bank accounts remained inactive for more than 10 years and hence, marked as dormant amounting to Rs.26.085 million.

Audit is of the view that management's failure to close dormant accounts reflected negligence and weak financial management.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to close the dormant accounts and reconcile the balances under intimation to audit.

Audit recommends implementation of the DAC directives.

3.4.4.9 Loss due to encroachment in residential colonies – Rs. 16.997 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that the management failed to recover an amount of Rs.16.997 million from tenants of residential colonies since 2018. Furthermore, all the bachelor flats at Pipri residential colony remained vacant since many years, resulting in loss of rental income. Moreover, 110 out of 212 properties (over 52%) were illegally occupied. Complete detail of outstanding is as follows:

Sr. #	Type of accommodation	Number	Occupied	Illegally occupied/ encroached	Outstanding till June 2024 (Rs)
Pipri Residential Colony					
1	Bungalows	8	8	5	1,580,560
2	Bachelor Quarters	19	19	8	904,664
3	Family Quarters	30	30	18	2,782,965
4	Family Flats	48	47	41	4,716,004
5	Bachelor Flats	66	NIL		
Total		171	104	72	9,984,193
Landhi Residential Colony					
1	Bungalows	5	5	2	452,187
2	Flats	36	36	36	6,560,675
Total		41	41	38	7,012,862
Grand Total		212	145	110	16,997,055

Audit is of the view that prolonged non-recovery of rental income from properties of residential colonies along with illegal encroachment thereof represents ineffective management and oversight, resulting in a loss of Rs. 16.997 million.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to pursue court cases vigorously and recover the amounts.

Audit recommends implementation of the DAC directives.

3.4.4.10 Irregular hiring of Chartered Accountant Firm - Rs. 16.497 million

Rule 4 of PPRA 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.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that the management hired the services of M/s Baker Tilly Mehmood Idrees Qamar, Chartered Accountant, for conducting the audit of accounts, despite having invalid Quality Control Review (QCR) certification. Furthermore, the concurrence from Office of the Auditor General of Pakistan was also not sought.

Audit is of the view that the extension of contract to a Chartered Accountant firm without a valid QCR certificate is irregular.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to provide the valid QCR ratings to audit for verification.

Audit recommends implementation of the DAC directives.

3.4.4.11 Irregular procurement of vehicles during ban period - Rs. 15.045 million

Finance Division (expenditure wing) GOP vide OM No. F.7 (1) Exp-IV/2016-340 dated July 07, 2022, Austerity measures and from time to time (i) There shall be complete ban on purchase of all types of vehicles both for current as well as development expenditure. (2) All Ministries/Divisions are requested to disseminate the above instructions to all their concerned departments / organizations/ autonomous bodies / corporations/ authorities etc. for strict compliance.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that the management purchased four (04) vehicles during the ban period worth Rs.15.045 million in violation of Finance Division's directives.

Audit is of the view that the procurement of vehicles in violation of Finance Division's directives was held irregular.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to get concurrence from Finance Division.

Audit recommends implementation of the DAC directives.

3.4.4.12 Non-adherence to minimum wage and police verification requirements – Rs. 14.155 million

Clause (25) (z) of the agreement dated 26.06.2024 between TCP and M/s Griffin Security Services (Pvt.) Ltd, the minimum salary / wages of the security personal shall not be less than minimum wages as notified by the Federal / Provincial Government and its evidence in shape of payroll and bank statement shall be provided to TCP on monthly basis.

Clause (27) (d), the Security Company shall be required to submit (ii) Original bio-metric monthly attendance sheet of the security Guards duly verified by the site Incharge. (iii) Police verification of each guard, who performed the duties during the billing month, must also be provided with the bill.

During audit of Trading Corporation of Pakistan (TCP), Head Office

Karachi, for the year 2023-24, it was observed that the management did not ensure adherence to key contractual and regulatory requirements in its engagement with M/s. Griffin Security Services (Pvt.) Ltd. The management was obligated to confirm that security guards received the minimum wages notified by Federal or Provincial Government, with payroll records and bank statements. However, TCP processed payments totaling Rs. 14.155 million to the security company without ensuring compliance with minimum wage standards. Furthermore, as per agreement the security company was required to provide police verification of guards which was not done.

Audit is of the view that the management's failure to ensure adherence to key contractual and regulatory requirements is a serious lapse. The non-compliance with minimum wage standards for security guards, despite processing payments raises concerns about the welfare of the guards and the company's commitment to upholding labor laws.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to ensure that minimum wages are being paid to guards through personal bank accounts and get the facts verified from audit.

Audit recommends implementation of the DAC directives.

3.4.4.13 Loss due to imprudent holding of investment - Rs. 7.700 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.

During audit of Trading Corporation of Pakistan (TCP), Head Office Karachi, for the year 2023-24, it was observed that the management invested Rs. 6.500 million (10.65% share) as an initial equity contribution and further invested Rs. 58.327 million in Lahore Development Authority (LDA) building project on a co-ownership basis. Trend analysis of last 5 years reflected that LDA & Other Sponsors sustained losses having TCP's share of Rs. 7.700 million, as tabulated below:

S#	Year	Net Profit/(Loss)	TCP Share (Rs.)
1	2019-20	32,709,701	3,483,583
2	2020-21	38,372,802	4,086,703
3	2021-22	(38,839,729)	(4,136,460)
4	2022-23	(114,763,948)	(12,222,360)
5	2023-24	10,215,466	1,088,052
Net Loss		(72,305,708)	(7,700,482)

Audit is of the view that due to imprudent decision of holding investment, the corporation sustained net loss of Rs. 7.700 million which reflected ill-planning and poor financial management.

The matter was reported to the management in November, 2024. The irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to take up the matter with LDA plaza management at Board level to curtail the expenditure to be profitable.

Audit recommends implementation of the DAC directives.

3.4.4.14 Non-separation of roles leading to in-effective corporate governance and conflict of interest

Section 4(1) of the Public Sector Entities (Corporate Governance) Rules, 2013, requires the Chairman and Chief Executive roles to be separate, with distinct responsibilities. The Chief Executive is responsible for managing the company, implementing Board-approved strategies, and ensuring funds are used economically and efficiently. Additionally, Directors and CEOs must meet "fit and proper" criteria, including no conflict of interest.

During audit of Trading Corporation of Pakistan's accounts for 2023-24, it was observed that the roles of Chairman and Chief Executive Officer (CEO) were not separated, contrary to the Rules. This dual role raised concerns about corporate oversight, governance, and conflicts of interest, undermining the Board's ability to evaluate the CEO's performance objectively.

Audit is of the view that holding dual roles by same person has compromised the Board's ability to impartially evaluate executive performance and prevent unbiased oversight along with creating clear conflict of interest.

The matter was reported to the management in November, 2024. The

irregularity was discussed in the DAC meeting held on January 23, 2025. DAC directed the management to make vigorous efforts for separation of both posts.

Audit recommends implementation of the DAC directives.

3.5 Pakistan Expo Centers (Pvt.) Limited

3.5.1 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.

3.5.2 Comments on Audited Accounts

3.5.2.1 The working results of the company as on Jun 30, 2024 as compared to previous year is tabulated below:

	(Rs in million)						
	2023-24	% Inc. / (Dec)	2022-23	% Inc. / (Dec)	2021-22	% Inc. / (Dec)	2020-21
Revenue	434.949	29.324	336.325	97.207	170.544	0.000	0
Direct Cost	(503.730)	36.951	(367.818)	34.577	(273.314)	23.395	(221.496)
Gross Profit/ (Loss)	(68.781)	118.408	(31.492)	-69.357	(102.770)	(53.602)	(221.496)
Other income	105.698	45.192	72.799	3.141	70.582	387.478	14.479
Selling & Marketing Expenses	(48.329)	40.381	(34.427)	75.774	(19.586)	17.373	(16.687)
Administrative & General expenses	(184.671)	18.172	(156.273)	115.912	(72.378)	21.444	(59.598)
Finance Cost	(56.959)	19.243	(47.767)	2.309	(46.689)	8.164	(43.165)
Profit / (Loss) before levy of taxation	(253.052)	28.349	(197.160)	15.406	(170.840)	(47.670)	(326.467)
Taxation	(28.896)	7.396	(26.906)	163.914	(10.195)	6193.210	(0.162)
Loss before taxation	(281.948)	25.833	(224.066)	23.769	(181.035)	(44.575)	(326.629)
Taxation	78.993	127.102	34.783	0.000	0	0.000	0
Net Loss	(202.955)	7.223	(189.283)	4.556	(181.035)	(44.575)	(326.629)

(Source: Annual Audited Accounts)

The net loss of the company increased from Rs 181.035 million in 2021-22 to Rs 189.283 million in 2022-23 and from Rs 189.283 million in 2022-23 to Rs 202.955 million in 2023-24 registering an increase of 4.56% and 7.22% respectively. The continuous rising trend in net losses since 2021-22

showed that the performance of the company is not satisfactory. Efforts should be made to transform its net loss into profit.

3.5.2.2 The revenue of the company remained nil in 2020-21 as it was utilized on the coronavirus field hospital/ vaccination center by Government of Pakistan. But, as per note-1.2, the utilities expenses were to be paid by the Govt. of Pakistan till its normal operation. Moreover, the company incurred Rs 56.756 million on utilities expenses during the said period and received only Rs 13.99 million. The reasons for non-receipt of balance amount needs explanation.

3.5.2.3 As per note 5.1, the operating fixed assets (buildings, plant machinery & equipment, electrical and security equipment, furniture & equipment, IT equipment and vehicles) amounting to Rs 588.078 million were written off. The detailed breakup of the written off operating fixed assets, the reason(s) and approval of the competent authority, may be furnished.

3.5.2.4 The company kept its funds of Rs 54.735 million in 2020-21, Rs 296.725 million in 2021-22, Rs 710.880 million in 2022-23 and Rs 703.716 million in 2023-24 in current account and did not calculate the working capital requirement. The Company could earn more revenue on investment of surplus funds in TDR. The reasons of non-utilization of resources effectively needs justification.

3.5.2.5 The company purchased vehicles of Rs 2.803 million in 2020-21, Rs 6.965 million in 2021-22 and Rs 38.990 million in 2022-23 during ban period. Approval of the austerity committee for purchase of vehicles may be furnished.

3.5.2.6 The company vehicles were disposed off for Rs 2.288 million in 2021-22 without following proper procedure, which needs justification.

3.5.2.7 Salaries, allowances and other benefits under the head direct operating cost increased from Rs 30.696 million in 2021-22 to Rs 53.574 million in 2022-23 and Rs 78.883 million in 2023-24 registering an increase of 74.531% and 47.241% respectively. Moreover, Salaries, allowances and other benefits under the head administrative expenses also increased from Rs 51.924 million in 2022-23 to Rs 83.272 million in 2023-24 registering an increase of 60.373%. The company is sustaining continuous losses, hence, abnormal increase in salaries needs justification.

3.5.2.8 Legal and professional expenses increased from Rs 3.522 million in 2021-22 to Rs 15.01 million in 2022-23 registering an increase of 326.18%. Exorbitant increase under said head along with detail of legal cases needs to be shared with audit.

3.5.2.9 A number of tax disputes having tax liability of Rs 177.74 million were pending with FBR for the years 2010-11 to 2022-23. Based on legal advisor's opinion, no provision against these disputed amounts has been made. Efforts be made for finalization of the cases or make proper provisions in the books of accounts.

3.5.2.10 As per clause 12(2) of State-Owned Enterprise Act, 2023, majority of the directors should be independent. When composition of BoDs of Expo was observed, only 5 directors were independent out of 12, which showed non-compliance of the said clause. Management needs to take up the matter with the administrative Ministry and ensure compliance with the SOE Act 2023.

3.5.2.11 The company was non-compliant of Rule 3(2), 5(4), 6(1, 2, 3), 10, 13, 14 and 21(2) of Corporate Governance Rules, 2013 during the year 2022-23. Compliance statement for the year 2023-24 was not shared with the audit. Compliance of the said rules is stressed upon the management.

3.5.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2014-15	14	07	07	4.5.2.2, 4.5.2.4, 4.5.4.2, 4.5.4.3, 4.5.4.4, 4.5.4.6, 4.5.4.7	50
2016-17	09	04	05	3.5.2.1, 3.5.2.2, 3.5.2.4, 3.5.4.1, 3.5.4.2	44
2019-20	02	01	01	3.6.4.1, 3.6.4.3,	50
Total	25	12	13		48

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

3.5.4 Audit Paras

3.5.4.1 Misappropriation of funds collected on account of Punjab Revenue Authority – Rs 195.609 million

As per clause 13 (delegation of authority) of PEC rules and regulation, the Board of Directors will be responsible for the approval of budget. Any re-appropriation is to be presented in front of BoDs in the Annual Account. Further, mandatory approval of two of authorized officials is required for the incurrence of expenditure.

During Audit of Pakistan Expo Centre (Pvt.) Limited for the years 2019-23, it was observed that management collected an amount of Rs 266.897 million from customers in anticipation of applicability of Provincial Sales Tax since 2016. This amount was either payable to Punjab Revenue Authority or to the customers subject to the outcome of the litigation. Company specified one of its bank accounts for the retention of PRA amount. It was found that company did not have enough balance to meet the liability. Detail of amount collected on account of PRA and available balance in bank account specified by the management for PRA to meet the liability is as under:

Head of Account	2019-20	2020-21	2021-22	2022-23
PRA amount collected from customers	194.663	196.466	222.317	266.897
Available balance to meet the obligation	0.074	0.662	20.979	71.288
Deficit	194.589	195.804	201.338	195.609

An inquiry was carried out by the Ministry of Commerce on 12.12.2023 wherein it was concluded that Mr. Zia ul Mustafa Awan acted as CEO of PEC from 28.12.2018 till 23.09.2021 in addition to his position of CFO.

Misappropriation of funds on account of PRA resulted into usage of funds on other purposes instead for the purpose it was collected.

Audit is of the view that management was required to retain the amount of PRA separate from other funds so that future liability might be settled but the

same was not done. Hence, funds amounting to Rs 195.609 million were misappropriated which need investigation.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management informed that they have segregated the PRA funds from the company's operational accounts and the current balance on account of sales tax on services (PRA) deducted from the vendors stand at Rs 140 million. As regards Rs 195.609 million, the matter has been referred to FIA against the then CFO. The DAC directed the management to provide the breakup of expenditure incurred from PRA funds to the Audit for verification. Moreover, the management shall pursue the matter with FIA more vigorously under intimation to Ministry and Audit.

Audit recommends implementation of the DAC directives.

(Para-3, Expo Centre, 2019-23)

3.5.4.2 Non-recovery of insurance claim due to non-renewal of insurance policy - Rs 63.200 million

As per clause 11 of insurance policy of NICL, Notice period for the submission of claim is 15 days. Further, according to clause 5(5)(a) of Public Sector Corporate Governance Rules, 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.

During the audit of Pakistan Expo Centers (Pvt.) limited for the years 2019-23 it was observed that a fire incidence occurred in Hall-1 of Expo Centre Lahore on July 01, 2018 at about mid night. Management lodged claim with the National Insurance Company Limited (NICL) for an amount of Rs 63.200 million which was not entertained by the NICL on the following grounds:

- i. The claim needs to be reported within 15 days of the incident but management informed NICL after 15 days. The letter containing the date July 02, 2018 was delivered to NICL office Lahore by hand on July 17, 2018.

- ii. Management took insurance for the value of 100 million against the total assets of 4,000 million. Under-insurance of assets also led to non-tenability of the insurance claim.
- iii. The policy expired on July 01, 2018 and the insurance company wrote a letter on June 11, 2018 (well before the expiry of policy) for the renewal of the policy but management did not bother to timely renew it and renewed the policy on July 5, 2018 after the fire incident.
- iv. Management on its own attempt spent huge amount for the restoration of the damaged building before the survey of the insurance company so the surveyor could not perform the verification of loss.
- v. The way the management took up the matter with the NICL also proved the negligence as huge time lapses were observed in correspondence with NICL. Last letter was written in Feb 03, 2023 and after that no correspondence was found in the file.
- vi. If NICL denied the claim then management needed to take up the matter through court but management failed to take up the matter at any legal forum.

Due to negligence on the part of management, a claim of Rs 63.200 million was still pending with the NICL.

Audit is of the view that management was required to timely renew the insurance policy as per the actual value of assets and timely communicate to NICL for the claim but the same was not done. Further, not taking up the matter at any legal forum also showed least concern on the part of management. Hence non-recovery of insurance claim amounting to Rs 63.200 due to negligence needed to be investigated.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management apprised that NICL only accepted the claim of Rs 1.109 million against the claim of Rs 63.200 million because previous management had taken insurance coverage of Rs 100 million only on certain category of assets situated at Expo Centre Lahore. Audit contended that the management did not take up the matter for renewal of insurance policy timely and did not submit the insurance claim within prescribed duration. The DAC directed the management to hold

departmental inquiry in the matter and fix responsibility for the lapse/negligence within 60 days under intimation to the Audit and the Ministry.

Audit recommends implementation of the DAC directives.

(Para-6, Expo Centre, 2019-23)

3.5.4.3 Irregular withdrawal of funds from Assan Assignment Account and transfer to Company's operational bank accounts - Rs 936.270
ii) Unjustified placement of PSDP funds as TDRs released for Expo Centre Quetta - Rs 769.574 million

As per section 23(2) of Public Finance Management Act 2019, No authority shall transfer public moneys for investment or deposit from Govt. account including the assignment accounts to other bank account without prior approval of Federal Govt. Further, according to clause-XV of Assan Assignment Account Procedure issued by Controller General of Accounts vide circular dated October 26, 2020, cash withdrawal or transfer of funds to any bank account is not allowed except employees related deductions like pension contribution, provident fund and GP fund etc. These deductions shall be made as per rules/policy guidelines/procedure of the relevant offices. Payment shall be made only through crossed cheques to contractors, vendors, suppliers, employees, etc.

During Audit of Pakistan Expo Centre (Pvt.) Limited for the years 2019-23, it was observed that management operated Assan Assignment Account No. 1131 and Account No. 1132 in National Bank of Pakistan, Main Branch, Lahore with title as "Pakistan Expo Centre Quetta" and "Pakistan Expo Centre Peshawar". The management was required to operate the account according to the laid down procedures. However, the management withdrew funds of Rs 936.270 million from assignment account to its company's bank account in violation of guidelines. Hence withdrawal of funds from assignment account was held irregular in audit. Detail is given at Annex-25.

Similarly, Govt. of Pakistan allocated and transferred grants of Rs 1,044.718 million under PSDP funds in the lapsable assignment account for the project "Expo Centre Quetta" during the period from March 2021 to February 2023. Out of these funds, management spent Rs 275.144 million on the project

till June 2023. The remaining funds amounting to Rs 769.574 million were placed in TDRs and earned nominal interest on these funds.

Audit is of the view that the management should have followed the laid down procedure in letter and spirit but the same was not done. Hence withdrawal of funds was held irregular. Audit is also of the view that management was required to spend the funds on the projects for which these were allocated but the same was not done. Hence placement of funds in TDRs amounting to Rs 769.574 million is unjustified.

Due to weak financial controls, management withdrew amount against the procedure mentioned above.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management informed that the funds were drawn for the purpose of opening of Letters of Credit (LCs) and for employee's related expenses, utilities expenses etc. The management also informed that the funds were invested in TDRs with the approval of the Board. The DAC directed the management to provide the breakup of these funds to the Audit. Moreover, take up the matter with Finance Division for regularization of withdrawal of funds from Assan Assignment Account. The DAC also observed that investment of PSDP funds in TDRs was against the spirit of Finance Division instructions / financial rules. The DAC further directed the management to get the funds withdrawn from TDRs and utilize on the project.

Audit recommends implementation of the DAC directives.

(Para-1 & 2, Expo Centre, 2019-23)

3.5.4.4 Misappropriation of fixed assets - Rs 11.841 million

As per clause 21 (6) (a), the audit committee of the Board is responsible for determination of appropriate measures to safeguard the Public Sector Company's assets.

During the audit of Pakistan Expo Centers (Pvt.) limited for the years 2019-23 it was observed that Chief Internal Auditor/ Manager store submitted a report on July 21, 2022 showing that assets amounting to Rs 12 million were missing from store. CEO engaged a third-party M/s Well Spring vide work order

dated Sep 16, 2022 to verify the report submitted by the Manager Store. M/s Well Spring submitted its report showing that assets amounting to Rs 11.841 million were missing from store. The management did not make any effort for the recovery of misappropriated assets. Detail of misappropriated assets is given at Annex-26.

Negligence on the part of Audit Committee and Manager store led to misappropriation of fixed assets amounting to Rs 11.841 million.

Audit is of the view that management was required to establish a strong system of internal controls on inventory and assets management and audit committee needed to ensure safeguarding of assets of the company but the same was not done. Hence misappropriation of assets amounting to Rs 11.841 million needs investigation.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management apprised that a complaint has been filed against Mr. Sheikh Imran Mohsin in FIA. The DAC directed the management to hold departmental inquiry in the matter within 60 days, fix the responsibility and share the outcome with Ministry and the Audit.

Audit recommends implementation of the DAC directives.

(Para-7, Expo Centre, 2019-23)

3.5.4.5 Loss due to cost escalation of Expo Centre Peshawar and delay in submission of revised PC-I - Rs 4,200.00 million

In Manual for Development Projects by the Planning Commission, Guideline for preparation of revised PC-I is mentioned which is: as per ECNEC, no expenditure should be made beyond the approved cost of the project. Further, Cabinet Division circular D.O. letter No. 5/CF/75 dated May 7, 1975 requires the executing agency to start preparing the revised scheme immediately when it was known that the cost of the scheme is going to rise beyond the permissible limit of 15%.

During the audit of Pakistan Expo Centers (Pvt.) limited for the years 2019-23 it was observed that management started the execution of Expo Center Peshawar vide PC-I with planned execution date July 15, 2015 to June 30, 2017,

but the administrative approval was issued on December 17, 2015 with a total cost of Rs 2,500 million. The life of the project was 24 months but it could not be completed within time. The cost of the project exceeded exorbitantly but the management failed to submit the revised PC-I till Nov 2021. Following administrative lapses were observed which contributed to the delay of the project:

- i. Management did not submit revised PC-I based on the detailed design and engineering after possession of land in 2017.
- ii. Expo management did not observe the difference between the financial and physical progress which was an indicator for submission of revised PC-I. As per the guidelines mentioned above, the executing agency needed to submit revised PC-I when the difference between both progresses exceeded 15% which was clear evidence that the cost of project would go beyond approved limit.
- iii. Management also did not calculate the actual progress of the project. For instance in Nov 2021 management informed the Ministry of Commerce that the project had completed 86% physical progress and 84% financial progress while in March 2022, the management deviated from its stance and showed the physical progress as 60%. Audit demanded the current progress which was still at 60% physical but 95.5% financial.
- iv. On November 16, 2021, Ministry of Commerce issued 2nd reminder to Expo management and requested to submit the revised PC-I. In response, the revised PC-I was shared by the Expo management on Nov 22, 2021.

All above instances showed negligence on the part of management which resulted into increase in cost of project from Rs 2,500 million to Rs 6,700 million recording exorbitant increase of Rs 4,200 million which needed to be investigated.

Lack of internal controls and non-appointment of independent project head led to inordinate delay in the submission of revised PC-I and monitoring the performance of the project.

Audit is of the view that management was required to observe the financial and physical progress of the project and timely submit the revised PC-I to avoid extra ordinary cost. Cost escalation of Rs 4,200 million was loss to Govt. ex-chequer which needed to be investigated.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management informed that departmental inquiry was conducted and responsibility fixed on the person(s) at fault. The management further informed that the responsible officers i.e. the then CEO and the CFO have already left the organization. DAC directed the management to take action in the light of inquiry recommendations and outcome be shared with Ministry and Audit.

Audit recommends implementation of the DAC directives.

(Para-4, Expo Centre, 2019-23)

3.5.4.6 Irregular appointment/unjustified disbursement of loan - Rs 5.5 million

According to PEC Rules Chapter 1 (1.5) the advance cannot be claimed as a matter of right by any employee of PEC. The advance shall be granted on request of any employee against his/her accrued benefit/gratuity payable through a process by management from time to time at the discretion of management.

An employee can avail up to 75% of their gratuity balances which are deducted from the salaries in 36 equal installments. For obtaining loan, an application is submitted to HR department which is approved by the HR Manager, CFO, and CEO. Subsequently, account department is intimated for the disbursement of the loan. Further, after the disbursement of loan, it is recorded in the accounting and HR module for deduction.

During the audit of Pakistan Expo Centre Private Limited (PECPL) for the year 2019-23, the General Manager Finance & Business Administration (CFO) drew loan on 22.09.2021 amounting to Rs 5.5 million. The BoD in its 47th meeting held on 04.11.2022 concluded that Mr. Zia was never duly appointed as the CFO/Business Administrator / Company Secretary by BoD as per the Public Sector Companies (Code of Corporate Governance) Rules 2013 and conducted an inquiry as per Rules & Regulations of the company and the officer was dismissed from service.

Audit observed that Mr. Zia-ul-Mustafa drew loan without approval of the competent authority. The prescribed form for disbursement of loan/payment to employees required mandatory signature of HR department, In-Charge Accounts,

CFO and CEO. Mr. Zia-ul-Mustafa himself purportedly exercised the powers of both CFO and CEO for disbursement of loan. The disbursement form was not available in file of the officer. Furthermore, certain instance were noted where employee wise loan balances as per accounting module were not reconciled with the balances appearing in HR Module. Further, periodic reconciliations of employee wise loan balances were also not available.

Audit is of the view that due to weak internal controls employees committed frauds/ misappropriation which needed to be curbed and action be taken against the culprits.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management apprised that case has been filed before FIA against Mr. Zia-ul-Mustafa. DAC directed the management to pursue the case with FIA for early finalization of investigation. Moreover, the management shall also file a suit for recovery of the loan amount against the defaulter.

Audit recommends implementation of the DAC directives.

(Para-14, Expo Centre, 2019-23)

3.5.4.7 Non-recovery of advances / loans from ex-employees - Rs 7.971 million

According to PEC Rules & Regulation Chapter 1 (1.5) (2&3) the advance shall be recovered from the employee by deduction made from his/her monthly salary in such numbers of equal monthly installments as prescribed by the CEO. In case of resignation or dismissal of an employee, the amount outstanding against him/her shall be recovered in lump sum before his / her dues are settled.

During the audit of Pakistan Expo Centre Private Limited (PECPL) for the year 2019-23, the management provided the detail of Loan / advances which reflects closing balances of ‘advances to staff’ of Rs 15.748 million as on 30.06.2023.

Audit observed that the management did not adjust / clear the ‘advance to staff’ at the close of each financial year, resulting into outstanding advances amounting to Rs 15.748 million as on 30.06.2023.

Audit further observed that an amount of Rs7.971 million out of Rs15.748 million was not recovered from the below mentioned employees as they left the company.

S. No.	Name	Designation	D. O. Leaving	Amount (Rs)
1.	Mr. Zaka Awan	GM Engineering & Maintenance	11.11.2021	2,871,739
2.	Zia-ul-Mustafa	Manager Finance & Administration	30.12.2022	2,938,483
3.	Imran Mohsin	Manager Assets & Inventory	15.09.2022	1,246,998
4.	Farhat Rafi	Manager Corporate Communication	11.11.2021	542,442
5.	Ali khan		30.06.2022	372,245
Total				7,971,907

Audit is of the view that non-adjustment/non-clearance of ‘advances to staff’ is violation of Rules and negligence of the management.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management informed that recovery proceedings against Mr. Ali Khan, Security supervisor have been completed and the amount of recovery was adjusted from his final settlement claims. Regarding remaining 04 officers, recovery proceedings were underway. Audit contended that the employees were dismissed from service and no service benefits are admissible to dismissed employees. DAC directed the management to pursue the case vigorously with FIA for recovery under intimation to Ministry and Audit.

Audit recommends implementation of the DAC directives.

(Para-16, Expo Centre, 2019-23)

3.5.4.8 Undue favor granted to contractors by non-imposition of LD charges - Rs 69.115 million

As per conditions 18 of work order, “Liquidated damages shall be charged @ 1% of the contract price for each day of delay up to a maximum of 10% of the contract price”

During the audit of Pakistan Expo Centers private limited for the years 2019-23 it was observed that management of the company had awarded the work orders to different contractors for civil work at Expo Center Peshawar at a total

cost of Rs 691.163 million. The management did not impose penalty of Rs 69.163 million (@10%) upon the contractor due to slow work pace on the project. Further the retention money of the completed work was also released to the contractor. Detail is given at Annex-27.

Due to weak internal controls, management released payments to contractors without imposition of penalty.

Audit is of the view that management of expo center granted undue favor to the contractor by non-imposition of LD upon the contractor which needs to be investigated.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management informed that in all the cases, the Consultant (NESPAK) recommended the grant of Extension of Time after examining the circumstance except in one case, where the department is pursuing LD charges from the concerned contractor. DAC directed the management to share the reasons/justification for the grant of extension of time (EOT) to the contractor with the Audit. .

Audit recommends implementation of the DAC directives.

(Para-5, Expo Centre, 2019-23)

3.5.4.9 Irregular payment of bonus to employees despite operational loss - Rs 23.013 million

Finance Division's letter No. F.3(5)R. 12 / 80 (R. 14).Vol.II / 2001-544 dated November 30th, 2001 regarding bonus policy of Federal Government, clearly states that payment of bonus to the employees of autonomous bodies / semi-autonomous bodies and corporations without approval from the Administrative Ministry / Division and concurrence of Finance Division will tantamount to financial irregularity. As per bonus policy of Federal Government circulated by the Finance Division (Regulation Wing) vide its OM. No. F.3 (5) RI2/ BOCR.14/ 2002-154 dated 18.03.2002, the bonus would be paid on operational profit of the organization only excluding income from other sources. The payment of bonus would not be made as customary but it would be on the

basis of profit earned and as reflected in the annual audited accounts of the organization.

During Audit of the Pakistan Expo Centre (Pvt.) Limited for the years 2019-23, it was observed that the management allowed three semi-annual bonuses to employees amounting to Rs 23.013 million during Jan 2022 to July 2023 despite the fact that company was running on operational losses. Detail of bonus and losses made by the company is as under:

(Rs in million)		
Period	Amount of bonus	Loss as on June 30 th
2021-22 (Jan 2022 to June 2022)	7.556	181.034
2022-23		189.283
July 2022 to Dec 2022	7.430	
Jan 2023 to July 2023	8.027	
Total	23.013	370.317

Due to weak internal controls, two bonuses were paid in a single year without linking it with the profitability of the company in violation of above stated criteria.

Audit is of the view that management was required to link the bonus with the profitability of the company but the same was not done. Hence, payment of bonus amounting to Rs 23.013 million to employees is held irregular in audit.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management apprised that the bonuses were paid with the approval of Board of Directors. Audit contended that the bonuses are admissible on operational profit of the company. Whereas, three bonuses were paid despite the fact that company sustained operating loss during the year. The DAC observed that bonus or reward shall be performance based. The performance of each employee / individual may be reviewed. DAC further directed to submit revised reply along with the criteria and justification for grant of bonus to the employees of the company.

Audit recommends implementation of the DAC directives.

(Para-9, Expo Centre, 2019-23)

3.5.4.10 Irregular award of contract of container office for Expo Centre Quetta - Rs 7.938 million

As per bidding documents of Container Office for Expo Centre Quetta, Technical Evaluation Criteria is as under:

Similar Nature of Project	In House Technical Capability			Time lines of project
	PEC Category	Value of Equipment	No. of employees	
15	5	5	5	20

Further, the last date for submission of bidding documents was June 03, 2021 and bid opened on the same date. Furthermore, as per contract agreement Liquidated Damages (LD) will be charges @ 0.05% of the contract agreement price for each day of delay subject to maximum of 5% of the contract agreement price.

During Audit of Pakistan Expo Centre (Pvt.) Limited for the years 2019-23, it was observed that management advertised invitation to bid for Porta Cabin/ Container office for the Expo Centre Quetta on May 08, 2021. The bids were opened on June 03, 2021. The contract was awarded to M/s Nescamp Services Co. at Rs 7.938 million. The award of contract was held irregular on the following grounds:

- i. Company performed the evaluation on June 02, 2021 one day before the closing date. No attendance record of vendors except M/s Nescamp was available in the file.
- ii. His bid price was taken without tax. Including taxes would have increased 2nd rank bidder M/s United Business System's score from 42.45 to 49.66.
- iii. M/s Nescamp received 5 marks for equipment based on a declared value of Rs 988.600 million, but its financial statement showed value of equipment only Rs 193.630 million. As such, score should have been 1.3 instead of 5.
- iv. M/s Nescamp received 15 marks for similar projects despite not providing any work order or completion certificate, while the rejected bidder submitted supporting evidence.

- v. The contractor was required to complete the work by November 8, 2021. However, delivery was made on January 25, 2022, with a 78-day delay. A penalty of Rs 396,923 should have been imposed, but the management unjustifiably granted an extension.

By adjusting the calculations, M/s Nescamp's revised score was 70.16 (should be 2nd in evaluation) while M/s United System's revised score was 94.8 making it the top-ranked bidder. Hence award of contract to M/s Nescamp Services Co. for Rs 7.938 million was held irregular in audit.

Weak internal controls led to an evaluation process that unfairly favored the second-ranked bidder.

Audit is of the view that the management failed to evaluate bidders according to the set criteria. The evaluation was conducted a day before the closing date, making the award of contract to M/s Nescamp irregular.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management apprised that contract of M/s Nescamp @ Rs 7.938 million did not result in loss to the exchequer. Further, the opening of technical and financial bid before the closing dated of bid i.e. June 02.2021 may be considered as typo as bid was opened on June 03.2021. Audit contended that the bid was required to be evaluated as per the evaluation criteria in bidding documents by taking into account all the supporting evidence but the same was not done. Besides, the lowest bidder was selected in deviation of the terms and conditions of the tender documents. DAC directed to hold Fact-Finding inquiry at Ministry level within 60 days.

Audit recommends implementation of the DAC directives.

(Para-8, Expo Centre, 2019-23)

3.5.4.11 Irregular procurement of vehicles during ban period – Rs 9.768 million

According to Finance Division (Expenditure Wing) OM No.7 (1) Exp-IV/2016-430 dated August 6th, 2020 and OM No. 7(1) Exp-IV/2016-440 dated July 15th, 2021 there shall be complete ban on purchase of all types of vehicles

both for current and development expenditure excluding motor cycles, student buses, ambulances and firefighting vehicles.

During audit of Pakistan Expo Centre Private Limited (PECPL) for the year 2019-23, the management purchased 03 vehicles amounting to Rs 9.768 million from assignment account. Detail of purchased vehicles is as under:

Sr. No.	No. of Vehicles	Description	Engine	Invoice	Date	Financial Year	Amount (Rs)
1	01	Toyota Yaris 662B 1.3 HCVT	2A30370	90967938	16.06.2021	2020-21	2,803,000
2	02	Toyota Altis M20 1.6	Q083104 Q083111	91072745 91072523	25.10.2021	2021-22	6,965,437
		Total					9,768,437

Audit observed that the vehicles were procured during ban period imposed by the Finance Division.

Audit is of the view that the purchase of vehicles during ban period was irregular and unauthorized.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management informed that the procurement was made as per Cabinet's directions and the same was also included in the approved PC-I. Audit contended that approval of austerity committee was not obtained by the management. DAC directed to get the ex-post facto approval from austerity committee.

Audit recommends implementation of the DAC directives.

(Para-10, Expo Centre, 2019-23)

3.5.4.12 Irregular payment of utility allowance to the employees – Rs 16.335 million

According to PEC Rules & Regulation chapter 01 (1.4) the following allowance unless otherwise specifically mentioned in the letter of appointment in written shall be given to employees of Pakistan Expo Centers Private limited. Allowances are as under:

- i) House Rent Allowance / Ceiling
- ii) Conveyance Allowance
- iii) Honorarium / Ex-gratia Payment

iv) Overtime Allowance

During the audit of Pakistan Expo Centre Private Limited (PECPL) for the years 2019-23, the management of Expo paid Utility allowance to its employees through pay roll during the years 2019-20 to 2022-23 amounting to Rs 16.335 million. Detail of year wise payment is as under:

Sr. No.	Financial Years	Utility Allowance paid (Rs)
1	2019-20	3,951,846
2	2020-21	3,949,654
3	2021-22	4,439,046
4	2022-23	3,994,825
	Total	16,335,371

Audit observed that the utility allowance was paid to the Expo employees in violation of PEC Rules & Regulation as the Utility allowance was neither covered under PEC Rules & Regulation of “Salary, Allowances & Other Benefits” nor approved by BoD and Finance Division.

Audit is of the view that the payment of Utility Allowance in violation of PEC Rules and without approval of BoD/Ministry of Finance was irregular, unauthorized, and thus held recoverable.

The matter was reported to the management in November 2024. The irregularity was discussed in DAC meeting held on January 10, 2025. The management informed that utility allowance was allowed by the then Board in exercise of powers conferred on the Board under the Corporate Governance Rules. Audit contended that there is no provision in PEPCL Rules & Regulation regarding utility allowance. DAC directed the management to share the Board’s approval for the utility allowance as well as the relevant provision of the Corporate Governance Rules with the Audit for verification. Besides, concurrence may also be sought from Finance Division.

Audit recommends implementation of the DAC directives.

(Para-15, Expo Centre, 2019-23)

Chapter-4

Ministry of Defence Production

Overview:

This organization was established to meet the requirements of the Armed Forces through a cautious combination of procurement (local and import) and indigenous production of arms & ammunition with a continued effort to enhance the component of indigenous production and in the process, export surplus capacity of defence products to regional and friendly countries.

The mandate is actualized through Defence Production Establishments (DPEs).

Audit Profile of Defence Production

(Rs in million)				
Description	Total	Audited	Expenditure audited FY2023-24	Revenue / Receipts audited FY 2023-24
Formations	10	5	40,375.060	104,123.750
Assignment Accounts (excluding FAP)	-			
Authorities /Autonomous Bodies etc. under the PAO				
Foreign Aided Projects (FAP)	-			

Classified Summary of Audit Observations

Audit observations amounting to Rs 141,473.762 million were raised in this audit. This amount also includes recoverable of Rs 1,803.604 million as pointed out by the audit. Summary of the audit observation classified according to respective subject's nature is as under:

Overview of the Audit Observations

(Rs. in million)		
S#	Classification	Amount
1	Non Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	205.937
B	Procurement related irregularities	2,666.695
C	Management of accounts with Commercial Banks	0
4	Value for money and services delivery issues	652.988
5	Others	137,948.142

4.1 Karachi Shipyard and Engineering Works Limited

4.1.1 Introduction

Karachi Shipyard and Engineering Works Limited (the Company) was incorporated on 18 May, 1957 as an unquoted Public Company Limited by shares under the Companies Act, 1913 (now the Companies Act, 2017), wholly-owned and controlled by the Federal Government. The Company is mainly engaged in ship-building, ship-repairing and general engineering activities. The registered office and its engineering workshops are situated at West Wharf, Dockyard Road, Karachi.

4.1.2 Comments on Audited Accounts

4.1.2.1 The working results of the Company for the financial year 2022-23 as compared with the preceding years are given below:

	2022-23	% Inc/ (Dec)	2021-22	% Inc/ (Dec)	2020-21	% Inc/ (Dec)	2019-20
Net contract revenue	10,218	24.73	8,191.93	32.62	6,176.83	31.48	4,697.86
Contract Costs	-8,019	29.32	6,201.00	28.5	4,825.82	29.64	3,722.57
Other Expenses	-259	94.80	-132.96	83.37	-72.51	60.74	45.11
Profit from operations	651	21.90	833.516	99.19	418.46	100.84	208.36
Other income	2,471	65.40	1,493.99	159.32	576.12	-4.92	605.95
Profit before taxation	3,067	33.82	2,291.80	131.01	992.07	22.15	812.18
Contract receivables	4,466	98.47	2,250.26	713.72	276.54	-83.58	1,684.03
Sales tax receivable	824	24.73	538.07	29.97	414.01	24.45	332.68
Government Grant Received as per Cash Flow statement	2,307	1107	191	-60.95	1601.34	-6.00	1703.48
<i>(Source: Annual Audited Accounts 2022-23)</i>							
The entity has last audited annual accounts of year 2022-23 till finalization of this report.							

4.1.2.2 Revenue Growth

1. Net contract revenue has consistently increased over the past four years, with a 24.74% growth rate in 2022-23.
2. The company's revenue growth rate has slowed down in 2022-23 compared to the previous year.

3. Government Grant Received during 2022-23 is increased by 1107 %, from Rs. 191 million in 2021-22 to Rs. 2,307 million in 2022-23. This sharp rise is due to the disbursements on account of PSDP project “Infrastructure Upgradation of Karachi Shipyard & Engineering Works”.

4.1.2.3 Cost Structure

1. Contract costs have increased by 29.32% in 2022-23., which is higher than previous growth rate standing at 28.50%.
2. Administrative expenses have increased by 25.78% in 2022-23, which is also higher than previous growth rate standing at 19.12%.

4.1.2.4 Profitability

1. The company's gross profit has increased by 10.48% in 2022-23, which is lower than the revenue growth rate.
2. The company's profit from operations has decreased by 21.85% in 2022-23, which is a concern.
3. The company's net profit has increased by 80.45% in 2022-23, which is a positive trend.

4.1.2.5 Cash Flow

1. The company's cash generated from operations has increased by 151.12% in 2022-23, which is a positive trend.
2. The company's capital expenditure has decreased by 14.33% in 2022-23, which may indicate a reduction in investment in new projects.

4.1.2.6 3.1.2.6 Liquidity

1. The company's cash and cash equivalents have decreased by 32.87% in 2022-23, which may indicate a liquidity concern.
2. The company's trade receivables have increased by 98.49% in 2022-23, which may indicate a concern with regards to the company's ability to collect its debts.

4.1.2.7 Assets & Liabilities

Total Assets: Non-current assets increased by only 8.25%, from Rs. 19,120.945 million in 2022 to Rs. 20,698.715 million in 2023 is due to increase in property,

plant and equipment. Current assets seen a sharp rise of 20.02%, from Rs. 32,792.801 million in 2022 to Rs. 40,792.801 million in 2023, the rise is attributed to increase in contract receivables and cash and bank balances.

Total liabilities comprised of Non-Current and current liabilities, non-current liabilities seen an increase of 29.40%, from Rs. 19,700.262 million in 2022 to Rs. 25,491.471 million in 2023. This rise was mainly due to increase in contract liabilities and government grant received for infrastructure and upgradation project.

4.1.2.8 Overall Performance

The company's financial performance indicates a mixed trend. While revenue has consistently increased, the company's profit from operations has decreased, and liquidity concerns have arisen. However, the company's net profit has increased, and cash generated from operations has improved.

4.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2010-11	6	3	3	4.1.4.1, 4.1.3, 4.1.2.1	50%
2011-12	8	2	6	5.1.2.5, 5.1.3	25%
2012-13	5	2	3	5.1.2.2, 5.1.3	40%
"2013-14 (Paras More Than 50 M)"	1	1			100%
"2016-17 (Paras More Than 50 M)"	2		2	5.1.4.4, 5.1.4.5	0%
2017-18	7	6	1	7.1.4.4	86%
2018-19	7		7	6.1.4.1, 6.1.4.2, 6.1.4.3, 6.1.4.4, 6.1.4.5, 6.1.4.6, 6.1.4.7	
Total	36	14	22		39%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

The overall compliance of PAC directives needs improvement.

4.1.4 Audit Paras

4.1.4.1 Non-adjustment of advances - Rs. 502.691 million

Rule 7 of Public Sector Companies (Corporate Governance) Rules, 2013 stipulates that the Board shall establish appropriate arrangements to ensure to enable it to carry out its role effectively. (2) For the purpose of sub-rule (1), significant issues shall, inter-cilia, include the following, namely: - (L) failure to recover material amounts of loans, advances, and deposits made by the Public Sector Company, including trade debts and inter corporate finances.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2022-23, it was observed that advances amounting to Rs. 502.691 million had not be adjusted/recovered as detail below:

		Amount in Rs.
Party Name	Date since outstanding	Amount
ZKB-ZCL	31.11.2018	29,095,492
Qavi Enterprises Pvt. Ltd.	07.05.2019	67,733,038
Ziauddin Ahmed & Co.	28.06.2019	167,490,846
Ghulam Rasool and Co.	28.12.2021	226,490,661
Nespak	03.12.2021	11,881,328
Total		502,691,365

Audit is of the view that non-adjusted advances depict the weakness on part of management in settlement of advances and timely execution of civil works contracts.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management apprised that KS&EW has successfully adjusted an amount of Rs.455, 744,974 out of the total advances. DAC directed the management to get the updated calculation/nature of adjustment verified by the audit within 07 days.

Audit recommends implementation of the DAC directives.

4.1.4.2 Unjustified price escalation and delay in supply of steel bars - Rs. 382.640 million

Clause 6 of the contract agreement prohibits the contractor from claiming price escalation for the supply of 2,000 tons Steel Bars within 45 days of the contract award. Clause 4 requires the contractor to supply the goods within the

same 45-day period. The contract was signed with M/s. Amreli Steel (Pvt) Ltd on February 15, 2022, for a total sum of Rs. 382,640,000 (excluding GST).

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2022-23, it was observed that the management awarded a contract to M/s. Amreli Steel for supply of 2,000 tons Steel Bars amounting to Rs. 382.640 million on 15.02.2022. The supplier charged higher rates outside the contract agreement for supply of two Steel Bars amounting to Rs. 4.334 million.

Amount in Rs							
S#	Invoice #	Invoice date	Rate per ton	Ne weight as KSEW (tons)	Value including 17% GST (finalized by KSEW)	If procured as per rates of agreement @164,957+17%GST	Difference
1	90089327	17.05.22	166,666.68	16.711	3,258,645	2,756,598	502,047
2	90089609	22.05.22	166,666.68	24.890	4,853,550	4,105,781	747,769
3	90089615	22.05.22	166,666.68	24.120	4,703,452	3,978,764	724,688
4	90090025	30.05.22	166,666.68	25.350	4,943,160	4,181,661	761,499
5	90090105	31.05.22	166,666.68	23.682	4,617,910	3,906,513	711,397
6	90090116	31.05.22	166,666.68	29.515	5,755,425	4,868,707	886,718
Total					28,132,142	23,798,023	4,334,119

Furthermore, first batch of 1,300 tons' steels was completed on 17.06.2022 in violation of 45 delivery term. Remaining batch of 700 tons steels bars was delivered after September 2022, causing a delay of 180 days.

Audit is of the view that contractor failed to comply with the prices as agreed in the agreement and supplied the material after delay of 180 days.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management apprised that KS&EW paid an amount of Rs. 27.784 million to M/s Amreli Steel which is less than that of the amount which has been shown in the PDP and delivery of the material was not delayed at the part of supplier rather material delivery process was linked with construction progress. DAC recommended verification of the facts and figures calculated by the management and to submit revised reply.

Audit recommends implementation of the DAC directives.

(DP Nos. 96 & 97)

4.1.4.3 Losses due to poor performance of business segment - Rs.160.456 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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.

During audit of Karachi Shipyard and Engineering Works (KS&EW) for the year 2022-23, it was observed that operations of KS&EW are divided into three business segments: Ship Building, Ship Repairs and General Engineering. While reviewing performance of each segment, it was found that General Engineering was operating in loss as tabulated below:

			Amount in Rs
Business Segment	Contract Revenues	Contract Costs	Loss
General Engineering	306,026,292	466,482,899	160,456,607

Further, contributors of this loss are higher manufacturing overheads which includes salaries wages, fuel and powers costs and rent / taxes which constituted the loss of Rs.160.456 million.

Audit is of the view that general engineering is operating in loss due to weak internal controls and inefficient management.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management clarified that General Engineering segment showed a significant profit in last three years through internal and external orders. The same can be verified by the audit. DAC recommended verification of the Internal Audit calculation highlighted in the reply of management.

Audit recommends implementation of the DAC directives.

4.1.4.4 Irregular revision in pay, allowances and gratuity – Rs.154.414 million

Finance Division OM No. F.1 (1) Imp/94 dated June 26, 1999, states that the Board of Directors (BoD) / Board of Governors (BoGs) of Public Sector Corporations and Autonomous / Semi-Autonomous Bodies can revise the pay structure of supervisory and executive staff, but such revisions must be linked to the organization's financial position. Prior approval from the Finance Division is required to ensure rationality and uniformity.

During audit of Karachi Shipyard & Engineering Works (KSEW) Karachi for the year 2022-23, it was observed that the management revised salary of their employees particularly Supervisors and Officers by 20% as Special Pay 2023 being part of basic pay w.e.f. 1st January 2023 without consultation of Finance Division in violation of the rules. The financial impact of the revision on account of salary and gratuity in respect of aforementioned categories of employees was Rs. 154.414 million.

Audit is of the view that the increase in pay and allowances without concurrence of the Finance Division was held irregular.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management apprised that KS&EW is Public Limited Company under Companies Act-2017 and Board of Directors are empowered for such revisions. DAC recommended verification of any revised FD instructions and charter of duties of the Board of Directors by the audit within 07 days.

Audit recommends implementation of the DAC directives.

4.1.4.5 Imprudent investments in mutual funds - Rs. 133.040 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Karachi Shipyard and Engineering Works (KS&EW) for the year 2022-23, it was observed that the management placed investments in mutual funds amounting to Rs. 1,663.160 million which gave a return of Rs. 147.720 million which is a mere 8% of the investment amount as tabulated below:

Amount in Rs			
A	B	C	D
Amount of Avg. Investment	Return on Mutual Funds	Interest Rates prevailing	Difference A * (B-C)
1,663,000,000	8%	16%	133,040,000

Audit is of the view that having better investment venues available like PIBs and treasury bills, KS&EW invested Rs. 1,663.160 million in mutual funds which generated only 8% return, where other investment venues could have generated 16-20% returns which constituted loss to the entity.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management apprised that mutual fund profit is on daily basis; however, figures difference can be verified by the audit. DAC recommended verification of the figures difference by the Audit within 07 days.

Audit recommends implementation of the DAC directives.

4.1.4.6 Payment to contractor without fulfilling contractual obligations – Rs. 111.000 million (equivalent to US \$690,300)

As per clause No. 4.3: Term of payment of Contract No. SB-291/19 dated 30.07.2019 signed with M/s. Inifiniti, the payment against letter of credit will be made upon completion of different milestone.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2022-23, it was observed that the management signed a contract with M/s. Inifiniti as outsourced sub-contractor for procurement of services and material for construction of 02 x GRP Utility Boats and supply of Kit of Material (KoT) and Transfer of Technology (ToT) package for construction of subsequent 02 x Boats at PN Dockyard on 30.07.2019. Under the conditions of contract, following payment schedule was decided between both parties:

S.#	Milestone	% of payment Basic Contract Price	Bill amount (US\$)
1	Delivery of 3D Model and drawing / design	10%	76,700
2	Acceptance of drawings/design	5%	38,350
3	Acceptance of 1 st Boat at KS&EW premises	20%	153,400
4	Shipment of 2 nd boat	15%	115,050
5	Delivery & Acceptance of 2 nd Boat by PN	15%	115,050
6	Delivery of ToT package I & II for 2 rd & 4 th Boat	15%	115,050
7	Acceptance of 3 rd & 4 th Boat	10%	76,700
Total			690,300

M/s. Infiniti however, failed to provide requisite majority of Kit of Material (KoM) items for the construction of boat No. 3 and No. 4 despite the fact that management had paid full amount amounting to US\$ 115,050. Resultantly, excess payment had been made without the achievement of agreed payment milestone.

Audit is of the view that the management extended undue favor to the contractor and made payments without completion of agreed work.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management apprised that payment was released after fulfilling the contractual obligations and receipt of requisite documents i.e. Original Commercial Invoice from seller, original bill of lading and packing list. As regards imposition of LD, KS&EW clarified that PN fully accepted the material without any imposition of LD, so, LD was not imposed on M/s Infinite. DAC recommended verification regarding DP Extension, Contract amendment, Bill of lading and comparison of payments with work completed.

Audit recommends implementation of the DAC directives.

4.1.4.7 Irregular & unjustified cost enhancement in contract – US\$ 380,899 equivalent to Rs. 95.000 million

Rule 4 of PPRA Rule 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.

During audit of Karachi Shipyard and Engineering Works (KS&EW) for the year 2022-23, it was observed that the contract for Supply, Installation, Testing and Commissioning of Level Luffing Cranes (2), a PSDP funded project was awarded to M/s Shanghai Zhenhua Heavy Industries (ZPMC), China, through their local representative M/s Karsaz amounting to US\$ 7,890,000. After finalization of contract a separate letter was issued involving another \$ 380,899 (Rs. 95,000,000) for installation of Crane Rail without competitive process.

Audit is of the view that neither the management make it part of original contract at initial stage nor a separate bidding procedure was adopted for installation Crane Rail. Thus award of work amounting to Rs. 95.000 million held irregular and negotiation cannot be ruled out.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management clarified that the contract awarded to M/s ZPMC at US\$ 980,000/- was the bid price of 02 x Level Crane and Rail Track was not the part of the contract. Based on the above justification, DAC recommended to submit a revised reply that rails are not a part of the luffing cranes the verification of the by the audit within 07 days.

Audit recommends implementation of the DAC directives.

4.1.4.8 Loss on account of sales refund due to non-filing of tax returns - Rs. 90.878 million

Section 10 of Sales Tax Act 1990 states “Refund of input Tax: if the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax on account of zero-rated local supplies or export made during the tax period, the excess amount of input tax shall be refunded to the registered person not later than forty-five days of refund claim in a manner and subject to such condition as the Board may, by notification in the official Gazette specify”.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2022-23, it was observed that the management booked Rs. 90.878

million as considered doubtful sales tax receivables. These sales tax paid by the company during the periods from July 2007 to June, 2012 in relation to zero rated supplies which are refundable to the company in terms of Section 10 of the Sales Tax Act, 1990 read with fifth schedule thereof. The company had inadvertently treated carry forward of input tax in relation to zero rated supplies as filing of refund claim and thereof, did not approximately declare its legitimate sales tax refund on account of zero rated supplies in the sales tax return from July 2007 till December 2012 and accordingly did not file sales tax refund claim in line with the requirements of filing sales tax refund as envisaged under Rule 28 of Sales Tax Rules, 2006.

Audit is of the view that non-filing of sales tax returns on time resulted in non-refund of sales tax from FBR. Ultimately, management had booked the said amount as considered doubtful receivable and deducted the amount from total sales tax receivable. This reflected weak financial management on the part of the organization.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management apprised that efforts are being made for refund of sales tax. DAC recommended verification of efforts made by the department.

Audit recommends implementation of the DAC directives.

4.1.4.9 Irregular award of contracts without tender – Rs. 57.880 million

Rule 42 (d) iii of PPRA, 2004 states that a procuring agency may engage in negotiated tendering with one or more suppliers or contractors with or without prior publication of a procurement notification. This procedure shall only be used for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met. The circumstances invoked to justify extreme urgency must not be attributable to the procuring agency.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2022-23, it was observed that the management awarded following contracts on negotiated tendering basis without competitive bidding.

S#	Name of contractor / supplier	Description	Amount (Rs.in million)
1.	M/s. Orion Maritime (Pvt) Ltd	Desilting from SLTS ship lift basin	37.968
2.	M/s. Rajput Media Group	Launching ceremony of 48 Ton Bullard Pull Tug at KS&EW	2.058
3.	M/s. Bahria Dredging Company	Allied services at Sukkur Barrage Project	17.854
Total			57.88

Audit is of the view that the management extended undue favor to the contractors by awarding the contract without tender and deprived the organization of competitive rates. Thus, contract amounting to Rs. 57.880 million was held unjustified and irregular.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management apprised that due to urgency, the contracts were awarded through negotiated tendering. DAC recommended verification of emergency declared.

Audit recommends implementation of the DAC directives.

(DP Nos. 98 & 106)

4.1.4.10 Unjustified contract on account of refund claims – Rs. 21.864 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 Karachi Shipyard & Engineering Works (KS&EW) for the year 2022.23, it was observed that the management awarded a contract to M/s. Moore Shekha Mufti regarding Consultancy Services for tax matters for Indirect Taxation and Direct Taxation w.e.f. 01.04.2022 to 31.03.2023. Scope of services included advisory services, compliance services, legal services and other taxes advisory services for Indirect Tax and Direct Tax (Income tax and Sales Tax). Further, rate of services at Rs. 1,020,000/- yearly charges for direct taxation and Rs. 1,020,000 yearly charges for indirect taxation plus alongside SRB tax

were to be paid by KS&EW to above mentioned consultant. Moreover, clause of cash award @ 2% to 5% on successful refunds was added as a monetary benefit to consultant. It is relevant to mention that total sales tax receivable as of June 30, 2023 aggregates to Rs. 914.758 million which represents refundable position of the company during years from 1999 to 2023. In the spirit of refundable clause, company had agreed to pay Rs. 21,864,208 as refundable charges on account of cash award to consultant. Details are as under:

(Rs.in million)				
S#	Period	Cash award rate	Amount of refundable sales tax	Charges to be paid to consultant
1	1999 to 2007	5%	28,098,000	1,404,900
2	2007 to 2012	5%	90,870,000	4,543,500
3	2013 to 2023	2%	795,790,375	15,915,808
Total			914,758,375	21,864,208

Audit is of the view that commitment of cash award on account of settlement of sales tax refunds which are part of indirect taxation and normal part of operation of business was held unjustified and irregular.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management clarified that no payment has been made to the tax consultant; however, the clause is not justified. DAC directed the management to submit the revised reply and revise the agreement accordingly.

Audit recommends implementation of the DAC directives.

4.1.4.11 Irregular purchase and utilization of vehicles – Rs. 19.703 million

As per Finance Division (Expenditure Wing) Office Memorandum No. F.7(1)Exp. IV/ 2016-340 dated 07.07.2022, there was complete ban on purchase of all types of vehicles (excluding ambulances and buses for educational institutions, solid waste vehicles) both for current as well as development expenditure and these instructions were circulated to all corporations/autonomous bodies/authorities for strict compliance.

During audit of Karachi Shipyard & Engineering Works (KS&EW), Karachi for the year 2022-23, it was observed that the management procured

following vehicles costing Rs. 19.703 million directly from manufacturers / dealers during the ban period in violation of the above rules.

S #	Particulars	Model	Dated	Amount (Rs)
1	Honda Civic Turbo Oriel M-CVT 1.5 L	2023	28.07.2022	5,929,990
2	KIA Sorento A/T 3.5L FWD (White)	2023	19.12.2022	9,008,000
3	Suzuki Bolan Van VX Euro-II (Petrol), Power 800 CC	2022	01.08.2022	1,510,000
4	Hyundai Porter-H-100, High Deck 2,600 CC, Disel Euro 5-Speed.	-	01.08.2022	3,256,000
Total				19,703,990

It is pertinent to mention that one vehicle is being utilized by the Managing Director (M.D) against its intended purpose.

Audit is of the view that purchase of vehicles during ban period prior approval from concerned ministry was held irregular.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management apprised that the procurement was made with the approval of the Board of Directors as the BoD is empowered under Companies Act, 2017. The management also informed the DAC that vehicle at Serial No. 1 was not procured. DAC recommended verification of the stance of KS&E and also directed the management that austerity measures must be acknowledged in the resolution of the Board of Directors for future procurements.

Audit recommends implementation of the DAC directives.

4.1.4.12 Unjustified / abnormal change in contract – Rs. 15.594 million

As per condition of bidding documents of tender No. SCWTL26922, Bill of Quantity was required as “Supply and installation of aluminum roof panels comp rising of single skin (0.7 mm minimum thickness) ASTM B-209 Grade AA 3105) Fu=170 N/mm², Fy= 145 N/mm²) Profiled Aluminum panels with PVDF coating on top and polyester / acrylic coating on bottom along with fixing accessories, SS screws/ fasteners / nuts & bolts, including water proofing and any other accessories required for proper placement and installation of Roof Panels, complete in all respects as per specification – Unit: Sq. Ft., Quantity: 12,000”.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2022-23, it was observed that the management awarded the contract for Supply and Installation of Aluminum Sheets (12,000 sheets) at machine shop to M/s. Gravity Works amounting to Rs. 15.594 million. However, during execution phase, M/s. Gravity Works submitted variation order (VO) having 7,000 (sq. ft) quantity on the instructions of the management against the original contract. Furthermore, the management added three new works i.e. Supply and installation Turnbuckle heavy duty, Paints work and finishing coat amounting to Rs. 5.648 million. No provision was made in the contract for change of scope of work / bill of quantity.

Audit is of the view that the management extended undue favor to the contractor by changing the scope of work and award of additional work instead of initiating new tender. Thus, contract amounting to Rs. 15.594 million stands irregular.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management explained that the contract was a measurement contract and BoQ quantity in measurement may vary depending upon the condition on site during execution of work by a qualified engineer. DAC recommended verification of the requisite Certificate and condemned sheets.

Audit recommends implementation of the DAC directives.

4.1.4.13 Irregular award of contract without observing open competition - Rs. 11.254 million

Rule 12(2) of PPRA, 2004 states that all procurement opportunities over three million Pakistani 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 Karachi Shipyard & Engineering Works (KS&EW), Karachi for the year 2022-23, it was observed that the management awarded the contract to M/s People Steel Mills for hot forming re-rolling steel plates on 20.01.2022 amounting to Rs.11.254 million without competitive bidding.

Audit is of the view that directly hiring the services of contractor without following open competitive process was held irregular.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management intimated that M/s People Steel Mills is the only set up capable for hot forming re-rolling of the 80 mm SS355J2 + N plates in Pakistan without changing chemical and mechanical properties. DAC recommended verification of the entire process and stance of management.

Audit recommends implementation of the DAC directives.

4.1.4.14 Irregular appointments in excess of advertised job vacancies

As per job advertisement published in Daily Dawn dated 20.12.2020 stated that “KS&EW is looking for suitable candidates for appointment of against following position such as DGM (General Engineering), Manager (Machine Shop), Manager (Contract Management), Deputy Manager (Technical), Deputy Manager (Technical-II), Deputy Manager construction) and Deputy Manager (Machine Shop)”.

During audit of Karachi Shipyard and Engineering Works (KS&EW) for the year 2022-23, it was observed that management invited the applications through publication in Daily Dawn dated 20-12-2020 to different posts including the post of DGM (General Engineering). The Job Advertisement reflected that only one post of DGM (General Engineering) was advertised. However, management appointed three DGMs against one vacancy as advertised.

Audit is of the view that management appointed three DGMs unjustifiably which reflected poor management of human resources and utilization of financial resources.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management apprised the post of DGM was published in the Newspapers. Recruitment was made with the approval of Board of Directors. DAC agreed that the advertisement was misleading. DAC also directed the management to clearly mention the number of posts during publishing for future recruitment and follow procedures in letter and spirit.

Audit recommends implementation of the DAC directives.

4.1.4.15 Irregular appointment, promotion, and pay fixation of project staff

Office Memorandum vide letter No. F.4(9) R-14/2008, dated 19.07.2017 issued by Ministry of Finance which states that (xv) this pay package will not be admissible to those project employees whose services/posts are transferred to the non-development side after completion of the project, from the date of their transfer (xvi) the payment of pay package of project staff will be stopped from the date of transfer of their service/posts to any other establishment (xvii) on transfer of project posts to the non-development side, such posts shall be filled in the prescribed manner in regular pay scale and incumbents of such posts shall be treated as fresh employees of the Ministry/Division/Departments and not for the projects (xviii) If an employee of the project is selected on a post of the non-development side, he will be appointed at the initial stage of the relevant Basic Pay Scale, and his pay and service rendered in the project shall not be protected/counted for any purpose i.e. pay, pension and seniority etc.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2022-23, it was observed that the management recruited 11 staff members for different jobs related to Ship Lift Transfer System (Government funded project) in the year of 2014-15 for two years initially. The project was completed in June, 2021. After completing of the project, the SLTS project staff had been taken on the payroll of KS&EW. Contrary to instructions in the O.M of Ministry of Finance, SLTS project staff was re-employed without any prescribe manner of open advertisement and they had been transferred / posted to different departments of Shipyard. Subsequently, some of them were promoted immediately after counting the service served during SLTS project. In addition, pay of the staff was not fixed on minimum basic pay scale instead pay of officers/officials were fixed as not less than gross salary paid during phase of SLTS project.

Audit is of the view that absorption, promotion after counting service and fixation of pay of SLTS project staff were made contrary to Office Memorandum governed for PSDP project employees. Further, re-employment of such staff should have been done in prescribe manner of recruitment and requirement basis after completion of project.

The matter was reported to the management in May 2024. The irregularity was discussed in the DAC meeting held on October 03, 2024. The management intimated that skilled employees of KS&EW were recruited against the project and after completion of the project, they were returned to their actual positions in KS&EW. DAC recommended verification of the reply of the management by the audit within 07 days.

Audit recommends implementation of the DAC directives.

4.2 Pakistan Ordnance Factories (POFs)

4.2.1 Introduction

POFs Board, Wah Cantt was established under the provisions of POFs Board Ordinance, 1961. POFs are governed by the Board of Directors, chaired by serving Army personnel.

POF's Board consists of six members including the Chairman. Other members are Financial Advisor Ordnance Factories (FAOF), Director Industrial & Commercial Relations (DICR) and Member Production Co-ordination (MPC), Joint.

The objective of POFs is to meet the Arms and Ammunition requirements of Pakistan Armed Forces during peace and war.

POFs main source of funds is regular budget from Ministry of Defence Production under grant. In addition to this, POFs also earn a small portion of revenue from export and local sales of Arms and Ammunitions and related products. For receipts from local and export's sales, POF is operating two public accounts funds as under:

- 1 Revenue, Debt and Remittance Fund (RD&R) for Civil Sales through WIL
- 2 Special Deposit Fund (SDF), for Export Sales.

Receipts and expenditure (variance analysis) for 2023-24

(Rs in million)

S. No.	Head of Account	Budget allocation	Prog. Expenditure	Excess/(Less)
1	Pay and Allowances	20,473.145	21,919.386	(1,506.24)
2	TPT & Misc.(Normal)	1,600.787	1,596.868	3.919
3	Revenue Works			
	(Maintenance) Civil	510.946	509.028	1.918
	Utilities	8,700.495	8,700.284	0.211
	Total Revenue Works	9,211.441	9,209.312	2.129
4	Capital Works			
	Capital Works	402.173	402.155	0.018
5	Common user items			
	Ration	147.166	147.166	-
	POL	446.509	446.256	0.253
	Medical Store	443.000	442.976	0.024
	Total common user item	1,036.675	1,036.398	0.277
6	Assistance Package	225.000	224.984	0.016
7	Indigenous purchase	5,959.552	5,945.708	13.844
8	Fresh Import	3,554.000	2,463.278	1,090.722
9	Carry over	5,465.500	4,241.762	1,223.738
10	Custom Surcharge	1,005.777	1,005.777	-
11	Sales Tax	1,387.971	1,387.971	-
	Total:-	50,340.021	49,447.417	892.604

Source: Annual Budget

4.2.2 Comments on Audited Accounts

4.2.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation Accounts of the Defence Services for the year 2023-24.

4.2.3 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
2012-13	17	13	04	5.2.3, 5.2.4.12, 5.2.4.14, 5.2.4.15,	76
2012-13 (CADS)	8	8	0	-	100
2017-18	16	09	07	7.2.3, 7.2.4.5, 7.2.4.8, 7.2.4.10, 7.2.4.11, 7.2.4.12, 7.2.4.13	56
2017-18 (POF CADS)	15	03	12	1.4, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7, 1.4.9, 1.4.10, 1.4.11, 1.4.12, 1.4.13, 1.4.14	20
2019-20	32	07	25	4.2.1, 4.2.2.1, 4.2.3, 4.2.4.1, 4.2.4.2, 4.2.4.3, 4.2.4.4, 4.2.4.6, 4.2.4.7, 4.2.4.8, 4.2.4.9, 4.2.4.10, 4.2.4.11, 4.2.4.12, 4.2.4.13, 4.2.4.14, 4.2.1.16, 4.2.4.19, 4.2.4.21, 4.2.4.22, 4.2.4.23, 4.2.4.26, 4.2.4.27, 4.2.4.28, 4.2.4.29	21
Total	228	156	72		68

The compliance of the PAC directives was not satisfactory which needs immediate attention of the PAO.

4.2.4 Audit Paras

4.2.4.1 Irregular award of conservancy contract to the contractor at higher rate - Rs 84.00 million

According to Para 178 of the General Financial Rules Vol-1, except in cases covered by any special rules or orders of Government, no work should be commenced or liability incurred in connection within until:

- Administrative approval has been obtained from the authority appropriate in each case;
- Sanction, either special or general, of competent authority has been obtained authorizing the expenditure; and

- iii. Funds to cover the charge during the year have been provided by competent authority.

Para 193 (1) of the GFR Vol-1 states that subject as hereinafter provided, all works and repairs in connection with sanitary, water supply and electric installations to Government buildings, where such buildings are not in charge of the Military Engineer services or of Railways, should be carried out by or through the agency of the Public Works Department, except in special cases under the orders of Government.

During the audit of the Sanitation Department of POF for the year 2022-23 it was observed that the contract of Conservancy – Sanitation-52-FA” was awarded to M/s Ghulam Hussain & Sons vide agreement dated 01.04.2020. Initially the contract was awarded at a cost of Rs 29.148 million which was extended up to October 2022. Thereafter, the contract was again awarded to the same contractor for another term of one year from 01.11.2022 to 31.10.2023 at enhanced rate of Rs 84.00 million vide agreement No. 01 dated 28.04.2023 and an amount of Rs 61.103 million was paid to the contractor during the year 2022-23. In award of contract, the audit observed the following shortcomings:

1. The work commenced on 01.11.2022 without obtaining prior approval from POF Board as the Board letter No. 001/Conservancy Estate-52/F.A/148/Secy was issued on 26.4.2023 i.e. after 06 months of the commencement of the work, thus, violating the rules.
2. The justification by the management for the increase in the contract cost was not convincing as the contractor did not increase number of employees from 65 to 86.
3. Daily proper written work schedule of the scope assigned under the agreement was not maintained by the contractor nor by the sanitation department, which was violation of clause 15.1 of the contract agreement.
4. As per clause – 8.1 of the general conditions of contract, the successful bidder shall provide performance bond in the form of call deposit at the rate of 10%. However, at execution stage contractor deposited 5% of contract amount as security. The relaxation at contract stage to the specific bidder was not covered under the rules.

The irregularity was reported to the management on July 30, 2024. Para was discussed in DAC meeting held on 26.12.2024 wherein the Committee directed the management to get the approval of the BoD regarding the extension of the contract verified from audit and to ensure the presence of the contracted manpower for effective execution of the work.

Audit recommends implementation of DAC directives besides investigating the award of approval of BoD and at higher rates.

(Para-2 & 12, POF DDFA, 2022-23)

4.2.4.2 Loss due to irregular claim of income tax by the contractor - Rs 8.40 million

According to income tax rates for the year 2022-23, withholding tax @ 08% and 10% are required to be deducted from the companies and other than companies respectively.

During the audit of the Sanitation Department under DDFA, POF Wah for the year 2022-23, it was observed that in response to the tender dated 19.07.2022, M/s Ghulam Hussain & Sons offered a rate of Rs 84.00 million including GST Rs 11.586 million and income tax Rs 8.400 million for the contract period from 01.11.2022 to 31.10.2022. The contractor included the income tax amounting to Rs 8.40 million in the contract cost for onward payment to the income tax department.

As per rules, income tax is required to be paid to the government by individuals/firms on their yearly income earned. In this case, the contractor claimed the income tax separately in their bid price from POF for onward payment to the government.

The audit holds that the contractor charged income tax from POF for onward deposit into the government treasury instead of paying from own yearly income earned.

The irregularity was reported to the management on July 30, 2024. Para was discussed in DAC meeting held on 26.12.2024 wherein DAC directed the management to make recovery of Rs 8.40 million from the contractors and get it verified from audit.

Audit recommends implementation of DAC directives.

(Para-7, POF DDFA, 2022-23)

4.2.4.3 Unverified expenditure due to non-production of relevant record – Rs 41.260 million

National Assembly Secretariat circulated the following instructions of the Public Accounts Committee to all the Principal Accounting Officers, Minister/Divisions/Head of Departments vide Para No.F-10(1)/2000/2004-PAC dated June 30, 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&3) of the Auditor-General’s Ordinance No. XXIII of 2001”.

During the audit of the accounts of DDFA and its subordinate offices for the year 2022-23, it was observed that budget of Rs 41.26 million was released through DDFA to FIU, PSU & Horticulture Deptt. under certain heads of accounts. To verify the expenditure under said heads, the relevant record was demanded vide requisitions No. 09 dated 02.05.2024 followed by reminders dated 02.05.2024, 07.05.2024, 08.05.2024, 11.5.2024, but the same was not provided by the units.

Non-production of relevant record was a serious lapse on the part of the management.

The irregularity was reported to the management on July 30, 2024. Para was discussed in DAC meeting held on 26.12.2024 wherein DAC directed the management to ensure timely provision of auditable record during next audit without any delay.

Audit recommends implementation of DAC directives.

(Para-5, POF DDFA, 2022-23)

4.2.4.4 Loss due to non-recovery of rent from private departments/parties - Rs 6.68 million

According to Para 06 of the allotment rules of the POF:

- (i) Market rent and allied charges will be paid in advance by the allottee.

- (ii) Market rent will always remain subject to revision at any time without any notice and the allottees will be responsible to pay it with retrospective effect if necessary.
- (iii) The 2 months' rent will be deposited in advance with AM/Finance as security money. This will be refunded to the allottee on clearance of outstanding dues.

During the audit of DDFA Office, POF Wah Cantt. for the year 2022-23, it was observed that several POF Govt. accommodations were allotted by the Estate Office to ten different departments and other parties on market rent basis but management failed to recover the rent from the concerned allottees at the time of vacation of the residence. Resultantly, an amount of Rs 6.677 million (Rs 4.280 million from departments + Rs 2.397 million from other parties) remained outstanding against said allottees and recovery was almost nil and POF sustained loss to that extent.

The non-recovery of rent in advance violated the allotment rules which resulted in a loss of Rs 6.46 million to the public exchequer.

The irregularity occurred due lack of internal controls of the management. It is pertinent to mention here that no serious efforts were made to recover these outstanding amounts especially during the year 2021-22 and 2022-23.

The irregularity was reported to the management on July 30, 2024. Para was discussed in DAC meeting held on 26.12.2024 wherein DAC directed the management to make strenuous efforts for recovery of the outstanding dues and verify from audit.

Audit recommends implementation of DAC directives

(Para-10 & 14, POF DDFA, 2022-23)

4.2.4.5 Irregular purchase of store valuing Rs 41.242 million and loss due to purchase of Ammo Containers at higher rate – Rs 7.020 million

According to Rule – 4 of PPRA 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”. Rule – 38 further provides that “the bidder with the most advantageous 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 POF Gadwal Fy. for the years 2020-21 to 2023-24, it was observed that MD POF moved a case for the procurement of 26,000 Ammo Containers No. 74/P Ai (Chipboard). Later on, the quantity was reduced to 16,000 containers. As a result of open tendering 02 firms participated in the tender and both the firms were declared technically responsive. On opening of commercial offers, M/s AH Engg. Industries, Lahore quoted lowest rate of Rs 1,950/container plus GST, whereas, M/s Sherazi Brothers, Wah Cantt. was 2nd lowest with Rs 2,350/container plus GST. The management considered the 1st lowest offer only for 1,000 containers, while, for remaining 15,000 containers, the order was placed on the 2nd lowest bidder vide contract dated 23.10.2020 at his offered rate with total value Rs 41.242 million.

Audit is of the view that the management adopted open tendering process for purchase of containers, the firm which offered lowest rate needed to be considered for purchase of requisite store, but the firm which offered lowest rate was ignored for placement of full order and 2nd lowest firm was preferred. As the act of the management was not covered under public procurement rules, thus, the whole procurement worth Rs 41.242 million was held irregular. Further, placement of order to 2nd lowest firm resulted in loss of Rs 7.020 million to the POF.

Irregularity occurred due to non-observance of PPRA rules.

The irregularity was reported to the management on August 28, 2024. The DAC in its meeting held on January 14, 2025 directed the management to provide delivery schedule and get the relevant record verified from Audit within 07 days. The requisite record was not provided till finalization of report.

Audit recommends providing the delivery schedule as directed by DAC besides investigating the award of contract in violation of PPRA Rules and fixing responsibility thereof.

(Para-9, POF Gadwal 2020-24)

4.2.4.6 Irregular purchase of store on single source basis valuing – Rs 516.496 million

According to Rule – 04 of PPRA 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”. Rules – 12 (2) further provides that “all procurement opportunities over three million Pakistani 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 POF Gadwal Factory for the years 2020-21 to 2023-24 it was observed that a contract for supply four types of electronic components was awarded to M/s PMO Rawalpindi on proprietary mode at Rs 516.496 million including GST. The PCB (Programmable Circuit Board) was not a specified item rather a number of suppliers are available within country and abroad. During store visit, it was observed that the supplier did not manufacture the store and rather purchased it from China and supplied to the POF Gadwal Fy. Position showed that the store was not the proprietary. The procurement of common use item on single source was not covered under the rules. Thus, procurement worth Rs 516.496 million was held irregular.

Further, As per POF Purchase Procedure there exists no provision for 100% advance payment. The fact was also disclosed by the FA Office and pointed out that as per defense purchase procedure revised in 2017 Chapter – Viii clause (4-j) (4), the advance payment allowed only up to 20% against unconditional bank guarantee only in case of development related contacts. However, in exceptional cases, if advance exceeds 20%, prior approval of Finance Minister has to be obtained. However, in this specific case, 100% advance payment was made to the supplier against bank guarantee, which was not covered under the rules. As per agreement, the firm was bound to supply the store up to 31.10.2021. However, the firm made partial supply up to March 2023. While, the balance store was yet to be delivered. The POF made 100%

advance payment. The management did not impose LD charges as required under the terms of TE.

In view of above said facts the procurement worth Rs 516.496 million was held irregular.

Irregularity occurred due to weak internal controls in the organization.

The irregularity was reported to the management on August 28, 2024. Para was discussed in DAC meeting dated 14.01.2025 wherein the Committee decided that the management should provide documentary proof to get the work done from M/s PMO Rawalpindi on proprietary basis. The Committee further directed that the imposition of the LD be verified from Audit.

Audit recommends implementation of DAC directives

(Para-4, POF Gadwal 2020-24)

4.2.4.7 Un-necessary procurement of store - Rs 9.994 million

The Chairman POF Board vide letter No. POF/59/CH dated 04.01.1971 issued certain policy instructions on provisioning and procurement of material. As per Clause -6 of the policy, the following general guidelines are required to be considered while raising demand and/or submitting/approving purchase proposals:

- a. That due economy and care is exercised in formulating requirements and all available and usable assets are taken into account before placing new demands.
- b. That in demanding/ purchasing stores same vigilance in respect of expenditure incurred is exercised as a person of ordinary prudence would exercise in respect of the expenditure of his own.

During the audit of the accounts of POF Gadwal Fy. for the years 2020 to 2024, it was observed that the management of POF Gadwal had demanded certain store from Supply Chain Management (SCM). The SCM accordingly arranged procurement of said store and supplied to the Gadwal Factory, while, some store was purchased by the management of POF Gadwal Fy. The material control ledger showed that the material worth Rs 9.994 million was not utilized since receipt/procurement and was still lying in store after lapse of a period

ranging between 4 to 20 years. In twelve cases, a sufficient quantity of store was available when fresh quantity was purchased and store is lying un-used.

Audit is of the view that the store was demanded/procured without assessing its demand and was purchased un-necessarily. The un-necessary purchase of store resulted in blockade of funds to the tune of Rs 9.994 million.

The irregularity occurred due to weak controls of the organization and due economy and care was not exercised while demanding the store.

The irregularity was reported to the management on August 28, 2024. Para was discussed in DAC meeting dated 14.01.2025, wherein, Audit informed the Committee that in eight cases a quantity 14,121.97 kgs. was in hand while fresh procurement of 10,745 kgs. of the same items was made. DAC directed the Management to share the utilization plan with audit within 15 days.

Audit recommends implementation of DAC directives.

(Para-2 & 10, POF Gadwal 2020-24)

4.2.4.8 Loss due to sale of product below cost price to M/s WIL – Rs 18.41 million

As per Section-6 of the POF Board Ordinance, 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 Gadwal Fy. for the years 2020-21 to 2023-24, it was observed that during the period under review a number of commercial orders were received by the POF Gadwal Fy. Through WIL. Scrutiny of record showed that in 25 cases the commercial orders received through WIL, were considered for production on marginal or prime cost. The completion of orders on marginal or prime cost resulted in loss of Rs 18.412 million to POF Gadwal Fy.

Audit is of the view that the orders received through WIL were commercial orders. Thus, the POF management was required to deliver the product at least at full cost but in certain cases, as disclosed by audit, the products

were delivered to WIL at marginal or prime cost. In other words, the POF compromised at cost, which resulted in loss of Rs 18.412 million.

Irregularity occurred due to weak administrative controls in the organization.

The irregularity was reported to the management on August 28, 2024. In DAC meeting held on 14.01.2025, the audit apprised the Committee that out of 26 sale orders Audit found that 19 orders were approved at marginal cost and 07 orders were approved at prime cost for which approval of POF Board was required establishing special circumstances vide POF Board letter No. 4600/50/1/PC-IV/50/Secy. dated 20.09.2013. DAC directed the management to get the approval of POF Board verified from Audit within 15 days.

Audit recommends implementation of DAC directives

(Para-8, POF Gadwal 2020-24)

4.2.4.9 Non-deposit of sales tax amount in government treasury - Rs 75.046 million

According to Section – 3 of the SRO No.660-660/ (1)/2007 dated 30.6.2007 “all withholding agents shall make purchases of taxable goods from a person duly registered under the Sales Tax Act. 1990. Section – 4 further provides that “the sales tax so deducted shall be deposited by the withholding agent in the designated account in the form set out in the annexure to these rules by 15th of the month following the month during which payment has been made to the supplier”. Section – 182 of Sales Tax Act, 1990 provides that “any person who fails to deposit the amount of tax due or any part thereof in the time or manner laid down under this Ordinance or rules made there under, such person shall pay a penalty of five per cent of the amount of the tax in default”.

During the audit of POF Gadwal for the years 2020-21 to 2023-24 it was observed that the MD POF Gadwal moved a case for procurement of four (4) store items valuing Rs 516.496 million (Value of store Rs 441.450 million + GST Rs 75.046 million) from PMO Rawalpindi on single source basis. The MD disclosed that as the depositing of sales tax is mandatory vide SRO No. 660 dated 30.6.2007 & the firm is not registered with FBR, thus, sales tax @ 17% amounting to Rs 75.046 million has been added in the financial effect and will be

deposited in Govt. treasury by POF Gadwal. The PMO (supplier) demanded 100% advance payment against bank guarantee. The Chairman POF Board accordingly approved and 100% advance payment was made to the PMO in June 2020. However, the management failed to deposit the GST amount Rs 75.046 million in government treasury and the same is still un-paid.

Audit is of the view that the non-payment of GST amount, put the treasury in loss, further, the delay in payment of GST amount might lead to imposition of penalty @ 5% of the tax amount i.e. Rs 3.752 million.

Position showed weak financial controls of the POF Gadwal management.

The irregularity was reported to the management on August 28, 2024. DAC in its meeting dated 14.01.2025 directed the management to expedite the process and pay tax accordingly and relevant record be got verified from the Audit. Management failed to deposit the tax amount till finalization of report.

Audit recommends implementation of DAC directives

(Para-3, POF Gadwal 2020-24)

4.2.4.10 Irregular transfer of development projects resulted in un-justified expenditure of Rs 1,446.516 million and wasteful expenditure – Rs 73.962 million

The Chairman POF Board vide letter No. POF/59/CH dated 04.01.1971 issued certain policy instructions on provisioning and procurement of material/store to avoid un-necessary purchase of store. As per Clause-6 of the policy, the following general guidelines are required to be considered while raising demand and/or submitting/approving purchase proposal:

- a. That the demand raised is based on approved factors and is reasonable and justified;
- b. That due economy and care is exercised in formulating requirements and all available and usable assets are taken into account before placing new demands;
- c. That in demanding/purchase store same vigilance in respect of expenditure incurred is exercised as a person of ordinary prudence would exercise in respect of the expenditure of his own.

During the audit of POF Gadwal Factory for the years 2020-21 to 2023-24, it was observed that two development projects were launched by the POF Gadwal. One of the projects was launched at POF R&D around in 1990. However, in 2014, the development project was transferred to the POF Gadwal. The client had issued orders for supply of said system since 2017-18 but as the work is still at development stage thus, the orders were not completed and is appearing in backlog. To complete the targets for the years 2017-18 onward, the management purchased store worth Rs 132.39 million during the period from 2016 to 2017.

Second development project was transferred to the Gadwal Fy. in 2017 from POF R&D. As per available record, the project was still at underdeveloped stage as the trials so far conducted, were not satisfactory/passed. Despite the fact that the system was at development stage, the management of POF Gadwal purchased store worth Rs 1,315.126 million for the project.

Audit is of the view that both the above said projects were at development stage, thus need to be dealt at R&D level. Although, the client had issued production orders for both the said systems, but still in backlog. The procurement of store at such a large scale for the production line; still at development stage, was not a practical decision which caused un-necessary procurement worth Rs 1,447.516 million out of which store worth Rs 74.532 million was no more required due to change of design/drawings. Further, a number of items were sensitive in nature and needed to be stored at specified place/temperature.

Position showed weak controls in the organization at each level.

The irregularity was reported to the management on August 28, 2024. The DAC in its meeting held on January 14, 2025 directed the management to expedite the process and get the relevant record and utilization plan verified from Audit. Management did not provide the relevant record and utilization plan till finalization of report.

Audit recommends implementation of DAC directives.

(Para-18, POF Gadwal 2020-24)

4.2.4.11 Non-recovery of mark up on delayed payment of sale proceeds by WIL – Rs 9.751 million

As per POF Board Letter dated 20.9.2013 it was clarified that WIL will make advance monthly payments in the beginning of each month but not later than 10th of each month in respect of purchase of civil production items made from POFs. A grace period of two months from the date of presentation of the bill will be allowed to WIL and payment beyond this limit will be subject to interest at the prevailing bank rate.

During the audit of POF Gadwal Factory for the years 2020-21 to 2023-24, it was observed from the accounts record that during the period from March 2017 to June 2022 store worth Rs 35.509 million was issued/delivered to the WIL on payment basis. However, the factory management failed to recover the said amount from WIL. During audit, the position was highlighted and the management recovered the principal amount in September 2024, however, failed to lodge claim and recover the interest amount.

Audit is of the view that under the laid down policy the amount was required to be recovered within two months, however, in this specific case despite lapse of a period ranging between 2 to 7 years the amount could not be recovered. On being pointed out by audit, the amount was recovered but the interest income could not be recovered. Had the said amount been recovered and invested in bank, mark up income to the tune of Rs 9.751 could have been earned (loss calculated @ 8% per annum), thus, non-recovery of amount for an abnormal period resulted in loss of Rs 9.751 million.

Irregularity occurred due to weak controls of the financial management.

The irregularity was reported to the management on August 28, 2024. The DAC in its meeting held on January 14, 2025 directed the management to expedite the process and on finalization, the relevant record be got verified from the audit.

Audit recommends implementation of DAC directives.

(Para-11, POF Gadwal 2020-24)

4.2.4.12 Irregular expenditure below the figures reported in annual accounts – Rs 431.53 million and Rs 221.23 million over & above the figures reported in annual accounts

As per Section-9 of the International Standard on Auditing (ISA) 250 (Revised), it is management's responsibility to ensure that the entity's operations are conducted in accordance with laws and regulations. The responsibility for the prevention and detection of non-compliance rests with management. Section – 10 further provides that the policies and procedures, among others, may assist management in discharging its responsibilities for the prevention and detection of non-compliance. Acts of omission or commission intentional or unintentional committed by the entity, or by those charged with governance, by management or by other individuals working for or under the direction of the entity, which are contrary to the prevailing laws or regulations.

During the audit of POF Gadwal Factory for the years 2020-21 to 2023-24 the comparison of budget allocated and expenditure against it; and expenditure reported in POF financial statements in respect of POF Gadwal Fy. showed a huge difference. In certain heads of account (i.e. Pay & allowances, Utilities, F.E. Carryover, Assistance Package, overtime, indigenous purchase), the expenditure of Rs 431.53 million booked by the factory management was over and above the expenditure portrayed in annual accounts for the years 2021-22 and 2022-23. While in some cases (i.e. Tpt. & Misc., Overtime, Civil maintenance, indigenous purchases, FE Fresh Imports, Capital Work, Pay & Allowance, FE Carryover), the expenditure of Rs 221.33 million was reported in annual accounts more than budgetary figures of Gadwal Fy.

The above comparison showed a flaw in reconciliation of figures at factory and CMA level. The cases of showing expenditure over and above or below the figures appearing in factory record and as portrayed in annual accounts constitute an irregularity on the part of factory as well as CMA management.

Position showed weak financial controls in the organization.

The irregularity was reported to the management on August 28, 2024. The DAC in its meeting held on January 14, 2025 directed the management to get the

figures reconciled with CMA – POF and get it verified by the Audit within 15 days.

Audit recommends implementation of DAC directives

(Para-13, POF Gadwal 2020-24)

4.2.4.13 Loss due to non-replacement of battery powered trucks - Rs 24.176 million

As per Clause 8(a, b, & c) of the contract dated October 25, 2018, Pre-Shipment Inspection (PSI) was to be conducted by POF representatives within three working days once the plant, machinery, and equipment were ready. The supplier was responsible for trial runs (loaded and unloaded) of the battery trucks at the purchaser's site and was required to provide a guarantee for meeting standard performance. In case of any deficiencies, the supplier was responsible for all related costs. The store was to be accepted based on the supplier's warranty or guarantee regarding quality and quantity for 24 months. If the store did not conform to specifications upon checking or testing, the supplier was required to replace the rejected store at no additional cost to the purchaser.

During the audit of POF Havelian for 2019-2023, it was noted that a contract dated October 25, 2018, was awarded to M/s SIMAI SPA, Italy for the procurement of four battery-powered trucks valued at Rs 48.352 million (Euros 354,514). The trucks were supplied in May 2019 with a warranty period from June 1, 2019, to May 31, 2021. According to the contract, 80% payment was made against shipping documents and PSI conducted from May 8 to 10, 2019, with the remaining 20% payable after the Final Acceptance Test (FAT). However, one month after the FAT conducted in June 2019, three out of the four trucks (Truck Sr. Nos. 6584, 6585, and 6587) began malfunctioning. Despite contacting M/s SIMAI SPA and its local agent, M/s Jade Machinery, Lahore, for repairs, the faults were not resolved within the warranty period. M/s SIMAI SPA undertook, via a letter dated October 13, 2021, to bear transportation costs from Pakistan to Italy and back (upto Rs 2.728 million or Euros 20,000) and to cover repair costs, including replacement of spare parts. However, the management's claim for 100% bank guarantee (BG) equivalent to the value of two faulty trucks (Rs 24.176 million or Euros 177,257) for dispatch to Italy was not accepted by the firm, preventing the trucks from being sent to SIMAI SPA's premises. While

one truck (Sr. No. 6584) was temporarily repaired using internal resources, the remaining two trucks were off-road for nearly five years.

The audit is of the view that the faults, such as a non-functional main display panel, occurring just one month after the FAT suggest that PSI and FAT were not properly conducted. Furthermore, while the firm agreed to rectify the trucks at its own expense, POF management failed to arrange the trucks' dispatch, resulting in a loss of Rs 24.176 million.

The irregularity occurred due to inadequate PSI and FAT procedures.

The irregularity was reported to management on April 18, 2024. The DAC in its meeting held on December 26, 2024 directed the management to blacklist the firm in line with PPRA Rules and get the record verified from audit within 05 days.

Audit recommends implementation of DAC directives besides investigating the matter of PSI and FAT tests.

(Para-2, POF HVN, 2019-23)

4.2.4.14 Loss due to delay in procurement of plant & machinery - Rs 4.036 million

Clause-6 of the Chairman POF Board's letter No. POF/59/CH dated 04.01.1971 mandates that economy and care should be exercised in formulating requirements, and all available and usable assets should be considered before placing new demands. Expenditure should be managed with the same vigilance as if it were one's own money.

During the audit of POF Havelian for the years 2019-2023, it was found that the Procurement Committee approved the need for Mix Acid storage vessels and accessories for the financial year 2019-2020 on 09.11.2020. SCM (Central Procurement Department) issued a Tender Enquiry (TE) on 09.01.2021. Five firms participated in the bidding process. However, the management cancelled the TE, claiming that procurement was the responsibility of the individual factory, not SCM. A second TE was issued on 28.07.2021 and published on the PPRA and POF websites. Four firms participated in the bidding and M/s Star Engineering Services, Lahore, was the lowest bidder at Rs 29.425 million, with a bid validity period until 15.02.2022. Management did not finalize the contract

within this period and cancelled the tender on 09.03.2022 due to procedural lapses, including the failure to publish the bid in print media despite instructions to the PRO Office of POF. The case was re-tendered third time and M/s Star Engineering Services, Lahore, again offered the lowest bid. Consequently, a contract was awarded on 17.01.2023 for Rs 33.462 million. The delay and negligence by the management in finalizing the contract within the bid validity period resulted in an extra payment of Rs 4.036 million (Rs 33.462 million - Rs 29.425 million).

This irregularity was due to weak internal and financial controls within the factory.

The irregularity was reported to management on 18.04.2024. The DAC in its meeting held on December 26, 2024 directed the management to complete the risk purchase action, carry out fact-finding inquiry, and submit its report for the perusal of PAO through Admin Wing of MoDP within one month before its sharing with audit.

Audit recommends implementation of DAC directives

(Para-7, POF HVN, 2019-23)

4.2.4.15 Loss due to non-initiation/recovery of risk purchase cost from the defaulting firm - Rs 73.108 million

According to Clause 4.3 of the Tender Enquiry, “if the successful bidder fails to supply the store within the original or extended delivery period, the unsupplied store should be procured from elsewhere at the supplier’s risk and cost”.

During the audit of POF Havelian for 2019-2023, it was found that a contract dated March 26, 2021, was awarded to M/s Henan Go Biotech Co. Ltd., China, for the procurement of 250 metric tons of purified and bleached 2nd cut cotton linter, valued at Rs 62.798 million (CNY 2,627,550 at an exchange rate of Rs 23.8998). The delivery period was up to September 25, 2021. However, the firm failed to supply the material and defaulted. Instead of initiating a risk and cost action against the defaulting firm, management executed a fresh contract dated September 23, 2022, with M/s Beijing Precision Machinery, China, for the same store and quantity, amounting to Rs 135.906 million. This resulted in an

additional expenditure of Rs 73.108 million (Rs 135.906 million - Rs 62.798 million).

The irregularity occurred due to non-fulfillment of contractual obligations and weak financial management. The audit concludes that management should have procured the store by initiating risk and cost action against the defaulting firm to safeguard government interests. Instead, a new contract was executed at a higher rate, leading to a substantial financial loss. Recovery of Rs 73.108 million from the defaulting firm is warranted.

The irregularity was reported to management via letter dated April 18, 2024. The DAC in its meeting held on December 26, 2024 directed the management to blacklist the firm in line with PPRA rules and get the record verified from audit within 05 days.

Audit recommends implementation of DAC directives

(Para-3, POF HVN, 2019-23)

- 4.2.4.16 (i) Loss due to less charging of rent for commercially used A-1 land - Rs 5.563 million**
(ii) Loss to Government exchequer due to less deposit of share - Rs 1.391 million

According to policy guidelines on the use of A-1 land issued by the Ministry of Defense Production Division (letter No. F-2/5/D-12/ML&C/99 dated 2nd April, 2008), rent shall be charged at 6% per annum of the existing revenue rate of the said land, as per the 1980 Policy Guidelines. Notwithstanding the tenancy/rent agreements of the military authorities with users, 25% of the calculated rent must be deposited into the government treasury, with the remaining 75% utilized by the respective formation/establishment as per policy set by the respective Services Chief (COAS/CAS/CNS). Additionally, the rent account for A-1 Land used for commercial and welfare purposes (categories A&C activities) is subject to government audit.

During the audit of POF Havelian for the years 2019-2023, it was observed that the management had rented out 38 shops in the Shopping Plaza and Bilal Market since 1997 at nominal rates significantly lower than the DC rates. The audit revealed that management received only Rs 3.625 million in rent

compared to the Rs 9.189 million that should have been received according to DC rates from July 2019 to June 2023. Furthermore, 25% of the government share, amounting to Rs 1.391 million was not fully deposited into the government treasury by the management.

This irregularity was due to non-adherence to the government directives.

The audit concludes that the failure to charge appropriate rent, in violation of the policy guidelines of the Ministry of Defense Production, resulted in a loss of Rs 5.563 million to the government exchequer. Additionally, there was a shortfall in the deposit of the government's share of Rs 1.391 million.

The matter was reported to management on 18.04.2024. The DAC in its meeting held on December 26, 2024 directed the management to get the conformity of the process with ML&C instructions and get it verified by the audit. Management did not provide the requisite record to audit till finalization of report.

Audit recommends implementation of DAC directives

(Para-11, POF HVN, 2019-23)

4.2.4.17 Loss due to production of defective store valuing Rs 137.353 million and un-necessary issuance of store - Rs 0.425 million

The GHQ vide its letter dated 14.07.2022 stopped the production of 81 mm Mor Bomb HE for DOS due to some incidents during trial of said bomb.

During the audit of POF MAA Fy. for the years 2020-21 to 2023-24, it was observed that MAA factory manufactured 31,200 Nos. 81 mm Mor Bomb HE for DOS and 15,000 Nos. for export purpose. Due to severe incidents during trail, the client directed to stop the production of said store. Further, record revealed that 31,200 Mor Body 81 mm Nos. were manufactured for Defence out of which 16,668 Nos. were dispatched leaving a quantity of 14,532 Nos. out of which a quantity of 6,200 Nos. was still lying at shop floor since 11/2022. Further, 15,000 Mor Body 81 mm Nos. manufactured against export order vide lot No. 6/22, 7/22 and 10/22 were also lying at shop floor. Hence, total quantity of 29,532 Nos. remained un-dispatched till 08/2024 due to defective production. The production of defective bomb body resulted in loss of Rs 137.353 million

(29,532 x Rs 4,651/ body) to the POF. The defective production is also a question mark for Inspection as well as QA Deptts.

The irregularity was reported to the management on October 23, 2024. The DAC in its meeting held on 14.01.2025 directed the management to expedite the purchase process of X-ray machine and after testing of products through X-ray machine, record may be got verified from Audit. The Committee further directed the management to confirm that the export order for supply of 50,000 Nos. was intact.

Audit recommends implementation of DAC directives.

(Para-4, POF MAA, 2020-24)

4.2.4.18 Loss due to supply of rejected store - Rs 41.079 million

As per clause-8(b) of the contract executed between POFs and M/s China Jing An Export & Import Corporation dated 21.01.2020 in case the stores on checking/test after receipt at Consignee's warehouse is found not conforming strictly to the relevant specification and other particulars of the supplier shall immediately replace the rejected stores by acceptable stores free of cost and without any obligation to the purchasers, rejected stores will be disposed of by the supplier under his own arrangements.

During the audit of POFs MAA Factory for the years 2020-21 to 2023-24, it was observed that POF management entered into a contract with M/s China Jing An Export & Import Corporation on 21.01.2020 at a total cost of 129.798 million RMB equivalent to Pak Rs 2,862,045,900 (1 RMB = Rs 22.05) for procurement of Proximity Fuze 100,000 Nos. valuing 126,900,000 RMB and 15,000 Nos. S&A complete loaded valuing 2,070,000 RMB with freight charges amounting to 828,000 RMB.

According to the terms of payment, 90% payment of store was to be made on providing shipping documents and balance 10% after receipt and inspection of store in POFs. Accordingly, the firm furnished shipping documents for the supply of store on 29.04.2023. During inspection, the Inspection Authority rejected 15,000 No. S&A due to the reasons that S&A unit could not detonate. As the 90% payment of rejected store had already been released through LC, thus,

chances of replacement were almost nil and the POF sustained loss of Rs 41.079 million (90% of 2,070,000 RMB = 1,863,000 RMB x Rs 22.05).

The irregularity was reported to the management on October 23, 2024. DAC in its meeting held on January 14, 2025 directed the management to share timeline with Audit regarding the inspection of store. After inspection, the relevant record may be shared with Audit for verification.

Audit recommends implementation of DAC directives.

(Para-21, POF MAA, 2020-24)

4.2.4.19 Non-obtaining of performance guarantee - Rs 142.189 million

According to Rule-39 of PPRA, 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 per cent (10%) of the contract amount.

During the audit of POFs MAA Factory for the years 2020-21 to 2023-24, it was observed that the management awarded a contract to M/s China Jing An Export & Import Corporation on 21.01.2020 for the supply of defence store valuing RMB 129.798 million equal to Pak Rs 2,862.046 million (RMB = Rs 22.05) vide contract dated 21.01.2020. Scrutiny of record revealed that the performance guarantee clause was not inserted in the contract. This was also objected by FAOF.

Audit is of the view that management was required to insert Bank Guarantee clause in the contract to safeguard its interest and accordingly obtain performance guarantee of Rs 142.189 million (i.e. 128,970,000 RMB x 5% = 6,448,500 RMB x Rs 22.05) by invoking relevant clause of PPRA rules but the management failed to do so.

The irregularity was reported to the management on October 23, 2024. In DAC meeting held on January 14, 2025, the management clarified that Chairman had waived off bank guarantee under clause-22 of POF purchase procedure. DAC directed the management to get the acceptance letter and PSI report verified by the Audit. However, no such documents were provided to the audit for verification till finalization of report.

Audit recommends implementation of DAC directives

(Para-20, POF MAA, 2020-24)

4.2.4.20 Loss due to delay in completion of production orders - Rs 187.445 million

As per sale orders (class-II extracts), ammunition was required to be produced and dispatched to the clients within specified delivery period as given in each extract.

During the audit of POF SAA Factory for the years 2021-22 to 2023-24, it was observed that the management received civil sale orders for the production and supply of different ammunition from M/s WIL, Defence Production (DP) Air, and IG Police KP. These orders were based on four (4) extracts (job authorization for booking of expenditure), which included specified delivery periods. The records revealed that the rates (cost) applied to the extracts were based on the delivery year, whereas production was carried out after the expiry of the delivery period in subsequent years. As a result of the delay in production and the price hike in the cost of production, the POF SAA Factory incurred a loss of Rs 187.445 million.

This irregularity occurred due to weak internal and financial controls at the factory.

The audit is of the view that the loss could have been avoided if production had been completed within the specified delivery period.

The irregularity was reported to the management on December 13, 2024. In DAC meeting held on January 14, 2025, the Committee directed the management to revise the extract's rates. The fate of para will be decided on revision of rates and subsequent receipt of payment.

Audit recommends implementation of DAC directives.

(Para-1, POF SAA 2021-24)

4.2.4.21 Loss due to deterioration of plastic ammunition containers - Rs 54.404 million

The Chairman POF Board vide letter No. POF/59/CH dated 04.01.1971 issued certain policy instructions on provisioning and procurement of

material/store to avoid un-necessary purchase of store. As per Clause-6 of the policy the following general guidelines are required to be considered while raising demand and/or submitting/approving purchase proposal that: (a) the demand raised is based on approved factors and is reasonable and justified, (b) due economy and care is exercised in formulating requirements and all available and usable assets are taken into account before placing new demands, and (c) in demanding/purchase store some vigilance in respect of expenditure incurred is exercised as a person of ordinary prudence would exercise in respect of the expenditure of his own.

During the audit of POF SAA Factory for the years 2021-22 to 2023-24, it was observed that the management procured 228,997 ammunition containers during the period from 2012 to 2014. of these, only 38,513 containers were utilized by June 30, 2015, leaving a balance of 190,484 containers. In 2016 and 2017, the management procured additional 238,000 containers, increasing the total stock to 428,484 containers. From August 24, 2015 to October 6, 2018, the management issued 131,200 ammunition containers to the Pak Army, while 50,220 containers were utilized in the SAA Factory, leaving a balance of 247,064 containers as on June 30, 2019. The Pak Army returned 135,762 containers to POF SAA Factory from January 25, 2021, to July 26, 2022, which raised the available stock to 383,868 containers. The factory management further utilized 192,932 containers, leaving a stock balance of 190,936 containers as on July 26, 2022. The inspection authority, as per the Inspection Report dated August 10, 2022, declared 130,000 ammunition containers as defective, which were then transferred to defective stock via voucher No. S-005918 dated September 1, 2022.

The irregularity occurred due to weak inventory management controls.

The audit is of the view that the store management did not use the FIFO (First In, First Out) method in the utilization of ammunition containers procured in 2012 and 2013, which led to 52,000 containers becoming defective due to the completion of their shelf life. Additionally, of the 78,000 defective ammunition containers returned by the Pak Army, the management recovered the cost of 54,191 containers from the Pak Army, while the loss on account of the remaining 23,809 defective containers was borne by POF. Consequently, due to the

deterioration/completion of the shelf life of 75,809 defective containers (52,000 + 23,809), POF sustained a loss of Rs 54.404 million (75,809 containers x average price of Rs 717.651/container).

The irregularity was reported to the management on December 13, 2024. In DAC meeting held on January 14, 2025, the Committee directed the management to take the matter with supplier i.e. M/s Hi-Tech Plastic (Pvt.) Ltd. for free of cost rectification of defective ammo containers. .

Audit recommends implementation of DAC directives.

(Para-2, POF SAA 2021-24)

4.2.4.22 Un-justified payment of commission to M/s WIL on sale of machinery to M/s WBM - Rs 35.984 million

According to POF Board letter No. 2200-55-Shifting/ MRO/ SAA/ 112/ Secy dated December 31, 2016 and letter No. No. 2200-55-Shifting/ MRO/ SAA/ 250/ Secy dated June 16, 2017 M/s WIL was liable to pay Rs 188.391 million and Rs 171.450 million (total Rs 359.841 million) on account of sale of machinery to M/s WBM at fetch value.

During the audit of the POF SAA Factory for the years 2021-22 to 2023-24, it was observed that the management sold and transferred 12 serviceable machines to M/s Wah Brass Mill (Pvt.) Ltd (WBM) at the time of its separation from the SAA Factory. The machines were valued at Rs 359.841 million, as per the POF Board letters dated December 31, 2016, and June 16, 2017. M/s WIL (the parent company of WBM) was liable to pay Rs 359.841 million as the purchase price of the machinery to the SAA Factory. M/s WIL paid Rs 323.857 million in two installments, one in August 2022 and another in May 2023, after deducting Rs 35.984 million as 10% commission on the sale.

The irregularity stemmed from weak internal and financial controls at the CMA office.

The audit finds that the POF Board did not authorize the commission, as the machinery in question was new, making the payment to M/s WIL unjustified.

The irregularity was reported to the management on December 13, 2024. In DAC meeting held on January 14, 2025, the Committee directed the

management that relevant copies of TRs regarding the unjustified commission paid to WIL be reconciled with CMA-POF within seven days and provided the same to Audit.

Audit recommends implementation of DAC directives.

(Para-4, POF SAA 2021-24)

4.2.4.23 Loss of mark-up income due to late payment by M/s WIL - Rs 172.724 million

According to POF Board letter No. 2200-55-Shifting/ MRO/ SAA/ 112/Secy dated December 31, 2016 and letter No. 2200-55-Shifting/ MRO/ SAA/ 250/ Secy dated June 16, 2017 M/s WIL was liable to pay Rs 188.391 million and Rs 171.450 million (total Rs 359.841 million) on account of sale of machinery to M/s WBM at fetch value. Further as per POF Board Letter dated 20.09.2013 it was clarified that WIL will make advance monthly payments in the beginning of each month but not later than 10th of each month in respect of purchase of civil production items made from POFs. A grace period of two months from the date of presentation of the bill will be allowed to WIL and payment beyond this limit will be subject to interest at the prevailing bank rate.

During the audit of the POF SAA Factory for the years 2021-22 to 2023-24, it was observed that during the separation of M/s Wah Brass Mill (Pvt.) Ltd (WBM) from the SAA Factory in 2016-17, it was decided that the assets of the Brass Mill (formerly part of the SAA Factory) would be transferred to M/s WBM, with their cost treated as POF investment, on which the company would pay dividends. However, the assets and machinery of the SAA Factory transferred to M/s WBM were to be paid for immediately. The records revealed that POF SAA Factory handed over 12 serviceable machines to M/s Wah Brass Mill (Pvt.) Ltd (WBM), valued at Rs 359.841 million, as per POF Board letters dated December 31, 2016, and June 16, 2017. It was noted that M/s WIL, the parent company of WBM, made a payment of Rs 323.857 million out of the total Rs 359.841 million to POF SAA Factory in August 2022 and May 2023, with a delay of six years.

As M/s WBM had been using the machinery in production since 2016-17 and earning profits, the management had expected that M/s WIL would pay interest at an annual rate of 8% on the outstanding balance, amounting to

Rs 172.724 million (calculated as Rs 28.787 million per year for 6 years, based on Rs 359.841 million at 8% per annum). Due to the non-payment of this markup by M/s WIL, POF SAA Factory sustained a loss of Rs 172.724 million.

The irregularity occurred due to weak internal and financial controls at the factory.

The audit concludes that the failure to claim the markup at the prevailing rate and the non-payment of this markup by M/s WIL resulted in a loss of Rs 172.724 million to POF SAA Factory.

The irregularity was reported to the management on December 13, 2024. In DAC meeting held on January 14, 2025, the Committee directed the management to reconcile the figure of dividend paid and outstanding mark up with CMA POF within seven days.

Audit recommends implementation of DAC directives.

(Para-5, POF SAA 2021-24)

4.2.4.24 Loss due to sale of scrap below market rates - Rs 173.028 million

In line with the decision of ECC Cabinet Division the M/o Defence Production Division vide U.O No. 10/56/2009/DP-10 dated 23.11.2012 notified that assets/machinery to be transferred to the newly established WBM may be evaluated on market valuation.

During the audit of POF SAA Factory for the years 2021-22 to 2023-24, it was observed that 100 M.ton scrap was lying in SAA Factory and 146 M.ton was laying in Wah Brass Mill (Pvt.) Ltd (WBM) before separation from SAA factory in 2016-17. In 2017, Chairman POF Board approved sale of said scrap to WBM on book value i.e. Rs 58.98/kg as intimated by CMA but the sale and utilization process could not be carried out as this type of scrap was never used by WBM due to damaging properties of electric induction furnaces. GM PPC of SAA factory vide letter dated 5.01.2019 requested CO-FIU for shifting of 146 M.ton scrap lying in WBM which could not be finalized. Later, on the basis of SSB by SAA Factory, M/s WIL advertised for open auction of said scrap on 8.7.2021 and inspection was scheduled on 05.07.2021. On inspection, it was disclosed that the quantity lying at WBM was not available. The Chairman POF Board stopped the

auction process and ordered a court of inquiry on missing of scrap, which was conducted on 23.12.2021. Inquiry committee disclosed that out of 146 M.ton scrap, WBM utilized 106.50 M.ton for commercial production of ingots after installation of new plant in 2021 without intimation/permission and payment to SAA Factory. The inquiry committee recommended formulation of price calculation committee of said scrap utilized by WBM for commercial activities and the price so calculated may be recovered from WBM. On the order of Chairman POF Board, the Price Assessment Committee, recommended that the amount be recovered from M/s WBM for utilization of 146 M.ton scrap at the rate of Rs 717.57 per kg (the market price as on 8.7.2021 utilization date of scrap by WBM) as informed by CMA and scrap of 100 M.ton lying in SAA to be offered to M/s WBM at the estimated price of Rs 827.72 per kg (the market price as on 24.03.2022).

Audit noted that instead of honoring the recommendations of inquiry committee and price assessment committee, all the store was sold to WBM on old book value of 2017 i.e. Rs 58.98/kg. and WBM accordingly made the payment of Rs 14.509 million of 246 M.ton scrap. Due to non-payment of market value, POF SAA factory sustained a loss of Rs 173.028 million.

The irregularity occurred due to weak internal and financial control of the factory.

Audit is of the view that WBM utilized the said scrap in 2020-21 without entering into any formal agreement and determining the price. Further, sale transaction was held in 2023-24, therefore market prices as determined by the Assessment Committee was required to be charged instead of the book value of 2017 to avoid loss of Rs 173.028 million. Further, the act was against the decision of ECC conveyed vide M/o Defence Production Division U.O No. 10/56/2009/DP-10 dated 23.11.2012.

The irregularity was reported to the management on December 13, 2024. In DAC meeting held on January 14, 2025 the Committee directed the management to submit comprehensive case to the admin wing of MoDP for further processing with Finance Division within 15 days.

Audit recommends implementation of DAC directives.

(Para-6, POF SAA 20214)

4.3 Wah Industries Limited

4.3.1 Introduction

Wah Industries Limited “the Company” was incorporated in 1958 as public limited company under Companies Act, 1913 (now Companies Act, 2017). The Company is fully owned by Pakistan Ordnance Factories (POFs). The registered office of the Company is situated at Quaid Avenue, The Mall, Wah Cantt.

Corporate Information

The Company is principally engaged in manufacture and sale of 12 bore ammunition and sale of civil products purchased from POFs and other parties to law enforcement and civil armed forces. WIL also exports arms and ammo to friendly countries. The Company acts as commission agent for POFs to facilitate its sale of obsolete/surplus stores and scraps generated during production in POFs.

The “**Civil Products Division**” represents the capabilities of Wah Brass Mills Pvt. Ltd, Hi-Tech Plastics Pvt. Limited & Packages Factory.

The “**Projects Division**” participates in high value tenders and projects under Wah Construction Pvt. Limited and Wah Clothing Pvt. Limited. Their core products include (Personal Load Carrying Equipment) PLCE, Bullet Proof Jackets and wooden pallets, high-rise buildings / towers, and other commercial products and services.

Structure of the entity

The Company is under the administrative control of the Pakistan Ordnance Factories as the major shareholder is the Government of Pakistan. The Company is being governed through its independent Board of Directors, who is reportable to its Chairman. The Board has delegated powers to the CEO/Managing Director. All the major operations of the company are being governed through CEO/MD. Key planning decisions are taken by the WIL Board of Directors and Chairman POF Board.

Sectoral analysis (Targets fixed of sales vs. actual achievements) for 2023-24
(Rs in million)

Items	Sale 2022-23	Sale 2023-24	Total
Cartridge	1,301.999	1,520.088	2,822.09
Brass Products	4,475.143	8,723.661	13,198.80
Ammo Container	1,654.777	2,788.271	4,443.05
Civil Product	3,825.910	18,025.768	21,851.68
Arms & Ammunition	84,223.015	37,165.733	121,388.75
Disposal	204.222	79.358	283.58
Total	95,685.066	68,302.879	

4.3.2 Comments on Audited Accounts

4.3.2.1 Comments on audited accounts upto 2022-23 are included in the Commercial Appendix to Appropriation Accounts of the Defence Services for the year 2023-24.

4.3.3 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
2010-11	04	0	04	4.3.2, 4.3.3, 4.3.4.1, 4.3.4.2	0
2011-12	07	0	07	5.4.2.1, 5.4.3, 5.4.4.1, 5.4.4.2, 5.4.4.3, 5.4.4.4, 5.4.4.5	0
2012-13	06	03	03	5.3.3, 5.3.4.1, 5.3.4.3	50
2012-13 (CADs)	06	06	00	-	100
2017-18 (CADs)	09	04	05	3.1.5, 3.1.6, 3.1.7, 3.1.8, 3.1.9	44
2019-20	09	05	04	4.4.1, 4.4.2.1, 4.4.3, 4.4.4.5,	55
Total	82	55	27		67

The overall compliance of the PAC directives was not satisfactory which needs to be improved.

4.3.4 Audit Paras

4.3.4.1 (i) Unjustified retention of POF funds and non-discharging of liabilities - Rs 118,547.099 million

(ii) Expected loss due to charging of interest by POF on funds retained by the WIL - Rs 1,244.385 million and non-deposit of export earnings in SDF

According to Para-9 of POFs Board letter No. 4600/50/1/PC-IV/50/Secy dated 20.09.2013, Wah Industries Limited (W.I.L) will make advance monthly payments in respect of purchase of Civil production items made from POFs for which monthly advance payments will be made in the beginning of each month but not later than 10th of the month on the basis of average monthly purchases of civil production items for the preceding quarter. In case the billed amount is more than the advance payment made by WIL, additional amount will be deposited by WIL within two weeks failing which interest will be liable to be charged on Bank rate on receipt of bill from CMA and treasury receipt will be forwarded to the cost officer for adjustment. Further, according to para 6 of Ministry of Defence (Defence Production Division) letter dated August 22, 1973, “export earnings will be credited to a special deposit fund (SDF) for POF exports and will be utilized according to the instructions issued separately, for the purpose”.

During the audit of Wah Industries (Pvt.) Limited for the years 2022-23 and 2023-24 it was observed that management recorded an amount of Rs 116,043.330 million payable to the POF during the end of financial year 2023-24. Later on, this payable amount was increased to Rs 118,547.099 million (Approx.). On the other hand, it was also observed from the cash & bank balances and cash equivalent instruments that an aggregate amount of Rs 138,015.152 million was available with M/s WIL till the close of financial year 2023-24. Thus, WIL management had sufficient balances to discharge its liabilities.

It was also observed that in addition to above, M/s WIL received export orders worth US\$ 66.653 million equivalent to Rs 17,183.687 million from three major countries. The orders were processed from different units of Pakistan Ordnance Factories (POFs) and dispatched to the clients. The revenue earned

from the sale of these items was retained by M/s WIL and was not paid to the POF as required under the rules. Due to unnecessary retention of POF funds, M/s WIL had to pay an amount of Rs 1,244.385 million (Approx.) markup to the POF at the prevailing Avg. bank interest rates. Further, said amount of export earnings was required to be deposit into Special Deposit Fund (SDF) account that was also not done by the WIL/POF management. Hence, it is also violation of export policy circulated by MoDP vide its circular dated August 22, 1973.

Audit is of the view that management of WIL should pay excess amount to the POF without further delay to avoid further imposition of markup.

Matter was reported to the management on 13.01.2025. The management apprised that the back loading process was under discussion and further steps would be taken accordingly. DAC in its meeting held on 20.01.2025 pended the para till further action is taking by the management and directed the management to get the record verified from the audit upon completion of the process.

Audit recommends the implementation of the DAC directives at earliest.

(Para-1 & 41, WIL, 2022-24)

4.3.4.2 Irregular and unjustified grant of incentive / honorarium to POF employees and WIL Board members – Rs 893.017 million

The Govt. of Pakistan Finance Division (Regulation Wing) issued policy guidelines for grant of honorarium to the Govt. servants vide their O.M. No. F.2 (2) R.4 /95 dated 22.06.1995. According to which ‘the amount of honorarium recommended for each officer / official is equal or less than his one month’s basic pay and the officer / official has not drawn any honorarium in the current financial year before and work for which the honorarium is being recommended was undertaken with the prior consent of the competent authority and the amount of honorarium was assessed and settled in advance by the competent authority. Further, as per Finance division SRO No. 997(1)/2013 dated November 20, 2013, published in Gazette of Pakistan ‘the allowance, fee, honorarium 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 corporations, companies, autonomous bodies, institutions, societies etc. whether fully or partially owned or controlled by the Federal Government, shall be credited to the General Reserve.

During audit of Wah Industries Limited (WIL) for the year 2022-24, it was observed that WIL management paid an amount of Rs 817.768 million on account of honorarium to POF officers & staff. Further, scrutiny of the record revealed that said payment was adjusted against payables to the POF in the books of accounts of the WIL for which no lawful authority existed. The WIL management made an adjusting entry on June 30, 2023 wherein payable to POF were reduced by debiting 'AO CMA payable' and crediting 'POF incentive' accounts. Moreover, grant of honorarium from Wah Industries Limited funds was not covered under the policy guidelines, hence, the payment of incentive and adjustment of honorarium worth Rs 817.768 million was considered as irregular.

Similarly, an amount of Rs 75.249 million was paid as honorarium to the members of WIL Board. It was, however, observed that under Article 56(1) Article of Association, the WIL BoD members were not entitled for any kind of financial benefits being Govt. servants. Relevant payment vouchers were demanded from the management vide requisition No. 01 dated 03.09.2023 followed by various reminders but to no avail. There was no evidence observed which disclosed that amount above six hundred thousand was deposited by the respective members in government treasury.

Audit is of the view that in both the cases, WIL management deviated from the policy decisions of the Federal Government. Thus, WIL could not make payments to the POF employees from its own funds being a separate independent entity. Thus, payment of Rs 893.017 million (Rs 817.768 million + Rs 75.249 million) was considered as irregular and unjustified.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to frame criteria for grant of incentive / honorarium and get the same approved from the Board of Directors as well as MoDP. KPIs be prepared for grant of extra ordinary honorarium / incentive.

Audit recommends the implementation of the DAC directives at the earliest besides investigating the payment of honorarium to POF employees and WIL Board members in violation of government's instructions and effect recovery thereof.

(Para-33, WIL, 2022-24)

4.3.4.3 Irregular procurement of bullet proof helmets - Rs 6.160 million

According to rule 12(2) of PPRA, '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 Wah Industries Limited (WIL) for the year 2022-23 and 2023-24, it was observed that management of WIL procured 153 Bullet Proof Helmet (BPH) worth approximately Rs 6.160 million. While reviewing the relevant files certain deficiencies like enhancement of quantity, selection of firm for BPH even quoting rates of single size and non-imposition of LD despite of late delivery etc. showed that procurement was made in non-transparent manner in violation of rules to oblige some specific supplier.

Audit is of the view that management of WIL showed undue favor to the bidder in procurement of BPH which showed that favors are granted to M/s Defense Engineering.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to carry out Fact Finding Inquiry w.r.t the procurement of Bullet Proof Helmet, and submit its report for the perusal of PAO.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-2, WIL, 2022-24)

4.3.4.4 Loss to Public exchequers due to wrong fixation of pay of WIL employees and irregular grant of advance increments - Rs 8.429 million

As per Finance Division OM's No 1(2)/Imp/2022-23 dated 01.07.2022; the Basic Pay Scales-2022 shall replace the Basic Pay-2017 with effect from 01.7.2022 as contained in the Annexure-I of this OM. As per Para-13 of Wah Industries (Pvt.) Limited HR manual "In recognition of outstanding service to the Company, the Management may consider granting an employee advance increment. All such cases will be considered on their own merits and the

Managing Director will send the case for approval to the Director Finance (FAOF).

During the audit of Wah Industries (Pvt.) Limited for the year 2022-23 to 2023-24, it was observed from the record on sample basis that the management incorrectly fixed the initial basic pay of newly appointed employees and revised the basic pay for certain officers (BS-17 and above) during the period under review. This resulted into loss of Rs 3.845 million.

Similarly, it was also observed from the record that management also granted undue favor to its certain employees and granted advance increments to them in violation of rules. This also resulted into loss of Rs 4.584 million.

Audit is of the view that WIL management granted undue favor to the employees which caused loss to public exchequer to the tune of Rs 8.429 million (Rs 3.845 million + Rs 4.584 million) as detailed at Annex-28.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to frame service rules and get the same approved from MoDP within 45 days.

Audit recommends the implementation of the DAC directives at the earliest besides justifying the payment of advance increments in violation of rules.

(Para-4, WIL, 2022-24)

4.3.4.5 Irregular procurement of store in violation of PPRA – Rs 248.314 million

According to rule 4 of PPRA, the 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 Wah Industries Limited (WIL) for the year 2022-23 and 2023-24, it was observed that WIL management floated a tender in newspaper on 14.04.2022 for procurement of 130 MT copper cathode. Four firms participated and management technically rejected the bids of three firms and shortlisted M/s GrFch as successful bidders. Financial bid of single technically

qualified firm was opened and contract was awarded vide No. 01 / FP / CuCa / WIL / 2022-23 dated 05.07.2022 to M/s GrFch without recording reasonability certificate or due diligence.

However, it was observed that the management had already decided to award the contract to M/s GrFch before floating of tender in newspaper as the technical bid submitted by the bidder i.e. M/s GrFch also consisted some snaps of material being packed in Dar-us-Salam Tanzania in the presence of Wah Industries Limited staff on 21.02.2022 which was two month earlier from the issuance of advertisement in newspapers i.e. 14.04.2022. Thus, the WIL management had already inspected the store, which made the whole procurement of copper cathode as non-transparent and irregular.

Audit is of the view that the management of WIL extended undue favor to M/s GrFch by issuing an advertisement designed to obscure the facts and mislead prospective bidders, who were subsequently disqualified on technical grounds. The procurement committee involved in whole procurement process was considered as guilty due to this act and all procurement was held irregular.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to carry out Fact Finding Inquiry and its report be submitted for the perusal of PAO within one month.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-28, WIL, 2022-24)

4.3.4.6 Irregular appointment of retired army personnel without NOC – Rs 32.118 million

According to Cabinet Secretariat (Establishment Division) OM No: 3/69/2000-CP-7, dated March 27, 2001, the retired armed forces officers are eligible for reemployment on the recommendations of Defense Services Officers Selection Board (DSOSB). Separate Selection Boards are set up in corporation and autonomous bodies /semi-autonomous bodies to select retired officers of the armed forces for reemployment under these corporations. As per para 2(a) of SOP – for reemployment of retired army officer, panel of retired persons based on the pre-requisite/requisition by organizations will always be provided by

W&R Dte. Further, para 2 (c) of said SOP states that direct enrolment in the organization without panel from W&R directorate should be avoided. AGs branch may terminate such employment made against the policy. Further, no retired person can be employed by any organization without security clearance by AG's Branch...' Further, as per Defense Division, Ministry of Defence U.O No. F-2/24/0-24 cc-10/93 dated 20.12.1995, Ministries / Divisions / Provincial Governments are required that before appointing any retired Armed Forces officer in civil, views/clearance of the Ministry of Defence (Defence Division) should invariably be obtained. As per U.O. No. F-3/50/D-24/99 dated 21.11.2000 Ministries / Divisions / Provincial Governments are required to report the vacancy showing desired qualification/experience etc. to the Ministry of Defence who are to suggest / recommend a panel of officers in consultation with the concerned service Head quarter to the Ministry/Division concerned for making selection.

During audit of Wah Industries Limited (WIL) for the year 2022-23 and 2023-24, it was observed that management hired services of a retired army officer Mr. Col. Taimoor Sabir Bhatti against the post of GM vide offer for appointment letter dated 13.03.2015. A scrutiny of record revealed that said officer was appointed in non-transparent manner and in violation of rules as the post was not sanctioned, open advertisement was not made, case was not sent to DSOSB and selection was made without involvement of W&R Directorate. In addition to above, NOCs of following officers were also not sought from the MoD as required under the rules.

S. No.	Name of employee	Designation	Date of appointment	Amount (Rs)
1.	Ali Kamran Awan	Coordinator at Lahore outlet	02.10.2021	5,550,000
2.	Col.(R) Naseem ul Gani	GM Operation BPS 19	30.01.2020 30.01.2021	2,100,000 8,250,000
3.	Col.(R)Abdul Naeem Bhatti	CC Tech	2.11.2020	12,000,000
4	Col. ® Taimoor Bhatti	General Manager	13.03.2015	4,218,000
Total				32,118,000

Audit is of the view that the appointments and pay & allowances of the officers concerned amounting to Rs 32.118 million without obtaining NOC from the Ministry of Defense were irregular.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to obtain the ex-post facto approval & obtain NOCs from the MoD.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-7, WIL, 2022-24)

4.3.4.7 (i) Blockade of funds due to non-utilization & sale of store – Rs 235.921 million
(ii) Loss due to incurrence of conversion cost on unsold items - Rs 35.947 million

In commercial sale policy of WBM, there is no mechanism defined regarding dealing of unsold items produced by the WBM against confirm customer order but later on customer declined or regretted to lift the stock. As per tender sale procedure of WBM, after issuance of letter of acceptance (LoA) to the buyer, if buyer failed to accept LOA within validity period / lifting of store within given time, contract will be cancelled, bid money will be forfeited and if deemed appropriate firm may black listed in WBM/WIL

During the audit of Wah Brass Mill (WBM) for the year 2023-24, it was observed that M/s City Arms Company placed an order on 31.07.2023 for procurement of 100 M.Ton Brass Strips 70:30 (3.1 mm thickness x 34-36 mm width) at a total amount of Rs 265.169 million with delivery period upto 10.06.2024. After production of all required items within stipulated time, the WBM contacted the buyer to lift the stock from WBM. The buyer could only lift 11.03 M.Ton whereas 88.97 M.Ton valuing Rs 235.921 million of store remained unsold. The management repeatedly requested the firm to lift the store but the supplier completely failed to lift the remaining balance and finally in June, 2024 requested the management to short close the contract.

It is worth mentioning here that management also incurred conversion cost i.e. (Lborur+VOH+FOH) Rs 35.947 million on non-lifted store. (88.97 M.Ton x Rs 404,031 per M.Ton).

Audit is of the view that non-lifting of quantity produced by WBM against confirm order of a buyer, the WBM sustained a loss of Rs 35.947 million

on account of conversions cost (Labor cost + FOH+VOH). Management needs to review its existing sale policy to deal in such kind of instances. Further, sales team needs to focus on sale of such kind of left over products at top priority or ensure its internal utilization, where possible. It is also observed from the forfeiture of advanced money received at the time of confirmation of order was also not confirmed from bank record. Thus, it is apprehended that advance money may not be forfeited to minimize amount of loss.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to take necessary legal action as per contract clauses and by forfeiting bid / security money.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-25, WIL, 2022-24)

4.3.4.8 (i) Irregular execution of contract due to defective technical qualification and less response time - Rs 221.600 million

(ii) Loss due to non-imposition of L.D charges - Rs 20.127 million

According to Rule 13 (1) of PPRA, the procuring agency may decide the response time for receipt of bids on proposals from the date of publication of an advertisement on notice keeping in view the individual procurement's complexity, availability and urgency. 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. According to Clauses-11 of contract agreement, "All deliveries must be completed by the specified date. If the supplier failed to deliver the contracted stores within the scheduled time the liquidated damages @ 2% per month of the value of the undelivered stores may be levied, but the total damages shall not exceed 15% of such value. However, if the delay occurs due to force majeure or such other circumstances, which the purchaser may consider unavoidable, the purchaser may extend the delivery period.

During audit of Wah Industries Limited (WIL) for the year 2022-23 and 2023-24, it was observed that the management of Wah Brass Mills (a unit of WIL) floated tender for procurement of 200 M.Ton Zinc Ingot Electrolytic high

grade 99.95% minimum purity and minimum specification BS 3436-1986(Zn-2), which was published in newspapers on 29.11.2024 with tender opening date 05.12.2023. As per comparative statement of commercial/financial offer dated 07.12.2023, M/s Shaheen Aero Traders Rawalpindi were found the lowest @ i.e. Rs 938,983.05 per M.Ton. Accordingly, the contract No. 31/LP/Pur-WBM-2023-24 dated 03.01.2024 valuing Rs 221.600 million was awarded to them with delivery period of 10 weeks.

However, it was noted that the management granted undue favor to the bidder and no evaluation was made regarding firm's capacity to provide required store. The past experience of the firm was also ignored. Firm was technically qualified without examination of technical details and literature of the offered material. Further, material-testing certificate of the store and sample of store was also not obtained and WBM granted undue favor to the bidder by reducing response time from 15 days to 05 days etc.

M/s Shaheen Aero Traders Rawalpindi also failed to deliver the store within 10 weeks as required under contract but despite lapse of 10 months the firm could deliver only 65.82 M.Ton quantity upto June 2023. Thus, the firm completely failed to deliver the remaining store. The management did not initiate action regarding imposition of L.D charges and failed to forfeit the bank guarantee of Rs 11.80 million. As per contract clause, LD amounting to Rs 20.127 million (Rs 134.18 million x 15%) was required to be imposed upon the contractor which was not done.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 pended the Para and directed the management to get the relevant record verified by the audit upon completion of the contract.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-22, WIL, 2022-24)

4.3.4.9 Irregular procurement of material from blacklisted firm and payment - Rs 37.240 million

As per clause 19 (1) (C) of PPRA the procuring agency shall devise a comprehensive mechanism for blacklisting and debarment of bidders. The bidder

shall declare a firm blacklisted and henceforth cross debarred for participation in any public procurement or disposal proceedings for the period of not more than ten years, if corrupt and fraudulent practice as defined in these rules is established against the bidder or the bidders in pursuance of blacklisting proceedings. Further as per clause 2 (f)(iv) “fraudulent practices” which means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;

During the audit of Wah Industries (Pvt.) Limited for the years 2022-23 and 2023-24, it was observed from the record of M/s Package Factory (a unit of WIL) that M/s Allied Business System participated in many tenders and were declared successful. The bidder provided CDRs issued by the Bank of Punjab (BoP) of different amounts and entered into contract agreement with M/s Package Factory and M/s WIL since long. However, it was observed from record that the CDRs provided by the bidder against different tenders; being compulsory requirement, were sent by the management to the bank which were proved fake/forged, hence could not be credited into WIL/Package Factory accounts. The matter was taken up with the firm who admitted the facts and stated that it was a sole act done by one of its employee. Although the firm had been blacklisted by the package factory at factory level but the case of blacklisting was not sent to the PPRA. Further, after deduction of Rs 793,560 out of Rs 1,587,117 (equivalent amount of CDR), the firm’s blacklisting status was cancelled and the firm was directed to deposit balance amount to WIL / Package Factory. It is also worth mentioning here that despite knowing the facts of forgery committed by the firm, M/s WIL awarded the contract to the company and following payments were made after the firm was blacklisted by the M/s Package Factory, which were considered as irregular and unjustified:

Sr. #.	Reference of Contract	Dated	Voucher No.	Vr. Date	Amount (Rs)
01	0054/LP/SJL/2022-23/P/WIL	07.06.2023	WIL JV#39	21.05.2024	21,100,555
02	006/LP/SJL/2022-23/P/WIL	24.10.2022	WIL JV#80	23.08.2023	925,120
03	0035/LP/SJL/2022-23/P/WIL	30.01.2023	WIL JV#92	31.08.2023	9,355,500
04	0036/LP/SJL/2022-23/P/WIL	31.01.2023	WIL JV#102	30.08.2024	1,436,400
05	0025/LP/SJL/2022-23/P/WIL	14.01.2023	WIL JV#23	11.09.2023	1,071,216
06	0023/LP/SJL/2022-23/P/WIL	10.01.2023	WIL JV#45	20.09.2023	3,352,146
Total					37,240,937

Audit is of the view that management of Package Factory / WIL showed unjustified favor to the firm by not withholding of payment and non-submitting its blacklisting case to the PPRA, its other allied units and POF factories. Further, all the running contracts of the firm needed to be cancelled and procurement needed to be made at risk and cost of the firm as it was proved that all such contracts were won by the firm by committing forgery.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to carry out Fact Finding Inquiry and its report be submitted for the perusal of PAO within one month through admin wing of MoDP before its sharing with audit.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-15, WIL, 2022-24)

4.3.4.10 Irregular excess payment of commission on export - Rs 395.618 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.....'

During the audit of Wah Industries (Pvt.) Limited for the years 2022-23 and 2023-24, it was observed that management entered in a sale agreement with a foreign government. Scrutiny of the record revealed that after the initial homework, the foreign government placed an order of US\$ 9,276,900 to M/s WIL. The sale price offered also included 15% commission to the agent. The WIL further got this order executed from different units of POF and requisite store was successfully supplied to the quarter concerned. The client released the payment to M/s WIL on successful delivery through normal banking channels. However, it was observed from the record that an amount of US\$ 2,771,918 equivalent to Rs 794.432 million (@ Rs 286.60 per dollar) was adjusted against the payment of commission on export to the commission agent but the actual amount of commission @ 15% should be US\$ 1,391,535. Thus, management

paid an excess amount of US\$ 1,380,383 (2,771,918 – 1,391,535) equivalent to Rs 395,617,768 (1,380,383 x 286.60).

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to get the relevant record verified by audit on completion of the contract.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-4, WIL, 2022-24)

4.3.4.11 Irregular payment of bonus to WIL employees - Rs 1,043.671 million

Finance Division's letter No. F.3(5)R. 12 / 80 (R. 14).Vol.II / 2001-544 dated November 30th, 2001 regarding bonus policy of Federal Government, clearly stated that payment of bonus to the employees of autonomous bodies / semi-autonomous bodies and corporations without approval from the Administrative Ministry / Division and concurrence of Finance Division will tantamount to financial irregularity.

The issue was readdressed by the Finance Division vide its letter dated January 23, 2024 in context of Rule 3 of the Rule of Business 1973 and it is clarified under Para 3 that offices and organizations are created by the Federal Government to facilitate the essential functions performed by the Federal Government and revenue generated by them fall within the definition of charges/fees/cess or taxes or dividends and profits. The Finance Division considered it as public money and directed vide para 5 (i) of said letter that no charge on the federal budget or receipt be created without consultation of finance division.

During the audit of Wah Industries (Pvt.) Limited for the years 2022-23 and 2023-24, it was observed that M/s WIL management announced bonus for its employees during the financial year 2022-23 and 2023-24. As per record, an amounts of Rs 1,043.671 million was paid as bonus during the year under review (Annex-29).

Audit is of the view that as the approval and concurrence of bonus expenditure were not sought from the MoDP and Finance Division, thus said amount was held irregular and unjustified.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 pended the para and directed the management to frame the criteria and get it approved from the Board of Directors & MoDP.

Audit recommends the implementation of the DAC directives at the earliest besides investigating the payment of bonus without approval of MoDP and Finance Division.

(Para-35, WIL, 2022-24)

4.3.4.12 Non transparent appointment of officers / staff - Rs 10.976 million

The Supreme Court of Pakistan in its judgment dated January 19, 1993, in Human Rights Case No: 104 of 1992 stated that recruitments, both ad hoc and regular, without publicly and proper advertising the vacancies, is violation of fundamental rights. As such, no post could be filled without proper advertisement, even on ad hoc or contract basis.

According to Govt. of Pakistan Cabinet Secretariat Establishment Division OM No.F-53/R/2008-SP dated January 16th 2015 regarding mechanism to ensure merit-based recruitment in the Ministries / Divisions / Subordinate offices/ Autonomous / Semi-autonomous bodies / Corporations / Companies / authorities. The short-listed applicants as a result of screening test would be interviewed on the basis of score in the written test would have 70% weightage. The rest of the 30% weightage would be allocated by the members of DSC wherein the Chairman possess 40% weightage and two members have 30% weightage

During audit of Wah Industries Limited (WIL) for the year 2022-23 and 2023-24, it was observed that the management established its outlets in Lahore, Multan, Rawalpindi and Peshawar for the sale of cartridges and POF products. Accordingly, the management made certain appointments on contract basis for a period of one year, which was further extendable on satisfactory performance. Audit observed that the appointments of staff were made without advertising the opportunity in the newspapers. Hence, the management made violation of

Supreme Court's orders. Furthermore, it was also observed that said staff was hired on pick & choose basis as selection process was made without written test of the applicants / candidates. No criteria regarding educational qualification and experience were considered in appointment process. Appointment of contract employees in BPS-15 and subsequent conversion of their services into permanent cadre BP-16 constitutes undue favor.

Audit is of the view that management deprived the potential candidates from their fundamental right of equal opportunity whereas appointments were made on pick and choose basis. Thus, appointments and payment of Rs 10.976 million made on account of salary was held irregular. Detail is given at Annex-30.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to frame Service Rules and get the same approved from MoDP for future purpose. DAC further directed the management to get the database of CVs record verified by the audit w.r.t the instant case.

Audit recommends the implementation of the DAC directives at the earliest besides providing justification for appointments in non-transparent manner.

(Para-30, WIL, 2022-24)

4.3.4.13 (i) Loss due to unjustified delay in making decision for procurement of copper cathode - Rs 979.699 million
(ii) Loss due to unfavorable negotiations with bidder - Rs 677.750 million

As per rule 38 of the PPRA, the bidder with the *most advantageous 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 rule 25 of *ibid*, the procuring agency may require the bidders to furnish a fixed amount of bid security not exceeding five percent of the estimated value of procurement determined by the procuring agency: Provided that in case where the procuring agency does not require the bid

security, the bidder shall submit bid securing declaration on the format prescribed by the Authority in Standard Procurement Documents.

During the audit of Wah Industries (Pvt.) Limited (WIL) for the years 2022-23 and 2023-24, it was observed that WIL management floated a tender enquiry dated 15.06.2023 in newspaper for procurement of 2,000 M.Ton copper cathode. Due to non-submission of 10% performance bank guarantee and declining from first lowest bidder M/s LMM of China, the WIL management took eight months to negotiate and finalized the contract with second lowest bidder i.e. GrFch for which no justifiable reasons existed. This eight months' delay in finalization of contract led to the loss of Rs 979.699 million to public exchequer (Annex-31).

It is also worth mentioning here that after eight months, WIL management negotiated with second lowest bidder and original offer of 2nd lowest bidder was revised as follows:

First Original offer of M/s GrFch

S. No.	Description/ Offer of M/s GrFch (2 nd lowest bidder)
1	Average per ton rate of Quotation period (i.e. Avg. of LME rate from 07.08.2023 to 04.11.2023)
2	Premium (additional 4%)
3	Freight per ton US\$ 54

Final Negotiated offer of M/s GrFch

S. No.	Description/ Offer of M/s GrFch (2 nd lowest bidder)
1	Monthly average of LME grad "A" cash settlement price for the month the Bill of Lading falls; plus three (3%) (including freight) Percent.

WIL management claimed that percentage on premium was reduced from 4% to 3% and omitted the freight charges of US\$ 54 per ton. Thus, WIL management issued letter of acceptance on above conditions on 26.03.2024 and the contract No. 06/FP/CuCa/WIL/2023-24 dated 20.05.2024 was signed between the parties. Again, due diligence was not accorded and the negotiation proved unfavorable since it resulted in loss of Rs 677.750 million (Annex-32).

Audit is of the view that loss arose due to eight months' delay in decision making for award of contract to second lowest bidder, non-including the term for submission of bid money in bidding documents and miscalculation of trend in

US\$ exchange rate and LME price fluctuation as well as non-locking of original offer of M/s GrFch at a specific rate.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to carry out Fact Finding Inquiry and its report be submitted for the perusal of PAO within one month

Audit recommends the implementation of the DAC directives at the earliest.

(Para-40, WIL, 2022-24)

4.3.4.14 (i) Irregular award of contract to the 2nd lowest bidder – Rs 42.347 million

(ii) Loss due to ignoring the lowest offer - Rs 1.181 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. 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.

During audit of Wah Industries Limited (WIL) for the year 2022-23 and 2023-24, it was observed from the record of Packages Factory that tender notice for hiring of carriage contract for transportation of steel sheets from Karachi to Sanjwal factory was published in the newspapers i.e. the daily Jang Rawalpindi and the Nation Islamabad on March 22, 2022. As per comparative statement, 06 firms participated in tender process. The rates offered were as under:

Name of firm	Rate offered (Rs)	Capacity of Trailer
Nimra and Company	349,000	40 metric ton
New Baber Cargo	425,000	50 metric ton
M/s PKG	429,000	40 metric ton
ILS Islamabad	405,000	40 metric ton
NAM	700,000	58.50 metric ton
Sharif and CO	430,000	498,800 metric ton

In financial bidding, M/s Nimra & Company quoted the rates of Rs 349,000 for 40 metric ton whereas M/s New Baber Cargo quoted the price of Rs 425,000 for 50 metric ton. Despite the fact that rates of M/s New Baber Cargo were the lowest i.e. Rs 340,000 (425,000 for 50 metric ton), the contract was awarded to M/s Nimra & Company vide contract dated July 15, 2023 for a period of one year which was extendable for another year subject to satisfactory performance. The award of contract to 2nd lowest bidder deprived the management from the benefit of competitive rate but also was in violation of PPRA rules and caused loss to the extent of Rs 1.181 million.

Audit is of the view that undue favor was extended to the contractor by awarding the contract at higher rates at the cost of Govt. exchequer and in violation of PPRA rules.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 pended the para and directed the management to get the relevant record verified from the audit within 03 days.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-17, WIL, 2022-24)

4.3.4.15 Unverified expenditure on procurement of plant & machinery - Rs 3,425.468 million

According to rule 4(3) of Corporate Governance Rules, 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 Wah Industries (Pvt.) Limited for the years 2022-23 and 2023-24, it was observed that WIL management procured two plants capacity 12 x 7 mm and Boxer plant vide LC # 06551CS230001 and LC # 065551CS230001, as detailed hereunder:

S. No.	Particular of LC #	Description of plant	Amount Involved (Approx.) (Rs)
1	LC # 06551CS230001	12 x 7 mm	2,223,880,428
2	LC# 06551CS230001 & Other related expenditures	Bxr. plant	1,218,684,146
Total			3,442,564,574

Audit team had demanded the relevant record of plants vide requisition No. 03 dated 30.09.2024 followed by reminders for provision of relevant master files but the same were not provided to audit till conclusion of audit assignment. Thus, huge amount of Rs 3,442.565 million remained unverified.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 pended the para till installation and commissioning of the plant. DAC also directed the management that upon completion of process the relevant record be got verified from the audit.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-16, WIL, 2022-24)

4.3.4.16 Loss to the public exchequer due to poor investment decision - Rs 524.329 million

As per Rule 4 (3) of 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 Act and these rules. 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”. Further, as per Finance Division OM’s No.F.4 (1)/2002-BR.II dated Islamabad, the 2nd July, 2003 Para (3) (e) “The working balance limit of each organization should be determined with the approval of the administrative ministry in consultation with Finance Division. The account of this working balance may be maintained in a current or savings bank account”.

During the Audit of Wah Industries (Pvt.) Limited, for the year 2022-2024, it was observed that huge amount was lying with WIL during the financial

year 2022-23 and 2023-24. The WIL management failed to exercise due diligence, which resulted into loss to the Public Exchequer to the tune of Rs 524.329 million as detailed hereunder:

- a) Loss of Rs 213.00 million (Approx.) due to non-investing of Rs 10,000.00 million (i.e. $\text{Rs } 10,000,000,000 * (0.1806 - 0.157) * (11/12)$)).
- b) Loss of Rs 258.904 million (Approx.) due to investment of Rs 10,000.00 million funds with a gap of 18 days & 24 days.
- c) Loss of Rs 52.425 million due to retaining of funds in BoP & NBP crediting profit in semiannual basis instead of shifting of same in bank account wherein monthly profit received.

Audit is of the view that due to poor management decisions public exchequers deprived from additional earnings of markup to the tune of Rs 524.329 million (Rs 213.00 million + Rs 258.904 million +Rs 52.425 million) which needs to be justified.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to frame investment plan / policy and get the same approved by the Board of Directors and verified by the audit accordingly.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-10, WIL, 2022-24)

4.3.4.17 Unjustified retention of surcharge – Rs 5,621.422 million

According to the contract agreement signed between WIL and POF, the WIL have to pay an amount equal to 12.5% of its annual profit to the POF as surcharge.

During the audit of Wah Industries Limited (WIL) for the year 2022-23 and 2023-24, it was observed that WIL management earned profit during the financial year 2022-23 and 2023-24. Further, scrutiny of the record revealed that as per audited financial statement for the year 2022-23, WIL earned Rs 17,505.801 million profit before taxation. While reviewing the Ledger account of WIL, an amount of Rs 1,698.484 million was payable to POF as surcharge. In 2023-24, additional amount of Rs 3,922.938 million was payable on this behalf

too. Thus, WIL had to pay a total amount of Rs 5,621.422 million to POF against surcharge. It is also worth mentioning here that sufficient funds were available with WIL to discharge its liability.

Audit is of the view that non-payment of full amount of surcharge was violation of conditions of contract agreement and was considered as irregular.

Matter was reported to the management on 13.01.2025. The DAC in its meeting held on 20.01.2025 directed the management to get the relevant record verified by audit. DAC further directed that the matter of audit of Chairman Welfare Fund (CWF) by the AGP may also be considered and presented in the Committee constituted in MoDP under the chairmanship of the PAO along with other welfare entities.

Audit recommends the implementation of the DAC directives at the earliest.

(Para-13, WIL, 2022-24)

4.4 Wah Brass Mills (Private) Limited

4.4.1 Introduction

Wah Brass Mills (Private) Limited the Company) is wholly owned subsidiary of Wah Industries Limited which was incorporated on January 26, 2012 as a private limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Quaid Avenue, Wah Cantt.

Corporate Information

The principal activity of the Company is to manufacture and sale of Brass products. The Company is currently under final stage of upgrading its existing plant and machinery and after achieving the same they will have an installed capacity 24,000 MT per annum and actual capacity 19,200 MT per annum. The Company has started its operations from August 01, 2016.

4.4.2 Comments on Audited Accounts

4.4.2.1 Management failed to provide annual audited accounts of Wah Brass Mills for the year 2022-23 (up to January 2023 thereafter the company was merged with its parent company (i.e. M/s WIL) till finalization of report.

4.4.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

4.4.4 Audit Paras

- 4.4.4.1 (i) Irregular procurement of store and spares - Rs 5.278 million**
(ii) Irregular award of contract to second lowest firm - Rs 1.068 million

According to Rule 12(2) of PPRA, 2004, all procurement opportunities over three million rupees should be advertised on the Authority's website as well as in other print media or newspapers with wide circulation.

During the audit of Wah Brass Mill (WBM) for 2022-23, it was observed that store department requested 2,000 kg of 'Wet Lining for Spouts' via requisition slip dated 03.03.2022. WBM floated tender enquiry No. 79-LP on its

website and placed an order with M/s Lizrose Ltd for £4,900 equivalent to Rs 1.068 million. Later on, on 10.05.2022, the store department requested 5,000 kg of 'Wet Refractory Lining Calde' via two requisition slips (Nos. 1427 and 1428) on the same day. The procurement department split the demand to avoid tender in newspapers and floated two tenders on the WBM website, not on the PPRA website. Contracts were awarded to M/s Lizrose Ltd, UK, for £21,000 equivalent to Rs 5.278 million. Following irregularities were observed during procurement process:

1. Requisition No. 1346/WBM/URQ was made on 03.03.2022, tender inquiry was floated on 12.05.2022, bids were opened on 21.06.2022, and technical evaluation was finalized on 03.10.2022.
2. The rate quoted by the foreign firm in British pounds was not translated into local currency.
3. M/s TDFC was the lowest bidder, quoting Rs 488 per kg as compared to rates of M/s Lizrose Ltd.'s Rs 534 per kg.
4. Two requisitions for the same store item were generated on the same day, suggesting tender splitting.
5. M/s Lizrose Ltd quoted a single financial bid for multiple requisitions and tender inquiries, indicating pre-determined award decisions.
6. A single letter of credit was opened for all procured items, further indicating a pre-determined award decision.

The irregularity occurred due to non-adherence to PPRA rules in letter & spirit.

Audit considered it as intentional manipulation to favor one firm, making the procurement irregular and unjustified.

Matter was reported to the management on 29.04.2024. The management in its reply dated 21.05.2024 stated that one demand pertained to FY 2021-22 and the other to 2022-23, and that M/s TDFC failed to provide sample.

Matter was reported to the management of WBM on 29.04.2024. Para was discussed in DAC meeting held on 26.12.2024 wherein the Committee directed the management to hold a Fact Finding Inquiry of the matter and LC

opening and submit its report for the perusal of PAO through Admin. Wing of MoDP before sharing with audit. .

Audit recommends implementation of DAC directives.

(Para-12 & 13, WBM, 2022-23)

4.4.4.2 Irregular procurement of scrap store beyond the financial powers – Rs 581.74 million

As per clause 4 (3) of the 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 and these rules. 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. As per 10th AGM of WBM held on 26.10.2021, financial powers in respect of capital and revenue expenditure above Rs 15.00 million were re-delegated to Wah Brass Mills Board.

During audit of WBM for the year 2022-2023, it was observed that the management purchased different kinds of scrap from Pakistan Railways on different sale orders amounting to Rs 581.753 million. This exceeded the delegated Financial Powers of Rs 15 million. The procurement was carried out based on approvals from the CEO without the necessary Board approval.

The Irregularity occurred due to violation of delegation of powers made by the Board. Audit is of the view that procurement of store without the approval of competent authority was irregular.

Matter was reported to the management of WBM on 29.04.2024. Para was discussed in DAC meeting held on 26.12.2024 wherein the Committee directed the management to provide the delegation of financial powers of MD and get the BoD approval verified from the audit within 07 days.

Audit recommends implementation of DAC directives.

(Para-32, WBM, 2022-23)

4.4.4.3 Irregular payment of bonus to the employees - Rs 149.909 million

As per bonus policy of Federal Government circulated by the Finance Division vide its letter dated 30th November, 2001 and 18th March, 2002, the bonus was paid on operational profit of the organization only excluding other income and required approval of concerned ministry and concurrence of Finance Division. The payment of bonus would not be made as customary but it would be on the basis of profit earned and as reflected in the annual audited accounts of the organization.

During the audit of Wah Brass Mill (WBM) for the year 2022-23, it was observed that management declared bonus to its employees on the occasion of eid twice during the financial year 2022-23. Further scrutiny of the record revealed that amount of bonus was paid without approval from the Board of Directors of the company. It is also worth mentioning here that bonus paid during the month of April 2023 was made without finalization of annual audited accounts of the organization. Bonus to the tune of Rs 149.909 million was granted to the employees.

Audit is of the view that management of WBM paid bonuses to the staff without approval of the Board of Directors which was considered as irregular.

Matter was reported to the management of WBM on 29.04.2024. Para was discussed in DAC meeting held on 26.12.2024 wherein the Committee directed the management to get the list of employees to whom bonus was paid and BoD approval verified from audit.

Audit recommends implementation of DAC directives besides investigating the payment of bonus without approval of MoDP and concurrence of Finance Division.

(Para-19, WBM, 2022-23)

4.4.4.4 (i) Blockade of funds due to non-utilization and sale of Store - Rs 25.149 million

(ii) Loss due to incurrence of conversion cost on non-lifting of goods by a client - Rs 6.874 million

In commercial sale policy of WBM, there is no mechanism regarding dealing of unsold items produced by the WBM against confirm customer order

but later on customer declined or regretted to lift the stock. As per tender sale procedure of WBM, after issuance of Letter of Acceptance (LoA) to the buyer, if buyer failed to accept LOA within validity period / lifting of store within given time, contract will be cancelled, bid money will be forfeited and if deemed appropriate firm may be black listed in WBM/WIL

During the audit of Wah Brass Mill (WBM) for the year 2022-23, it was observed that M/s Techno Enterprises placed an order for procurement of 20 numbers of Brass Strips 65:35 & 70:30 of different specifications (thickness & width) at a total amount of Rs 47.245 million. After production of all required items within stipulated time, the WBM contacted the buyer to lift the stock. The buyer lifted only few quantity and products valuing Rs 25.149 million were not lifted. Further scrutiny of the record revealed that management incurred an amount of Rs 6.874 million on account of conversion cost (labor + VOH+FOH) on production of store not lifted by the buyer. No documentary evidence was observed regarding forfeiture of advance received.

The Irregularity occurred due to non-sale of items produced for a client. Audit is of the view that management of Wah Brass Mill (WBM) sustained loss on account of incurrence of conversion cost and non-selling of above store. Further, said store was also not utilized by the WBM. The progress of sales department of WBM was not satisfactory, which needed to be improved.

Matter was reported to the management of WBM on 29.04.2024. Para was discussed in DAC meeting held on 26.12.2024 wherein the Committee directed the management to get the gate passes and relevant record verified from audit within 07 days.

Audit recommends implementation of DAC directives.

(Para-15 & 16, WBM, 2022-23)

4.5 Wah Construction (Private) Limited

4.5.1 Introduction

Wah Construction (Pvt.) Limited, an incorporated private limited., registered with Pakistan Engineering Council in CA category (No Limit), is determined to uphold and promote ethical practices in construction industry Patronization by Pakistan Ordinance Factory (POF) and financial soundness of Wah Industries Limited (WIL) being our backbone, are the strengths to attain our standards. WCL is being managed by suitably qualified, well trained and experienced elite of POF Wah and WIL.

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 annual accounts for the years 2022-23 and 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the years 2022-23 and 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

4.5.3 Compliance of PAC Directives

There were no pending PAC directives for compliance being first audit.

4.5.4 Audit Paras

4.5.4.1 Irregular procurement of construction material without tendering process - Rs 248.461 million

According to Rule 15 (1) of the PPRA 2004, a procuring agency, prior to floating tenders, invitations to proposals, or offers in procurement proceedings, may engage in the pre-qualification of bidders. This applies in cases of services, civil works, turnkey projects, and the procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms with adequate managerial capability are invited to submit bids. Rule 12 of PPRA 2004 states that all procurement opportunities over five hundred thousand

Pakistani Rupees to three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers with wide circulation. Clause 07 (a) of the WCL manual states that, depending on the nature and geographical location of the project site and the availability of WCL's construction resources, decisions regarding subletting will be made. Works decided to be sublet will be tendered or offered to contractors enlisted with WCL in terms of the Pakistan Engineering Council as per the registration category.

During an audit of Wah Construction (Pvt.) Ltd (WCL) Wah Cantt for the years 2021-2023, it was observed that the management procured various construction and miscellaneous materials such as cement, steel, aluminum, and woodwork items valued at Rs 248.461 million (Rs 18.911 million + Rs 229.550 million) during the years 2021-2022 and 2022-2023. The records revealed that the materials were purchased from non-registered sales tax suppliers/firms. Original sales tax invoices showing sales tax registration numbers and sales tax returns showing the deposit of tax on the procurement to the government were not available on record, except in few cases of cement procurement. The materials were procured on a single tender basis by splitting the expenditure into different bills from different suppliers/individuals instead of adopting an open tendering procedure for each project to achieve the most economical rates and ensure transparency. Store ledgers were either not maintained for the procurement of the materials in the head office or at the site office of the projects to authenticate the actual receipts and issuance of the materials from time to time to the projects. The measurement book was also not maintained to determine the actual consumption of the materials on each project.

The irregularity occurred due to a lack of interest from the management in the affairs of the company and non-adherence to PPRA rules.

The audit is of the view that the procurement of construction materials by violating PPRA rules on a single tender basis constitutes an irregular procurement worth Rs 248.461 million.

The matter was reported to the management on June 28, 2024. The DAC in its meeting held on 20.01.2025 directed the management to ensure procurement as per PPRA Rules. The Committee further directed the

management to frame the procurement procedure in line with public procurement rules and get it approved from the BoD and Admin. Wing of MoDP.

Audit recommends implementation of DAC directives besides investigating non-compliance with PPRA rules.

Para-1, WCL, 2021-23)

4.5.4.2 Irregular auction of steel scrap and loss due to non-recovery of tax – Rs 14.676 million

According to Clause 236 A of the Income Tax Ordinance 2001, a 10% tax must be collected on the gross sale price of any property or goods sold by auction. Additionally, Clause 757(d) of S.R.O. 809(1)/2020 dated 03.09.2020 issued by FBR mandates that the Assessing Officer finalize the reserve price of goods based on an examination report and available information. Clause 762 stipulates that the reserve price should include the depreciated value, duties, taxes, and other charges.

During the audit of Wah Construction Company Ltd. for the years 2021-23, it was noted that steel, iron, and plastic scraps were auctioned for Rs 6.325 million in 2021-22 and Rs 8.351 million in 2022-23. The auction process lacked proper tendering and competitive bidding. Furthermore, the management failed to determine the reserve price for the auctioned items and did not recover the required 10% withholding tax from the highest bidders, resulting in a loss of Rs 1.468 million to the government.

Audit indicated that the auction, totaling Rs 14.676 million was irregular due to the absence of an open competitive process and the failure to set a reserve price.

The matter was reported to the management on June 28, 2024. The DAC in its meeting held on 20.01.2025 directed the management to adopt auction process and deposit the tax into government treasury as per rules and get the record verify from audit.

Audit recommends implementation of DAC directives.

Para-11, WCL, 2021-23)

4.5.4.3 Irregular expenditure on account of payment to labour contractors amounting to Rs 76.826 million and loss to the government due to non-deduction of services tax - Rs 12.29 million

Rule 12 of PPRA 2004 states that all procurement opportunities over five hundred thousand Pakistani Rupees to three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers with wide circulation. Further, Clause 07(a) of the WCL Manual states that depending upon the nature and geographical location of the project site, availability of WCL's construction resources, etc., decisions regarding subletting will be made. Works decided to be sublet will be tendered or offered to contractors enlisted with WCL in terms of the Pakistan Engineering Council as per the registration category. Clause 15(e) of the company's manual further states that all payments will be made through cross cheques. Moreover, according to Clause 14(A) of the Punjab Services Tax 2012, the Authority may require any other person or class of persons, not necessarily being a service provider or a service recipient in a particular transaction, to collect full or part of the tax charged from another person or class of persons on the provision of any taxable service or class of taxable services and to deposit the tax so collected in the Government treasury within such time and in such manner as the Authority may, by notification in the official Gazette, specify.

During the audit of Wah Construction (Pvt.) Ltd (WCL) Wah Cantt for the years 2021-2022 and 2022-2023, it was observed that the company management incurred an expenditure of Rs 76.826 million (2021-2022: Rs 63.937 million + 2022-2023: Rs 12.889 million) on hiring different contractors/individuals for providing labour services from time to time for execution and completion of the projects. Services tax, as per the government-approved rates (16%), amounting to Rs 12.29 million (16% of Rs 76.826 million), was not recovered from the concerned contractors/individuals, causing a loss to the public exchequer.

The audit observed the following further shortcomings:

1. The pre-qualification process to pre-qualify the labour contractor was not done. The labour was hired for each project from different contractors/individuals without adopting an open tendering system to

ensure transparency and economy in rates. The contractors were also not registered with the tax authority. The due services tax was also not recovered despite the fact that the Punjab Revenue Authority had already imposed a penalty and recovered Rs 5.157 million from the company.

2. Proper contract agreements were not signed with the firms/individuals to safeguard the company's interests. Work done by the labourers was not incorporated in the relevant measurement books of the company to assess the actual work done on-site by each individual. CNICs mentioned in the muster roll were not found on record in the office to authenticate the actual labourers.
3. Payments were made to the contractors/laborers in cash instead of through cross cheques. Signatures on the muster roll bills appeared fake as the signatures against each laborer were in the same handwriting, and none of the laborers affixed their thumb impression for acknowledgment of the amount. No attendance register showing the names of the laborers with their CNICs and addresses was found on record. In such circumstances, the chances of misappropriation of the company funds cannot be ruled out.

This irregularity occurred due to weak administrative and financial controls of the company.

Audit is of the view that payment to labour contractors/individuals through muster roll without completing codal formalities and the non-availability of the payment record has led to an irregular expenditure of Rs 76.826 million. Further, non-deduction of the services tax from the individuals has put the treasury at a loss of Rs 12.29 million.

The matter was reported to the management on June 28, 2024. The DAC in its meeting held on 20.01.2025 directed the management to ensure hiring of labour contractor as per PPRA rules and deposit the tax into government treasury as per rules and get the record verified from audit.

Audit recommends implementation of DAC directives besides investigating non-compliance with PPRA rules.

Para-3, WCL, 2021-23)

4.5.4.4 Loss due to deduction on account of use of unapproved quality of steel – Rs 49.762 million

According to Para 23 of the General Financial Rules (GFR) Vol-1, every government officer should fully realize and clearly understand that they will be held personally responsible for any loss sustained by the government through fraud or negligence on their part. They 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 they contributed to the loss by their own actions or negligence.

During the audit of Wah Construction (Pvt.) Ltd (WCL) Wah Cantt for the years 2021-23, it was observed that the management of WCL was awarded a construction contract on November 5, 2020 for the construction of High Rise Tower No. 2 (comprising 72 C-type flats) at NRC E-8, Islamabad, at a cost of Rs 1,484.892 million. The record revealed that the client deducted an amount of Rs 49.691 million from the company's bill, claiming that the company had used unapproved quality steel in the construction of the flats.

The loss occurred due to the management's lack of interest in executing the work according to the approved terms and conditions and the Bill of Quantities (BOQ) of the contract. Audit concluded that the use of low-quality steel by the engineering staff resulted in a loss of Rs 49.762 million to the company.

The matter was reported to the management on June 28, 2024. The DAC in its meeting held on 20.01.2025 directed the management to submit inquiry proceedings for the perusal of the PAO within 15 days through Admin. Wing of MoDP before sharing with audit.

Audit recommends implementation of DAC directives.

Para-6, WCL, 2021-23)

4.5.4.5 Loss to government due to non-deduction/deposit of sales tax into government treasury – Rs 17.82 million

According to Chapter II (3) Scope of Tax of the Sales Tax Act 1990, "Subject to the provisions of this Act, there shall be charged, levied, and paid a tax known as sales tax at the rate of the government on the value of taxable

supplies made by a registered person in the course or furtherance of any taxable activity carried on by him.”

During an audit of Wah Construction (Pvt.) Ltd (WCL) Wah Cantt for the years 2021-2023, it was observed that management procured different construction and miscellaneous materials like cement, steel, aluminum, and woodwork items valuing Rs 103.716 million (Rs 18.911 million + Rs 84.805 million) from non-registered sales tax suppliers/firms in the years 2021-2022 and 2022-2023. Original sales tax invoices showing sales tax registration numbers and sales tax returns showing the deposit of the tax on the procurement to the government were not available on record, except in a few cases of cement and steel procurement. Audit, therefore, is of the view that management failed to recover and deposit General Sales Tax, Rs 17.82 million (Rs 3.403 million + Rs 14.417 million), on procurement of these materials.

This irregularity occurred due to weak financial controls of the company concerning compliance with the Sales Tax Act.

Audit is of the view that non-recovery and deposit of the General Sales Tax led to a loss of Rs 44.723 million to the public exchequer, which was held irregular and a violation of government rules.

The matter was reported to the management on June 28, 2024. The DAC in its meeting held on 20.01.2025 directed the management to deduct and deposit the tax into government treasury and get the record verified from audit.

Audit recommends implementation of DAC directives.

Para-2, WCL, 2021-23)

4.5.4.6 Loss due to non-payment of final bill, performance guarantee and retention money by the client – Rs 136.271 million

According to Clause 57(a) of PAFW-2249, if at any time after the acceptance of the tender, the Government decides to force close the whole or part of the contract, the accepting officer shall give notice in writing to the contractor, who shall have no claim to any payment of compensation or otherwise on account of any profit or advantage which he might have derived from the execution of the work in full but which he did not derive in consequence of the force closing of the works. Further, Clause 57(b) of the said rule states that the

contractor shall be paid at contract rates for the full amount of the work executed, including such additional works (e.g., clearing of site) as may be rendered necessary by the said force closing. He shall also be allowed a reasonable payment (as decided by the Accepting Officer) for any expenses sustained on account of labour and materials collected but which could not be utilized on the works, as verified by the GE.

During the audit of Wah Construction (Pvt.) Ltd (WCL) Wah Cantt for the years 2021-23, it was observed that the management executed a contract dated November 5, 2020, with GHQ (HQ) DW&CE (Navy) Islamabad for the construction of High Rise Tower No. 2 (comprising 72 x C type flats) at NRC E-8, Islamabad, with a 30-month completion period from November 2020 to May 10, 2023, at a cost of Rs 1,484.892 million. The company completed work worth Rs 398.766 million upto March 16, 2022, when the DW&CE (Navy) force closed the contract without providing reasons in writing under Clause 57(a) of PAFW-2249 on March 17, 2022. Upon force closure of the contract, WCL submitted their final bill of Rs 3.715 million to the DW&CE (Navy), but the client did not accept their claim to date. Furthermore, the bank performance guarantee, CDR, and retention money amounting to Rs 74.245 million, Rs 20.00 million, and Rs 38.311 million respectively (total Rs 132.556 million) retained by the client were also not released to WCL, which was considered a violation of Clause 57(b) of PAFW-2249. To ascertain the factual reason for the force closure of the contract, the complete case/correspondence file was requested via requisition No. 02 dated May 24, 2024, but the same was not provided to audit.

This situation highlights weak management controls over operational matters.

Audit concludes that the management's failure to execute and complete the work as per terms and conditions resulted in the contract being force-closed by the client, causing a loss of Rs 136.271 million due to the retention of the final bill, performance guarantee, CDR, and retention money.

The matter was reported to the management on June 28, 2024. The DAC in its meeting held on 20.01.2025 directed the management to make recovery and get the record verified from audit.

Audit recommends implementation of DAC directives.

Para-5, WCL, 2021-23)

4.5.4.7 Irregular payment in cash to contractors/vendors – Rs 75.005 million

According to clause 15 (e) of the WCL Manual 2016, all payments must be made through crossed cheques. Additionally, para 2.3.2.7 of the Accounting Policies and Procedures Manual mandates that no payments should be made without pre-audit certification, and payments should be executed through direct bank transfers.

During the audit of Wah Construction (Pvt.) Ltd (WCL) for the years 2021-23, it was found that the management made cash payments totaling Rs 75.005 million to contractors and vendors for various construction works and miscellaneous expenses. These payments were made using bearer / open cheques rather than the required crossed cheques. This practice not only contravenes the established rules but also poses significant risks of misappropriation of funds.

The irregularity resulted from weak financial controls and management oversight.

The practice of making cash payments, instead of adhering to the prescribed payment methods, is a violation of both the WCL Manual and the Accounting Policies and Procedures Manual.

The matter was reported to the management on June 28, 2024. The DAC in its meeting held on 20.01.2025 directed the management to follow rules and regulations strictly and get it verified from audit.

Audit recommends implementation of DAC directives.

Para-24, WCL, 2021-23)

4.5.4.8 Irregular award of work without tendering process and proper agreement – Rs 8.563 million and loss due to less deduction of services tax – Rs 0.839 million

According to Rule 15(1) of the Public Procurement Regulatory Authority (PPRA) 2004, procuring agencies must engage in the pre-qualification of bidders for services, civil works, or turnkey projects before floating tenders. Rule 12

mandates that all procurement opportunities exceeding Rs 500,000 should be advertised on the Authority's website and in widely circulated print media. Additionally, Section 153(1)(c) of the Income Tax Ordinance 2001 specifies that the tax rate on contract execution is 6.5% for filers and 13% for non-filers for companies, and 7% for filers and 14% for non-filers for other taxpayers.

During the audit of Wah Construction (Pvt.) Ltd (WCL) for the years 2021-22 and 2022-23, it was found that contracts for the supply and installation of solid wood doors, wardrobes, floor cabinets, wall cabinets, and external paint were awarded directly to Mr. Ghulam Mustafa and Mr. Khan Bacha. The estimated cost for these contracts was Rs 5.910 million and Rs 2.652 million, respectively, resulting in an expenditure of Rs 7.484 million. The contracts were awarded without a tendering process and to unregistered contractors, and no formal agreements were signed. Furthermore, withholding tax was deducted at 4.5% instead of the applicable 14% for non-filers, resulting in a tax shortfall of Rs 0.839 million.

The irregularity stemmed from weak financial management controls.

Audit is of the view that award of work without a tendering process to two unregistered individual contractors and payment of Rs 8.563 million there against was held irregular. Non-recovery of tax at applicable rate put the treasury in loss of Rs 0.839 million.

The matter was reported to the management on June 28, 2024. The DAC in its meeting held on 20.01.2025 directed the management to ensure hiring of contractors as per PPRA rules and deposit the tax into government treasury and get the record verified from audit.

Audit recommends implementation of DAC directives besides investigating non-compliance with PPRA rules.

Para-18 & 19 (WCL-2021-23)

4.5.4.9 Loss due to non-recovery of retention money – Rs 9.557 million

According to Rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board is required to establish and effectively

implement a robust system of internal controls to uphold principles of probity, objectivity, integrity, and proper stakeholder.

During the audit of Wah Construction (Pvt.) Ltd. (WCL) for the years 2021-23, it was observed that the company management completed seven civil projects during the last two to five years but retention money amounting to Rs 9.557 million was not recovered from clients after the completion of the defect liability period.

The irregularity occurred due to financial control of the company.

Audit is of the view that due to non-return of retention money for the last two to five years by the clients even after completion of projects led to a loss of Rs 9.557 million.

The matter was reported to the management on June 28, 2024. The DAC in its meeting held on 20.01.2025 directed the management to make recovery and get it verified from audit.

Audit recommends implementation of DAC directives.

Para-13, WCL, 2021-23)

4.6 POF Welfare Trust Board (WTB)

4.6.1 Non-Production of record by the POF Welfare Trust Board (WTB)

Article 170(2) of the Constitution of Islamic Republic of Pakistan states "The audit of the accounts of the Federal and of the Provincial Governments and the accounts of any Authority or Body established by, or under the control of, the Federal or a Provincial Government shall be conducted by the Auditor-General, who shall determine the extent and nature of such audit."

The Honourable Supreme Court of Pakistan in para 27(b) of its judgment dated 08.07.2013 decided that the Auditor-General, in order for him to fulfill his duties under Articles 169 and 170 of the Constitution, is not only authorized but also obligated to access all records maintained by Federal and Provincial Governments, and any entities under their control, regardless of any designation as 'secret' or otherwise.

Section 14 (2) of 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 and Section 14(3) of said Ordinance, stipulates that any person or authority obstructing 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 Ministry of Law and Justice, vide its office memorandum No. F.No.467/2024-Law-I dated 04.09.2024, while examining the stance taken by a refusing entity, clarified that in terms of Article 169 of the Constitution of Islamic Republic of Pakistan, 1973, the Auditor-General of Pakistan has been mandated to perform Audit of the accounts of any Authority or Body established by the Federation or a Province. The Auditor-General has all kind of powers to inspect and enquire into the accounts, office, books and papers of any office under the control of Federation and Provinces.

During the Audit of POF Welfare Trust Board (WTB), it was requested to make available the auditable record vide this office letter No. 312/ GS/ FAM/

Intimation/ 2023-24 dated 17.05.2024. However, it has been refused to audit despite reminders as well as meetings with the concerned office of the department by the Field Audit team.

The issue of refusing from audit has been persisting for the past five (5) years with multiple attempts made to obtain the record through communication with the management of POF Welfare Trust Board. Despite these efforts, the records still remain unavailable.

In such circumstances, neither the sanctity of utilization of Public Money according to relevant financial and other applicable rules could be verified nor the constitutional duty of the Auditor-General of Pakistan be fulfilled.

Departmental Accounts Committee (DAC) meeting held on 01.06.2023 & 26.06.2023 also showed its concern over refusal of audit by the management of POF Welfare Trust, Wah and directed the management to entertain the audit within 30 days.

The M/o Defense Production vide U.O No. 5/27/DP-5/2023 dated 08.09.2023 has asked for compliance report from the Secretary POFs Board of the directives of DAC meeting and confirm that audit of Welfare Trust has been conducted.

The Audit recommends that the responsibility be fixed on those responsible for non-production of record during these years and disciplinary proceedings be initiated against the concerned under relevant E&D Rules. Further, the PAC may direct the entity to get its accounts audited on regular basis in the light of Constitutional mandate of the Auditor-General of Pakistan.

Chapter-5

Ministry of Federal Education and Professional Training

Overview

Ministry of Federal Education and Professional Training was established in July 2011 in the wake of the 18th Amendment. Some of the Departments / Organizations previously under MOLM and MOE were placed under this Ministry. Supreme Court of Pakistan in its Judgment dated November 25, 2011, directed that because of insertion of Article 25-A in the Constitution, the Federal Government cannot absolve itself from the responsibility of providing education to its citizens.

In the light of Supreme Court Judgment, a Summary was moved to Prime Minister of Pakistan who was pleased to approve the renaming of Ministry as “Ministry of Education and Training” which was duly notified by the Cabinet Division on July 24, 2012. Subsequently, the Council of Common Interest (CCI) in its meeting held on November 8, 2012, endorsed the renaming of Ministry and approved its functioning with the subjects already assigned to it.

On the reorganization of Federal Secretariat, the Ministry renamed as Ministry of Education, Trainings & Standards in Higher Education vide Cabinet Division’s notification No. 4-8/2013-Min-I dated 07th June, 2013.

On June 19, 2014, Ministry has now renamed as Ministry of Federal Education and Professional Training vide Cabinet Division’s notification No. 4-10/2011-Min-I dated 19th June, 2014.

Aims & Objectives

- National cohesion on education policies and reforms, and focusing national attention on education issues
- Lead Educational Standard setting
- Leading programs of national importance to ensure equity and cohesion
- Leading international cooperation and coordination on education matters
- Integration of Religious Educational Institutions

- Collect, analyze and disseminate information on key education indicators including student learning assessments and education financing
- Manage, supervise and implement formal education in schools and colleges under ICT through the Federal Directorate of Education
- Registration & regulation of Private Educational Institutions in ICT and enforcement of relevant rules & regulations on the private education sector
- Lead coordination of academic evaluation across Pakistan, especially for quality in large scale student exams through the Inter Board Committee of Chairmen (IBCC).

Governing Laws and Policies

- Rules of Business 1973.
- Compulsory Teaching of the Holy Quran Act, 2017.
- National Education Policy Framework 2018.
- Technical and Vocational Education and Training (TVET) Policy for Pakistan.
- National Curriculum Framework, Pakistan.
- Minimum Standards for Quality Education in Pakistan.
- National “Skills for All” Strategy (A Roadmap for Skill Development in Pakistan).
- Dyslexia Special Measures Act, 2022.
- Federal Foundational Learning Policy, 2024

Audit Profile of Ministry of Federal Education and Professional Training

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	5	2	664.074	748.981
2	Assignment Accounts (excluding FAP)				
3	Authorities /Autonomous Bodies etc. under the PAO		2	664.074	748.981
4	Foreign Aided Projects (FAP)				

Audit observations of Rs 608.107 million were raised as a result of this audit. This amount also includes recoverable of Rs 126.792 million as pointed out by the Audit. Summary of the audit observations classified by nature is as under:

Overview of the Audit Observations

S. No.	Classification	Amount (Rs in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	162.006
B	Procurement related irregularities	108.796
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	337.305

5.1 National Book Foundation

5.1.1 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.

5.1.2 Comments on Audited Accounts

5.1.2.1 Working results of the Foundation for the year 2022-23 as compared with those of the previous years are as under:

(Rs in million)					
Particulars	2022-23	%age Inc./ (Dec)	2021-22	%age Inc./ (Dec)	2020-21
Sales	1,687.15	158.23	653.35	71.41	381.16
Cost of sales	1,194.59	171.38	440.19	78.11	247.14
Gross profit	492.55	131.07	213.16	59.05	134.02
Admin. & General Expenses	275.70	5.07	262.39	24.37	210.97
Finance Charges	0.102	37.83	0.074	-	0.074
Operating Profit/(Loss)	216.74	539.72	(49.29)	(36.01)	(77.03)
Government Grants	87.64	(53.62)	188.97	2.30	184.72
Other income	84.15	42.43	59.08	18.54	49.84
Profit/(Loss)/ before tax	388.54	95.48	198.76	26.16	157.54
Provision for taxation	143.20	139.30	59.84	30.83	45.74
Net Profit/ (Loss) after tax	245.34	76.61	138.91	24.26	111.79

(Source: Annual Audited Accounts)

5.1.2.2 The sales of the Foundation increased by 158.23% to Rs 1,687.15 million in 2022-23 (2021-22 – Rs 653.35 million) whereas, the cost of sales was increased by 171.38% to Rs 1,194.59 million in 2022-23 (2021-22 – Rs 440.19 million). This situation indicates that increase in cost of sales was on higher side w.r.t increase in sales price and was not directly proportional to the increase in cost of sales which puts question mark on the costing method as well as charging

methods. This needs to be justified.

5.1.2.3 Administrative expenses under note-19 (Government grants for expenses) decreased by 55.73% to Rs 78.883 million in 2022-23 (2021-22- Rs 178.210 million) whereas as per note-18 these expenses abnormally increased by 5.08% to Rs 275.708 million in 2022-23 (2021-22 Rs 262.390 million). On one head these expenses were reduced whereas in other head the same were increased. This showed inverse relationship of administrative and general expenses which needs to be justified.

5.1.2.4 Current liabilities increased by 166.74 % to Rs 706.950 million as on June 30, 2023 (2021-22– Rs 265.054 million). The abnormal increase in liabilities was under the heads of other payables & provision for taxation i.e. by 235.573% and 70% respectively. The abnormal increase under the said heads needs clarification and early clearance of liabilities is stressed upon the management.

5.1.2.5 A provision of slow-moving stock increased by 92.76% to Rs 32.275 million, as on June 30, 2023 (2021-22 – Rs 16.744 million). This depicted unnecessary purchase of raw materials which resulted into non-utilization and wastage of resources. Reasons for making provisions and increase in slow moving stock need to be elaborated.

5.1.2.6 Trade debts increased by 184.26% to Rs 196.158 million as on June 30, 2023 (2021-22 – Rs 69.006 million). A provision for doubtful debts of Rs 9.96 million as on June 30, 2023 (2021-22 – Rs 9.42 million) has been created by the management. Reasons of making said provision along with detail of parties and efforts made for the recovery of said amount needs to be elaborated. Efforts need to be made for early recovery of trade debts to avoid resultant loss.

5.1.2.7 Although, there was nominal increase in Advances and Deposits by 12% to Rs 6.841 million as on June 30, 2023 (2021-22 – Rs 6.108 million), the figure is silent by means of note. Position needs explanation.

5.1.2.8 Long term deposits increased by 34.59% to Rs 34.212 million as on June 30, 2023 (2021-22 – Rs 25.418 million). The increase under the head was mainly due to increase in Security from Printers by 35.92% to Rs 33.276 million as on June 30, 2023 (2021-22 – Rs 24.482 million). As a matter of policy, the

security amount was required to be kept in a separate bank account, the figure is silent by means of notes, the management may elaborate its position in this regard.

5.1.2.9 Trade and other payable increased by 235.573 % to Rs 605.331 million as on June 30, 2023 (2021-22 – Rs 180.387 million). The increase was mainly due to increase in advances from customers Early clearance of liabilities under the heads needs to be cleared/adjusted at the earliest.

5.1.2.10 In notes to the account under note-10, an amount of Rs 46.314 million was shown but no amount was shown in financial statements. This puts question mark on the fairness of the recording of assets and liabilities which needs justification.

5.1.2.11 In note-16, cash and bank balance increased by 406.82% to Rs 983.914 million in 2022-23 (2021- Rs 194.136). This huge and abnormal increase in cash and bank balances showed that no proper investment policy was formulated and implemented which is stressed upon the management.

5.1.2.12 In note 9.1, under operating assets, there was an addition of furniture and fixtures of Rs 3.744 million. The complete detail of budget availability, approval, requisitions from departments for purchase, its current status of utilization may be provided.

5.1.2.13 As per note 8.2, the spouse of Ms. Farzana filed a suit in 2018 against NBF for compensation of Rs 45.00 million. The management is stressed upon to follow the case actively and same the entity from such huge payment.

5.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Para No.	%age of compliance
2003-04	04	0	04	34 & 34.1, 34.2, 34.3, 34.4	0
2005-06	09	09	0	-	100
2006-07	04	04	0	-	100
2007-08	02	02	0	-	100
2009-10	02	02	0	-	100
2010-11	07	04	03	5.1.2.1, 5.1.2.2, 5.1.4.1	57
2011-12	12	06	06	2.1.2.2, 2.1.2.5, 2.1.2.7, 2.1.2.8, 2.1.4.1, 2.1.4.2	50

2013-14	08	03	05	3.1.2.1, 3.1.2.2, 3.1.2.3, 3.1.2.4, 3.1.2.5	38
2014-15	07	01	06	2.1.2.1, 2.1.2.2, 2.1.2.3, 2.1.2.4, 2.1.2.5, 2.1.2.6	14
2015-16	09	02	07	13.1.2.1, 13.1.2.2, 13.1.2.3, 13.1.2.5, 13.1.2.6, 13.1.2.7, 13.1.3	22
2017-18	08	01	07	11.2.2.1, 11.2.2.2, 11.2.2.3, 11.2.2.4, 11.2.2.5, 11.2.2.6, 11.2.3	13
2018-19	12	10	02	10.3.2.7, 10.3.3	83
Total	84	44	40		52

Overall compliance of PAC directives was poor which needs immediate attention of PAO.

5.1.4 Audit Paras

5.1.4.1 Unauthorized continuation of medical allowance without approval of Finance Division and after PAC was informed of its discontinuation - Rs 126.792 million

According to agenda item 4 of minutes of meeting of NBF Board of Governors held on February 14, 1978, the Foundation was allowed to adopt Basic Pay Scales and Allowances for the employees. Further, as per Finance Division OM No. 4 (3)R-4/2011 dated January 23, 2024 regarding clarification on consultation/approval of Finance Division, para 5(iii) states that pays, allowances, and their revision of all Government employees, including those employed in Autonomous/Semi-autonomous/Corporate bodies require prior approval of Finance Division.

During audit of National Book Foundation (NBF) for the years 2020-23, it was observed that employees were receiving a 35% medical allowance on running basic pay, despite being entitled to only 15% under NPS 2008. The medical allowance for federal employees was frozen as of June 30, 2011, with revised rates introduced on July 1, 2015. This issue was previously reported in ARPSE 2009-10 and discussed in a DAC meeting (October 19, 2016), where it was directed to align payments with government rates and recover overpayments. The allowance was discontinued, but employees challenged the decision in court. On December 5, 2016, the Islamabad High Court referred the matter to PAC. The PAO informed the PAC, in its meeting on March 27, 2018, that the allowance had been discontinued in 2016 and that employees were receiving payments

according to government rates. As a result, the PAC settled the para. However, the management later on obtained approval from the Secretary of the Ministry of Federal Education & Professional Training on November 11, 2019, to restore the allowance @ 35% of basic pay, effective from October 1, 2016 leading to arrears of Rs 50.382 million. The allowance continues to be paid without Finance Division approval, resulting in an estimated excess payment of Rs 126.793 million from October 2016 to June 2024.

Due to weak financial and managerial controls, employees were paid excess amount on account of medical allowance.

The audit is of the view that the payment of medical allowance in excess of the rates applicable to government employees required prior approval from the Finance Division, which was not obtained.

The matter was reported to the management on July 10, 2024. The management in its reply dated October 23, 2024 stated that the Secretary M/o FE&PT/Chairman DAC restored the medical allowance @ 35% of basic pay.

The reply is not tenable as the approval of Finance Division was not obtained and allowance was also restored after the PAO had committed to the PAC that it had been discontinued.

DAC meeting was held on 23.01.2025 but the minutes were awaited till finalization of this report.

Audit recommends to justify the reason for excess payment on account of medical allowance to employees of NBF without prior approval of Finance Division, refer the matter to Finance Division for clarification/approval, recover the payment made in excess of admissible medical allowance, matter may be investigated to fix responsibility on the persons a fault and avoid such instances in future.

(Para-3, NBF, 2020-23)

5.1.4.2 Irregular retention of staff beyond sanctioned strength – Rs 89.686 million

According to Annex-XIII of the summary regarding merger of NBC into NBF approved by the Prime Minister, total sanctioned strength of NBF was 141.

Further, as per Ministry of Federal Education & Professional Training letter No. 2021/budget-2022-23 dated May 23, 2022, 28 vacant posts were abolished.

During the audit of the National Book Foundation (NBF) for the years 2020-23, it was observed that there was excess staff working at NBF beyond the sanctioned strength. The approved sanctioned strength of the Foundation was 141 employees till May 2022 and 113 after the abolishment of 28 vacant posts but the payroll for June 2023 listed a total of 152 employees. This indicates that additional staff was accommodated in violation of the sanctioned strength.

Audit is of the view that, proper measures should have been taken to align staffing levels with the approved sanctioned strength to ensure compliance and effective resource utilization.

The matter was reported to the management on July 10, 2024. The management in its reply dated October 23, 2024 stated after merger of NBCP into NBF some posts were declared surplus which were forwarded to Establishment Division. The Division informed that the surplus pool of Establishment Division was only for Civil Servants, the autonomous body staff would not be placed on it.

The reply is not tenable as the management did not take measures to align staff with sanctioned strength.

DAC meeting was held on 23.01.2025 but the minutes were awaited till finalization of this report.

Audit recommends to explain the reasons for accommodating staff in excess of the sanctioned strength of the Foundation. Besides, the matter may be investigated to fix responsibility on the persons at fault.

(Para-6, NBF, 2020-23)

5.1.4.3 Financial loss due to imprudent long-term investment and delayed reinvestment decision - Rs 6.403 million

As per GFR 10 (i), 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 the audit of the National Book Foundation (NBF) for the years 2020-23, it was observed that management invested Rs 30 million in Allied Bank

TDRs at an interest rate of 8.85% for five years on June 25, 2021, with a maturity date of June 25, 2026. However, within a year, interest rates had nearly doubled, yet management took no action for premature encashment and reinvestment at higher rates. In January 2024, the TDR was prematurely encashed, yielding Rs 3.6 million in profit after withholding tax. The audit calculated the potential interest income had the funds been invested on a yearly basis, considering the gradual increase in interest rates over the past years. Due to the initial imprudent decision to invest for five years and the delayed encashment, NBF incurred a financial loss of Rs 6.4 million.

Expected profit (Rs)	Actual profit after tax (Rs)	Loss on investment (Rs)
10,003,670	3,600,212	6,403,458

Audit is of the view that investing surplus funds at a fixed five-year rate without considering rising interest rates and market trends was financially imprudent. Management should have adopted a more strategic and flexible investment approach to maximize returns and protect NBF's financial interests.

The matter was reported to the management on July 10, 2024. The management in its reply dated October 23, 2024 stated that interest rate in 2020-21 was very low and continuously decreasing day by day. Therefore, NBF management decided to invest the funds at the then maximum rate for 5 years.

The reply is not tenable as the management invested funds in June 2021, after which interest rates continuously increased, doubling within a year. However, the management did not take timely action until January 2024.

DAC meeting was held on 23.01.2025 but the minutes were awaited till finalization of this report.

Audit recommends to investigate the reasons to fix responsibility for the imprudent decision of investing in a five-year TDR without conducting proper research and disregarding prevailing interest rates.

(Para-10, NBF, 2020-23)

5.1.4.4 Irregular procurement on direct contract basis – Rs 82.70 million

Rule 12 (2) of PPRA Rules, 2004 states that all procurement opportunities over three million Pakistani 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 4 of PPRA 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.

During the audit of the National Book Foundation (NBF) for the years 2020-23, it was observed that the management purchased text books of Punjab Curriculum and Textbook Board for different grades from M/s Al-Faisal Nashran, Lahore during the years 2021-22 and 2022-23. Scrutiny of record revealed that the required books were directly purchased by taking single quotation from the said publisher without following proper procedure as required under PPRA. It is pertinent to mention that M/s Al-Faisal Nashran was not the single supplier of PCTB books hence, purchase of text books directly from one selected publisher was held irregular in audit. Detail of payment made to Al-Faisal Nashran for purchase of books is as under:

Period	Amount (Rs)
2022-23	71,023,971
2021-22	11,673,752
Total	82,697,723

The irregularity occurred due to non-compliance of PPRA rules, which indicated weak financial and internal controls in the Foundation.

Audit is of the view that the management procured the text books in violation of PPRA Rules, 2004 by extending undue favour to a single publisher.

The matter was reported to the management on July 10, 2024. The management in its reply dated October 23, 2024 admitted that the procurement was being made every year from M/s Al Faisal Nashran and M/s Ahmad Book Depot as well which are registered publishers of Punjab Textbook Board. However, now for the academic year 2025-26 and onward the NBF will purchase books through tender from the registered publishers of PTBB.

The reply is not tenable as the management procured the text books by direct contracting in violations of PPRA.

DAC meeting was held on 23.01.2025 but the minutes were awaited till finalization of this report.

Audit recommends to investigate the matter and fix responsibility for the purchase of text books from one publisher without observing PPRA rules.

(Para-13, NBF, 2020-23)

5.1.4.5 Irregular upgradation of the post of Library Assistant – Rs 2.154 million

According to National History and Literary Heritage (NH&LH) Division letter date August 3, 2017, upgradation of the Assistant Librarian is not covered in the Establishment Division OM dated August 10, 2016.

During the audit of the National Book Foundation (NBF) for the years 2020-23, it was observed that Ms. Nazia Rehman was appointed as Key Punch Operator (KPO) BS-10 on contract basis w.e.f June 13, 2006. Scrutiny of her personal file revealed the following:

- i. She was appointed as KPO BS-10 on contract basis for one year. She was posted in NBF Library w.e.f. July 3, 2007 and upon request, her designation was changed to Librarian BS-10 w.e.f. June 13, 2007. (No post of Librarian BS-10 was available on sanctioned strength of the NBF).
- ii. The management granted undue benefit to her and her post was upgraded to BPS-14 which was a violation as the pay scale of Library Assistant was BPS-11 as per Service Rules of the Foundation and BPS-12 as per EstaCode. The services of Ms. Nazia Rehman Library Assistant were regularized w.e.f. July 01, 2008 in BPS-14
- iii. Later on, she requested for upgradation of her post from BPS-14 to BPS-16 on the basis of Establishment Division OM dated August 10, 2016 regarding upgradation of Ministerial Posts in which post of Assistant BPS-14 was upgraded to BPS-16. Whereas, the controlling Ministry (NH&LH Division) clarified that the above referred OM of Establishment Division does not cover the post of Library Assistant.
- iv. The applicant filed a writ petition in the Islamabad High Court, which directed the Secretary of the NH & LH Division to initiate the process for constituting the BoG. The BoG had to decide the matter of upgradation in

accordance with the OM dated August 10, 2016. However, the Managing Director approved the upgradation of the post of Library Assistant from BPS-14 to BPS-16, subject to ex-post facto approval of the BoG. Despite two subsequent BoG meetings held in February and September 2021, the approval was not sought, indicating malafide intention on the part of the management.

Audit is of the view that the contents of the Establishment Division OM dated August 10, 2016 should be implemented in letter and spirit which were not applicable to the upgradation of the post of Library Assistant hence, the said upgradation and payment of salaries thereof for the post of BPS-16 were held irregular in Audit.

The matter was reported to the management on July 10, 2024. The management in its reply dated October 23, 2024 stated that Ms. Nazia Rahman was working as incharge publication section in benefiting manner. Since her appointment her services remained outstanding. The post was upgraded from BPS-14 to BPS-16 on the basis of experience and practice of other similar organizations.

The reply is not tenable as change of designation, upgradation of post of Library Assistant and not placing the matter before BoD were clear violation of rules.

DAC meeting was held on 23.01.2025 but the minutes were awaited till finalization of this report.

Audit recommends to explain the reasons for changing the designation of the post from KPO BS-10 to Librarian BPS-11. Besides, explain the reasons for further upgradation of the post of Library Assistant BPS-14 to BPS-16 without placing the matter before BoG as directed by the Islamabad High Court.

(Para-17, NBF, 2020-23)

5.1.4.6 Excessive tax deduction by banks due to delayed filing of returns - Rs 7.211 million

According to section 114 of Income Tax Ordinance 2001, the Foundation was required to furnish a return of income for a tax year as per due date fixed by

the FBR. Further as per GFR 10 (i), 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 the audit of NBF (2020-23), it was observed that the management invested surplus funds in TDRs. Upon maturity, profits were credited and reinvested. However, due to failure to file income tax returns on time, NBF was marked inactive with FBR, leading banks to deduct a higher withholding tax rate of 30% instead of 15% for active tax payers. This resulted in an excess tax deduction of Rs 7.211 million. Details of the investment and withholding tax deducted are as follows:

Amount invested (Rs)	Profit rate	Date of maturity	Profit on investment (Rs)	WHT on Profit deducted @ 30% (Rs)	WHT @ 15% (Rs)	Excess deducted WHT (Rs)
68,000,000	10.47%	31-Dec-19	7,119,600	2,135,880	1,067,940	1,067,940
68,000,000	11.75%	31-Dec-20	7,990,000	2,397,000	1,198,500	1,198,500
68,000,000	3.50%	31-Dec-21	2,373,479	712,044	356,022	356,022
68,000,000	11.00%	17-Mar-23	7,480,000	2,244,000	1,122,000	1,122,000
100,000,000	11.32%	3-Feb-23	11,320,000	3,396,000	1,698,000	1,698,000
60,000,000	19.50%	29-Jun-23	993,699	298,110	149,055	149,055
100,000,000	10.80%	2-Feb-23	10,800,000	3,240,000	1,620,000	1,620,000
			Total			7,211,517

Due to the late filing of returns, the Foundation was charged double the amount of withholding tax. This indicated that the management failed to comply with Government directions for filing tax returns, demonstrating poor financial management and weak internal controls.

Audit is of the view that the management should ensure timely filing of tax returns to avoid excess withholding tax deductions.

The matter was reported to the management on July 10, 2024. The management in its reply dated October 23, 2024 stated that the bank wrongly deducted the tax @30% on profit on investment which was adjusted from NBF's tax liability while filing income tax returns in respective years.

The reply is not tenable as the management failed to finalize its accounts timely due to which tax returns were delayed and bank deducted tax @30%

instead of 15% on profit. The management also failed to submit documentary evidence in support of reply.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility for non-filing of tax returns in a timely manner in compliance to the government directions.

(Para-11, NBF, 2020-23)

5.2 NFC Institute of Engineering and Fertilizer Research, Faisalabad

5.2.1 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.

5.2.2 Comments on Audited Accounts

5.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the year 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the year 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

5.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2006-07	04	04	00	-	100
2010-11	05	03	02	11.15.2.2, 11.15.4.1	60
2013-14	04	03	01	8.24.2.2	75
2015-16	01	0	01	8.25.4.1	0
2018-19	06	05	01	9.1.3	83
Total	20	15	5		75

The compliance of the PAC directives was not satisfactory which needs immediate attention of the PAO.

5.2.4 Audit Paras

5.2.4.1 Illegal payment of pay & allowances to officers who are not actively engaged in work - Rs 17.987 million

According to Para 10 (1) of the General Financial Rules Vol-1 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 the audit of NFC (IE&FR), Faisalabad for the financial year 2023-24, it was observed that three senior officers were transferred from NFC (IE&FR) Faisalabad to NFC (IET) Multan, on 10.04.2023, and were relieved of their duties at the institute on 11.04.2023. However, their services were never utilized by NFC (IET) Multan, and these officers never joined the new institute. Despite this, they continued to receive salaries from NFC (IE&FR) Faisalabad from the date of transfer. Moreover, receiving salaries without providing any service or performing any work since April 2023 is unjustified. Detail is as under:

S. No.	Name of officer	Post	Date of Transfer/ Relieved	Salary Per month (Rs)	Period (Months)	Total Salary (Rs)
1	Dr. Saqib Ehsan	Professor	10.04.2023	304,276	21	6,389,796
2	Dr. Syed Amjad Ahmad	Associate Professor	10.04.2023	290,386	21	6,098,106
3	Muhammad Sultan Butt	Manager	10.04.2023	261,839	21	5,498,619
Total						17,986,521

The management incurred wasteful expenditure of Rs 17.987 million on account of pay and allowances of officers without performing duties, which was a financial burden on an institute; already experiencing losses.

Due to inadequate internal and financial controls, the management was spending unnecessarily on the pay and allowances of officers who were not performing any duties, making the expenditure irregular.

Audit is of the view that that these officers should be assigned appropriate sections / posts to perform their duties accordingly.

The matter was reported to the management on 07.01.2025. The management apprised the DAC on 23.01.2025 that the salaries of these transferred employees were released on the decision of Board however, their transfer orders to NFC, Multan are still intact hence, these officers were not engaged in NFC-IEFR activities since their transfer date. DAC directed the management to resolve the matter within one month.

Audit recommends compliance of DAC directives.

Para-2, NFC (IE&FR), Faisalabad, 2021-24

5.2.4.2 Irregular enlistment of hospital in violation of PPRA – Rs 21.384 million

Rule 15 (1) of PPRA, 2004 states that a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects. Rule 20 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

During the audit of NFC (IE&FR) for the financial year 2023-24, it was observed that officers and officials were getting medical treatment from a private hospital i.e. Mujahid Hospital, and submitting pharmacy bills for reimbursement. A total amount of Rs 21.384 million was paid for medical treatment. The selection of the hospital was made without following the required competitive bidding process as per PPRA rules and rates for different medical treatments were not matched with government hospital. Thus, the payments made were considered irregular:

(Rs in million)			
S. #	Medical Payment	2022-23	2023-24
1	Executives	8,868,594	7,541,963
2	Non-executives	2,721,677	2,252,442
	Sub-Total	11,590,271	9,794,405
	Total		21,384,676

Irregularity occurred due to weak financial internal controls.

Audit is of the view that the management should have selected the hospital through a competitive bidding process, as required by PPRA.

Consequently, the payment of Rs 21.384 million made in violation of the rules, was considered as irregular.

The matter was reported to the management on 07.01.2025. The management apprised the DAC on 23.01.2025 that comparative statement of rates offered by different hospitals was worked out in 2022. Keeping in view that they are providing services at nominal rates and within the vicinity, NFC-IEFR authorized this hospital. Furthermore, management submitted in their reply that bid documents have been prepared and will be processed soon for hiring the services of hospital as PPRA rules. DAC directed the management to verify the competitive rates/process obtained from different hospitals in 2022 at the time of hospital selection, if not, the process should be conducted through PPRA.

Audit recommends compliance of DAC directives.

Para-4, NFC (IE&FR), Faisalabad, 2021-24

5.2.4.3 Revenue loss due to declining enrollment rates – Rs 97.105 million and non-achievement of income targets – Rs 247.386 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 Act and these rules. 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 NFC (IE&FR), Faisalabad for the year 2023-24, it was observed that the number of students admitted to two programs, Chemical Engineering and Bachelor of Business Administration (BBA), was significantly low, ranging from 10% to 40%, with an overall enrollment rate of only 20% for the years 2022-23 and 2023-24 whereas, the enrollment capacity of chemical department decreased from 100 to 50 per year. This resulted in a substantial loss of income, which could impact the financial sustainability of the institute. Detail is as under:

Discipline	Total Seats	Admitted students	Percentage of Admitted Student	Session
Chemical Engineering	50	10	20%	2022-23
	50	5	10%	2023-24
Bachelor of Business Administration (BBA)	30	6	20%	2022-23
	30	12	40%	2023-24
Total	160	33	20.625%	Two years

Thus, if 100% admission capacity was achieved, the loss of Rs 97.105 million could have been avoided (Annex-33).

Audit further observed that the institute had set a budgeted income target of Rs 577.771 million for the year 2023-24. However, the actual income achieved was only 57% of this budgeted income resulting into shortfall of 43% (Rs 247.386 million) which could have financial implications for its operations and sustainability. Details is given at Annex-34.

Audit is of the view that with a reduced number of students, the management should also scale down its resources, including faculty, to manage the increased burden of pay, allowances, and other expenses which was not done and the institute's failure to meet its annual income targets, resulting in a shortfall of Rs 247.386 million was due to insufficient marketing efforts and the quality of education, which hindered the attraction of students for admissions.

The matter was reported to the management on 07.01.2025. The management apprised the DAC on 23.01.2025 that there is overall trend of declining enrollments in engineering programs and BBA across Pakistan. Scholarship (25% fee concession) are being offered for Chemical Engineering programs by NFC-IEFR. Keeping in view the declining trend, PEC in July, 2024 allowed the students having HSSC, intermediate pre-medical qualification for admission in all engineering programs. DAC directed the management to share the record with audit i.e. a comparative statement of enrollment in Chemical Engineering, BBA in other institutes, enrollment in 2024 after decision of PEC, fee incentives or scholarship schemes being offered. DAC also directed the management to make efforts for improving enrollment rates in the departments. Regarding the failure to meet income targets, DAC directed the management to

verify the record from audit i.e. comparison of enrollment rates in other institutes and factors beyond control of management which are affecting revenue of the institute.

Audit recommends compliance of DAC directives.

Para-6 & 12, NFC (IE&FR), Faisalabad, 2021-24

5.2.4.4 Irregular release of retention money without approval of CCWC-Rs 6.50 million

As per the inquiry committee, constituted under office order dated 11.01.2018, it was recommended that strict action be taken against the individuals responsible for the payment of Rs 6.50 million to the construction company/contractor/firm without approval.

During the audit of NFC (IE&FR), Faisalabad for the years 2021-22 to 2023-24, it was observed that various civil and repair & maintenance works were carried out at the institute, including the fixing of tiles in the Geo-Tech Lab, repair at girls' hostel, Basic Science Block, and Sports Complex. The Civil Works Construction Committee (CCWC) recommended releasing Rs 6.5 million retention money after deducting Rs 1.00 million in LD charges. However, the management released the amount without obtaining the necessary approval from the CCWC and the consultant regarding the completion certificate. In response, an inquiry committee was formed to investigate the matter.

The committee concluded that the claimed work was not completed, and the hostel warden submitted adjustments with bogus bills, with no approval from the competent authority for release of retention money. The committee recommended that strict action be taken against the responsible individuals, and the case was referred to the FIA for further investigation. Despite several reminders to the FIA vide letter dated 03.06.2022, 15.03.2022, 20.10.2021, 10.03.2020 and 26.11.2019, no action was taken by the authorities. File regarding repair and maintenance (except inquiry report) was not provided to audit.

Irregularity occurred due to weak internal controls.

Audit is of the view that recommendations of the internal inquiry committee should be implemented.

The matter was reported to the management on 07.01.2025. The management apprised the DAC on 23.01.2025 that the Civil Works Construction Committee (CCWC) recommended releasing Rs 6.5 million retention money after deducting Rs 1.00 million in LD charges. However, the management released the amount without obtaining the necessary recommendation from the CCWC and the consultant regarding the completion certificate. DAC directed to conduct detailed inquiry and fix responsibility on those concerned.

Audit recommends compliance of DAC directives.

Para-7, NFC (IE&FR), Faisalabad, 2021-24

5.2.4.5 Non-installation of separate electric meters on residences since long

Para 10 (1) of the General Financial Rules Vol-1 requires 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 the audit of NFC (IE&FR), Faisalabad for the financial years 2021-22 to 2023-24, it was observed that a single industrial electric meter, reference No. 28131395101700, was installed in the Institute's building since its establishment. This meter serves the Institute's buildings, including 10 departments, four hostels, four canteens, a mosque, a rest house, and 25 residential units.

Audit observed that an expenditure of Rs 37.00 million approx. (May 2024 Bill Rs 3.825 x 12 for the institute) was incurred on electricity bills for the financial year 2023-24 and sub meters were installed on residences but authenticity in respect of monthly reading of sub-meters through third party could not be verified.

It was further noted that the electricity load for these buildings was being covered by one meter, which resulted in high per-unit cost, leading to an average payment of Rs 3.08 million per month.

Audit is of the view that due to insufficient managerial oversight, the management failed to consistently follow up with FESCO to install separate electricity meters for the residences, guest house, hostels, and canteens.

The matter was reported to the management on 07.01.2025. The management apprised the DAC on 23.01.2025 that they requested FESCO to install separate electric meters for residences. DAC directed the management to again take up the matter with FESCO and install separate electric meters at the earliest.

Audit recommends compliance of DAC directives.

Para-9, NFC (IE&FR), Faisalabad, 2021-24

5.2.4.6 Non-sustainability of the R&D department resulting in a loss - Rs 20.162 million

According to Memorandum of Association vide Sub-section (18), “to carry on the business of manufacturers, sellers and dealers in all types of chemicals” and Company objective in Sub-section (19) “to carry on the business of manufacturers, buyers, sellers and exporters in all types of Chemical Fertilizers”. Sub-section (11), “to provide research and development expertise for the development of new processes and maximizing the production from Chemical and Fertilizer Units”.

During the audit of NFC (IE&FR), Faisalabad for the financial year 2023-24, it was observed that the financial statements of the Research and Development (R&D) Department for 2022-23 and 2023-24 showed a loss of Rs 20.162 million. The department received an annual budget of Rs 2.50 million for 2021-22, 2022-23 and 2023-24, for purchasing raw materials to develop products for sale to farmers. However, in 2023-24, no funds were used for raw material purchases, while only 52.68% budget was spent in 2022-23. The primary reason for the losses was excessive administrative and other expenses, which consumed 90% of the budget in 2022-23 and the entire budget in 2023-24. Production had declined sharply over the past three to four years, with only nine products being developed, and only 52% of finished goods were sold. No new fertilizers or related products had been developed for years.

Audit is of the view that the institute, being the icon in representing the fertilizer research, has failed to meet its objectives.

The matter was reported to the management on 07.01.2025. The management apprised the DAC on 23.01.2025 that due to focus shift towards

educational activities, price hikes and small-scale development the issues cause the losses. Furthermore, management stated that only farmers who visit the institute are provided fertilizers on request basis. DAC directed the management to review the activities of R&D department and figure way out.

Audit recommends compliance of DAC directives.

Para-13, NFC (IE&FR), Faisalabad, 2021-24

5.2.4.7 Wasteful expenditure and non-initiation of legal / administrative action against absconder PhD scholars - Rs 3.068 million

As per deed of agreement for undertaking PhD studies, "The scholar shall return to Pakistan immediately after the completion of the course for which he/she was sent abroad and shall serve NFC Institute of Engineering & Fertilizer Research Faisalabad for a period of five years The scholar shall not extend the specified period of studies without prior approval of the NFC. Moreover, if he/she fails to obey or act in accordance with institutions' order directing him/her to return to Pakistan, he/she will be liable to action under the acts/rules in force in Pakistan impounding or confiscating passports."

During the audit of NFC-IEFR, Faisalabad for the year 2022-24 it was observed that five PhD scholars were granted ex-Pakistan leave for higher studies who did not return within the approved study period. Total salary of Rs 3.068 million was paid to them during the study leave as detailed below:

S. #	Name	Degree	Period	Absent since	Pay granted (Rs)
1	MRs Masooma Qizilbash (Lecturer Mech)	PH. D	01.03.2016-28.02.2019	01.03.19	1,305,947
2	MRs Suneela Sardar (Lecturer Mech)	PH. D	01.10.2016-30.09.2020	01.10.20	1,621,328
3	Mr. Muhammad Umair (Lecturer Mech)	M.Sc.	25.04.2016-24.04.2017	25.04.17	-
4	Mr. Tariq Bashir (Deputy Manager Civil)	M.Sc.	19.02.2008-18.02.2013	19.02.13	140,952
5	MRs Asma Adeel (Assist Prof Elect	PH. D	18.09.2017-17.09.2021	17.09.21	Detail not provided
				Total	3,068,227

The management had taken no action to confiscate the pledged property against the pay and allowances or terminate the services of absconding employees, despite the HR committee's directives in their meeting on 26th January 2023.

Audit is of the view that the purpose of sending the lecturers was not achieved, and the management failed to take the necessary action despite the HR committee's advice. Consequently, salaries paid to these employees during the study leave, amounting to Rs 3.068 million were deemed wasteful.

The matter was reported to the management on 07.01.2025. The management apprised the DAC on 23.01.2025 that employee at serial No.5 has already resigned from service while disciplinary proceedings of rest of the employees are in process. DAC directed the management to effect recovery from employees through their guarantors and District administrations.

Audit recommends compliance of DAC directives.

Para-16, NFC (IE&FR), Faisalabad, 2021-24

5.2.4.8 Loss due to failure to acquire affiliation of Computer Engineering Program - Rs 70.064 million

As per Agenda item No 12 of 83rd Board of Directors meeting dated 1st April 2022, The Board directed the management to start the procedure for the grant of affiliation from UET Lahore and accreditation from PEC for B.Sc. Computer Engineering program.

During the audit of NFC -IEFR Faisalabad for the year 2023-24, it was noted that the management had initiated the process for affiliation the B.Sc. Computer Engineering Program with UET Lahore in June 2019 and submitted a demand draft of Rs 100,000 as a processing fee. UET officials advised NFC (IE&FR) to hire a Ph.D. qualified faculty member to proceed with the affiliation process. The BoD in its 83rd meeting held on 1st April 2022 also directed the hiring of such a faculty member. Despite these instructions, no advertisement was published for the position, resulting in delays in the affiliation process. Consequently, the institute missed out on an estimated income of Rs 70.064 million which was expected to be earned over the next four years, and thus is considered a loss.

Due to weak internal controls, the management could not hire faculty member to get approval of the affiliation of B.Sc. Computer Engineering.

Audit is of the view that the management failed to hire the required Ph.D. faculty member, which hindered the approval of the B.Sc. Computer to Engineering affiliation. As a result, the forecasted income of Rs 70.064 million for the next four years was considered a loss.

The matter was reported to the management on 07.01.2025. The management apprised the DAC on 23.01.2025 that UET, Lahore declined the request of NFC-IEFR for affiliation of the B.Sc. Computer Engineering Program due to non-hiring of PhD professor. DAC directed the management to again take up the matter with UET, Lahore.

Audit recommends compliance of DAC directives.

Para-19, NFC (IE&FR), Faisalabad, 2021-24

5.2.4.9 Non-verification of degrees of non-teaching employees and appointment of an officer based on fake experience letter - Rs 52.179 million

According to Establishment Division 0.0 No.6 (28) 2011-DG-II dated March 08, 2011, the Prime Minister directed 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.

During the audit of NFC (IE&FR) for the financial years 2021-22 to 2023-24, it was observed that the institute had a total of 119 non-teaching staff employed in different departments of whom educational degrees were not verified in violation of the Establishment Division's instructions referred to above. The management was required to verify the degrees of employees at the time of their recruitment/appointment which was not done.

Additionally, Mr. Shabeeb Ahmed Gill was appointed as manager (Personnel & Administration) on 06.04.2022 and assumed the charge of Head ((Personnel & Administration) on 14.06.2022, but his documents were not verified by the concerned authorities. Later, his experience letter was challenged and found to be fraudulent/fake by Masood Textile Mills Limited, who

confirmed it was not issued by them. Despite multiple verbal requests and a formal requisition letter (No 01, 04 dated 09 and 11.12.2024) following by reminder dated 16.12.2024, the officer's personal file was not provided to the audit team for scrutiny.

The non-verification of degrees and experience certificates resulted in weak managerial and internal controls.

Audit is of the view that management was required to verify the documents in time which was not done. Thus, the payment of Rs 52.179 million (June-24 gross salary Rs 4.348 X 12 months) to employees on account of their pay & allowances without verifying their degrees/ certificates, held irregular.

The matter was reported to the management on 07.01.2025. The management apprised the DAC on 23.01.2025 that the degrees of most of the employees have been verified whereas remaining will be verified soon. DAC directed the management to verify the compliance within a month and share the record with audit, further, investigate the matter for provision of fake experience certificate for appointment.

Audit recommends compliance of DAC directives.

Para-08, NFC (IE&FR), Faisalabad, 2021-24

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

5.3.1 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 against the company were transferred to NFC Institute of Engineering and Technology. This transfer was done 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.

5.3.2 Comments on Audited Accounts

5.3.2.1 The working results of the Institute for the year 2023-24 as compared to the previous years are given below:-

(Rs in million)					
Particular	2023-24	% Inc/ (dec)	2022-23	% Inc / (dec)	2021-22
Income					
Tuition & Training Fee and Other Income	645.49	7.21	602.07	2.95	584.82
Expenditures					
Teaching	466.69	4.63	446.04	7.44	415.14
Training	7.79	7.30	7.26	8.71	6.68
Administrative	139.60	18.71	117.60	9.38	107.51
Bank Charges	0.26	(30.88)	0.340	(3.41)	0.35
Total Expenditure	614.30	7.54	571.24	7.85	529.68
Excess of Income Over Expenditures	31.19	1.15	30.83	(44.09)	55.14

(Source Annual Audited Accounts)

5.3.2.2 The salaries and wages under head Administrative Expense increased by 19.91% from Rs 105.872 million during 2022-23 to Rs 126.955 million during 2023-24. Whereas the salaries, wages of teaching staff was increased by 9.93% from Rs 274.882 million during 2022-23 to Rs 302.167 million during 2023-24. The extraordinary increase in salaries and wages under head Administrative Expenses as compare to salaries and wages of teaching staff needs clarification.

5.3.2.3 There was addition in Plant & Equipment of Rs 11.913 million and Office Equipment of Rs 18.078 million during the year 2023-24. The detail of purchases along with its process, approval of competent authority and requirement may be shared with audit.

5.3.2.4 The capital work in progress of Rs 198.086 million was stood in the books of accounts as on June 30, 2024. The efforts for early completion of work in progress needs to be accelerated.

5.3.2.5 The earnest and retention money almost remained stagnant i.e. Rs 27.546 million as on June 30, 2024 and Rs 27.424 million as on June 30, 2023. The reasons for non-release of earnest and retention money needs to be explained. Further, the detail of contractors/suppliers along with relevant contracts also be provided.

5.3.2.6 Tuition fee under Engineering Head was decreased from Rs 237.022 million in 2022-23 to Rs 216.614 million during 2023-24, registering a decrease of 8.61%. Contrary to that tuition fee under head Non-Engineering Fee was increased by 25.93% i.e. from Rs 167.695 million in 2022-23 to Rs 211.172 million during 2023-24. The decrease in Engineering fee indicates that the Institute is not focusing on its core operations i.e. Engineering Education which needs justification.

5.3.2.7 The Miscellaneous Income under the head Other Income was Rs 44.847 million as on June 30, 2024. There was no detail in Financial Statements regarding sources of said income which needs to be provided.

5.3.2.8 As per Balance Sheet, Income Tax, of Rs 24.610 million was recoverable during 2023-24 The matter may be pursued with FBR vigorously to ensure early recovery as well as to avoid blockage of funds.

5.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2011-12	10	01	09	9.5.2.1, 9.5.2.2, 9.5.2.3, 9.5.2.4, 9.5.2.5, 9.5.2.6, 9.5.2.7, 9.5.2.8, 9.5.3	10
2012-13	06	01	05	9.4.2.1, 9.4.2.2, 9.4.2.3, 9.4.3, 9.4.4.1	17
2013-14	05	04	01	8.23.2.3	80
2014-15	09	07	02	9.25.3, 9.25.4.1	78
2015-16	11	10	01	8.24.3	91
2016-17	05	03	02	7.21.3, 7.21.4.2	40
2017-18	06	0	06	10.20.1, 10.20.2.1, 10.20.2.2, 10.20.2.3, 10.20.2.4, 10.20.3	0
2018-19	07	05	02	9.20.2.1, 9.20.2.5	71
Total	59	31	28		53

The compliance of the PAC directives was not satisfactory which needs immediate attention of the PAO.

5.4 Pakistan Education Endowment Fund (PEEF)

5.4.1 Introduction

The Pakistan Education Endowment Fund (PEEF), previously known as NEST, a Company incorporated with SECP under Section 42 of the Companies Ordinance 1984 (now The Companies Act, 2017) is a non-profit organization committed to providing quality education across Pakistan, especially in unserved and underserved areas. PEEF's primary mission is to offer scholarships to talented students who lack the financial resources to continue their studies. By identifying and supporting these deserving students, PEEF aims to empower them to achieve their academic goals and contribute to the nation's progress. Its role is to identify and develop unserved and underserved areas for providing quality education throughout the country. NEST generates revenue from its Endowment fund to achieve its objectives. So far, Endowment Fund of Rs 6.40 billion was invested which realized the profit over 1,831 million for scholarships and operational expenditure during 2020-21 to 2022-23. Company invests in Term Deposit Receipts (TDR), which is considered to be the safest available investment option.

Objectives:

The main objectives of the NEST are:

- To provide scholarships to needy cum talented students, who do not have enough resources to continue their studies.
- To provide vertical mobility to the most vulnerable segments of society to eradicate poverty.

5.4.2 Comments on Audited Accounts

5.4.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the year 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts.

5.4.2.2 The working results of the NEST for the years 2020-21 to 2022-23 are given below:

(Rs in million)					
	2022-23	% Inc / (Dec)	2021-22	%Inc / (Dec)	2020-21
Income					
Markup on investment	981.007	112.06	462.598	22.07	378.969
Return on bank deposits	5.401	-	0	-	2.933
Total income	986.408	113.23	462.598	21.13	381.902
Expenditures					
Scholarship programmes expenses	379.606	0.20	378.830	129.94	164.753
Admin & general expenses	123.114	40.07	87.892	70.16	51.660
Total Expenditure	502.719	7.71	466.722	115.66	216.413
Operating surplus/(Deficit)	483.689	-	(4.124)	-	165.489
Finance cost – Bank charges	(0.225)	(16.97)	(0.271)	72.61	(0.157)
Other income	0	-	0	-	0.686
Front end load – Mutual fund	0	-	(0.989)	-	0
Surplus / (Deficit) for the year	483.464	-	(5.384)	-	166.017

(Source: Annual Audited Accounts)

Revenue of the organization has increased by 113.23% from Rs 462.598 million for the year 2021-22 to Rs 986.408 million during the year 2022-23. The management needs to maintain the increasing trend of revenue in the future.

5.4.2.3 Scholarships disbursed during the year 2022-23 increased by 0.20% only from Rs 378.830 million for the year 2021-22 to Rs 379.606 million during the year 2022-23. On the other hand, there was an increase by 40.07% in Admn. & General Expenditure of Rs 123.114 million during the year 2022-23 as compared to previous year 2021-22 expenses of Rs 87.892 million. The decreasing trend in disbursement of scholarship and increase in Admn. & General expense was contradictory to the core objective of the project for providing scholarships to talented needy students. Audit requires to justify the reasons for this trend in the year 2022-23.

5.4.2.4 The Scholarship programme direct cost decreased by 95.38% from Rs 67.020 million during 2021-22 to Rs 3.094 million for the year 2022-23 but on the other hand scholarships disbursed increased by 0.20% during the year 2022-23. The reasons of incurring excessive expenditure on scholarship programme direct cost despite less disbursement of scholarships during 2021-22 needs justification.

5.4.2.5 Although the salaries, allowances and benefits decreased by 46.38% from Rs 73.027 million during the year 2021-22 to Rs 39.156 million during the year 2022-23 but the administrative and general expenses increased by 40.07% during the year 2022-23. The main reason for the increase in these expenses was booking of excessive expenses amounting to Rs 77.849 million during 2022-23 under the sub-head “Other expenses” which needs justification.

5.4.2.6 According to note – 17 of the financial statements for the year 2022-23, the Chartered Accountants elaborated the incidence of fraud committed by the Ex-employees of NEST; the detail of which are as under:

“The Company has taken decisive legal action by filing a case US 94 CRP vide letter No. 1(1)2023 NEST/CS/ dated October 12, 2023 in FIA against its Ex management, the Chief Financial Officer Mr. Athar Hussain Zaidi, Chief Internal Auditor Mr. Omer Safdar and Ex-Manager HR Ms. Qurat-ul-An Taha who were alleged in fraudulent activities and misappropriation of the Company's funds. The Company contended that amounts totaling Rs 22.274 million have been withdrawn by the accused persons from the Official Bank Account No. 4152533135; maintained in National Bank of Pakistan S-Block, Pak Secretariat Branch, Islamabad in a fraudulent manner through cheques issued in the name of officers/officials of the Company and as per bank record, crossed cheques were issued and the same were opened by the signatories with their signatures and the cash was withdrawn there against.

Besides above, the Ex-Officers of the Company also withdrew huge amounts against fictitious TA/DA and also withdrawn amounts against ghost employees who were never appointed or placed on payroll of the Company.”

The case is under investigation with FIA authorities.

5.4.2.7 The Chartered Accountant has given qualified/disclaimer opinion on the financial statement of the organization for the financial years 2021-22 and 2022-23 on the following basis:

1. The external auditors were not provided reconciliation for the difference in short term investment between the confirmation received from bank and the record of the company as explained below:

S. No.	Description	Balance as on	Balance as per auditors' confirmation (Rs)	Balance as per general ledger (Rs)	Difference (Rs)
1	Short term investment-NBP	June30,2022	5,400,000,000	5,500,000,000	100,000,000
2	Short term Investment	June 30,2023	5,427,500,000	5,527,500,000	100,000,000

Accordingly, these balances remained unverified to that extent.

- The external auditors were not provided the bank reconciliation statement for the difference between bank statements of National Bank of Pakistan of the company, as explained below:

S. No.	Name of Bank	Balance as on	Balance as per bank statement (Rs)	Balance as per bank book (Rs)	Difference (Rs)
1	National Bank of Pakistan	June30,2022	62,775,967	46,473,566	16,302,401
2	National Bank of Pakistan	June30,2023	235,833,882	219,333,793	16,500,089

Accordingly, these balances remained unverified to that extent.

- Short term investment was made in term deposit receipt (TDR) on quarterly basis. The external auditors were not provided details of TDR alongwith markup rate charged on it for computation of interest amount of Rs 460,533,626 recorded in these financial statements at Note-18. In the absence of these details and computation on quarterly basis as well as realization in the bank accounts on maturity of these TDRs, they were unable to verify the accuracy of this interest amount on TDRs amounting to Rs 60,176,581 at Note-7 of financial statements 2021-22.
- Company has recorded leave encashment payable amounting to Rs 3,056,531 as on June 30, 2022 but neither actuarial valuation nor the detail of employees was provided to the audit for verification. In the presence of these details of employees with computation of leave encashment as per the policy of the company, the audit was unable to

verify the accuracy of these amounts as recorded in Note-15 of the financial statements 2021-22.

5. The company has recorded travelling expense to the tune of Rs 21,255,111 at Note-19 of the financial statements 2021-22. Adequate justification and supporting evidence in respect of these expenses were not provided to audit, thus remained unverified.
6. The external auditors were not provided the party wise detail of withholding tax payable for the sum of Rs 414,600 grouped at Note-16 of the financial statements 2021-22. In the absence of these details, Audit is unable to verify the accuracy of this payable balance.
7. Vouchers for the months of March and June 2022 were not provided to the external auditors as management stated that these have been misplaced, therefore, Audit was unable to verify the transaction occurred in those months.
8. The external auditors were not provided any supporting evidence of transaction amounting to Rs 144,521,499 relating to various expenses. Therefore, they were unable to satisfy as to whether or not these expenses were incurred for the purpose of the company business as well as paid/payable under the appropriate internal control mechanism, hence remained unverified.
9. Due to unavailability of records, the external auditors were unable to verify expense amounting Rs 77,660,485 which relates to the periods from July 01, 2022 to December 31, 2022. This raised concern about the classification of expense and accuracy of the financial statements of 2022-23.
10. Advances and deposits include Rs 17,411,626 relating to Advance to employees-personal as grouped in Note-9 of the accompanied financial statements. We were unable to verify these balances from the individual through the balance confirmation due to nil response from these Ex-employees. Accordingly, the external auditors were unable to obtain reasonable assurance of the accuracy of the said balance.
11. The external auditors were unable to verify the deposits in bank accounts amounting to Rs 5,401,239 due to non-availability of deposit slips and

supporting documents. This raised concern about the accuracy of these financial statements to that extent.

12. We were not provided the party wise detail of withholding tax payable for the sum of Rs 649,698 as grouped in Note-16 of the financial statements. In the absence of these details, the external auditors were unable to verify the accuracy of these payable balances.
13. The external auditors drew attention to Note-17 of the accompanying financial statements which referred to litigation on the accounts of certain misappropriation of fund by the Ex-officials of the company that were pending at the reporting date, so the financial impact of these litigations remained unknown to them.

Audit requires justify/explain the position by the management regarding above observations of Chartered Accountants in the financial statements for the year 2022-23.

5.4.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

Chapter-6

Finance Division

Overview

The Finance Division deals with the subjects pertaining to finance of the Federal Government and financial matters affecting the country as a whole, preparation of annual budget statements and supplementary / excess budget statements for the consideration of the parliament accounts and audit of the Federal Government Organization etc. as assigned under the Rules of Business, 1973.

Moreover, Finance Division maintains financial discipline through financial advisors in organizations attached to each Ministry / Division etc.

Aims & Objectives

To pursue sound and equitable economic policies that put Pakistan on the path of sustained economic development and macroeconomic stability with a view to continuously and significantly improving the quality of life of all citizens through prudent and transparent public financial management carried out by dedicated professionals.

Governing Laws and Policies

- Rules of Business 1973
- General Financial Rules
- General Provident Fund (Federal Services) Rules
- Pension Rules
- Rules relating to the custody etc. of Federal Consolidated Fund and Public Account.
- Public Financial Management Act, 2019.
- State-Owned Enterprises (Governance and Operations) Act, 2023.
- Monopoly Control and Anti Cartel Laws
- Pakistan Sovereign Wealth Fund Act, 2023

Audit Profile of Finance Division

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	10	6	342,891.564	3,897,239.289
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO				
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 722,978.830 million were raised as a result of this audit. This amount also includes recoverable of Rs 278,006.716 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	447.346
3	Irregularities:	0
A	HR/Employees related irregularities	13,686.684
B	Procurement related irregularities	1882.309
C	Management of accounts with Commercial Banks	10,324.257
4	Value for money and services delivery issues	16,155.517
5	Others	680,482.717

6.1 House Building Finance Company Limited

6.1.1 Introduction

House Building Finance Company Limited (HBFCL) is the only housing finance institution in Pakistan, established in 1952 by the Government of Pakistan.

It was corporatized in 2007 and is now an unlisted public limited company. State Bank of Pakistan (SBP) and Government of Pakistan (GoP) jointly hold the capital of HBFC with 90.31% and 9.69% shareholding, respectively.

House Building Finance Company Limited (HBFCL) provides financing facilities for construction and purchase of houses through its deep-rooted and national footprint of 51 Branches, 7 Area Offices, 3 Regional Offices and the Head Office based in Karachi.

6.1.2 Comments on Audited Accounts

6.1.2.1 The working results of the Corporation for the year ended December 31, 2023 as compared with the preceding years are given below:

	2023	% Inc / (Dec)	2022	% Inc / (Dec)	2021
Net markup / interest income	4,775.52	49.55	3,193.33	38.74	2,301.60
Total non-markup / interest income	115.70	30.59	88.60	16.15	76.28
Total income	4,891.49	49.04	3,281.93	38.02	2,377.88
Total non-markup / interest expense	(1,883.31)	15.12	(1,635.90)	7.62	(1,520.05)
Operating expenses	(1,815.32)	13.89	(1,593.91)	6.84	(1,491.84)
Various reversal / (provision) made (net)	326.82	18.10	276.72	(35.11)	426.43
Profit/(loss)before taxation	3,331.23	74.56	1,908.41	48.90	1,281.73
Taxation	1,069.45	148.66	430.09	25.76	341.98
Profit/(loss) after taxation	2,261.79	53	1,478.31	57.31	939.75
The entity has last audited annual accounts of year 2023 till finalization of this report.					

6.1.2.2 Revenue Performance

- Net markup/interest income has consistently increased over the past three years, with a 49.55% growth rate in 2023.

- ii. Total non-markup/interest income has also increased, with a 30.59% growth rate in 2023.

6.1.2.3 Expense Performance

- i. Total non-markup/interest expense has increased by 15.12% in 2023.
- ii. Operating expenses have increased by 13.89% in 2023.

6.1.2.4 Profitability

- i. Profit before taxation has increased by 74.56% in 2023.
- ii. Profit after taxation has increased by 53% in 2023.

6.1.2.5 Asset analysis

There is a significant increase in total assets from Rs 38,256.555 million in 2022 to Rs 55,233.989 million in 2023, representing a 44.5% increase. This substantial growth in total assets is primarily attributed to heavy investments in Pakistan Investment Bonds (PIBs), which has contributed to the significant rise in asset value.

6.1.2.6 Liability analysis

The liability has increased significantly from Rs 15,151.659 million in 2022 to Rs 28,594.106 million in 2023, representing a rise of Rs 13,442.447 million or 88.7%.which may indicate a higher level of indebtedness and potential financial risk.

6.1.2.7 Financial Ratios

- i. Net Profit Ratio: 45.04% (2023), 39.52% (2022)
- ii. Operating expense ratio: 48.57% (2023), 62.747% (2022)
- iii. Return on equity (ROE): 6.34% (2023), 4.31% (2022)
- iv. - Return on Asset (ROA): 3.96% (2023), 3.67% (2022)
- v. -Debt Ratio: 38.07% (2023), 14.97% (2022)
- vi. -Equity Ratio: 61.93% (2023), 85.03% (2022)

6.1.2.8 Overall Performance

The company's financial performance indicates a positive trend. Revenue has consistently increased, and profitability has also improved. However, expenses have increased, which may impact profitability. Further, Net cash

outflow of investing activity increased to Rs 16,383.28 million in the year 2023 as against the previous year standing of Rs 9,502.90 million, registering an increase of 72.40 %.The increase is due to rise in net investment portfolio.

6.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
1994-95	14	9	5	37,38,39,41,42	64%
1998-99	2	1	1	89	50%
1999-00	5	3	2	132,135	60%
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	31	0%
2005-06	14	11	3	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%
2008-09	3	3	-		100%
2009-10	-	-			-
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, 6.1.3.3, 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%
2015-16	7	1	6	6.2.4.2, 6.1, 6.2.2, 6.2.3, 6.2.4.1, 6.2.4.3	14%
2016-17	12	2	10	6.1.4.3, 6.1.4.1,6.1.2.1, 6.1.2.2, 6.1.3, 6.1.4.2 6.1.4.4, 6.1.4.5, 6.1.4.7	17%
2019-20	2	2	-	6.1.4.1, 6.1.4.2	
Total	124	62	62		50%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

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

6.1.4 Audit Paras

6.1.4.1 Non-break up of investment portfolio – Rs. 34,176.904 million

SBP circular 10 of 2004, states that Banks/Development Financial Institution (DFIs) will classify their entire investment portfolio into 'Held to Maturity', 'Available for Sale' and 'Held for Trading.' Moreover, the Banks/DFIs shall decide the category of the investment at the time of acquisition and the decision taken to that effect shall be recorded in writing on the investment proposals. The existing investment portfolio shall also be classified into the above categories.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that contrary to above, the management invested its total portfolio amounting to Rs. 34,176.904 million under 'available for sale' category without further classifying it in other categories of 'Held to Maturity' and 'Held for Trading'.

Audit is of the view that the company's non-compliance with the State Bank of Pakistan's standing orders regarding portfolio classification indicates weaknesses in its internal controls and risk management practices.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the matter.

6.1.4.2 Loss due to non-recovery of long outstanding loans – Rs.7,513.745 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.

Clause 7.1 (7) of Recovery Division Manual states that, after completion of issuance of all legal notices, if the borrower fails to clear his outstanding liabilities / settle account, then the Zonal Head concerned shall recommend the case for Publication of “Auction Notice” in Newspapers as required under Section 15 of Financial Institutions (Recovery of Finance) Ordinance 2001.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that:

a) the management sanctioned and disbursed an amount of Rs. 7,140.000 million to borrowers in various schemes. However, these borrowers failed to pay their loan installments amounting to Rs. 5,274.000 million, despite the lapse of the tenure of the scheme or having passed 20 years and more. The detail is as under:

Scheme	No. of customers	Scheme Period	Disbursement	Default Amount
Interest Bearing Scheme	1401	1952 to 1978	37.414	79.838
Profit Loss Sharing	4869	1979 to 1987	269.446	540.161
Simplified Scheme	4693	1987 to 1989	244.337	795.232
New Simplified Scheme	8195	1989 to 2000	611.258	2,250.878
Goth Abad	1553	1989	76.556	231.725
GharAsan Scheme	38	2001	1,383.431	34.893
ShandarGhar Scheme	268	2003-2005	94.395	182.696
GharAsan Flexi Scheme (old)	3251	2007-2019	4,369.955	1,149.530
Fateh Homes	29		27.689	1.312
Siamabisma	14	2012-2022	12.705	0.135
New Small Builders	2	2014-	13.000	7.460
Total (Rs.in million)			7,140.186	5,273.86

b) The management sanctioned loans (NPLs) for various housing schemes. However, as of December 31, 2023, an amount of Rs. 2,049.610 million remained outstanding from defaulters.

c) Branch Office, Rawalpindi management launched various loan schemes from time to time. However, they failed to recover the outstanding dues from various customers despite the lapse of considerable time amounting to Rs. 186.862 million as on 31.12.2023 (Annex-35).

d) The management granted house building and conveyance advances to employees. However, an amount of Rs. 3.273 million remained unrecovered from ex-employees as on June 30, 2024.

Audit is of the view that the significant amount of defaulted loan installments, despite the lapse of scheme tenures or exceeding 20 years, indicates substantial weaknesses in the company's loan recovery mechanisms and credit risk management practices.

The matter was reported to the management in June and November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends prompt recovery of loans.

(DP Nos. 328, 329, 330, 331, 332, 528, 747, 750 & 763)

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 8.1.4.3 having financial impact of Rs.3,734.054 million. Recurrence of same irregularity is a matter of serious concern.

6.1.4.3 Non-achievement of targets of loan disbursement - Rs. 3,682.610 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 House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that the disbursement targets were set at Rs. 4,320.000 million, however, the management achieved the targets amounting to Rs.639.390 million resulted in less achievement of targets amounting to Rs. 3,682.610 million (Annex-36).

Audit is of the view that the management failed to achieve loan disbursement targets, which reflected negligence and poor financial management.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the significant shortfall in disbursements.

(DP Nos. 761 & 520)

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 8.1.4.1 having financial impact of Rs.4,117.000 million. Recurrence of same irregularity is a matter of serious concern.

6.1.4.4 Improper utilization of funds - Rs. 2,000.000 million

The Master Agreement between Pakistan Mortgage Refinance Company (PMRC) and HBFCL outlines key terms and conditions, including Clause (t) requiring customers to maintain records and procedures for Refinance Loan utilization and Eligible Mortgage Loan progress, and Clause (x) granting PMRC and/or the International Development Association the right to examine records, documents, and facilities associated with Eligible Mortgage Loans. Additionally, Annexure D outlines eligibility criteria for middle and low-income mortgagors, specifying that middle-income mortgagors' individual income should not exceed Rs. 200,000 per month, household income Rs. 250,000 per month, mortgage property value Rs. 11 million, and mortgage loan Rs. 8.8 million, while low-income mortgagors' individual income should not exceed Rs. 100,000 per month, household income Rs. 140,000 per month, mortgage property value Rs. 5 million, and mortgage loan Rs. 4.5 million.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that the management obtained two refinance loans from M/s PMRC totaling Rs. 2,000.000 million in March 2020 and sourced funding from the International Finance Corporation (IFC). These loans were intended to provide housing finance to low-income and middle-income individuals. However, the management utilized these funds for other purposes, including treasury operations and restructuring existing loan portfolios.

Audit is of the view that the management failed to utilize the loans for the intended purpose which reflected weak financial management.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the matter.

6.1.4.5 Non-realization of decreed cases - Rs. 1,134.000 million

Section 19 (1) of Financial Institutions (Recovery of Finance) Ordinance, 2001, states that 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.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that:

a) Despite obtaining court decrees in favor of HBFCL for 1,193 cases, the management has been unable to realize the amounts, indicating a significant challenge in recovering debts.

S#	Region	No. of cases	Total Amount (Rs.)
1.	South	504	501,927,651
2.	Central	538	399,704,165
3.	North	151	158,264,699
Total		1193	1,059,896,515

b) Decree was awarded in favor of management by the Honorable Sindh High Court on December 11, 2010 for Rs. 75.00 million plus costs and interest from First Dawood Investment Bank Limited (FDIBL). However, the management failed to recover the amount till date. Moreover, an execution application (No. 46/2011) was also filed by the management, resulting in an attachment order on May 13, 2011, against FDIBL's assets.

Audit is of the view that despite the passage of significant time, the management's failure to recover outstanding amounts from defaulters indicates

potential administrative and financial mismanagement, as well as weaknesses in credit risk management and loan recovery processes.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

(DP Nos. 762 & 766)

6.1.4.6 Non-collection of revised / postdated cheques and non-imposition/ recovery of penalty - Rs. 88.249 million

The schedule regarding installments, given on yearly basis till the expiry of repayment period, states that customer shall submit 13 (12) for monthly installments and (01) for the remaining principal balance assuming the customer is regular in monthly repayments) post-dated cheques of any scheduled bank initially and thereafter 12 post-dated cheques for monthly installment and 01 cheque for remaining principal balance shall be deposited by 1st day of the month starting immediately after expiry of one year for which the postdated cheques has earlier been issued. As per procedure of loans disbursement after sanctioning of loan, the borrowers submits required number of postdated cheques for installments in favor of HBFC to be en-cashed by the management on due dates.

During audit of House Building Finance Company Limited (HBFCL), Rawalpindi Branch Office for the year 2023, it was observed that post-dated cheques (PDCs) submitted by 66 customers (operative accounts) involving an amount of Rs. 80.852 million were expired and the management did not obtain revised/valid post-dated cheques also did not recover the penalty.

Furthermore, during audit of HBFCL, Sukkur Branch for the year 2023, it was observed that the management did not recover the penalty charges from the customers against bounced cheques amounting to Rs. 7.398 million as on December 31, 2023 (Annex-37).

Audit is of the view that non-recovery of penalty from defaulted customers reflected negligence and poor recovery management.

The matter was reported to the management on June 26, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to recover dues without further delay.

(DP Nos. 326 ,334 & 519)

6.1.4.7 Sanction of Loan without taking into account customers' debt burden ratio – Rs. 73.562 million

Clause HF3 of Prudential Regulation for Housing Finance requires that the total monthly amortization payments, including housing finance and other debt obligations, should not exceed 50% of the borrower's net disposable income.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that the management disbursed fourteen house loan cases amounting to Rs. 73.562 million without adhering to the prescribed borrowers' Debt Burden Ratio (DBR) of 50%.

S#	Customer	Account Number	Existing Burden (%)
1.	Ali Jawad	1311034003183602	61
2.	Rao Khalid Mehmood	13110034004064402	52
3.	M. Fraz Shahid	1311034004406802	69
4.	Bakhtiar Ali	1311034002750102	76
5.	Wajid Ali	1311034002028602	57
6.	Khadija Javed	1311016002521202	53
7.	M. Asjad Sohail	1311017003048102	64
8.	Tufail Ahmed Khan	1311049002389902	58
9.	Wali Khan	1341012510574103	67
10.	Hilalud Din	1341048008964002	54
11.	Faridullah Khan	1341047002269503	58
12.	Ehsan Ur Rehman	1341015511404103	76
13.	Mehwish Atif	1341023008850402	93
14.	M.Amjad Bari	1341027519702203	101
Existing Debt Burden at the time of disbursement of the loan			

Audit is of the view that non-adherence to the prescribed Debt Burden Ratio regulatory requirement may lead to increased loan defaults and financial losses for the company, thereby posing significant risks to its loan portfolio.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.1.4.8 Irregular award of contracts to other than the lowest bidders and non-obtaining of performance guarantee - Rs. 42.059 million

Rule 04 of PPRA 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, Rule 38 of PPRA Rules, 2004 provides that the bidder with the lowest evaluated bid shall be awarded the procurement contract.

Rule 39 of PPRA Rules, 2004, states that 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 per cent of the contract amount.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that the management:

a) Initiated a procurement process for janitorial services for its offices and branches nationwide. In response, M/s Caretakers Pvt. Ltd. submitted the lowest bid of Rs. 12,162 per unit, whereas the contract was awarded to M/s Outriders Pvt. Ltd., who quoted a higher bid of Rs. 16,715 per unit amounting to Rs. 21.825 million for a period of five (05) years.

b) Issued a tender for the installation of a vehicle tracking system on February 26, 2023. The lowest bid was submitted by M/s Sahara Tracking Services (technically compliant) amounting to Rs. 4.797 million. However, the management awarded the contract to M/s CMPAK Pvt. Ltd. (Zong), the third-lowest bidder amounting to Rs. 5.437 million on June 8, 2023 in violation of rules.

c) Furthermore, it was also observed that the management awarded following contracts without obtaining performance guarantee amounting to Rs. 14.797 million in violation of above rules:

S#	Name of Contractor	Description	Rs.in million	
			Contract Amount	Amount of PG
1.	M/s Outriders (Pvt.) Ltd	Janitorial services	109.125	10.912
2.	M/s Hassan Naeem	Outsourced services	38.850	3.885
Total				14.797

Audit is of the view that award of contract to the highest bidder and non-obtaining of performance guarantee reflected violation of procurement rules. Thus, award of contract amounting to Rs. 27.262 million stands irregular.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

(DP Nos. 774, 790, 791 & 792)

6.1.4.9 Appointments in violation of Privatization Commission's directives - Rs. 40.014 million

The Privatization Commission, Government of Pakistan, issued a letter on December 12, 2022, outlining a model checklist for actions to be taken by HBFC with prior consent/clearance from the Privatization Commission, including major administrative changes, hiring, and changes to employee benefits and terminal benefits. A subsequent letter dated December 20, 2023, directed HBFCL management not to enter into new agreements or undertakings that could incur financial or legal obligations without prior approval from the Privatization Commission.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that the management appointed 21 officers on contractual basis disregarding the directives of the Privatization Commission (Annex-38).

Audit is of the view that the appointment of officers in violation of Privatization Commission's directives was held irregular. Thus, annual payment of Rs. 40.014 million on account of salary was also held unjustified.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may take immediate corrective actions to regularize the irregular appointments, strengthen internal controls to prevent similar irregularities in the future, and initiate disciplinary action against those responsible for making appointments in contravention of the Privatization Commission's directives.

(DP Nos. 770 & 775)

6.1.4.10 Mismanagement of collateralized assets and irregularities in disbursement of loans – Rs.27.832 million

Section 4.1 (a) of Code of conduct of HBFCL states that the employees shall not commit or assist any activity that involves making false statement, fraud, forgery, misappropriation, theft, embezzlement, bribery, misrepresentation, violation of HBFC rules, regulations, policies and procedures and/or any similar activity that harms or may harm the interest and reputation of HBFC.

Circular No. 475, dated 01.10.2007, states that disbursement of construction loans under Ghar Aasan Flexi should be made in four tranches, subject to satisfactory inspection reports/photographs by authorized officials. Section 4.1a of Code of Conduct of HBFCL further emphasizes that employees must not engage in activities involving false statements, fraud, forgery, misappropriation, or other similar actions that harm or may harm HBFC's interests and reputation.

a) During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that several irregularities and control deficiencies were identified in the handling of following mortgaged properties across various branches.

1. **Illegal Sale in Ghar Asan Scheme (Flexi) (Head Office):** A mortgaged property, used as collateral for Rs. 1.750 million loan, was sold after the borrower defaulted. No lien had been placed on the property, allowing the borrower to sell it unlawfully, despite ongoing recovery actions, including legal notices.
2. **Fraudulent Sale at Nawab Shah Branch:** A construction loan disbursement was made in 2018 based on a sale deed and mortgage deed receipts. However, it was later found that the customer had fraudulently obtained the sale deed and executed the sale without completing the mortgage process. The mortgage deed was never registered, and the Branch Manager failed to verify the authenticity of the No Objection Certificate (NOC), which was later found to be fraudulent, involving an amount of Rs. 5.231 million.
3. **Sale of Mortgaged Properties (Kasur Branch):** Mortgaged properties (open land), secured under the Mushtarika Khata Scheme, were sold despite lien markings. However, the mortgage documents lacked clear property boundaries, which made it difficult to uniquely identify the secured assets, raising concerns about the adequacy of documentation and the potential for unauthorized sales, affecting multiple properties across Pakistan, amounting to Rs. 6.936 million.

b) It was also observed that, several significant irregularities and fraudulent financing activities were identified in disbursement of loans at various branches:

1. **Fraudulent Activities at Mardan Branch:** The management disbursed four (04) construction loans amounting to Rs. 7.790 million on fabricated inspection reports, without completion of desired stage of construction, by concealing the facts and by-passing the requisite policy guidelines.
2. **Irregularities in Housing Finance Disbursement:** HBA loans were disbursed without proper documentation and verification in Lahore Zone. In one case, a mortgage deed was not submitted for over a year, and in another, a loan was disbursed based on fraudulent documents amounting to Rs. 4.500 million.

3. Furthermore, a loan was disbursed in 2012 for the renovation of the home of an employee's son on fraudulent documents pertaining to Lahore Chuburjee Branch amounting to Rs. 1.571 million (Annex-39).

Audit is of the view that inadequate property identification in mortgage agreements, failure to enforce lien markings, and poor verification of legal documents enabled unauthorized property sales. Furthermore, disbursement of loans without due diligence and failure to follow proper procedures contributed to these irregularities and potential financial losses for HBFC.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that a comprehensive scrutiny of documents may be conducted to ascertain the quantum of fake and irregular financing along with inquiry to take appropriate disciplinary action and verify the property document available with HBFC against loans approved.

(DP Nos.745 & 746)

6.1.4.11 Re-appropriation of funds beyond permissible limit - Rs. 27.340 million

BoD in its meeting No.5/2019 dated 29.08.2019 resolved that the Board Authorized Managing Director to reallocate budgeted capital expenditure from one head to another up to Rs.2 million under advice to the Board. The limit of recurring expenditure of Rs. 500,000 would remain same.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that the management re-appropriated Rs. 27.340 million from various revenue head of account beyond permissible limit in violation of the directives. The detail is as under:

S#	Head of account	Balance Budget 2023	Re-appropriation (Rs.)	Authorized Limit for approval (Rs.)	Excess Over limit (Rs.)	Date of approval
		A	B	C	D= (B-C)	
1	Legal charges (H.O)	411,249	11,752,067	500,000	11,340,818	18.10.2023
2	Legal charges (RO) North	1,980,132	2,000,000	500,000	1,500,000	18.10.2023
3	Legal charges (RO) South	421,848	2,000,000	500,000	1,500,000	18.10.2023
4	Legal charges (RO) Central	277,700	2,000,000	500,000	1,500,000	18.10.2023
5	BoD and shareholder's meeting expenses (H.O)	32,800,000	2,000,000	500,000	1,500,000	22.05.2023
6	-do-	30,800,000	2,000,000	500,000	1,500,000	05.06.2023
7	-do-	28,800,000	2,000,000	500,000	1,500,000	15.08.2023
8	-do-	26,750,000	2,000,000	500,000	1,500,000	27.10.2023
9	-do-	28,750,000	2,000,000	500,000	1,500,000	21.11.2023
10	-do-	18,050,000	2,000,000	500,000	1,500,000	19.12.2023
11	-do-	14,050,000	1,500,000	500,000	1,000,000	29.12.2023
12	Light, Gas and Power	7,555,007	2,000,000	500,000	1,500,000	28.11.2023
Total (Rs.)			31,252,069	6,000,000	27,340,818	

Audit is of the view that re-appropriation of funds beyond permissible limit is violation on the part of management. This practice raises concerns regarding the appropriate use of funds and the adherence to established financial procedures.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may provide a detailed justification for the unauthorized re-appropriation of funds.

6.1.4.12 Wasteful expenditure due to non-construction of building projects and non-imposition of LD - Rs.17.532 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

Clause 10 of conditions of work order issued to M/s Silk Engineering dated 19.05.2023, states that penalty will be imposed on delayed completion at 5% per month or part thereof unless justified beforehand as per recommendation of property management department/ general services department. Further, clause (3) states that time schedule prescribed by HBFC in this work order i.e. completion within 08 weeks.

During audit of House Building Finance Company Limited (HBFC), Karachi for the year 2023:

a) it was observed that the management engaged consultants in 2009 to plan, design, and supervise various building projects. However, these consultancy contracts were terminated on 06.12.2022, leaving the projects incomplete. The details of expenditure incurred on the projects are as under:

S#	Name of projects	Name of consultant	Amount paid to consultant (Rs.)
1.	Model Town extension plot Project, Lahore	NESPAK	5,710,400
2.	Special building Project, Hyderabad	NESPAK	1,963,940
3.	Peshawar Project, Hayatabad	NESPAK	1,165,000
4.	Faisal Town Project, Lahore	Allied Engineering	4,557,011
	Total		13,396,351

b) It was also observed that the management awarded a contract to M/s Silk Engineering for miscellaneous electrical work on blocks B and C of Head Office, Karachi on 19.05.2023 amounting to Rs. 10.340 million. However, the contractor failed to complete the work within the stipulated timeframe and management did not impose a penalty of Rs. 4.136 million.

Audit is of the view that the expenditure of Rs. 13.396 million on consultants, without achieving any tangible progress on the projects, was wasteful and unjustified, due to significant delay of over 10 years in project execution. Furthermore, non-imposition of LD showed undue favour to the contractor.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter beside recovery of LD charges.

(DP Nos. 786 & 764)

6.1.4.13 Irregular appointment after the age of superannuation - Rs. 17.218 million

Cabinet Secretariat letter No.F.2/10/2007-E-I dated December 04, 2007, stipulates that re-employment on contract after superannuation is restricted to exceptional cases where the government corporation requires the servant's expertise, subject to conditions including non-availability of a suitable replacement, exceptional competence of the officer, and no promotion blockage, with prior approval of the Prime Minister.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that the management retained Mr. Amin Dawood Saleh, EVP/Group Head Treasury beyond the age of superannuation without the requisite approvals. The officer was appointed on August 17, 2022, for a period of two-years on contract basis. His contract was extended for an additional three years, expiring on August 16, 2025. However, he attained the age of superannuation on November, 2024.

Audit is of the view that the retention of an officer beyond the age of superannuation without obtaining the necessary approvals is violation of the established rules and regulations, reflecting weaknesses in the company's hiring practices and internal controls, resulting in an irregular expenditure of Rs. 17.218 million (Salary Rs. 1812500 per month*9.5 months).

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.1.4.14 Irregular disbursement of loans – Rs. 17.090 million

Clause 1.4 of HBFC's Product Program on eligibility conditions/criteria for financing under the Mera Pakistan Mera Ghar (MPMG) product states that "Individuals can avail financing under this scheme subject to the following conditions: The customer must not own any residential housing unit/flat/apartment and will be a first-time homeowner." Furthermore, the Government Subsidy Markup Scheme for housing finance was introduced, aiming to provide financing to individuals who do not own a home.

During audit of House Building Finance Company Limited (HBFCL), Rawalpindi Branch Office for the year 2023, it was observed that the financing of Rs. 8,000,000 was disbursed by the management under MPMG Tier III proposal, despite the fact that customer already owned a house. The customer also provided wrong undertaking stating that he is a first-time owner of a house. Furthermore, the customer had already declared residential house as an asset in his Income tax return for the year 2021. The loan was also been issued on business income and as per sale deed of business premises. Furthermore, the management sanctioned and disbursed a housing loan amounting to Rs. 9.090 million for construction of home under MPMG Tier III, however, the loan is still unutilized till date and construction period has also expired.

Audit is of the view that the management failed to act prudently as facts had been ignored / overlooked during processing, approval, disbursement and monitoring of the loan. Thus, loan disbursement amounting to Rs. 17.090 million was held irregular.

The matter was reported to the management on June 06, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to probe the matter.

(DP Nos.524 & 525)

6.1.4.15 Non-compliance with reporting requirements – Rs.10.490 million

SBP Circular vide BC & CPD Circular no. 06 dated June 22, 2021 as well as Master Circular on Electronic Credit Information Bureau (e-CIB) of State Bank of Pakistan state that the member FIs are required to ensure correct, complete, and up to date reporting of information to SBP. In case of any wrong/misreporting, the FI will be responsible for legal and other consequences.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that:

- a) Significant non-compliance issues were identified in relation to reporting to the State Bank of Pakistan's Electronic Credit Information Bureau (e-CIB). Specifically, 1,210 accounts with an outstanding principal of Rs. 7,445,053 were not reported to the e-CIB, indicating significant risks such as over-indebtedness and potential defaults. Furthermore, the company reported inaccurate information to the e-CIB, including incorrect loan classifications, Computerized National Identity Card (CNIC) numbers, gender, and occupation details, and failed to report bounced postdated cheques (PDCs).
- b) Further, the management paid an amount of Rs. 3,045,000 on account of penalty imposed by the State Bank of Pakistan (SBP). This penalty was levied in connection with violations of Prudential Regulations and directives identified in the SBP, 2021 assessment report.

Audit is of the view that the identified non-compliance issues highlighted significant weaknesses in the company's internal control systems and reporting processes. These lapses resulted in serious consequences, including regulatory penalties, reputational damage, and potential financial losses.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to provide a detailed justification for the non-compliance.

(DP Nos.760 & 778)

6.1.4.16 Insurance of assets from private insurance company – Rs. 9.032 million

Clause 166 (3) of National Insurance Company Ltd. Act 2000, states that all insurance business relating to any public property, or to any risk or liability appertaining to any public property, shall be placed with the Company only and shall not be placed with any other insurer.

During audit of House Building Finance Company Limited (HBFCL), Karachi for the year 2023, it was observed that the management has been insuring its mortgage properties with private insurance company i.e. M/s Pak Qatar Insurance since 2019 instead of National Insurance Company Limited (NICL). This practice contravenes the Insurance Ordinance, 2001, which mandates that government-controlled entities must insure their assets with the NICL.

Audit is of the view that insurance of mortgaged properties from private company was held irregular as it deviates from the prescribed insurance arrangements.

The matter was reported to the management in November, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.2 National Bank of Pakistan

6.2.1 Introduction

National Bank of Pakistan is a leading Commercial Bank established on November 8, 1949 under the National Bank of Pakistan Ordinance 1949 by Government of Pakistan (where Government of Pakistan is major shareholder as more than 75 % of total No of shares are owned by GoP). The Bank registered Head Office is situated at Karachi and is listed on the Pakistan Stock Exchange. While NBP have been entrusted to act as trustee of public funds and as the agent to the State Bank of Pakistan (Central Bank of Pakistan), over the year's bank redefine its role into a modern growth oriented commercial bank by expanding network across continents and by capturing largest market shares in the debt equity market, corporate investment banking, retail and consumer banking, agricultural financing and treasury services globally.

Together with its local and foreign subsidiaries, NBP is providing commercial banking services including Corporate Loans, Asset Management, Leasing, Forex, Modarba, Global Remittances, Underwriting, Broking, Agency, Investment Advisory and such other services. The Bank's services are available to individuals, corporate entities and the government. NBP strive in promoting financial inclusion of unbanked masses in the Countries it is operating, creating equal employment opportunities, identifying & delivering its responsibility as a corporate citizen. Bank Regions are: Far East / Asia Pacific, South Asia, Middle East, Central Asia, Europe & North America. The Bank operates with 34 Foreign Branches / Offices & 1,450+ Branches in Pakistan.

6.2.2 Comments on Audited Accounts

6.2.2.1 The working results of bank for the year ended December 31, 2023 as compared to previous years are given below:

	Rs.in million						
	2023	% Inc / Dec	2022	% Inc / Dec	2021	% Inc / Dec	2020
Markup/Return Interest earned /	1,024,658	103.58	503,310	117.05	231,883	-10.06	257,811
Markup expense	855,910	121.47	386,474	187.8	134,285	-12.6	153,652
Capital gain & dividend income	9,642	55.69	6,193	-42.22	10,718	9.95	9,748
Profit after tax	51,840	70.47	30,410	8.58	28,008	-8.35	30,559
Bills payable	68,000	23.04	55,268	152.97	21,848	30.09	16,795
Borrowings	2,177,743	12.23	1,940,486	520.11	312,925	125.88	138,539
Non Markup Operating Expenses /	93,632	19.78	78,173	30.28	60,004	-4.92	63,112
Advances-Net	1,398,073	13.60	1,230,669	10.54	1,113,314	13.16	983,871
Deposits & other accounts	3,674,359	37.81	2,666,184	-11.69	3,019,155	37.36	2,198,049
Advances to Deposit Ratio (Net)	44.41%	-17.70	53.96%	24.85	43.22%	-17.49	52.38%
Non-performing loans	220,800	7.55	205,300	3.72	197,938	15.55	171,294
Return on equity	17.95%	41.56	12.68%	-6.07	13.50%	-21.51	17.20%
(Source: Annual Accounts (Audited) 2023)							
The entity has last audited annual accounts of year 2023 till finalization of this report.							

6.2.2.2 Assets & Liabilities

Assets of NBP witnessed an increase of 26.95%, from Rs. 5,240,424.546 million in 2022 to Rs. 6,652,707.438 million in 2023, this sharp rise is attributed to increase in investments comprising of Equity investments, Treasury bills, Pakistan Investment bonds and Ijarah Sukuk bonds.

Total liabilities seen a rise of 26.93 %, from Rs. 4,939,576.787 million in 2022 to Rs. 6,269,951.845 million, this is mainly due to rise in deposits held with the bank and some portion due to increase in borrowings.

Revenue comprised of Markup and non-markup based revenues, on the markup front a massive increase of 44.44% was witnessed, from Rs. 116,826.514 million in 2022 to Rs. 168,747.584 million. This is mainly due to ever highest interest

rates prevailing in the country. On the non-markup side, an increase of 10.69 % was seen due to gains on securities sold.

6.2.2.3 Financial Performance Highlights

- i. Markup/return/interest earned has increased by 103.58% in 2023.
- ii. Capital gain & dividend income has increased by 55.69% in 2023.
- iii. Profit after tax has increased by 70.47% in 2023.

6.2.2.4 Key Financial Ratios

- i. Return on equity (ROE): 17.95% (2023), 12.68% (2022)
- ii. Advances to deposit ratio (net): 44.41% (2023), 53.96% (2022)

6.2.2.5 Financial Health and Stability

The company's financial performance indicates significant growth in revenue and profitability. The return on equity (ROE) has improved, indicating better returns for shareholders. However, the advances to deposit ratio (net) has decreased, indicating a potential reduction in lending activities.

1. The bank's markup/return/interest income increased by 103.58. This significant growth is primarily attributed to the higher interest rates prevailing in the country throughout 2023. However, markup expenses also saw a sharper increase of 121.47%, climbing from Rs. 386,474 million in 2022 to Rs. 855,910 million in 2023. The surge in markup expenses, driven by increased payments to depositors due to higher interest rates, has offset the gains from interest income.
2. Capital gains and dividend income rose by 55.69%, from Rs. 6,193 million in 2022 to Rs. 9,642 million in 2023. This growth is largely due to improved performance of the Pakistan Stock Exchange after October 2023, coupled with robust dividend announcements during the year.
3. The bank's bills payable increased by 23.04%, from Rs. 55,268 million in 2022 to Rs. 68,000 million in 2023, reflecting the bank's increased liabilities related to import Letters of Credit (LCs).
4. Non-markup/operating expenses experienced a 19.78% rise, from Rs. 78,173 million in 2022 to Rs. 93,632 million in 2023. This notable increase is attributed to the overall rise in expenditures and a Rs. 270 million penalty imposed by the State Bank of Pakistan (SBP).

5. Borrowings grew by 12.23%, increasing from Rs. 1,940,486 million in 2022 to Rs. 2,177,743 million in 2023, continuing the upward trend seen over the past two years.
6. Deposits and other accounts saw a substantial increase of 37.51%, rising from Rs. 2,666,184 million in 2022 to Rs. 3,674,743 million in 2023. The higher interest rates attracted a significant number of individuals to opt for term deposit receipts (TDRs) and savings accounts.
7. Net Advances are increased by 13.60%, from Rs. 1,230,669 million in 2022 to Rs. 1,398,073 million in 2023. Post Covid-19 economy normalization led the rise in economic activities and demand was in rise which created increase in Advances.
8. Advance to deposit ratio reflects the relationship between the advances(Assets) and deposits (liability), it shows how much bank has lended of what it has taken from depositors. Advance Deposit Ratio (ADR) of 2023 is 44.41% as compared to 53.96% in 2022, witnessing a decline of 17.70%
9. The bank's non-performing loans (NPLs) increased by 7.55%, from Rs. 205,300 million in 2022 to Rs. 220,800 million in 2023, indicating challenges in loan recovery and management.
10. Lastly, the bank's return on equity (ROE), a key performance indicator, improved by 41.56%, rising from 12.68% in 2022 to 17.95% in 2023. This improvement is mainly driven by the overall enhancement in the bank's profitability during the year.
11. Revenue comprised of Markup and non-markup based revenues, on the markup front a massive increase of 44.44% was witnessed, from Rs. 116,826.514 million in 2022 to Rs. 168,747.584 million. This is mainly due to ever highest interest rates prevailing in the country. On the non-markup side, an increase of 10.69 % was seen due to gains on securities sold.
12. Total liabilities seen a rise of 26.93 %, from Rs. 4,939,576.787 million in 2022 to Rs. 6,269,951.845 million, this is mainly due to rise in deposits held with the bank and some portion due to increase in borrowings.

6.2.3 Compliance of PAC Directives

The audit paras pertaining to NBP have been printed in the annual audit report for year 2022-23 as prior to this no audit was conducted due to restraining order from the Court.

6.2.4 Audit Paras

6.2.4.1 Non-recovery from various defaulters - Rs. 170,347.796 million

Section 15(4) of the Financial Institutions (Recovery of Finances) Ordinance, 2001, allows financial institutions to sell mortgaged properties by public auction without court intervention if the mortgagor fails to pay the demanded amount. Section 13.2 of NBP Staff Loan Policy, 2014, stipulates that an employee's retirement benefits are released only after full settlement of their staff loan liabilities.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi, and Regional Office, Faisalabad & Islamabad for the year 2021-2023, it was observed that an amount of Rs.170,347.796 million has not been recovered under different categories of debtors/borrowers (Annexure-40). The brief summary is as under:

Defaulter Category	Rs. in million
Corporate Borrowers	116,521.764
Consumer & SMEs	38,901.102
Product Financings	2,015.099
Islamic Financings	913.875
Staff related loans	66.543
Others (including Railways & Govt. Drafts)	11,929.413
Total Non-Recovery	170,347.796

Audit is of the view that the non-recovery reflected weak financial controls and poor recovery mechanism which shows management's failure to identify weak borrowers and taking remedial action in a timely manner.

The matter was reported to the management in November 2024. The management in its reply stated that management pursuing the cases on non

recovery / litigation with defaulted borrowers. However, this reply is not tenable because a huge amount is still recoverable from the defaulters.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management may strengthen credit risk management and recover dues without further delay.

(DP Nos.289,292,297, 939, 936,949, 984,944, 973)

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 8.2.4.8 having financial impact of Rs.1,7120.710 million. Recurrence of same irregularity is a matter of serious concern.

6.2.4.2 Irregular retention of un-drawn pensions - Rs. 30,066.000 million

The Revised SOPs dated 29.09.2014 state that the Bank's responsibilities for pension payment include debiting un-drawn pension amounts that remain unclaimed for six consecutive months or more, and crediting them to the respective head of account, resulting in cessation of pension credits to the pensioner's account.

During a special study of the role of NBP as an agent of SBP for the year up to 2022, it was observed that management had been irregularly retaining un-drawn pensions in 108,413 dormant accounts amounting to Rs. 30,066,063,596 for consecutive six months or over, instead of debiting the pensioner's account and crediting the respective government accounts, as required by Standard Operating Procedures (SOPs), despite reminders from the Accountant General Sindh to refund the amounts lying under dormant pension accounts. Details are as under:

S#	Category	Number of Account	Amount in Rs.
1	Federal	15,662	5,212,422,232
2	Local Government Dep	710	43,055,463
3	Military	5,226	1,537,344,083
4	Provincial	81,936	22,305,800,165
5	Railways	4,861	964,283,483
6	Others	18	3,158,170
Total Rs.		108,413	30,066,063,596

Audit is of the view that irregular retention of undrawn pensions without crediting the same to Government's accounts or refunding of amounts to Government despite various reminders and after lapse of significant time tantamount to loss to the Government.

The matter was discussed in DAC meeting held on September 25 & 26, 2024. The DAC directed the management of NBP to furnish revised/updated reply in the case along-with case wise and nature wise break down of the amount of Rs.30,066 million. The DAC further directed the management of NBP to follow-up the subject matter with the concerned Account Offices along-with implementation of SOP/Standing Instructions issued by the Finance Division in letter and spirit. Moreover, necessary improvement measures may be made in consultation with the concerned stake holders to avoid such recurrence in future.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to immediately transfer un-drawn pensions to relevant Government accounts along with investigation of matter with a view to fix responsibility on person at fault.

(DP Nos.283 & 1006)

6.2.4.3 Grant of fund facility to corporate borrowers with weak financial position – Rs. 27,842.000 million

Para 7.q of minutes of Board Audit Committee 240th meeting states that during credit review, external auditors have highlighted certain borrowers with weak financial position/performance, that should be closely monitored by the Bank. The Chairman advised that the status of these borrowers should be presented to Board Risk Credit Committee (BRCC).

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management granted funding facility to the borrowers despite their weak financial position. The detail of borrowers as on June 30, 2023 is as under:

S#	Borrower Name	Fund Amount
1	Cnergyico PK Limited	17,575.00
2	JK Sugar Mills Limited	4,389.00
3	Waves Corporation Limited	1,949.00
4	Tariq Corporation Limited	894.00
5	Diamond Tyres Limited	691.00
6	Hashoo Holding (Private) Limited	536.00
7	Englander Industires Limited	519.00
8	Dadex Eternit Limited	450.00
9	Al-Haj Automotive	385.00
10	TPL Corporation Limited	250.00
11	TPL Trakker Limited	204.00
Total Rs. in million		27,842.00

Audit is of the view that the management's decision to grant funding facilities to borrowers despite their weak financial position indicates significant weaknesses in the credit approval mechanism. The lack of prudent credit decisions may be attributed to inadequate credit policies and procedures, insufficient risk assessment, and ineffective oversight, which may result in significant credit losses, ultimately affecting the bank's financial stability and profitability.

The matter was reported to the management in November, 2024. The management replied that the loan requests were evaluated based on merit and approved in accordance with the Bank's established procedures. However, this explanation is not convincing, as the management's decision to extend funded facilities to borrowers with weak financial positions and poor performance raises concerns about undue favoritism.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may review and strengthen the bank's credit risk management and credit approval processes to ensure that funded facilities are granted only to credit worthy borrowers.

6.2.4.4 Unjustified restructuring of financing facility - Rs. 12,934.000 million

Organizational Circular No. 05/2018) of NBP, entails that Branch Manager (BM) key task is to establish localized control environment as first line of defense and maintain stringent or proactive internal control environment.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management restructured financing facility to M/s Cynergyico Pak Limited (CPL) amounting to Rs.12,934 million despite operational weaknesses, unsatisfactory repayments, over-dues on LC financing, issues in cash flow and questionable financial status.

Audit is of the view that the management unjustifiably restructured financing facility putting bank funds at risk.

The matter was reported to the management in November 2024. In response, the management stated that NBP is actively working to reduce its total exposure to M/s Cynergyico, especially credit facilities being closely monitored. However, the management's reply implicitly acknowledges that the borrower's operations and business model have become increasingly risky, prompting the Bank to exercise caution and refrain from providing additional loans.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may strengthen the bank's credit risk management and internal control processes.

6.2.4.5 Divestment of NBP's Shareholding in UNBL, UK and non-repatriation of sale proceeds GBP 22.900 million equivalent to Rs. 8,198.200 million

The SBP letter dated March 13, 2024, required National Bank of Pakistan (NBP) to submit a certificate from an external auditor and a Proceeds Realization Certificate within 30 days of a transaction involving the sale of NBP's shares in United National Bank Limited (UNBL) to the Bestway Group, with the SBP later reiterating the need for compliance with local and host country laws and foreign exchange regulations. The SBP, in its letter dated April 3, 2024, advised NBP

that its final approval for the sale was subject to compliance with applicable laws and regulations, and instructed NBP to repatriate the sale proceeds and file a Proceeds Realization Certificate with the SBP Exchange Policy Department. Rule 20 of PPRA Rules, 2004, stipulates that procuring agencies shall use open competitive bidding as the principal method of procurement for goods, services, and works.

During audit of National Bank of Pakistan (Head Office) for the year 2023, it was observed that:

a) The management sold its 45% shareholding in United National Bank Limited, UK (UNBL) to the Bestway Group for GBP 22.900 million, despite UNBL's positive financial performance. Subsequently, management hired a valuator to assess the value of the property and a law firm for legal services without open competitive bidding. The property/assets value which was directly associated with shares price was potentially undervalued at GBP 25 million by valuator, resulted bank deprived the competitive price of shareholding, considering its prime location and heritage value. Management was of the view that Bestway Group was inexperienced for managing the banking operations, but UK regulator approved the control in favor of Bestway.

b) The Board approved the sale in its 356th emergent meeting on December 21, 2023. NBP obtained a No Objection Certificate from the SBP on March 13, 2024, requiring compliance with applicable laws and repatriation of sale proceeds. The Bestway Group credited GBP 22.900 million to NBP's Bahrain account on July 4, 2024, but the proceeds were not repatriated to Pakistan. The management requested permission to retain the sale proceeds at NBP Bahrain Branch to cover NBP NY closure costs.

Audit is of the view that the sale of NBP's shareholding was not conducted in a transparent and prudent manner due to lack of open competitive bidding, inadequate due diligence, which had resulted in a potential undervaluation of the asset, with the sale price of GBP 22.900 million being lower than the book value (GBP 30 million) and estimated market value (GBP 35 million), thereby potentially causing a loss to the bank. Furthermore, the non-repatriation of sale proceeds to Pakistan and retention of same as covering closure

cost of NBP NY branch, despite the directions from the SBP, raises concerns about non-compliance with regulatory requirements.

The matter was reported to the management in November, 2024. The management in its reply stated that:

a) The decision of divestment was taken by the NBP *BOD* after considering all the aspects and proceeds with approval from SBP. There is no requirement of obtaining Ministry of Finance approval for making any divestment decision by the *Bank*. The reply is not tenable because the management considered its divestment lower than potential share value by assessing the property value at lower side. Further, being administrative ministry i.e. Ministry of Finance it was mandatory to get concurrence for this deal. The decision was made *in haste* within 20 days i.e. offer letter was received on 07-12-2023 and *BOD* granted approval of divestment on 27-12-2023.

b) Divestment proceeds of UNBL, were utilized in line with the SBP approval dated 25-07-2024. The reply is not tenable because the management did not repatriate the sale proceeds in Pakistan as per SBP NOC dated 13-03-2024.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may probe the matter.

(DP Nos. 969, 972 & 976)

6.2.4.6 Irregular financing to a defaulter – Rs. 5,903.000 million

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 in the best interest of the company.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that M/s Master Tiles acquired finance facilities up to Rs. 6,074 million from NBP under various loan categories. However, the borrower defaulted on repaying a substantial loan amount of Rs. 5,903 million. Furthermore, the same client availed additional finance facilities and waivers.

Audit is of the view that the significant default of Rs. 5,903 million by M/s Master Tiles highlights weaknesses in NBP's credit risk management and loan recovery processes, which failed to ensure timely repayment. Furthermore, the extension of additional finance facilities and waivers to the same client raises concerns about NBP's credit assessment and risk evaluation procedures.

The matter was reported to the management in November 2024. The management in its reply stated that the loans are secured by way of charge over company's assets. The reply of management is not tenable as the same borrower has already defaulted since 2021 and recoveries are stuck up and current renewals may take Bank into more troublesome position.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may review and strengthen its credit risk management and loan recovery processes to ensure that adequate collateral is obtained and timely repayment is enforced, thereby minimizing the risk of default and potential losses to the bank.

6.2.4.7 Establishment of group without board approval - Rs. 4,839.688 million

Rule 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 National Bank of Pakistan (Head Office) for the year 2023, it was observed that the bank extended its agriculture portfolio by establishing the Inclusive Development Group (IDG) in August 2019, without obtaining the requisite Board approval and conducting a thorough feasibility assessment. This lack of oversight is alarming, especially considering the IDG's poor performance in 2023, which incurred a substantial loss of Rs. 4,839.688 million, and raises questions about the bank's strategic planning and risk management.

Audit is of the view that the establishment and operation of the Inclusive Development Group (IDG) without Board approval and proper feasibility

assessment raises concerns about the bank's governance and risk management practices.

The matter was reported to the management in November, 2024. The management in its reply stated that the IDG was established through organizational circulars #09/2019 dated August 30, 2019, and #12/2019 dated September 20, 2019. The management's reply is not tenable because the IDG was established without Board approval and a proper feasibility assessment, which indicates a lack of due diligence. Furthermore, the business activity of the group has resulted in losses.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may obtain the retrospective Board approval for the establishment of the IDG and also conduct a thorough review of its operations and performance to identify the causes of losses.

6.2.4.8 Non-deposit and embezzlement of provincial taxes - Rs. 3,494.527 million

Clause 7 (b) of agency agreement between State Bank of Pakistan and National Bank of Pakistan, states that all the indirect taxes included sales tax, excise duty, VAT or any other taxes levied currently or in future either by the Federal Government or the provincial Government on the services rendered by the National Bank as agent under this agreement shall be borne by the bank.

Section No.1.20 of Code of Conduct of NBP states that any employee found to be engaged in, attempting to, or conspiring as to fraud or theft of assets of the Bank or its clients, or attempting to engage in fraud or theft, may be subject to immediate dismissal and criminal prosecution, subject to the rules, regulations or law applicable thereto.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management claimed agency commission amounting to Rs.20,728.697 million from the State Bank of Pakistan on gross basis in the FY 2022-23 & FY 2023-24 without depositing / adjustment of the sales tax on its services to the relevant revenue authority of the provinces i.e. Punjab, Baluchistan and Khyber Pakhtunkhwa. The management did not

deposit sales tax on banking services to the Provinces amounting to Rs.3,316.591 million (Rs. Rs.20,728.697 million *16%).

Furthermore, the regional investigation teams identified various instances where Sindh Revenue Board (SRB) tax collection amounts were misappropriated and not transferred to Main Branch Sukkur, which was a case of theft in national exchequer amounting to Rs.177.936 million.

Audit is of the view that the management did not observe the agency agreement in true letter and spirit and failed to deposit sales tax to the concerned Provincial Revenue Authorities and misappropriation of withheld tax amount.

The matter was reported to the management in November, 2024. The management stated in its reply that sales tax by Sindh Revenue Board was after consultation with the SBP and NBP was intimated by both to levy the same and recover from SBP. Further, NBP did not receive any intimation/ notice of demand in this respect as well from any of the above remaining provincial authorities. Further, the management stated that bank had taken strict disciplinary actions on the persons at fault and dismissed them from services. The reply is not tenable as per provincial's revenue authorities the sales tax is also applicable and NBP is responsible to levy and recover from the SBP and management failed to safeguard them and perform of their duties.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the tax may be deposited as per rules besides embezzled amount may be recovered and strength the internal controls to avoid the frauds in future.

(DP Nos. 971 & 948)

6.2.4.9 Loss due to unsatisfactory quality of pledged stock - Rs. 2,776.195 million

Para 11 of Credit Administration Division (CAD) Manual stipulates that any irregularity / observations of serious nature, if noted during the visit, shall be referred to RH/CH as well as BM/RM on immediate basis for their information and for taking remedial action.

During audit of National Bank of Pakistan (NBP), Regional Office, Faisalabad for the year 2023, it was observed that the management approved cash financing for borrowers against the pledge of commodity stocks, but upon inspection by the Credit Administration Division team, the condition of the pledged stocks was found to be unsatisfactory, with the quality of the stock being below standard, indicating that the rate or price of the cotton bales or bags was lower than the rate or price at the time of pledge. Detail is as under;

S#	Number of borrowers	Principal Outstanding	Commodity Pledged
1	07	1991.936	Local cotton bales, yarn bales, Rice
2	09	784.259	Local/Imported Cotton Bales
Grand Total (Rs.)		2,776.195	

Audit is of the view that the management failed to demand additional margin calls from borrowers to mitigate the bank's risk exposure, indicating weak internal controls and poor financial risk management, resulting in a loss of Rs. 2,776.195 million due to the unsatisfactory condition of the pledged stock.

The matter was reported to the management in November 2024. The management, in its reply, stated that the older pledge stock was replaced, except for M/s. Sitara Spinning Mill's pledge account, which had been adjusted. However, the reply of the management is not acceptable because the management failed to assess the quality of the pledge stock, resulting in higher finance being granted against the lower value of the pledge stock.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the matter.

6.2.4.10 Non-transferring of entitlement of properties – Rs. 2,305.065 million

Rule 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that titles of 39 properties, valued at Rs. 2,305.065 million, were still awaiting entitlement to NBP (Annex-41).

Audit is of the view that management failed to get the entitlement of properties which reflected weak internal controls and poor assets management.

The matter was reported to the management in November 2024, management stated in its reply that all amalgamated properties have been transferred to NBP. There is no bar in ownership of NBP over these properties. All the properties are under NBP control. The reply of the management is not acceptable as management failed to transfer entitlement of properties in the name of NBP.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.2.4.11 Unjustified waiver / non-recovery of non-performing loans from local and foreign customers – Rs. 2,173.520 million

Section 3 (2) of Financial Institutions (recovery of finances) Ordinance, 2001, states that where the customer defaults in the discharge of his obligation, he shall be liable to pay, for the period from the date of his default till realization of the cost of funds of the financial institution as certified by the State Bank of Pakistan from time to time, apart from such other civil and criminal liabilities that he may incur under the contract or rules of any other law for the time being in force.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi, and Faisalabad Region for the year 2023, it was observed that the management waived off following different foreign loans at foreign branches. Moreover, corporate clients at Faisalabad Region became defaulters under various financing schemes.

(Rs. in million)		
S#	Category of borrower	Waiver amount
1	Local borrowers (outstanding)	2,055.179
2	Foreign borrowers (waiver)	118.341
Total		2,173.520

Audit is of the view that granting of waiver / non-recovery of non-performing loans to foreign and local customers was held irregular.

The matter was reported to the management in November, 2024. The management in its reply stated that the bank was suffering from operational losses in Central Asia region and the decision to close these branches was approved by BoD, but due to non-settlement of NPLs decision was not materialized. Further, replied that Rs.102.20 million has been recovered from M/s. Shalimar Cotton Export (Pvt.) Ltd. and a recovery suit was filed against M/s. Punjab Beverages Co. The reply of the management is not tenable as it depicts the inefficiency on part of management to manage foreign branches and extending waivers to the local defaulters.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

(DP Nos.935 & 946)

6.2.4.12 Irregular renewal of the financing facility - Rs. 1,235.110 million

Section 15(4) of the Financial Institutions (Recovery of Finances) Ordinance, 2001, empowers financial institutions to sell mortgaged properties by public auction without court intervention if the mortgagor fails to pay the demanded amount within the prescribed period, with proceeds used to satisfy outstanding mortgage money.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management granted renewal of finance facilities to the following borrowers again defaulted in the repayments of principals and markups.

				Rs.in million
S #	Name of borrower	Loan amount	Days of Default	Defaulted amount
1.	M/s. Sadiq Feeds	325.000	457	340.110
2.	M/s.Shabbir Chicks Mills Pvt. Ltd	800.000	1,370	895.000
Total		1,125.000		1,235.110

Audit is of the view that the management granted undue favor to the defaulters.

The matter was reported to the management in November, 2024. The management in its reply stated that both cases are in litigation and dealing counsel has been changed for actively persuading the matter. The reply of the management is not acceptable as the management have been bearing additional cost of the legal fees; however, defaulted amount is still outstanding.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management should recover the defaulted amount with interest from concerned borrower.

(DP Nos.937 & 931)

6.2.4.13 Unjustified assessment of the value of cotton bales without proper grading – Rs. 1,002.933 million

Clause 4.2.1 of the Master Agreement for Muqaddam services of states that the Muqaddam shall verify, certify and confirm the mark, type, quality, quantity and value of pledged deposited by the bank. Further, 4.2.2 stipulates that Muqaddam shall provide verification, certification and confirmation of the mark, type, quality, quantity and value of the pledged goods at the time of delivery.

During audit of National Bank of Pakistan (NBP), Regional Office, Faisalabad for the year 2023, it was observed that the management had approved financing facilities against the stock of cotton bales to borrowers. However, the management ascertained the value of the cotton bales without determining their proper grading based on laboratory test reports. Notably, the Karachi Cotton Exchange (KCA) determines the rate of cotton bales based on grading, staple length, and Mic value. Detailed of pledged stocks borrowers-wise on sample basis is tabulated below;

			(Rs. in million)	
Name of borrowers	A.A Spinning Mills Ltd	JK Spinning Mills Ltd	Crescent Cotton Mill Ltd	Grand Total
Value of Pledged Stock	655.605	228.730	118.598	1,002.933
	7,767 cotton bales	3,000 cotton bales	1,597 cotton bales	12,364 cotton bales

Audit is of the view that the management and muqaddam were responsible for evaluating the quality of the cotton bales stock through laboratory tests to determine the actual value of the cotton bales based on their grading and specifications. This oversight reflects weak monitoring and poses a significant financial risk. Consequently, the value of Rs.1,002.933 million ascertained by the management without proper grading, specification and laboratory tests stands irregular.

The matter was reported to the management in November, 2024. The management in its reply stated that the cotton bales as stocks are pledged on Karachi Cotton Association average rates, which are published for Grade-3/average quality of cotton and the purchase price of the customer is always higher than the average rate. Stocks are pledged as per the Bank's SOP/regulations. Lab tests are not possible for each and every pledge in transaction. Periodic Valuations by PBA Approved evaluators are also arranged to ascertain the quantity & quality of the pledged stocks. The reply of the management is not tenable because management did not conduct the lab test in order to determine the actual value of the cotton bales as per grading and their specification.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may conduct lab tests to determine the actual value of the cotton bales based on their grading and specifications, and recover any differential amount, if any, to prevent financial loss to the bank.

6.2.4.14 Non-utilization and encroachment of properties – Rs. 995.736 million

Rule 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management owns 38 properties,

including buildings and open plots / agriculture land etc., at prime locations across various cities in Pakistan. However, these properties remained un-utilized for operational or business purposes for an extended period, and the management does not have any plans to utilize them. Furthermore, certain properties, valued at Rs. 2,871.106 million located at Lahore were encroached by land grabbers and illegally occupied by the Lahore Development Authority (LDA).

S#	Description of Properties	No. of buildings / Open Plots	Total covered Area
1	Buildings	07	47,844 Sq. Ft.
2	Open Land	14	224,478.03 Sq. Yds
3	Open Land	02	36.2 Acres
4	Open Land	02	74 Kanals 31 Marlas
5	Open Land	02	62 poles
6	Open Land	02	6240 Sq. ft.
Total No. of properties		29	
Property Description(s)			Valuation as per valuator in PKR
Ex-Corporate Branch, Opposite Saddar Road, NBP Branch, Peshawar Cantt			Rs.119,874,200
103-105, Shahrah-e-Quai-e-Azam, Lahore			Rs.875,862,000
Total			Rs.995,736,200

Audit is of the view that the management failed to utilize and free the properties / land from illegal occupants which indicated weak internal controls and poor asset management.

The matter was reported to the management in November 2024. The management in its reply stated that the Board approved the comprehensive policy of “disposal of bank unutilized properties.” Further, the management stated that both matters are in the court of law. The management's reply is not tenable as the approval of a comprehensive policy for disposal of unutilized properties does not justify the prolonged inaction and lack of utilization of these prime properties for an extended period. Furthermore, the audit's concern is not about the existence of a policy, but rather the management's failure to implement it effectively and timely, resulting in potential financial losses and opportunity costs to the Bank and the cases are pending in relevant court of law since last two decades.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may identify and implement the best alternative use or utilization of the unutilized properties.

(DP Nos.977, 981 & 975)

6.2.4.15 Unjustified payment of insurance coverage of the chest vault – Rs. 800.000 million

Rule 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management has been providing chest facilities to the State Bank of Pakistan for decades. The National Bank of Pakistan's (NBP) chest network spans over 224 locations across the country. The NBP arranged and paid a premium of approximately Rs. 800 million for insurance coverage of all chest network branches. However, this amount was not claimed from the State Bank of Pakistan.

Audit is of the view that the management paid the premium for insurance coverage of the chest vault without a formal agreement with the State Bank of Pakistan (SBP) reflects weak internal controls. Consequently, the payment of Rs. 800 million for insurance coverage of the chest remains unjustified.

The matter was reported to the management in November 2024, management stated in its reply that the insurance was arranged as per regulatory requirement and to safeguard the interest of the bank. The reply is unsatisfactory as the payment of premium for insurance coverage was made without compensation of the chest vault and formal agreement with the SBP.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may sign a formal agreement with the State Bank of Pakistan (SBP) and ensure premium compensation for the chest vault, and also recover the premium paid, if any.

6.2.4.16 Loss due to defaults in repayments of loan - Rs. 611.677 million

Section 15(4) of the Financial Institutions (Recovery of Finances) Ordinance, 2001, allows financial institutions to sell mortgaged properties by public auction without court intervention if the mortgagor fails to pay the demanded amount. Additionally, Instruction Circular No. 195/218 emphasizes the need for extra due diligence in verifying ownership of gold ornaments pledged as collateral, with the bank's policy being to extend finance directly to the owners of the ornaments.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi, and Regional Office, Faisalabad & Islamabad for the year 2021-2023, it was observed that various defaults events took place which caused loss of Rs.585.883, and one event of acquiring financings against pledge of fake gold of Rs.25.794, details are as under;

Category of Default	Defaulted amount (Rs. in million)
Default in repayment of cash and housing finance facilities	336.726
Prime Minister's Youth Business Loan programme	157.946
Defaults in low-cost housing schemes	48.527
Default in repayment of salary advances	42.684
Fraud by pledging fake gold	25.794
Total	611.677

Audit is of the view that due to weak internal controls and collusion of bank officials, NBP incurred a loss of Rs. 611.677 million. This reflected weak monitoring, imprudent financial management and poor recovery mechanism within the organization.

The matter was reported to the management in April, 2024 and November 2024. The management in its reply state that additional controls are being applied to mitigate such events in the future, besides taking disciplinary action against those responsible. However, the reply of the management is unacceptable and demonstrates a lack of urgency in recovering the fraudulent amount. The slow and inadequate recovery efforts are indication of the management's ineffectiveness in addressing this serious issue. Furthermore, the management's failure to take prompt and decisive action to recover the full amount and hold those responsible accountable is a dereliction of duty.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may expedite recovery of the outstanding amount.

(DP Nos. 286, 293, 970, 951, 287 & 945)

6.2.4.17 Unjustified agreement of stadium naming rights – Rs. 450.000 million

Rule 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management entered into an agreement with the Pakistan Cricket Board (PCB) for acquiring the naming right of the National Stadium Karachi on 15th December, 2022, for a period of five years against the total value of Rs.450.000 million. However, several irregularities were noted, including the agreement's addendum restricting in-stadium branding, which contradicts the bank's agreement spirit. Furthermore, the amended agreement restricts the bank's access to centrally contracted players for promotional events. Moreover, Agreement Clause 4.1 states that the PCB reserves the right to cancel any and all PCB events or matches at its discretion; notably, the management of NBP failed to secure compensation, refunds, or any other remedy against this condition.

Audit is of the view that the changes in the initial agreement were disadvantageous to the management against the heavy sponsorship amount of Rs.450.000 million. This reflected weak marketing strategy and poor financial management.

The matter was reported to the management in the November 2024. The management in its reply stated that naming rights agreement with PCB was a strategic and well-considered decision, executed in line with NBP's Marketing and Sponsorship Policy and approved through established corporate governance

protocols. The reply is not tenable as acquiring naming rights of the stadium was not in favor of the bank.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may probe the matter.

6.2.4.18 Non-realization of export proceeds - Rs. 294.754 million

CPM Para 15.4.1.5 states that non-repatriation of foreign exchange proceeds of export bills is a serious matter and need to be seriously attended. Credit limits of all such parties, who are late in bringing foreign exchange proceeds should be re-examined not only from the point of credit risk but also for non-compliance of foreign exchange regulations of SBP. Bank will have to take a serious decision, whether to continue such credit facilities.

During audit of National Bank of Pakistan (NBP), Regional Office, Faisalabad for the year 2023, it was observed that M/s. Niagara Mills Pvt. Ltd., M/s. Crescent Cotton Mills Ltd., and M/s. Iqbal Rice Mills Pvt. Ltd. exported goods valued at Rs. 294.754 million during the years 2021-2023. However, these exporters failed to repatriate the foreign exchange earnings to Pakistan.

Audit is of the view that due to inadequate monitoring and weak internal controls, the export overdue amount did not repatriate in Pakistan over the past three years.

The matter was reported to the management in November, 2024. The management stated that highlighted cases are pending in the SBP Adjudication Court for hearing. However, the management's response is unacceptable because the exporters failed to repatriate the export proceeds within the stipulated timeframe.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may strengthen internal controls and ensure timely monitoring of export transactions to prevent delays in realization of export proceeds.

6.2.4.19 Loss due to penalty – Rs. 285.940 million

Rule 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that State Bank of Pakistan and international regulators imposed penalties worth Rs.285.940 million on NBP due to non-compliance of the financial regulations issued by the concerned regulators. Detail is as under;

S#	Regulator	Penalty Amount
1	State Bank of Pakistan	270.073
2	Central Bank of International Branches	15.867
Total (Rs. in million)		285.940

Audit is of the view that the management failed to comply with the regulations issued by the regulators, reflecting weak internal controls and inadequate monitoring. Consequently, the bank sustained penalties amounting to Rs. 285.940 million, resulting in a significant financial loss.

The matter was reported to the management in November 2024. The management stated in its reply that the Bank has a governance structure in place to monitor and report regulatory issues, and all penalties are presented to the relevant committees with a detailed synopsis. However, this response is unacceptable because the penalty itself demonstrates the bank's non-compliance with regulatory directions.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may ensure strict adherence to regulatory requirements and strengthen internal controls to prevent such financial losses in the future.

6.2.4.20 Loss due to unjustified out-of-court settlement - Rs. 285.531 million

NBP letter Ref. No. ARD (N)/SAMW/MH/367 dated April 13,2022, states that out of the court settlement & bank's offer letter M/s. Harum Textile Mills Ltd. the letter is being issued in duplicate and you are requested to please return the duplicate copy duly signed and stamped as token of acceptance for this settlement package, immediately, failing which the above settlement package would be withdrawn and bank would have the right to recover the entire outstanding liabilities prior to this settlement along with markup/cost of funds therefore till realization and adopt all legal measures for recovery.

Section 3 (2) of Financial Institutions (recovery of finances) Ordinance, 2001, states that where the customer defaults in the discharge of his obligation, he shall be liable to pay, for the period from the date of his default till realization of the cost of funds of the financial institution as certified by the State Bank of Pakistan from time to time, apart from such other civil and criminal liabilities that he may incur under the contract or rules of any other law for the time being in force.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management approved a settlement amount of Rs. 340.4 million against the total liabilities of M/s. Harum Textile Mills Ltd., amounting to Rs. 612.9 million. The settlement allowed for a lump sum payment within one month, but M/s. Harum Textile Mills Ltd. failed to meet this deadline and paid in two installments five to six months later. Consequently, the management granted a waiver of Rs. 285.531 million, instead of recovering the entire defaulted amount. Details are as under:

Description	Rs. in million
Principal Amount	292.6
Markup	44.8
Cost of funds	272.5
Total Liability as of 31-03-2022	612.9
NBP offered settlement amount	340.4
NBP offered payment schedule	Before 13-05-2022
Settled amount paid by M/s. Harum Textile Mills in two installments with 05 to 06 months delayed	Rs.140.400 million on 16-11-2022 & Rs.200.00 million on 28-12-2022
NBP waived off	285.531

Audit is of the view that the management extended undue favor to defaulter by granting waiver of Rs.285.531 million and also did not initiate legal measures against them to recover the entire outstanding liabilities prior to this settlement along with markup/cost of funds. This tantamount is the gross violation of financial institutions (recovery of finances) Ordinance, 2001.

The matter was reported to the management in November, 2024. The management in its reply stated that the bank's competent authority allowed waiver Rs.285.531 million because forced sales value (FSV) of collateral was Rs.294 million (Rs.206.4 million and from traced out property Rs.87.6 million) while management recovered Rs.340.4 million (Principal Rs.292.6 million plus Mark-up Rs.44.8 million plus partial Cost of fund Rs.3.0 million) which is higher than the FSV of collateral. The reply of the management is not tenable because M/s. Harum Textile Mills Ltd. paid two installments after due date as per bank offer.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to probe the matter and taking action against the person(s) at fault.

6.2.4.21 Non-reconciliation of balances (SAP vs Profile–Absolute) – Rs. 277.059 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

Circular No. 05/2018 of NBP, states that Head Teller key task is to perform cash reconciliation, along with Manager Operations, at day end while ensuring that funds received from tellers (system and physical) are matched.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that an amount of Rs.277.059 million remained

un-reconciled in the General Ledger balances (SAP vs Profile –Absolute) as on June 16, 2023 is hereunder;

S#	Nature of SAP GL Class	Count	Un-reconciled Amount
1	Deposit	136	53,555,597.12
2	Loan	29	7,663,625.75
3	NBGPL	14	9,383,312.14
4	Reconciliation	129	113,464,109.19
5	Remittance	79	77,027,964.46
6	System Adjustment	20	15,965,263.29
Total in Rs.		407	277,059,871.95

Audit is of the view that un-reconciled amounts reflected weak internal controls and poor financial management.

The matter was reported to the management in November, 2024. The management in its reply stated that these discrepancies arise from system-based balancing between the core banking system and the SAP GL system, primarily due to timing differences, data entry issues, or system constraints. To prevent recurrence, the bank is upgrading reconciliation systems, conducting staff training, and strengthening governance through stricter timelines and quarterly reviews. The reply of the management is not acceptable as no progress has been made regarding reconciliation of 407 un-reconciled cases involving an amount of Rs.277.059 million.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may identify the root causes of the above-mentioned counts and amounts.

6.2.4.22 Loss due to default in letter of credit payment - Rs. 255.803 million

Section 15 (4) of the Financial Institutions (Recovery of Finances) Ordinance, 2001 states that where a mortgagor fails to pay the amount as demanded within the period prescribed under sub-section (2), 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 National Bank of Pakistan (NBP) Faisalabad Region for the year 2023, it was observed that three (03) borrowers failed to adjust and repay their loan facilities, thereby violating the terms of their financing agreements. Details are as under:

(Rs. in million)			
S#	Name of Client	Description	Outstanding amount
1	Design & Engineering Ltd.	No repayment against L.C. loan	64.456
2	M/s. Rentex Pvt. Ltd.	Defaulted and failed to repay	105.902
3	M/s Bird Inn Poultries Pvt. Ltd.	Non-implementation of Court orders of recovery	85.445
Total			255.803

Audit is of the view that due to poor monitoring and inadequate recovery mechanism, the management failed to recover the aforementioned loans.

The matter was reported to the management on November 22, 2024. The management in its reply stated that sum of the recoveries are in process and outstanding amount is being pursued. The reply is not tenable as the amount is still un-recovered.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may strengthen its monitoring and recovery mechanism.

(DP Nos. 938,942 & 957)

6.2.4.23 Loss incurred in Kamyab Jawan Scheme – Rs. 215.000 million

Rule 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management disbursed an amount of

Rs. 215.000 million under the Kamyab Jawan Scheme. However, the borrowers defaulted and willfully failed to repay the borrowed amount acquired under the scheme. Subsequently, the management submitted claims to the State Bank of Pakistan under the credit loss subsidy scheme. Details are given below;

S#	Product	Pending Claims	
		Period	Amount
1	Kamyab Jawan (Credit Loss Subsidy)	Jan to Mar 2024	105.00
2	Kamyab Jawan (Credit Loss Subsidy)	Apr-June -24	110.00
Total (Rs. in million)			215.00

Audit is of the view that the management failed to properly assess the creditworthiness of the borrowers before disbursing loans under the Kamyab Jawan Scheme, which resulted in defaults and subsequent claims under the credit loss subsidy scheme.

The matter was reported to the management in November, 2024. The management in its reply stated that for recovery of the due loan, NBP followed the cases and successfully recovered 80% installment. The reply of the management is not tenable because no documentary evidence regarding the recovery has been produced to audit for verification.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may ensure thorough assessment of borrowers' creditworthiness before loan disbursement.

6.2.4.24 Embezzlement of pension funds and non-finalization of fraud / forgery cases – Rs. 220.813 million

Rule 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that an incident of fraudulent payment was identified at the National Bank of Pakistan, involving the commutation of pension for retired employees. An investigation was conducted against Mrs.

Syeda Riffat Noreen, AVP, in two phases, reflecting that she had attested fabricated sanction notes, leading to fraudulent payments of Rs.47.514 million to un-authorized beneficiaries. Furthermore, the second phase of the investigation reflected an additional Rs.107.058 million in fraudulent payments, bringing the total amount to Rs.154.572 million.

Furthermore, the management submitted a return to the SBP in respect of 08 instances of fraud and forgery identified in the bank, amounting to Rs.63.000 million, which were not finalized.

Audit is of the view that the management failed to implement effective internal controls which resulted in fraudulent payments and forgery cases of Rs.220.813 million.

The matter was reported to the management in November 2024. The management stated in its reply that management initiated another investigation into the same matter, covering period from 01.01.2009 to 2015 involving embezzled amount Rs.54.001 million has been received at EDW on 13.11.2024 whereby, the identified delinquent officials including Syeda Riffat Noreen, ex-AVP and Syed Rizwan Rashid, ex-OG-I already dismissed respectively from Bank's service. Furthermore, NBP manage the flow of money between individuals and businesses by accepting deposits and lending out money for investments, resultantly the probability of Fraud is an inherent risk. All outstanding reported frauds cases as per criteria of SBP include forced lifting of the pledged stocks, robberies / dacoities & digital frauds etc. The reply is not tenable as the management should be lodged the FIR against the delinquents at the earliest to probe the scam and the management did not finalize fraud and forgeries cases despite lapse of considerable time.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may strengthen internal controls and implement effective measures to prevent fraudulent activities and to finalize the pending cases at the earliest.

(DP Nos.958 & 963)

6.2.4.25 Loss due to waive-off cost of fund - Rs. 102.514 million

Section 3(2) of Financial Institutions (Recovery of Finances) Ordinance, 2001, states that where the customer defaults in the discharge of his obligation, he shall be liable to pay, for the period from the date of his default till realization of the cost of funds of the financial institution as certified by the State Bank of Pakistan from time to time, apart from such other civil and criminal liabilities that he may incur under the contract or rules of any other law for the time being in force.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management approved the waiver of cost of fund amounting to Rs.102.514 million (Rs.23.454 million & Rs 79.06 million) M/s. Tharparkar Sugar Mills Ltd and M/s. Master Rice Mill.

Audit is of the view that the management extended undue favor by granting waiver on cost of fund to the defaulters / borrowers amounting to Rs.102.514 million.

The matter was reported to the management in November, 2024. The management in its reply stated that the Board of Directors on 29.05.2023 approved waiver of PKR 91.46 million and issuance of NOC for release of securities/vacation of charges and condoning the delay of 7 years in repayment of the settlement amount (Cost of Funds for the delayed period had been recovered) of M/s. Tharparkar Sugar Mills Ltd. (TSML) in line with the Bank's Recovery Policy. Further, the bank's competent authority also approved waiver of Rs.23.454 million as per NBP Board Approved Recovery Policy, as per Clause No. 11 (Negotiated Settlement) A-ii states "Waiver of Cost of Fund can be done even if Forced Sales Value of the security is sufficient to cover payment of Principal Plus Markup Plus Cost of fund of higher than the total outstanding amount. This may be in the interest of early settlement as opposed to executive of decree and auction of assets". The reply of the management is not tenable because of Rs.103.514 million has been waived off by the management.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to probe the matter.

(DP Nos.956 & 955)

6.2.4.26 Loss due to shortage and illegal lifting of pledged stock - Rs. 91.777 million

Clause 4.1.2 of the Bank and Mucaddum agreement requires the Mucaddum to ensure that pledged goods are always attended and secured, including during holidays, with sufficient reinforcements to prevent shortages and maintain full security at all times.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that:

a) Various cases of shortages in pledge stock were reported at different regions amounting to Rs.91.777 million without adjustment or repayment of loan (Annex-42).

b) Further, Balochistan Rice Mills availed seasonal financing of wheat under a cash finance (CF) facility with a pledged limit of Rs. 80 million. However, during a joint inspection, it was noted that the borrower, in collusion with the Mucaddam, had illegally lifted pledged stock valued at Rs. 52.769 million without making any adjustments to the loan.

Audit is of the view that the occurrence of shortage cases not only indicates a potential loss to the bank, but also highlights weaknesses in internal controls. Further, lifting of stocks without loan repayment or adjustment is irregular and willful default, causing financial loss to NBP.

The matter was reported to the management in November 2024. The management in its reply appreciated the finding of audit and presented the corrective measures taken in order to secure bank's money and implementation of different policies by CAD. However, the reply is silent with respect to recoveries. The management in its reply stated acknowledged the audit finding and presented the details on strengthening its controls and operational lapses, however the amount illegally lifted could not be recovered.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may strengthen internal controls and investigate shortage cases to prevent potential losses.

(DP Nos.947 & 953)

6.2.4.27 Provision of financing facility on over-valued property - Rs. 42.449 million

Rule 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was noted that the management approved financing facilities to M/s Mayfair Group of Industries. The borrower availed the financing facilities amounting to Rs. 42.449 million based on the valuation assessed by M/s A.J. Valuator. However, it was observed that the loan was disbursed on the basis of an overvaluation provided by A.J. Valuator which ultimately defaulted. The details are hereunder;

Description(s)	A.J Valuator	Indus Surveyors
Date of Valuation	06.12.2023	18.12.2023
Market value	Rs. 67.96 million	Rs.24.30 million
Forced Sale Value	Rs. 54.36 million	Rs. 19.36 million

Audit is of the view the management extended undue favor to M/s Mayfair Group of Industries on the basis of overvaluation of assets.

The matter was reported to the management in November 2024, management stated in its reply that the matter was settled out of court of outstanding liabilities of the borrowers at Rs 43.950 million (Principal Rs 42.450 million + Mark-up 1.448 million plus cost of suit Rs. 0.052 million) along with repayment period cost of fund as full and final settlement involving no write-off but wavier of Rs 64.274 million. The reply of the management is unsatisfactory as it fails to address the core issue of overvaluation of assets, which led to the loan default. The management's decision to settle the matter out of court without adequately explaining the circumstances surrounding the overvaluation raises concerns about the bank's risk management practices and potential favoritism

towards the borrower. Furthermore, the significant difference in valuation between A.J. Valuator (Rs. 67.96 million) and Indus Surveyors (Rs. 24.30 million) suggests that the bank may have relied on an inflated valuation to approve the loan. The waiver of Rs. 64.274 million as part of the settlement also raises questions about the bank's recovery efforts and its ability to minimize losses, overall, the management's reply lacks transparency and fails to address the underlying issues that led to the loan default.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may investigate the circumstances surrounding the overvaluation and take disciplinary action against those responsible. Additionally, the bank should strengthen its internal controls and valuation processes to prevent such instances of undue favor and overvaluation in the future.

6.2.4.28 Unauthorized transactions through fraud - Rs. 36.146 million

Section 4.2 (j) of SBP's regulations for Payment Card Security, states that Card Service Providers (CSPs) shall install appropriate security mechanisms like Anti-skimming and Biometric devices etc on their ATMs and POS machines.

Section 1.20 of Code of Conduct of NBP, states that any employee found to be engaged in, attempting to, or conspiring as to fraud or theft of assets of the Bank or its clients, or attempting to engage in fraud or theft, may be subject to immediate dismissal and criminal prosecution, subject to the rules, regulations or law applicable thereto.

During audit of National Bank of Pakistan (NBP), Head Office and Regional Office Faisalabad, for the year 2023, it was observed that:

- a. Multiple instances of ATM skimming and other unauthorized transactions, totaling Rs. 23.116 million occurred. However, instead of pursuing recovery from the fraudsters, the management opted to debit the protested bills account.
- b. Various cases of fraud and forgeries were detected in the NBP Sibi region. The Branch Manager collected proceeds from government cheques at the Treasury Office in Jacobabad but incorrectly credited them

into the accounts of family pension holders. The funds were then withdrawn from these accounts using fake signatures, resulting in embezzlement amounting to Rs. 13.030 million.

Audit is of the view that the management failed to protect the bank's interests by not initiating criminal proceedings against the fraudsters to recover the losses of Rs.36.146 million incurred due to unauthorized transactions.

The matter was reported to the management in November 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may initiate criminal proceedings against the fraudsters and take immediate action to recover the losses of Rs.36.146 million. Additionally, the bank may strengthen its security measures to prevent such incidents in the future.

(DP Nos. 965 & 952)

6.2.4.29 Improper execution of the contract – Rs. 31.000 million

Rule 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that in 2020, the management awarded a project to M/s EY worth Rs. 31 million. The project's scope included identifying gaps and root causes for non-reconciliation, providing assistance in reconciliation, and validating remedial actions taken at NBP. However, despite a significant lapse of time, the consultant failed to complete the requisite work. Consequently, the scope of work was revised to resolve the issue amicably, and the project timeline was extended until the end of 2023. Furthermore, the management paid Rs. 3.1 million (10% of the contract value) to M/s EY at the commencement of the contract.

Audit is of the view that the management extended undue favor to the consultant, who failed to fulfill contractual obligations within the stipulated timeframe.

The matter was reported to the management in November, 2024. The management stated in its reply that NBP management is in continuous liaison with the senior partner of the consultant (M/s. EY) to redefine scope of their work besides to address reconciliation challenges, however, recently in view of the progress made by ourselves in these reconciliation areas, they agreed to close consultancy project at only payment of 10% of the project made to them for resources mobilization as per agreed terms of the consultancy. The reply is not tenable as the consultant remained unable to accomplish their task despite considerable lapse of time.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may reassess the consultant's performance, consider terminating the contract, and recover the advance payment of Rs. 3.100 million.

6.2.4.30 Irregular hiring of officer after age of superannuation

NBP Staff Service Rules 2021 states that no employee shall be re-employed in service beyond the age of 60 years except in rare and exceptional circumstances and with the prior approval of the Board.

Para 12.3 of NBP's HR Policy Booklet states that succession planning is an ongoing process integrated into the overall strategic plan, focusing on developing talent to meet long-term organizational challenges. Key positions, including those defined by SBP and vulnerable positions impacted by retirements and departures, will be identified for systematic succession planning.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2023, it was observed that the management hired Mr. Aamir Faraz, SVP/Legal Division, on a contract basis for one year after his superannuation. However, the management extended his contract for an additional three months, from April 12, 2023, to July 11, 2023, which contravened the National Bank of Pakistan's rules.

Audit is of the view that the management failed to adhere to the National Bank of Pakistan's rules regarding reappointment/extension of employment contracts for employees beyond the age of superannuation.

The matter was reported to the management in the month of November, 2024. The management in its reply stated that the service of employees of National Bank of Pakistan (NBP) were rehired/re-employed beyond 60 years on the basis of below mentioned rules and regulations, Clause 17(2) of National Bank of Pakistan Staff Service Rule (SSR) 1973, Clause 11 (4) of Bank's Nationalization Act 1974, Decision of the Board of Directors in this meeting held on 29th October, 2010, authorized the President to approve rehiring/extension in service contracts of retired NBP employees up-to a period of one year and Repealed NBP SSR – 2021 (clause 19-b/2) the Board of Directors, in the best interest of the Bank, re-employ any employee in category 1 after the date of his/her retirement on contract for a period not exceeding on year at any time and maximum of two years. The reply of the management is not tenable because there are no rare and exceptional circumstances exist as the incumbent was reappointed SVP/Legal Division to perform the day to day affairs.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management may ensure strict adherence to the National Bank of Pakistan's rules and regulations regarding the reappointment/extension of employment contracts for employees beyond the age of superannuation.

6.3 National Security Printing Corporation (Pvt.) Limited

6.3.1 Introduction

National Security Printing Company (Private) Limited was incorporated in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) on April 18, 2017 and is wholly owned by the Government of Pakistan. The registered office and the factory are located at Jinnah Avenue, Malir Halt, Karachi. The Company is principally engaged in the printing of security documents on behalf of the Government of Pakistan, government agencies and private institutions.

6.3.2 Comments on Audited Accounts

6.3.2.1 The working results of the Company for the year ended June 30, 2023 as compared with the preceding years are given below:

(Rs. in million)							
	2022-23	% Inc/ (Dec)	2021-22	% Inc/ (Dec)	2020-21	% Inc/ (Dec)	2019-20
Sales	4,745.69	32.7	3,576.18	-1.30	3,623.11	1.06	3,584.79
Cost of Sales	(3,010.18)	23.64	(2,434.65)	-4.41	(2,547.09)	16.16	(2,192.72)
Gross Profit	1,735.51	52	1,141.525	6.09	1,076.02	-22.7	1,392.07
Administrative Expenses	(512.352)	-5.23	(540.653)	23.89	(436.386)	24.67	(350.017)
Other Expenses	(137.531)	118	(63.139)	-2.76	(64.928)	-40.89	(109.856)
Other income	1,646.116	100	822.422	11.02	740.795	-12.9	850.546
Operating Profit	2,731.747	100	1,360.16	3.39	1,315.50	-26.2	1,782.74
Finance Cost	(3.316)	3216	(0.1)	-99.99	(672)	484	(115)
Profit before Taxation	2,728.431	100	1,360.06	3.44	1,314.83	-26.24	1,782.62
Taxation	(1,030.069)	168	(384.069)	9.04	(352.227)	-39.79	(585.002)
Profit after Taxation	1,698.36	74	975.986	1.39	962.601	-19.62	1,197.62
The entity has last audited annual accounts of year 2022-23 till finalization of this report.							

6.3.2.2 Financial Performance Highlights

- Sales have increased by 32.7% in 2022-23, indicating significant growth in revenue.

- ii. Gross profit has increased by 52% in 2022-23.
- iii. Operating profit has increased by 100% in 2022-23.
- iv. Profit after taxation has increased by 74% in 2022-23.

6.3.2.3 Asset Analysis

There is a significant increase in total assets from Rs 16,161.123 million in 2022 to Rs 21,695.193 million in 2023, representing a 34.3% growth.

The increase in total assets is primarily driven by a substantial rise in current assets, which grew by 42.7% from Rs 13,571.162 million in 2022 to Rs 19,350.688 million in 2023. This significant increase in current assets suggests that the company has improved its working capital position and is well-equipped to meet its short-term obligations.

6.3.2.4 Liability Analysis

The liability has increased significantly from Rs 3,723.67 million in 2022 to Rs 7,385.531 million in 2023, representing a rise of Rs 3,661.861 million or 98.3%. which may indicate a higher level of indebtedness and potential financial risk.

6.3.2.5 Key Financial Ratios

- i. Gross margin ratio: 36.6% (2022-23), 31.9% (2021-22)
- ii. Operating profit margin ratio: 57.7% (2022-23), 38.1% (2021-22)
- iii. Net profit margin ratio: 35.8% (2022-23), 27.3% (2021-22)
- iv. Return on Asset (ROA): 7.83% (2022-23), 6.03% (2021-22)

6.3.2.6 Financial Health and Stability

The company's financial performance indicates significant growth in revenue and profitability. The gross margin ratio, operating profit margin ratio, and net profit margin ratio have all improved, indicating better profitability. The return on equity (ROA) has also improved, indicating better utilization of assets.

6.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2019-20	2	1	1	6.2.4.2	
Total	2	1	1		50%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

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

6.3.4 Audit Paras

6.3.4.1 Irregular investment in bank – Rs. 6,464.000 million

The Investment Policy of NSPC states that when the total working balance exceeds Rs.10 million, the following criteria must be followed for placing bank deposits: not more than 50% of such balance shall be kept with one bank, and bids must be obtained from at least three independent banks.

During audit of National Security Printing Company (NSPC) for the year 2022-23, it was observed that the management invested a working balance of Rs. 6,464 million, contrary to established guidelines, as detailed below:

S#	Bank Name	Amount Invested	Bank Exposure (%)
1.	Meezan Bank Limited	139	1.76
2.	Bank Al-Habib Limited	6,464	81.79
3.	Bank Alfalah Limited	1,300	16.45
Total (Rs. in million)		7,903	100

Audit is of the view that significant weaknesses exist in the investment management of NSPC, particularly in the placement of bank deposits, which contravene established guidelines, exposing the company to undue risk and potential financial losses.

The matter was reported to the management on July 05, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

6.3.4.2 Non-payment of Sindh workers welfare fund - Rs. 214.993 million

Section 5 (2) of the Sindh Worker's Welfare Fund Act, 2014, states that every industrial establishment, which is liable, shall pay the amount due from it to the Sindh Revenue Board.

During audit of National Security Printing Company (NSPC) for the year 2022-23, it was observed that the management failed to remit the Sindh Workers Welfare Fund amount to Sindh Revenue Board, leading to a significant accumulation of unpaid liabilities, as outlined below:

S#	Year	Amount (Rs. in million)
1	2021-22	159.991
2	2022-23	214.993

Audit is of the view that the management's failure to remit the Sindh Workers Welfare Fund amount to the Sindh Revenue Board is irregular and it may cause potential legal issues.

The matter was reported to the management on July 05, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to comply with the rules.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 8.3.4.7 having financial impact of Rs.159.991 million. Recurrence of same irregularity is a matter of serious concern.

6.3.4.3 Award of contract without determination of wage range - Rs. 97.008 million

Rule 4 of PPRA 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.

Rule 23 of PPRA Rules, 2004, states that 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.

During audit of National Security Printing Company (NSPC) for the year 2022-23, it was observed that the management awarded a contract to M/s Icon Consultants Pvt. Ltd. for hiring HR services amounting to Rs.97.008 million effective from March 1, 2023, to February 29, 2024. However, the management failed to determine the wage rate for each category of employees before awarding the contract. The minimum and maximum salary of each category is given below:

S#	Category	Minimum Salary (Rs)	Maximum Salary (Rs)
1.	Team Monitor	58,500	245,000
2.	Team Support	38,500	84,700
3.	Team Worker	25,000	60,000

Audit is of the view that the management awarded an ambiguous contract without establishing wage rates for each category, indicating a flawed contract agreement.

The matter was reported to the management on July 05, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the matter.

6.3.4.4 Non-utilization of stores and spare parts - Rs. 67.971 million

Rule 08 of PPRA, 2004, states that all procuring agencies shall devise a mechanism for planning in detail for all proposed procurement to determining the requirement of the procuring agency.

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that 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.

During audit of National Security Printing Company (NSPC) for the year 2022-23, it was observed that a significant accumulation of unused, slow-moving, and obsolete stores and spare parts, with a total value of Rs.67.971 million, deteriorating in storage.

Audit is of the view that the failure to utilize inventory items indicates inadequate inventory management practices and ineffective internal controls, which have resulted in inefficient use of resources.

The matter was reported to the management on July 05, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 8.3.4.9 having financial impact of Rs.81.651 million. Recurrence of same irregularity is a matter of serious concern.

6.3.4.5 Imprudent investment in mutual funds - Rs. 60.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that 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.

During audit of National Security Printing Company (NSPC) for the year 2022-23, it was observed that management invested in 2017 an amount Rs. 100.000 million in Mutual Funds with Al-Meezan Investment Management Limited, yielding a profit of Rs. 2.427 million. However, the management did not opt for investment in Government Treasury Bills (T-bills) or Pakistan Investment Bonds (PIBs), at a guaranteed return of approximately 10% per annum. The detail of gain on investment is as under:

(Rs.in million)					
No of units	Rate	Total amount	Selling price	Gain	Selling date
1,541,832.2773	64.8579	100	102.427	2.427	25-10-2023

Audit is of the view that the management's decision to invest in mutual funds instead of Government treasury bills (T-bills) or Pakistan Investment Bonds (PIBs) was imprudent. This resulted in a loss of Rs.60.000 million on account of interest over a period of six years.

The matter was reported to the management on July 05, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to justify the matter.

6.3.4.6 Procurement of material at higher rates - Rs. 50.546 million

Rule 38 B (1) & (2) of PPRA Rules, 2004, states that the procuring agency shall consider single bid in goods, works and services if it has financial conformance in terms of rate reasonability and the procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money.

Further, Rules 37 (A) (3) of PPRA, 2004 states that in case of bidding competition, if the bid of initiator does not emerge as most advantageous bid, procuring agency shall give the initiator an opportunity to make his bid at par with the most advantageous bid, however if the initiator does not want to accept the challenge to match the proposal, he shall be given right of refusal without forfeiture of bid security.

During audit of National Security Printing Company (NSPC) for the year 2022-23, it was observed that the company made procurement of materials at higher rates in following cases.

S#	Name of Supplier	Description	Amount (2021)	Amount (2022)	Cost increase (%)	Difference
1	M/s Tullis Russell	5,000 reams of coated PVA gummed crescent & star paper	53.660	81.740	52	28.080
2	M/s Al Majid International Co	1000 Nos. of MICR Red Bleed Ribbons	19.700	35.700	81	16.000
3	M/s Al Majid International Co	10,000 rolls of self-adhesive binding tape	6.466	12.932	100	6.466
Total (Rs. in million)			84.166	130.372		50.546

Audit is of the view that the procurement was conducted at inflated rates, ignoring the necessary market survey and historical pricing trends. This lack of due diligence resulted in a substantial loss of Rs. 50.546 million to the company.

The matter was reported to the management on July 05, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.3.4.7 Procurement without competitive bidding and non-imposition of LD charges - Rs. 20.938 million

Rules 20 of PPRA Rules, 2004 states that save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Clause 6 of Purchase Order states that liquidated damages will be paid by the suppliers at the rate of 2% per month or part of month for the value of the stores which the suppliers have failed to deliver within the stipulated delivery period, provided that damages shall not exceed 10% of the total price payable under the contract purchase order.

During audit of National Security Printing Company (NSPC) for the year 2022-23, it was observed that the company made procurement of following items without competitive bidding and also did not impose penalty on delayed supply of material as detailed below:

S#	Name of Supplier	Description	Rs. in million	LD Charges	Remarks
1	M/s. ASL Paper Mills (Pvt.) Limited	Procurement of blue offset paper	7.371	-	Direct Contracting
2	M/s. ASL Paper Mills (Pvt.) Limited	Supply of off-white offset paper	3.685	-	
	Sub Total		11.056		
3	M/s Badri Traders	8,000 Cubic Feet (CFT) partal wood planks	28.005	2.805	Delay supply of material
4	M/s. Al-Majid International Co.	Miscellaneous Parts of Solid F-90 Printer	21.634	2.163	
5	M/s Vicat SA	Supply of cheque papers	81.02	3.180 (105 / 22 days)	
6	M/s. Al-Majid International Co.		13.712	1.311	
7	M/s Raffisions Pvt. Ltd	Digital offset plates	4.230	0.423	
Total			159.657	9.882	

Audit is of the view that the management's decision to award the contract through direct contracting, rather than competitive bidding, Furthermore, the management's failure to impose liquidated damages (LD) charges on the contractor constituted an undue favor, indicating negligence and weak procurement management practices.

The matter was reported to the management on July 05, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

(DP Nos. 258 & 264)

6.3.4.8 Irregular award of works of procurement material, equipment & machinery - Rs. 16.347 million

Rules 36-b (viii) of PPRA Rules, 2004 states that 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.

During audit of National Security Printing Company (NSPC) for the year 2022-23, it was observed that the management awarded following works to various suppliers who were technically not qualified. However, the financial proposals of disqualified bidders were also opened in violation of PPRA Rules, 2004.

(Rs.in million)					
S#	Description	Technical Results		Date	Amount
		Qualified	Disqualified		
1	1,000 KGs Heat Shrink Plastic Reel	M/s. One World Company	M/s. Moosa Khizar & C.	09-02-2023	7.611
2	Maintenance Kit for HP Laser	M/s. Al-Majid	M/s. Allied Computer	14-12-2022	2.640
3	Air Compressors	M/s Pakistan Machinery & Equipment	M/s Munir Associates	23-08-2022	2.106
4	Binding Cloth Colour Green 200 sqmtr.	M/s. Burhani Enterprises	M/s. Raza Paper Corporation	30-02-2022	1.100
5	100 Reams of Kraft Paper	M/s. Allied Stationer	M/s. Khan Traders	23-11-2022	1.946
6	Roller Washing Solution	M/s. 3 Stars Supplier	M/s. Naveed Chemicals	13-11-2022	0.944
Total					16.347

Audit is of the view that the management opened the financial bids of disqualified bidders contrary to Public Procurement Rules. Hence, the work amounting to Rs.16.347 million was irregular.

The matter was reported to the management on July 05, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.4 Pakistan Security Printing Corporation (Pvt.) Limited

6.4.1 Introduction

Pakistan Security Printing Corporation (Private) Limited was incorporated in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017) and is wholly owned by the State Bank of Pakistan (SBP). The registered office and the factory of the Corporation are located at Jinnah Avenue, Malir Halt, Karachi. The Corporation is principally engaged in the printing of currency notes and prize bonds on behalf of State Bank of Pakistan.

6.4.2 Comments on Audited Accounts

6.4.2.1 The working results of the Corporation for the year ended June 30, 2024 as compared with the preceding years are given below:

	2023-24	% Inc / (Dec)	2022-23	% Inc / (Dec)	Rs.in million 2021-22
Sales	31,336.53	43.506	21,836.38	11.71	19,548.095
Cost of Sales	(26,637.53)	49.859	(17,775.09)	14.86	(15,475.543)
Gross Profit	4,698.99	15.702	4,061.30	(0.28)	4,072.552
Administrative Expenses	(986.34)	15.061	(857.23)	8.39	(790.864)
Other expenses	(188.89)	(62.381)	(502.11)	2.17	(491.426)
Other Income	2,350.50	53.881	1,527.48	58.91	961.207
Financial Cost	(0.22)	(93.293)	(3.28)	144	(1.343)
Share of profit from associates excluding dividend	1,715.54	136.313	725.96	(4.81)	762.677
Profit before taxation	7,589.58	53.259	4,952.12	9.73	4,512.803
Profit after taxation	5,029.21	63.606	3,073.97	(0.26)	3,081.888
Current Ratio	7.16	19.53	5.99	0.28	5.716
Debt Ratio	0.105	(5.4)	0.111	(9.80)	9.913
Equity Ratio	0.895	(0.004)	0.899	(0.01)	0.90

6.4.2.2 Financial Performance Highlights

- Sales have increased by 43.51% in 2023-24, indicating significant growth in revenue.
- Administrative expenses increased by 15.061 % as compared with previous year (2023-24: Rs. 986.34 million 2022-23: Rs. 857.23 million),

registering increase of Rs.129.11 million in 2023-24 due to increase in various heads including salary, wages, retirement Benefit, fuel, security along with repair and maintenance expenses.

- iii. Gross profit has increased by 15.70% in 2023-24.
- iv. Profit before taxation has increased by 53.26% in 2023-24.
- v. Profit after taxation has increased by 63.61% in 2023-24.

6.4.2.3 Key Financial Ratios

- i. Current ratio: 7.16 (2023-24), 5.99 (2022-23)
- ii. Debt ratio: 0.105 (2023-24), 0.111 (2022-23)
- iii. Equity ratio: 0.895 (2023-24), 0.899 (2022-23)
- iv. Return on equity (ROA): 5.07% (2023-24), 3.26% (2022-23)

6.4.2.4 Financial Health and Stability

The company's financial performance indicates significant growth in revenue and profitability. The current ratio has improved, indicating better liquidity. The debt ratio has decreased, indicating a reduction in debt. The equity ratio has remained relatively stable.

6.4.2.5 Asset analysis

Total assets increase from Rs 94,222.469 million in 2023 to Rs 99,190.496 million in 2024, representing a 5.3% growth. The increase in total assets is driven by a moderate rise in both non-current and current assets. Non-current assets grew by 2.6% from Rs 73,267.420 million in 2023 to Rs 75,125.973 million in 2024. Current assets also experienced a significant increase, rising by 14.9% from Rs 20,955.049 million in 2023 to Rs 24,064.523 million in 2024.

6.4.2.6 Liability Growth

There is marginal decrease in total liabilities from Rs 10,467.282 million in 2023 to Rs 10,451.735 million in 2024, representing a 0.15% decline.

6.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% 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%
2015-16	8	1	7	6.3.4.4, 6.3.2.2, 6.3.2.3, 6.3.3, 6.3.4.1, 6.3.4.2, 6.3.4.3, 6.3.4.5	13%
2016-17	6	1	5	6.2.2.1, 6.2.3, 6.2.4.1, 6.2.4.2, 6.2.4.3	17%
2019-20	5		5	6.3.4.1, 6.3.4.2, 6.3.4.3, 6.3.4.4, (6.3.4.5 DAC level)	0%
Total	48	11	37		23%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

The overall compliance of PAC directives needs to be improved.

6.4.4 Audit Paras

6.4.4.1 Deficit between planned assets and pension obligation and excess contribution to pension funds - Rs. 5,287.745 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that 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.

Rule No. 110 of Income Tax Rules, 2002 states that “Limits on contribution by the employer. (1) The ordinary annual contribution by the employer to an approved superannuation fund in respect of any particular employee shall be made on a reasonable definite basis as may be approved by the Commissioner with regard to the earnings, the contributions or the number of members of the said fund so however that such contributions shall not exceed

twenty percent of the employee's salary for each year. (3) Notwithstanding the provisions of sub-rules (1) and (2), an employer may, with the prior approval of the Commissioner, make a special contribution to an approved superannuation fund to meet the deficit in the fund, if any.

During audit of Pakistan Security Printing Corporation Ltd. (PSPC) for the year 2023-24, it was observed that that the Corporation's Employees' Pension Scheme, a funded defined benefit scheme, had a significant deficit. This substantial deficit indicates that the corporation's contributions to the pension scheme have been inadequate. The position reflected that inadequate contribution by corporation was made in pension as detailed below:

Amount in Rs				
No. of Employees	Present Value	Fair value	Deficit Amount	% Deficit
1,671	6,804,337,939	1,929,592,399	4,154,745,540	68.29
1,671 employees (341 active and 1,330 retired)				

Furthermore, it was also observed that the management contributed a sum of Rs. 1.206 billion in pension fund, being 329.21% of the annual pensionable salary of all active employees. The details are under:

No. of employees	Annual salary	Allowable limit %	Amount	Contributed Amount	Difference Total (4-5)
1	2	3	4	5	6
341	366,340,968	20	73,268,193	1,206,394,757	1,133,126,564

Audit is of the view that significant deficit in the Corporation's Employees' Pension Scheme highlights weaknesses in financial management and planning, particularly in relation to pension fund contributions. The inadequate contributions to the pension scheme also suggest a lack of effective governance and oversight mechanisms. Further, the management contributed a sum of amount to pension fund in excess of the allowable limit of Income Tax Rules, 2002, which is a serious violation of tax rules.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

(DP Nos.806 & 804)

6.4.4.2 Dual payment of pension contribution - Rs. 1,219.919 million

Finance Division allowed PSPC employees to receive pension benefits under the Government Pension Scheme, replacing GPF, Gratuity, and EOBI, effective November 1, 1993, pending Labour Division's approval.

During audit of Pakistan Security Printing Corporation Ltd. (PSPC) for the year 2023-24, it was observed that the management contributed an amount of Rs. 1,206.394 million to pension fund for PSPC employees. In addition to pension contribution to fund, the management also paid an amount of Rs. 13.524 million as EOBI contribution for permanent employees. As per Finance Division directives, the management was allowed pensionary benefits to the employees as per Government pension scheme in replacement of GPF, Gratuity and EOBI. However, the management had been contributing towards both schemes and employees are also availing dual pensionary benefits, as detail given below:

Employers Contribution	Amount (Rs)
Employer's contribution for pension fund	1,206,394,757
Employer's EOBI contribution for permanent employees	13,524,522
Total	1,219,919,279

Further, the management did not provide the detail regarding miscellaneous expenditure of pension fund Rs.36.424 million.

Audit is of the view that the payment of two pensionary benefits to the employees at the same time is a violation of Finance Division instructions which was held irregular.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

(DP Nos.795 & 800)

6.4.4.3 Irregular investment in Term Deposit Receipts - Rs. 1,000.000 million

Section 3 (I) (b) of Investment Policy of PSPC, states that not more than 50% of deposits (as per the investment portfolio allocation limits defined) shall be kept with one bank. However, in case the defined limit is exceeded in exceptional circumstances, prior approval of the Managing Director shall be obtained and later report to Board Risk Investment Committee (BRIC) as breach.

During audit of Pakistan Security Printing Corporation Ltd. (PSPC) for the year 2023-24, it was observed that total value of deposits of Employees' Pension Fund was Rs. 1,929.592 million. As per investment policy, the management was required to invest maximum 50% of total deposits in one bank. However, the management invested Rs.1,000 million in TDRs in Bank AL-Falah Limited in excess of permissible limit and without prior approval of the Managing Director (M.D) and Board Risk Investment Committee (BRIC) as detailed below:

(Rs. in million)					
Investment type	Date of investment	Bank name	Amount	Rate (%)	Tenure
Term Deposit Receipt (Pension Fund)	January 2024	Bank Al-Falah limited	500	21.90	1 year
			500	21.90	
Total			1,000		

Audit is of the view that the management made the investment in violation of investment policy which stands irregular.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that matter may be justified.

6.4.4.4 Award of contract without determination of wages / range - Rs. 312.900 million

Rule 23 of PPRA, 2004, states that 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.

Rule 4 of PPRA 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.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2023-24, it was observed that the management awarded a contract to M/s Icon Consultants Pvt. Ltd. for hiring HR services. The contract was initially for 11 months, effective from August 25, 2022, to June 30, 2023, and was later extended up to June 30, 2025. However, there was no pay range determined or mentioned in the tender documents or during the bidding process. As a result, there was no fixed mechanism for determining the remuneration of outsourced, third-party, or daily wage employees. Consequently, the contractor charged monthly salaries for each employee at their discretion, violating the principles of transparency and fairness in contract award and management. The minimum and maximum salary of each category is given below:

S#	Category	Minimum salary (Rs)	Maximum Salary (Rs)
1.	Officer	38,943	280,000 & 242,380
2.	Staff	32,000	97,305
3.	Worker	33,500	56,160

Audit is of the view that the management awarded a vague contract without determining the wage rate for each category. This showed a defective contract agreement, which unduly favored the contractor and manpower at the expense of the Company. Thus, the award of a contract amounting to Rs. 312.90 million (Rs. 26.075 million monthly payment x 12 months) was held irregular.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.5 Non-reconciliation and payment without terms and conditions - Rs. 262.299 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Security Printing Corporation Ltd. (PSPC) for the year 2023-24, it was observed that around 416 soldiers of the Defence Security Force (DSF) were deployed at PSPC premises for security purposes of PSPC, Security Papers Limited, and SICPA Inks Pakistan without any defined terms and conditions. The management paid Rs. 262.299 million annually to the Controller of Military Accounts (CMA) for ration, equipment, pay, and allowances based solely on the claims of the Officer Commanding (OC). Notably, no claim was received from the CMA for these payments, and no reconciliation was found between PSPC and the CMA Office.

Audit is of the view that the absence of defined terms and conditions for the deployment of Defence Security Force soldiers, coupled with the lack of reconciliation and claims from the Controller of Military Accounts, indicates inadequate internal controls.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.6 Undue favor extended to contractors – Rs. 262.230 million

Decision of Court of 1st Senior Civil Judge Karachi East dated 06-01-2024, entailed that the settlement between the parties (i.e. M/s Continental Enterprises and M/s Aneel Contractor and PSPC) has been made with mutual consent at the hearing that the payment to be paid full and final to the both claimant in addition to the payable amount including bid security. Additionally, it was also mutually agreed that the repair work of waterproofing over the banknote factory roof shall be executed by the claimant M/s Continental Enterprises against the purchase order No.21244 dated June 04, 2020.

During audit of Pakistan Security Printing Corporation Ltd. (PSPC) for the year 2023-24, it was observed that the management awarded civil works to M/s Continental Enterprises and M/s Aneel Contractor. However, the contractors failed to complete the work within the stipulated period, resulting in the management imposed liquidated damages. The contractors responded by filing a civil suit, seeking recovery of Rs. 262.230 million for the work carried out. The management countered by filing an application, requesting that the matter be referred to the arbitrator, who happened to be the Managing Director of PSPC. The arbitrator's decision led to the submission of a compliance report in court, settling the matter. Despite the settlement, the work was neither completed nor was a job completion certificate obtained within the stipulated period. Furthermore, the management refunded the imposed liquidated damages of Rs. 6.948 million. Additionally, M/s Continental Enterprises failed to execute the agreed-upon repair work for waterproofing over the banknote factory roof.

Audit is of the view that the management extended an undue favor to the contractors and also failed to defend the matter in the court of law. Instead of lodging a suit in the higher Court of law, the management agreed for full and final settlement.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.7 Non-recovery from various parties - Rs. 163.379 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Security Printing Company (PSPC) for the year 2023-24, it was observed that an amount of Rs.163.379 million was outstanding against various organizations on account of bills recoverable for a period of one (1) year to three (03) years as detailed below:

(Rs. in million)					
S#	Description	Amount	S#	Description	Amount
1	M/s Security Papers Ltd (SPL)	16.127	2	Sales Tax recoverable	2.959
3	M/s SICPA Inks	8.432	4	Utility and rent charges from DSF deployed at PSPC	2.640
5	Other receivable	31.421	6	Advance Tax	96.145
7	Various parties	5.555	Total		163.379

Audit is of the view that accumulation of dues and non-recovery showed weak internal controls and negligence on part of the management.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may develop and implement a recovery plan, including timely follow-ups, legal actions if necessary, and regular monitoring of outstanding dues.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2023-24 vide para(s) number 8.4.4.2 having financial impact of Rs.2,892.840 million. Recurrence of same irregularity is a matter of serious concern.

6.4.4.8 Irregular award of contract – Rs. 63.503 million

Rule 16 A (5) of Public Procurement Regularity Authority (PPRA) states that the procuring agency may on need basis pre-qualify new suppliers or service providers during continuity of framework agreements with previously pre-qualified suppliers or service providers.

During audit of Pakistan Security Printing Corporation Ltd. (PSPC) for the year 2023-24, it was observed that the management invited tenders for pre-qualifying vendors to supply grocery items for canteen operations. Two firms, M/s Metro (Pvt.) Ltd and M/s Falcon Info Tech, submitted their bids, but the Technical Evaluation Committee found both bidders non-compliant. Despite this, the management pre-qualified M/s Metro and awarded a contract worth Rs. 63.503 million annually. Moreover, M/s Metro Pakistan (Pvt.) Ltd has been the sole supplier for canteen operations since June 2021, without the management taking steps to pre-qualify new suppliers or service providers, as required by the rules. This raises concerns about undue favor towards a single vendor and neglect of proper procurement procedures, particularly given the technical committee's reservations about the bidder's financial health and the auditor's qualified opinion.

Audit is of the view that procurement of items from disqualified vendor reflected significant weaknesses in procurement practices, particularly in the pre-qualification, contract award process and taking necessary steps for prequalification of prospective bidders, which raises concerns about undue favor towards a single vendor and neglect of proper procedures.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

(DP Nos. 794 & 809)

6.4.4.9 Loss of rental income due to vacant space since long - Rs. 51.243 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Security Printing Corporation Ltd. (PSPC) for the year 2023-24, it was observed that the management had a property situated at Sidco Avenue Center, Saddar, Karachi, measuring 7,181 square feet. M/s Samba Bank Limited was the last tenant, occupying the premises from August 2007 to September 2019, and paying an annual rent of Rs. 10,466,664. The last rent agreement expired on August 31, 2018, and the renewal process was initiated. M/s Samba Bank even submitted a final draft renewal of the lease agreement for another three years. However, in July 2019, the bank terminated the lease agreement. Consequently, the premises remained vacant from September 2019, resulting in a loss of rental income amounting to Rs. 49.716 million (Rs. 87,222 x 57 months). Additionally, the management incurred recurring expenditure of Rs. 1.527 million on utility charges. The details are hereunder:

(Amount in Rs)					
S#	Description	Amount	Month	LD Charges	Total
1.	K-Electric charges	85,860	Jan-23	5,625	91,485
2.		179,865	Oct & Nov-23	5,625	185,490
3.		177,052	Apr-24	5,625	182,677
4.		177,052	May-24	5,625	182,677
5.		87,120	Jan-24	5,625	92,745
6.		87,121	Jun-24	5,625	92,746
7.		57,565	July-24	3,726	61,292
8.		53,494	Aug-24	3,515	57,010
9.		53,494	Sept-24	3,515	57,010
10.	SSGC Charges	860	Mar-23 to Oct 2024	-	10,640
11.	Maintenance Charges	159,275	Jan 2023 to June 2024	-	513,743
Total					1,527,515

Audit is of the view that the management failed to retain the existing tenant and also failed to rent out the premises since 2019 which resulted in loss of rental income and expenditure on utility charges. This showed poor financial management and in-efficiency on part of management.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.10 Loss due to purchase of excessive ink for printing of bank note - Rs. 34.802 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Security Printing Corporation Ltd. (PSPC) for the year 2023-24, it was observed that the management printed 175.95 million pieces of banknote for 75th anniversary of independent Pakistan and SBP founding commemorative banknotes. The management has purchased different kind of ink related to printing of Rs. 75 denomination of bank note. The management procured excessive quantity of ink for printing of subject bank note without planning and demand. The denomination of bank note was printed / issued for specific occasion and it was not a regular bank note.

Audit is of the view that the management procured ink in excess without planning / observing demand / indents which resulted in loss to the Corporation amounting to Rs. 34.802 million.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.11 Less collection and non-recovery of gas charges from employees - Rs. 27.942 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Security Printing Corporation Ltd (PSPC) for the year 2023-24, it was observed the management has its own residential colony / estate to provide the on-site accommodation to the employees. The estate consists of 98 numbers of bungalows / guest houses/ flats/ hostels/ quarters. In February, 2014 and October, 2017, a Committee reviewed that gas charges recovered from occupant employees on monthly basis are much lower than the gas bills actually paid by PSPC due to non-existence of individual meters. The Committee strongly recommended that individual residential meters should be installed at the earliest to avoid losses. However, the management did not take any step for installation of individual resident meters, which resulted in a loss of Rs. 20.166 million along with non-recovery of Rs. 7.776 million from residents. The details are tabulated below:

(Amount in Rs.)								
Year	Billed by SSGCL as Commercial rates		Rates charged on residential basis		Difference (monthly)	Yearly impact	Actual amount recovered	Monthly short recovery
	Avg. rate per MMBTU	Avg. monthly bill	Avg. rate per MMBTU	Billed amount				
A	B	C	D	E	F	G	H	I
					(C-E)			(E-H)
2013	636.83	205,757	212.28	68,549	137,229	1,646,748	12,590	55,959
2017	700	306,289	220	96,226	210,063	2,520,756	15,220	81,006
Avg. loss due to non-installation of residential meters=Rs.2,520,756*8 years=Rs.20,166,048								
Avg. loss due to non-recovery of gas charges from residents=81,006*96 months=Rs.7,776,576								

Audit is of the view that the management did not take any appropriate corrective measures since 2013 for installation of separate gas meters and the

funds / resources of the Corporation were not utilized economically and efficiently.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified, besides taking corrective measures.

6.4.4.12 Non-imposition and irregular refund of liquidated damages amount – Rs. 22.850 million

Clause 6 of the purchase order of PSPC states that liquidated damages will be paid by the supplier @ 2% per month or part of the month for the value of the stores which the supplier have failed to deliver within the stipulated delivery period, provided that damages shall not exceed 10% of the total price payable under the contract purchase order.

During audit of Pakistan Security Printing Corporation Ltd. (PSPC) for the year 2023-24, it was observed that the management awarded renovation / construction contracts to different contractor which didn't complete the work within stipulated time and the management also did not impose the LD charges. Furthermore, in some contracts, the management refunded the LD amount to the contractors amounting to Rs. 22.850 million (Annex-43).

Audit is of the view that the management granted undue favor to the contractor by not imposing penalty and by refunding the LD amount to the contractors.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.13 Statutory payments to service provider without due diligence - Rs. 18.248 million

Clause 12, 14, and 22 of the Contract Agreement between PSPC and M/s ICON Consultant Private Limited state that the monthly payments to the contractor include wages, regulatory payments (EOBI, SESSI, Group Life Insurance), and service charges. The contractor is responsible for making contributions to authorities and submitting monthly invoices with receipts by the last working day of the month.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2023-24, it was observed that the management awarded a contract to M/s Icon Consultants Pvt. Ltd for acquiring HR services. The initial contract period was 11 months, from August 25, 2022, to June 30, 2023, and was later extended up to June 30, 2025. In compliance with rules, the management paid monthly charges to the contractor, totaling Rs. 18.248 million. The breakdown of these payments is as follows:

Amount in Rs.				
Payment to contractor	EOBI	SESSI	Life Insurance	Health Insurance
196,628,482	8,366,580	5,692,205	694,450	3,495,587
Total	18,248,822			

Audit is of the view that the payment of statutory deductions without ensuring registration or transferring benefits to employees, and without conducting due diligence, constitutes gross negligence on the part of the management. Furthermore, the management continued to pay regulatory charges to the service provider without verifying whether the employees were actually registered with the relevant institutions or receiving the intended benefits.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.14 Loss on purchase of foreign supplies for printing / supply of banknotes - Rs. 16.064 million

Clause III of Banknote price fixation methodology of agreement for supply of banknotes b/w State Bank of Pakistan and PSPC states that cost of overhead, including administrative and other expenses, will be calculated based on actual overheads incurred for period already lapsed in current year. The following unrelated expenses (expenses which do not directly pertain to banknote printing) and related incomes (proceeds from the sale of assets, the cost of which has already been borne by SBP such as depreciation, cost of procurement of raw materials) would be adjusted:

- Exchange loss.
- Loss on re-measurement of investments.
- Rental income and gain on disposal of operation fixed assets.
- Income from sale of scrap and any other cost or income as agreed b/w the SBP & PSPC.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2023-24, it was observed that the management made 62 foreign procurements for banknote printing and supply, incurring a foreign exchange loss of Rs. 16.064 million. This loss occurred due to the purchase of consumables, supplies, and services related to banknote printing. However, the management neither charged the foreign exchange loss to the SBP nor included it in the banknote price fixation methodology of the agreement for supplying banknotes.

Audit is of the view that foreign exchange loss could have been mitigated if the management had properly accounted for foreign exchange fluctuations in the banknote price fixation methodology or charged the loss to the State Bank of Pakistan.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.15 Payment of performance bonus without deduction of income tax - Rs. 10.550 million

Section 149 (1) of Income Tax Ordinance 2001 states that every person responsible for 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 Part I of the First Schedule on the estimated income of the employee chargeable under the head "Salary" for the tax year in which the payment is made after making [adjustment of tax withheld from employee under other heads and tax credit admissible under section 61, 62, 63 and 64 during the tax year after obtaining documentary evidence.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2023-24, it was observed that the management paid an annual performance bonus amounting to Rs. 211.000 million, equivalent to 1 to 3.75 months' salary per employee. Notably, this payment was made without deducting Income Tax, totaling Rs. 10.550 million (Rs. 211.000 million * 5%).

Audit is of the view that the management extended undue favor to the employees which resulted into non-payment of tax to the national exchequer.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.16 Unjustified extension, enhancement of contract amount and performance guarantee shortfall - Rs. 9.882 million

Clause 3 of agreement made b/w PSPC and M/s Outriders Pvt. Ltd (contractor) states that the contractor shall provide the services accordingly in an efficient, competent and organized manner and it will ensure that its employees and personnel consistently maintain a high standard of performance. Further, clause 4 states that his agreement can be extended for the period of two (2) years at the same rates and the terms & conditions. However, for further extension in term/amendments in terms of Agreement, mutual agreement of both parties is

necessary. Further, Clause 8 states that the contractor shall furnish a performance guarantee either in the form of pay order for 10% of the total value of Purchase Order for annual services.

During audit of Pakistan Security Printing Corporation Ltd (PSPC) for the year 2023-24, it was observed that the management of Pakistan Security Printing Corporation Ltd (PSPC) awarded a contract to M/s Outriders Pvt. Ltd for janitorial services, garbage lifting, and gardening maintenance, valued at Rs. 6.611 million per year, from July 1, 2022, to June 30, 2023. However, the contractor failed to fulfill the contract terms, including providing personnel protective equipment, police verification, and insurance for its workforce, as well as neglecting to lift garbage and complete assigned work on time. Despite issuing show cause notices, the management extended the contract until June 30, 2025, and increased the contract amount to Rs.9.882 million. Moreover, the management only obtained a 5% performance guarantee instead of the stipulated 10%, resulting in a short receipt of Rs. 1.219 million.

Audit is of the view that the extension and enhancement of the contract, despite non-compliance with contractual terms, and the non-obtaining of the stipulated 10% performance guarantee, reflected the management's inadequate contractual oversight and potential financial mismanagement.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.4.4.17 Loss of income due to allotment of space without charging rent - Rs. 9.600 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2023-24, it was observed that the management had ink factory premises consisting of 83,641.95 square feet of land. Out of this, 79,045.91 square feet was rented to M/s SICPA Inks Pakistan (Pvt.) Ltd. However, a significant portion of 4,596.25 square feet was allowed to be used without charging any rent. Furthermore, the management also allowed M/s SICPA Inks to use additional premises without a formal agreement.

Area in Square Feet without Charging of rent			
Description	Area	Rent per Sq. ft (Rs)	Monthly rent (Rs)
Covered	33,014.96	174.0648	5,746,741
Open	46,030.95	9.667	444,995
Free of rent	4,596.25	174.0648	800,045
Total	83,641.95		

Without formal Agreement			
Covered	1,120	7.734	27,844
Open	3,600	139.2518	169,887
Total	4,720		197,731
Rs. 197,731*12=Rs.2,372,772			

Further, the management allowed space to the SBP for the establishment of an SBP printing press without charging rent or having a formal agreement in place. Audit requisitioned the relevant records for scrutiny. However, the management failed to provide the records despite repeated verbal requests.

Audit is of the view that the management extended undue favor to the tenants by allowing space without charging of rent and agreement. This showed poor financial management and weak internal controls. Thus, the Corporation incurred a recurring rental loss.

The matter was reported to the management in December, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.5 State Bank of Pakistan

6.5.1 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 by the 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.

6.5.2 Comments on Audited Accounts

6.5.2.1 The working results of bank for the year ended June 30, 2024 as compared to previous years are given below:

(Rs.in million)					
Particulars	2023-24	% Inc /(Dec)	2022-23	% Inc /(Dec)	2021-22
Interest expense	281,825.38	90.85	147,668.48	143.69	60,596.15
Operating expenses - Bank note & Prize bond printing charges	26,637.53	49.86	17,775.05	14.86	15,475.54
Securities purchased under agreement to resell	11,825,545.5	40.99	8,387,621.5	85.62	4,518,609.6
General administrative and other expenses	56,056.24	31.15	42,741.50	13.87	37,535.47
Special Drawing Rights (SDRs) of IMF	204,445.63	3,699.63	5,380.67	(87.62)	43,460.78

(Source: Annual Audited Accounts)

6.5.2.2 Securities Purchased under Agreement to Resell

- The value of securities purchased under agreement to resell has increased by 40.99% in the current year, indicating a significant growth in the company's investment activities.
- This growth is consistent with the previous year's increase of 85.62%.

6.5.2.3 General Administrative and Other Expenses

- General administrative and other expenses have increased by 31.15% in the current year.
- This increase is higher than the previous year's increase of 13.87%.

6.5.2.4 Special Drawing Rights (SDRs) of IMF

- The value of SDRs has increased significantly by 3,699.63% in the current year.
- This increase is substantial and may be due to changes in foreign exchange rates or other economic factors.

6.5.2.5 Overall Analysis

The company's financial performance indicates significant growth in investment activities and an increase in general administrative expenses. The

substantial increase in SDRs is notable and may require further analysis to understand the underlying factors.

1. Interest expense has significantly increased by 90% from Rs. 147,668.48 million in year FY-2022-23 to Rs.281,825.38 million in FY-2023-24, mainly due to increase in interest expense on securities sold under agreement to repurchase and charges on allocation of SDRs of IMF.
2. Operating expenses under bank note & prize bond printing charges has increased by 49.9% from Rs. 17,775.05 million in FY 2022-23 to Rs.26,637.53 million in FY 2023-24, which needs justification.
3. Securities purchased under agreement to resell has increasing trend from 2021-22: Rs. 4,518,609.6 million, 2022-23: Rs. 8,387,621.5 million and 2023-24: 11,825,545.5 million, it indicates management injected currency in the market to earn profit, which needs to be justified.
4. General administrative and other expenses have increased by 31.15% during year under review to Rs. 56,056.24 million from Rs. 42,741.50 million in previous year, which needs to be justified.
5. Special Drawing Rights (SDRs) of IMF have significantly increased by 3,699% from Rs. 5,380.67 million in year 2022-23 to Rs. 204,445.63 million in FY 2023-24, needs to be elucidated.

6.5.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2005-06	13	11	2	73, 76	85%
2006-07	9	3	6	43.2, 43.3, 44, 45, 46, 47, 48	33%
2007-08	5	2	3	51.2, 52,53	40%
2008-09	5	4	1	63	80%
2009-10	6	4	2	68,69	67%
2010-11	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, 6.3.2.3, 6.3.2.2, 6.3.2.4,	4%

				6.3.2.5, 6.3.2.7, 6.3.2.9, 6.3.3, 6.3.4.2, 6.3.4.4, 6.3.4.6, 6.3.4.8, 6.3.4.10, 6.3.4.12	6.3.2.6, 6.3.2.8, 6.3.2.10, 6.3.4.1, 6.3.4.3, 6.3.4.5, 6.3.4.7, 6.3.4.9, 6.3.4.11,	
2015-16	15	1	14	6.4.4.3, 6.4.2.1, 6.4.2.3, 6.4.3, 6.4.4.2, 6.4.4.5, 6.4.4.7, 6.4.4.9	6.4.4.8, 6.4.2.2, 6.4.2.4, 6.4.4.1, 6.4.4.4, 6.4.4.6,	7%
2016-17	12	5	7	6.3.4.1, 6.3.2.1, 6.3.3, 6.3.4.2, 6.3.4.3, 6.3.4.5, 6.3.4.8,		42%
2019-20	4	1	2	6.4.4.1, 6.4.4.3 (6.4. 4.4 DAC level)		25%
Total	105	32	72			30%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.						

The overall compliance of PAC directives needs improvement.

6.5.4 Audit Paras

6.5.4.1 Loss due to selling securities below purchased price – USD 378.911 million equivalent to Rs. 105,337.360 million

Clause 3.2 of investment agreement of State Bank of Pakistan (SBP) with the fund managers states that in effecting transactions for the portfolio the manager shall seek best execution at all times; in particular, the manager shall minimize adverse market impact for the customer of such transactions.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the fund managers sold securities below the purchased price, resulting in a total realized loss, as detailed below:

Loss Amount in USD for the period July,2022 to January, 2023	
Fund Manager	Total Loss
JPM	-226,298,869.03
PIMCO	-41,667,181.12
UBS	-48,124,432.86
Black Roack	-62,820,887.66
Total	-378,911,370.67

Audit is of the view that the decision of the fund managers to sell securities below the purchased price resulted in significant realized losses. This reflected weaknesses in prudent investment management, inadequate market analysis, insufficient monitoring and oversight, showing inefficiency of the management. The funds managers did not exercise due diligence which caused loss of Rs. 105,337.360 million (USD 378.911 million x Rs. 278 rate).

The matter was reported to the management on June 28, 2024. In response, the management stated that the performance should be evaluated over a longer period, as the portfolio duration averaged 1.4 years. However, they explained that the portfolio was liquidated prematurely to support the Bank's foreign exchange reserves, which were needed to meet the Government's debt payments and liquidity requirements and that the Investment Management and Risk Management Departments independently assess and evaluate the fund managers' performance and risk through the custodian platform on a daily basis. Management's response was untenable as the management could not provide the liquidity position at the time of selling of the securities.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.5.4.2 Frequent default due to non-supervision - Rs. 59,140.000 million

Section 4C (h) of the State Bank of Pakistan Act, 1956, states that license, regulate and supervise scheduled banks and financial institutions that fall under the domain of the Bank as further specified in the Act or any other Act.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that NBP had significant credit

defaults at regular intervals, as the regulator, SBP, failed to provide proper supervision. Three major instances of default, including M/s Hascol in 2020/21 with exposure of Rs.22.51 billion, M/s OMNI group in 2018 with principal amount of Rs. 11.09 billion, and NBP Bangladesh, where the entire credit portfolio defaulted in 2013/14, resulting in principal amount of Rs. 25.54 billion as of December 31, 2022.

Audit is of the view that SBP's failure to enforce banking rules and regulations resulted in the NBP incurring defaults of Rs. 59,140.000 million.

The matter was reported to the management on June 13, 2024. In response, the management claimed that they had taken enforcement actions, including monetary penalties and disciplinary measures, against the bank. However, this response was not satisfactory, as the management failed to provide specific details about the penalties imposed and the nature of disciplinary actions taken.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to probe the matter.

6.5.4.3 Loss due to imprudent decision by placing the funds with fund managers - USD 104.591 million equivalent to Rs. 26,076.422 million

Sr. No. 23(2) of the State Bank of Pakistan Act, 1956, states that the Bank may appoint managers, custodians, consultants, and any other professional advisors for the effective management of foreign exchange reserve of the country.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management invested funds with international fund managers to maximize returns, but no profit was generated, as shown in the details below:

(Amount in US\$)		
Name of Funds Manager	Funds position on 31th July 2022	Benchmark rate 5%
JPM	539,393,965.36	26,969,698.27
PIMCO	528,160,076.44	26,408,003.82
UBS	535,391,812.02	26,769,590.60
Black Rock	488,883,054.59	24,444,152.73
Total Benchmark amount unrealized		104,591,445.42

Audit is of the view that the management's decision to invest funds with international fund managers was imprudent. Furthermore, the payment of fees to the fund managers added to the financial burden, which shows lack of effective financial management and oversight. Had the funds been invested in fixed income securities with a 5% return, the SBP could have earned approximately USD 104.591 million, equivalent to Rs. 26,076.422 million.

The matter was reported to the management on June 28, 2024. The management stated that the performance of the fund managers is assessed in line with Schedule-A of IMA which defines that the manager's performance in the management of portfolio will be assessed at regular intervals by comparing the returns earned on the portfolio with benchmark index. The reply was not satisfactory as it did not justify the management's initial decision to invest with the fund managers, which was imprudent.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the above position with documentary evidences.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2023-24 vide para(s) number 8.5.4.4 having financial impact of Rs.6,198.048 million. Recurrence of same irregularity is a matter of serious concern.

6.5.4.4 Grant of loan at higher rates and without verification - Rs. 12,163.150 million

Sr. No. b. of Terms and Conditions of the facility of offer letter for the line of credit fund states that the facility availed by the PFI should be disbursed to the target borrowers within 03 months of disbursement of funds. In case of non-

compliance, the facility given to the respective PFI will be discontinued along with recovery of funds remaining un-utilized. Sr. No. 2.2 states that the limits to PFIs will be allocated for a period up to 05 years. After allocation of limits, the funds will be disbursed immediately. PFI will ensure utilization of these funds for onward lending to their eligible clients. Fund Management Committee shall monitor performance of the PFIs on regular basis vis-a-vis their limits and disbursed funds.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management granted a massive loan of Rs. 12,163.152 million to nine Participating Financial Institutions (PFIs) for onward lending to microfinance borrowers and microenterprises, aimed at easing liquidity constraints in the microfinance sector. However, the Fund Management Committee failed to monitor the PFIs' performance in disbursing these loans.

Moreover, the Line of Credit (LOC) loan was given to the borrowers at an average market rate of around 13% (10% + 3%), which is excessively high and unattractive for microenterprises as compared to other facilities such as Temporary Economic Refinancing Facility at 7% interest rate and Renewable Energy at 6% interest rate. Additionally, the PFIs did not disburse the loan to the borrowers within three months, as no evidence was available with SBP.

Audit is of the view that the management failed to monitor the utilization of the loan, which compromised its intended purpose of easing liquidity constraints in the microfinance sector. The reason for not distributing the loan timely seems utilization of these funds by PFIs in other investments at market interest rate to earn more profit. Furthermore, the management's decision to allow PFIs to charge market rates from borrowers, instead of offering loans at nominal rates, was discouraging. In addition,

The matter was reported to the management on June 21, 2024. In response, the management stated that the objective of the Line of Credit (LOC) facility is to alleviate liquidity constraints in the microfinance sector, emphasizing that this facility is distinct and not a subsidized scheme. As of June 2023, the management claimed that 641,421 microloans were disbursed. Management's reply was not satisfactory, as SBP granted the loan at a much

higher rate, which is not attractive. Furthermore, the management failed to provide evidence that the PFIs disbursed the LOC within three months, as required.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the matter.

6.5.4.5 Non-disbursement of funds to ultimate borrowers under SME Asaan Finance Scheme - Rs. 11,752.178 million

Sr. No. 01 of SME Asaan Finance (SAF) Scheme dated August 16, 2021 states that access to finance plays an important role in development of small and medium enterprises (SMEs) sector. Sr. No. 6 of the State Bank of Pakistan, SME (Asaan) Finance dated August 16, 2021 states that mark-up rate for end-user under the scheme will be of up to 9% percent per annum. SBP will provide refinance to participating banks at 1 percent per annum, offering a spread of up to 8% percent per annum.

During audit of State Bank of Pakistan for the year 2022-23, it was observed that management granted Rs. 11,906.512 million to ten Participating Financial Institutions (PFIs) between January and March 2022, but only Rs. 154.335 million was disbursed to ultimate borrowers over two years, leaving Rs. 11,752 million unutilized. Following irregularities were observed:

- i. The SBP allowed a 9% interest rate, with an 8% spread for PFIs, which is unusually high for a facility.
- ii. The bank suffered a loss of Rs. 1,997.84 million due to non-charging of normal interest rates on unutilized balances.
- iii. Sharing of risk of the scheme from 40 to 60 percent was passed on to the Government of Pakistan in case of default by the borrowers instead of passing on to PFIs as significant spread of 8% interest rate was allowed them to charge from the borrowers.

Audit is of the view that the management failed to ensure proper utilization of funds for the Scheme. By allowing PFIs to hold funds instead of disbursing them to SME borrowers, the management compromised the scheme's objective.

The matter was pointed out to the management on June 21, 2024. The management stated in its reply that for disbursement of loans, banks first utilize their own liquidity/funds and then approach the SBP, along with requisite documents. The reply is not satisfactory as no evidence was provided whether the PFIs disbursed the loan onward to the borrowers.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to recover the amount with prevailing market rate of mark-up from the PFIs/Banks till lending of loan to the SME borrowers.

(DP Nos. 477,493 & 508)

6.5.4.6 Irregular grant of loan to Bank Islami - Rs. 5,000.000 million

Sr.No.1 (a) of the long-term financing facility (LTFF) states that under LTFF, Participating Financial Institution (PFIs) can provide long term local currency finance for imported and locally manufactured new plant and machinery to be used by the export oriented projects. The facility will be available to the export-oriented projects with at least 50% of their sales constituting exports or if their annual exports are equivalent to USD 5 million, whichever is lower. PFIs shall be permitted to charge a maximum spread of 1.5%, 2.5% & 3% per annum for financing up to 3, 5, & 10 years respectively from the borrowers, availing finance under the facility, where refinance has been provided by the State Bank. Sr. No. 3 (b) states that the repayment of financing (principal amount of loan) availed under the facility shall be made by the borrowers in equal half yearly/quarterly installments depending upon the tenure for which the facility is availed.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that a loan of Rs 5,000 million was granted to Bank Islami, a Participating Financial Institution (PFI), on June 03, 2015. However, this loan remained unrecovered. The loan was granted under the Combill discount scheme, but the management failed to provide the policy details and approval documents to the auditors, despite repeated requests.

Audit is of the view that the management of SBP extended undue favour to the Bank Islami by allowing loan without interest and not recovering the same

after lapse of 08 years. Hence, the loan of Rs 5,000.000 million was held irregular.

The matter was reported to the management on June 13, 2024. In response, the management stated that this financing was not under LTFF. However, the management's reply was not tenable, as it failed to reply on the recovery position or the latest status of the loan, indicating that the loan had been mismanaged.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

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

6.5.4.7 Non-reconciliation of balances under various heads of account – Rs. 4,213.844 million

As per Note 1.1 of SBP Banking Services Corporation Financial Statements 2022-23, any assets, liabilities, income and expenditure directly relating to the delegated activities on behalf of SBP are accounted in the books of the SBP while the cost incurred by the Corporation in carrying out activities are reimbursed from the SBP. Further, as per framework for reconciliation and monitoring of GL & Accruals states that accounting transactions is first recorded in purpose-built Subsidiary Ledgers (SL) e.g. T24 and subsequently this information is imported and posted in General Leger (GL). It is imperative to ensure that both the ledgers reflect correct and same accounting balances. The mechanism adopted to ensure same balances in both sets of record (SL and GL) are known as SL-GL Reconciliation.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that various ledger reflected un-reconciled balances of Rs. 4,213.844 million which are detailed as under:

1. The un-reconciled balance of Rs. 7.384 million between stock inventory value report (SL) with stock Engineering (GL) balances.
2. The Sundry Deposits Accounts un-reconciled balances of Rs. 7.873 million.

3. SBP & BSC maintains separate books of accounts and reflected un reconciled balances of Rs 2,442.403 million.
4. The general ledger (GL) balances of various stock items appearing in trial balance were not reconciled with subsidiary ledger balances of stock amounting to Rs. 1.885 million.
5. The general ledger (GL) balances of various fund accounts appearing in trial balance were not reconciled with subsidiary ledger (SL) of funds module balances in T24 amounting to Rs. 1,418.941 million.
6. The general ledger (GL) balances of various fixed assets items appearing in trial balance were not reconciled with fixed assets register balances maintained in T24 amounting to Rs. 335.359 million (Annex-44).

Audit is of the view that the non-reconciliation of accounts could lead to misrepresentation of the financial statements, which reflected weak internal controls.

The matter was reported to the management in June, 2024. The management in its reply stated that the position of un-reconciled balances has been regularized. The reply of the management is not tenable as no documentary proof was provided by the management.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.5.4.8 Irregular grant of house building advance to employees – Rs. 3,819.773 million

Clause 16.5.13, of the HR Manual states that the mortgage deed and lease deed of the original document of the property purchased by the employees, who obtain house building loan against such property, will remain in the custody of the Bank till the loans are fully repaid / adjusted.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management sanctioned House Building Advance worth Rs. 3,654.802 million to employees without clearance of previous advances and execution of mortgage deeds, in

violation of HBA policy (Annex-45). Following irregularities were also observed:

- i. Missing Mortgage Documents: Five employees from BSC Peshawar received HBAs totaling Rs. 30.018 million without providing mortgage documents.
- ii. Disputed Property: An HBA of Rs. 123.629 million was granted against a property in Bahria Town Karachi, which is under dispute as not eligible for loans according to HBFC rules.
- iii. Unauthentic Documents: An employee received an HBA of Rs. 6.009 million based on unverified documents for an open plot in Lahore Motorway City, which had conditional allotment and unclear ownership.
- iv. Non-Submission of Documents: An employee was granted an HBA without submitting property documents or registering a mortgage deed with the bank.
- v. Unauthorized Transfer: An employee from BSC Lahore availed an HBA of Rs. 5.315 million in February 2021, but withdrew the original documents for rectification and never resubmitted it.
- vi. Revenue stamps: Revenue stamps were not affixed, resulting in a loss.

Audit is of the view that the management's leniency in enforcing the House Building Advance (HBA) policy has led to the irregularities. The failure to ensure proper documentation, mortgage deeds, and clearance of previous advances has compromised the integrity of the HBA scheme.

The matter was reported to the management on June 20, 2024. The management stated in its reply that all cases of HBA/difference of HBA loans are processed and disbursed with utmost due diligence. The reply is not satisfactory as management House building advance / loans processed without clearing previous loan and registered mortgages deed.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.5.4.9 Loss due to selling of portfolio positions – Rs. 3,705.019 million equivalent to US\$ 13.327 million

Clause 3 of Investment agreement between SBP and fund managers regarding obligation of the managers states that Manager performance in the management of the portfolio will be assessed at regular intervals by comparing the returns earned on the portfolio, both before and after fees, with the notional returns on the benchmark index set out.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management had invested funds with various fund managers to generate income. However, the Foreign Exchange Reserve Management decided to withdraw these funds to boost liquidity. Upon withdrawal, the fund managers paid US\$ 2,078.501 million to SBP, which was less than the Net Asset Value (NAV) of US\$ 2,091.827 million as of July 31, 2022. This resulted in a reported loss of Rs. 3,705.019 million (US\$ 13.327 million at an average exchange rate of Rs. 278).

Audit is of the view that the fund managers failed to exercise prudent due diligence in making investments and managing the portfolio, leading to significant losses. Furthermore, SBP did not adequately assess the performance, efficiency, and effectiveness of the fund managers.

The matter was reported to the management on June 28, 2024. The management stated in its reply that the total amount withdrawn with NAV on July 31, 2022 is not comparable, since 31st July 2022 NAV does not represent the prevalent market prices / conditions at the time of liquidation. The funds were liquidated keeping in view SBP's foreign exchange reserves to meet GOP debt / other payment and liquidity needs after approval from relevant authorities. The reply is not tenable as, if positions of the portfolio were liquidated on 31st July 2022, the loss could have been avoided.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.5.4.10 Non-recovery of loan by two banks under Financing Scheme for renewable energy - Rs. 2,866.818 million

Sr. No. 10 (ii) of the Terms and conditions of SBP Financing Scheme for Renewable Energy states that the refinance granted by SBP-BSC offices to the banks/DFIs shall be recovered on the due dates as reported in the original repayment schedule from the account of the Banks/DFIs maintained with the respective offices of the SBP BSC (Bank). In case a borrower fails to make repayment of the amount of installment as per the original repayment schedule (s), the bank/DFI will be entitled to charge normal rate of mark-up on such overdue principal amount besides, taking other action to recover the same as are incidental to such defaults.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management granted loan for renewable energy to following Banks on January 03, 2017 for the period of ten (10) years maturing on June 30, 2028. However, it was not recovered. The detail is hereunder:

(Amount in Rs.)				
S#	LD Reference	Bank	Loan amount	Outstanding
1.	LD1700300030	Bank Al-Habib	1,155,218,000	2,293,454,479
2.	LD1700300038	Habib Metro	288,891,000	573,363,619
Total				2,866,818,098

Moreover, documents on the disbursement of loans by banks to the borrowers at very nominal interest rate for intended purpose of renewable energy and its recovery by the relevant Banks were not available on file.

Audit is of the view that significant weaknesses exist in the management's loan monitoring and recovery processes. Furthermore, the absence of documentation on loan disbursement and recovery by the banks reflected lack of transparency and ineffective internal controls.

The matter was reported to the management on June 13, 2024. The management in its reply stated that repayments under the specified LDs are as per schedule. The reply of the management was not tenable as no evidence of repayment was provided nor the amount of loan was reducing as per above statement of outstanding as on 30.06.2024.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may take necessary action against the concerned banks.

6.5.4.11 Irregular grant of financing facility – Rs. 2,598.597 million

Sr. No. 1 (iii) of the Temporary Economic Refinance Facility (TERF) of SBP states that the facility will expire on March 31, 2021. All LCs established after announcement of the facility till March 31, 2021 shall be eligible for financing. Sr. No. 2 (a) of the Facility states that SBP will provide refinance to the PFI at 3% per annum. Whereas, PFIs shall be permitted to charge a maximum spread of 4% per annum from the borrowers, availing finance under the facility.

The scope and eligibility criteria at Sr. No. (i) of the SBP circular No.03 of 2020 dated March 17, 2020 states that long term financing facility for purchase of new imported and locally manufactured medical equipment be used for combating COVID-19. All hospitals and medical centers registered with respective provincial/federal agencies/commissions engaged in controlling and eradication of COVID-19 will be eligible under the facility. Civil Work at Sr. No.(iv) mentioned, upto 60% cost of civil works for setting up of isolation wards only.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management granted refinancing facility to following borrowers in violation of policies.

Rs.in million					
S#	Name of borrower	Description	Facility	Amount	Remarks
1.	M/s Bestway Cement Limited	Import of new plant and machinery	Temporary Economic Refinance Facility (TERF)	2,398.597	Loan disbursed after expiry of policy
2.	M/s Saleem Memorial Trust Hospital Lahore under the	Construction Work	Refinancing Facility for Combating COVID-19 (RFCC)	200.000	Loan disbursed after completion of construction work.
Total				2,598.597	

Audit is of the view that the management extended undue favor to the PFI/borrowers by allowing the loan after two years of expiry of policy and completion of construction work at the nominal rate.

The matter was reported to the management on June 21, 2024. The management stated in its reply that the mark-up rate was reduced from 7% to 5% p.a with SBP refinance rate at 1% and banks maximum spread of 4% vide letter dated July 08, 2020. further financing is disbursed on the basis on cases approved on or before deadline is of March 31, 2021. The management stated in reply that under RFCC to combat health emergency due to COVID-19, financing was allowed for the purchase of equipment/ medical supplies and civil work for hospital and it was still in construction stage and was not operational. The reply is not satisfactory as the case was approved by SBP after two years of policy and the work was completed as per record and on already constructed work, loan was granted.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified with documentary evidence.

(DP Nos.502 & 503)

6.5.4.12 Imprudent decision of the issuance of new bank note of Rs. 75 denomination - Rs. 1,968.663 million

Section 4C of (e) SBP ACT 1956, states that the function of the bank to issue and manage the currency of Pakistan, including regulating their denomination.

During audit of the State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year the 2022-23, it was observed that management introduced a new Rs. 75 banknote with two distinct designs, Independence and SBP Founding. The circulation and printing costs of these notes as of June 30, 2023, which are summarized in the table below:

Description	PKR 75/- SBP	PKR 75/- Independence	Total circulation	Printing Charges in Rs.	
30 th June, 2023	1,609,747,500	7,546,441,575	9,156,189,075	Independence	SBP
Pieces	21,463,300	100,619,221	122,082,521	1,173,564,592	795,098,750
Total Printing Charges				1,968,663,342	

Despite the significant circulation of Rs. 9.156 billion worth of Rs. 75 currency notes, their acceptance among the general public was virtually non-existent, the management decided to revise the indent for new banknotes on March 6, 2023, and increased the order quantity to 72 million pieces.

Audit is of the view that the management's decision to introduce the Rs. 75 banknote, resulted in unnecessary printing costs. Furthermore, the revision of the indent to increase the order quantity indicates a lack of inadequate assessment of market demand. Thus, the printing cost of Rs. 1,968.663 million was irregular.

The matter was reported to the management on June 28, 2024. The management stated in its reply that the issuance of Rs 75 commemorative banknote by SBP marked both the 75th anniversary of Pakistan's independence and the founding of SBP itself. The Federal Government has approved the issuance of these banknotes on the recommendation of the SBP board as required under section 78 of the SBP Act 1956. The reply is not satisfactory as huge printing pieces of the Rs. 75 note was beyond the reality which caused an extra financial burden.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the matter.

6.5.4.13 Disbursement of funds in excess of annual limit - Rs. 1,784.920 million

Section 17 (19) & (19A) read with Section 22 of the State Bank of Pakistan Act, 1956, approved the annual limit of 'line of credit' to Pakistan Microfinance Investment Company, amounting to Rs. 1,535.93 million for the year 2021-22.

Sr. No. b. of terms and conditions of the facility of Offer letter for the line of Credit fund states that the facility availed by the PFI should be disbursed to the target borrowers within 03 months of disbursement of funds, in case of non-compliance the facility given to the respective PFI will be discontinued along with recovery of funds remaining un-utilized.

During audit of State Bank of Pakistan/ Banking Services Corporation for the year 2022-23, it was observed that the management granted limit of Rs. 1,784.917 million to PFI, M/s Pakistan Microfinance Investment Company for the year 2019-20 subject to disbursement of funds received from the Government of Pakistan. The subject limit could not be availed during the approved period. However, an amount of Rs 3,320.85 million was disbursed to the said company in financial year 2021-22 & 2022-23 against approved limit of Rs 1,535.93 million, resulting excess of Rs 1,784.920 million (Rs. 2,284.79 million – Rs. 1,535.93 million = Rs. 748.86 million + Rs. 1,036.06 million), the detail of which is given as under:

(Rs in million)								
S #	Approved limit	Year	Letter date	Disburse date	Tranche	Amount	Total amount	Difference
1.	1,535.93	21-22	Aug, 21	Nov, 21	1 st	499.87	1,535.93	
2.				Aug, 22	2	300.00		
3.				Nov, 22	3	389.500		
4.				Apr, 23	4 th	346.560		
5.	1,784.917	19-20	Jun, 19	Feb, 21		1,784.917	1,784.917	1,784.917

Moreover, no documentation was found to confirm that the loan was further disbursed to the end-borrowers within the stipulated 3-month period, as mandated by the policy.

Audit is of the view that SBP grants annual limits to PFIs for specific loan schemes, subject to certain criteria. Normally, unutilized limits are cancelled after the allowed period. However, in this case, the management permitted loan disbursements in excess of the approved limit for that year, which is inconsistent with the established policy and procedures.

The matter was reported to the management on June 21, 2024. The management in its reply stated that FMC approved limit of Rs. 2,000 million in November, 2018 on completion of documents the company availed loan of Rs. 1,785 million in February 2021 and another limit of Rs 1,535.93 million was approved in June, 2021 which was availed in 04 tranches from Nov, 21 to Apr, 23. The reply is not satisfactory as the limit is allowed yearly and the above PFI availed both limits in one year, resulting excess disbursement of funds to the PMIC.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to justify the position.

6.5.4.14 Irregular grant refinance facility after expiry of policy - Rs. 879.638 million

Sr. No. x) of the TERF states that disbursements by bank/DFIs should not be made to the borrower directory; instead payments shall be made to the manufacturers/suppliers of the plant & machinery. Sr. No. 1 (iii) of the policy states that the facility will expire on March 31, 2021. All LCs established after announcement of the facility till March 31, 2021 shall be eligible for financing. Sr. No. 2 (a) states that SBP will provide refinance to the PFI at 3% per annum. Whereas, PFIs shall be permitted to charge a maximum spread of 4% per annum from the borrowers, availing finance under the facility.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management granted the Temporary Economic Refinance Facility (TERF) to MCB, a Participating Financial Institution (PFI), for onward granting to M/s Lucky Cement (Group) at a mark-up rate of 1% in 2022 to facilitate for import of new plant and machinery, after lapse of Covid-19 period. The detail is as under:

(Rs. in million)						
S#	Financial Year	Approval of disbursement date	Agreement date	LC Date	Amount	Sanction date
1.	Textile	15.02.22			589.079	
2.	Cement	12.01.22		24.03.21	741.453	
3.	Cement	14.02.22		24.03.21	810.237	
4.	Cement	29.04.22			765.090	
5.	Cement	17.05.22	09.05.22	24.03.21	976.155	31.03.2021
6.	Cement	30.06.22			516.178	
Total (TERF expired on March 31, 2021)					4,398.192	

SBP had announced TERF policy to address growing concerns about potential economic impact of the COVID-19 and disbursed loan amounting to Rs. 315.57 million, but the loans were given after 02/3 years of Covid-19.

Audit is of the view that that the management extended undue favor to the PFI/borrower as the loan was granted at concessional rate after expiry of policy. Thus, the loan caused a loss of Rs. 879.638 million (Rs. 4,398.192 million x 3% - 1% = 2% x 10years).

The matter was reported to the management on June 13, 2024. The management stated in reply that mark-up rate was reduced from 7% to 5% with SBP rate at 1% and banks' maximum spread of 4% vide letter dated July 08, 2020. Financing is disbursed on the basis of approvals made up to the deadline i.e. March 31, 2021. The reply is not tenable, the policy was required to be updated if the rate was revised, further the approvals were granted in after January, 2022, which clearly indicates that the loan was management.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that management may justify the above position with documentary evidences.

(DP Nos. 496, 497 & 500)

6.5.4.15 Non-deposit of sales tax on services - Rs. 852.091 million

Clause 7 (a) of agency agreement between SBP & NBP states that the National Bank shall be paid as remuneration a commission calculated at a flat rate of 0.12% of the total receipts and payments. (b) all the indirect taxes include

sales tax, excise duty, VAT or any other taxes levied currently or in future either by the Federal Government or the Provincial Governments on the services rendered by the NBP as agent under this Agreement shall be borne by Bank (SBP).

As per working tariff taxable services as per second schedule to the Sindh Sales Tax on Services Act, 2011 Amended up to 15th April, 2023 states that services provided or rendered by banking companies are subject to Statutory Rate of Tax is 13%.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management paid an amount of Rs. 10,039.470 million to National Bank of Pakistan (NBP) as a commission on account of Government business. However, Sales Tax on Services were not deposited to Sindh Revenue Board (SRB) Authority and other provinces amounting to Rs. 1,305 million for the year 2021-22.

Audit is of the view that non-depositing of tax caused loss to the public exchequer.

The matter was reported to the management on June 13, 2024. The management in its reply stated that it is clarified that the total government business referred to in the audit pertains to all transactions conducted by NBP across the entire country, not solely within the Sindh Province. The tax of Sindh province amounting to Rs. 452.909 million was paid to SRB. The reply of the management is satisfactory to the extent of payment of tax to SRB, whereas, if the services were provided in other provinces, then tax on services of Rs. 852.091 million (Rs. 1,305 million - Rs. 452.90 million) was also to be paid to that particular provinces, which was not done.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the above position.

6.5.4.16 Retirement / disposal of assets without utilization - Rs. 269.130 million

As per Clause-7 of Fixed Assets Process & Policy Manual SBP-BSC, the assets which are no more in use of the Bank shall be disposed-off through a transparent and controlled procedure ensuring realization of its fair value to the Bank.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management prematurely retired various fixed assets (FA) without utilizing them. Furthermore, a significant amount of Rs. 12.621 million was spent on CWIP software, which was also retired without completing the intended project. Details of fixed assets retired within one year are given as under:

Asset #	Description	Date of purchase	Date of retired	Cost (Rs.)	Net Book value (Rs.)	Sale proceeds	Loss (Rs.)
1226120	Plant	24.11.2022	17.01.2023	182,434,456	179,393,882	0	179,393,882
1235050	HVAC	18.01.2023	25.01.2023	23,004,782	23,004,782	0	23,004,782
1235051	HVAC	18.01.2023	25.01.2023	23,004,782	23,004,782	0	23,004,782
1235052	HVAC	18.01.2023	25.01.2023	944,403	944,403	0	944,403
1192073	CWIP-Software	01.07.2021	30.06.2023	12,621,135	12,621,135	0	12,621,135
Total (Rs.)							238,968,984

Moreover, the software, including "Active Kill Disk" and "En Case", with annual subscriptions of Rs.1.80 million was purchased in June 2022, which were never utilized, resulting in a loss of Rs.3.6 million over two years. The management disposed of IT equipment worth Rs.26.561 million also without properly destroying hard drives and network appliances, which is a clear violation of the bank's security policy. Further, the employees were freely using personal Android and Apple phones at their workstations, which poses a risk of data misuse.

Audit is of the view that management's inadequate oversight and weak internal controls led to inefficient asset management, resulting in a substantial loss of Rs. 269.130 million.

The matter was reported to the management on June 27, 2024. The management in its reply stated that the asset retirement was an accounting

adjustment and the software procurement was for security purposes. The reply of management is not satisfactory as justification lacked documentary evidence.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may probe the matter and fix responsibility on the person(s) at fault.

(DP Nos.441 & 462)

6.5.4.17 Irregular appointment of officer having dual nationality - Rs. 120.000 million

Section 13 of the State Bank of Pakistan Act, 1956 (as amended up to 28-01-2022) states that no person shall be or shall continue to be the Governor, a non-executive Director, an external member of Monetary Policy Committee and a Deputy Governor, having dual Nationality.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that contrary to the rules, Mr. Inayat Hussain, a Deputy Governor holding Australian nationality, was appointed. Besides, there were six other officers of the SBP with dual nationality.

Audit is of the view that the management showed undue favoritism in appointing officer to key position, despite the SBP Act prohibiting individuals with dual nationality from holding top management roles. Thus, the appointment of officer and annual payment of Rs. 120.000 million was held irregular.

The matter was reported to the management on June 13, 2024. The management stated in reply that none of the officer held position as defined in the Act and that they were employees of SBP Banking Services Corporation, a separate legal entity. The reply is not satisfactory, since SBP Banking Services Corporation is a subsidiary of the SBP and carries out its operations across the country. This means that having dual national officers could compromise the confidentiality of the country's financial information, which is a significant concern.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may justify the position.

(DP Nos.494 & 515)

6.5.4.18 Irregular availing of excess refinancing limits by exporters – Rs. 113.890 million

As per Preamble of Export Finance Scheme Guidelines, 2020, SBP has the responsibility of general policy making and monitoring of Export Finance Scheme. SBP allocates the annual refinance limits to the banks and review them on quarterly basis. SBP BSC implements the scheme and conducts on-site verification of banks' refinance cases through its field offices across the country.

During audit of State Bank of Pakistan (SBP-BSC) Lahore for the year 2022-23, it was observed that the management failed to properly review and monitor loans granted under this scheme, resulting in various customers exceeding their approved limits. The exporters also didn't arrange for additional limits to cover their excess borrowing, nor did they request any extension. Furthermore, SBP impose penalties on commercial banks for these excesses but failed to recover the amounts. Detail is as under:

(Rs. in million)						
Exporter	Bank	Consolidated limit	Availed limit	Excess availed	Days availed	Penalty
Saftex Pvt. Ltd -3414	HBL	8.345	8.776	0.431	56	0.009
Hafeez Shafi Tanneries Pvt. Ltd (3321)	IB-BAFL & IB-ACBL	41.361	43.265	1.904	44	0.034
Ramay Textile Pvt. Ltd (3177)	HBL, ABL	26.925		5.075	49	0.092
Zephyr Textile Ltd (3684)	HBL, NBP & Bank of Punjab (BoP)	976.179	1079.681	103.502	48	1.838
Comfort Knitwear Ltd (3313)	SCB, HBL, BAFL, BAHL, HMBL, MCB	702.026		2.974	51	0.056
Total		1,754.84	1,131.72	113.89		2.029

Audit is of the view that availing of limits beyond the approved ones by the exporters reflected internal control weakness.

The matter was reported to the management in June, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that management may develop rules and regulations for efficient limit monitoring by commercial banks.

6.5.4.19 Loss due to embezzlement of medical stock - Rs. 63.531 million

Sr. No. 04.1 (a) SBP HR Policy Manual dated May 02, 2015 states that all concerned shall not commit, or assist an activity that involves making false statements, fraud, forgery, misappropriation, theft, embezzlement, bribery, misrepresentation, violation of SBP rules, regulations, policies and procedures or any similar activity that harms, or may harm the interest and reputation of SBP.

Sr. No. 34.(i) of the SBP staff regulation 2005, states that any employee who commits a breach of any of the Regulations of the Bank or of any provision of the State Bank of Pakistan Act, 1956, or who displays negligence, inefficiency or indolence or who knowingly does anything detrimental to the interest of the Bank or in conflict with its instructions or who commits a breach of discipline or is guilty of any other act of misconduct, or who is convicted of criminal offence shall be liable to penalty.”

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the officers of the bank were found involved in embezzlement of medical stock of Rs. 63.531 million as detailed below:

Rs. in million			
Field Office	Employees investigated	Description	Amount
Multan	25	• Criminal case on 01 employee & rest were negligent in performing duties • 01 case referred to FIA & other were under process	62.400
Muzaffarabad	11	Under process	1.131
Total			63.531

Audit is of the view that the management extended undue favor to the employees by not finalizing the inquiries after lapse of more than 16 months of the case.

The matter was reported to the management on June 13, 2024. The management stated that the Medical Assistant involved in the Multan embezzlement case was arrested by the FIA, and other employees will face punishment after inquiry proceedings. At Muzaffarabad, the Medical Assistant was terminated, and the amount was recovered. The reply is not satisfactory as no disciplinary proceeding has been finalized even after a year and a half in case of Multan. Further, the action against Muzaffarabad case was not provided nor documents of recovered amount were shared.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to justify the above position with documentary evidences.

6.5.4.20 Non-recovery of penalty and fines – Rs. 62.557 million

Penalty Code 01 states that on issuance of unauthenticated and unprocessed banknotes to public impose Rs. 100,000 per instances and Penalty code 05 stipulates that if recording of Closed-Circuit Television (CCTV) cameras is not available for 60 days then charge penalty of Rs. 10,000 per day.

Sr. No. (7)(IV) of the Export Finance scheme states that the penalties are imposed on irregularities of the exporters by the State Bank of Pakistan.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management failed to recover a substantial amount of Rs. 62.557 million in penalties from commercial banks and fines from exporters. Details are as under:

				Amount in Rs.
Total Numbers of banking branches	Total Penalty Imposed	Penalty waived	Penalty recovered	Penalty outstanding
1250	60,752,000	1,040,000	53,260,700	6,451,000

S #	LD No.	Bank	Exporter	Loan Amount	Fine amount (Rs)
1	LD2135100016	SBI	Service Long March Tyres Pvt Ltd	208,000,000	13,237,120
2	LD2124200048	MBL	Indus Home Limited	200,000,000	13,024,000
3	LD2134900002	FBL	Indus Home Limited	200,000,000	12,432,000
4	LD2134000006	HBL	Hunza Sugar Mill Pvt Ltd	162,000,000	6,953,040
5	LD2133400013	DIB	Noon Sugar Mills Ltd	100,00,000	6,475,000
6	LD2129100014	MBL	Sarena Textile Industries Pvt Ltd	50,000,000	2,978,500
7	LD2133000002	HBL	Body Media International Pvt Ltd	6,000,000	381,840
8	LD2131400002	HBL	Body Media International Pvt Ltd	5,000,000	333,000
9	LD2133000001	HBL	Body Media International Pvt Ltd	4,350,000	276,384
10	LD2133700007	SBL	Lahore apparel	7,000,000	15,540
				Total	56,106,424

Audit is of the view that the management's failure to recover the penalties and fines indicates a lack of effective internal controls and inadequate follow-up on defaulted payments.

The matter was reported to the management on June 20, 2024. The management stated in its reply that all outstanding penalties have been recovered and there are no fines dues against the mentioned LDs. The reply is not tenable as management did not provide documentary evidences of recovered amount.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to recover the outstanding amount.

(DP Nos.457 & 458)

6.5.4.21 Loss due to short selling by the fund manager – Rs. 34.860 million

Clause 2.1.2 of the Schedule A of SBP's investment objectives, guidelines and restrictions states that short selling of fixed income instruments in the

portfolio is not permitted and leverage of the portfolio's assets is also not permitted.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that SBP placed the funds with Fund Manager i.e. M/s Black Rock for generating income from the portfolio. However, the fund manager violated the investment guidelines by executing the transaction with short selling and also used the leverage of the portfolio. Detail of loss is as under:

Month	Loss booked in USD	US dollar rate	Loss in PKR
November, 2022	139,348.00	224.42	31,272,581.39
October, 2022	6,938.00	220.63	1,530,730.94
September, 2022	9,019.52	228.10	2,057,352.51
Total			34,860,664.84

Audit is of the view that the management did not monitor the transactions of fund managers, which shows weak internal controls and caused loss of Rs. 34.860 million.

The matter was reported to the management on June 28, 2024. The management stated in its reply that no short sale of fixed income securities was undertaken by M/s Black Rock during the month. The reply is not tenable as the funds manager booked a loss due to executing the prohibited transactions.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that management may justify the matter.

6.5.4.22 Non-recovery of advances from ex-employees – Rs.32.349 million

Para 24.5.5 of HR Manual, 2015 of State Bank of Pakistan (SBP) the loan drawn by an employee shall be so regulated as to enable the recovery of the total amount advanced, including interest, up to the retirement of employee/borrower but before the start of the retiring month, i.e. no recovery to be made in the last retiring month. The employee however, can repay more than one installment in any calendar month or repay outstanding amount in lump sum, including interest before stipulated date.

During audit of State Bank of Pakistan – Banking Services Corporation (SBP-BSC) Lahore for the year 2022-23, it was observed that the management failed to recover outstanding advances against staff loan amounting to Rs.3.002 million from employees dismissed from service .The detail is as under:

Name of dismissed employee	Principal amount outstanding at the time of dismissal	Amount in Rs
		Outstanding balance with interest as on 30.06.2023
Muhammad Rafiq	121,859	434,325
Sajjad Waheed	74,820	398,485
Khalid Mahmood	57,304	349,219
Hassan Raheel Zuberi	578,034	1,820,758
Sakhi Babar	-	12,488,000
Total	1,330,309	15,490,787

Furthermore, an amount of Rs.16.859 million were lying outstanding against the ex-employees of SBP-BSC Hyderabad as on 30.06.2023

Audit is of the view that the non-recovery shows negligence of the management to safeguard SBP interest resulting into poor financial management.

The matter was reported to the management on 28.06.2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit therefore, suggest the management to recover the outstanding loan against the employees and take necessary action against the persons found at fault.

(DP Nos. 215, 391 & 498)

6.5.4.23 Loss due to refund of fine charged on short performance - Rs. 30.791 million

As per consolidated and updated instructions of Long Term Financing Facility for Imported and locally manufactured plant & machinery: Monitoring procedure for required exports clause (d) states, in case the Participating Financial Institutions does not report export data as mentioned in Para (c) above or in case concerned unit / project fails to meet minimum export targets, concerned office of SBP BSC will charge fine on account of shortfall in exports.

During audit of State Bank of Pakistan (SBP-BSC) Lahore for the year 2022-23, it was observed that an exporter, M/s. Service Industries borrowed Rs. 381.589 million under the Export Refinance Scheme Part-II in 2020-21. However, the exporter only managed to export 68% of the total value, leading to a fine of Rs. 34.349 million for short-performance. Later, the management refunded Rs. 30.791 million of the fine amount. The detail is given as under;

(Rs.in million)						
Exporter Name	Borrowing product	Performance Product	Performance	Short Performance	Shortage	Fine
M/s. Service Industries (Pvt.) Ltd.	381.589	258.914	68 %	(122.675)	32%	34.349

Audit is of the view that the management's decision to refund Rs. 30.791 million of the fine imposed on the exporter, is an undue favor that demonstrates poor financial management.

The matter was reported to the management in June, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.5.4.24 Irregular Grant of Second House Building Advance to Employee - Rs. 28.810 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that 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.

During audit of State Bank of Pakistan (SBP) for the year 2022-23, it was observed that an employee, Ms. Nadia Yaqub, was allowed a second House Building Advance (HBA) of Rs. 28.810 million as a fresh loan despite the fact that the rules did not permit it.

Audit is of the view that grant of Second House Building Advance reflected management's failure to adhere to the rules, resulted in an unauthorized benefit to the employee, highlighting a lack of oversight and control in the administration of employee benefits.

The matter was reported to the management on June 27, 2024. The management stated in its reply that the employee availed the first substitution of property on 06.01.2023 after the fully refunded the outstanding balance of Rs. 11.710 million against HBA loan on 01.10.2020. Further, bank released original property documents after clearing all dues. The reply is not tenable as the management irregular grant of HBA to her for second time.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that management may recover the amount in lump sum and action may be taken against the person(s) at fault.

6.5.4.25 Irregular award of the maintenance works on split basis - Rs. 25.781 million

Rule 9 of PPRA, 2004 states that save as otherwise provided and para No. 50 to the regulation made by the Authority, with the prior approval of the Federal Government, 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 State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management awarded maintenance works of Rs. 25.781 million through split purchases basis in violation of above provision of PPRA rules.

Audit is of the view that the management did not properly worked out maintenance works, which shows poor management of civil works. Thus, the award of maintenance contracts amounting to Rs. 25.781 million to different contractors on split basis are held irregular.

The matter was reported to the management on June 28, 2024. The management stated in its reply that to ensure the continuity, UPS rooms, and lift services for office buildings, the contracts are segregated based on building location. This approach also mitigates the risk associated with the default of a single contract. The reply is not tenable as management awarded the works on split basis by violating rules.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the matter may be justified.

6.5.4.26 Non-utilization / non-protection of assets - Rs.25.250 million

Management Committee on Properties and Equipment (MCPE) of State Bank of Pakistan is responsible for monitoring, on quarterly basis, the execution of projects, utilization of funds, and effectiveness of procurement plan and timely completion of activities.

During audit of State Bank of Pakistan (SBP-BSC) Hyderabad for the year 2022-23, it was observed that the management neither utilized assets amounting to Rs. 25.520 million for its intended purpose nor protected those assets effectively at construction site in Hyderabad since 2006. The details are as under:

S. No.	Description	Quantity in total number	Period of items	Amount in Rs.
1.	EDP Equipment (Desktops Computers, Laptop, Printers, window computers etc.)	284	1996-2005	23,145,145
2.	EDP Electrical Equipment's (Stabilizer, UPS, Electrical water cooler, IR Camera, CCTV Camera, walkie talkie hand set etc)	14	2004-2010	2,105,102
Total				25,250,247

Audit is of the view that management's failure to utilize and protect assets led to their deterioration, ultimately resulting in a loss of Rs. 25.250 million.

The matter was reported to the management in June, 2024 but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.5.4.27 Irregular grant of refinance and credit guarantee scheme for women entrepreneurs - Rs. 25.000 million

SBP Refinance and Credit Guarantee Scheme for Women Entrepreneurs, was launched in line with the Government of Pakistan's policy to support and revive economic activities in the country and SBP's measures for improving access to finance for the women entrepreneurs. Rate of Mark-up for end-user under the facility will be upto 5% per annum. SBP will provide refinance to PFIs at zero (0%) percent.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management granted Rs. 25.000 million to following five (05) borrowers through PFIs M/s Pak Brunei Investment Company and Samba Bank under without fulfilling the conditions/criteria of women entrepreneurs as is evident from the nature of the business:

(Rs in million)			
S#	Name of Borrower	Loan amount	Nature of business
1.	GM Agriculture & Food Processing	5.00	Agriculture farming of rice, wheat, watermelon, onion, etc. and milking of animals
2.	RB Farmers and Dairy farm	5.00	
3.	Ray Enterprises	5.00	
4.	MIAASA	5.00	No business profile available
5.	Interior	5.00	
Total		25.00	

Audit is of the view that the management failed to properly implement the scheme, against its primary purpose of supporting women entrepreneurs and promoting economic growth. Loans were granted for agricultural purposes without verifying women's ownership of the businesses, and in most of the cases, ownership documentation or business registration in the name of women was lacking. Thus, the grant of above loan was held irregular.

The matter was reported to the management on June 27, 2024. The management in its reply stated the scheme does not restrict financing for farming and animal husbandry purposes mentioned in the cases. The reply is not satisfactory as documentary evidence reflecting loan approval for women was not provided.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that action may be taken against the person(s) at fault.

6.5.4.28 Non-transfer of title of plot and irregular payment of rent without lease agreement – Rs. 21.302 million

Rule 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 State Bank of Pakistan & Banking Service Corporation for the year 2022-23, it was observed that a plot measuring 11,555 sq. yds in Islamabad's Sector H-8 was not transferred to the SBP since the Bank's Nationalization Act in 1974, despite payment of transfer fees and lease charges of Rs. 21.054 million.

Further, the Karachi Port Trust (KPT) issued a notice to the SBP regarding unpaid rent of Rs. 156,191 for a hut at Sandspit. Although the lease agreement expired on December 16, 2022, the SBP paid Rs. 247,942 in rent for the entire fiscal year, ending June 30, 2023, without renewing or applying for renewal of the lease agreement. Thus, the payment from 17.12.2022 to 30.06.2023 was held irregular.

Audit is of the view that the management failed to get the title of property from CDA in its name despite lapse of considerable time. Further, the lease agreement was also not renewed with KPT.

The matter was reported to the management on June 20, 2024. The management in its reply stated that the old lease documents have been submitted to CDA, transfer of title is in process and building is in possession of SBP and the

rent was paid to KPT on previous understanding and lease is in under-process of renewal. The reply of the management is not tenable as title of property & lease is pending since long.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends to justify the above position with documentary evidences.

6.5.4.29 Irregular re-appointment of security in-charge - Rs. 20.500 million

Cabinet Secretariat (Establishment Division) letter dated 06.02.2000, the appointments 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.

During audit of State Bank of Pakistan (SBP-BSC) Hyderabad for the year 2022-23, it was observed that the management appointed Lt. Col ® Mr. Nabi Bux as a Security in-charge on 11.12.2018 for a period of 01 year without competitive process. The appointment was continued for further two years. Moreover, the management extended contract period from 2020 to-date instead of advertising the services.

Audit is of the view that management extended an undue favor to the incumbent in his re-appointment. Thus, the payment of salary and allowances paid to him amounting to Rs. 20.500 million was also held irregular.

The matter was reported to the management in June, 2024 but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.5.4.30 Non- / Short-realization of export overdue bills – Rs. 19.437 million

Export Refinance Operations Manual–Part-I, 2020, states that realization of export proceeds against the loan availed under Export Finance Scheme is a

necessary condition. Section 6(i) of Chapter 12 of Foreign Exchange Manual, 2020, states that full export value of goods exported from Pakistan and declared to the Custom authorities should be received in an approved manner, as embodied in State Bank of Pakistan's (SBP) Notification No. F.E. 3/2001-SB dated the 28th September, 2001, on the due date for payment or within 180 days from the date of shipment, whichever is earlier, or within such period as may be prescribed by SBP through specific or general instruction, through an Authorized Dealer either in convertible foreign currency in which the Authorized Dealer maintains accounts or in Pakistan rupee from a repatriable Rupee account of a non-resident.

During audit of State Bank of Pakistan (SBP-BSC) Lahore for the year 2022-23, it was observed that:

a) M/s. Indus Home Ltd. availed a financing facility of Rs. 200 million from Faysal Bank Ltd. for exporting cotton towels, which was refinanced by the management on June 3, 2022. However, the exporter short-realized net export proceeds amounting to Rs. 13.618 million, with a delay of 118 days.

b) The management was unable to recover export proceeds of Rs. 5.819 million from M/s. Kohinoor Textile Mills Ltd., despite the significant lapse of time. The exporter failed to repatriate the export proceeds within 180 days from the shipment date. Detail of outstanding overdue export bill is as under:

Bank	E-Form No.	Amount
Bank of Punjab	BOP-2019-000005992	2.133
	BOP-2019-000005996	2.133
Union Bank	UNB0960827	0.749
UBL	UBL0892318	0.804
Total (Rs in million)		5.819

Audit is of the view that the short-realization and non-repatriation of export proceeds by the exporters resulted in a loss of foreign exchange and reflected internal control weakness and poor monitoring by the management.

The matter was reported to the management in June, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that management may take measures in realization of overdue export bills with penalty amount along with fixing of responsibility on person(s) at fault.

(DP Nos. 216 & 223)

6.5.4.31 Irregular promotion at the post of advisor – Rs. 16.900 million

As per rotation policy the employee shall be rotated once on an intra-group basis with every 3 years. Further, all promotions shall be made with immediate effect and employees who have been promoted shall take up their new responsibilities within 30 days of the promotion order.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the post of Advisor Diversity, Equity, and Inclusion (DE&I) was approved and advertised in 2023, but no candidate was appointed. The post was later advertised internally, and Syeda Sadaf Baqir was selected and promoted to the post with a salary of Rs.1.303 million, bypassing promotion criteria, board approval, and relevant qualifications. Moreover, several irregularities were noted in her career progression, including two promotions as Deputy Director OG-03 and Joint Director OG-04 by 2009, a 12-year deputation at NIBAF without adhering to rotation policy, promotion to Senior Joint Director OG-05 in 2018 without assuming charge at SBP. Further, there was lack of overall BOD-approved grade/post-wise sanctioned strength for a long time.

Audit is of the view that there were significant weaknesses in the organization's recruitment and promotion processes. These weaknesses were further compounded by the lack of a Board-approved grade/post-wise sanctioned strength, inadequate rotation policies, and insufficient oversight of employee career progression.

The matter was reported to the management on 28.06.2024. In response, the management stated that the officer's promotion to OG-5 at National Institute of Banking Finance (NIBAF) didn't require taking charge at SBP within 30 days and that repatriation from NIBAF constituted a rotation, as she took on a new assignment, and the post was approved by the Governor. However, this response is unsatisfactory, as it fails to address the key issues: the officer's appointment

despite having irrelevant qualifications, and her promotion to OG-06 without adhering to promotion policy, sanctioned post, and Board approval.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.5.4.32 Ineffective Consumer Protection by Regulator - Rs. 15.950 million

Section 40A(1) of the Banking Ordinance, 1962, states that it shall be the responsibility and duty of the State Bank to systematically monitor the performance of every banking company so as to ensure that it is complying with the applicable statutory criteria and banking rules and regulations.

Consumer Protection Department responsibilities and functions, the CPD has to monitor business practices and conduct of RE (i.e. Banks / DFI / MFBs / ECs / EMIs) to safeguard the interest of their customers and to promote fair treatment of customers, enhance disclosure, ensure transparency, and strengthen the effectiveness of the FTC regime. Additionally, CPD is responsible for resolving complaints eligible for handling under the relevant legal and regulatory framework.

During audit of State Bank of Pakistan/Bank Services Corporation for the year 2022-23, it was observed that the consumer protection department failed to protect consumers, leading to thousands of complaints being filed with the Banking Mohtasib every year. Despite court orders, the SBP didn't address the issues, instances as under:

- i. **Frozen Bank Account:** A petitioner's account with Mezan Bank Limited was frozen without notice, and the SBP didn't respond to the petitioner's application despite Court directions.
- ii. **Theft from Bank Locker:** A lawsuit was filed against Faysal Bank Limited and the SBP regarding the theft of US\$ 100,000 from a locker, which was meant for medical treatment.
- iii. **Lack of Cooperation with Government of Pakistan deptt:** The SBP failed to provide relevant data to authorities regarding doubtful transactions, despite requests from the Prosecutor General Sindh and the Directorate of Anti-Corruption Sindh, Karachi.

Audit is of the view that the department's failure to protect consumers' interests, respond to court orders, and provide necessary data to concerned authorities raises serious concerns about, effectiveness of consumer protection mechanisms, accountability and transparency within the SBP, compliance with regulatory requirements and court orders. Furthermore, the failure to produce records for audit scrutiny is a matter of grave concern.

The matter was reported to the management on June 13, 2024. The management stated in reply that audit team was approached for clarification, but team did not respond. The reply of the management is irrelevant and evasive.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may take immediate action to strengthen its consumer protection mechanisms, establish a complaint handling system, ensure timely responses to court orders, and provide necessary data to concerned authorities.

(DP Nos.470 & 492)

6.5.4.33 Loss due to closure of project without completion - Rs. 14.704 million

Rule 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 State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the board of directors approved a Learning Resource Centre project at 1.67 acres of land in Peshawar in 2009. Subsequently, management hired a consultant for design of the project in the same year, but construction never began, resulting in the Cantonment Board of Peshawar charging the State Bank of Pakistan Rs. 4.005 million for non-utilization of land from 2009 to 2023. Furthermore, with the Board's approval, the management settled the consultant's claim of Rs. 10.699 million after abandoned the project in 2022. Additionally, the NIBAF allocated the 6th floor of the SBP BSC building in Peshawar, contrary to the approved project plan by the SBP

Governor. Instead of obtaining subsequent approval from the SBP Board, approval was obtained from NIBAF's Board.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the SBP Board of Directors had approved a Learning Resource Centre project on 1.67 acres of land in Peshawar in 2009. However, construction never commenced, resulting in the Cantonment Board of Peshawar imposing a charge of Rs. 4.005 million on the SBP for non-utilization of land from 2009 to 2023. For this project's design, a consultant was hired in the same year. Nevertheless, the project was abandoned in 2022, leading to the settlement of the consultant's claim amounting to Rs. 10.699 million. In substitution of the project, the National Institute of Banking and Finance (NIBAF) allocated the 6th floor of the SBP BSC building in Peshawar for conversion into a Learning Resource Centre, without obtaining the necessary approval from the SBP Board.

Audit is of the view that due to weak internal controls and poor asset management, the Bank suffered loss of Rs. 14.704 million.

The matter was reported to the management on June 12, 2024. In response, the management stated that the project could not be initiated due to the law and order situation in the country, particularly in the province of Khyber Pakhtunkhwa (KPK). M/s Nespak was hired as a consultant on November 13, 2015, and design review consultants on November 7, 2017. Furthermore, the drawings were submitted to the Cantonment Board Peshawar (CBP) for approval in 2017, and the design was approved by the CBP in 2018. Nevertheless, the CBP did not release the approved design and instead demanded property and conservancy taxes. The management's response is not tenable, as there is no evidence to suggest that the CBP imposed any restrictions on initiating construction work at the plot due to law and order concerns.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

6.5.4.34 Embezzlement of funds by officers - Rs. 14.700 million

Sr. No. 04.1 (a) SBP HR Policy Manual dated May 02, 2015 states that all concerned shall not commit, or assist an activity that involves making false statements, fraud, forgery, misappropriation, theft, embezzlement, bribery, misrepresentation, violation of SBP rules, regulations, policies and procedures or any similar activity that harms, or may harm the interest and reputation of SBP.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that twenty-four (24) bank officers were found negligent in performing their duties in Karachi, Lahore and Faisalabad and embezzled Rs.14.700 million. One officer from Karachi was dismissed from service. Furthermore, the currency notes were misappropriated from the Machine examination Hall at BSC North Nazimabad office. Ten (10) employees were involved in the fraud case of currency notes, one was compulsorily retired from the service, three were awarded minor penalty by reducing salary for six months and 05 were issued caution/warning letters.

However, the relevant inquiry/disciplinary file and nature of fraud was not shared with audit.

Audit is of the view that the management extended undue favor to the employees by punishment of minor penalties in the case of embezzlement of funds and concealed the facts from audit.

The matter was reported to the management on June 21, 2024. The management stated in reply that disciplinary action was also initiated against other officials for violation of SOPs and supervisory lapse. The inquiry report is available with concerned office and Govt. Audit may review the same at Karachi office. The reply is not acceptable as no inquiry/investigation reports were provided to audit as yet, which has been accepted by the management in reply, this is clear-cut concealment of the facts/record from audit for which disciplinary action may be taken. Further, it could not be ascertained in the absence of inquiry /investigation report that whether appropriate disciplinary actions were taken against all person(s) involved in fraudulent case or not.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to justify the matter.

(DP Nos.471 & 509)

6.5.4.35 Loss on account of fraudulent activities – Rs. 14.687 million

Sr. No. 04.1 (a) SBP HR Policy Manual dated May 02, 2015 states that all concerned shall not commit, or assist any activity that involves making false statements, fraud, forgery, misappropriation, theft, embezzlement, bribery, misrepresentation, violation of SBP rules, regulation, policies and procedures or any similar activity that harms or may harm the interest and reputation of SBP.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that Mr. Hassan Absar Senior Officer (OG-02) was dismissed from service on account of fraudulent withdrawal of funds amounting to Rs.10.187 million. However, no recovery was made from him.

Further, 05 more fraudulent transactions amounting to Rs.4.500 million were also identified under the head of payment clearing account.

Audit is of view that the funds were withdrawn fraudulently by using bogus / fictitious payment orders and authorization in the system, which showed weak internal controls and lapses of the I.T security. Thus, the bank sustained a loss of Rs.14.687 million (Rs.10.187 million + Rs.4.500 million).

The matter was reported to the management on June 12, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that management may initiate enquiry against the person (s) at fault.

6.5.4.36 Unjustified rest & recreation allowance to employees during leave period - Rs. 11.828 million

Sr. No. 5 (iii) of Office Memorandum of the Finance Division, Government of Pakistan dated January 23, 2024 states that pays, allowances and their revision of all Government employees, including those employed in

Autonomous bodies in Autonomous / Semi-Autonomous / Corporate bodies requires prior approval of finance division.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management allowed to its all employees to receive a rest and recreation allowance equal to one monetized pay in lieu of 22 days. Instances of allowance paid are as under:

Amount in Rs			
S#	PIN Number	Designation/Grade	Allowance
1.	50150	Director	2,418,057
2.	9044	Executive Director	2,274,323
3.	50259	Director	1,538,600
4.	7760	Director	1,380,340
5.	8273	Director	1,122,350
6.	7499	Director	625,582
7.	6723	Executive Director	2,469,372
Total			11,828,624

Audit is of the view that the payment of rest and recreation allowance of Rs.11.828 million without concurrence of the Finance Division, Government of Pakistan is irregular.

The matter was reported to the management on June 28, 2024. In response, the management stated that the Board is entrusted with oversight of the bank's affairs and is responsible for supervising administration and management. According to the management, the leave policy is approved by the Board. However, the reply is not satisfactory, as neither concurrence has been obtained from the Finance Department (FD) nor is it logical to provide extra allowance while on leave, in addition to regular pay and allowances.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends forwarding the case to Finance Division for its concurrence.

6.5.4.37 Irregular appointment of architect – Rs. 11.220 million

Advertisement stated that the API Architect post requires a minimum of 5 years of relevant experience, with expertise in solid principles, object-oriented

programming, Rest/Micro services architecture, API design, development, and security.

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that Mr. Muhammad Murtaza Amin Naqvi was hired as an API Architect on a two-year contract from July 28, 2022, at a monthly salary of Rs. 510,000. However, the qualifications and experience of individual did not match with the requirements specified in the job advertisement.

Audit is of the view that hiring of the individual without matching qualifications and experience requirements indicates a weakness in the recruitment process.

The matter was reported to the management on June 25, 2024. In response, the management stated that the candidate was finalized after careful consideration of profiles and thorough technical evaluation by the line department and HRD. However, the reply is not satisfactory, as the management violated the advertisement criteria.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends the management to probe the matter.

6.5.4.38 Irregular appointment of SOC Manager/Analyst – Rs. 9.480 million

Rule 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 State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management hired four additional contract employees for positions that were already filled by existing staff. Detail is hereunder:

Contractual Position(s)				
S#	Name of Employee	Designation	Monthly Salary	Payment
1	M. Munir Ahmed	Security Operation Center Analyst	200,000	2,400,000
2	Adan Zehra		160,000	1,920,000
3	Syed Aqeel Ali Shah		150,000	1,800,000
4	Aisha Arshad	SOC Manager	280,000	3,360,000
Total				9,480,000

Audit is of the view that the management extended undue favour to the incumbents while appointing them on contract, without taking into view the vacant position. Hence, the payment of Rs. 9.480 million made to the employees was held irregular.

The matter was reported to the management on June 25, 2024. The management stated in its reply that six contractual positions were approved for the cyber security department in addition to the existing regular positions. Accordingly, appointments were made against 04 contractual positions. The reply is not tenable as there was no sanctioned vacant post.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that management may justify the above position.

6.5.4.39 Unjustified charging of higher interest rates from exporters

SBP Export Finance Scheme (EFS) is in operation since 1973 with the objectives to boost exports of the country. Under the scheme, short-term financing facilities are provided to exporters through Banks for exports of all manufacturing goods specially value-added products. Any change in the policy rate, markup rate for EFS is revised automatically so that the gap between policy rate and EFS rate is maintained at 3% (Bank's spread is 2% for SME and 1% for non-SMEs).

During audit of State Bank of Pakistan & Banking Services Corporation (SBP-BSC) for the year 2022-23, it was observed that the management granted loans under the Export Finance Scheme to boost exports, but they charged exporters hefty interest rates ranging from 11% to 17%, plus an additional 2% spread by banks and financial institutions on the loan of Rs. 585,305.599 million

in loans, which is against the spirit of the scheme. The break-up of mark-up on the total loan is given below:

(Rs. in million)				
S#	Amount	%	From	To
1.	469.876	11	Dec, 22	May, 23
2.	15,325.408	12	Dec, 22	Mar, 23
3.	121,293.265	13	Jan, 23	Mar, 23
4.	4,512.725	15	Mar, 23	Apr, 23
5.	303,353.265	16	Mar, 23	May, 23
6.	140,351.058	17	Apr, 23	May, 23
Total	585,305.597			

Audit is of the view that the management's decision to charge excessively high interest rates (ranging from 11% to 17% plus an additional 2% spread) on loans under the Export Finance Scheme is contradictory to the scheme's objective of promoting exports. This practice may discourage exporters, hinder export growth, and ultimately undermine the country's economic interests.

The matter was reported to the management on June 12, 2024. The management stated in its reply that in line with IMF conditionality, end-user markup rate under EFS was linked with SBP policy rate in May, 2022. The reply is not satisfactory as no such directives from IMF or Government were shared.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the management may revise the interest rates charged to align with the scheme's objective of promoting exports.

6.5.4.40 Non-verification of degrees / certificates

The Government of Pakistan mandated the verification of degrees/certificates for all federal government employees through a letter dated March 8, 2011, instructing respective Ministries/Divisions and heads of autonomous organizations to initiate the verification process, bear verification charges, and submit a certificate listing verified officers' degrees/certificates to the Establishment Division within 45 days, with foreign degrees/diplomas to be verified through the Higher Education Commission (HEC).

During audit of State Bank of Pakistan (SBP-BSC) Lahore for the year 2022-23, it was observed that the management hired 8 employees for different posts, however their degrees / antecedents / credentials were not verified till date. Details are as under:

S#	Name	Personnel ID Number (PIN)
1	Tayyaba Rehman	112120
2	Zahair Ali Solahri	111666
3	Rubab Fatima	112586
4	Inbsat Zahid	9604
5	Faiza Akhtar	9608
6	Nazqazish ul Qadir	9701
7	Noor e Hira	9621
8	Namia Naeem	9618

Audit is of the view that non-verification of degrees / certificates despite lapse of four (4) years reflected negligence by the management.

The matter was reported to the management in June, 2024, but no reply was received.

Despite requests and subsequent reminders on 25.11.2024, 06.1.2025 and 13.01.2025, DAC meeting was not convened by the PAO.

Audit recommends that the degrees/certificates/ antecedents/credentials of employees may be verified without further delay.

6.6 Kissan Support Services (Pvt.) Limited

6.6.1 Introduction

Kissan Support Services is Private Limited Company established in 2006 as a subsidiary of ZTBL. The purpose of establishing this subsidiary was to provide support staff to ZTBL, undertake its non-core activities and carry out any business for its sustainability. The main objectives of this subsidiary are as under:

1. To carry on business of providing consultancy, advisory and other agency and support services on contractual basis or otherwise to ZTBL.
2. To provide all kind of support staff and ancillary services to the bank and marketing of Bank's products and services.
3. To provide quality products and services to ZTBL clients for efficient and improved farming including seeds, fertilizers, pesticides, Agri-machinery and technical services like irrigation & drainage system and repair and maintenance of agricultural machinery.
4. To provide welfare services to the employees of the Bank including education, vocational training, sports and recreation facilities.

6.6.2 Comments on Audited Accounts

6.6.2.1 The working results of the KSSL for the year 2023 in comparison of the previous years are given below:

(Rs in million)					
Description	2023	% Inc/ (Dec)	2022	% Inc/ (Dec)	2021
Revenue	196.87	33.71	147.24	27.47	115.51
Cost of services	107.76	(11.32)	121.51	(45.46)	222.79
Gross profit/(loss)	89.1	246.29	25.73	-	(107.28)
Administrative expenses	79.35	21.22	65.46	20.46	54.34
Operating profit/(loss)	9.76	-	(39.73)	(75.42)	(161.62)
Other income	231.36	95.92	118.09	44.68	81.62
Profit/(loss) before taxation	241.12	207.71	78.36	-	(80.00)
Taxation	74.41	211.13	23.916	58.59	15.08
Profit/(loss) after tax	166.71	206.23	54.44	-	(64.92)
(Loss)/Earnings per share	16.67	206.43	5.44	-	(6.49)

(Source: Annual Audited Accounts)

The working results of the Company were satisfactory during the year under review. Revenue of the company increased from Rs 147.24 million in 2022 to Rs 196.87 million in 2023 registering an increase of 33.71% over previous year. The cost of services decreased from Rs 121.51 million in 2022 to Rs 107.76 million in 2023 registering a decrease of 11.32%. Efforts be made to maintain the profitability trend in the years to come.

6.6.2.2 Administrative expenses increased to Rs 79.35 million in 2023 from Rs 65.46 million in 2022 showing an increase of 21.22% which is on higher side. Increase was particularly significant in salaries & allowances, repair & maintenance and rent, rates & taxes expenses. Efforts need to be made to control these expenses.

6.6.2.3 A sum of Rs 154.91 million (Rs 103.13 million in 2022) is receivable from ZTBL since long. Reasons of non-recovery of said amount needs to be explained. Steps may be taken to recover the amount.

6.6.2.4 Short term investments showed Rs 1,398.38 million in 2023 (Rs 1,188.39 million in 2022). The management earned mark-up on these investment from banks each year. At present KSSL only provide managerial staff support services to ZTBL even having several other businesses in its Memorandum & Article of Association such as consultancy, advisory and other agency services, to provide ancillary services to the bank and marketing of Bank's products and to provide quality products & services to ZTBL clients for efficient and improved farming including seeds, fertilizers, pesticides, Agri-machinery and technical services like irrigation & drainage system and repair and maintenance of agricultural machinery. KSSL is required to start other such business activities to overcome un-employment instead of investment in banks and earn mark-up. Efforts for initiation for start of other business activities needs to be explained.

6.6.2.5 Deferred liabilities showed Rs 501.67 million in the year 2023 (Rs 473.42 million in 2022) on account of gratuity and medical funds. KSSL have sufficient funds which are invested in banks instead of clearance of these liabilities. Reasons for non- clearance of these liabilities need to be explained.

6.6.3 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	8	-	-	100
2017-18	05	0	05	9.7.1, 9.7.2.1, 9.7.2.2, 9.7.2.3, 9.7.3	0
Total	18	9	9		50

Overall compliance of PAC directives was very poor which needs immediate attention of PAO.

6.7 Zarai Taraqiati Bank Limited

6.7.1 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 870 million. 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. 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 31 Zones with a total number of 531 branches.

6.7.2 Comments on Audited Accounts

6.7.2.1 The operating results of the Bank for the year ended, 2021 to 2023 are as follow:

	2023	% Inc / (Dec)	2022	% Inc / (Dec)	2021
Mark-up/return/interest earned	42,316.092	72.29	9,436.395	75.07	22,526.158
Mark-up/ return/ interest expensed	117,820.473	78.97	24,782.207	143.06	10,244.200
Net Mark-up / Interest income	24,495.619	40.18	14,654.188	18.36	12,281.958
Fee, commission & brokerage income	1,312.045	18.79	1,065.537	6.75	998.119
Dividend income	135.730	- 4.68	142.082	-26.16	192.413
Gain / (Loss) on sale of securities - net	266.525	87.66	32.879	119.11	15.006
Other income	847.689	81.00	161.058	14.12	158.452
Total non-markup/ interest income	2,561.989	45.29	1,401.556	4.2	1,363.990
Total income	27,057.608	40.66	16,055.744	16.94	13,645.950
Operating expenses	14,675.692	17.06	12,172.515	9.6	11,088.899
Other charges	39.804	100	-		76.359
Total non-markup / interest expenses	14,715.496	17.28	12,172.515	8.85	11,165.258
Profit/Loss before provisions	12,342.112	68.54	3,883.229	53.38	2,480.690
Provisions and write-offs- net	- 5,505.176	33.64	- 3,653.088	-569.74	777.676
Extraordinary / un-usual items-charges in respect of pension liability due to changes in pension factor	-	-	-	-	-
Profit/(Loss) before taxation	17,847.288	57.77	7,536.32	337.93	1,703.010
Taxation	6,696.439	64.77	2,359.030	-33.34	3,503.174
Profit/(Loss) after taxation	11,150.849	53.57	5,177.287	-384.58	- 1,800.160
Accumulated Profit	11,451.832	102.55	- 291.563		
Assets	562,425.521	14.51	491,177.184	92.76	254,808.414
Performing loans	85,398.098	15.58	73,884.456	-0.77	74,456.385
Non-Performing Loans	34,584.173	2.51	33,738.604	- 17.31	40,799.600
Total Loan Portfolio	119,982.271	11.48	107,623.060	- 6.62	115,255.985
Cost to Revenue Ratio	82.788%	31.74%	62.841%	38.18%	45.477%
NPL as a percentage of the total portfolio	28.824%	-8.05%	31.349%	-11.44%	35.399%

(Source: Annual Audited accounts)

The head mark-up/return/interest earned increased by 72%, rising from Rs 39,436.395 million in the previous year to Rs 142,316.092 million. It is worth noting that 85% of this revenue was generated from treasury and investments,

while the remaining 15% earned from the bank's core operations. Loans and advances amounted to Rs 21,938.959 million in 2023 as compared to Rs 15,828.212 million in the prior year. However, the bank's primary focus on advancing loans under various schemes, particularly for farmers, seems to have decreased. Currently the SBP policy rate dropped to 13%, which will reduce income from treasury services and contributed to the bank incurring losses. On the other hand, balances with banks saw a significant increase, rising by 153% to Rs 31,925.611 million from Rs 12,615.407 million. The reasons for maintaining such substantial cash balances in banks instead of investing in the bank's core business need to be thoroughly investigated. Serious efforts should be made to prioritize the bank's core functions.

6.7.2.2 According to Note 11.2 under the classification category, "Other Assets the Non-Performing Loan (NPL)" the portfolio increased by 18%, as of 31.12.2023 reaching Rs 23,109.562 million as compared to Rs 19,567.924 million in the preceding year after adjusting for provisions. This increase indicates that the recovery department did not make strenuous efforts to recover outstanding loans from customers. This abnormal increase in NPLs should be investigated and concrete steps should be taken to enhance recovery and minimize the NPL portfolio.

6.7.2.3 According to Note 15.2, the amount recoverable from the Federal Government for crop loan insurance premiums stands at Rs 2,853.635 million and has remained outstanding for an extended period. The management's failure to recover such a substantial amount requires justification, and the position needs to be addressed promptly.

6.7.2.4 According to Note 25, mark-up/interest expenses have increased to Rs 117,820.473 million as compared to Rs 24,782.207 million in 2022, reflecting an extraordinary increase of 375%. This significant rise needs to be justified.

6.7.2.5 According to Note 29, Other operating expenses rose to Rs 14,675.692 million from Rs 12,172.515 million as compared to the previous year, representing a rise of 20.5 %. The reasons for such a huge increase need to be thoroughly investigated and justified.

6.7.2.6 As stated in Note 29.1, expenditures amounting to Rs 6,151.555 million were recognized under the head of salaries as of December 31, 2023 as compared to Rs 5,257.578 million in 2022. This reflects an 18.9% increase in salary expenditures, % this substantial increase needs to be justified.

6.7.2.7 According to Note 29.1, the management recognized an expense of Rs 1,008.984 million under the head of the account of cash bonuses/awards for the year 2023 and Rs 752.816 million in the year 2022. It is notable that since its inception as a Public Limited Company in 2002, Zarai Taraqiati Bank has not paid any dividends to its shareholders. The main shareholders include the State Bank of Pakistan, the Federal Government of Pakistan, and the four Provincial Governments, including East Pakistan. Despite paying substantial bonuses to employees, the shareholders have been deprived of benefits in the form of dividends. The reasons for such expense needs to be justified and explained.

6.7.2.8 According to Note 30, the management recognized Rs 39.804 million under the head "Penalties imposed by the SBP." The audit requires a detailed justification for recognizing these penalties as expenditures of the bank instead of recovering them from the responsible individuals. Further, steps should be taken to ensure the recovery of these amounts from the persons accountable.

6.7.2.9 As per Note 38.6.1, the reconciliation of payables to/receivables from the defined benefit plan shows a net shortfall/deficit of Rs 5,845.680 million under the Pension head and Rs 1,140.994 million under the Gratuity head as of December 31, 2023. This indicates that the management has failed to manage these funds effectively, resulting in potential liquidity challenges when making payments to beneficiaries. The situation requires justification, along with concerted efforts to enhance the assets of these funds to ensure their sustainability.

6.7.2.10 The Cost to Revenue Ratio of the bank was 82.788% during the year 2023, 62.841% during 2022 and 45.477% during 2021. This abnormal increase shows that the management is struggling with high operating costs relative to its income, which could point to inefficiencies, rising expenses such as personnel costs, loan loss provisions, or regulatory compliance. The position needs to be justified.

6.7.2.11 The Non-Performing Loan (NPL) as a percentage of the total portfolio is 28.824% during the financial year 2023 reflecting poor credit risk management, inadequate loan monitoring, and insufficient collection efforts. This high ratio indicates that nearly a third of the loan portfolio is at risk, which decreased profitability by reducing interest income and increasing loan loss provisions, which needs to be justified.

6.7.3 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	13	06	07	80.5, 80.6, 81, 82, 84, 85, 86	46
2006-07	13	06	07	62.6, 63, 64, 65, 66, 67, 68	46
2007-08	11	07	04	59, 60, 61, 62	64
2008-09	13	05	08	71.3, 72, 73, 74, 75, 76, 77, 78	38
2009-10	07	03	04	74, 75, 77, 79	43
2013-14	14	0	14	6.6.1, 6.6.2.1, 6.6.2.2, 6.6.2.3, 6.6.2.4, 6.6.2.5, 6.6.2.6, 6.6.2.7, 6.6.2.8, 6.6.3, 6.6.4.1, 6.6.4.2, 6.6.4.3, 6.6.4.4,	0
2016-17	21	12	09	6.5.2.2, 6.5.2.3, 6.5.2.4, 6.5.3, 6.5.4.1, 6.5.4.3, 6.5.4.5, 6.5.4.6, 6.5.4.8	57
2017-18	24	02	22	9.6.1, 9.6.2.1, 9.6.2.2, 9.6.2.3, 9.6.2.4, 9.6.2.5, 9.6.2.6, 9.6.2.7, 9.6.2.8, 9.6.2.9, 9.6.2.10, 9.6.2.11, 9.6.2.12, 9.6.3, 9.6.4.1, 9.6.4.3, 9.6.4.4, 9.6.4.5, 9.6.4.7, 9.6.4.8, 9.6.4.9 & 9.6.4.10	8
2019-20	11	0	11	6.7.2.1, 6.7.2.2, 6.7.3, 6.7.4.1, 6.7.4.2,	0

				6.7.4.3, 6.7.4.4, 6.7.4.5, 6.7.4.6, 6.7.4.7, 6.7.4.8	
Total	335	160	175		48

Overall compliance of PAC directives was not satisfactory which needs to be improved.

6.7.4 Audit Paras

6.7.4.1 Irregular appointments of the Group Heads and Company Secretary - Rs 48.544 million

According to Para 1.2 (B) (ix) of recruitment policy of the bank, the minimum length of service for the post of EVP and SEVP were 20 and 25 years respectively. Para 10 (i) of SOP's for Recruitment & Selection under Staff Regulations 2005 states that selection Board constituted by the competent authority for interview will comprise of two external experts of repute on relevant subject (Member's) provided that in case of recruitment for any position carrying the rank of SEVP, a member of the BoD shall be included in lieu of one external member. Para 13 (VI) of the said SOP's states that HROD will submit recommendations of the Selection Board to the competent authority for final approval and issuance of offer of appointment.

According to Para 01 (ii) of the O.M. dated 07.07.2022, there was complete ban on the creation of the new posts except those required for development projects.

During audit of the Zarai Taraqiati Bank Ltd (ZTBL) for the year 2023, it was observed that BoD appointed 03 officers named Mr. Zahid Hussain, Mr. Waseem Majid Malik, Ms. Sabahat Batool as group heads of different departments in the rank of SEVP and EVP and Mr. Tariq Mehmood Taliba as company secretary (EVP) on contract basis. An expenditure of Rs 48.544 million was incurred on payment of pay & allowances to the officers in 2023. Audit observed that:

1. 04 member's board committee ignored the selection board's recommendations headed by the President of the bank and selected the candidates standing at 3rd position in interview except company secretary.

2. Two external members of the selection board were not included in the selection board which was violation of the contract policy.
3. New posts of the group heads were created despite the austerity measures imposed by the Federal Government in 2022-23.
4. Age of 61.5 years was included in the advertisement to accommodate Mr. Tariq Mehmood Talib already working as Company Secretary.
5. Experience offered in the advertisement was 15 years for EVP and SEVP instead of 20 and 25 years respectively as given in the recruitment policy.
6. Mr. Zahid Hussain had irrelevant experience of 20 years as pointed out by M/s HRSI head hunting agency.
7. Pay package of Mr. Waseem Majid Malik, Legal Head was also increased from Rs 887,500 to Rs 1,006,500 without any solid reasons.

Audit is of the view that the appointment of the group heads and Company Secretary was irregular and in violation of the bank's recruitment rules.

The matter was reported to the management on 07.10.2024. Management replied that group heads and Company Secretary were appointed in light of the ZTBL recruitment policy after proper interview and recommendations of the BoD. Proper KPIs were approved by the BoD.

Reply is not tenable as appointments were made against the recommendations of the interview committee members and hiring agency by giving undue favour to the officers.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter for rejecting the 1st and 2nd candidate and appointment of the individuals standing at 3rd position, regularize the case of creation of the posts during ban period from the Finance Division.

(Para-20, ZTBL 2022-23)

6.7.4.2 Irregular appointment of the head HR in violation of the interview committee's recommendations - Rs 6.957 million

According to Para 02 (a) & (b) of the contractual appointments policy approved by the Board in 99th meeting held on 21-22.2022, open competitive process to be followed through selected head hunting firm. Selection committee will interview shortlisted candidates and furnish recommendations. Para 10 (i) of SOP's for Recruitment & Selection under Staff Regulations 2005 states that selection Board constituted by the competent authority for interview will comprise of two external experts of repute on relevant subject (Member's) provided that in case of recruitment for any position carrying the rank of SEVP, a member of the BoD shall be included in lieu of one external member.

During audit of ZTBL for the year 2023, it was observed that MR. Bakar Ahmad was appointed as Head HR on the monthly pay package of Rs 1,159,500 plus other financial benefits including membership fee of Rs 800,000 and 400 liters per month petrol.

Audit observed that:

1. According to the minutes of the selection committee, the applicant was not shortlisted by the committee for interview.
2. Neither offer of appointment was issued to the candidates shortlisted nor proof for refusal of the post by the selected candidates was available on record.
3. Mr. Bakar Ahmad was directly selected from the general list of 35 candidates applied for the post instead of top 13 candidates already selected for interview and thus the management totally violated the selection process for choosing the dear one candidate.
4. New post of the Group Head was created despite the austerity measures imposed by the Federal Government in 2023 & 2024.
5. M/s HRSI hunting agency already hired for the selection process of the high level officers was totally ignored in the appointment process.

In light of above, audit is of the view that the officer was illegally appointed by violating the interview committee's recommendations and extending undue favor to the officer. Therefore, expenditure of Rs 6.957 million

(1,159,500 x 06 upto the date of audit) was held irregular and violation of the bank's recruitment rules.

The matter was reported to the management on 07.10.2024. Management replied that the Board of Directors selected 02 out of 13 shortlisted candidates. The President, ZTBL telephonically negotiated the salary package with recommended candidates but Mr. Aadil Saleh and Ms. Sonia Farooq refused the offer and shown their inability to join the bank. The remaining 11, out of 13 interviewed candidates, were not recommended by the committee hence it was decided to re-evaluate all applicants. Mr. Bakar Ahmed was found suitable in the interview held on 16th April, 2024 by the Board.

Reply is not tenable as shortlisted candidates were ignored and the officer was appointed in violation of the recruitment rules of the Bank as well as in violation of merit policy.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter of selection of the candidate against merit and regularize the case of creation of the post in ban period from the Finance Division. Besides, fix responsibility on the individuals at fault.

(Para-74, ZTBL 2022-23)

6.7.4.3 Un-justified grant of bonus to the employees despite weak performance of the bank - Rs 1,008.984 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 audit of ZTBL for the year 2023, it was observed that an expenditure of Rs 1,008.984 million was booked as cash bonus/awards in the financial statement for the year 2023. An amount of Rs 548.975 million was paid

to the employees against the total amount incorporated in the financial statements.

Audit also observed that in 2023, the bank generated a total revenue of Rs 142,316.092 million, but only Rs 21,938.959 million (15.41%) came from its core business of loans and advances. The remaining revenue of Rs 120,377.133 million was earned through investments whereas, in 2022, Rs 15,828.212 million revenue was generated from core business which was 40% of the total revenue of the bank of Rs 39,436.395 million. This significant decline from 40% in 2022 to 15.41% in 2023 indicated poor performance of the management towards its core business activities. Additionally, the bank's non-performing loans (NPL) rose by 2.5%, increasing from Rs 33,738.604 million in 2022 to Rs 34,584.173 million in 2023. Similarly, SAM loans grew by 27%, from Rs 37,008.915 million to Rs 47,015.040 million, which further highlighted the bank's weak performance in core banking operations. Moreover, the management did not obtain separate approval from the Board of Directors for awarding bonuses. There were also inconsistencies in bonus distribution between the officers of the same rank receiving different amounts without proper justification or evaluation.

Audit is of the view that bonus paid to the employees despite poor performance of the bank was irregular and unjustified.

Irregularity occurred due to lack of financial management and poor internal controls.

The matter was reported to the management on 07.10.2024. The management responded that, after deducting the direct borrowing cost, the investment income amounted to Rs 3.6 billion, while income from advances stood at Rs 21.6 billion. The total increase in net markup income was Rs 9.7 billion, comprising Rs 6.1 billion from advances and Rs 3.6 billion from investments, reaching Rs 29,936 million after provisioning. Management also stated that non-performing loans (NPL) had decreased in 2023, and regular advances grew from Rs 73,884 million to Rs 85,308 million, reflecting an improvement in core business operations. Additionally, the principal amount of the SAM (Charge-off portfolio) increased from Rs 33,929 million in 2022 to Rs 36,017 million in 2023. Regarding bonus, the management clarified that the

same was approved and granted in 2023 based on the profitability of 2022 after obtaining approval from the Board of Directors.

Reply is not tenable as financial statements for the years 2023 clearly depicted the poor performance of the bank in their core business.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for payment of the bonus to the employees despite poor performance and recover the amount from the employees who had not performed as per their assigned targets and achievements.

(Para-52, ZTBL 2022-23)

6.7.4.4 Loss due to non-recovery of SAM loans and non-performing loans from the defaulter borrowers - Rs 87,303 million

According to Para-5.26 of ZTBL Credit Manual Vol-1, Recovery of Loans “the loan should be recovered in installments as per terms and conditions mentioned in the sanction letter and relevant agreements. In case of default, action for recovery be taken procedurally. Para-1.8.1 (iii) of the said manual states that in case of default of loans, the markup on outstanding principal would continue to be charged at the rate fixed till its repayment. Recovery would be adjusted first against up to date mark-up and residual against outstanding principal. Para 14.2 (2) (i) & (iv) states that higher Non-Performing Loans (NPLs)/ Classified Loans Higher NPLs reflect that bank employees are not handling bank’s assets efficiently as loans/advances are the biggest assets of the bank through which bank has to generate income but NPLs create a bad name for bank and its employees.

During audit of ZTBL for the year 2023, it was observed that loans worth Rs 56,976.830 million were outstanding against defaulter borrowers as on 31.12.2023 for the last 05 years or more, which were converted into the Special Assets Management (SAM) loans by the bank. Out of the total disbursement, Rs 9,961.790 million (principal plus mark-up) had been recovered up to December 2023 with a closing balance of Rs 47,015.04 million to be recovered from the defaulter borrowers. Management neither recovered the loans nor

initiated any action for acquiring of the assets mortgaged with the bank, therefore considered violation of the credit policy of the bank.

It was also observed that bank had an outstanding non-performing /classified loans amounting to Rs 40,288 million as on 31.12.2023. Out of total loans of Rs 40,288 million, a sum of Rs 29,936 million was principal loan and remaining Rs 10,352 million was accrued mark-up on the loans. The management failed to recover the long outstanding loans of Rs 40,288 million till date of the audit i.e. 29.07.2024. Further, management also failed to attach the assets mortgaged against each loan and auction for recovery of the loan along-with the mark-up.

Irregularity occurred due to lack of internal and financial controls of the management as well as lack of proper assessment before grant of loans to the borrowers.

Audit is of the view that non-recovery of the outstanding SAM and non-performing loans amounting to Rs 87,303 million (i.e. Rs 47,015 million and Rs 40,288 million respectively) led to a loss to the bank.

The matter was reported to the management on 07.10.2024. Management replied that charged off portfolio increased substantially in the last 4 years due to farmer's financial constraints, and natural calamities. The willful defaulters, burnt files during Benazir assassination riots, pending litigation, fraud & forgeries and missing files led to swelling of charged off portfolio. Effective follow-up had recovered SAM loans of Rs 32,445.549 million up to 30.09.2024. As regards non-performing loans, it was stated that heavy rains and floods in 2022 coupled with economic unrest & inflation inflecting heavy losses on farmers which ultimately impacted bank operations and 119 branches were declared calamity affected and all loans in these branches were rescheduled. Moreover, substantial progress had been made with regards to auction/disposal of properties during 2024 as compared to last year.

Reply is not tenable as SAM recovery of Rs 47,015.04 million was still outstanding. Further, NPLs were increasing year by year.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to justify non-recovery of loans from the defaulter borrowers, take immediate action for recovery of loans from the defaulter borrowers. Besides, disciplinary action be initiated against the bank's relevant staff for disbursement of the loans without actual/real assessment of the borrowers before approval of the loans and getting their personal benefits at the cost of the public exchequer.

Note: The issue of less / non-recovery from SAM defaulters was also reported earlier in the Audit Report for the year 2021-22, 2023-24 vide Para No. 4.2.4.1 and 8.7.4.3 having financial impact of Rs 6,755.086 million and Rs 9,179.00 million respectively. Recurrence of same irregularity is a matter of serious concern.

(Para-3 & 7, ZTBL 2022-23)

6.7.4.5 Non-recovery of loans from the defaulter borrowers - Rs 10,278.350 million

According to Para-5.26 of ZTBL Credit Manual Vol-1, Recovery of Loans "the loan should be recovered in installments as per terms and conditions mentioned in the sanction letter and relevant agreements. Para-1.8.1 (iii) of the said manual states that in case of default of loans, the markup on outstanding principal would continue to be charged at the rate fixed till its repayment. Recovery would be adjusted first against up to date mark-up and residual against outstanding principal.

Para 14.2.(2)(i) & (iv) states that higher Non-Performing Loans (NPLs)/Classified Loans Higher NPLs reflect that bank employees are not handling bank's assets efficiently as loans/advances are the biggest assets of the bank through which bank has to generate income but NPLs create a bad name for bank and its employees.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year 2023, it was observed that management of the bank disbursed principal loans amounting to Rs 4,352.727 million to 29,446 borrowers under different loan schemes in all zones in the last five years. The management failed to recover even a single penny/zero recovery from the borrowers till finalization of the Audit Report. The

management neither recovered the loans nor initiated any action for the auction of the assets mortgaged with the bank.

Irregularity occurred due to lack of financial control of the management.

Audit is of the view that non-recovery of the outstanding principal loan amounting to Rs 4,352.727 million along with mark-up of Rs 5,925.623 million (Total Rs 10,278.350 million) led to a loss to the bank.

The matter was reported to the management on 07.10.2024. The management replied that natural calamities, burnt files during Benazir assassination riots, pending litigation & missing files led to non-recovery of loans from defaulters. The bank resumed use of LACIP Act-1973, effective follow-up, legal remedy under FIO-2001 and outsourcing NPL portfolio to expedite recovery, which led to substantial decline in zero recovery cases.

Reply is not tenable as no recovery was made from the defaulter borrowers.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends justifying non-recovery of loans alongwith mark-up from the defaulter borrowers, take immediate action for recovery of the loans from the defaulters besides taking action against the individuals held responsible for defaulted loans.

(Para-1, ZTBL 2022-23)

6.7.4.6 Irregular excess payment of adhoc relief allowance to the employees under SR-2005 - Rs 117.825 million

According to Para 02 of the Finance Division regulations wing O.M. No. F.4 (3) R-4/2011-Revision dated 2.08.2023, the grant of 30% and 35 % of the adhoc relief allowance for the year 2023 will not be applicable to those public sector corporations and autonomous /semi-autonomous bodies which have adopted different pay scales/allowances. This allowance will be allowed subject to the existing conditions with the concurrence of standing committee of Finance Division on the recommendations of the respective Board of Directors / Governors.

During audit of ZTBL for the year 2023, it was observed that an expenditure of Rs 289.931 million (24.16 x 12) w.e.f. 01.07.2023 to 30.06.2024 was incurred on payment of monthly adhoc relief allowance 2023, calculated @ 30% of half of the monetized salary admissible on 30.06.2023 to officers / executives vide circular dated 11.08.2023. The formula adopted for calculation of the allowance was not correct as monetized salary included basic pay and other different allowances i.e. house rent, conveyance, adhoc relief allowances, allied charges, bonuses, petrol ceiling etc.

Audit is of the view that all adhoc relief allowances were allowed on the basic pay of the employees by the Government. Therefore, the allowance paid should be re-calculated on the basis of the 30% on the minimum band of the monetized salary instead of paying half of monetized salary to restrict the allowance and reduce its financial impact to the extent of the basic pay only.

Irregularity occurred due to lack of financial management.

The matter was reported to the management on 07.10.2024. Management replied that in the wake of PAC decision taken in its meeting held on May 15, 2014, referred instructions were not applicable to employees of the Bank. ZTBL Board being competent forum has allowed Adhoc relief to Bank employees, on the rate & scale determined by it. Employees of the Bank were neither civil servants nor Federal Government employees. Therefore, the said instructions were not applicable on them.

Reply is not convincing, as approval of the Federal Govt. with the prior recommendations of the BoD was necessary. Further, the allowance was calculated on the pay plus allowances, which led to excess payment of the adhoc relief allowance.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for adopting wrong formula for calculation of the adhoc relief allowance. Further, immediately stop the allowance and restrict to the extent of the basic pay only besides regularization of the case from the Finance Division.

(Para-26, ZTBL 2022-23)

6.7.4.7 Irregular payment of adhoc relief allowance 2023, cost of living allowance and bonus to the employees without concurrence of the Finance Division - Rs 2,202.233 million

Para 05 of the Finance Division regulations wing O.M. dated 2.08.2023 read with Para 04 (iii) of the O.M. dated. 23.01.2024 states that pay, allowances and their revision of all Government employees, including those employed in Autonomous /Semi- Autonomous organizations, it is binding upon all the administrative Ministries/Divisions of Semi-autonomous bodies / corporations to ensure that any changes in the pay, allowances and privileges of executive / supervisory staff of the semi-autonomous, autonomous bodies / corporations working under their administrative control, are processed in accordance with the Finance Division's O.M. dated 26.06.1999.

During audit of ZTBL for the year 2023, it was observed that an expenditure of Rs 2,202.233 million was incurred on payment of adhoc relief allowance 2023, cost of living allowance and bonus to the ZTBL and KSSL employees with the approval of the Board of Directors in the financial year 2023.

Audit observed that above allowances /privileges were allowed to their employees without concurrence of the standing committee of the Finance Division.

Irregularity occurred due to lack of financial management and non-awareness of the instructions issued by the Finance Divisions.

Audit held that payment of pay & allowances and other privileges without the concurrence of the Finance division was irregular and violations of the rules.

The matter was reported to the management on 07.10.2024. Management replied that employees of the Bank are neither civil servants nor Federal Government's instructions are applicable on them. Further BoD had the powers to accord approval for grant of adhoc allowances.

Reply is not tenable, as Finance Division's instructions were applicable on all the corporations.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for payment of the allowances without concurrence of the Finance Division and regularize the expenditure from Finance Division

(Para-30, ZTBL 2022-23)

6.7.4.8 Non-disbursement of loans to the women borrowers resulting into violation of the credit policy - Rs 73.306 million

According to Para 01 of the credit division circular dated 04.04.2023 read with Para 14 of the circular dated 30.01.2023, under Prime Minister Youth Business & Agriculture loan scheme (PMYB & ALS) scheme, special quota of disbursement should be delegated to female borrowers. Para 03 further states that under PMYB & ALS, preference should be given to the loanable items as prescribed in Khawateen schemes approved by BoD to cover 25 % quota allocated for women borrowers.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) Faisalabad Zone for the year 2023, it was observed that 391 loan cases costing Rs 814.636 million were disbursed to the male and female borrowers under the Prime Minister Youth Business & Agriculture loan scheme (PMYB & ALS) scheme in the year 2023.

Record revealed that a total of 64 loans costing Rs 130.353 million were disbursed to the female borrowers which comes to 16 % of the total population of the disbursement instead of 25 % quota of Rs 203.659 million (814.636 x 25%) causing less achievements of Rs 73.306 million of the female targets.

Irregularity occurred due to lack of monitoring of the disbursements cases.

Audit is of the view that less disbursement of Rs 73. 306 million (Rs 203.659 – Rs 130.353) was not only violations of the PM (PMYB & ALS) but also deprived the female community of the facility provided by the Govt.

The matter was reported to the management on 07.10.2024. Management replied that applications for PMYB & ALS were submitted through the PM portal and NADRA for approval of the BoD. If the individual meets the eligibility criteria, the bank obligated to provide a loan. Conversely, the State Bank of Pakistan (SBP) consistently engage in monitoring activities to ensure the achievement of designated targets. The proposed scheme was subject to a

temporal constraint, requiring the bank to meet specified targets within a designated period. This time limitation imposes additional restrictions on the bank's operational activities.

Reply is not tenable, as bank's own credit policy for disbursements of loans to the female borrowers was not followed in letter and spirit.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for less disbursement of the loans to the female borrowers and violation of the PM packages.

(Para-32, ZTBL 2022-23)

6.7.4.9 Irregular investments without approval of the Treasury Investment Committee (TIC) - Rs 2,860.257 million

According to Para 03 (A) the ZTBL treasury investment policy approved by the BoD in its 100th meeting dated 25.03.2022, the treasury investment committee (TIC) of the bank is responsible for acting within the guidelines provided by ALCO. The TIC shall meet monthly or more frequently when necessary. TORs of the committee includes reporting on cash flow and liquidity, interest rate environment, duration of portfolio, fair market value of portfolio, economic data and risk management/ limit management.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) treasury office Karachi for the year 2023, it was observed that Management purchased Pakistan Investment Bonds (PIBs) amounting to Rs 216,084 million and Treasury Bills for Rs 2,644.172 million having a total of Rs 2,860.257 million in the year 2023.

Investments were made directly by the treasurer without prior reviewing by the treasury investment committee (TIC) of the bank in light of the TORs as defined in the investment policy. Further, no TIC committee was constituted by the bank for running the affairs of the investment by the treasury office Karachi till date of audit. The whole investments were made by the treasurer at his own discretions without involvement of the TIC, which may cause risk of financial loss to the bank at any time.

Irregularity occurred due to lack of the interest of the management in the affairs of the treasury.

Audit is of the view that investments of Rs 2,860.257 million without reviewing and guidelines by the TIC was irregular and violations of the investment policy.

The matter was reported to the management on 07.10.2024. Management replied that Treasury Investment Committee (TIC) comprises of 06 members of the Treasury Division Front Office Staff out of which 03 positions were vacant hence required quorum was not complete. The remaining three, with one Head of Treasury Division, and the other two, his staff, had meetings and discussions almost on daily basis covering cash flows/interest rate environment/duration, MTM, economic news, and risk management/line limit management.

Likewise, ZTBL treasury took investment decisions in light of approved investment policy and ALCO approved exposure limits as required by the BoD approved investment policy. All these investment decisions were recorded in treasury system and signed/e-signed by at least two of the treasury personals as maker and checker of the deal, then passed on to treasury back office (who reports to Finance Division) for settlement where two back office personals authorize the deals for settlement.

Reply is not tenable as investment was made by the treasurer on daily basis as a routine matter without getting approval of the TIC committee.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter for investment without approval of the TIC and fix responsibility on the individuals at fault.

(Para-43, ZTBL 2022-23)

6.7.4.10 Irregular payment of the merit/performance increments to the employees against the actual appraisal - Rs 48.557 million

According to Para 02 (a) of the circular dated 21.03.2023 of the HR Policy department, there will be several Bell Curves, each one will comprise of employees having comparable responsibilities. The total population under each Bell Curve will be distributed in 05 performance categories (A, B, C, D and E) as follows:

Bell Curve Category	Performance indication	Composition
A	Exceed expectations	Top performers 13 % of population
B	Consistently meets expectations	Next 20 % of population after top performers
C	Occasionally meets expectations	Middle 45 % of population
D	Below expectations	Next 15 % of population after middle performer
E	Unsatisfactory performance	Bottom 07 % of population

During audit of ZTBL for the year 2023, it was observed that Board of Directors of ZTBL, in its 110th meeting held on 07.03.2023, allowed the annual performance increments to the employees through Bell Curve policy and accordingly management paid an amount of Rs 48.557 million during the year 2023. The increments were granted under A, B, C and D category to the officers OG – III to SEVP on the performance of the preceding financial year 2022 having a recurring impact on the bank.

Appraisal sheets of each grade revealed that some employees having similar PAR scores with other employees of the same grade were downgraded to the lower category on pick and choose basis instead of their actual scoring as per appraisal sheet.

Irregularity occurred due to lack of financial management and undue favour to the dear one employee.

Audit is of the view that some employees were ignored and deprived of the benefit of the higher category at the cost of those who were not entitled/eligible for the said category causing not only a recurring financial loss to the deserving employees but also created an environment of the demotivation among the employees.

The matter was reported to the management on 07.10.2024. Management replied that performance categories of employees were determined under Bell Curve, as such equal percentage across the board could not be exercised on the basis of current KPIs & JDs which are further being improved for its transparency.

Reply is not tenable as officers of the same grade attained the same scores were downgraded to the lower categories resulting into financial loss to the deserving officers/officials at the cost of other employees.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for award of higher category to employees despite having the same or higher scores in the appraisal sheet and immediately recover the excess amount from the employees along-with disciplinary case against the individuals held responsible.

(Para-51, ZTBL 2022-23)

6.7.4.11 Loss due to calling un-reasonable and excessive specifications above the actual requirements of the bank staff - Rs 24.110 million

According to rule-4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, 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 ZTBL for the year 2023, it was observed that a contract “procurement of “537 No. contactless face recognition attendance devices for HO, Zones and branches” was awarded to a single bidder M/s Makkays at the offered rate of Rs 24.110 million

Audit held that the following technical specifications for the hardware/devices given in the bidding documents were very high as compared to the actual staff at head office, zonal offices and branches.

Name of office	Hardware Specification	Actual Strength of offices	No. of devices procured	Remarks/Actual requirements
Head office & staff college	i. Facial users: 20,000 or more ii. Face recognition @ 20,000 <1sec speed iii. Event log capacity 10,000,000 or more iv. Photo log capacity 20,000 or more	HO & 598 S. College	HO 05 S.C 02 Total: 07	i. Facial users demanded for the HO and staff college were three (03) times more than the actual strength.
Zonal offices & branches	i. Facial users: 500 or more ii. Face recognition +/-30 degree angle iii. Event log capacity 150,000 or more Speed iv. ID Card used 1000 or more	Z.O 274 Branches <u>2554</u> Total:- 2828	Z.off 31 Branch 501 Total: 531	The average facial users in the 31 zonal offices and each branch are less than 06 employees respectively but one facial device was claimed for having capacity of 500 or more users which is about 13 times of the actual strength

Audit is of the view that due to unrealistic and exaggerated specifications, the single bidder was paid a huge amount of Rs 24.110 million and benefited at the cost of the bank therefore was held irregular and loss to the bank.

Irregularity occurred due to approval of the unrealistic technical specification of the facial attendance devices and financial indiscipline in the bank.

The matter was reported to the management on 07.10.2024. Management replied that as a large enterprise with a network of over 500 offices/branches, ZTBL required enterprise-grade attendance devices capable of supporting centralized reporting, monitoring, and consolidation of attendance data across all locations/branches. The capacity of each device was determined after a comprehensive analysis of staffing needs both for ZTBL & KSSL staff. Each branch's device of a zone holds the facial records of total number of officials across all branches of that zone. Facial device would facilitate the employees transferred from one branch to other branches at different times. To ensure long-term operational efficiency and scalability, devices with higher user capacities,

such as those procured; provide faster response times due to enhanced processing power and hardware configurations.

Reply is not tenable as the technical specifications of devices were 03 to 13 times more than the actual requirements. Over-specification was built in the contract to benefit supplier at the cost of public money.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe in to the matter for giving unrealistic and excessive specification in the bidding documents, fix responsibility on the officers at fault for causing loss to the Bank and immediate recovery of the loss sustained by the bank from the individuals held responsible.

(Para-13, ZTBL 2022-23)

6.7.4.12 Irregular expenditure on monthly transport monetization against the austerity measures of the Government - Rs 88.384 million

According to Para (1) (i) of the F.D. office memorandum dated 07.07.2022, purchase of all types of vehicles from current and development budget except utility vehicles such as ambulances, buses for educational institutions, solid waste vehicles etc.

According to the DAC directives dated 20.08.2020, DAC directed the management that in future only one vehicle may be provided to the entitled officers of ZTBL during entire period of service with the approval of the board after completion of all formalities. The president of the bank agreed to implement the recommendations of the DAC.

During audit of Zarai Taraqati Bank Ltd (ZTBL) for the year, it was observed that an expenditure of Rs 88. 384 million was incurred on payment of the monthly transport monetization under the Car Loan Depreciation Policy (CLDP) in the year 2023.

Audit held that Finance Division initiated the austerity measures and imposed ban on the purchase of vehicles during the period under review. Management of the Bank accordingly stopped procurement of the vehicles for

their officers but on the other hand, in order to counter the government policy, management started CLDP in lieu of the procurement of car since 2nd January 2015, for benefiting the officers in the shape of transport monetization on monthly basis hence not only the bank violated the government policy but also had to bear the financial burden of Rs 74.541 million.

Further, an amount of Rs 13.843 million was also incurred on payment of the 2nd transport monetization in lieu of the CLDP in violation of the above DAC directives.

Irregularity occurred intentionally for benefitting the officers under the CLDP.

Audit is of the view that expenditure of Rs 88.384 (74.541 + 13.843) million on transport monetization was irregular and violations of the austerity measures.

The matter was reported to the management on 07.10.2024. Management replied that CLDP under SR-2005, was initiated due to ban on procurement of all vehicles by the Govt. The entitled employees had no other option except MTM. The Board Human Resource Committee (BHRC) in its 48th meeting held on 09.05.2022 duly approved by the Board in its 102nd meeting held on 19.05.2022, did not concur recommendations of DAC dated 20.08.2020 (ARPSE for the year 2018-19) regarding allocation of one vehicle in future to entitled officers during entire period of service.

Management admitted the stance of the audit and confirmed that CLDP of the bank had been initiated by the bank due to imposition of ban on the purchase of vehicles by the Federal Government. Further the management also violated the instructions of the decision of the DAC dated 20.08.2020 regarding allocation of only one vehicle in the entire service.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter of initiating CLDP against the Government austerity measures, recover the amount paid on account of transport monetization under CLDP to employees for

more than one time and regularize the expenditure and CLDP from the austerity committee.

(Para-58, ZTBL 2022-23)

6.7.4.13 Loss to the subscribers of the G.P. Fund trust due to non-crediting of the whole profit among the members - Rs 4,936 million

According to Para 12 (1) of the G.P. Fund rules of SR-1961 employees, subject to the provisions of sub regulation (5), the bank shall pay to the credit of the account of a subscriber interest at such rate as may be determined for each year according to the method calculation prescribed from time to time by the Government of Pakistan.

During audit of ZTBL for the year 2023, it was observed that two funds namely General Provident Fund Trust (Officers) and (Staff) were being maintained by the bank under the trust deed for the benefit of the employees governing under SR-1961. Funds to the tune of Rs 5,050.467 million and Rs 807.892 million were available with the trustees of each fund respectively as on 31.12.2023.

The record revealed that interest earned from investment funds was credited to members' accounts at the G.P. Fund rates announced by the Federal Government each year, rather than distributing the full interest earned. As a result, members received less than their actual entitlement.

In 2023, the total income available for appropriation in the officers' and staff funds was Rs 4,936.367 million. However, only Rs 86.770 million (2%) and Rs 18.455 million (2.94%) were distributed among the members of the respective trusts.

As of December 31, 2023, the available strength of the SR-1961 officers and staff was 1,960 and 495 respectively, with a total fund balance of Rs 5,858.359 million. Nearly 80% of these employees were expected to retire by 2030, leaving a significant portion of the G.P. Fund undistributed until all retirements were completed.

Audit is of the view that management should review the G.P. Fund distribution process to ensure fair allocation among current and retired

employees, while maintaining a reasonable balance for active staff. This would allow all members to receive their rightful share of the earnings.

The matter was reported to the management on 07.10.2024. The management replied that the G.P. Fund interest was being paid according to the rates set by the Government of Pakistan and in compliance with Section 12(1) of the G.P. Fund Regulations. The undistributed profit would remain part of the G.P. Fund balance and would not be distributed, as doing so would be in contravention to the GP Fund Regulations.

Reply is not tenable as huge funds were lying undistributed in the trust fund without giving its benefit to the poor deserving employees wherein nearly 80% of their employees were going to be retired from the service up to 2030.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for non-distribution of the income as per actual entitlement and revisit the G.P. Fund available balance and distribute the income to the retired and present employees.

(Para-65, ZTBL 2022-23)

6.7.4.14 Irregular excess expenditure on POL resulting in violation of the austerity measures - Rs 169.730 million

According to Para (2) (ii) of the F.D. office memorandum dated 07.07.2022, existing entitlement for POL for government functionaries be reduced by 30 %. Para 02 of the said memorandum states that all Ministries/Divisions are requested to disseminate the above instructions to all their concerned departments / organizations/ autonomous bodies / corporations/ authorities etc. for strict compliance.

During audit of ZTBL for the year 2023, it was observed that an expenditure of Rs 196.713 million was incurred under the head “POL for vehicles “in the financial year 2022. According to the austerity measures issued by the Government for the financial year 2022-23, the expenditure on POL was required to be reduced to Rs 59.014 million (Rs 196,712,708 x 30/100) i.e. by 30% in the year 2023 but instead of reducing the expenditure, management incurred

Rs 228.743 million in the year 2023 resulting in to an excess expenditure of Rs 169.730 million (Rs 228,743,498 – Rs 59,013,812).

Irregularity occurred due to weak financial control of the management.

Audit is of the view that excess expenditure of Rs 169.730 million on POL was violation of the government instructions on austerity measures therefore held irregular.

The matter was reported to the management on 07.10.2024. Management replied that being a Public Limited Company, ZTBL had to follow its own charter and approvals through Board of Directors (BoD). The core activity of ZTBL is the elevation of rural areas particularly agriculture sector and ZTBL is the leading Development Bank catering for the credit requirements of the agriculturist in the country. ZTBL is not only looking for new avenues in agriculture but also making all out efforts to generate additional income of farmers, through processing of by-products.

HR division with the consultation of the Finance division and after approval of the President ZTBL fix annual petrol limit in Liters according to the business of Bank in each field office and circulated vide A&LD the then GSD letters dated 28.07.2020.

Reply is not tenable as being a state owned entity, ZTBL had to follow the instructions issued by the Finance Division from time to time in letter and spirit.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for incurrence of the expenditure in violations of the Finance Division's instructions, regularize the expenditure from the austerity committee of the Finance Division besides fix responsibility on the individuals at fault for payment of the POL in violations of the Government instructions.

(Para-57, ZTBL 2022-23)

6.7.4.15 Avoidable mark-up loss due to non-conversion of the preference shares into the running finance facility by the bank - Rs 24.935 billion

According to Para No. 01 of the SBP's letter dated 11.08.2017, SBP agreed in principle to allow partial redemption of running finance preference shares and grant of running facility subject to approval of the SBP board. ZTBL may therefore redeem preference shares at the face value in the following years as authorized under clause 03 of the debt to equity conversion agreement between SBP and ZTBL as follow:

1. Rs 10 billion in 2017
2. Rs 20 billion in 2018
3. Rs 04 billion in 2019.

According to letter dated 08.09.2017, ZTBL had given consent for partial redemption of preference shares and conversions thereof in to the running facility.

During audit of ZTBL for the year 2023, it was observed that a debt amounting to Rs 54.462 billion of the SBP was outstanding against ZTBL as on 30.06.2014. In order to pay the debt, an agreement was made between ZTBL and SBP in March 2017 for issuance of preference shares of Rs 54.462 billion at an annual mark-up of 7.5% payable bi-annually and redeemable on 07.03.2027.

Record revealed that SBP proposed an alternative to ZTBL vide above referred letter, offering to redeem the preference shares at face value and convert them into a running finance facility in 2017. The offer included a staggered conversion of Rs 10 billion in 2017, Rs 20 billion in 2018, and Rs 4 billion in 2019, with the remaining amount to be gradually reduced and replaced by retail deposits until December 31, 2025. The running finance was to be utilized at the six-month KIBOR rate. However, management of ZTBL, after giving written consent for the same facility on 08.09.2017, failed to further pursue the case and continued with payment of mark-up of 7.5% on the preference shares, resulting into an avoidable mark-up loss of Rs 24.935 billion.

Audit is of the view that had the Management opted the running finance facility the mark-up on the preference shares would end up by paying of a total of Rs 15.912 billion interest by 2025 resulting into an avoidable financial loss of Rs

24.935 billion. Further, by adopting the running facility as proposed by the President of the bank in their letter dated 27.07.2017, bank would be in a position to redeem the principal amount by Rs 20.462 billion instead of Rs 54.462 billion by 2025.

Irregularity occurred due to weak financial control and lack of timely decision making of the management.

The matter was reported to the management on 07.10.2024. Management replied that para is based on proposal of running finance facility that remain under consideration during 2017 among ZTBL, SBP and Government of Pakistan but it never attained finality due to non-availability of revised guarantee from the Federal Government that was required to cover the said facility. Furthermore, in aforesaid observation, cost of running finance facility (if availed in place of redeemed preference shares) was ignored and only avoidable markup loss was worked out. Subsequent periods witnessed, cost of running finance facility, if availed, was to be on much higher side as compared to markup paid on preference shares. As the policy rate started increasing in the year 2018 which reached to 12% in the year 2019 and further went up to 22% in the year 2023, payment of markup on credit lines on KIBOR plus rate would be much higher than the rate on preference shares which was fixed at 7.5% per annum.

Reply is not tenable as the management had already agreed with the SBP's proposal but due to lack of interest and in time decision making of the Management, the bank did not get the benefit from the proposal of SBP and sustained a huge loss.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for not opting the running finance facility despite offer of the SBP and written consent by the bank and conduct a fact finding inquiry to fix responsibility on the individuals at fault for sustaining loss to the bank.

(Para-23, ZTBL 2022-23)

6.7.4.16 Unauthorized payment of gratuity in addition to contributory provident fund (CPF) to the ZTBL employees - Rs 845.701 million

According to Para 04 of the Finance Division Regulation Wing letter dated. 21.01.2015 read with Para 02 of the F.D. letter dated. 16.10.1984, the ministries/divisions may like to direct all such autonomous/semi-autonomous bodies etc. under their administrative control, where the pension scheme does not exist that the payment of gratuity in addition to Contributory Provident Fund should not be allowed to their employees on their quitting the service.

During audit of ZTBL for the year 2023, it was observed that management paid gratuity amounting to Rs 228.534 million & Rs 617.167 million total Rs 845.701 to employees under SR-2005 and SR- 1961 respectively in 2023 at the time of their retirement. The bank was also maintaining Contributory Provident Fund under ZTBL regulations 2006 for its employees.

Audit held that under the above instructions issued by the Finance Division, payment of the gratuity in addition to the CP Fund had been disallowed since 1984 therefore expenditure of Rs 845.701million in 2023 as well as in previous years was held irregular/unauthorized and violations of the Government instructions.

The matter was reported to the management on 07.10.2024. Management replied Employees are governed under SR-1961 and SR-2005 by the non-statutory policies duly approved by the Board of Directors, being competent forum. The policies are reviewed by the Board keeping in view the industry practice, from time to time. Moreover, employees of the Bank are neither civil servants nor Federal Government's instructions in relation to service affairs including remunerations are applicable to ZTBL employees. Furthermore, as per Establishment Division vide OM dated 04.03.2019 the recruitment mechanism issued vide OM dated 16.01.2015 is not be applicable on Autonomous bodies/Semi-Autonomous Bodies/ Corporation /Authorities which have been created by a statute and respective boards thereof are competent to frame own service regulation.

Reply is not tenable as said rules are applicable on all autonomous bodies /corporations.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter for continuous payment of gratuity in addition to CPF to employees despite clear instructions issued by the Finance Division for stoppage of the scheme from time to time. Besides, fix responsibility on the individuals at fault for unauthorized payments.

(Para-38, ZTBL 2022-23)

6.7.4.17 Irregular procurement of the plant & machinery items during ban period - Rs 426.320 million

According to Para 01 (V & VI) of the office memorandum No. F.7 (1) Exp. IV/2016-340 dated 07.07.2022,

- i. Purchase of office furniture except for development projects. Purchase of all types of vehicles from current and development budget.
- ii. Purchase of machinery & equipment including air conditioners, microwave, fridge, photocopier etc.

During audit of ZTBL for the year 2023, it was observed that an expenditure of Rs 426.320 million was incurred on procurement of different plant & machinery, I.T. equipment, furniture & fixture and vehicles during the year 2023. Audit observed that assets were procured during ban period without approval of the austerity committee constituted by the Government.

Irregularity occurred due to lack of financial control of the Management.

Audit is of the view that an expenditure of Rs 426.320 million was incurred in violations of the Government rules therefore held irregular.

The matter was reported to the management on 07.10.2024. Management replied that in para (iii) of the ZTBL Circular dated 20.09.2022, it was clearly instructed that IT equipment was exempted from austerity measures. Approval was obtained from the competent authority for other items mentioned above.

Reply is not tenable as austerity measures imposed by the Federal Government were also applicable to all autonomous bodies and corporations.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends justification for procurement of the assets during ban period without approval of the Finance Division, regularize the expenditure from the austerity committee with justification in support thereof and fix responsibility on the individuals at fault.

(Para-11, ZTBL 2022-23)

6.7.4.18 Loss due to non-recovery of the SBP's penalties from the employees of ZTBL - Rs 39.804 million

According to Para 14.9(iv) of the credit manual, Credit Administration Department (CAD) will ensure that SBP's instructions are being implemented at branches to avoid imposition of penalties' by SBP for non-compliance.

Section 14 (2) & (3) of Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that 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 in 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

During audit of ZTBL for the year 2023, it was observed that 18 Nos. of penalties were imposed by the SBP amounting to Rs 39.804 million under the head 'other charges' vide note-30 of their financial statements for the year 2023. The penalties charged by the SBP had been paid by the bank from its own resources/budget instead of charging from the concerned employees of the branch held responsible for the non-compliance of the SBP's instructions.

Audit demanded the last SBP's audit report vide requisition No. 04 dated 24.07.2024 but the management refused by stating that SBP has instructed that being confidential documents, their report may not be shared with the commercial auditors. Non-production of the SBP's audit report was considered as violation of the Auditor-General of Pakistan's ordinance.

The irregularity occurred due to lack of financial control of the management.

Audit is of the view that payment of the penalties by the bank from its own sources caused a loss of Rs 39.804 million to the bank.

The matter was reported to the management on 07.10.2024. Management replied that SBP informed vide letter dated 07.11.2013 that “ SBP’s Inspection Report is a property of State Bank of Pakistan for use in its supervisory responsibilities and a confidential document which could not be produced to any authority. In the light of DAC direction in its meeting held on 20.08.2020, the Board of Directors in its 102nd meeting held on 19.05.2022 had approved that no amount of SBP Penalty will be recovered from any employee, only penalty of stoppage of increment for 1 to 2 years has been imposed on reoccurrence of same violation by an employee”.

Reply is not tenable as DAC directive was to waive off the specific penalties mentioned in that audit para. Decision of the DAC should not be taken as evidence for the entire penalties imposed due to the fault of the employees. Further SBP had no authority to refuse submission of its report to the Auditor-General of Pakistan.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to reasons for payment of the penalties imposed by the SBP from its own resources, produce SBP’s report to the audit for verification, recover the amount involved from the employees.

(Para-4, ZTBL 2022-23)

6.7.4.19 Unjustified expenditure on pay & allowances of branches having zero disbursement of loans - Rs 113.961 million

According to rule-4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, 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 ZTBL for the year 2023, it was observed that management of the bank had given loan disbursement targets of Rs 430.90 million to 28 branches of different zones but these branches failed to disburse even a single penny to the farmers during the year 2023 causing zero achievement of the disbursement targets. An expenditure of Rs 113.961 million was incurred on payment of the pay & allowances of these branches during the year 2023.

Audit therefore, is of the view that non-disbursement of the loans to the farmers not only led to non-achievement of the disbursement targets but also the farmers' community was deprived of the benefits of the loaning.

Irregularity occurred due to lack of the internal controls of the management at zonal level.

The matter was reported to the management on 07.10.2024. Management replied that few branches had been converted into Islamic branches and the lending portfolio of these branches was shifted into the other branches. Therefore, disbursement into these branches was stopped. Presently the primary focus of the branch/regional management is on recovering the NPL & SAM portfolio by aggressive follow-ups and through LACIP Act.

Reply is not tenable, as branches could not achieve their annual targets hence the expenditure on these branches was considered as unjustified.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends provide justification/reasons for non-achievement of the loans disbursement targets, justification for payment of the pay & allowances to the branches of zero disbursement and fix responsibility on the individuals at fault for non-achievement of the required targets.

(Para-25, ZTBL 2022-23)

6.7.4.20 Irregular appointment of chartered accountant firm - Rs 20.880 million

According to Finance Division OM dated 25.03.1981 appointment of Commercial Auditors for the audit of statutory corporations, in the case of

autonomous bodies / corporations, where under the statutory provisions appointments are to be made by the Federal Govt. it has decided (a) Before, submitting the name of the auditor(s) for approval to the Board of Directors, the Institution should get the approval of the Auditor-General of Pakistan. (b) The request for approval to the Auditor-General of Pakistan should be routed through the Institution's administrative Ministry / Division.

During audit of ZTBL for the year 2023, it was observed that the bank appointed M/s BDO Ibrahim & Co. Chartered Accountant firm for statutory audit of the financial statement for the year 2021 to 2023 extendable for another two-year's period at annual fee of Rs 6.960 million.

The irregularity occurred due to lack of financial control of the management.

Chartered firm was appointed without prior concurrence of the Auditor-General of Pakistan therefore payment of Rs 20.880 million in three years was irregular and violations of the appointment procedure.

The matter was reported to the management on 07.10.2024. Management replied that the instructions of Finance Division OM dated March 25, 1981 were for the appointment of Commercial Auditors for the audit of statutory corporations rather for the appointment of statutory auditors. Appointment of external auditors was made in compliance of the requirements of the Companies Act, 2017 and the State Bank of Pakistan. The auditor is appointed by the members in the Annual General Meeting (AGM).

Reply is not tenable as the above referred Govt. instructions were issued for all autonomous/ corporate bodies etc. under the control of the relevant Ministries.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for irregular appointment of CA firm without approval of the Auditor-General of Pakistan and ex-post facto approval from the Auditor-General of Pakistan may be obtained.

(Para-40, ZTBL 2022-23)

6.7.4.21 Unauthorized expenditure on payment of bonus to the KSSL employees out of ZTBL funds - Rs 202.599 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.

Para 96 of the GFR Vol-1 states that in the public interest, grants that cannot be profitably utilized should be surrendered. The existence of likely savings should not be seized as an opportunity for introducing fresh items expenditure, which might wait till next year.

During audit of ZTBL for the year 2023, it was observed that the management of the bank approved bonus amounting to Rs 202.599 million in the year 2023 and paid in March 2024 to the employees of Kissan Support Services Private Limited from their own funds despite of the fact that KSSL (subsidiary of the ZTBL) was a separate entity/company having its own separate Board of Directors and running their own business on profit and loss basis.

Irregularity occurred due to lack of financial management.

Audit therefore held that payment of bonus from the ZTBL funds is unauthorized and unjustified.

The matter was reported to the management on 07.10.2024. The Management replied that KSSL is a subsidiary of ZTBL and provides required resources to ZTBL, only. As per practice, KSSL Board approved the payment of bonus to its employees and submitted its request for payment to ZTBL. Subsequently, ZTBL BoD allocated the funds and allowed the same.

Reply is not tenable, as KSSL being a separate entity had to pay the bonus from its own resources instead of payment by the parent office, in light of their performance and revenue position. Further booking of the KSSL bonus in the ZTBL books of accounts was considered mis-classification of the expenditure.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for unauthorized payment of bonus to the KSSL staff, immediately recover the amount involved from the individuals concerned and fix responsibility.

(Para-59, ZTBL 2022-23)

6.7.4.22 Loss to the Fund's trusts due to non-recovery of the accrued interest from the Banker's Equity Ltd - Rs 1,228.81 million

According to Part – 5 of the investment policy of the ZTBL employee's funds, all placements will be made after the recommendation of board of trustees and approval of competent authority i.e. President ZTBL (Chairman as per ADBP Ordinance 1961), and decision made by the competent authority will be considered final.

According to Part-7 of the investment policy of the ZTBL employee's funds, the incharge funds shall ensure that all interest and principal due to the funds are timely received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or principle is not fully or timely received.

During audit of the Zarai Taraqiati Bank Ltd (ZTBL) for the year 2023, it was observed that an investment of Rs 176.70 million was made by the trustees of the 08 Funds prior to the year 2000 in the banker's equity limited.

The investment company became defaulter and went to liquidation in the year 2001. In light of the honorable Sindh High Court decision's dated 18.04.2001, directed Bankers Equity Limited (BEL) to pay all the investments to the bank with interest profit at agreed rate within one month.

A claim for recovery of the principal amount of Rs 176.70 million & profit Rs 276.065 million was lodged by the bank on the Bankers Equity Ltd. vide letter dated 20.08.2001. The management of the bank had only recovered the principal amount of Rs 176.70 million in 07 installments from 09.04.2009 to 20.08.2024 (within 15 years). However, the up to date interest accrued thereon amounting to Rs 1,288.81 million as stated in the financial statements of the relevant trust funds for the year 2023 was still outstanding against the defaulter company.

Irregularity occurred due to weak financial control and undue favour to the company by the then officers.

Audit is of the view that the money value of the principal amount recovered after a lapse of 10 to 24 years has decreased to greater extent. Further, due to non-recovery of the accrued interest from the company, members of the trust funds sustained a loss of Rs 1,228.81 million.

The matter was reported to the management on 07.10.2024. Management replied that a total of Rs 261.7 million (191.7+70.0) was invested in BEL from 1992-1998. Out of a total amount invested in BEL, the net principal outstanding amount was Rs176.7 million (Rs 261.7 - Rs 85.0 million) and total profit of Rs 276.06 million was outstanding. Supreme Court of Pakistan in their decision dated April 25, 2002, upheld the decision of the Sindh High Court of winding up of BEL by nominating the official Assignee of Karachi (Administrator General) as official liquidator of BEL.

Consequent upon the above decision, claim of Rs 452.765 million was lodged with BEL comprising of Rs176.7 million as principal and Rs 276.065 million as mark-up (up to August 31, 2001) outstanding; the same was acknowledged by the BEL and forwarded it to the official liquidator accordingly. As of now, the outstanding principal amount (Rs176.7 million) has been fully recovered and the mark-up (up to August 31, 2001) of Rs 276.065 million is still outstanding. The fact-finding inquiry had already been conducted in 2002.

Reply is not tenable as employees of the trust have sustained loss due non-recovery of the principal in time and accrued interest to date.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter of illegal investments, late recovery of the principal sum and non-recovery of the accrued interest, immediately recover the accrued interest from the company or the individuals responsible and fix responsibility on the individuals at fault.

(Para-64, ZTBL 2022-23)

6.7.4.23 Loss to bank due to non-recovery of the embezzled / fraudulent drawl amount by the employees - Rs 81.519 million

According to ZTBL Fraud Prevention Policy 2015, every employee of ZTBL including adhoc, temporary, contract, representative of vendors, or any other agency doing any type of business with ZTBL is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to concerned quarter as per procedure.

During audit of Zarai Taraqiati Bank Ltd (ZTBL) Islamabad for the year 2023, it was observed that various officers of the different zones were involved in the fraudulent drawl of amount from bank, loans embezzlement and other disciplinary cases. The charges were proved against the officers and they were either dismissed from services or their cases referred to the FIA etc. along with orders for recovery of the embezzled amount. Out of total recovery of Rs 85.776 million, an amount of Rs 4.257 million has been recovered so far with an outstanding recovery of Rs 81.519 million. Complete detail of the disciplinary proceedings was demanded but the management did not produce the same to verify the actual position of the case.

Irregularity occurred due to lack of strict internal controls at headquarter and zonal levels.

Audit is of the view that due to non- recovery of the embezzled amount, bank has sustained a loss of Rs 81.519 million.

The matter was reported to the management on 07.10.2024. Management replied that the officers of different zones involved in different allegations were penalized and. Rs 4.257 million has been recovered out of total recoverable amount of Rs 26.801 million. The case are in the FIA/Civil courts for recovery.

Reply is not convincing as no recovery was verified from audit by the management.

DAC meeting was held on January 13, 2025 but the minutes were awaited till finalization of this report.

Audit recommends to provide justification for non-recovery of the amount involved from the officers, take up the matter at appropriate level for recovery of embezzled amount and initiate criminal proceedings against the individuals involved in such cases.

Note: The issue of non-recovery from employees involved in fraud and forgery was also reported earlier in the Audit Report for the year 2023-24 vide Para No. 4.7.4.6 having financial impact of Rs 1,250.212 million. Recurrence of same irregularity is a matter of serious concern.

(Para-78, ZTBL 2022-23)

Chapter-7

Ministry of Industries and Production

Overview

Ministry of Industries & Production (MOI&P)'s role is that of a facilitator in creating an enabling environment for industrial growth in the country.

Aims & Objectives

The objectives of MOI&P are to achieve efficient, sustainable and inclusive Industrial Development and to play the role of facilitator in industrial development and entrepreneurship through policy intervention, setting up Industrial Parks and Export Processing Zones for investors, skill development of human resource for industrial sector and socio-economic development of country with particular focus on SME development and promotion of traditional crafts of Pakistan.

Governing Laws and Policies

- Rule of Business 1973
- SME Policy, 2007
- Auto Development Policy 2016-21
- Fertilizer Policy, 2001
- Auto Industry Development Programme

Audit Profile of Ministry of Industries & Production

(Rs in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	24	10	126,282.513	279,695.601
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO				
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 250,495.672 million were raised as a result of this audit. This amount also includes recoverable of Rs 14,812.781 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	
2	Reported cases of fraud, embezzlement and misappropriation	814.042
3	Irregularities:	
A	HR/Employees related irregularities	313.021
B	Procurement related irregularities	30,793.717
C	Management of accounts with Commercial Banks	900.664
4	Value for money and services delivery issues	22,510.536
5	Others	195163.692

7.1 Export Processing Zones Authority

7.1.1 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 (EPZs) in Pakistan in order to invite / help foreign investors.

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 2010-11 to 2023-24 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2010-11 to 2023-24 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

7.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2000-01	1		1	194	-
2009-10	8	7	1	96	88%
2010-11	8	4	4	11.1.4.1, 11.1.4.2, 11.1.4.3, 11.1.4.5	50%
2013-14	1	1			100%
2014-15	22	1	21	9.1.4.2, 9.1.4.8, 9.1.4.11, 9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.3, 9.1.4.3, 9.1.4.4, 9.1.4.5, 9.1.4.6, 9.1.4.7, 9.1.4.9, 9.1.4.10, 9.1.4.12, 9.1.4.13, 9.1.4.14	5%
2015-16	3	1	2	8.1.2.1, 8.1.3	33%
2019-20	6	1	5	7.1.4.1, 7.1.4.2, 7.1.4.3, 7.1.4.4, 7.1.4.5	17%
2017-18				10.1.4.2	
2021-22	22		20	8.1.4.3, 8.1.4.8, 8.1.4.10, 8.1.4.6, 8.1.4.15, 8.1.4.17, 8.1.4.20 (remainig to be discussed in PAC)	
Total	71	15	54		21%

The overall compliance of PAC directives needs improvement.

7.1.4 Audit Paras

7.1.4.1 Non-demarcation of land - Rs. 115,000.000 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that 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.

Clause 30 of the Balochistan Gazette, dated 17th January, 2023, defines "demarcation" as the process of determining the boundary or limits of a plot. Furthermore, according to the Allotment Procedure (3g), all orders, including terms and conditions, allotment, transfer of plots, allocation of plot numbers, demarcation of plots, bifurcation, and merger of plots, shall be signed by the Managing Director (M.D) of LIEDA or his authorized person.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2023-24, it was observed that the management had 46,000 acres land at Gwadar valuing Rs.115,000 million (46,000 acres x Rs.2.5 million per acre). As per decision of Economic Co-ordination Committee (ECC) dated June 06, 2009, the land was required to be demarcated which was not done till-date.

Audit is of the view that the management failed to implement directives of ECC which reflected negligence and mismanagement.

The matter was reported to the management during the month of October 2024. The irregularity was discussed in the DAC meeting held on December 18, 2024. The management explained the amount of Rs.11.25 million incurred on boundary wall. The DAC directed the management to provide documentary evidence of ECC proceedings, proving allotment or decrease in the size of land allotment, if any. Otherwise, the management may issue a certificate certifying that no ECC decision was taken and circulated. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.1.4.2 Non-recovery of outstanding dues – Rs. 11,761.000 million

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 audit of Export Processing Zone Authority (EPZA), Karachi for the year 2023-24, it was observed that recoverable amount Rs.11,761.000 million was lying outstanding against different heads as on 30.06.2024. Details are as under:

Account Code	Title	Amount (Rs)
1-02-02-001	Sundry Debtors – Agr	787,149,282
5-01-04-003	Electricity (Zones)	8,345,022,075
1-01-13-020	Electric Distribution System	494,007,900
1-02-02-002	Sundry Debtors – Electric	437,205,661
1-01-13-040	Water & Sewerage Distribution System	58,473,047
1-02-02-003	Sundry Debtors – Water	18,733,669
1-02-02-004	Sundry Debtors – Others	186,552,263
5-01-04-001	Gas (Zones)	3,930,009
5-01-04-002	Water (Zones)	402,682,961
1-02-08-003-0001	Regional Office Lahore	3,815,849
1-02-08-003-0002	Sialkot Epz	299,107
1-02-08-003-0003	Risalpur Epz	1,521,858
1-02-08-006	House Building Loan	187,030,933
1-02-08-007	General Purpose Loan	1,279,378
1-02-08-008	Advance House Rent / Ceiling	114,231,162
1-02-11-002	Advance Taxation	719,381,736
Total		11,761,316,891

Audit is of the view that the management did not recover its outstanding dues, which resulted into blockage of funds and chances of converting the receivables into the bad debts cannot be ruled out.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. DAC directed the management to submit revised reply and reconcile the figures with Audit and provide the total outstanding balances along with recovered

amounts. However, no record was produced by the management till finalization of this report.

Audit recommends that management to take concrete measures for the recovery.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 9.1.4.8 having financial impact of Rs.173.962 million. Recurrence of same irregularity is a matter of serious concern.

7.1.4.3 Excess investment of funds without policy – Rs. 9,786.421 million

Serial # 5(x) of Investment Policy of EPZA, states that a single bid not more than Rs.150 million may be placed in one bank/DFIs/Investment Companies, where the surplus fund for investment is more than Rs.150 million the investment shall be split in more than one bank/DFIs/investment companies.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2023-24, it was observed that the management invested USD 41.200 million equivalent to Rs.11,436 million in foreign currency accounts through bids offered by various banks. The management made excess investment of Rs.9,786 million against the requisite investment limit i.e. Rs.150 million in each bank in violation of EPZA investment rules . Details are given below:

(Amount in Rs.)				
S#	Name of bank	Investment in USD	Investment in Rs	Excess investment than Rs.150 million
1	National Bank of Pakistan	2,000,000	468,271,905	318,271,905
2	National Bank of Pakistan	2,000,000	533,352,873	383,352,873
3	National Bank of Pakistan	4,500,000	1,260,911,158	1,110,911,158
4	National Bank of Pakistan	4,100,000	1,148,830,166	998,830,166
5	National Bank of Pakistan	2,600,000	740,858,714	590,858,714
6	Allied Bank Limited	4,000,000	1,146,336,261	996,336,261
7	National Bank of Pakistan	4,000,000	1,121,282,445	971,282,445
8	National Bank of Pakistan	2,000,000	558,363,339	408,363,339
8	National Bank of Pakistan	9,000,000	2,508,344,690	2,358,344,690
9	Allied Bank Limited	3,000,000	836,114,897	686,114,897
6	Re-Investment	4,000,000	1,113,754,888	963,754,888
Total		41,200,000	11,436,421,336	9,786,421,336

Audit is of the view that the management made excess investment of Rs.9,786 million in violation of EPZA investment policy which reflected weak internal controls.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. DAC directed to the department to get the approval of investment policy in dollar/foreign currency from BoD and get ex-post facto approval of existed dollar investment. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.1.4.4 Inordinate delay resulted in cost-overflow - Rs. 5,402.182 million

Para 10.1 A (xv) of the Guidelines for Project Management by the Planning Commission of Pakistan emphasizes exercising strong checks on time and cost over-runs. It recommends avoiding frequent revisions to project scope and design, timely completion of land acquisition, and assigning efficient and honest officers for supervision and implementation. It also stresses investigating and taking severe action against instances of mal-administration, corruption, and lapses.

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that 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.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2023-24, it was observed that:

a) Initially, an amount of Rs. 640 million was allocated for Phase-III development on 02.12.2015. However, after five months, the amount increased to Rs. 1,600 million for 80 acres of land. Later, during the year 2023, the land area decreased by 64% to 28.417 acres, but the project cost surged by 825% to Rs. 5,282 million (5,922-640 million).

b) EPZA Board of Directors approved a proposal in its meeting held on December 06, 2016 to develop Phase-III of EPZA Karachi, but despite incurring

an expenditure of Rs. 120.182 million, no actual development work was carried out.

Audit is of the view that delays in execution of project works not only resulted in cost overrun but more critically constituted a business failure case for the companies whereby the companies were unable to enhance / improve their business infrastructure from the desired project works.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The DAC directed a fact-finding inquiry at the Ministry level, focusing on the following terms of reference: i. Cost overrun, ii. Time overrun, iii. PPRA rules followed or not, iv. Non-compliance of BoD decisions, v. Expenditure incurred, vi. Recoveries as directed by board, vii. Encroachment of land, viii. Decrease in land area, ix. Blacklisting of contractors/consultants, and x. Reasons of closure/scrap of project. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 609 & 610)

7.1.4.5 Investment of funds without competitive bidding – Rs. 150.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that 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.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2023-24, it was observed that the management invested surplus funds of Rs.150.000 million @ 21.40% in M/s Al Falah Investments without competitive bidding.

Audit is of the view that investment of surplus funds in a private entity without competitive bidding raises concerns about the lack of transparency and potential favoritism, and indicates weaknesses in the management's financial decision-making and internal control processes.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. DAC directed the management to invest the funds timely as per investment policy and blacklist the Atlas Asset Management according to rules. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.1.4.6 Loss of potential rental income due to non-utilization of warehouse space – Rs. 70.961 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that 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.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2023-24, it was observed that confiscated goods had been stored in EPZA warehouses for 12 years, occupying valuable space and preventing rental income, which resulted loss of Rs.70.961 million in potential rental income.

S#	Warehouse No	Goods of units	Weight of goods (kg)
1	1-A	Fero Metal	48,143
2	1-B	Daishin Bokai Shokan	32,652
3	2-A + Adjacent area	Batla Impex	67,813 Misc
4	2-B	Daishin Bokai Shokan	25,343.5
5	3-B	Echo lighting	18,351.5
6		FIPCO	
7		Franklin Credit Bank	

Audit is of the view that inadequate oversight and weak internal controls led to confiscated goods lying in warehouses since long, which caused loss of potential rental income.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. DAC directed the management to regularize the loss of warehouse rental income from BoD and take timely efforts for selling the goods lying in warehouses so

that warehouses may be rented out. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.1.4.7 Non-receipt of invested funds along with accumulated interest / land - Rs. 50.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that 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.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2023-24, it was observed that in 2004-2005, the management invested Rs.50.00 million in equity of Pakistan Textile City Limited (PTCL) to create a specialized textile production area, intended to be an Export Processing Zone (EPZ). However, despite the EPZA Board's approval in its 123rd meeting dated 29.08.2019 to pursue a 99-year lease for 50 acres of land with Ministry of Commerce / Textile and Port Qasim Authority or a refund with interest. However, neither the invested amount nor the land has been received.

Audit is of the view that despite lapse of considerable time and Board resolution, management's inaction resulted in neither acquiring the 50-acre land nor recovering the invested amount with interest, indicates management's negligence and inefficiency.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. DAC directed the management to take the matter with Ministry and Federal Government for acquisition of land or recovery of the invested amount with interest. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.1.4.8 Loss of profit due to non-transferring of funds on maturity – Rs. 6.726 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that 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.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2023-24, it was observed that the management invested Rs.1,890.000 million in Term Deposit Receipt (TDR) through bids offered by various banks. However, the management did not transfer principal amount and profit earned after tax of Rs.244.430 million after maturity dates which caused a loss of profit Rs.6.726 million (Annex-46).

Audit is of the view that the management sustained a loss of Rs.6.726 million due to non-transferring of invested funds and profits on maturity dates which reflected weak financial management.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. DAC directed the management in future re-invest the matured funds timely as per investment policy. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.2 Karachi Tools, Dies and Moulds Centre

7.2.1 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 (PIDC).

7.2.2 Comments on Audited Accounts

7.2.2.1 The working results of company for the years ended June 30, 2023 as compared to previous years are given below:

(Rs. in million)					
	2022-23	% Inc /Dec	2021-22	% Inc /Dec	2020-21
Income	287.78	18.92	246.13	18.49	207.72
Other Income	23.21	90.87	12.16	61.07	7.55
Total Income	310.99	20.40	258.29	19.99	215.27
Direct Cost	(222.07)	19.35	(192.51)	16.81	(164.81)
Admin Expense	(41.50)	19.02	(36.08)	15.12	(31.34)
Total Expenses	(263.57)	19.30	(228.59)	16.54	(196.15)
Surplus/Deficit	47.42	59.66	29.70	55.36	19.12
(Source: Annual Audited Accounts)					
The entity has last audited annual accounts of year 2022-23 till finalization of this report.					

7.2.2.2 Revenue Performance

- KTDMC's revenue has increased by Rs 41,643,237, from Rs 246,132,276 to Rs 287,775,513, representing a growth rate of 16.9% in 2023. This significant increase in revenue suggests a positive trend in KTDMC's financial performance.
- Other income has also increased significantly, with a 90.87% growth rate in 2022-23.

7.2.2.3 Expense Performance

- i. Direct Cost increase by 19.35% to Rs.222.07 million during the FY 2022-23 from Rs.192.51 million in FY 2021-22 due to increase in manufacturing cost and heat treatment cost which needs to be elucidated.
- ii. Admin expenses increased by 19.02 % to Rs.41.50 million during FY 2022-23 from Rs.36.08 million in FY 2021-22 due to increase in salaries & allowances and Traveling & conveyance which needs justification.

7.2.2.4 Profitability

- Surplus has increased by 59.66% in 2022-23.

7.2.2.5 Liability analysis

The non-current liability of KTDMC has increased significantly from Rs 15,781,301 in 2023 to Rs 162,759,860 in 2024, showing a substantial growth of 932%. This remarkable increase in non-current liabilities raises concerns about the company's long-term financial health and its ability to meet future obligations.

7.2.2.6 Asset performance

- i. Trade debts increase by 242.36 %, from 36.82 million in FY 2021-22 to Rs.126.29 million in FY 2022-23, reflecting accounts receivable rise due to most of the debtors remained unrecoverable for more than one year and later on written off during the year 2022-23 which needs clarification.
- ii. Tax refunds due from FBR increased by 17.99% to Rs.83.15 million in FY 2021-22 to Rs.98.11 million in FY 2022-23. This persistent increase indicates the company's ongoing inability to recover its income tax assets, which has been escalating.

7.2.2.7 Financial Ratios

- i. Expense ratio: 91.59% (2022-23), 92.87% (2021-22)
- ii. Profit margin: 16.48% (2022-23), 12.07% (2021-22)

7.2.2.8 Overall Performance

The company's financial performance indicates a positive trend. Revenue has consistently increased, and surplus has also improved. However, expenses have increased, which may impact profitability.

7.2.3 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%
2015-16	7	3	4	8.4.2.2, 8.4.4.1, 8.4.4.2, 8.4.4.3,	43%
2018-19				9.4.4.1	
2019-20	1	1		7.4.4.1	100%
2021-22	4		4	8.2.4.2 (remaining to be discussed in PAC)	0%
Total	17	1	4		6%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2022-23 and onwards.					

The overall compliance of PAC directives needed improvement.

7.2.4 Audit Paras

7.2.4.1 Mis-management instead to repair the existing 3D scanner replaced with new one - Rs. 26.950 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 Performance audit of Karachi Tools, Dies and Moulds Centre (KTDMC) for the years 2020-21 to 2022-23, it was observed that the company purchased an ATOSI-3D scanner for Rs. 5.707 million in 2008, which had a book value of Rs. 2.659 million by June 2023. However, the scanner had been out of order since 2019.

Instead of repairing the existing scanner, the management procured a new 3D scanner in 2022 at a cost of Rs. 26.95 million. This decision was made while

submitting a PC-I for a new project, which included a demand for a new 3D scanner with the same specifications as the existing one. This raises questions about the management's decision-making and resource allocation.

Audit is of the view that non-repairment of existing out of order 3D scanner since last 05 years indicate poor performance as the management awarded the work to outsider at a higher rate causing lower operational profit. Despite the fact that the existing 3D scanner with useful life having a book value of Rs.2.659 million replaced with new 3D scanner indicates mis-management and weak internal control.

The matter was reported to the management on August, 2024. The irregularity was discussed in the DAC meeting held on October 16, 2024. The management apprised before DAC that it was necessary to procure a new camera to ensure the scanning and reverse engineering of High Tensile Sheet Metal parts which is a much-needed process for the development of dies and further stated that old camera was un repairable as the spare parts of it are no more available however, the manufacturer informed us that they can't longer support the repair or maintenance of our current camera model due to obsolescence. Therefore, for current projects, it was necessary to hire outsourced suppliers for scanning and reverse engineering jobs. In view of explanation given by the management, DAC recommended the para for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.2.4.2 Irregular expenditures due to excess cost in procurement of machinery - Rs. 19.320 million

Annexures A & B of PC-I of Public Sector Development Projects (PSDP) a project titled, “Establishment of High Tensile Sheet Metal Dies Manufacturing and Titanium Coating Setup at KTDMC” year-wise / component-wise financial phasing:

S#	Items	Approved cost (Rs.in million)
1	3D Scanner	19.34
2	CNC (1 meter)02 machines	50.00 for 03 machines (02 machines = 33.33)
3	EDM Machine	30.17

During performance audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-21 to 2022-23, it was observed that under Public Sector Development Projects (PSDP) a project titled, “Establishment of High Tensile Sheet Metal Dies Manufacturing and Titanium Coating Setup at KTDMC” management procured 03 machines amounting to Rs.102.16 million in excess of Rs.19.32 million i.e. 23.32 % in violation of PC-1 during the period under review. Details are as under:

(Rs.in million)					
S#	Items	Name of supplier	Approved cost as per PC-I	Cost incurred	Excess cost
1	3D Scanner	M/s. Ultimate Cad Solution	19.34	26.95	7.61
2	CNC (1 meter) 02 machines	M/s. Dynamic Tooling Services	50.00 for 03 machines (02 machines = 33.33)	37.49	4.16
3	EDM Machine	M/s. Dynamic Tooling Services	30.17	37.72	7.72
Total			82.84	102.16	19.32 (23.32 %)

Audit is of the view that management procured the machinery at higher rates by ignoring the PC-I approved cost. Thus, management incurred an excess cost of Rs.19.32 million that may lead to cost overrun of the project.

The matter was reported to the management on August, 2024. The irregularity was discussed in the DAC meeting held on October 16, 2024. The management apprised before DAC that PC- 1 prepared & approved 2020-21 (\$170) & the inflation impact increase the prices of all items of PC-I. Increase in US\$ to PKR rates Removal of Exception of Tax and at the time Tender, US\$ to PKR rate was 171 which was as per the approved cost. However, by the time of machine delivered, the exchanged rate was jumped over 284. This made a huge impact and KTDMC has no other option to pay for it all these issues are already taken up in revised PC-1 which is under consideration at Planning Commission through MoIP. In view of explanation given by the management, DAC recommended the para for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3 Pakistan Industrial Development Corporation

7.3.1 Introduction

Pakistan Industrial Development Corporation (Private) Limited (PIDC) was incorporated on January 01, 1985 under the Companies Ordinance 1984, now the Company's Act 2017. 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 from April 01, 1985. The primary aim of establishment of PIDC was to set up industries in such fields where the private sector was shy and where large amount of capital outlay with long gestation period was required. Secondly, the object was to set up industries in such areas, which were backward with a view to creating employment opportunities and removal of regional disparities.

7.3.2 Comments on Audited Accounts

7.3.2.1 The working results of the Corporation for the year ended June 30, 2023 as compared with those of the previous years are given as follows:

Particulars	2022-23	% Inc /(dec)	2021-22	% Inc /(dec)	2020-21
Administrative expenses	424.23	19.08	356.23	63.7	217.63
Investment properties	1,115.22	768.55	128.40	(65.1)	367.39
Cash and bank balance	72.04	62.80	44.25	(35.0)	68.10
Unrealized gain on investment	2,010.87	6.19	1,893.49	(23.7)	2,480.43
Retention money payable	62.37	(7.44)	67.38	-	-
Trade and other payables	1,292.31	28.76	1,003.64	57.9	635.50
Advances from customers	3,747.73	(13.28)	4,321.74		-
<i>(Source: Annual Audited Accounts)</i>					
The entity has last audited annual accounts of year 2022-23 till finalization of this report.					

7.3.2.2 Financial Performance Highlights

- PIDC achieved a revenue growth of Rs. 638.856 million (or 29.4%) in 2023, with revenues increasing from Rs. 2,171.238 million to

Rs. 2810.094 million. This notable growth indicates a positive trend in financial revenue performance.

- ii. Administrative expenses increased significantly by 19.08% from Rs. 356.23 million in year 2022 to Rs.424.23 million in 2023 owing to increase in retirement benefits, Auditor's remuneration, Travelling & Transportation, Printing& Stationery, Advertisement & Publicity ,Repair & maintenance, Legal ,Utilities and Outsource services.
- iii. Pakistan Industrial Development Corporation (PIDC) reported a significant increase in total assets from Rs 19,304.863 million in 2023 to Rs 22,663.257 million in 2024, representing a 17.3% growth.
- iv. Overall, the significant increase in total assets, driven by growth in both non-current and current assets, suggests that PIDC is maintaining a strong financial position and is poised for continued growth.
- v. Investment properties have increased significantly by 768.55% in 2022-23.
- vi. Cash and bank balance has increased by 62.80% in 2022-23.
- vii. Deferred Government Grant significantly increase by 290% from Rs.410.170 million in 2022 to Rs.1,603.65 million in 2023 owing to establishment of 132 KVA grid station at Bin Qasim Industrial Park. These expenditures incurred from PSDP funds received during the period. Reasons for increasing the cost needs to be justified.
- viii. Property plant and equipment increased from Rs.776.88 million in 2022 to Rs. 1,122.57 in 2023. significant increased by 44% owing to purchase and installation of water sprinkler, purchase of office equipment, electrical items and furniture.
- ix. Other receivables increase by 37% during the year under review toRs.49.073 million from 35.821 million in last year owing to receivables from subsidiaries companies of PIDC.
- x. Unrealized gain on investment has increased by 6.19% in 2022-23.
- xi. Trade and other payables have increased by 28.76% in 2022-23.
- xii. The non-current liabilities have increased significantly from Rs. 533.37 million in 2022 to Rs. 1751.607 million in 2023, representing a growth of 228%.

7.3.2.3 Key Financial Ratios

- i. Current ratio: 1.23 (2022-23), 0.94 (2021-22)
- ii. Return on equity (ROE): Not applicable, as net income and equity data is not provided.

7.3.2.4 Financial Health and Stability

The company's financial performance indicates significant growth in investment properties and cash and bank balance. However, administrative expenses and trade and other payables have also increased. The current ratio has improved, indicating better liquidity.

7.3.3 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%
2006-07	5	4	1	94	80%
2007-08	-				
2008-09	4	3	1	104	75%
2010-11	6	6			100%
2013-14	4	1	3	8.1.2.1, 8.1.3, 8.1.2.2,	25%
2015-16	8	1	7	8.2.4.1, 8.2.2.1, 8.2.2.2, 8.2.2.3, 8.2.2.4, 8.2.3, 8.2.4.2	13%
2019-20	4	2	2	7.2.4.1, 7.2.4.2,	50%
Total	199	178	21		89%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

The overall compliance of PAC directives needed improvement.

7.3.4 Audit Paras

7.3.4.1 Irregular transfer of PSDP Funds into another account - Rs. 750.664 million

Finance Division letter No.F.2(2)BI-2008/AAP-902 dated 07-02-2023, stipulates that the Assan Assignment Account Procedure (Local Currency), cash withdrawal or transfer of funds to any bank account is not allowed except for employees related deductions, and security deposit/retention money may be deposited in a designated bank account with specific conditions. SBP BRD Letter No.06 of 2023, decides to withdraw the existing Cash Margin Requirement (CMR) on import of items with effect from March 31, 2023.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that the management awarded a contract to M/s. Barqtron Fast (Pvt) Limited for construction of Grid Station and allied works at Bin Qasim Industrial Park, Karachi amounting to Rs.3,407.000 million. The management received Rs.750.664 million on account of PSDP Project which was required to be utilized or surrendered before June 30, 2023. However, the same was neither utilized nor surrendered but transferred into another account (LC margin account) on 02-06-2023. Furthermore, the management made withdrawal of cheque and deposit on against LC Cash margin 100% against the rule / instructions of State Bank of Pakistan.

Audit is of the view that the management's decision to transfer funds into another account without utilizing or surrendering them as required, and making withdrawals against the State Bank of Pakistan's rules, indicates a lack of adherence to regulatory requirements and inadequate financial management.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The management apprised the DAC that local LC was opened after order placed. Hence, there is no violation of Assan Assignment Accounts Procedure. DAC directed the management to share following documents to audit verification:

- i. Orders placed to contractor.
- ii. LC opened by the contractors

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.185 & 195)

7.3.4.2 Non-recovery of outstanding dues - Rs. 343.556 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that 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.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that the management approved an amount of Rs.87.950 million as bridge loan for Engineering Development Board (EDB) for its participation in Market Development Activities, specifically foreign exhibitions, for the year 2005-06. The amount was released by PIDC to EDB, out of which Rs.77.719 million was adjusted or reimbursed, leaving a balance of Rs.10.231 million. Despite this outstanding amount, the management released an additional amount of Rs.55.028 million to EDB as bridge loan for the same marketing activities in 2006-07. However, due to non-repayment of the bridge loan by EDB, a substantial amount of Rs.319.27 million, comprising Rs.65.259 million principal and Rs.254.010 million mark-up, remained outstanding. Furthermore, an amount of Rs.25.554 million was lying outstanding on account of rent against the various tenants as on June 30, 2023. Detail of outstanding is as under:

(Amount in Rs)							
S#	Name of Party	60 days	60-90 days	90-180 days	180-360 days	360 & above	Total
1	National Management Co		144,070	432,210	864,420	1,333,524	2,774,224
2	Comsts Islamabad	65,714	-	227,954	-	-	293,668
3	Gizri Corporation Pvt Ltd	48,798	48,798	146,394	292,788	97,297	634,075

4	Pak Gems & Jewellery	2,033,550	-	2,033,550	1,972,547	-	6,039,647
5	Petroleum Packages	150,340	75,170	225,510	451,020	150,340	1,052,380
6	Deewan Mushtaq	2,385,294	1,192,647	3,577,941	7,055,882	548,933	14,760,697
Total		4,683,696	1,460,685	6,643,559	10,636,657	2,130,094	25,554,691

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 June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024.

A. The management apprised the DAC that the loan was granted with the approval of Ministry. Moreover, management informed that PIDC has adjusted the loan amount by Rs.6.897 million against dividend payable by EDB by IFC now merged into PIDC. DAC directed the management to share the documents with Audit for verification of adjusted amount. Further, DAC directed the management to pursue the case with EDB for recovery of amount through Ministry.

B. DAC reduced the para up to the recovery already made Rs.3.800 million and directed to verify the recovered amount from Audit and directed the management to vigorously pursue the recovery of outstanding rent from tenants. Moreover, court cases be followed vigorously.

Out of Rs.3.800 million, an amount of Rs.1.268 million was recovered and verified.

Audit recommends implementation of the DAC directives.

(DP Nos.186 & 200)

7.3.4.3 Irregular escalation in price of contract - Rs. 127.541 million

Rule 44 of PPRA Rules, 2004 states that a procurement contract shall come into force,- (a) (b) where no formal signing of a contract is required, from the date the notice of the acceptance of the bid or purchase order has been given to the bidder whose bid has been accepted. Such notice of acceptance or purchase order shall be issued within a reasonable time; or where the procuring agency

requires signing of a written contract, from the date on which the signatures of both the procuring agency and the successful bidder are affixed to the written contract. Such affixing of signatures shall take place within a reasonable time: Provided that where the coming into force of a contract is contingent upon fulfillment of a certain condition or conditions, the contract shall take effect from the date whereon such fulfillment takes place.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was noted that the management awarded a contract for infrastructure development at Bin Qasim Industrial Park, Karachi to M/s. Kazi Nisar Ahmed & Company in December 2021, valued at Rs. 799.903 million. However, the agreement was signed 11 months late, and the project's estimated completion period was extended for another 12 months. Moreover, at the request of the contractor, the management further delayed the project, resulting in excess expenditure of Rs. 127.54 million due to price variation. The details are as under:

(Amount in Rs)					
S#	Description	Cost as per BOQ	Cost as per revised BOQ	Difference/Excess	Percentages %
1.	Infrastructure work	603,036,788.44	688,174,021.01	85,137,232.74	14.118
2.	Office Building	3,387,450.80	71,635,549.94	41,510,233.74	137.79
3.	Rescue Building	73,929,773.05	74,823,950.25	894,177.20	1.20
4.	Boundary wall & watch Tower	92,811,132.85	-	-	-
Total award		799,930,010.54	834,633,521.20	127,541,643.51	18.375
Total (Revised)		707,118,877.69	834,633,521.20	127,541,643.51	18.036

Audit is of the view that the management failed to execute the contract timely which resulted in price variation. This reflected weak internal controls and poor financial management.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The DAC was apprised that, as per contract clause 52.3, the maximum allowable variation percentage is 15%. This variation is well within the 15% limit stipulated by contract clause 52.3 and is in accordance with PEC guidelines. Furthermore,

the price variation excess from the original contract prices is 4.34%, not 18%. Additionally, the boundary wall work was assigned to M/s. Haji Ameer on the recommendation of the Project Consultant (the Engineer), which was well within the permissible variation of BOQs. Since the same work has been excluded from the BOQs of M/s. Kazi Nisar, therefore, there is no net impact on the overall cost of the project. The DAC directed the management to provide the relevant record to Audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.4 Irregular payment of price escalation charges to the contractor - Rs. 125.926 million

Clause 3 of PEC Standard Procedure (May 2022) states that if contract completion exceeds the original schedule, the Price Adjustment rate will be frozen at the original completion date if the delay is due to contractor's default. However, if the rate decreases beyond the scheduled completion period, the reduced rate will be applied.

Resolution No. 5 of the 153rd BoD meeting dated 16-05-2023, states that in allowing project cost escalation, due process shall be followed under the contract, including the Consultant's verification and adherence to PEC standards and guidelines.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that the management awarded the contract to M/s Haji Syed Ameer & Brothers for infrastructure development work and allied works at Bin Qasim Industrial Park Karachi amounting to Rs.878.743 million. However, the contract amount was escalated up to Rs.125.926 million.

Audit is of the view that the management extended undue favor to the contractor and paid escalation charges against the work delayed which reflected poor project management.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The management explained that the bidding process was completed, but work was not awarded on time to the contractor M/s. Haji Syed Ameer & Brothers, because

M/s. Gul Construction (the former contractor whose contract was terminated due to the submission of a fake bank guarantee) filed a suit in the High Court of Sindh in Karachi against the bidding process of the said work. The plaintiff obtained a restraining order from the Court. The DAC directed the management to provide the following documents to the audit for verification: the fake bank guarantee submitted by the contractor, M/s Gul Construction Company, the fresh bidding documents, and the court stay-order by the previous contractor, which restricted the award of the contract. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.5 Non-deduction of sales tax - Rs. 103.98 million

Section 3(1) of Sindh Sales Tax on Services Act, 2011 states that service provided by person engaged in contractual execution of work or furnishing supplies is taxable @ 13%.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that the management awarded the contract to M/s Kazi Nisar Ahmed & Company for infrastructure Development & Allied Works (Road Network, Water Supply and Sewerage Network, Under Ground water, Electrical and Office building) at Bin Qasim Industrial Park (BQIP), Karachi amounting to Rs.799.903 million on November 14, 2022. However, the sales tax amounting to Rs.103.98 million (@13%) was not deducted.

Audit is of the view that the management extended undue favor to the contractor by not deducting the sales tax of Rs.103.98 million which reflected weak financial management.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The management informed the DAC that, according to SRB's SRO No.3-4/7/2013 dated 18-06-2013, M/s Kazi Nisar Ahmed & Company is specifically exempted on the construction and development of Special Economic Zones (SEZs) under sub-clause iv of tariff 9824. DAC directed the management to share the Notification of Sindh Sales Tax with audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.6 Irregular award of work without competitive process - Rs. 82.776 million

Rule 20 of PPRA Rules 2004 stipulates that 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 Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that management awarded a contract of infrastructure development & allied works at Bin Qasim Industrial Park, Karachi (Road Network, water supply and sewerage Network, underground water tank, electrical infrastructure, office building, rescue building and parts Boundary Wall) Package-VII to M/s. Kazi Nisar Ahmed & Co on 14th November, 2022 at a total Cost of Rs.799.903 million. Later on, the management on the request of contractor and recommendation of consultant sublet the construction of Boundary Wall amounting to Rs.82.776 million to M/s. Syed Ameer Ali & Co without competitive process.

Audit is of the view that the management awarded the contract in violation of PPRA rules which reflected weak internal controls.

The matter was reported to the management in June, 2024, but no reply was received. Management informed the DAC that the contract with M/s. Kazi Nisar & Co. was not concluded due to the death of the proprietor of the main contractor, and his heirs were still settling the legal formalities. Due to urgency, the boundary wall work at BQIP was assigned to the already mobilized contractor, M/s. Haji Syed Ameer, on the recommendations of the consultant (the Engineer) at the same contractual rate. DAC directed the management to share the documents for verification with audit showing that the work was shifted at the same cost with approval of the Board. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.7 Non-utilization of imported machinery - Rs. 66.910 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.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-2023, it was observed that the management imported machinery for furniture design and manufacturing in May 2013, valued at Rs. 66.910 million. However, the machinery was not utilized effectively, being shifted multiple times among Sargodha, Peshawar, and Chiniot, and ultimately left idle at Sargodha for many years.

Audit is of the view that the purchase of imported machinery, which remains unused, demonstrates inadequate financial management and ineffective internal controls.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The management explained that the machinery was purchased by Furniture Pakistan (FP) in 2013, with approval of Board, for the CFTMC Gujrat project. However, due to delays in initiating the project, the machinery was stored in Sargodha. Later, in 2015, the project was relocated to Naushahro Feroze, Sindh, but FP was unable to acquire a suitable land plot, leaving the machinery unused. The management apprised the DAC that the matter is sub-judice in FIA court. DAC directed to pursue the case in Court of Law vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.8 Irregular absorption of Assistant Manager - Rs. 56.850 million

Rule 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 Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that irregularities occurred in the absorption and promotion of Mr. Yar Muhammad Memon, who was transferred from State Cement Corporation Pakistan (SCCP) in 2007. Specifically, his temporary transfer and subsequent permanent absorption lacked necessary approvals or NOC from the Board/Ministry, and he also lacked relevant qualifications in accounts or commerce at the time of absorption, yet was promoted from Assistant Manager to Deputy Manager despite shortfalls in qualifications and experience.

Audit is of the view that the management extended an undue favor to the incumbent during absorption and promotion. Thus, salary and allowances of Rs.56.850 million paid to him, was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The management explained that placing the SCCP under liquidation, all the assets and liabilities of SCCP were transferred to PIDC and during this process, the incumbent was the only resource having access to the record and awareness of the SCCP procedure. His accumulated terminal benefits i.e. Gratuity, Provident Fund and Earned Leave Salary were transferred from Corporation to Corporation. He has Degree of M.A. (Economics) passed in second division which was subsequently got verified from the concerned University. At the time of his transfer to PIDC, he had an experience of 17 years in Finance & Accounts. Furthermore, he was promoted as Deputy Manager on the basis of the degree of M.A. (Economics) and about 20 years' experience in Finance & Accounts. The DAC directed the management to get the following records verified by Audit: double payment, rules of the transfer/absorption and genuineness of the educational degrees. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.9 Non-transferring of title of property - Rs. 18.002 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His

responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that the management paid Rs. 18.002 million to the Land Utilization Department, Government of Sindh, on May 22, 2017, for the regularization of 1.5 acres of land in Deh Okewari, Karachi East, aiming to secure a 99-year lease in favor of PIDC. However, the challan was canceled on June 6, 2017, as the Sindh Government Lands Cabinet Committee did not approve the market price at the time of allotment.

Audit is of the view that the title of the property was not transferred despite the lapse of significant time.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. Management informed the DAC that CEO PIDC raised the matter with Chief Secretary Sindh vide letter No. PIDC-Est/LU-01-17 dated 30th July, 2018. However, the matter could not be resolved and consequently, PIDC initiated legal proceedings against the Land Utilization (LU) Department, the Government of Sindh & others. DAC directed the management to pursue the court case vigorously. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.10 Irregular hiring of HR services without tender - Rs. 15.078 million

Rule 5(5) (a) 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." Further, rule 4(3) states that the Chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. He is responsible for implementation of strategies and policies approved by the Board.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that the management hired contract workers through M/s Jilani Enterprises from May 31, 2007, without a competitive bidding process and formal agreement. The management paid Rs.15.078 million to M/s

Jilani Enterprises for the contract workers' including salaries, Ramzan Grants, and Eid bonuses, from 2007 to 2023.

Audit is of the view that continuation of the contract from 2007 to 2023 without competitive bidding was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The management apprised that now new 3rd Party contractor hired through competitive bidding. The DAC directed the management to share the following documents with the audit for verification: the current status of the court case, the monthly payment records for one remaining employee, and the bidding documents through which the new third-party contractor was hired. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.11 Irregular appointment of Manager Law – Rs. 11.399 million

Advertisement dated 05th March, 2017, entails that the minimum experience was 05-10 years in any large Company / Organization dealing with all types of litigations and fully conversant with rules and procedure of Courts with age limit of 35-40 years.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that Mr. Naeem Iqbal was appointed as Manager (Law) with a monthly salary of Rs. 120,000. The position required 5-10 years of experience and a candidate within the 35-40 age range. However, Mr. Iqbal was 43 years old at the time of appointment and lacked the necessary experience, raising concerns about the hiring process.

Audit is of the view that the appointment was irregular as he didn't meet the requirement of advertisement. This raises concerns about transparency and fairness. The payment of salary of Rs.11.399 million was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The management informed the DAC that Manager (Law) appointment process was transparently executed as per rules/advertisement. The advertised criteria required

that candidates should have 05-10 years' experience whereas the incumbent having an LLB degree had 05 years & 10 months of experience with the law firm. DAC directed to get the following record verified by Audit: Copy of advertisement whereby relaxation of age and post-qualification experience was permitted. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.12 Irregular payment of gratuity – Rs. 10.483 million

PIDC Delegation of Financial Power, approved by the Board of Directors in its 137th meeting held on March 29, 2021, delegates the following powers: the authority to approve employee reimbursements and expense claims, such as fuel, car maintenance, medical, travel costs, and business calls, which will be approved by the Head of Department for their subordinate department employees up to their delegated limits, as per company policies. Additionally, the CEO is authorized to settle claims up to Rs. 1.00 million with third parties, under intimation to the Board.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that the CEO approved gratuity payments of Rs.10.483 million to retired employees without having delegated financial powers. Additionally, four employees who retired in 2017-18 did not receive their gratuity difference of the dues, despite lapse of significant time.

Audit is of the view that management paid gratuity dues in violation of rules which reflected negligence and weak internal controls.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The management explained that it was liability of employee's Gratuity Fund (GF), which was recorded in the audited books of accounts of the GF. At the time of implementation, the entire funds of gratuity were invested in Defence Saving Certificates and there was a shortfall of Rs.8.500 million against the actual liability of Rs.10.483 million. DAC directed to submit revised reply along with breakup and get it verified from audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.3.4.13 Non-obtaining concurrence of Auditor General of Pakistan for appointment of Chartered Accountants – Rs. 2.850 million

The Ministry of Finance's notification dated March 25, 1981, instructs institutions to obtain the Auditor-General of Pakistan's approval before submitting an auditor's name for approval by the Board of Directors. Furthermore, the Auditor-General's office letter dated January 17, 2004, reiterates that public sector companies can only appoint Chartered Accountants firms after obtaining the Auditor-General of Pakistan's concurrence, as per various directives issued by the Finance Division.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2022-23, it was observed that the management hired M/s BDO Ebrahim & Company as external auditors for three years (2022-23 to 2024-25) at a cost of Rs. 2.850 million without getting the required approval from the Auditor General of Pakistan, which is in violation of Finance Division's orders.

Audit is of the view that the appointment of Chartered Accountant without obtaining concurrence from Auditor General of Pakistan (AGP) was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in the DAC meeting held on September 12, 2024. The management explained that Audit Committee of the Board recommends the appointment of an external auditor to the Board of Directors, who then approve and recommend it to the shareholders for final approval at the General Meeting. DAC directed the management that matter may be taken up through concerned Ministry for concurrence of the Auditor General of Pakistan for appointment of external auditor. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.4 Pakistan Institute of Management

7.4.1 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 Dec 1975, it was transferred to the Ministry of Industries and Production, Government of Pakistan and subsequently through SRO dated Nov 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.

7.4.2 Comments on Audited Accounts

7.4.2.1 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 2012-13 to 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2012-13 to 2022-23 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

7.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2009-10	8	-	8	Annex-I Item-09, 94, 94.1, 94.2, 94.3, 94.4, 95, 96	-
2010-11	-				
2013-14	7	4	3	8.6.2.1, 8.6.3, 8.6.4.1	57%
2015-16	3	2	1	8.8.2.1	67%
2019-20	1	1			100%
Total	19	7	12		37%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.					

The overall compliance of PAC directives was satisfactory.

7.4.4 Audit Paras

7.4.4.1 Non-formulation of Standard Operating Procedure (SOP) for training and diploma courses – Rs. 116.350 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2022-23, it was observed that the management organized 361 training and diploma courses conducted by permanent and visiting faculty members. However, the management failed to establish Standard Operating Procedures (SOPs) for assigning courses to faculty members. The revenue earned from 361 public training / diploma courses, as detailed below:

S#	Description	Amount (Rs)
01	Management Course Fees	65,016,998
02	Diploma Income	51,333,693
Total		116,350,691

Audit is of the view that the management's failure to establish Standard Operating Procedures (SOPs) for assigning training/diploma courses to faculty members reflected mismanagement.

The matter was reported to the management in June 2024. The irregularity was discussed in the DAC meeting held on November 13, 2024. DAC directed the management to submit revised reply regarding qualification expertise of the members of the committee who were vested with powers to hire/finalize persons as visiting faculty. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.4.4.2 Irregular / unjustified sharing of revenue – Rs. 11.388 million

Clause IV of the agreement between the Pakistan Institute of Management (PIM) and the Institute of Professional Development (IPD) of the International Islamic University, Islamabad (IIUI) outlines the terms of their collaboration. According to this clause, PIM will provide up to five free slots for IIUI participants in each training program, excluding senior-level programs, based on IPD's recommendations. Additionally, PIM will prepare a quarterly statement of fees collected and share it with IPD. The revenue generated from these joint programs will be split 75:25 between PIM and IPD, with PIM paying IPD's share on a quarterly basis.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2022-23, it was observed PIM had an agreement with the Institute of Professional Development (IPD) at International Islamic University, Islamabad, to provide training and infrastructure facilities. The agreement, signed in 2016, was extended until December 2022. As per the agreement, PIM shared 25% of its revenue from training programs with IPD, amounting to Rs. 11.388 million, which is irregular as there was no provision in the Statutory Regulatory Order (SRO) issued by the Ministry of Industries & Production dated November 16, 1976 to provide free training or share revenue with other institutions. PIM generates its revenue from training programs, fees, member contributions, and Grants in Aid from Finance Division, Government of Pakistan.

Audit is of the view that the management's decision to share revenue with the IPD and provide free training to its employees is irregular.

The matter was reported to the management on May 24, 2024. The irregularity was discussed in the DAC meeting held on November 13, 2024. The DAC directed the management to submit a revised reply along with the following documentary evidence: (i) details of revenue generated and shared with IIU during their stay at the Faisal Masjid premises, including the 1/4th revenue share as per the agreement; (ii) a copy of the agreement with IIU; (iii) details of IIU students accommodated by PIM for free-of-cost training, along with approval from the Board of Governors (BoG) as per the relevant SRO; (iv) details of expenditure incurred during their stay at the Faisal Masjid premises; and (v) details of fees paid to faculty members, both visiting and permanent, for all

courses conducted during their stay at the Faisal Masjid premises. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.4.4.3 Irregular appointment, promotion and deputation - Rs. 7.500 million

Cabinet Secretariat (Establishment Division) letter dated 06/02/2000, the appointments on contract basis in Autonomous/Semi-Autonomous bodies, Corporation, Public Sector Companies etc. may be through open advertisement in the leading and regional Newspapers indicating prescribed Academic and professional qualification, experience, age provincial/regional quotas etc.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2022-23, it was observed that Mr. Sajid Abbasi was appointed as a Junior Clerk (BPS-5) on January 1, 2010, without following proper procedures. His appointment was made without advertising the position, verifying his education and experience, obtaining a medical fitness certificate, or conducting a police verification report.

Furthermore, he was promoted to Senior Clerk and Assistant (BPS-15) in 2018, again without fulfilling the required formalities. Additionally, he was posted to the Ministry of Industries & Production (MoI&P) in Islamabad on an attachment basis on the request of Deputy Speaker of National Assembly of Pakistan dated 12th March, 2014, and later on a deputation basis, both times without completing the codal formalities.

Audit is of the view that the appointment, promotion, and deputation of employee were made in violation of codal formalities and rules, indicating a lack of transparency and accountability. The management's failure to follow proper procedures has raised concerns about favoritism. Thus, the payment of salary of Rs.7.500 million was held irregular.

The matter was reported to the management in June 2024. The irregularity was discussed in the DAC meeting held on November 13, 2024.

- A. The management apprised the DAC that the condition of advertisement in case of candidates referred by President Sectt/Prime Minister

Sect/Ministry of Production was relaxed in the light of Ministry of Production letter No.10(59)/87-Per dated 14.01.1990. DAC directed to conduct fact finding inquiry on following TORs under chairmanship of Joint Secretary:

- i. To check the recruitment process in the light of Ministry of Production's letter No.10(59)/87-Per dated 14.01.1990 and recruitment rules of PIM.
 - ii. To check degree verification status
 - iii. To check medical fitness certification
 - iv. To check that promotion was made as per recruitment rules of PIM by the DPC.
- B. DAC directed the management to conduct a fact finding inquiry at Ministry level under chairmanship of an officer of Joint Secretary level including a representative from PIM management as departmental representative. The TORs of the Inquiry Committee as under: -
1. To examine and assess the equivalency of Pay scales of PIM with BPS of Federal Govt.
 2. To check the academic credential required for the post of Office Assistant in PIM and Assistant in Federal Government.
 3. Whether the official meet academic qualification criteria for posting as Assistant (BS-15) in Ministry/Division on deputation basis.
 4. Degrees Verification status.
 5. To check the legitimacy & authenticity of documents which were shared by Chair of DAC during the DAC meeting i.e. NOC from PIM regarding deputation, Last pay certificate and NOC for extension of deputation.
 6. Any other TOR which committee may like include as per their convenience.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 276 & 275)

7.4.4.4 Unjustified promotion of officers / officials

The Ministry of Industries & Production, Islamabad, Government of Pakistan, vide letter No.13 (1)2023-PSD-II, dated 7th March, 2023, stated that the Executive Director (ED) has been assigned the look-after charge to manage the day-to-day affairs of PIM, but this charge does not permit fundamental changes. Additionally, the ED's promotions have financial implications, and any further decisions regarding promotions should be taken to the Board for approval. The ED is also aware that the Act and legal framework of PIM are under consideration. Furthermore, the Law Division has not recognized the legal status of PIM, rendering all its rules violative. Lastly, the seniority lists of all cadres have not been maintained, and it has been directed that these lists must be maintained, and all promotions made in this regard may be declared null and void immediately.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2022-23, it was observed that the management promoted 09 executive employees and 13 non-executive employees approved by Board of Governors (BoG) in its 56th meeting held on 11th December 2023 w.e.f 1st January 2023 in violation of the above instruction/directives issued by the Ministry of Industries & Production (MoI&P) Government of Pakistan.

Furthermore, on November 15 ,1976, Board of Governors was constituted through SRO No. 1113 (1) 76 with the advice that the Board should register itself under the Societies Registration Act,1860, but the Board has not yet been registered despite the requirement mentioned in SRO.

Audit is of the view that promotion of executive and non-executive employee in violation of directives issued by the MoI&P and management also failed to register the Board under relevant authorities.

The matter was reported to the management in June 2024. The irregularity was discussed in the DAC meeting held on November 13, 2024. DAC directed the management to furnish compliance status in light of the observations raised by the Ministry's in its letter of dated 17th March, 2022 and SRO Registration No.1113(1) 76 to audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5 Pakistan Steel Mills Corporation (Pvt.) Limited

7.5.1 Introduction

Pakistan Steel Mills Corporation (Pvt.) Limited (PSM) was incorporated on July 02, 1968 as a Private Limited Company and is wholly owned by the Government of Pakistan. The Corporation was engaged in the manufacturing and sale of iron and steel products. Pakistan Steel Mills is the Country's largest Steel Industrial undertaking, now its operations have closed for the last four years.

7.5.2 Comments on Audited Accounts

7.5.2.1 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 2020-21 to 2023-24 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2020-21 to 2023-24 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

7.5.3 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	117.8,118,122,124	86%
2008-09	16	13	3	107,108,110	81%
2009-10	19	12	7	98.1,99,100,104,105,109,110	63%
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 (PAC referred for DAC level)	13%
2015-16	18	1	17	8.9.4.5, 8.9.4.8, 8.9.2.1, 8.9.2.2, 8.9.2.3, 8.9.2.4, 8.9.2.5, 8.9.2.6, 8.9.2.7, 8.9.3, 8.9.4.1, 8.9.4.2, 8.9.4.3, 8.9.4.4, 8.9.4.6, 8.9.4.7, 8.9.4.9	6%
2019-20	3	-	3	7.9.4.1, 7.9.4.2, 7.9.4.3	0%
2021-22	15		15	8.7.4.6, 8.7.4.7, 8.7.4.9, 8.7.4.5, 8.7.4.10, 8.7.4.11	
Total	281	167	114		59%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2022-23 and onwards.					

The overall compliance of PAC directives needs improvement.

7.5.4 Audit Paras

7.5.4.1 Finished slab product lying in stores - Rs. 17, 617.572 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that 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.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that:

(a) The stock inventory of finished products had been lying in PSM stores since June 2015, awaiting sale. The Mill's operations had been suspended, resulting in the prolonged storage of the inventory. As of the audit date, the current market price of the finished product stood at Rs. 190,737 per ton. The details are hereunder:

	(Amount in Rs)			
Name of Product	Annual accounts - 2023-24 (Provisional)			
Finished Slab (BSSY+HSM)	Quantity in tonnage	Book Value	Market Value / ton	Market Value
	62,000	3,462,780,948	190,737	11,825,694,000

(b) A substantial stock inventory of various items, valued at Rs. 5,791.878 million, was found lying idle in different PSM stores as of June 30, 2024. This inventory had remained unused and unissued to concerned departments since June 2015, due to the suspension of the Mill's operations. The details are hereunder:

Description	Inventory Balances (Rs.)
Raw Material	1,149,054,956
Work in Process	3,511,966,195
Finished Products	1,130,857,588
Total	5,791,878,739

Audit is of the view that the prolonged storage of finished products since 2015 indicates potential losses and highlights the need for improved management oversight and internal controls. Furthermore, the management's failure to implement a viable business plan for the disposal of this substantial inventory through sales or auction demonstrates weak asset management.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. During the meeting, the management explained that M.S Slab is a "Demand Sale" product, sold according to customer demand. Since 2023, no demand had been received from any customer, although a recent demand was received from M/s Peoples Steel Mills, which could not be fulfilled due to the temporary suspension of PSM product sales by the competent authority. The DAC expressed concern over the large inventory lying in stores without justification and not being sold.

The DAC directed the management to expedite sell of the inventory. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.580 & 581)

7.5.4.2 Wasteful expenditure on account of gas charges due to delayed decision – Rs. 4,722.540 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that 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.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management made payments to SSGCL amounting to Rs. 4,722.540 million for gas supply to the Coke Oven Batteries Project (COBP) from 2020 to 2024. The COBP, comprising COB-1 and COB-2, was reconstructed in 2007 by M/s Concord Industrial Project, Ukraine, at a cost of US\$ 25.44 million. While COB-2 operated until October 2015, COB-1 was never commissioned due to the non-availability of the required coal blend. Despite this, the management continued to supply natural gas to keep COB-1 on Hot Preservation mode until July 4, 2024, when the gas supply was disconnected by SSGCL on the orders of the MoI&P, resulting in significant damage and deterioration to both batteries.

Audit is of the view that due to delayed decision by the management in respect of disconnecting the gas supply to COBPs in May, 2024 whereas operations of the Mills were at halt since June 2015, resulted into wasteful expenditure of Rs.4,722.450 million. This shows inefficiency of the management.

The matter was reported to the management in October 2024, and subsequently discussed in the DAC meeting held on December 19, 2024. The management explained that the COBPs had been kept in Hot Preservation mode over the years with the financial support of the Federal Government. DAC directed the management to investigate the matter at the Ministry level within a month. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.3 Non-payment of water charges and late payment surcharge - Rs. 2,021.380 million

Para-v of the agreement made between PSM & KW&SB, dated December 29, 1994, states that: Pakistan Steel do hereby agree to clear all the outstanding dues of KWSB accrued since August 4, 1992, at the rates as agreed to in this agreement, within fifteen days of signing of this agreement.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management failed to pay water charges/dues amounting to Rs. 1,432.913 million to M/s Karachi Shipyard & Sewerage Board (KW&SB) since July 2021 till date. Furthermore, KW&SB also imposed a penalty/water surcharge amounting to Rs. 588.467 million on account of the bulk consumer bill of July to August, 2024. The management did not pay the water surcharge/penalty for a long time (ageing not provided), resulting in the accumulation of a huge amount.

Audit is of the view that due to mismanagement and negligence, timely payments of water charges could not be made which resulted into imposition of late surcharges.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The management apprised the DAC that the due to severe liquidity crisis, PSM started to pay partial bill to KW&SB. Negotiations are underway wherein, the KW&SB authorities agreed that the LPS being Government Organization will be waived off subject to approval of the Competent Authority. DAC directed the management to resolve the matter of LPS with KW&SB and progress report be shared with Audit within 30 days. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 556 & 571)

7.5.4.4 Non-recovery of dues - Rs. 1,499.977 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that 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.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was found that a total of Rs. 1,499.927 million (Rs. 1,479.469 million + Rs. 20.458 million) was recoverable from clients, suppliers, defaulters, and the Officers' Mess/Club as of June 30, 2024. This included outstanding electricity charges and uncollected rent (Annex-47).

Audit is of the view that the management failed to take efforts to recover outstanding dues which showed poor internal controls and weak recovery mechanism.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The management reported recoveries of Rs. 58.254 million out of Rs. 1,479.469 million and Rs. 1.054 million out of Rs. 20.458 million. The DAC accepted these recoveries subject to audit verification and directed the management to recover the remaining amounts of Rs. 1,421.215 million and Rs. 19.404 million from defaulters. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 558 & 592)

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 9.5.4.7 having financial impact of Rs.1,161.628 million. Recurrence of same irregularity is a matter of serious concern.

7.5.4.5 Lapse of funds due to non-utilization / surrender - Rs. 200.000 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that 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.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management received Rs. 200 million from the Government of Pakistan for payment to SSGCL. However, the management neither utilized nor surrendered the amount. The Board issued directives to the management to investigate the reason behind the unutilized amount of Rs. 200 million, but no progress was shared with the Audit.

Audit is of the view that non-utilization of funds reflected grave negligence on the part of the management.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. DAC directed the management to conduct a fact - finding inquiry and also establish internal controls to prevent instances of fund mismanagement. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.6 Excess payment on account of differential unit cost of electricity - Rs. 170.424 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that, 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.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that one of the four main electricity meters installed at the Mills premises was used for billing to the residents of Gulshan-e-Hadeed Phase-1. The electricity was billed to PSM by K-Electric at the bulk/commercial rate. However, the management distributed the load and billed the residents at the domestic rate, resulting in a differential of rates. Consequently, PSM sustained annual losses due to this differential. Specifically, from March to September 2024, the Corporation incurred a loss of Rs. 170.424 million. The details are as under:

No. of Units Consumed from Mar to Sept, 24	Bulk Rate Bill Amount (Rs.)	Unit Cost on Bulk Rate (Rs.)	Unit Cost on Domestic Rate (Rs.)	Difference on per unit (Rs.)	Total (Loss) (Rs.)
8,922,739	491,644,909	55.1	36	19.1	170,424,314

Audit is of the view that due to mismanagement and poor decision making, differential of unit rate of electricity occurred which resulted in a loss of Rs.170.424 million.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The Management apprised DAC that the PSM is charging the electricity rates as approved by the NEPRA. After discussion, DAC directed the management to investigate the matter as to ascertain the actual loss incurred on account of differential unit cost and same may be shared with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.7 Revenue loss due to encroachment of land - Rs. 111.121 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that 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.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management, by organizing two weekly Bachat Bazaars, i.e., Peer Bachat Bazar and Budh Bachat Bazar, at an allocated space situated at Gulshan-e-Hadeed Scheme Phase-1, earned an income of Rs. 151,700 and Rs. 383,800 per week, respectively, till March 2020.

The allocated space/land area was encroached and illegally occupied by land grabbers from March 2022 till-date, who operate the same weekly Bazaars since then. The details of the potential income loss are as under:

(Amount in Rs.)			
Description	Weekly Potential Income (March 2020)	Yearly Income (52 weeks)	04 Years (208 weeks)
Peer Bachat Bazar	151,700	7,888,400	31553600
Budh Bachat Bazar	383,000	19,916,000	79,664,000
Total	534,700	27,804,400	111,217,600

Audit is of the view that due to encroachment of land, the Corporation failed to earn revenue of Rs.111.217 million which reflected weak internal controls and poor asset management.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The management informed that location has been vacated and tender has been floated for allocation of bachat bazar. DAC directed for verification of record regarding vacation of space. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 9.5.4.12 having financial impact of Rs.750.000 million. Recurrence of same irregularity is a matter of serious concern.

7.5.4.8 Misappropriation of funds - Rs. 73.600 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management made an investment of Rs. 73.600 million in shares of M/s Industry Facilitation Centre (IFC) in the shape of advances. However, IFC did not issue a single share against the funds received, whereas the accounts department was recording the entire investment as advances and receivables from IFC. Moreover, the PSM Board, in its 430th meeting held on

January 15, 2024, accorded approval for writing off an amount of Rs. 178.744 million (including the Rs. 73.600 million advances) under the account head "Long Term Investment" as a loss from associates (IFC) due to the merger with PIDC.

Audit is of the view that the management misappropriated funds and added the recoverable amount of advances Rs.73.600 million into the write-off process and placed before the Board for approval.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The DAC showed concern and directed the management to give revised reply to justify the misappropriation of funds as how the amount of advances / loans were treated as investment and was got written off by the Board. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.9 Non-adjustment of recovery balances - Rs. 51.183 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that, 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.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that an amount of Rs. 51.183 million, pertaining to electricity charges from various defaulters, including schools, colleges, officer's mess, and Shaadi Halls, were lying un-adjustable in the books of accounts for many years. The ageing of the recovery was sought, but the same was not provided.

Audit is of the view that the non-adjustments of the recovery amount of electricity charges since long in the books of accounts raises question on the affairs of the Corporation.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. Management apprised the DAC that the amount will be adjusted in the books of accounts for the year 2023-24 and the same will be provided to Audit for

verification. DAC showed concern on delay made by the management in finalization of annual accounts and directed the management to get Accounts finalized from Chartered Accountant Firm and share the annual accounts to Audit within minimal time. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.10 Unjustified payment of insurance premium – Rs. 45.516 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management paid Rs. 45.516 million to M/s NICL for the renewal of a Comprehensive Insurance Policy, effective from March 1, 2024, to February 28, 2025. This policy covered risks to Plant & Machinery. However, this payment seems contradictory to the decision made by the Apex Committee of the Special Investment Facilitation Council (SIFC) in its 10th meeting on May 25, 2024, which stated that the existing loss-bearing steel mills should be "scrapped". Despite this decision, PSM paid a substantial insurance premium for the scrapped plant.

Audit is of the view that despite the fact that the production was at halt since June, 2015 and declaring steel mills as scrap by the SFIC, obtaining insurance policy at huge premium of Rs. 45.516 million was held wasteful and unjustified.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The Management apprised that after excluding of non-functional departments, the premium amount would come to Rs.4.124 million. DAC directed for verification of the stance of the management by Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.11 Unjustified grant of temporary relief allowance - Rs. 36.345 million

The Finance Division's (Regulations Wing) office memorandum No. F.1(1) Imp/94, dated June 26, 1999, regarding the revision of salaries, allowances, and perquisites of the supervisory and executive staff of public sector corporations, autonomous/semi-autonomous bodies, "it has been decided that such revisions may be carried out by the respective Boards of Directors/Governors of these organizations. Such revision should invariably be tagged with the financial position of the respective organizations. Clearance from the Finance Division would, however, be necessary to ensure a rational basis and a degree of uniformity in such revisions." Finance Division's (Regulation Wing) office memo No. F.4(3)R4/2011-Revision, dated August 4, 2017, "it is binding upon all the administrative Ministries/Divisions of semi-autonomous, autonomous bodies/corporations to ensure that any changes in pay, allowances, and privileges of executive/supervisory staff of the semi-autonomous, autonomous bodies/corporations working under their administrative control are processed in accordance with the Finance Division's O.M. No. F.1(1) Imp/94, dated June 26, 1999."

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that an amount of Rs. 36.345 million was paid to the officers/officials and daily wages employees/workers on account of Temporary Relief Allowance (TRA) without the clearance from the Finance Division. The details are as under:

Description	No of Employees	Amount (Rs)
Contractual		
Officers	37	3,446,054
Workers	125	10,329,986
Total	162	13,776,041
On Daily wages		
Officers	26	1,952,642
Workers	558	20,167,236
Total	584	22,569,878
Grand Total	746	36,345,919

Audit is of the view that non-adherence to the instructions of Finance Division resulted in unjustified expenditure of Rs.36.345 million on account of subject allowance to the employees.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The Management apprised that Temporary Relief Allowance (TRA) was approved by Board of Directors in opinion of the JS (CF-I) Finance Division and the D.S (Expenditure) Finance Division also endorsed opinion of the J.S. The DAC settled the para subject to concurrence from the Finance Division and verification of minimum wages of Daily Wages employees. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.12 Loss due to imposition of penalty – Rs. 25.000 million

Pursuant to Section 40(1) of the Competition Act, 2010, the Competition Commission of Pakistan issued a notice on April 19, 2009, for the recovery of a penalty and/or any other dues to Pakistan Steel Mills.

Rule 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 Steel Mills (PSM) for the year 2023-24, it was observed that the Competition Commission of Pakistan (CCP) imposed a penalty of Rs. 25.000 million on PSM, as per its order dated March 22, 2010, for abusing its dominant position. The CCP conducted an inquiry into allegations made by M/s Frontier Foundries (Pvt) Ltd and concluded that PSM was selling its Steel Billets exclusively to M/s Abbas Group, while discontinuing supply to other competitors. Furthermore, PSM filed an appeal with the High Court of Sindh, which was decided against the Corporation in 2010. However, PSM hired advocate M/s Faqeer Muhammad for a legal fee of Rs. 30,000 to plead the case at the Supreme Court of Pakistan on July 30, 2024, nearly 14 years after the initial penalty.

Audit is of the view that the prolonged delay in resolving the penalty highlights weaknesses in PSM legal and regulatory compliance framework.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The

Management informed that as per Clause-40 (2) Sub-Clause (a) of Competition Commission of Pakistan (CCP) is authorized to attach immovable or sale of any moveable property, including bank account of the persons or undertaking and CCP withdrew the amount of penalty of Rs.25 million through Bank without intimation. DAC directed the management may inquire reasons/authority for withdrawal of Rs.25 million without court orders and submit report to the audit and ministry within 15 days. DAC further directed to pursue the court case under intimation to Audit and Ministry. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.13 Irregular procurement without competitive bidding – Rs. 21.847 million

Rule 20 of PPRA Rules, 2004, stipulates that 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 Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management procured various items on a splitting basis to avoid the competitive bidding process. The details are as under:

(Rs. in million)			
S#	Description	Amount	Remarks
1.	Procurement of 05 computers, 19 spilt air conditioners and others assets	3.342	Without tender
1.	Procurement of computer equipment	3.609	Single Bidder, M/s Pinnacle Systems
2.	Steel Town maintenance imprest account, code-R-541	4.975	Single Bidder, M/s Global Traders
3.	Procurement of tyres	3.177	Single bidder Ms/ Suyriya Motors
4.	Procurement of services for repairs and maintenance of vehicles	6.744	Despite availability of fully equipped work shop within PSM.
	Total	21.847	

Audit is of the view that the management avoided the competitive bidding process and thus failed to take competitive rates and undue favor was extended to the suppliers.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The management informed DAC that procurement cases were initiated by user departments and approved by the competent authority. However, DAC expressed serious concern over the splitting of procurement and directed the management to investigate the purchases, fix responsibilities on those at fault, and intimate the Ministry of Industries and Production (MOI&P) accordingly. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 564 & 595)

7.5.4.14 Concealment of record regarding rehabilitation of electrical works - Rs. 20.285 million

Section 14 (2) & (3) of Auditor-General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that (2) 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 a form as possible and with all reasonable expedition. (3) 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.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed from the minutes of the Executive Committee of the Management (ECM) that the committee approved an electrical work/scheme for the rehabilitation of the HT O/H main of Gujjo Pumping Feeder at a cost of Rs. 20.285 million. However, despite reminders and repeated verbal requests, no record was provided to the Audit to ascertain the award of work, execution, completion, and payments.

Audit is of the view that the management failed to provide record which raises serious concerns over the work awarded.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The management apprised the DAC that the record was provided to Audit after

completion of the Audit period. DAC directed the management to provide the record to Audit and intimate MOI&P. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.15 Unauthorized sanction of special advances - Rs. 19.301 million

Paragraph 4.1 of the Standard Operating Procedures (SOPs) for the "Advance Section" issued in April 2011 states that the Advances Section handles Special Advances, in addition to the departments' imprest holdings, when a department needs extra finances to incur additional expenditures that cannot be met through normal imprest. The concerned department first seeks the Chairman/CEO's approval and concurrence from the Finance Department before requesting the Advances Section to provide a special advance.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management disbursed/sanctioned special advances of Rs. 19.301 million to the following departments in violation of the above policy/SOPs. The special advances were provided without seeking approval of the CEO/Chairman, whereas the amount was sanctioned by the In-charges of the department.

S#	Name of department	Amount (Rs)
01	BWSD DEPT	1,881,651
02	TRANSPORT DEPT	11,088,868
03	SECURITY DEPT	544,415
04	STEEL TOWN MAINT	498,600
05	CDM (MMG)	937,160
06	PAT DEPT	688,000
07	ZO LAHORE	66,397
08	P.D.N DEPTT	328,000
09	REPROGRAPHIC	897,300
10	NIOP DALBANDIN	100,000
11	ISMS	838,150
12	Guklshan e Hadeed Cell	454,330
13	AS & GN	980,600
14	G & S	298,253
15	ISMD	416,600
Total		19,301,306

Audit is of the view that the management disbursed special advances to various departments without seeking CEO / Chairman's approval and without observing need.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. Management informed the DAC that the total advance amount has been adjusted, which can be verified by the audit. Considering the existing systems of advance management, namely imprest and advances, the DAC directed that a review of both systems be conducted with a view to implementing a single, streamlined system to prevent mismanagement. DAC also directed the management to submit a progress report on this matter to the Audit and the Ministry. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.16 Unjustified payment due to theft of transmission lines and loss on account of electricity theft - Rs. 10.396 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that 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.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management paid an amount of Rs.7.362 million to M/s K-Electric on account of repairs and restoration of 132 KV transmission line. The payment was made against the theft of transmission lines committed within the premises of PSM, despite the deployment of the corporation's own security staff and Defense Security Forces (DSF). Besides, the management neither conducted an inquiry to fix responsibility on the person(s) at fault nor lodged any FIR/pursued the theft case vigorously.

Furthermore, 25 residents/employees (outsiders) of Gulshan-e-Hadeed and Steel Town were found involved in electricity theft cases, involving an amount of Rs.3.034 million. The management failed to detect such theft cases in a timely manner, and no FIRs were lodged against the person(s) involved in the theft cases.

Audit is of the view that due to negligence and weak internal controls, the management failed to stop the theft cases whereas not lodging the FIRs against the delinquents shows undue favor and negligence on the part of the management.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024.

- a. The management apprised the DAC that one culprit involved in the theft was captured and was handed over to the Police, however the court issued release orders on account of non-availability of the evidence. The DAC directed to management to conduct departmental inquiry on theft of material as to determine the loss amount and to fix the responsibilities on the person (s) at fault under intimation to Audit and MOI&P.
- b. Out of 3.034 million an amount of Rs.2.196 million was recovered. DAC directed to recover the remaining amount/dues within a month and get recovered amount verified from audit.

Audit recommends implementation of the DAC directives.

(DP Nos.553 & 574)

7.5.4.17 Irregular appointment of external auditors - Rs. 1.987 million

The Ministry of Finance's notification dated March 25, 1981, instructs institutions to obtain the Auditor-General of Pakistan's approval before submitting an auditor's name for approval by the Board of Directors. Furthermore, the Auditor-General's office letter dated January 17, 2004, reiterates that public sector companies can only appoint Chartered Accountants firms after obtaining the Auditor-General of Pakistan's concurrence, as per various directives issued by the Finance Division.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management re-appointed M/s Horwath Hussain Chaudhury & Co., Chartered Accountants, as external auditors for preparing the annual accounts for the year 2023-24. The re-appointment was made at a total fee of Rs. 1.987 million on March 13, 2024, without obtaining the concurrence of the Auditor-General of Pakistan. The firm was initially hired for three years in

November 2018 at a fee of Rs. 800,000 per year. Later, the contract was revised, and the firm was re-hired after serving five years. However, as per the Auditor-General of Pakistan's guidelines, the firm was required to be rotated and could not be re-appointed.

Audit is of the view that the appointment of external auditors without the concurrence of the Auditor-General of Pakistan and non-compliance with the AGP's rotation policy was irregular.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The management apprised that the DAC that the appointment of auditors for the subsequent periods and fixation of audit fee has been done in accordance with the Section 246 of Companies Act-2017. The DAC directed the management to furnish the case for appointment of Chartered Accountant Firm to Auditor-General of Pakistan within a week under intimation to Ministry. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

7.5.4.18 Encroachment of 50 acres land

Section 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that 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 audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that 50 acres of the leased land at the Makli Limestone Project were encroached upon by land grabbers. The land was purchased on lease from the Government of Sindh for a period of 30 years to establish a limestone project at Makli.

Audit is of the view that the management failed to safeguard the assets of the Corporation, which showed weak internal controls.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The

management explained 16 acres of the land has got vacated and efforts are undergone for vacation of remaining land. DAC directed the management to provide total area of land and remaining encroached area of the land alongwith verification of record regarding vacated encroached land. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2023-24 vide para(s) number 9.5.4.14 having financial impact of Rs.351.000 million. Recurrence of same irregularity is a matter of serious concern.

7.5.4.19 Non-finalization of annual accounts

Section 233 of Companies Act, 2017, states that the company shall prepare the annual accounts within four months after closure of accounts for the specific year.

During audit of Pakistan Steel Mills (PSM) for the year 2023-24, it was observed that the management failed to finalize the annual accounts for the year 2023-24, which is in violation of the rules.

Audit is of the view that the management failed to finalize the accounts.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 19, 2024. The management apprised the DAC that the process of finalization of annual account is underway as the Chartered Accountant Firm has been hired already. DAC showed concern on delay made by the management in finalization of annual accounts and directed the management to get Accounts finalized from Chartered Accountant Firm and share the annual accounts to Audit within minimal time.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 9.5.4.39. Recurrence of same irregularity is a matter of serious concern.

7.6 Pakistan Gems and Jewellery Development Company

7.6.1 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 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 and to enhance its competitiveness internationally by facilitation, technology up-gradation, skill development, marketing and branding and to support growth of Gems and Jewellery Industry by way of supporting and facilitating business development services for the enterprises across the Gems and Jewellery value chain.

7.6.2 Comments on Audited Accounts

7.6.2.1 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 years 2022-23 to 2023-24.

Audit requires that the annual audited accounts of the years 2022-23 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

7.6.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	3	1	2	8.5.2.1, 8.5.3	33
2015-16	8	2	6	8.7.4.1, 8.7.2.1, 8.7.2.2, 8.7.2.3, 8.7.2.4, 8.7.2.5	25
Total	11	3	8		27
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2016-17 and onwards.					

The overall compliance of PAC directives needs improvement.

7.6.4 Audit Paras

7.6.4.1 Increasing accumulated losses - Rs. 1,648.160 million

Rule 5 of Public Sector Companies (Corporate Governance) Rules-2013 states that the 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 and Jewelry Development Company (PG&JDC) for the years 2023-2024, it was observed that the company has consistently failed to achieve operational profitability over several years, incurring significant losses as tabulated below:

(Amount in Rs)			
S#	Description	2022	2023
1	Accumulated Deficit-opening	(1,701,639,305)	-
2	Deficit/Surplus for the year	53,479,280	(1,885,898)
3	Accumulated Deficit-Ending	(1,648,160,025)	(1,65,004,5923)

Audit is of the view that the persistent operational losses indicated poor management, lack of effective planning, and inefficient utilization of resources. The company's failure to generate operational income over several years raises serious concerns about its viability and sustainability.

The matter was reported to the management in October, 2024. The irregularity was discussed in the DAC meeting held on December 18, 2024. DAC directed to share their business plan and latest development for revitalization of the company.

Audit recommends implementation of the DAC directives.

7.6.4.2 Non-transfer of assets of closed training centers – Rs. 47.703 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan Gems and Jewelry Development Company (PG&JDC) for the years 2023-2024, it was observed seven training and manufacturing centers were established across Pakistan to boost productivity. However, these centers in Karachi, Lahore, Peshawar, Quetta, Gilgit, Muzaffarabad, and Sargodha have been non-operational since June 30, 2019. Despite the Ministry of Industries & Production's approval to transfer assets worth Rs. 47.703 million to Mines, Industries, commerce & Labor Department, the Government of Gilgit Baltistan on July 14, 2023, the management failed to comply with.

Audit is of the view that the management's failure to transfer assets, despite approval of Ministry, reflected non-compliance. This inaction has resulted in the continued non-utilization of these assets, causing financial losses and undermining the company's objectives.

The matter was reported to the management in October 2024. The irregularity was discussed in the DAC meeting held on December 18, 2024. Management stated that a machinery transfer plan is underway, the Karachi transfer expected to be completed within a month and the Sargodha to Rawalpindi transfer within two months. Machinery from Gilgit Baltistan, AJK, and KPK has already been transferred. The DAC directed that progress on the subject matter be submitted to the Audit and Ministry within two months.

Audit recommends implementation of the DAC directives.

7.7 Pakistan Engineering Company Limited

7.7.1 Introduction

Pakistan Engineering Company Limited (PECO) was incorporated in Pakistan on February 15, 1950 under Companies Act 1913 (now Companies Ordinance 1984) as public limited company. The Company is principally engaged in the manufacturing and sale of engineering products. The major products of the company are electricity, transmission and communication towers, electric motors, pumps and steel rolled products etc. The Company had earlier closed down all its divisions, except structure divisions, and is principally engaged in the manufacturing and sale of electricity transmission and communication towers. At present, structure, pumps, electric motors, foundry and rolling mills divisions are in operation. State Engineering Corporation (Pvt.) Limited and Rotocast Engineering Company (Pvt.) Limited hold 25% shares each, while public holds 27% shares and remaining 23% shares are held by different financial institutions and others.

7.7.2 Comments on Audited Accounts

7.7.2.1 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 2018-19 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2017-18 to 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

7.7.2.2 The working results of the Corporation for the year 2017-18 as compared to the previous years are given below:

(Rs in millions)

Particulars / Description	2017-18	%Inc/ (Dec)	2016-17	%Inc/ (Dec)	2015-16
Sales	1,424.45	5.27	1,353.17	(41.90)	2,329.08
Cost of Sales	1,399.41	17.89	1,187.00	(36.07)	1,856.63
Gross Profit / (Loss)	25.042	(84.93)	166.169	(64.83)	472.44
Selling and distribution exp.	12.024	14.06	10.542	29.51	8.14
Freight and forwarding exp.	22.714	3.96	21.848	20.77	18.09
Administrative exp.	74.133	1.45	73.073	26.73	57.66
Other operating charges	1.034	(83.94)	6.439	(86.23)	46.76
Other operating Income	3.449	(85.22)	23.332	401.76	4.65
Operating Profit	81.414	4.92	77.599	(77.60)	346.45
Financial Cost	17.559	2.85	17.072	11.15	15.36
Profit before Taxation	98.973	63.52	60.527	(81.72)	331.08
Taxation	29.017	367.11	6.212	(94.43)	111.6
Profit / (loss) after taxation	(69.956)	-	66.739	(69.59)	219.49

(Source: Annual Audited Accounts)

The company sustained a net loss of Rs 69.956 in the year 2017-18 million as compared to profit of Rs 66.739 million in the year 2016-17 despite the fact that sales of the company increased by 5% during year under review which needs elaboration.

7.7.2.3 An amount of Rs 13.126 million was appearing under the head unclaimed dividend during the year under review. As per section 244(2) of the Companies Act, 2017, the management was required to deposit this amount to Federal Govt. The same was not done which needs to be justified.

7.7.2.4 Other operating income of the company decreased to Rs 3.449 million in the year 2017-18 from Rs 23.332 million in the year 2016-17 which needs explanation.

7.7.2.5 Processing charges increased to Rs 58.674 million in the year 2017-18 from Rs 28.043 million in the year 2016-17 registering an increase of 109% whereas sales were increased by 5% only. Disproportionate increase in processing charges needs to be inquired.

7.7.2.6 Insurance expense of Rs 1.932 million was appearing under the head selling and distribution expense in 2017-18 as compared to Rs nil in 2016-17 which needs explanation.

7.7.2.7 Privatization commission claimed additional liability of Rs 131.454 million and mark up of Rs 1,290.504 million in the year 2017-18 which was not paid and it may cause major impact on the financial position of the company if not settled down in effective way. Efforts should be made to avoid this financial burden.

7.7.2.8 Finance Division, Govt. of Pakistan, claimed an amount of Rs 2,703.82 million as a surcharge payable on Customs and other Import duties, Rs 671.860 million in respect of Principal and Rs 2,517.566 million in respect of markup payable on Govt. loan. Efforts should be made to resolve these as early as possible to avoid any future legal and financial implications.

7.7.2.9 Refundable sales tax increased to Rs 35.164 million in the year 2017-18 from Rs 18.631 million in the year 2016-17 registering an increase of 88.74%. Matter may be taken up with the FBR for early adjustment of the said amount.

7.7.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2005-06	05	05	0	NIL	100
2006-07	06	06	0	NIL	100
2007-08	04	04	0	NIL	100
2008-09	01	01	0	NIL	100
2009-10	08	06	02	135.6, 135.7	75
2019-20	15	01	14	7.20.2.1, 7.20.3, 7.20.4.1, 7.20.4.2, 7.20.4.3, 7.20.4.4, 7.20.4.5, 7.20.4.6, 7.20.4.7, 7.20.4.8, 7.20.4.9, 7.20.4.10, 7.20.4.11, 7.20.4.12	07
Total	39	23	16		59

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

7.8 Pakistan Stone Development Company

7.8.1 Introduction

Pakistan Stone Development Company (PASDEC) is a public company limited by guarantee incorporated under Companies Ordinance 1984 (now Companies Act 2017). The Company is a subsidiary of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC). The registered office of the Company is situated at Islamabad Chamber of Commerce building, 2nd floor, G-8/1 Mauve Area, Islamabad.

The objective of the Company is to upgrade the supply of marble and granite in Pakistan through improved quarrying practices and support infrastructure. This involves introduction of new technologies and techniques and establishment of model quarries, upgradation of existing quarries, establishment of industrial cities and establishment of Rock Mining Training Institutes to impart quarrying skills in Pakistan.

7.8.2 Comments on Audited Accounts

7.8.2.1 The working results of the Company for the year 2023-24 as compared to previous years are given below:

(Rs in million)					
	2023-24	% Inc / (Dec)	2022-23	% Inc / (Dec)	2021-22
Description					
Revenue	109.938	14	96.323	12	85.888
Cost of Sales	(55.268)	(16)	(65.783)	(11)	(74.036)
Gross Income/(Loss)	54.670	79	30.540	157	11.885
Administrative expense	(76.037)	(11)	(85.911)	7	(80.064)
Provision for doubtful debts	(3.687)	0	0	(100)	(0.687)
Impairment on receivable from projects	5.403	(92)	16.835	175	6.124
Financial charges on lease	(8.200)	517	(1.327)	(4)	(1.388)
Other income	14.459	25	11.595	(29)	16.245
Net profit/(Loss)	(5.199)	86	(36.270)	34	(27.146)

(Source Annual Audited Accounts)

The revenue of the company increased by 14% yet it was not enough to absorb its expenses as its accumulated losses was Rs 2,019.498 million as on June 30, 2024.

7.8.2.2 There is abnormal increase of 517% in financial charges on lease in FY 2023-24 as compared to previous year, which needs to be elaborated.

7.8.2.3 Provision for doubtful debts was made on trade debts for Rs 65.388 million in 2022-23 and Rs 67.388 in 2023-24 which showed an increasing trend. Furthermore, overall trade debts showed increasing trend of Rs 83.589 million and Rs 85.512 million in 2022-23 and 2023-24. Early adjustment is stressed upon the management.

7.8.2.4 Advances to employees increased from Rs 5.146 million as on Jun 30, 2023 to Rs 6.614 million as on Jun 30, 2024. Increase in advances during the year under review needs to be explained. Early adjustment of the same is stressed upon the management.

7.8.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2015-16	03	0	03	8.17.1, 8.17.2, 8.17.4.1,	0
2017-18	07	03	04	10.24.1, 10.24.2.4, 10.24.2.5, 10.24.2.6	43
Total	10	03	07		30

Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

7.9 Small and Medium Enterprises Development Authority (SMEDA)

7.9.1 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 is working as an apex policy making 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.

7.9.2 Comments on Audited Accounts

7.9.2.1 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 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2017-18 to 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

7.9.2.2 The working results of the Authority for the year 2022-23 as compared to previous years are as under:

	(Rs in million)				
	2022-23	% Inc/ (Dec)	2021-22	% Inc/ (Dec)	2020-21
Income					
Grant	287.98	0.93	285.32	(3.34)	295.19
Income from services	2.31	131	1.00	30.22	0.77
Amortization income of projects grants	1.18	(88.73)	10.47	185.96	3.66
Other income	51.51	1701.05	2.86	27.21	2.25
Total	342.98	14.46	299.66	(0.73)	301.87
Expenditure					
Salaries, wages and other benefits permanent & contract Staff	211.99	11.62	189.92	(2.96)	195.68
Traveling and vehicle running	58.03	57.31	36.89	29.73	28.43
Training and conference	4.73	161.33	1.81	162.94	0.69
Provision for staff gratuity	54.66	280.11	14.38	(57.65)	33.95
Projects expenditure	1.18	(88.73)	10.47	185.96	3.66
Other expenditure	54.51	(19.48)	67.70	0.71	67.25
Total	385.10	19.92	321.16	(2.58)	329.66
(Deficit)/surplus of income over expenditure	(42.12)	96.00	(21.50)	(22.62)	(27.79)

(Source: Annual audited account 2022-23)

Grant of Rs 35.89 million was appearing as opening balance under the head early recovery and restoration of flood effected project as on June 30, 2022 instead of utilization of grant. Consequently, an amount of Rs 26.436 million was refunded and interest earned thereon was Rs 9.399 million was treated as other income. Matter needs investigation for non-utilization of grant and sought approval from Finance Division to retain interest income.

7.9.2.3 Income from services was only 0.67 % of total income in the year 2022-23 which is indicative of low performance of management. A comprehensive plan should be prepared to increase income from services for self-sustainability instead of dependence on grant.

7.9.2.4 The provision for gratuity increased by 280% from Rs 14.378 million in the year 2021-22 to Rs 54.659 million in the year 2022-23. Significant increase needs clarification.

7.9.2.5 Travelling and vehicle running expenditure increased to Rs 58.03 million in the year 2022-23 from Rs 36.89 million in the year 2021-22 registering an increase of 57% which needs justification.

7.9.2.6 Income from project decreased by 91 % from Rs 42.64 million in the year 2019-20 to Rs 3.366 million in the year 2020-21 which may be looked into.

7.9.2.7 Funds amounting Rs 71.426 million, Rs 89.541 million and Rs 86.879 million were lying in saving account during the year 2021-22, 2020-21 & 2019-20 thus yield was of 8.85%, 6.5% and 11.25% respectively. Returns on TDR is more than saving account. Reason for non-investment of amount in TDR needs justification.

7.9.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2004-05	02	01	01	77	50
2005-06	06	06	0	-	100
2006-07	04	03	01	86.3	75
2008-09	02	02	0	-	100
2009-10	09	06	03	114.4, 114.5, 114.6	67
2010-11	04	04	0	-	100
2015-16	04	0	04	8.26.1, 8.26.2, 8.26.3	0
2017-18	09	03	06	10.22.1, 10.22.2.1, 10.22.2.2, 10.22.2.4, 10.22.2.7, 10.22.3	33
Total	40	25	15		63

Overall compliance of PAC directives was not satisfactory which needs to be improved.

7.10 State Engineering Corporation (Pvt.) Ltd

7.10.1 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, 2019, the company has fully paid up Capital of Rs 889.96 million. Moreover, the company also has Govt. Equity Fund of Rs 2,249.76 million (Rs 2,249.76 million on June 30, 2018) 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.
- To establish metal foundries and manufactories for production of all iron, steel, brass, copper and other metals etc.
- To carry on the business of iron foundries, mechanical engineers, manufactures of machinery, tools and implements of all kinds, brass, metal-workers, boilers makers, water-works engineers, millwrights, machinists, smiths, wood-work and painters.

7.10.2 Comments on Audited Accounts

7.10.2.1 The working results of the Corporation for the year 2023-24 as compared to previous years are given below:

(Rs in million)

Description	2023-24	% Inc / (Dec)	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21
Income							
Service charges	30.00	0	30.000	0	30.000	(14.286)	35.000
Interest income	5.666	(36.745)	7.748	27	6.118	90.711	3.208
Total income	35.666	(5.837)	37.748	5	36.118	(5.470)	38.208
Expenditure							
Operating expenses	(52.004)	4.709	(49.555)	39	(35.593)	(8.033)	(38.702)
Operating Profit / (loss)	(16.338)	27.733	(11.807)	-	0.525		(0.494)
Profit/(loss) before Taxation	(4.422)	(572.636)	(29.744)	-	0.537		(0.501)
Taxation	(2.400)	0	(2.400)	0	(2.400)	(14.286)	(2.800)
Profit / (loss) after Taxation	(6.822)	(371.181)	(32.144)	1625	(1.863)	(43.563)	(3.301)
Accumulated profit/ (loss)	(1,266.922)		(1,260.100)		(1,227.953)		(1,226.090)

(Source: Annual Audited Accounts)

Total income of the corporation decreased by 5.837% from Rs 37.843 million to Rs 35.666 million due to non-increase in income from service charges and interest income which reduced by 7.748% from Rs 7.748 million in 2022-23 to Rs 5.666 million during 2023-24. Due to decrease in income, the corporation sustained a net loss of Rs 6.822 million in 2023-24. Accumulated loss of the Corporation has grossed up to Rs 1,266.922 million over the years, continuous trend in losses raised doubts about the corporation's ability to run as a "Going Concern".

7.10.2.2 The Chartered Accountant has qualified the accounts of the Corporation on the basis of non- reversal of the revaluation surplus Rs 3.492 million recorded in accounts during 2020 on the 1650 kanal land in the possession of Pakistan Atomic Energy Commission and Heavy Mechanical Complex. The management needs to provide updated status of the qualification.

7.10.2.3 The Company has recorded provision for gratuity of Rs 12.188 million per management's estimates instead of actuarial based valuation as per

requirements of IAS 19- ‘Employee Benefit’. The management’s estimates did not account for financial, demographic and other actuarial assumptions for calculation of present value of the provision against gratuity. The impact of difference of provision from actuarial valuation cannot be quantified. Audit would require the management to adopt standard method of valuation in consultation with their external audit firm. The current status of the same may also be provided to audit.

7.10.2.4 The Chartered Accountant has qualified as per Section 1 of the Islamabad Capital Territory (Tax on Services) an amount of Rs 4.500 million is a sales tax liability based on the income chargeable to sales tax. Audit would suggest settling the liability of Govt. dues.

7.10.2.5 The management has been drawing loans from the Ministry Finance for each year to meet annual operational expenses. Terms and conditions of this loan were not settled. Finance Division had claimed repayment of loan but no amount was paid. Audit would stress the management to settle the terms and condition and repayment schedule with the Government.

7.10.2.6 Other receivables increase from Rs 198.455 million in the year 2022-23 to Rs 213.455 million in the year 2023-24 registering an increase of 7%. The increase in receivables reflects inefficiency of the management and weak recovery mechanism.

7.10.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2002-03	04	0	04	89, 90, 90.1, 90.2	0
2003-04	06	0	06	102, 102.1, 102.2, 102.3, 102.4, 102.5	0
2004-05	01	01	0	-	100
2005-06	06	02	04	129.1, 129.2, 129.4, 130	33
2006-07	03	03	0	-	100
2007-08	02	02	0	-	100
2008-09	05	04	01	120.1	80
2009-10	04	03	01	129	75
2010-11	08	01	07	11.10.1, 11.10.2.2, 11.10.2.3, 11.10.2.4, 11.10.2.5, 11.10.2.6, 11.10.3	13
2013-14	08	01	07	8.17.1, 8.17.2.1, 8.17.2.2, 8.17.2.3, 8.17.2.4, 8.17.2.5,	13

				8.17.2.6	
2017-18	14	04	10	10.16.1, 10.16.2.2, 10.16.2.4, 10.16.2.5, 10.16.2.6, 10.16.2.8, 10.16.2.9, 10.16.2.10, 10.16.2.12, 10.16.3	29
2019-20	07	01	06	7.22.2.1, 7.22.2.2, 7.22.2.3, 7.22.2.4, 7.22.2.5, 7.22.3	14
Total	68	22	46		32

The compliance of the PAC directives was not satisfactory which need attention of the PAO.

7.10.4 Audit Paras

7.10.4.1 Revaluation of land resulting in overstatement of assets – Rs 3,492.00 million

As per clause 1 of financial statements of the SEC for the year 2022-23, the Corporation has revaluated its land measuring 1,746 Kanal and 09 Marlas using market price valuation method which resulted in a revaluation.

During audit of the State Engineering Corporation (Private) Limited (SEC) for the year 2017-18 to 2022-23, it was indicated that there was a land of the Company located at Village Usman Khattar, Main HMC / Taxila-Haripur Road Taxila, District Rawalpindi having an area of 1,746 Kanal and 09 Marlas. The said land was in the name of the Company as per Punjab Land Record Authority (PLRA). Detail of the land is given below i.e.

- 96 kanal area of land has been leased out to Technical Education & Vocational Training Authority (TEVTA) for 99 years at the rate of Rs 1000 per annum w.e.f 22.10.2005.
- 800 kanal area of land has been allocated to Pakistan Atomic Energy Commission (PAEC) consequent upon a joint venture signed between State Engineering Corporation, (Private) Limited and PAEC on May, 17, 1992.
- 850 kanal area of land bounded inside boundary wall is in possession of Heavy Mechanical Complex (Pvt.) Limited.

It is worth mentioning here that due to above narrated agreements / joint ventures, currently the SEC, without having clear possession, could not utilize all

of the economic benefits associated with land already in the possession and use of above mentioned Govt. entities and this could not be used or sold in market.

Audit is of the view as SEC could not utilize all of the economic benefits associated with land thus, revaluation of land using market price valuation method resulted in overstatement of assets which was held irregular in audit.

The matter was reported to the management on 23.08.2024. The management in its reply dated 23.10.2024 stated that a summary dated 02.11.2022 was moved by Strategic Plan Division (SPD) to Economic Coordination Committee (ECC) of the Cabinet for consideration and approval of mutation of SEC land to HMC and HMC-III. The Economic Coordination Committee (ECC) of the Cabinet considered the summary and approved the proposal. Presently, the matter of transfer of land is under process with SPD.

The reply of the management is not tenable as there were neither economic benefits of this land to SEC nor it could use or sell land so the reversal of entry in audited financial statements should be made.

The matter was discussed in the DAC meeting held on November 06, 2024. DAC directed the management to make efforts for mutation of land and removal of qualification from Chartered Accountant firm or reversal of entry in audited financial statements.

Audit recommends to implement the directives of the DAC.

(Para-3, SEC, 2017-23)

7.10.4.2 Irregular provision of gratuity and pension fund- Rs 41.371 million

As per requirements of IAS-19 Employee Benefits, the management should have done actuarial valuation of gratuity from a Chartered Accountant firm

During audit of the State Engineering Corporation (Private) Limited (SEC) for the year 2017-18 to 2022-23, a scrutiny of financial statement for the year 2022-23 revealed that the Company had recorded provision for gratuity of Rs 7.438 million and pension fund of Rs 33.933 million as per management estimate instead of based upon actuarial valuation as per requirements of IAS-19 'Employee Benefits'. Estimates of gratuity on assumption basis of the

management do not account for financial, demographic and other assumptions for calculation of present value of the provision against gratuity. As per requirements of IAS-19 'Employee Benefits', the management should have done actuarial valuation of gratuity from the Chartered Accountant firm instead of calculation of gratuity on assumption basis themselves.

Audit is of the view that calculation of gratuity on assumption basis instead of from Chartered Accountant firm was irregular.

The matter was reported to the management on 23.08.2024. The management in its reply dated 23.10.2024 stated that SEC consisting of three sub accounts; (a) Account of Regular employees officers (b) Account of Regular employees (officers and workers (c) Account for Contract for Contract Employees. Provision against 'a' is being managed by SEC Management Pension Fund. Provision against 'b' and 'c' (2 officers) is being managed separately by SEC.

The reply of the management is not tenable. As per requirement of IAS-19 Employee Benefits, SEC did not conduct actuarial valuation from the Chartered Accounting firm.

The matter was discussed in the DAC meeting held on November 06, 2024. DAC directed that actuarial valuation of gratuity be done under intimation to audit and Ministry.

Audit recommends to implement the directives of the DAC.

(Para-4, SEC, 2017-23)

7.10.4.3 Non-recovery of various receivables – Rs 341.741 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that 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 the State Engineering Corporation (Private) Limited (SEC) for the year 2017-18 to 2022-23, a receivable amount of Rs 341.741 million from following units under administrative control of the SEC with aging from 5 to 10 years was observed:

S #	Description	Amount (Rs in million)
1.	Receivable from PMTF	71.515
2.	Receivable from HEC	79.446
3.	Receivable from ENAR	196.273
4.	Receivable from PECO	341.684
5.	Receivable from SEC pension fund	0.057
Total		341.741

Audit is of the view that the management failed to recover the outstanding amount of Rs 341.741 million which reflects inefficiency and weak recovery mechanism.

The matter was reported to the management on 23.08.2024. The management in its reply dated 23.10.2024 stated that SEC's only source of income for running SEC Head Office affairs is the service charges paid by its units. All the units were required to pay these service charges at the rates approved by the SEC Board of Directors. The administrative control of PMTF and ENAR Petrotech was transferred to SPD & OGDCL respectively. HEC was handed over to new buyer M/s IMS Engineering on 02.01.2024. Whereas, PECO was under the process of privatization. However, SEC management was pursuing for recovery of the due amount. It is worthwhile to mention here that PMTF had remitted an amount of Rs 41.916 million against liability of service charges.

The reply of the management is not tenable as no progress was shown by the company regarding recovery of receivables up till now which showed very poor mechanism of the company for recovery.

The matter was discussed in the DAC meeting held on November 06, 2024. DAC directed to share the record of recovered amount with audit for verification and expedite the recovery of remaining amount.

Audit recommends to implement the directives of the DAC.

(Para-6, SEC, 2017-23)

7.10.4.4 Non-payment of loans of the Federal Government - Rs 258.260 million

As per decisions / directives of the meeting of Economic Coordination Committee (ECC) of the Cabinet held on 14.11.2022 that Strategic Plan Commission (SPD) will pay all the loans extended by the Federal Government to SEC.

During audit of the State Engineering Corporation (Private) Limited (SEC) for the year 2017-18 to 2022-23 it was observed that the management of SEC had drawn loans from the Finance Division upto the year 2022-23 amounting to Rs 258.260 to pay salaries of employees and to cover operational expenses of the organization. According to above narrated decision of ECC, Strategic Plan Division (SPD) had not paid any amount against loans of the SEC to Federal Government. Further scrutiny of the record indicated that SEC management did not make concrete efforts for taking up matter with the SPD for payment of said loans to Federal Government.

Audit is of the view that not taking up of matter actively with SPD for payment of loans to the Federal Government reflects weak financial management and poor performance.

The matter was reported to the management on 23.08.2024. The management in its reply dated 23.10.2024 stated that a summary dated 02.11.2022 was moved by Strategic Plan Division (SPD) to Economic Coordination Committee (ECC) of the Cabinet for consideration and approval of mutation of State Engineering Corporation and Heavy Electrical Complex land to HMC and HMC-III. The Economic Coordination Committee (ECC) of the Cabinet considered the summary dated 2nd November, 2022 submitted by Joint Staff Headquarters/Strategic Plan Division regarding “Transfer of Heavy Electrical Complex (HEC) and State Engineering Corporation (SEC) land to HMC and HMC-3” and approved the proposal. The Economic Coordination Committee (ECC) of the Cabinet also decided that SPD to pay all the loans extended by the Federal Government to SEC.

The reply of the management is not tenable as per decision of ECC the management failed to take up the case actively with SPD for payment of government loans which showed poor performance of the SEC management.

The matter was discussed in the DAC meeting held on November 06, 2024. DAC directed to share correspondence / efforts made for payment of loan of the Federal Government.

Audit recommends to implement the directives of the DAC.

(Para-7, SEC, 2017-23)

7.11 Technology Upgradation and Skill Development Company (TUSDEC)

7.11.1 Introduction

Technology Up-gradation and Skill Development Company (TUSDEC) is a Company incorporated in January 2005 and licensed under Section 42 of Companies Act 2017. 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.

7.11.2 Comments on Audited Accounts

7.11.2.1 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 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

7.11.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2010-11	01	01	0	-	100
2013-14	02	00	02	8.10.2.3, 8.10.2.4,	0
2019-20	02	02	0	-	100
Total	5	3	02		60

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

7.11.4 Audit Paras

7.11.4.1 Loss due to excess expenditure over income – Rs 174.31 million

According to rule 5 of 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.

According to rule 5(5)(a) of 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.

During the audit of TUSDEC for the years 2017-18 to 2022-23, it was observed that the management expended huge expenditure of Rs 496.35 million and earned income of Rs 322.04 million by providing technical services like industrial jobs, testing services, lab tests in design, testing certification and skill development services / trainings through its units resulting into overall loss of Rs 174.31 million during 2017-18 to 2022-23.

The internal audit reports for the years 2021-22 & 2022-23 revealed that centres were conducting training programmes without formal approval of CEO. No policy and procedures were available at head office/ centres for course selection, fee structure, deposit rules, refund rules etc. no formal approval of course fee and the revision of course fee was made since many years.

Audit requisitioned the year wise break up of training/courses, industrial jobs / services including lab tests / kiln consultancy, CAD/CAM of all centres vide requisition No. 10 dated 30.05.2024 but the same was not produced.

Due to weak internal controls, management failed to formulate strategic planning / policies to generate more income by reducing its overall expenditure.

Audit is of the view that management failed to exercise due care and vigilance while running the affairs of the company resulting into loss of income.

When pointed out through A.I.R on 26.08.2024, the management replied that TUSDEC did not have its own products to sell in the market rather they were providing services to the local industry and charging service fee.

The reply is not acceptable, as management failed to provide the justification of the excess expenditure over income incurred in different units which were under the control of TUSDEC management. Since, no budget was provided by the Government to the Company, the management should control its expenditure and to enhance its revenue/income for the viability of the Company.

The DAC in its meeting held on 26.09.2024, directed to submit a revised reply along with a new business plan duly approved by the Board of Directors and share it with both audit and Ministry. The para was kept pending.

Audit recommends to implement the directives of the DAC.

(Para-4, TUSDEC, 2017-23)

7.11.4.2 Irregular transfer of funds from assignment account – Rs 7.672 million

According to F. T. Rules 290, no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants. According to Controller General of Accounts Office Letter No. 574/CGA/AC-IV/I-I/2011 dated 20th June, 2012 and para-2 (VI) of the Revised Procedure for Operation of Assignment Accounts, the transfer of funds from the assignment account for deposit into chest or any bank account is completely forbidden. Moreover, as per O.M of the Finance Division (Expenditure Wing) issued vide No.F.2 (2)-BR-II/2008-695/2017, dated: 16.06.2017, Principal Accounting Officer of the concerned Ministry will ensure that no such transactions take place. In case of any deviation/violation from the prescribed procedure, the head of the organization and officers/officials of AGPR will be held responsible and a case will be forwarded to be proceeded under E&D rules against all concerned.

During audit of TUSDEC for the years 2017-23, it was observed that the management drawn funds of Rs 7.672 million from the assignment accounts of

different projects in advance for payment of salaries and transferred to other accounts.

Audit is of the view that the transfer of funds from assignment account to other account for future payments was violation of Revised Procedure for Operation of Lapse-able Assignment Account and thus was held irregular.

When pointed out through A.I.R on 26.08.2024, the management replied that the practice had been discontinued and no funds for salaries were allocated for project staff as on 30 June 2024. Thus, the management accepted the view point of the audit.

In the DAC meeting held on 26.09.2024, the DAC directed the management to present the matter regarding transfer of funds before the Board for its clarification and inform the audit accordingly. The para was kept pending.

Audit recommends to implement the directives of the DAC besides fixing responsibility on the person(s) at fault.

(Para-10, TUSDEC, 2017-23)

7.11.4.3 Irregular procurement of vehicles without approval of Austerity Committee - Rs 5.959 million

According to para No. (i) of Finance Department letter No.7(1) Exp.IV/2016-540 & No.07(1)Exp.IV/2016-577 dated July 26, 2017 & December 03, 2018 respectively, there will be 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.

During the audit of TUSDEC for the years 2017-18 to 2022-23, it was observed that the management procured 3 Nos. of vehicles at a total cost of Rs 5.959 million. These vehicles were purchased without approval / concurrence of Austerity Committee in violation of Finance Division's instructions.

Audit is of the view that procurement of vehicles without approval / concurrence of the Austerity Committee was irregular.

The matter was pointed out through A.I.R on 26.08.2024. In the DAC meeting held on 26.09.2024, the management explained that three new vehicles

were replaced with five old ones, and therefore, they believe the case does not fall under the purview of the Austerity Committee. The DAC directed the management to submit a revised reply along with documentary evidence. The para was kept pending.

Audit recommends to implement the directives of the DAC.

(Para-11, TUSDEC, 2017-23)

7.11.4.4 Non-recovery of outstanding dues from the employees – Rs 3.922 million

According to rule 5 – of 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 Technology Up-gradation and Skill Development Company for the years 2017-18 to 2022-23, it was observed that three employees i.e. Mr. Altaf Ahmed, Project Director, Mr. Saifullah Saddique, Manager Technical were working in PLEC and Mr. Zia-ul-Mustafa, Project Director in HESC. On scrutiny of the personal files of employees it was revealed that a lot of shortcoming/store items were missing/misappropriated against them. The management failed to recover the outstanding amounting of Rs 3.922 million. The officers tendered their resignations but departmental inquiries were pending against them in the Court of law. Detail is as under:

S. No.	Name of employees	Designation	Outstanding dues (Rs)	Remarks
1.	Mr. Altaf Ahmed	Project Director, PLEC	595,625	Store missing items vide TUSDEC letter dated 23.12.2021.
2.	Mr. Saifullah Saddique	Manager Technical, PLEC	1,890,000	Illegal executed agreement with Hostel Owner without intimation of TUSDEC Head Office and provided facility to the students.
			1,000,752	Shortcomings and missing of store inventories at the centre and no handing/taking over was made
3.	Mr. Zia ul Mustafa	Project Director, HESC	436,000	Outstanding amount against Sky-High Industries
Total			3,922,377	

Audit is of the view that management should have recovered the outstanding dues immediately from the employees as data indicated above but strenuous efforts were not made.

The matter was pointed out through A.I.R on 26.08.2024. The DAC in its meeting held on 26.09.2024 directed management to conduct an inquiry regarding outstanding matter involving Mr. Altaf Ahmad, Ex-PD and pursue court cases alongwith recovery from Sky High Industries. The Para was kept pending.

Audit recommends implement the directives of the DAC.

(Para-12, TUSDEC, 2017-23)

7.12 Utility Stores Corporation of Pakistan (Pvt.) Limited

7.12.1 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 are 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 market price, through a chain of store operations.

7.12.2 Comments on Audited Accounts

7.12.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the year 2020-21 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the years 2020-21 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

7.12.3 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	08	03	05	89.2, 89.3, 90, 91, 93	38
2008-09	06	04	02	116,118	67
2009-10	13	06	07	117.2, 117.4, 118, 119, 120, 122, 123	46
2010-11	16	07	09	11.6.2, 11.6.3, 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	44
2013-14	09	02	07	8.25.1, 8.25.2.1, 8.25.2.3, 8.25.2.4, 8.25.2.5, 8.25.2.6, 8.25.2.7, 8.25.2.8	22
2015-16	08	05	03	8.27.4.1, 8.27.4.3, 8.27.4.4	62
2017-18	08	04	04	10.25.4.1, 10.25.4.2, 10.25.4.5, 10.25.4.6,	50
2018-19	09	0	09	9.25.4.1, 9.25.4.2, 9.25.4.3, 9.25.4.4, 9.25.4.8, 9.25.4.12, 9.25.4.13, 9.25.4.19, 9.25.4.21,	0
2019-20	23	04	19	7.24.2.1, 7.24.2.2, 7.24.2.3, 7.24.2.4, 7.24.2.6, 7.24.2.7, 7.24.2.8, 7.24.2.9, 7.24.3, 7.24.4.1, 7.24.4.2, 7.24.4.3, 7.24.4.4, 7.24.4.5, 7.24.4.6, 7.24.4.7, 7.24.4.8, 7.24.4.9, 7.24.4.11	17
2021-22	06	04	02	8.14.4.3, 8.14.4.8	33
Total	168	84	84		50

Overall compliance of PAC directives was not satisfactory which needs to be improved.

7.12.4 Audit Paras

7.12.4.1 Irregular procurement of substandard imported wheat having insects - Rs 16,447 million

As per clause 4 (a) of the MOU signed between Utility Store Corporation (USC) and Pakistan Agricultural Storage & Corporation Limited (PASSCO), for supply of wheat to Utility Store Corporation, PASSCO will provide indigenous /imported wheat to USC with the following specifications:

Item of Refraction	Admissible limit
Moisture	12- 14.5%
Foreign matter(dirt/dust & other non-edible matter)	0.5-1%
Other food grains	3-5%
Damaged and Shivered grains	3-5%
Weevils	Nil

Moreover, as per clause-6 of the MOU at the time of lifting of wheat, the representative of flour mill and Master Business Management Consumerism (MBMC) nominated by the USC will ensure correct weight, quantity, and both the concerned will sign the DR (Delivery Report) issued by PASSCO.

During audit of USC for the year 2023-2024, it was observed that management procured imported 122,500 MT imported wheat worth Rs 16,447.790 million from PASSCO. It was observed from the laboratory test reports of wheat that the quality of the imported wheat procured was not as per approved specifications of USC. The Master Business Management Consortium (MBMC) declared the wheat un-satisfactory in their lab test reports. However, the management remained silent on the issue of substandard (insect effected) and with very high foreign matters like dirt, dust and other not edible items including weevils/insects. Despite this allocation was made to the flour mills at the ratio 50% imported and 50% indigenous wheat to make the wheat flour eatable for human beings. The issue of substandard imported wheat came to surface after 6 months on continuous public complaints when the Federal Government constituted a high level committee to probe the matter of import of sub-standard insect effected wheat in May 2024.

Due to weak internal controls, management failed to ensure quality of wheat.

Audit is of the view that management was required to procure wheat as per specifications of MOU.

The matter was reported to the management through AIR. The management in its reply stated that 26 centers were changed for lifting of wheat on the basis of inadequate lab test report. The reply of the management is not convincing as the percentage of substandard wheat procured was 8.44% of the lab tests carried out. The management did not ensure the quality of imported wheat as per approved specifications.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed to provide detail of imported wheat lifted from PASSCO Centre during the FY 2023-24 and all tests reports with details of coverage of tests, correspondence made with PASSCO regarding sub-standard wheat quality and evidence that tests were performed for replaced centers.

Audit recommends to investigate the matter and fix responsibility thereof.

(Para-1, USC 2023-24)

7.12.4.2 Irregular procurement of sub-standard wheat flour - Rs 1,665 million

As per the terms and conditions for pre-qualification of flour mill(s), in case the flour mills failed to provide the wheat flour as per USC specification, the contract will be cancelled and the amount of wheat along with other expenditures would be recovered from the concerned flour mills. Further, para-17 of agreements with flour mills, if any shipment of flour does not meet the product specifications the flour mill shall recall the same shipment and shall bare all costs associated with remedying its failure to satisfy such product specifications.

During audit of Utility Stores Corporation of Pakistan for the year 2023-24, it was observed that lab test reports of M/s Master Business Management Consortium (MBMC) disclosed that 11-flour mills supplied 73,248.983 M/Ton wheat flour worth Rs 1.665 billion at various USC stores in deviation to the approved health standards /specifications. Moisture up to 19.90% was observed against the maximum permissible limit of 14% in the lab test. The lab test reports of these flour mills proved sub-standard more than 5-14 times and not in conformity to the USC admissible specifications. However, the management

imposed minor penalty on the flour mills and huge quantity of wheat flour was procured from these flour mills and sold to the general public. The detail is here under:

S. No.	Flour mills	No. of substandard lab test	Supply of Sub-standard wheat flour (M/tons)	Penalty imposed (Rs)
1	New Punjab Flour Mills	14	29,058.65	21,000
2	Masha Allah Flour Mills	5	2,371.56	13,000
3	Al Assar Flour Mills	10	1,920.98	5,000
4	Shorkot Flour Mills	12	7390.041	15,000
5	Al Makkah Flour Mills	6	1621.999	5,000
6	Hoti Flour Mills	10	16295.147	5,000
7	Javed Flour Mills	5	3876.423	20,000
8	Al Aziz Flour mill Bahawalnagar,	5+6	720	5,000
9	Nelum Flour Mills	11	1945	5,000
10	Madina Flour Mills	9	1611.909	20,000
11	Al Imran Flour Mills	8	6437.278	24,000
		Total	73,248.983	138,000

Due to weak operational controls, management failed to ensure the quality of the wheat flour as per specifications.

Audit is of the view that key objective of USC was to ensure the availability of quality essential commodities at subsidized rates to the general public which was not done.

The matter was reported to the management through AIR. The management in its reply stated that Punjab Government's SOPs regarding procurement of wheat flour were adopted in USC and penalties were imposed on flours mills as per approved SOPs. The contention of the management is not convincing because these flours mills failed to provide wheat flour as per approved specifications and huge quantity of wheat flour was purchased from these flour mills in deviation of approved specification.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed the management to provide adoption of Punjab Government's SOP with the approval of competent forum and imposition of penalties as per approved SOPs.

Audit recommends to implement the directives of the DAC.

(Para-9, USC 2023-24)

7.12.4.3 Loss due to involvement of USC employees in embezzlement / fraud / theft / misappropriation and non-initiation of timely action for recovery - Rs 740.442 million

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

During audit of Utility Store Corporation for the year 2023-24, it was observed that USC employees remained involved in embezzlement of cash/ stock at different stores of USC. However, the management of USC did not initiate any concrete action against the accused employees and just their services were transferred to other store of USC. Resultantly, the individual continuously embezzled and huge amount of Rs 660.429 million in different stores of USC remained unsettled. Furthermore, recovery suits were filed against the employees after a period of five years. No recovery was made from the accused employees till the close of audit. Thus, the organization sustained loss of Rs 660.429 million due to non-recovery of embezzled amount. Detail is at Annex-48.

It was further observed on test check basis that certain employees were charged for embezzlement / misappropriations / fraud amounting to Rs 80.013 million (Annex-49). The FIA inquiry and internal inquiry officer also investigated the same cases and they incriminate the employees to be involved in the misappropriation and embezzlement. The management decided to impose major penalty of dismissal from service and held them responsible for recovery. However, the follow-up actions for timely recovery were not pursued effectively by the regional and zonal offices, and even at the head office level, resulting in the recovery was still pending and the same incident continued due to delayed punishment and recovery from accused/alleged.

Due to weak internal controls, management failed to recover the loss from the concerned.

Audit is of the view that management was required to finalize the cases at the earliest and recover the embezzled amount from the employees.

The matter was reported to the management through AIR. The management in its reply stated that recovery cases were initiated against the employees involved which were under process in different courts. The reply of the management is not convincing because administrative action could not be completed and the employees continuously embezzled huge amounts in different stores.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed to get the record of recovered amount verified by audit and pursue the recovery of remaining amount and court cases vigorously.

Audit recommends to implement the directives of the DAC.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2020-21 and 2023-24 vide para numbers 8.17.4.6 and 9.15.4.18 having financial impact of Rs 155.242 million and Rs 12.713 million. Recurrence of same irregularity is a matter of serious concern.

(Para-7 & 11, USC 2023-24)

7.12.4.4 Mis-management of USC depriving public from the benefit of subsidy on wheat flour due to short allocation of wheat - Rs 6,676 million

The ECC of the Cabinet approved 400,000 MT wheat (50% local and 50% imported) from the PASSCO stock in their meeting held on July 24, 2023 on the demand of Utility Store Corporation of Pakistan for provision of subsidized wheat flour to the general public during the FY 2023-24.

During audit of Utility Stores Corporation for the year 2023-24, it was observed that The ECC approved the procurement of 400,000 metric tons of wheat from PASSCO based on a summary from the Ministry of National Food Security & Research. USC signed MOUs with PASSCO for this procurement. The record revealed that USC allocated only 286,775 metric tons wheat to

different zones in 2023-24 despite procurement of 400,000 metric tons. This short allocation of 113,225 metric tons wheat deprived the public of the subsidy on wheat flour worth Rs 6,676 million. The detail of under allocation of PASSCO wheat are is under:

S. No.	MOUs signed date	Total wheat in M/tons	Wheat allocated against MOUs indigenous	Wheat allocated against MOUS imported @	Total Wheat allocated in MT	Less /Short Allocation of Wheat in MT
1	21.07.2023	70,000	24,188	24,188	48,376	21,624
2	16.10.2023	90,000	43,250	-	43250	46,750
3	01.01.2024	90,000	46,750	2,000	48,750	41,250
4	26.02.2024	90,000	44,950	44,950	89,900	100
5	18.03.2024	60,000	28,499	28,000	56,499	3501
	Total	400,000	187,637	99,138	286,775	113,225
Wheat qty. 113,225 MT * 80/100 = subsidized wheat flour to be received 90,580 MT *1000= 90,580,000 kg * Rs 73.712 average subsidy per kg						Rs 6,676 million

It is necessary to mention here that despite non-allocation of huge quantity of 113,225 MT of wheat, the management of USC claimed advance allocation of 50,000 MT wheat on April 26, 2024 against the allocation of 2024-25 which was beyond comprehension.

Due to weak operational controls, management failed to provide subsidy as per approved quantity.

Audit is of the view that management was required to procure the wheat as per approval of ECC to compensate the general public.

The matter was reported to the management through AIR. The management in its reply stated that due to high cost of imported wheat, flour mills did not submit RTGS for procurement of wheat from PASSCO due to liquidity problems. The contention of the management is not convincing because it was not the case of short lifting of wheat. The management allocated wheat quantity of 286,775 MT against the approved wheat quota of 400,000 MT for the FY 2023-24 to their zones for further allocation to flour mills. The short allocation of wheat quota of 113,225 MT deprived the public from the benefit of subsidy on wheat flour.

The matter was discussed in the DAC meeting held on January 2nd 2025. The DAC pended the para.

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

(Para-10, USC 2023-24)

7.12.4.5 Sale of essential commodities at higher rates as compared to prevailing market rates - Rs 179.200 million

As per the key objective of Utility Store Corporation, USC is committed to provide clean, graded, hygienically fit, unadulterated genuine food and non-food items to the public and specially to the marginalized segments of the society, at comparatively cheaper rates than the market. USC aims to offer public a pleasant environment of mutual confidence while making their purchases. USC is committed towards its obligation to provide economic relief to the public by playing its role as a price moderator and deterrent to black-marketing.

During audit of Utility Store Corporation of Pakistan for the year 2023-24, it was observed that USC charged excessive rates on essential commodities than prevailing market rates in deviation to the key objectives of the organization. The Pakistan Bureau of Statistics highlighted huge difference in the price of essential commodity items in their monthly report “comparison of USC price with open market rates”. Consequently, the public suffered due to higher price of essential commodity at USC stores. Only in wheat flour, the government treasury sustained loss of Rs 179.200 million (total 20kg flour bags sold 1.400 million x average rate difference Rs 128/20kg bag) . Detail is as under:

Month	USC Rate (Rs)	Open Market Rate (Rs)	Above the Market price (Rs)	Below the Market price (Rs)
Price of 20kg flour bag				
July 2023	1,295	2,829		1,534
August 2023	2,840	2,821	19	
September 2023	2,840	2,797	43	
October 2023	2,840	2,706	134	
November 2023	2,840	2,830	10	
December 2023	2,840	2,814	26	
January 2024	2,840	2,816	24	
February 2024	2,840	2,789	51	

March 2024	2,840	2,629	211	
April 2024	2,840	2,214	626	
May 2024	2,740	1,784	956	
June 2024	2,740	1,770	970	
Total			3,070	1,534
Average rate difference		(3,070-1,534=1,536/12)		128
Total 20Kg bags sold	1.4 million 20 kg bags * 128/bag average price above the market			Rs 179.200 million

The citizens of Pakistan continuously highlighted the issues of higher prices at USC stores in their complaints at Pakistan citizen portal. However, no corrective action was taken on these complaints.

Due to weak internal controls, management failed to provide essential commodities at lowest rates to the general public.

Audit is of the view that management was required to provide the essential commodities at lowest rates but did not to do so.

The matter was reported to the management through AIR. The management in its reply stated that rate of wheat flour was calculated based on the release price of wheat by PASSCO. The contention of management is not convincing because the management failed to provide essential commodity to the general public at subsidized rates.

The matter was discussed at DAC meeting held on January 2nd 2025. The DAC referred the para to PAC.

Audit recommends to investigate the matters and fix responsibility thereof.

(Para-17, USC 2023-24)

7.12.4.6 Loss due to procurement of imported wheat at higher rates from PASSCO - Rs 1,398.181 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 audit of Utility Stores Corporation (USC) for the year 2023-24, it was observed that USC procured 35,000 MT of imported wheat from PASSCO at different rates under a single MOU. On July 21, 2023, USC purchased 17,452.319 MT wheat of the 2022 crop at Rs 146,403.11/MT, even though the lower-priced 2021 crop was available. In the same MOU, a quantity of 10,640.517 MT of the 2021 crop was purchased at Rs 83,984.26/MT. As such, more expensive 2022 crop wheat was purchased in larger quantities compared to the 2021 crop.

The MOU was revised on January 1, 2024, leading to further purchase of 4,947.681 MT of the 2022 crop at Rs 148,092.46/MT and 1,959.089 MT of the 2021 crop at Rs 85,673.61/MT. No evidence to justify the unavailability of the 2021 crop with PASSCO was provided which could have prevented the purchase of 2022 wheat at higher rates. This resulted in a loss of Rs 1,398.181 million to the USC. Detail is as under:

Date of MOU	Qty. & rate of imported wheat crop 2021	Qty. & rate of imported wheat Crop 2022	Difference in Rate / MT	Loss sustained (Rs in million)
21.07.2023	10,640.517 MT @ Rs 83,984.26/ MT	17,452.319 MT @ Rs 146,403.11/MT	Rs 62,418.84/ MT	1,089.353
01.01.2024	1,959.086 MT @ Rs 85,673.61/MT	4,947.681 MT @ Rs 148,092.460 /MT	Rs 62,418.86/ MT	308.828
Total	12,599.603 MT	22,400 MT		1,398.181

Due to weak internal controls, management failed to ask the PASSCO regarding difference in rates.

Audit is of the view that management was required to ask the PASSCO management regarding difference in price but did not to do so.

The matter was reported to the management through AIR. The management in its reply stated that PASSCO allocated wheat to different government departments keeping in view the available stock position with PASSCO. The reply of the management is not convincing because PASSCO

stock position of imported wheat crop 2021 at the time of procurement was not shared with audit.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed the management to take up the matter with PASSCO for provision of information regarding supply of imported wheat crop 2021 and crop 2022 other agency / institutions during the same period containing quantity / proposition and rate.

Audit recommends to implement the directives of the DAC besides justifying the procurement of imported wheat at higher rates in one MOU from PASSCO and why more expensive imported wheat was preferred over cheaper wheat and fix responsibility thereof.

(Para-2, USC 2023-24)

7.12.4.7 Irregular disbursement of general subsidy - Rs 1,498.564 million

According to para-3 of Government of Pakistan Ministry of Industries and Production OM No. F.No. 1(2)/2020-USC dated August 1st 2023, conveyed the approval of ECC for continuation of subsidy for the FY 2023-24 “ For the FY 2023-24, Rs 30,000 million have been allocated for the Prime Minister’s Relief Package. The amount of subsidy is to be utilized to provide relief to poor segment of the society; which is mapped through Benazir Income Support Program (BISP) data, 05 essential items have been provisioned for targeted population up to PMT 40 registered with BISP on subsidized items.

Furthermore, Finance Division in their OM No. F.15(1)CF-C/2023-703 dated August 26th 2023, Finance Division support the proposal of subsidized sale of five essential items under Prime Minister Relief Package through targeted subsidy to BISP registered households.

During the course of audit of Utility Store Corporation for the year 2023-24, it was observed that USC management received Rs 30,000 million for provision of subsidy on five essential commodities for a specific segment of society using BISP data. However, in July and August 2023, the management disbursed Rs 2,987.944 million in general subsidies to untargeted population in deviation of ECC and Finance Division’s approval. ECC approved Rs 1,489.430

million for July through a summary dated August 1, 2023, but no approval had been obtained for the subsidy disbursed in August.

Due to weak internal controls, management disbursed subsidy without approval.

Audit is of the view that the disbursement of general subsidy worth Rs 1,498.564 million in deviation to ECC and Finance Division approval was irregular.

The matter was reported to the management through AIR. The management in their reply admitted that general subsidy disbursed from August 1st to August 10th was not approved by ECC because case was initiated on July 31st 2023 and approval of ECC was received on August 10th 2023. The contention of the management is not convincing because un-approved subsidy granted was required to be approved by the ECC.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed the management to verify the period of general subsidy granted during the month of August 2023 and get ex-post facto approval from ECC.

Audit recommends to implement the directives of the DAC.

(Para-21, USC 2023-24)

7.12.4.8 Irregular payment to M/s Master Business Management Consortium - Rs 46.460 million

The management of Utility Store Corporation (USC) entered into an agreement on June 16, 2021 with M/s Master Business Management Consortium (MBMC) for provision of Project Management Consultancy services for supply of wheat management system and other related services on wheat /flour management system.

Under para-3 of Framework Agreement “Scope of work” Laboratory testing report of flour to be submitted as per Health Ministry Standards. Measures to quality control of Moisture, Protein, Gluten, Ash, Fiber and Iron, Folic Acid, Zinc, Vitamin B12 in the flour prepared by flour mills for USC.

During the course of audit of Utility Store Corporation (USC) for the year 2023-24, it was observed that management of USC awarded project management consultancy contract to M/s Master Business Management Consortium on June 16th 2021. Project Management Consultant did not perform laboratory test of wheat flour as per Health Ministry standards signed in the framework agreement. Quality test of Iron, Folic Acid, Zinc and Vitamin B12 were not carried out in the lab test of wheat flour. Furthermore, Laboratory test were collected only from major cities, whereas, no samples were collected for testing at regions level. The quality of wheat flour supplied at regional level could not be checked. The consultant was paid Rs 46.460 million since July 2021 to June 2024. Audit holds that the consultant did not perform tests as per quality standards against which contract was awarded. However, payment of Rs 46.460 million was made in deviation of the framework agreement.

Due to weak internal controls, management failed to carry out test of wheat flour through contractor as per agreement.

Management was required to ensure the test of wheat flour as per agreement but did not do so which caused compromise of quality of wheat flour as well as payment to company.

The matter was reported to the management through AIR. The management in its reply stated that fortified specifications of flour were included in the tender documents keeping in view its future requirements from the Federal Government. Moreover, the bidder continued the lab tests of flour on the same rates as in subsequent years. The contention of the management is not convincing because rates were called for 9-specifications whereas the lab tests were carried out for 5-specifications only.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed the management to verify the actual payment made to consultant since 2021 till 2023-24 as per terms of contract.

Audit recommends to implement the directives of the DAC besides inquiring the non-conducting of tests as per approved contract.

(Para-3, USC 2023-24)

7.12.4.9 Irregular procurement of sugar - Rs 10,659.70 million

The Board of Directors of Utility Store Corporation in its 91st Executive Board Members (EBM) meeting held on August 9th, 2023 vide agenda item No. 02 (b) reviewed the TOR's/Bidding documents for procurement of commodities through competitive bidding and suggested changes that security money /bid money and performance guarantee should 2% and 3% respectively instead of existing rates of 3% and 5%.

During audit of Utility Store Corporation (USC) for the year 2023-24, it was observed that in deviation to EBM approval, management of USC procured 80,000 M/T sugar by obtaining 1% performance security from the successful bidder instead of 3% performance security approved by the EBM. Furthermore, it was observed only in one case 10,000 M/Ton sugar was procured from M/s Fatima Sugar Mills Limited in compliance of EBM approved policy. The procurement of 80,000 M.T sugar worth Rs 10.659.70 million in disregard to EBM approved procurement policy which held irregular. Detail is as under:

Date of contract	Name of Sugar Mill	Sugar Quantity Procured	Rate /Kg in Rs	Total Value in Rs in million	Rate of performance security
11.07.2023	M/s JDW Sugar Mill	10,000	130.00	1,300.000	1%
16.10.2023	M/s Shahid Traders	10,000	135.27	1,352.700	1%
20.11.2023	M/s Shahid Traders	10,000	124.90	1,249.000	1%
20.11.2023	Al Abbas Sugar Mill	10,000	124.90	1,249.000	1%
20.11.2023	M/s JDW Sugar Mill	10,000	124.90	1,249.000	1%
20.04.2024	M/s SGM Sugar Mill	10,000	142.00	1,420.000	1%
20.02.2024	M/s JDW Sugar Mill	10,000	142.00	1,420.000	1%
20.02.2024	M/s Sindh Ali Abad	10,000	142.00	1,420.000	1%
	Total	80,000		10,659.70	

Due to weak internal controls, management failed to implement the decision of the Board.

Audit is of the view that management was required to receive bid money/performance guarantee as per decision of Board which was not to do so.

The matter was reported to the management through AIR. The management in its reply stated that limit of performance security was reduced to 1% from 3% due to non-participation of sugar mills in the bidding process with

the approval of EBM. The contention of the management is not convincing because approval of EBM was not produced to audit for verification.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed the management to verify approval of EBM regarding reduction in performance guarantee.

Audit recommends to implement the directives of the DAC.

(Para-4, USC 2023-24)

7.12.4.10 Excessive distribution of subsidized items to franchises and their distribution without verification of BISP eligibility - Rs 1,967.215 million

The USC's circular dated August 29th, 2023 and March 4th, 2024 stated that Utility Stores Corporation of Pakistan is launching Prime Minister Ramzan Relief Package 2024, this package consists to Targeted Subsidy (BISP/PMT-40/60) only, for the benefit of general public, registered with BISP program to proportionately supply /distribute subsidized items so that the consumers may avail maximum advantage of the package announced by the government, through franchise stores as well it has been decided this year that allowed franchises will be provided/supplied stock as per approved policy (70% subsidized items and 30% non-subsidized items for Ramzan and 50 : 50 for rest of the year.

During audit of Utility Stores Corporation (USC) for the year 2023-24, it was observed that subsidized items worth Rs 1,967.215 million were issued to franchise stores in violation of the approved policy. No reconciliation was conducted with franchisees regarding the provision of stock to BISP/PM-40/60 customers, as mandated by the ECC. A test check of zone-wise sales revealed that the Peshawar Zone issued an excessive quantity of subsidized items to franchises compared to USC-owned stores, violating policy and SOPs and resulting in disproportionate distribution. Each supply of subsidized items to USC-owned stores ranged between 200 to 550 kg, while franchises received 4,000 to 10,000 one-kilogram packs of sugar—approximately ten times more than USC stores. Similarly, wheat flour, ghee, and cooking oil worth Rs 237.154 million were supplied in greater quantities to franchises than to USC-owned stores, despite both were located in the same regions, giving undue preference to

franchises. It was also noted that on some occasions, multiple split orders of subsidized items were supplied to the same franchise store in a single day.

Due to operational controls, management granting undue favour to the franchises owners by sale of subsidized items without any confirmation.

Audit is the view that undue preference was given to the franchises, with excessive quantities of subsidized items issued to them against the policy. Further, the lack of reconciliation to ensure these items reached the intended beneficiaries might have enabled the misuse of subsidies for commercial gain.

The matter was reported to the management through AIR. The management in its reply stated that subsidized items were issued to the franchise stores as per approved SOPs. The contention of the management is not convincing because the franchise stores received ten times more quantities of subsidized items than the USC's own stores. Moreover, the subsidy claimed by the franchise stores against the subsidized items could not be verified.

The para was discussed in DAC meeting held on January 2nd 2025. The DAC directed to verify subsidized items sold by the franchise stores to the approved beneficiaries and subsidy claimed by the franchise stores.

Audit recommends to implement the directives of the DAC.

(Para-14, USC 2023-24)

7.12.4.11 Discrepancy in receipts of wheat flour and black marketing in Utility Stores Corporation - Rs 493.485 million

As per the USC commitment obligation that USC is committed towards its obligation to provide economic relief to the public by playing its role as a price moderator and deterrent to black-marketing.

During the audit of Utility Stores Corporation (USC) for the year 2023-24, it was observed on test check basis that a significant discrepancy was observed in the records concerning the receipt of "Wheat Flour" across various zones/regions. According to the head office records, 18,490 M/tons quantity of flour was reported to have been received through respective Goods Receipt Notes (GRNs) to Peshawar and Abbottabad Zone but the actual quantity of flour received was 167.95 M/Tons to respective regions. Remaining wheat flour 7,636

M/tons was not received to the respective regions and the USC head office/MBMC consultant being responsible for the supply chain of Wheat/flour claimed that the same had been delivered/received to the respective regions/zone. Further, wheat flour quantity-4,033 M/Tons (702+611+2052 +668) was received at Abbottabad and Sawabi region respectively from Hotti Flour Mills but their GRN Numbers were missing. The difference between quantities reported by head office and actual quantities as per GRNs showed that a significant portion of the flour not have been delivered to the respective Zonal Offices/Regions which may cause a huge loss of black marketing and miss appropriation of Rs 493.485 million. Details are enclosed at Annex-50.

Due to weak operational controls, a huge quantity of wheat flour was not reconciled by the management.

Audit is of the view that huge discrepancy raised serious concerns about potential black marketing or misappropriation of wheat flour within the organization.

The matter was reported to the management through AIR. The management in its reply stated that the data provided by the consultant was not correct. The contention of the management is not convincing because the specific job was assigned to the consultant to ensure quality and quantity of the wheat and wheat flour.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed to verify the specific terms of contract signed with consultant and reconcile the quantity reported by the consultant through GRN.

Audit recommends to implement the directives of the DAC.

(Para-15, USC 2023-24)

7.12.4.12 Procurement of flour from disqualified / closed flour mills resulted into loss - Rs 156.759 million

As per zone wise physical verification report of flour mills forwarded by incharge / vigilance team to head office vide letter No. Wheat/ VIG/ HO/ 2024/ 1877 and 1900 dated 28.12.2023 and 02.01.2024, the flour mills mentioned therein were disqualified and non-operational.

During audit of USC for the year 2023-24, it was observed on test check basis that total 258-flour mills participated in pre-qualification process of 2023-24. In pre-qualification process 241-flour mills were pre-qualified and 17 flour mills were disqualified and declared as non-operational on the basis of physical verification of the flour mills by the vigilance teams. However, management of USC procured 1,302.620 MT wheat flour worth Rs 156.779 million from the non-operational/ disqualified flour mills. Detail of wheat flour procured is as under:

S. No.	Name of Flour mills	No. of bags supplied	Zone	Rate per bag (Rs)	Total amount (Rs)	Status
1	Naveen Trading Company Lessee Junejo Flour Mills, Sukkur	19,720	Sukur	648	12,778,560	Non-operational
2	Benazir Flour Mills	137,350	Sukkur	648	89,002,800	Non-operational
3	Yadgar Flour Mills	63,000	Abbottabad	648	40,824,000	Non-operational
4	Muhammad Hussain Flour Mills	14,973	Abbottabad	648	9,702,569	Non-operational
5	Saeed Flour Mills	4,400	Abbottabad	648	2,851,200	Non-operational
6	Akbar Flour Mills	2,500	Abbottabad	648	1,620,000	Non-operational
	Total	130,262			156,779,129	

Due to weak internal controls, management failed to make procurement from the eligible flour mills.

Audit is of the view that claims of receipt of 130,262 bags of flour from non-operational and ineligible might be bogus which would result in loss to USC.

The matter was reported to the management through AIR. The management in its reply stated that grievance committee qualified these flour mills on the basis of visit report. The contention of the management is not convincing because 17 flour mills were declared as non-operational during pre-qualification process held in December 2023. Their status was physically verified through vigilance team in January 2024 and the vigilance team also declared them non-operational.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed to provide the physical verification report of each flour mill carried out by the grievance committee.

Audit recommends to implement the directives of the DAC. Besides, electricity and other utility bills be provided to verify non-closure status.

(Para-16, USC 2023-24)

7.12.4.13 Loss due to non-replacement of damaged stock lying at store - Rs 164.420 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 audit of USC for the year 2023-24, it was observed on test check basis that many USC stores and regional warehouses had damaged, expired, or missing stock, leading to delays in sales and a significant loss of Rs 164.420 million to the Corporation. The detail is given at Annex-51. Despite using the FIFO method to manage stock and minimize expiry and damages, recurring incidents were found, which caused loss and stuck up substantial funds with vendors. Additionally, some vendors were no longer in business with USC, hence chances of recovery from them were remote.

Due to weak internal controls, management failed to take action as per operational manual.

Audit is of the view that poor inventory management and the management's negligent approach toward store and warehouse operations led to stock damages and long-pending settlements with vendors.

The matter was reported to the management through AIR. The management in its reply stated that the actual damaged stock was of Rs 110.689 million instead of Rs 164.420 million, out of which stock of Rs 101.078 million was replaced. The reply of the management is not convincing as the vigilance

team identified the damages during 2023-24, and recurrence should have been minimized after implementation of ERP.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed to reconcile the figures of damaged stock with audit. Moreover, replacement of stock of Rs 101.078 million may be got verified from audit. DAC further directed to expedite the replacement of remaining stock of Rs 9.611 million.

Audit recommends to implement the directives of the DAC.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2020-21 and 2023-24 vide para number 8.17.4.7 and 9.15.4.4 having financial impact of Rs 1,964.747 million, Rs 12.713 million and Rs 38.683 million. Recurrence of same irregularity is a matter of serious concern.

(Para-12, USC 2023-24)

7.12.4.14 Short lifting of wheat/flour against allocated quota by flour mills - Rs 889.418 million

As per clause h(i) of terms & conditions of MoUs signed between PASSCO and Utility Stores Corporation of Pakistan (USC) during 2023-24 for provision of 400,000 M/Tons wheat, the 50/50 ratio of indigenous and imported wheat was agreed by both parties and USC will lift entire quantity mentioned in each MoUs within stipulated time period.

During audit of Utility Stores Corporation, Multan and Peshawar Zones for the year 2023-24, it was observed that USC management allocated the approved quantity of 82,411.81 M.Ton to Multan and Peshawar Zones on the basis of demand/sale target of each zone. However, the zone management failed to distribute/allocate the quota to flour mills and lift the agreed quantity as per MOU with PASSCO. Resultantly, non-availability and shortages of wheat flour were found in stores by the vigilance officers that caused decline in sales of Rs 889.418 million and deprived the public from the benefit of subsidy on wheat flour. Detail of two zones is as under:

S. No.	Zone name	Total allocation local & imported	Total lifted qty. against allocation in M/tons	Not lifted qty. in M/tons	Total amount (Rs)
1	Multan	27,489.07	21,236	6,254	754,270,339
2	Peshawar	54,922.74	49,851	4,071	135,148,227
	Grand Total	82,411.81	71,087	10,325	889,418,566

Due to weak operation control, management failed to lift the quota and deprived the general public from the subsidy on wheat flour.

Audit is of the view that management was required to lift and distribute the wheat quota as per MOU to facilitate the general public.

The matter was reported to the management through AIR. The management in its reply stated that high cost of the imported wheat created liquidity problems to the flour mills due to which the flour mills did not lift the allocated quantity. The contention of the management is not convincing because no action was initiated against these mills as per approved terms of contract.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed the management to verify the record regarding action taken against the flour mills as per approved contract.

Audit recommends to implement the directives of the DAC besides investigating the matter at the administrative level and fixing responsibility on the person(s) at fault.

(Para-13, USC 2023-24)

7.12.4.15 Irregular payment of perquisites to officers and non-deduction of income tax - Rs 127.785 million

According to Section 12 of Income Tax Ordinance, 2001 ‘Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including (b) any perquisite, whether convertible to money or not’ and Section 13 ‘For the purposes of computing the income of an employee for a tax year chargeable to tax under the head “Salary”, the value of any perquisite provided by an employer to the employee in that year that is included in the employee’s salary,.

During audit of USC, HO, Islamabad and USC Zones for the year 2023-24, it was observed that management paid POL ceiling worth Rs 127.785 million to the officers i.e. General Managers, Zonal Managers and Regional Managers through cheque during the period from July 2021 to June 2024. However, in disregard to above instructions, the amount paid was not included in gross salary of the officers for the purpose of calculation of Income Tax. The payment of fuel ceiling in disregard to the laid down instructions was held irregular in audit. This resulted in irregular payment of Rs 127.85 million to the officers. Detail is as under:

S. No.	Designation	No. of Posts	Monthly Fuel Entitlement (Liters)	Monthly Value @ Rs 261/ liter (Rs)	Total Value for 3 years (Rs)
1	Regional Manager	67	150	39,150	94,429,800
2.	Zonal Manager	9	200	52,200	16,912,800
3.	General Manager	7	250	65,250	16,443,000
	Total				127,785,600

Due to weak financial controls, management failed to deduct taxes on perquisites.

Audit is of the view that management was required to include the value of perquisites in taxable income and deduct the tax as per rules.

The matter was reported to the management through AIR. The management in its reply stated that recovery from the concerned officers was under process. The contention of the management is not convincing because the perquisites were not included in the gross emoluments of the employees.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed the management to complete the recovery process under intimation to audit and Ministry.

Audit recommends to implement the directives of the DAC.

(Para-20, USC 2023-24)

7.12.4.16 Non-recovery of insurance claims from NICL since long – Rs 20.96 million

According to Section 118 of the Insurance Ordinance, 2000, 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 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 Utility Store Corporation of Pakistan for the years 2023-24, it was observed that management lodged claims with National Insurance Company Limited (NICL) on account of theft, fire, dacoity, burglary nature of Rs 20.96 million. However, the same were not received despite lapse of more than 06 years resulting into blockage of funds.

Slackness, negligence and imprudent financial management on the part of management was the cause of irregularity.

Audit is of the view that the management was required to pursue the insurance claims with M/s NICL but the same was not done despite lapse of considerable time which resulted in pending recovery of Rs 20.96 million.

The matter was reported to the management through AIR. The management in its reply stated that insurance claims of 8 cases had been recovered. The contention of the management is not convincing because these cases were under process since last 6 years.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC reduced the para upto the recovered amount of Rs 2.761 million verified by audit and directed to expedite the recovery of pending claims.

Audit recommends to implement the directives of the DAC.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2023-24 vide para numbers 9.15.4.3 having financial impact of Rs 213.444 million. Recurrence of same irregularity is a matter of serious concern.

(Para-22, USC 2023-24)

7.12.4.17 Irregular claim of subsidy - Rs 28,195.371 million

According to para -3 of Government of Pakistan Ministry of Industries and Production OM No. F.No. 1(2)/2020-USC dated August 1st 2023, conveyed the approval of ECC for continuation of subsidy for the FY 2023-24 “ For the FY 2023-24, Rs 30,000 million have been allocated for the Prime Minister’s Relief Package. The amount of subsidy is to be utilized to provide relief to poor segment of the society; which is mapped through Benazir Income Support Program (BISP) data, 05 essential items have been provisioned for targeted population up to PMT 40 registered with BISP on subsidized items.

Furthermore, Finance Division in their OM No. F.15 (1)CF-C/2023-703 dated August 26th 2023, Finance Division support the proposal of subsidized sale of five essential items under Prime Minister Relief Package through targeted subsidy to BISP registered households.

During the course of audit of Utility Store Corporation for the year 2023-24, it was observed that the management of USC received funds of Rs 30,000 million for provision of subsidy on five essential commodity items to the selected segment of the society through BISP data. The financial impact of first two months of targeted subsidy was worked out as Rs 798.606 million. However, management claimed targeted subsidy worth Rs 28,195.371 million on the entire sale of five essential commodity items.

Further, management issued subsidized items worth Rs 1,980 million to the franchise stores during the year 2023-24. However, the actual claim of subsidy from the franchise store received during the year could not be verified. The detail of targeted subsidy disbursed during the year was demanded from the management of USC however, the same was not shared till the close of audit. The claim of subsidy in deviation to ECC and Finance Division approval was held irregular in audit and resulted in irregular claim of Rs 28.195 billion.

Due to weak financial controls, management claim the subsidy without disbursement.

Audit is of the view that management was required to claim the subsidy as per actual disbursement.

The matter was reported to the management through AIR. The management in its reply stated that PMT-32 was implemented upto August 10, 2023 after that PMT-40 was approved w.e.f August 11, 2023. BISP beneficiaries registered under PMT-40 have been increased. The contention of the management is not convincing because the registered beneficiaries and subsidy availed could not be verified.

The matter was discussed in the DAC meeting held on January 2nd 2025. The DAC directed the management to provide the record of beneficiaries of BISP for the month of September-2023 to audit for verification.

Audit recommends to implement the directives of the DAC.

(Para-23, USC 2023-24)

7.12.4.18 Irregularities in the implementation of ERP Project – Rs 2,332 million

Rule 4 (3) 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 the audit of Utility Store Corporation (USC) for the year 2023-24, it was observed that the Departmental Working Party approved a project “Enterprise Resource Planning in USC” for 1,000 USC stores in May 2016 at a cost of Rs 560.698 million, to be funded from own funds with a completion period upto June 2017. In 2020, the IT Committee of USC Board recommended Rs 2,000 million for the implementation of project. Accordingly, the management through their controlling ministry sought NOC for utilization of funds of Rs 2,332 million out of the allocated subsidy under the PM Relief Package, 2020. In response, the Finance Division advised to implement the decision of the ECC duly ratified by the Cabinet in letter and spirit. A contract of Rs 1,594.92 million was awarded to M/s National Radio & Telecommunications Corporation (NRTC) on March 2nd 2021 on the basis of single quoted rates for the supply of POS and IT equipment. The scope of the project was expended from 1,000 to 4,000 stores.

The project was delayed and completed in 2022. Despite Finance Division's clear instructions that , USC spent Rs 2,332 million from the PM Relief Package, 2020 for the completion of the project.

Audit observed the following irregularities:

- 1 The expenditure was incurred without approval of PC-I. Subsidy funds were utilized for project bypassing the requirement of approval of PC-I from the competent forum i.e. Planning Commission against the instruction of Finance Division.
- 2 The NRTC neither possessed OEM authorization nor was the authorized dealer of the equipment, hence was not technically eligible for the award of contract. Therefore, M/s GCS Private Limited were engaged as joint venture on January 6, 2021.
- 3 The procurement process of POS and IT equipment was not transparent and in violation of PPRA rules, lacking competitive rates.
- 4 The contractor failed to insure the goods supplied to protect from loss during warranty period of three years.
- 5 The contract was to be completed upto July 31, 2021 but the contractor failed to do so.
- 6 The management issued provisional acceptance of goods worth Rs 1,567.971 million upto June 30, 2024 and made payment of more than 1,000.00 million on the basis of provisional acceptance certificates but record of actual receipt of goods could not be verified.
- 7 European based OEM authorization was provided at the time of evaluation of bidding documents, while the actual imports were made from China.
- 8 A quantity of Rs 26.949 million was undelivered even after three years, whereas the contractor's performance guarantee expired on September 5, 2024.
- 9 No record of contract extensions or penalties for delays was provided to audit.
- 10 The management did not assess actual project benefits, prepare the PC-IV, or finalize annual accounts since 2022-23, leaving the project's impact unverified.

The irregularities occurred due to poor financial management and weak internal controls.

Audit is of the view that management was required to incur the expenditure within the approved cost from its own resources rather than utilizing the funds for subsidy and to follow the PPRA rules, and Finance Division's instructions in letter and spirit.

The matter was reported to the management through AIR. The management in its reply stated that earlier PC-I was scrapped and USC Board approved fresh feasibility of Rs 2.332 billion and the same was executed from the grant approved by the ECC. The contract was awarded to NRTC after proper advertisement and following procurement procedure and key deliverable of the project have been achieved.

The contention of the management is not convincing because the ECC only approved the requisite funds while the management failed to execute the project as per IT plan approved by the BoD and without approval of PC-I from Planning Commission as it involved government funds. Further, the award and execution of contract was in deviation of approved procurement rules, without the required PC-1 and no appraisal of the key objectives of the project was made.

The matter was discussed in DAC meeting held on 02.01.2025. The DAC directed to provide IT plan approved by the BoD, copy of Finance Division instructions contained in their letter dated 02.04.2022, head wise actual expenditure till date against the approved feasibility, certificate that PC-I of the previous project approved in 2016 was scrapped following due approval for scrapping and no government funds were allocated by Finance Division for the project, insurance of equipment during warranty period by the vendor, rate reasonability certificate, delivery challan / shipping documents of the equipment received, calculation of LD charges on delayed supply of equipment and share assessment report with audit.

Audit recommends to implement the directives of the DAC.

(Para-8, 25, 26, 27 & 28 USC 2023-24)

7.12.4.19 Irregular procurement of vehicles from the fund of IT / ERP Project - Rs 21.04 million

As per clause (i) of the OM of Finance Division (expenditure wing) No.F.7(1)Exp.IV / 2016-340 dated 7th July 2022, the Government of Pakistan

imposed ban on purchase of all types of vehicles from Current and Development Budget except utility vehicles ambulances, buses for educational institution, solid waste vehicles, etc. Further, there was no provision of procurement of vehicles in the PC-I.

During audit of Utility Stores Corporation of Pakistan for the year 2023-24, it was observed that USC Board of Directors approved the proposal for purchase of two vehicle 1300 cc and one Suzuki Bolan 796 cc for Rs 21.40 million out of the budget allocated for IT project (ERP solution) in its 170th Board meeting dated 28th April, 2022. It was observed that there was no provision regarding procurement of vehicles in the approved PC-I of the project. Furthermore, the procurement of vehicle was made in deviation of the ban imposed by the Finance Division incurring and expenditure of Rs 21.04 million

Due to weak managerial controls, management purchased vehicles in violation of government instructions.

Audit is of the view that management was required to incur the expenditures as per approved project but the management purchased the vehicles which held irregular.

The matter was reported to the management through AIR. The management in its reply stated that vehicles were purchased when austerity measures were not imposed. The contention of the management is not convincing because no documentary evidence was shared with audit. Further, the expenditure was incurred without a provision in the PC-I.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed to verify the record regarding austerity measures.

Audit recommends to implement the directives of the DAC besides regularization of expenditure from the Finance Division.

(Para-34, USC 2023-24)

7.12.4.20 Non-payment of social security contribution by the janitorial and security services contractors - Rs 22.287 million

According to General condition of contracts with the janitorial service contractors, and security company contractors, the contractor shall pay the

compulsory payments of EOBI and social security of each janitor/security guard to the concerned government department every month. Evidence of the remittance made to the concerned department along with the invoice shall be provided to USC after which the payment of each month to contractor will be processed. Further, the employer is required to pay social security contribution @ 6% of wages of employees in case of number of employees.

During audit of USC HO, Islamabad and USC Zones for the year 2023-24, it was observed that the management awarded janitorial services and security contracts to different contractors. The contractors were responsible to pay social security contributions for Rs 22.287 million of its employees as per contract. But the management did not bother to confirm contribution payment by the contractor. Detail is as under:-

(Rs in million)			
S. No.	Description of expenditure	Amount of contract	Amount of social security contribution @ 6%
1	Security and safety (USC HO & USC Zones)	367.00	22.02
2	Janitorial services	4.46	0.267
	Total	371.46	22.287

Due to weak internal controls, the management did not confirm the payment of social security & EOBI contribution made by the contractors.

Audit is of the view that management was required to ask the contractors to provide documentary evidence regarding registration of labor employed and payment of social security contribution but no such documentary evidence was obtained by USC.

The matter was reported to the management through AIR. The management in its reply stated that two security companies had deposited social security contribution and the same was verified by audit. The contention of the management is not convincing because the management did not collect evidence of payment of social security contribution from the security company at the time of payment.

The matter was discussed in DAC meeting held on January 2nd 2025. The DAC directed the management that remaining security companies be directed to deposit their social security contribution and record thereof be produced to audit for verification.

Audit recommends to implement the directives of the DAC.

(Para-36, USC 2023-24)

Chapter-8

Ministry of Information Technology and Telecommunication

Overview

The Ministry of Information Technology and Telecommunication (MoITT) is the national focal Ministry and an enabling arm of the Government of Pakistan for planning, coordinating and directing efforts to initiate and launch Information Technology and Telecommunication programs and projects aimed at economic development of the country.

Aims & Objectives

The following are the functions of the Ministry of Information Technology and Telecommunications:

- Preparation of an overall integrated plan as well as the formulation of policy for the development and improvement of Information Technology and Telecommunications, including related infrastructure, in Pakistan.
- Co-ordination with the Provincial Governments, autonomous bodies, private sector, international organizations and foreign countries in respect to Information Technology and Telecommunications.
- Human resource development in the field of information technology and telecommunications.
- Promotion of information technology applications.
- Providing guidelines for the standardization of software for use within the Government.
- Planning, policy-making and legislation covering all aspects of telecommunication excluding radio and television and issuance of policy directives.
- Matters relating to the National Information Technology Board and Pakistan Software Export Board.
- All matters relating to National Telecommunication Corporation (NTC), Telecommunications Foundation (TF), Special Communication Organization (SCO), Virtual University (V.U) and Electronic Certification Accreditation Council.

- The administration of the Prevention of Electronic Crimes Ordinance 2007 and the rules made there under.
- Safeguard the interest of Government of Pakistan in entities having public shares or government equity-like PTCL, USF Co. & Information and Communication Technology R&D Co.

Governing Laws and Policies

- The Prevention of Electronic Crime Act, 2016
- Pakistan Telecommunication (Re-Organization) Act, 1996
- ETO Act
- Telegraph Act 1885
- Wireless Act
- SF Rules, 2006
- R&D Fund Rules, 2006
- Rule of Business 1973

Audit Profile of Ministry of Information Technology & Telecommunication

(Rs in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	1	1	3,073.407	246.557
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	1	1	3,073.407	246.557
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 1,233.303 million were raised as a result of this audit. This amount also includes recoverable of Rs 7.397 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	110.000
3	Irregularities:	
A	HR/Employees related irregularities	97.749
B	Procurement related irregularities	-
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	1,025.554

8.1 Pakistan Software Export Board (Guarantee) Limited

8.1.1 Introduction

Pakistan Software Export Board (Guarantee) Limited was founded in Pakistan under the Companies Ordinance, 1984 on June 13, 1998, as a company limited by guarantee. It is an apex Government body mandated to promote Pakistan's IT Industry in local and international markets. PSEB facilitates the IT industry through a series of projects and programs in infrastructure development, human capital development, company capability development, international marketing, strategy and research, and the promotion of innovation and technologies to deliver high value-added services and enhance IT and IT-enabled services export from Pakistan. The registered office of the Company is situated at 2nd floor, Evacuee Trust Complex, Sector F-5/1 Islamabad. The company is wholly owned and controlled by the Federal Government through the Ministry of Information Technology.

8.1.2 Comments on Audited accounts

8.1.2.1 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 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

8.1.3 Compliance of PAC Directives

Sr. No.	Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1	2004-05	01	0	01	82	-
2	2005-06	02	01	01	159	50
3	2008-09	04	03	01	147	75
4	2010-11	17	12	05	13.1.4.3, 13.1.4.5, 13.1.4.8, 13.1.4.9, 13.1.4.10,	71
5	2011-12	03	0	03	11.1.2.1, 11.1.3, 11.1.4.1	0

6	2012-13	03	0	03	11.1.2.1, 11.1.4.1	11.1.3,	0
7	2013-14	03	0	03	10.1.2.1, 10.1.4.1	10.1.3,	0
8	2014-15	09	0	09	11.1.2.1, 11.1.2.3, 11.1.2.4, 11.1.2.6, 11.1.2.7, 11.1.3	11.1.2.2, 11.1.2.5, 11.1.2.8,	0
9	2015-16	07	0	07	10.1.2.1, 10.1.2.3, 10.1.2.4, 10.1.2.6, 10.1.3	10.1.2.2, 10.1.2.5,	0
10	2016-17	04	0	04	9.1.2, 9.1.3, 9.1.4.1, 9.1.4.2		0
11	2017-18	07	0	07	12.1.2.1, 12.1.2.3, 12.1.2.4, 12.1.2.6, 12.1.3	12.1.2.2, 12.1.2.5,	0
12	2018-19	11	03	08	11.1.4.1, 11.1.4.3, 11.1.4.7, 11.1.4.8, 11.1.4.10, 11.1.4.11,	11.1.4.2, 11.1.4.5,	27
Total		71	19	52			27

Overall compliance with the PAC directives was very poor which requires immediate attention of PAO.

8.1.4 Audit Paras

8.1.4.1 Loss on account of rent due to late completion of Karachi Office – Rs 13.904 million

According to Rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety states that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

Rule 4 (3) 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.

The record of Pakistan Software Export Board (PSEB), Islamabad for the year 2022-24, revealed that the management made rent agreement with M/s National Insurance Company Ltd (NICL) for an area of 5,267 sq. ft. on 10th floor at NICL Building, Abbasi Shaheed Road, Karachi at a rental rate of Rs 110 per sq.ft. (5,267 sq.ft. @ Rs 110 = Rs 579,370). A formal agreement was signed with NICL for hiring of office space for three years starting from 01.06.2022 to 31.05.2025. The management paid an amount of Rs 13,904,880 on account of Rent of office building.

Audit observed that the management actually moved to the rented building in June-2024. However, the management paid Rs 13.904 million (5,267*110*24 months) on account of rent of office building to NICL for the period from 01.06.2022 to 31.05.2024 without utilizing/occupying the office space.

Audit is of view that hiring of unfurnished building and payment of rent without its utilization resulted in loss of Rs 13.904 million to the public exchequer.

The matter was reported to the management on 22.10.2024. The management in its reply admitted that the agreement was executed from 01.06.2022 to 31.05.2025. However, the work order was given to M/s Glow Interior on 12.06.2023 and the work was completed on 30.04.2023 after almost 2 years.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that responsibility may be fixed on the person(s) at fault. Besides, recover the loss from persons responsible.

(Para-2, PSEB 2022-24)

8.1.4.2 Irregular payment of monetization allowance to officers - Rs 23.513 million

Finance Division vide O.M No.4(3)R-4/2001 dated 23.01.2024 issued instructions that Pays, Allowances and their revision of all Government

employees, including those employed in Autonomous/Semi-Autonomous / Corporate bodies requires prior approval of Finance Division.

Establishment Division vide letter No.6/7/2011-CPC dated December 30 2011 at serial No. 6 clarified that monetization policy is applicable only to the Civil Servant in BPS-20 to BPS-22 working in Ministries / Division / Attached Departments and Sub ordinate offices. The policy is not applicable in case of officers of Autonomous/Semi-autonomous Organizations, Corporation as well as to the officers drawing pay against constitutional post, appointed on contract, re-employed or persons appointed on Management pay scales, Special Pay Scale, and Health personnel scale.

The record of Pakistan Software Export Board (PSEB), Islamabad for the year 2022-24, revealed that the management paid monetization allowance amounting to Rs 23.513 million to CF&AO, Directors, Company Secretary and Managers from July-2022 to June-2024 in violation of Govt. policy.

Audit is of the view that undue favour was extended to the officers by paying them monetization allowance in violation of Establishment Division instructions.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that the responsibility may be fixed on the persons at fault for paying monetization allowance in violation of Establishment Division orders. Besides recover the said amount from the concerned officers and discontinue the allowance forthwith.

(Para-3, PSEB 2022-24)

8.1.4.3 Irregular payment of Communication allowance to the employees - Rs 4.350 million

Finance Division vide O.M No.4(3)R-4/2001 dated 23.01.2024 issued instructions that pays, allowances and their revision of all Government employees, including those employed in Autonomous/Semi-Autonomous / Corporate bodies require prior approval of Finance Division.

According to the Finance Division OM dated Jun 26, 1999, the revision of and pay structure of salaries, allowances and perquisites of the supervisory executive staff of Public Sector Corporations, Autonomous / Semi-Autonomous Bodies may be carried out by the respective BoDs / BOGs. Such revision should invariably be tagged with the financial position of the respective organization. Clearance from the Finance Division would, however, be necessary to ensure a rational basis and a degree of uniformity in such revisions. No corporation will announce the revision of salary/allowances, structure without prior approval of the competent authority.

During audit of Pakistan Software Export Board (PSEB) for the year 2022-24, it was observed the management of PSEB paid Communication allowance to its employees during the years 2022-23 to 2023-24 amounting to Rs 4.350 million.

Audit observed that the communication allowance was paid to the PSEB employees in violation of PSEB Service Rules and instruction of Finance Division as the communication allowance was neither covered under PSEB Service Rules “Pay, Allowance & Other Concessions” nor approved/concurred by the Finance Division.

Audit is of the view that the payment of Communication Allowance in violation of PSEB Rules and without approval of Ministry of Finance was irregular, unauthorized, and thus held recoverable.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that responsibility may be fixed for irregularity besides recovery.

(Para-4, PSEB 2022-24)

8.1.4.4 Irregular hiring of firm for provision of staff and payment thereon - Rs 23.876 million

According to clause 6 of PSEB Service Regulations, the PSEB may engage persons on contract and the competent authority may fix the remuneration of such persons at its discretion.

Clause 26 of Financial Management and Powers of Principal Accounting Officers Regulation, 2021 states that the Finance Division shall approve cases for creation of posts within the budgetary provisions and as per the instructions issued from time to time.

The record of Pakistan Software Export Board (PSEB) for the year 2022-24, revealed that the management hired M/s ECS Private Ltd through competitive bidding process for provisioning of Marketing outsourced services / Staff for PSEB offices at Islamabad, Lahore, Karachi & Quetta for different positions and paid an amount of Rs 23.876 million as staff salaries and services of the firm for two years.

Audit observed as under:

- The management appointed different staff through M/s ECS Private Ltd. in violation of PSEB Rules.
- The management created these positions without the approval from Finance Division.

Audit is of the view that creation of posts without the concurrence of Finance Division and appointment of staff in violation of PSEB Rules was irregular. In addition, the payment of Rs 23.876 million to the third party for making appointments against these positions was also irregular.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends responsibility may be fixed on the persons at fault.

(Para-9, PSEB 2022-24)

8.1.4.5 Irregular investments of TDR in violation of Finance Division instructions - Rs 200 million

Finance Division's vide O.M. No. F.4(1) NTR/2002-666/2022 dated 18.05.2022 withdrawn instruction/policy issued by Finance Division vide OM No.F.4(1)/2002- BR-II dated 02.07.2003, 06.09.2004, 22.09.2005 and 23.12.2014 regarding deposit of working balance and investment of surplus funds belonging to public sector entities and local/autonomous bodies under federal Government and promulgated. Article 78 of the Constitution of Pakistan stipulates that all

moneys received by or on behalf of Federal Government are deposited either as part of the Federal Consolidated Fund (FCF) or Public Account of the Federation (PAF).

Further, Section 23(2) of Public Finance Management Act 2019 states that “no authority shall transfer public moneys for investment or deposit from government account including assignment account to other bank account without prior approval from the Federal Government”. Further, the approval accorded to any Public Sector Entities with respect to maintain working balance is also hereby withdrawn.

The record of Pakistan Software Export Board (PSEB), Islamabad for the year 2022-24, revealed that the management invested an amount of Rs 200 million in Terms Deposit Receipts (TDR) at NBP Jinnah Avenue Branch, Islamabad vide TDR No. 605039 dated 21.03.2023 @ 20.10% interest rate with 12 months maturity period.

Audit observed that the amount was invested without the approval of Finance Division which was in violation of Section 23(2) of PFM Act, 2019.

Audit is of the view that investment made in violation of Finance Division was irregular.

The matter was reported to the management on 22.10.2024. The management replied that clause 14 of Memorandum of Association allows the investment of funds. Reply is not convincing as the investment was made without approval of Finance Division.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that responsibility may be fixed for violating Finance Division instructions.

(Para-1, PSEB 2022-24)

8.1.4.6 Non-achievement of the objectives / deliverables of project - Rs 220.500 million

According to RFP of the Project titled “Technology Marketing Export Program” the deliverables for the assignment are as follows:

- Inception Report-Situational Review and analytical mapping of the current export status of Pakistan's IT/ITes industry's major export destination with future growth targets. Assessment of currently in practice export promotion strategies
- Report – Strategies and export program for IT&ITes products/services, in line with the Scope of Work table item 1 and 2.
- Percentile impact of the proposed marketing and branding plan on Pakistan's annual IT/ITes exports. In line with the Scope of Work table item 3
- Deliver design of 360-degree branding and marketing campaign. In line with the Scope of work table items 4.
- Propose the design of two signature technology events in Pakistan. In line with the scope of work table item 5.
- Strategic plan to develop relationships with international media, publications research partners, and consultancies to disseminate information regarding Pakistan's IT/ITes industry and economic development. In line with the scope of work table item 6.
- PC-I documents to launch Export Marketing Program as per the template of the Planning Commission of Pakistan. In line with the scope of work table item 7.
- Provide the cost/benefit analysis of setting sales launch pads. In line with the Scope of work table item 8.
- Design coding and IT skill competitions in Pakistan, and propose the marketing methodology for making these competitions globally recognized. In line with scope of work table items 9.

During the audit of Pakistan Software Export Board (PSEB), Islamabad for the year 2022-24, it was observed that the DDWP in its meeting held on 27th May 2021 approved a Project titled "Technology Marketing Export Program" at a total cost of Rs 200 million and implementation period was 06 months. The management floated tender on 19.05.2022 in newspaper for selection of leading national and international consulting / research firms to design international export marketing program for Pakistan's IT /ITes sector growth. The contract was

awarded to M/s ABS Associates (SMC Private) Ltd on 05.04.2023 amounting to Rs 217.000 million.

Audit observed as under:

- The contract was awarded to M/s ABS Associates Ltd with 09 deliverables. However, progress status on feasibility study of the project depicted that only Deliverable No. 1 was completed 100% and rest of the deliverables were still pending / not fully completed.
- The implementation period of the project was six months which was further extended upto 30.06.2024. However, the project had not been completed till close of audit in Sep, 2024.
- The management took one year to process the case for hiring of firm to design international export marketing program for Pakistan's IT /ITes sector growth from the date of approval of project. After such delay, the offer received from the firm exceeded the cost of the project. The firm was finally awarded the contract after almost 2 years.
- The delay in finalization of selection of firm resulted in increase in project cost from 200 million to Rs 220.500 million.
- LD clause was inserted in contract agreement which showed that undue favor was extended to the firm.
- The management surrendered Rs 50 million to the Ministry due to poor execution of project.

Audit is of the view that non-completion of project was due to weak supervision which led to non-achievement of objectives/deliverables despite lapse of considerable time.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report

Audit recommends that responsibility may be fixed on the persons at fault.

(Para-34, PSEB 2022-24)

8.1.4.7 Non-obtaining of adjustment accounts - Rs 70 million

Para 207(3) of GFR Volume-I states that the recipient organization is required to submit vouched accounts or audited statement of the accounts to the sanctioning authority, in order to ensure that the grant was utilized/spent for the purpose for which it was provided.

According to terms & conditions Pakistan Software Export Board (Guarantee) Ltd issued vide letter No PSEB-MKT-APICTA 2022 dated 11.10.2022 terms and conditions that in order to release 2nd (final) payment, P@SHA will provide all supporting documents along with relevant record for expenses incurred on event (Title Category).

The record of Pakistan Software Export Board (PSEB), Islamabad for the year 2022-24, revealed that the management of PSEB released 70 million from the budget of FY 2022-23 to Pakistan Software Houses Association (P@SHA) for sponsorship of Asia Pacific ICT Alliance Award (APICTA), 2022 in Pakistan for APICTA event (Phase-I & II). The detail of funds is as under:

S. No.	Cheque No.	Date	Amount (Rs)
1	B156929	11.10.2022	22,000,000
2	B-250261/ B-157212	27.03.2023	10,000,000
3	B-293253/B-157277	24.05.2023	15,000,000
4	70240380	06.12.2022	5,000,000
5	00001414	12.10.2022	18,000,000
	Total		70,000,000

Audit observed that the management did not obtain the adjustment accounts from P@SHA despite close of financial year. Further, the funds were to be released in two phases and the amount of 2nd phase was to be released after submission of voucher accounts.

Audit further observed that the Special Committee (formed by BoD) meeting held on 21.09.2023 also directed that the amount of grant in aid was subject to submission of the vouched account by the recipient to PSEB.

Audit is of the view that in the absence of adjustment accounts, it could not be ascertained that the funds were utilized for intended purposes, i.e. only sponsorship for APICTA 2022.

The matter was reported to the management on 22.10.2024. The management replied that Finance and Internal Audit Department raised the query on this matter to obtain the vouched accounts, but in this regard, PASHA did not submit the required vouched accounts.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that responsibility may be fixed for non-obtaining the vouched accounts and release of subsequent payments without obtaining vouched accounts. Besides, the record pertaining to the adjustment of payment released be provided to audit for verification.

(Para-18, PSEB 2022-24)

8.1.4.8 Non-recovery of advances / loans from ex-employees - Rs 7.397 million

According to Section 1.5 sub clause (3) of PSEB Regulations, in case of resignation or dismissal of employee, the amount outstanding against him / her shall be recovered in lump sum before his / her dues are settled. Further, as per sub clause (4), the advance against salary will be generally prohibited but in suitable cases the competent authority may sanction it. Payment of advance against salary to regular employees proceeding on earned leave shall, however be permissible.

During the audit of Pakistan Software Export Board (PSEB), Islamabad for the year 2022-23, it was observed that an amount of Rs 7.397 million was outstanding against the employees on account of ‘advances to staff’ as on 30.06.2024 who were terminated / dismissed from the services of the PSEB.

Audit observed that the management did not adjust / clear the ‘advances to staff’ at the close of each financial year, resulting into outstanding advances.

Audit is of the view that non-adjustment/non-clearance of ‘advances to staff’ was violation of PSEB Rules and negligence of the management.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends recovery of the amount from ex-employees besides responsibility be fixed on the person(s) at fault.

(Para-7, PSEB 2022-24)

8.1.4.9 Mis-appropriation on account of sponsorship fee for APICTA 2022 - Rs 110 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. 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. Furthermore, according to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal controls, to ensure compliance with the fundamental principles of probity and propriety.

According to GFR Rule-12 controlling officer must see that funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Pakistan Software Export Board (PSEB), Islamabad was established by the Government of Pakistan on June 13, 1998 for the facilitation and development/ advancement of the local IT industry globally. PSEB is the Government agency mandated to promote the Pakistani IT industry.

The BoD in its 47th meeting held on 20.09.2021 re-constituted its Finance & Audit committee with the following composition:

S. No.	Designation	Status on Board	Status on FAC
1	Secretary, IT & Telecom	Member	Chairman
2	Chairman, P@SHA	Member	Member
3	Mr. Salim Ghauri	Member	Member

During audit of Pakistan Software Export Board Islamabad for the year 2022-24, the Pakistan Software Houses Association for IT and ITes (P@SHA) requested PSEB vide letter dated 24.05.2022 to support P@SHA for hosting Asia

Pacific ICT Alliance Award (APICTA) 2022 in Pakistan. Finance & Audit Committee held on 20.07.2022 vide agenda Item # 2 approved/sanctioned 147.590 million for domestic Exhibition, Conference & Seminars & Sponsorships. The management concluded that the event would bring together Pakistani Companies and International companies under one roof. The management of PSEB released 70 million to M/s P@SHA from the budget of FY 2022-23 for APICTA event (Rs 30 million from Government grant and Rs 40 million from self-generated funds) and Rs 40 million were paid to M/s Tech Spring respectively.

Audit observed as under:

- M/s P@SHA is a private association of the IT Companies and sponsorship to an association does not fall under PSEB ambit. PSEB was required to perform such activities at their own instead of provision of funds for sponsorship to the private body.
- The payment was made to M/s P@SHA for sponsoring event of PICTA award which was conflict of interest as the Chairman P@SHA was the member of PSEB BoD and Finance & Audit Committee.
- Record related to payment of Rs 40 million made to M/s Tech Spring was not provided to audit.
- The payment was made to M/s P@SHA without devising any mechanism.
- No utilization report was produced after completion of event.
- No fruitful outcome from the event was shared with audit.

Audit is of the view that undue favour was extended to a private body at the cost of govt. exchequer and no proof of the expenditure made was available on the record which made the event suspicious.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter regarding mis-utilization of funds and favor to a private association of sitting member of PSEB needs to be justified, besides fixing the responsibility. The record pertaining to payment, its utilization and outcome of the event also be shared with audit.

(Para-6, PSEB 2022-24)

8.1.4.10 Unjustified retention of Evacuee Trust Complex Building and payment of office rent - Rs 31.361 million

Rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the principle of probity and propriety states that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

Rule 4 (3) 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 Pakistan Software Export Board (PSEB), Islamabad for the year 2022-24, the BoD directed to retain the office situated at Suite No.207, 2nd Floor, Evacuee Trust Complex, Islamabad having an area of 7011-Sqft (office) & 436-Sq.ft (Common) i.e. total area 7,447 sq.ft. w.e.f 01.01.2022 for three years with 10% annual increase after one year and paid an amount of Rs 31.361 million on account of Rent of Office Building.

Audit observed as under:

- The management retained the ETC Building despite the fact that management had an area of 11,428 sq.ft. in NICL Building.
- The management retained the ETC Building without any need assessment and paid Rs 31.361 million on account of rent of office building for the year 2022-24.
- The working strength of staff was the same as no increase was seen in staff.
- The PSDP projects were also same; no major enhancements in PDSP projects were seen as the same projects were running in last year.

Audit of the view the current building was fulfilling the need of staff, hence retention of Evacuee Trust Complex Building without any need was unjustified and extra burden on government exchequer.

The matter was reported to the management on 22.10.2024. The management replied that Board decided to retain and use the existing office situated in ETC as a back office. Reply is not persuasive as retention of ETC Building without any need was unjustified and extra burden on government.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter for unjustified retention of ETC building and fix responsibility thereof. Besides ensure the vacation of old building to save the government from further loss.

(Para-5, PSEB 2022-24)

8.1.4.11 Irregular payments to the vendors without recommendation of Special Committee formed by Board - Rs 23.069 million

According to 58th meeting of PSEB Board of Directors held on September 21, 2023, The Board after careful consideration, formed a Special committee comprising of 1) Federal Secretary, MOITT 2) Chief Finance & Accounts Officer, MOITT (Member) and 3) Chief Finance and Admin Officer, PSEB (Member), to verify the list of pending approvals to ensure due diligence with respect to applicable rules and regulations and directed the Committee to make its recommendation of approvals of the Board through circulation.

The Committee analysed and rationalized the pending payments, programs, and activities. Consequently, it recommended the list of pending payments, initiatives / programs and operational affairs to the minutes of the Special Committee for approval of the Board through circulation.

During audit of Pakistan Software Export Board (PSEB), Islamabad for the year 2022-24, it was observed that the PSEB Board formed Special Committee of three members to verify the pending approval to ensure due diligence with respect to applicable rules and regulations. The Committee approved an expenditure of Rs 165.556 million out of which Rs 26.872 million were reduced by the Committee due to certain unjustified and over claims, forex fluctuations and as per actual expenditure.

Audit observed that payment of Rs 23.069 million was made to different firms without taking approval from Special Committee formed by the Board. In

addition, it was also observed that the remarks of the Special Committee were also not considered before making payments.

Audit is of the view that the payments made to the vendor were in violation of Special Committee recommendation.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report

Audit recommends that responsibility may be fixed on the persons at fault.

(Para-24, PSEB 2022-24)

8.1.4.12 Irregular expenditure incurred in violation of austerity measures of Finance Division - Rs 13.125 million

According to Finance Division (Expenditure Wing) OM No. 7(1) Exp. IV/2016-340 dated July 7, 2022, there is a complete ban on the purchase of office furniture and machinery & equipment, except for development projects.

According to Finance Division (Expenditure Wing) OM. No.7 (1) Exp.IV/2023-463 dated 20.02.2024, there shall be a complete ban on purchase of machinery and equipment form current budget, except for medical machinery / equipment.

The record of Pakistan Software Export Board (PSEB), Islamabad for the year 2022-24, revealed that the management procured furniture, Laptops, Laser Printer, Scanner, Air Conditioners and UPS amounting to Rs 13.125 million from regular grant of PSEB.

Audit observed that the expenditure was incurred in violation of austerity measure 2022-23 and 2023-24 issued by Finance Division.

Audit is of the view that items were procured in violation of Finance Division's instruction, hence the expenditure was irregular.

The matter was reported to the management on 22.10.2024. Management replied that those contracts were signed with selected bidders for supply of furniture and equipment for PSEB new front office on June 13th & 16th 2022.

Reply is not convincing as the payments were made during ban period without approval from Austerity Committee/Finance Division.

No DAC meeting could be arranged till finalization of this report

Audit recommends that responsibility may be fixed for violating the Finance Division instructions. Besides, the matter may be taken up with the Finance Division for regularization.

(Para-19, PSEB 2022-24)

8.1.4.13 Irregular and unjustified creation of C-Level posts and payment made thereof - Rs 46.010 million

Clause 26 of Financial Management and Powers of Principal Accounting Officers Regulation, 2021 states that the Finance Division shall approve cases for creation of posts within the budgetary provisions and as per the instructions issued from time to time.

According to Secretariat Instructions para-75 “Role of Management Services Wing Establishment Division is to prevent unnecessary expansion of the Government and to avoid duplication/overlapping of functions allocated to Ministries/ Divisions.

During audit of Pakistan Software Export Board (PSEB) for the year 2022-24, it was observed that Board of Directors in its 47th meeting held on September 20, 2021 approved creation of the following “C” level Executives positions as second tier between MD and Director cadres.

S. No.	Designation	No. of Posts
1.	Chief Financial & Administration Officer	1
2.	Chief Industry Development Officer	1
3.	Chief Commercial Officer	1
4.	Chief Marketing Officer	1

HR Committee processed the recruitment through advertisement published in newspaper and job portal dated October 24, 2021. In response 451 Nos. applications were received against four positions. After short listing and interview, the selection committee selected the following candidates on contract basis initially for a period of three years and subsequently extendible based on

performance for a maximum period of two years and made payment of Rs 46.010 million.

S. No.	Designation	Name	Date of joining	Date of relieving	Gross salary (Rs)	Total Amount Paid (Rs)
1.	Chief Financial & Administration officer	Muhammad Faheem Akhtar	12.04.2022	22.03.2024	579,431	13,906,344
2.	Chief Industry Development officer	Syed Muhammad Ayub Shah	28.02.2022	22.11.2022	612,230	5,510,070
3.	Chief Commercial officer	Zeeshan Rehman Khattak	15.02.2022	31.08.2024 (continued)	624,432	18,732,960
4.	Chief Marketing officer	Ammar Makhdoom	14.09.2022	09.08.2023	592,930	6,522,230
5.		Mr. Amir Anzur	25.06.2024	Current	669,431	1,338,862
	Total Amount					46,010,466

Audit observed as under:

- The management created C level executive positions and paid Rs 46.010 million on account of pay and allowances without approval of Finance Division.
- Creation of “C” level Executive posts by the Board of Directors is overlapping and duplication of function as Directors already existed for managing the affair of the company.
- Further, Company is mainly relying on Federal Govt. grants for their pay & allowances, thus utilization of public funds for creation of posts required necessary approval from Finance Division in compliance of clause 26 of Financial Management and Powers of Principal Accounting Officers Regulation, 2021.

Audit is of the view that creation of “C” level executive positions without approval of the Finance Division was irregular and unjustified.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the matter regarding creation of “C” level posts in violation of Govt. Instructions, fix responsibility on the person(s) at fault and matter be referred to Finance Division with full justification for regularization or otherwise.

(Para-10, PSEB 2022-24)

8.1.4.14 Irregular expenditure on Exhibitions, Events, Conferences & Delegations without having KPIs and approved policy – Rs 413.113 million

According to 58th meeting of PSEB Board of Directors held on September 21, 2023, PSEB will develop clear and well defined Key Performance Indicator (KPIs) for each trade show and event. KPIs will serve as bench marks for evaluating the success and impact of our participation. Robust monitoring and measurement controls will be put in place to rigorously assess the outcomes and achievements of engagement in each event. Accordingly, outcomes and achievements of our engagements in each trade show /event/delegation etc. will be shared with board regularly. Moving forward participation of companies and industry stakeholders will be maximized while presence of PSEB and MoITT officials will be restricted to most essential in the event and trade show.

The Exhibitions, Events, Conferences, and Delegation Policy 2022 of PSEB was approved by MD PSEB on 25th February, 2022.

The record of Pakistan Software Export Board (PSEB), Islamabad for the year 2022-24, revealed that the management incurred an expenditure of Rs 413.113 million on account of Exhibitions, Events, Conferences, and Delegation for the year 2022-24. The detail of expenditure is as under:

S. No.	Description	FY-2022-23	FY 2023-24
1	Exhibitions	118,607,371	294,506,281
2	Events		
3	Conferences		
4	Delegations		

Audit observed as under:

- No Key Performance Indicators (KPIs) were developed as per decision made by the BoD in its meeting held on 21.09.2023 in order to assess the outcomes and achievement of each event.

- The MD, PSEB approved Exhibitions, Events, Conferences and Delegation Policy 2022. However, the said policy was neither approved by the Board of Directors nor goals and objectives set by the PSEB.

Audit is of the view that in the absence of Key Performance Indicator (KPIs) and an approved policy, goals and objectives a huge expenditure was incurred which was held irregular.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report

Audit recommends that KPIs may be developed as per decision of BoD and the said policy may also be got approved from the Board, besides sharing with audit concrete concerns of this expenditure of Rs 413.113 million on events, exhibitions, conferences and delegations.

(Para-23, PSEB 2022-24)

8.1.4.15 Irregular advance payment to Woman Software Technology Park, Bagh - Rs 22.738 million

According to clause 4.2.15.1 of Accounting Policies and Procedures Manual (APPM) payment must not be made in advance unless it is required by the agreement with the supplier and supported by a bank guarantee for the value of the advance. An agreement of that type must not be entered into merely to avoid the lapsing of an appropriation.

Clause (4) (a) of STP agreement states that disbursement of funds will be executed through a Joint Bank Account between PSEB and WUoAJK-Bagh.

The record of Pakistan Software Export Board (PSEB) Islamabad for the year 2022-24, revealed that the management made a Software Technology Park (STP) agreement under the project “Conversion of Public Sector Building into Software Technology Park (STP) and Up-gradation of the Facility (CapEx)” and disbursed an amount of Rs 30,997,252 in accordance with the approved Bill of Quantities as submitted by the Works Unit of Azad Jammu and Kashmir, Bagh in CFY 2023-24. Out of Rs 30,997,252, PSEB initially disbursed funds of Rs 22.738 million on April 2 2024, through Cheque No. B450793 to the Women University of AJK, Bagh.

Audit observed as under:

- The agreement was signed on 24.07.2024. However, the payment was made on 02.04.2024 before signing of the contract.
- No joint account was opened in violation of agreement made between PSEB and Woman Software Technology Park (WSTP) Bagh.
- The management did not execute the project by itself as all other STPs were executed by the management. The management given free hand to the Woman Software Technology Park (WSTP) Bagh.
- The management did not get bank guarantee for advance payment.

Audit is of the view that advance payment to WSTP Bagh without execution of contract agreement and without a bank guarantee was irregular.

The matter was reported to the management on 22.10.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the matter of advance payment without properly securing interest of the PSEB in the agreement besides fixing responsibility.

(Para-12, PSEB 2022-24)

8.1.4.16 Irregular hiring of rental vehicle in violation of PPRA - Rs 10.347 million

Rule 12(1) of PPRA Rules, 2004 states that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani 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:

Rule 12(2) of PPRA Rules, 2004 states all procurement opportunities over three million Pakistani 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.

The record of Pakistan Software Export Board (PSEB) for the year 2022-24, revealed that the management awarded a contract to M/s MK Travels and incurred an expenditure of Rs 10.347 million on hiring of vehicle on three quotation basis. Audit observed that management awarded the contract without competitive bidding process in violation of PPRA Rules.

Audit is of the view that award of contract amounting to Rs 10.347 million without competitive process was a gross violation of rules.

The matter was reported to the management on 22.10.2024. Management replied that due to nature of urgency and keeping in view the timeline of only 2 days left to the visit, an RFP bidding process could not be initiated at that stage. Therefore, PSEB awarded the contract on quotation basis. Reply is not cogent as the contracts was awarded in violation of PPRA.

No DAC meeting could be arranged till finalization of this report

Audit recommends to investigate the matter regarding violation of PPRA rules and fix responsibility on the person(s) at fault.

(Para-11, PSEB 2022-24)

Chapter-9

Ministry of Information, Broadcasting, National History & Literary Heritage Division

Overview

The Ministry is responsible to release the Government information, media galleries, public domain and government unclassified non-scientific data to the public and international communities. The MoIB has jurisdiction for administrating the rules and regulations and laws relating to information, broadcasting and the press media in Pakistan.

Aims & Objectives

The goal of MIBS is “to achieve country wide media coverage for a well-informed public.”

The specific objectives are:

- To provide legal and policy framework in order to guide the operations of the media industry
- To coordinate the provision of government information to the public in order to ensure consistency and portray a positive image of government
- To interpret Government policy to the public in order to solicit their support and participation in national programmes
- To provide timely news and information to the public
- To improve the capacity of the public media in order to attain countrywide coverage
- To conduct research in media and national topical issues in order to improve the quality of media products, measure public response and influence government policy
- To facilitate the protection of copyright and related rights in order to reduce piracy and unfair exploitation of intellectual property
- To develop and manage human resources in order to enhance the performance of the ministry

- To provide effective financial management services and oversight in order to ensure accountability and transparency
- To provide administrative and logistical support services for efficient operations of the Ministry
- To establish and maintain an information management system in order to improve accessibility to information for speedy and informed decision making
- To plan, coordinate, monitor and evaluate the implementation of ministerial policies, legal framework, projects and programmes in order to ensure their effective implementation and compliance

Governing Laws and Policies

- Rule of Business 1973
- Information Policy of the Federal Government
- Copy right Act.

Audit Profile of Ministry of Information, Broadcasting and National History & Literary, Heritage Division

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	4	2	16,118.843	13,106.729
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	4	2	16,118.843	13,106.729
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 11,954.293 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,977.666 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	1,182.324
3	Irregularities:	
A	HR/Employees related irregularities	852.401
B	Procurement related irregularities	988.789
C	Management of accounts with Commercial Banks	374.650
4	Value for money and services delivery issues	2.724
5	Others	8,553.405

9.1 Associated Press of Pakistan Corporation

9.1.1 Introduction

Associated Press of Pakistan (APP) was taken over by the Government of Pakistan through APP Ordinance 1961. Later on, the APP was converted into Corporation vide Ordinance dated Oct 19, 2002. Its main objectives are efficient flow of information; and supply of un-biased and reliable news to the newspapers and news agencies in Pakistan and abroad.

9.1.2 Comments on Audited Accounts

9.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the years 2013-14 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the years 2013-14 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

9.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2003-04	03	0	03	122, 122.1, 123	0
2004-05	01	0	01	78	0
2005-06	09	08	01	150.5	89
2007-08	03	03	0	-	100
2008-09	01	0	01	Annexure-I	0
2009-10	02	01	01	146	50
2011-12	03	0	03	10.1.1, 10.1.2.1, 10.1.3	0
Total	22	12	10		55

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.1.4 Audit Paras

9.1.4.1 Irregular procurement of equipment – Rs 203.872 million

According to Rule 11 of PPRA Rules 2004, all procuring agencies shall provide clear authorization and delegation of powers for different categories of procurement and shall only initiate procurements once approval of the competent authorities concerned has been accorded. According to Rule 38B of rules *ibid*, (1) The procuring agency shall consider single bid in goods, works and services if it- (a) meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents; (b) is not in conflict with any provision of the Ordinance; (c) conforms to the technical specifications; (d) has financial conformance in terms of rate reasonability:

Provided that except unsolicited proposal, in case of pre-qualification proceedings single bid shall not be entertained.

According to clause-21 of bidding documents, joint ventures or partnership firms are not eligible for this tender. Only those companies which are validly registered with sales tax and income tax departments and having sound financial strength can participate.

During audit of APPC for the years 2020-21 to 2022-23, it was observed that a project titled “Restructuring of News Operations by Replacing Existing Outdated Equipment with Cutting-Edge Technology” was approved by the DDWP on April 22, 2020, with a budget of Rs 786.790 million and a planned completion period of 12 months. The record pertaining to the Project was requisitioned but the same was not provided due to the reasons that the same was handed over to the FIA authorities due to irregularities in the execution of the Project by the project authorities. However, a fact-finding inquiry by APPC revealed that a work order worth Rs 203.872 million for procurement of equipment under Category-B, C, D, and E was issued to M/s Media Link on November 19, 2021. The firm was the sole bidder for these categories, however, procurement rules requiring technical and financial evaluation were not followed. Instead, a sub-committee was formed to check market rates. Additionally, M/s Media Link had a joint venture with M/s Arttek System Pvt. Ltd., which was against clause-21 of the bidding documents, which prohibited joint ventures.

Moreover, the purchase order was issued with unauthorized changes in prices and quantities, violating Rule-11 of PPRA.

Keeping in view the above, the award of work order to M/s Media Link was held irregular.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that departmental proceedings be initiated against those responsible and the matter be pursued with FIA authorities under intimation to audit.

(Para-4, APPC, 2020-23)

9.1.4.2 Undue favour in the procurement of IT equipment – Rs 194.074 million

According to Rule-11 of PPRA 2004, all procuring agencies shall provide clear authorization and delegation of powers for different categories of procurement and shall only initiate procurements once approval of the competent authorities concerned has been accorded.

During audit of APPC for the years 2020-21 to 2022-23, it was observed that a project titled “Restructuring of News Operations by Replacing Existing Outdated Equipment with Cutting Edge Technology” costing Rs 786.790 million to be implemented within a period of 12 months was approved by the DDWP on 22.04.2020. The administrative approval was issued on 08.06.2021. The record pertaining to the project was requisitioned but the same was not provided due to the reason that the same was handed over to the FIA authorities due to irregularities in the execution of the Project by the project authorities. However, a fact finding inquiry conducted by APPC was produced which indicated that a work order for the procurement of IT equipment was awarded to M/s New Horizon on 19.11.2021 for Rs 194.074 million.

M/s New Horizon submitted a financial bid for all items (30) of equipment of Category-A on 05.11.2021. The firm also submitted another financial bid having the same date excluding the price of Item No. 4, 5, 6, 18, 20

and 21. The purchase order dated 19.11.2021 was issued on the basis of second bid (having less items) without obtaining the prior approval of the MD. It was also observed that the Procurement Committee in its meeting held on 19.05.2022 approved the additional work of Rs 1.736 million and issued an amended purchase order dated 20.05.2022 for the additional work without the approval of the competent authority. It is pertinent to mention here that the additional work was not mentioned in the financial bid of M/s New Horizon.

Audit holds the view that by accepting two different financial bids, undue favour was granted to the bidder.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that departmental proceedings be initiated against those responsible and the matter be pursued with the FIA authorities under intimation to audit.

(Para-5, APPC, 2020-23)

9.1.4.3 Irregular and unauthorized award of contract of prefabricated studios – Rs 113.352 million

According to Para-3.31 of the guidelines of Project Management issued by the Planning Commission, Government of Pakistan, the physical activities like civil work, procurement of machinery & equipment, etc., may be undertaken in accordance with the approved Work Plan/Activity Chart. According to clause-21 of bidding documents, joint ventures or partnership firms are not eligible for this tender. Only those companies which are validly registered with sales tax and income tax departments and having sound financial strength can participate. According to Rule 38B of PPRA Rules, 2004 (1) The procuring agency shall consider single bid in goods, works and services if it-

- (a) meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents; (b) is not in conflict with any provision of the Ordinance; (c)

conforms to the technical specifications; (d) has financial conformance in terms of rate reasonability:

Provided that except unsolicited proposal, in case of pre-qualification proceedings single bid shall not be entertained.

According to clause-21 of bidding documents, joint ventures or partnership firms are not eligible for this tender. Only those companies which are validly registered with sales tax and income tax departments and having sound financial strength can participate.

During audit of APPC for the years 2020-21 to 2022-23, it was observed that a project titled “Restructuring of News Operations by Replacing Existing Outdated Equipment with Cutting Edge Technology” costing Rs 786.790 million was approved by the DDWP on 22.04.2020. The record pertaining to the project was requisitioned but the same was not provided due to the reasons that the same was handed over to the FIA authorities due to irregularities in the execution of the Project by the project authorities. However, a fact finding inquiry conducted by APPC was produced which indicated that a work order for the construction of pre-fabricated studios was awarded to M/s Arttek System Pvt. Ltd. as a Joint Venture partner of M/s Media Link at a cost of Rs 113.352 million on 19.11.2021. As per record (PC-I, RFP, minutes of fifth Procurement Committee meeting dated 14.10.2021 and BOQ), no prefabricated studios were provided in the project. Further, no modification in the PC-I for construction of prefabricated studios was approved by the competent authority. It was also revealed that M/s Arttek System never participated in the bidding process and their name was included at a later stage as a joint venture partner of M/s Media Link who had participated in the bidding process.

The record also revealed that the company was single bidder for the category B, C, D and E. Hence, a committee to verify the rates from open market was constituted which reported only 15 to 25% rates difference in market rates. The committee, therefore, recommended to award contract to the company being a single bidder. Accordingly, work order of Rs 113.352 million was awarded to M/s Arttek systems.

Keeping in view the above, audit holds the view that the award of work and construction of prefabricated studios without amendment in scope of work and approval of competent authority to M/s Arttek as a joint venture partner was irregular being against the clause-21 of the bidding documents. Further, market survey for rates reasonability should have been conducted before opening of their financial bid which was not done.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that departmental proceedings be initiated against those responsible and the matter may be pursued with the FIA authorities under intimation to audit.

(Para-7, APPC, 2020-23)

9.1.4.4 Irregular empanelment of private hospitals resulting in irregular expenditure - Rs 150.353 million

Rule 15 (1) of PPRA, 2004 states that a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects. Rule 20 states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. As per rule –5 (5) (a) of the Public Sector Companies (Corporate Governance) Rules, 2013, 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, objectivity, integrity and honesty and relationship with the stakeholders.

During audit of Associated Press of Pakistan Corporation for the years 2020-21 to 2022-23, it was observed that the management selected different private hospitals for empaneling in different cities for provision of health facilities to its employees without following due process of competitive bidding / prequalification.

Audit observed that the hospitals were selected on request basis received from those private hospitals time to time without ensuring merit. There was no advertisement and selection criteria laid out which a hospital should fulfill in order to be shortlisted. It is pertinent to mention that there were no approved medical rules of the organization. Thus, due to non-availability of selection criteria, hospitals were selected on pick and choose basis without observing open competition and merit.

The irregularity occurred due to ignoring the principles of fairness, transparency and value for money to select a hospital for empanelment.

Thus, the management incurred irregular expenditure of Rs 150.353 million (Rs 40.555 million + Rs 47.493 million + Rs 62.305 million for the year 2020-21, 2021-22 & 2022-23 respectively) on empanelment of different hospitals.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain why the services were not availed on competitive basis and fix responsibility thereof.

(Para-8, APPC, 2020-23)

9.1.4.5 Non-deposit of income tax - Rs 31.722 million

Rule-43 of Income Tax Rules, 2002 states that as required under section 160 and under the Sixth Schedule to the Ordinance, the tax collected or deducted under Division II or Division III of Part V of Chapter X of the Ordinance, Chapter XII of the Ordinance or Sixth Schedule to the Ordinance shall be paid to the Commissioner by way of credit to the Federal Government,- (a) where the tax has been collected or deducted by the Federal Government or a Provincial Government on the day the tax was collected or deducted.

During audit of Associated Press of Pakistan Corporation for the years 2020-21 to 2022-23, it was observed that income tax was deducted from employees each month but was not deposited to the tax authorities. Audit observed that the total liability in the relevant head of account was Rs 53.920

million (i.e. liability for 2020-21 Rs 30.399 million and amount deducted in 2021-22 Rs 22.930 million) out of which an amount of Rs 22.197 million was paid in 2021-22 leaving a balance of Rs 31.722 million to be paid.

Due to non-payment of income tax liability, the government is deprived of Rs 31.722 million tax revenue.

The irregularity occurred due to non-adherence to the income tax rules.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain reasons for non-payment of income tax withheld from employees, deposit the amount of income tax into government treasury and fix responsibility thereof.

(Para-9, APPC, 2020-23)

9.1.4.6 Unauthorized continuation of services to defaulter clients - Rs 28.781 million

Under Clause-3.2 of the agreements with News agencies for provision of news by APPC for a fixed monthly subscription fee, “the subscriber shall pay to the APPC at its Head Office in Islamabad the annual sum of rupees in twelve equal monthly installments. All monthly installments shall be paid on or before 5th of every month and failure in payment of one monthly installment, shall entitle APPC to suspend service forthwith. Failure to pay subscription charges for two consecutive months would render the breach of the agreement on the part of the subscriber and entitle APPC to claim all outstanding payment along with damages and costs, if any”.

During audit of Associated Press of Pakistan Corporation for the years 2020-21 to 2022-23, it was observed that 50 agencies had accumulated arrears of Rs 28.781 million as on June 30, 2023. Examination of these arrears showed that accrual of this liability on clients ranged from 1 to 18 years old, yet services were continued despite the breach of agreement.

The irregularity occurred due to ill planning and weak internal controls.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain reasons for non-suspension of services despite such long period of outstanding dues from the news agencies, recover the outstanding amount without further loss of time and fix responsibility thereof.

(Para-10, APPC, 2020-23)

9.1.4.7 Loss due to non-recovery of Pay & Allowances from the employees dismissed on providing fake degrees / certificates - Rs 22.342 million

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.

According to judgement of the Supreme Court of Pakistan (case 2009 SCMR 1492) no leniency should be shown in favour of employees possessing fake/bogus degrees/certificates. Supreme Court of Pakistan recommended authorities to examine the possibility of getting registered criminal case against such employees so that in future no one should dare to commit such misconduct.

During the audit of Associated Press of Pakistan Corporation, Islamabad for the financial years 2020-21 to 2022-23, it was observed that 6 employees were dismissed on providing fake/bogus degrees/certificates at the time of initial appointment. Resultantly, an amount of Rs 22.342 million on account of salary and other allowances is held irregular and unjustified. Audit observed that no action for recovery of pay & allowances was taken by the management.

Audit is of the view that the management failed to verify the degrees at the time of appointment which reflects negligence and undue favor to the employees.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons for non-verification of degrees in-time, non-lodging the criminal cases against the employees and recover the amount fraudulently received by these employees.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2020-21 vide para numbers 10.1.4.5 having financial impact of Rs 64.411 million. Recurrence of same irregularity is a matter of serious concern.

(Para-11, APPC, 2020-23)

9.1.4.8 Non-recovery of advances from employees - Rs 17.186 million

According to GFR-13, every controlling officer must satisfy himself not only that adequate provision exists within the departmental organization or 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 Associated Press of Pakistan for the year 2020-21 to 2022-23, it was observed that advances of Rs 17.186 million were granted to various employees for expenses during the period from 1995-96 to 2022-2023 but recovery/adjustment of the advances had not yet been made from the concerned employees. This resulted into non-recovery of funds of Rs 17.186 million from the employees.

Weak internal controls resulted into non-recovery of outstanding amount.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to recover the outstanding amount without further loss of time and fix responsibility on the person(s) at fault.

(Para-12, APPC, 2020-23)

9.1.4.9 Non-recovery of subscription income from defaulter subscribers - Rs 16.120 million

Under Clause-3.2 of contract agreement, the subscriber shall pay to the APPC at its Head Office in Islamabad the annual sum of rupees in twelve equal monthly installments. All monthly installments shall be paid on or before 5th of every month and failure in payment of one monthly installment, shall entitle APPC to suspend service forthwith. Failure to pay subscription charges for two consecutive months would render the breach of this agreement on part of the subscriber and entitle APPC to claim all outstanding payment along with damages and costs, if any.

During scrutiny of the receivables records of APPC as on 30.06.2020, it was observed that an amount of Rs 16,120,407 was appearing as subscription receivable from ceased subscribers of the Corporation. The said amount is receivable since 2008. As the monthly subscription amount is not more than Rs 30,000 in any case, so the accumulation clearly indicates that management did not stop providing services to the defaulters and no actions are taken by the management for recovery. The accumulation of huge amount indicates that the management did not take immediate action on default in monthly advance, as required under the above clause of the service agreement. This resulted in loss to the Corporation of Rs 16.120 million.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to intimate the reasons of non-cancellation of services well in time which caused piling up of the huge amount of subscription and recover the amount under intimation to audit.

(Para-14, APPC, 2020-23)

9.1.4.10 Irregular appointment without advertisement as Reporter – Rs 7.213 million

As per Rule-11 of Associated Press of Pakistan Corporation Employees (Service) Rules, 2004 all vacancies to be filled in by initial recruitment shall be advertised in prominent newspapers.

During audit of Associated Press of Pakistan Corporation for the years 2020-21 to 2022-23, it was observed that Mr. Muhammad Furqan Rao had been working in APPC as Reporter on internship basis under National Internship Program, Government of Pakistan since March 2010. The official vide his application dated 23.12.2010 requested for his appointment as Reporter in APPC. The request of the official was acceded to and he was appointed as Reporter vide letter No. F.1-9/2010-Admin dated 25.01.2011 for a period of one year on monthly salary of Rs 12,000 per month from the date of joining. The official accordingly joined on the same day i.e. 25.01.2011. The services of the official remained extending and were regularized w.e.f. 14.08.2012 as Sub Editor/Reporter in G-III.

Audit is of the view that the appointment of an internee on contract basis and later on regularization as Sub Editor/Reporter without advertisement and open competition was in violation of the directives of Supreme Court and government instructions. In addition, the officer was also allowed Rs 1,000 per day to work for APP during his studies at China vide APPC letter dated 27.09.2016. Accordingly, an amount of Rs 1.137 million was paid to the officer. Therefore, the appointment and payment of pay & allowances amounting to Rs 6.076 million was irregular.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter with a view to fix responsibility for irregular appointment of official without advertisement.

(Para-16, APPC, 2020-23)

9.1.4.11 Irregular appointment of Chartered Accountant firm without approval of the Auditor-General of Pakistan and open competition – Rs 2.500 million

According to Finance Division OM No. F.3(1)-Inv.III/80-406 dated 25.03.1981 regarding appointment of Commercial Auditors for the audit of statutory corporations, in the case of autonomous bodies/corporations, where under the statutory provisions appointments are to be made by the Federal Government it was decided: (a) Before, submitting the name of the auditor(s) for approval to the Board of Directors, the institution should get the approval of the Auditor-General of Pakistan. (b) The request for approval to the Auditor-General of Pakistan should be routed through the institution's administrative Ministry / Division. (c) Auditor-General of Pakistan may ensure that all auditors are changed after five years. (d) Finance Division may be approached for relaxation of these orders only in cases of extreme nature.

During audit of Associated Press of Pakistan Corporation for the years 2020-21 to 2022-23, it was observed that APPC appointed M/s Masoom Akhtar & Co. based on hand collected quotations for audit of financial years 2013-14 to 2019-20 at a fee of 100,000/year of audit. The management again collected quotation and selected M/s Masoom Akhtar & Co. for the audit of 2020-21 to 2022-23. Audit observed that the appointment of Chartered Accountants was made in violation of PPRA rules and Finance Division's instructions without obtaining approval of the Auditor-General of Pakistan.

Details of payments made are as under:

S. No.	FY	Amount (Rs)	S. No.	FY	Amount (Rs)
01	2013-14	100,000	02	2014-15	100,000
03	2015-16	100,000	04	2016-17	100,000
05	2017-18	100,000	06	2018-19	100,000
07	2019-20	100,000	08	2020-21	600,000
09	2021-22	600,000	10	2022-23	600,000
	Sub Total	1,000,000			1,500,000
	Grand Total				2,500,000

Audit is of the view that appointment of Chartered Accountants without open competition, approval from the Auditor-General of Pakistan and payment of Rs 2.500 million was irregular.

The irregularity occurred due to non-adherence to the of procurement rules and government instructions.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain reasons for non-consultation with Auditor-General of Pakistan before submission of name of auditor(s) for approval and fix responsibility thereof.

(Para-18, APPC, 2020-23)

9.1.4.12 Irregular Promotion without fulfilling the required length of service – Rs 2.309 million

According to APP Employees' Service Rules, 2004 – Schedule-II (Method of appointment), the percentage of posts reserved for direct recruitment and by promotion for Sr. journalists (Grade-I/BS-18) is 25:75. As per Schedule-III, the Sr. Sub-Editor / Reporter having at least 5 years' service in Grade-II/ (BS-17) are eligible for promotion as Sr. Journalist (Grade-I/ BS-18) on the basis of seniority cum fitness.

During audit of APPC for the years 2020-21 to 2022-23, it was observed that a DPC meeting was held on 25.01.2023 under the Chairmanship of the Managing Director, APPC to consider the promotion cases of APPC. Accordingly, 14 officers of Editorial cadre were promoted from Grade-II to Grade-I.

Audit observed that the length of service of these officer was less than 5 years in Grade-II as required under the APP Employees' Service Rules, 2004 – Schedule-III. Therefore, they were not eligible for promotion. Thus, undue favour was given to the officers which resulted into recurring loss of Rs 2.309 million to the government.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

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

(Para-19, APPC, 2020-23)

9.1.4.13 Irregular contract appointment after superannuation – Rs 2.119 million

According to the Cabinet Secretariat (Establishment Division) Government of Pakistan O.M. No.4/2/90-R- 1-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007, 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 APPC for the years 2020-21 to 2022-23, it was observed that Mr. Arshad Majeed Chaudhry, Manager Accounts retired from service on attaining the age of superannuation w.e.f. 19.11.2021. The services of the officer were hired temporarily for a period of one & a half year on last drawn basic salary of Rs 95,000/- per month (all inclusive) w.e.f. 22.11.2021 under the PSDP project “Restructuring of News Operation by replacing outdated equipment through modern cutting edge technology” and the provisions mentioned in the PC-I for completion of project activities as Drawing & Disbursing Officer.

The record revealed that the appointment was made without obtaining the approval from the Prime Minister by the MD, APPC. The officer remained posted till 30.09.2023 and he was relieved from duty vide office order dated 28.09.2023.

Audit holds the view that the appointment of the officer after superannuation without the approval of the Prime Minister and expenditure on account of salary of Rs 2,118,500 was irregular.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the position regarding irregular appointment of officer without the approval of the Prime Minister and fix responsibility thereof.

(Para-20, APPC, 2020-23)

9.1.4.14 Irregular up-gradation of PhD degree holders to Grade-II and promotion to Grade-I without fulfilling the required length of service

According to APP Employees' Service Rules, 2004 – Schedule-III, the journalists having at least 4 years' service in Grade-III (BS-16) are eligible for promotion to Grade-II on the basis of seniority cum fitness. As per Schedule-III, the Sr. Sub-Editor / Reporter having at least 5 years' service in Grade-II/ (BS-17) are eligible for promotion as Sr. Journalist (Grade-I/ BS-18) on the basis of seniority cum fitness.

According to Finance Division OM No. F.No.1(9)Imp/2000-Vol-XIV-633 dated 07.07.2015, all the PhD / D.Sc. degree holders will be allowed P.D/D.Sc. allowance @ Rs 10,000 per month irrespective of place of posting or job assigned to the person concerned.

During audit of APPC for the years 2020-21 to 2022-23, it was observed that the APPC BoD in its 28th meeting held on 08.07.2021 approved the policy for allowing higher grade to regular employees of APPC on acquiring PhD degree vide agenda item No. 3. Accordingly, following four Grade-III PhD degree holder Sub-Editors/Reporters were up-graded to Grade-II dated 17.08.2021:

1. Dr. Wahid Ullah Ayub, Sub-Editor / Reporter, APP, Islamabad
2. Dr. Muhammad Furqan Rao, Sub-Editor / Reporter, APP, Islamabad
3. Dr. Sahib Oad, Sub-Editor / Reporter, APP, Karachi
4. Dr. Sadia Kamal, Sub-Editor / Reporter, APP, Islamabad

As per office order, their inter-se seniority will remain intact with the original batch.

Audit observed that the promotion / up-gradation of PhD degree holders was against the government policy which stipulates the grant of PhD allowance

only, concurrence of the Finance Division / Establishment Division for such up-gradation was not obtained, the quota for direct recruitment and by promotion was not observed, and vacancy position for the said promotions was not considered / discussed in the Departmental Promotion Committee meeting. Further, the length of service of Dr. Sadia Kamal, Sub Editor/Reporter was short of four years required length of service. The Performance Evaluation Report for the year 2019 of the officer contained poor grading as well as adverse remarks made by the Reporting Officer duly endorsed by the Countersigning Officer.

Audit also observed that Dr. Muhammad Wahidullah Ayub and Dr. Muhammad Furqan Rao were further promoted to Grade-I as Senior Journalist dated 18.03.2024 without fulfilling the required length of service of 5 years. Further, their inter-se seniority had to remain intact with their original batch (Grade-III) but due to further promotion to Grade-I, their seniority also changed.

Keeping in view the above, audit is of the view that approval of policy for promotion / up-gradation of regular employees on acquiring PhD degree without the concurrence of Finance Division and Establishment Division was irregular ab-initio. Further, promotion of Dr. Muhammad Wahidullah Ayub and Dr. Muhammad Furqan Rao to Grade-I without fulfilling the required length of service was undue favour to the officers which resulted in discrimination against the remaining officers of their batch.

The matter was reported to the management on 05.07.2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter, fix responsibility on the persons at fault, besides cancellation of promotion orders from Grade-III to Grade-II and Grade-II to Grade-I and fix the seniority at the stage prior to their promotion.

(Para-23&24, APPC, 2020-23)

9.1.4.15 Embezzlement of corporation funds on account of salary and pension - Rs 131.033 million

As per Rule-23 of General Financial Rules (Volume-I), every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

According to para-11 of General Financial Rules, each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

During audit of the Associated Press of Pakistan Corporation (APPC) for the financial 2023-24, it was observed from the records that some officers and officials of APPC fraudulently transferred an amount of Rs 131.033 million under the head of salary and pension into their personal bank accounts maintained with National Bank Main Branch, Islamabad during the period January, 2021 to September, 2023. This course of action showed that the officials/officers, either individually or in collusion with others, fraudulently withdrew corporation funds for personal gain, resultantly APPC sustained a loss of Rs 131.033 million.

Irregularity occurred due to fraudulent financial practices and weak internal controls.

Audit is of the view that the embezzlement of Rs 131.033 million on account of salary and pension caused a significant financial loss to the Corporation. Furthermore, this incident put forward the potential existence of additional fraudulent activities or misappropriation of funds within the Corporation, which may result in further loss to the public exchequer.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter at the Administrative Ministry level besides fixing responsibility, recover the embezzled amount from

concerned and initiate criminal proceedings against them and enforce stringent disciplinary measures against personnel involved in fraudulent activities to uphold accountability.

(Para-3, 4, 5, 6 & 7, APPC, 2023-24)

9.1.4.16 Fraudulent transfer of funds from Assignment Account to Current Account - Rs 978.789 million

According to para-11 of General Financial Rules, each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

According to para-1(XVI) of the Assan Assignment Account Procedure (Local Currency), amended 2023, cash withdrawal or transfer of funds to any bank account is not allowed except employees related deductions like pension contribution, provident fund and GP Fund, etc.

During audit of Associated Press of Pakistan Corporation (APPC) for the year 2023-24, it was observed that an assignment account No. 1163626385 was being maintained in the National Bank of Pakistan for drawn of funds under two main heads of accounts “ERE” and “Non-ERE”. Record revealed that an amount of Rs 602.908 million was drawn in excess from the assignment account under salary head of account and transferred to the current account of the Corporation. Further, it was observed that an amount of Rs 375.881 million was drawn from the assignment account under the pension head of account and transferred to the pension account of the Corporation. Thus, withdrawal of amount of Rs 978.789 million (Rs 602.908 million + Rs 375.881 million) was held fraudulent and irregular.

Further, the fact finding report indicated that upon arrival and joining of the new Executive Director, Mr. Muhammad Ghawas continued to mis-use the official stamp of the Executive Director for drawl of the funds from the assignment account of the APPC.

Irregularity occurred due to fraudulent practices and weak internal controls.

Audit is of the view that the transfer of funds amounting to Rs 978.789 million from the salary and pension head of the Assignment Account to Current Account not only led to violation of the assignment account procedure but also caused drawl of excess funds.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter regarding the fraudulent transfer of funds from the Assignment account to Current Account at Administrative Ministry level, fix responsibility on the person(s) at fault and stop such mal-practices in future. Besides, provide complete detail of utilization of the fraudulently transferred funds to audit along with justification.

(Para-1, 2 & 9, APPC, 2023-24)

9.1.4.17 Irregular appointment of resource persons on contract basis without advertisement - Rs 15.219 million

According to the Establishment Division's OM dated May 06, 2002, (iii b &c) all initial appointments should be made through open advertisement; (ii) all selections for appointment should be conducted by a duly constituted Selection/Promotion Committee/Board.

During audit of Associated Press of Pakistan Corporation (APPC) for the years 2023-24, it was observed that management appointed thirty resource persons on contract basis without any advertisement and written test which showed that these appointments were made on pick & choose basis. Out of thirty, five employees were recruited overage at the time of appointment. Moreover, it was also noticed through fact finding inquiry report dated August 16, 2023, that fourteen appointment orders were fake and the fact finding inquiry committee recommended to initiate disciplinary proceeding for fake appointment. Resultantly, management paid an amount of Rs 15.219 million on account of pay and allowances. The appointments without advertisement and fake appointments were held irregular.

Irregularity occurred due to non-compliance of Establishment Division's Instructions and weak internal controls.

Audit is of the view that appointments of the officials against the government rules were irregular.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons for irregular appointments of contract employees in violation of the Establishment Division's instructions and fix responsibility on the individuals at fault, and the appointments be regularized from the Establishment Division.

(Para-13, 20 & 21, APPC, 2023-24)

9.1.4.18 Irregular continuation of services of the Correspondent after attaining the age of superannuation - Rs 45.120 million

According to Cabinet Secretariat (Establishment Division), Government of Pakistan O.M No.4290-R-I-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007, 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 the Prime Minister.

During audit of Associated Press of Pakistan Corporation (APPC) for the year 2023-24, it was noted that Mr. Ifitktar Ali, Information Officer voluntarily retired from service from APPC with effect from 30.06.1995. He was re-appointed on contract basis as Part Time Correspondent at New York, USA at monthly salary of US \$ 2000 per month for one-year period letter dated 07.07.2005. Further his service was extended up to 31.08.2006 by the BoD in meeting dated 04.12.2006 along-with increase in salary from US \$ 2000 to US \$ 2250. An expenditure of RS. 45.120 million was incurred on payment of the pay & allowances of the officer since appointment.

Audit observed that the officer's appointment and continuation of service after retirement without the approval of the Prime Minister of Pakistan. Additionally, the officer's salary was paid in cash rather than being transferred to a bank account. Despite reaching the age of 87, the officer continued to serve. Furthermore, there was no approval from the Board of Directors for the continuation of services beyond 31.08.2006.

Irregularity occurred due to lack of financial management and granted undue favor to the officer.

Audit is of the view that appointment and continuation of the officer after superannuation was irregular and violations of the Government rules.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter regarding irregular appointment as well as continuation of the services after superannuation.

(Para-19, APPC, 2023-24)

9.1.4.19 Un-authorized transfer of funds from pension account to current and contributory provident fund account - Rs 153.885 million

According to Para-12 of the General Financial Rules Vol-1, 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.

During audit of Associated Press of Pakistan (APPC) for the year 2023-24, it was observed that an amount of Rs 153,884,683 was transferred from the Pension Account to the current Account No. 4004663507 and the Contributory Fund Account No. 4035245008 without any justified reasons. Pension account was specifically maintained for meeting the pensionary obligations of the

employees but the management expanded the pension funds on the operational activities.

Irregularity occurred due to improper management of the pension funds and weak financial controls of the management.

Audit is of the view that un-authorized with-drawl of funds amounting to Rs 153.885 million drawn from the pension account to the current account and CPF not only violated the Government rules but also may deprive the current as well as ex-employees from their due pensionary benefits therefore was held irregular and unauthorized.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter for unauthorized transfer of funds at the administrative level and fix responsibility on the persons at fault.

(Para-14, APPC, 2023-24)

9.1.4.20 Mis-appropriation of salaries to the ghost employee – Rs 72.502 million

According to Para 2.3.2.8 & 4.6.3.1 of Accounting Policies and Procedures Manual, departments minimize risk of fraud and corruption and issue payment through direct bank transfer and cheques. The normal method of payment of monthly salaries of all government employees shall be by credit transfer direct to a bank account nominated by the employee.

During audit of Associated Press of Pakistan Corporation (APPC) for the year 2023-24, it was observed that Mr. Muhammad Asghar was appointed as Special Correspondent (Grade-1) at Beijing (China) on 18.10.2016 on monthly pay of Rs 51,640 including foreign allowance of US \$ 2,600, entertainment allowance @ US \$ 165.50 and house hiring ceiling equal to the post of second secretary in the Embassies of Pakistan plus other approved allowances.

Record revealed that monthly salary was paid to Mr. Muhammad Usman Asghar by a ghost individual through bearer cheques instead of sending the

monthly pay to the officer concerned bank account since May, 2017 to June, 2024.

Irregularity occurred due to lack of the financial control.

Audit is of the view that payment of the salaries amounting to Rs 72.502 million to the ghost individual instead of the officer concerned was irregular and tantamount to mis-appropriation by the individuals concerned.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter to fix responsibility for making payments to the ghost individual in violation of rules, recover the amount involved from the individuals concerned or the officer held responsible and explain the reasons for issuing bearer cheques to a ghost individual.

(Para-22, APPC, 2023-24)

9.1.4.21 Irregular withdrawal of funds from Contributory Provident Fund to APPC Current Accounts without approval of the Board of Trustees - Rs 134.161 million

According to Para-11 (a) of the Contributory Provident Fund trust of the Associated Press of Pakistan Corporation, the fund shall be administered by a Board of Trustees consisting not more than ten members having equal number of representatives of the Management and the subscribers.

During audit of Associated Press of Pakistan Corporation (APPC) for the financial year 2023-24, it was observed that an amount of Rs 134,161,132 was withdrawn from the Contributory Provident Fund account and placed in current accounts of APPC during the year 2021-22 to 2023-24 without prior approval of the Board of Trustees.

Irregularity occurred due to weak internal and financial control.

Audit is of the view that funds lying in the Contributory Provident Fund were not only utilized as per will of the Managing Directors during their tenures

on the activities other than the benefits of the members of the trust without involvement of the Board of Trustees but also led to an interest loss to the fund, therefore was held irregular.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to conduct a fact finding inquiry to fix responsibility on the officers responsible for transferring the funds to other bank accounts without approval of the Board of Trustees, immediately refund the transferred funds to the CPF account along with interest amount. Besides, stop the withdrawal of the funds without approval of the BOT.

(Para-17, APPC, 2023-24)

9.1.4.22 (i) Irregular investment of funds without approval of the Board of Trustees (BOT) and competitive bidding process - Rs 374.650 million

(ii) Un-authorized investments of funds in the Defence Saving Certificates in violations of the State Bank of Pakistan instructions

According to Finance Division letter No. U.O. No. 21 (1)/GS-1/2011-800 dated. 30.06.2020 read with SBP letter No. CMD Circular No. 5 dated. July 09, 2020 no institutional investment of any kind should be accepted in National Savings Schemes (NSS) dealt by banks i.e. Special Savings Certificate (SSC) / Defence Savings Certificate (DSC) on or after July 01, 2020.

According to Para 03 (b) of the F.D. letter No. F. 4 (2) /2002-BR-II dated. 02.07.2003, the process of selection of bank/(s) should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case the total working balances exceed Rs10 million, the selection of the bank/(s) as well as the terms of deposits will be approved by the concerned Board of Directors / Governing Body on the basis of competitive bids from at least three independent banks. The risk associated with keeping deposits should be diversified. Therefore, in cases where total working balance of an enterprise exceeds Rs10 million, not more than 50% of such balance shall be kept with one bank.

Para-6 of the above letter further states that 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 the employees' contributory provident fund of the Associated Press of Pakistan for the audit year 2021-22 to 2023-24, it was observed that management of the APP re-invested the funds amounting to Rs 374.650 million in two branches of the National Saving Center Islamabad in Defense Savings Certificates (i.e. Rs 9.450 million and Rs 365.200 million) w.e.f. 25.10.2019 and 19.02.2020 on yearly profit rate of 13.01% and 10.40% respectively.

Audit observed that:

1. After maturity of Defence Saving Certificate (DSC) in 25.10.2019 and 19.02.2020, funds were lying idle in the National Saving centers Islamabad up to 21.09.2023. Managing Director, being Chairman of the CPF, did not withdraw and reinvest funds in some other scheduled banks.
2. Funds were re-invested on 21.09.2023 from the back date i.e. 25.10.2019 and 19.02.2020 vide Para 58 to 60/ N, despite of the fact that SBP had imposed a ban on institutional investments in the Defence Saving Certificates.
3. Funds were invested in the National Saving Center without obtaining the approval of the BOT.
4. No investment committee was constituted for investment of the funds by the management.
5. No competitive bidding was made among different scheduled banks of Pakistan for achieving the highest profit rates
6. All the amount was invested in the National Saving Center despite clear instructions of the Finance Divisions regarding diversifying the funds if exceeding Rs 10 million.

Irregularity occurred due to imprudent financial management of the Corporation.

Audit is of the view that management of the APP re-invested the whole funds in the Defence Savings Certificates without approval of the Board of Trustees and competitive bidding process which led to an irregular investment.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter for re-investment of the funds without approval of the BOT and competitive bidding process besides fixing responsibility on the persons at fault.

(Para-18, APPC, 2023-24)

9.1.4.23 Irregular appointment of officials on fixed pay and conversion of their pay to grade-wise pay package - Rs 2.249 million

According to Finance Division letter No. F. No. 4(3) R-4/2011 dated 23.01.2024, pay, allowances, and their revision for all government employees, including those employed in Autonomous/Semi-Autonomous/Corporate Bodies, require prior approval from the Finance Division.

According to the Establishment Division's OM dated April 17, 2003 (referencing a decision by the Supreme Court of Pakistan): (i) all initial appointments should be made through open advertisement; (ii) all selections for appointment should be conducted by a duly constituted Selection/Promotion Committee/Board; (iii) there should be predetermined criteria for each post; and (iv) no provisions for relaxation of rules should be given in favor of any individual.

During audit of Associated Press of Pakistan Corporation (APPC) for the year 2023-24, it was observed that five employees were appointed on contract basis on fix pay in July and August, 2023 without advertisement. Subsequently, the pay of these employees were converted into grade-wise salaries on a contract basis in March, 2024 and July, 2024 with retrospective effect from their initial appointments by issuing modification letters.

Irregularity occurred due to weak internal and financial control.

Audit is of the view that appointment of the officials without advertisement and further conversion of their pay from fix pay to grade-wise pay Rs 2.249 million not only led to violations of the government rules but also undue benefit granted to employees at the cost of the public exchequer therefore held irregular.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter of irregular appointments and subsequent conversion of the pay from lump sum to grade-wise with retrospective effective besides fixing responsibility on the person(s) at fault.

(Para-15, APPC, 2023-24)

9.1.4.24 Non-reverting the regularization service of contractual, daily, and interns for - Rs 121.587 million

According to Finance Division letter No. F. No.4(3)R-4/2011 dated 23.01.2024, pay, allowances, and their revision for all government employees, including those employed in Autonomous/Semi-Autonomous/Corporate Bodies, require prior approval from the Finance Division. Furthermore, in its 31st meeting of board held on 28.03.2023, the Board of Directors approved the regularization of all contract, daily wage, and paid intern employees of APPC, subject to funding provision by the Finance Division. The Honorable Islamabad High Court's judgement dated 13.10.2023 declared that the National Assembly Special Committee on Affected Employees' recommendations stood null and void with no legal effect.

During audit of Associate Press of Pakistan Corporation (APPC) for the year 2023-24, it was observed that the services of 125 APPC employees were regularized working on contractual/daily wage/internship basis effective from 01.06.2023 in the light of Special Committee of the National Assembly on Affected Employees' letter No. 15(1)/2022-Com-1/Spl.Com dated 25.12.2022. Through this letter, the National Assembly Secretariat directed the regularization

of all contract/daily wage/contingent employees in various Ministries/Divisions, based on scrutiny considering seniority and pay fixation as per merit. This directive was applicable to employees in service on or before 30.09.2022. The APPC management regularized the services of these employees without adhering to the directive regarding scrutiny of seniority and merit as well as prior approval of the Finance Division.

Subsequently, the Ministry directed the Executive Director, APPC, Islamabad on 11.06.2024 regarding the regularization order of the all employees converted to their pre-regularization status on the basis of Islamabad High Court decision but the same was not implemented.

Irregularity occurred due to non-implementation of the Islamabad High Court's decision as well as Ministry's directions.

Audit is of the view that this irregularity resulted into significant loss of Rs 121.857 million to the public exchequer due to non-compliance of the Ministry directives.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to fix responsibility to the person(s) at fault for non-implementation the IHC's decision in letter and spirit.

(Para-16, APPC, 2023-24)

9.1.4.25 Irregular payment of honorarium to reporters - Rs 7.759 million

According to Fundamental Rules (FR) - 46 (b) "a local Government may grant or permit a Government servant to receive an honorarium from general revenues as remuneration for work performed which is occasional in character and either so laborious or of such special merit as to justify a special reward, except when special reasons which should be recorded in writing, exist for a departure from this provision, sanction to the grant or acceptance of an honorarium should not be given unless the work has been undertaken with the

prior consent of the Local Government and its amount has been settled in advance”.

As per S. No. 17 of Annex-I to Finance Division OM No. F.3(2) Exp.III/2006 dated 13.09.2006, the amount of honoraria should not exceed one month's pay of the government servant concerned on each occasion. In the case of recurring honoraria, this limit applies to the total of recurring payments made to an individual in a financial year.

During audit of Associated Press of Pakistan (APPC) for the year 2023-24, it was observed that the management paid a three-month basic pay of Rs 7.759 million on account of honorarium to reporters of APPC contrary to above referred fundamental rules. Hence, payment of Rs 7.759 million was considered as un-justified and irregular.

Irregularity occurred due to non-adherence of the rules and lack of internal controls.

Audit is of the view that funds were disbursed just to give personal benefit instead of utilization for real purpose against which it was appropriated.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons for payment of honorarium to employees contrary to rules and fix responsibility thereof.

(Para-27, APPC, 2023-24)

9.1.4.26 Loss to the Trust Fund due to non-recovery of the profit on refundable advances from employees - Rs 22.098 million

According to Para 19 (iv) of the Associated Press of Pakistan employees contributory provident fund rules, 1979 after the principal amount of the advance has been fully repaid, profit thereon shall be recovered at the prevalent rate.

During audit of employee's contributory provident fund of the Associated Press of Pakistan Corporation for the audit year 2021-22 to 2023-24, it was

observed that temporary refundable advances amounting to total Rs 198.188 million (Rs 106,643,000 and Rs 91,545,000) were paid out of the trust fund to the employees in the year 2021-22 and 2022 respectively for meeting their personal/ domestic needs from the trust fund.

Management of the trust fund only recovered the principal amount from the employees but did not recover the profit accrued thereon. The same practice of non- recovery of the profit on advances existed since long but management did not bother to implement rules of Contributory Provident Fund Trust for recovery of the profit on advances.

Irregularity occurred due to lack of interest of the management in the affairs of the CPF Trust and non- adherence to the CPF rules.

Audit is of the view that as the employees were being paid the interest from the investments therefore in light of the CPF rules, they were also required to pay the profit on their refundable advances. Non-recovery of the profit on the refundable advances led to an overall loss of Rs 22.098 million to the Contributory provident fund trust. Therefore, it was held irregular.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify non-recovery of the profit on advances from the employees, recover the amount from the employees besides fixing responsibility on the individuals at fault.

(Para-29, APPC, 2023-24)

9.1.4.27 Non-maintenance / improper preparation and missing Cash Books during Embezzlement / Fraud at APPC

Rule-77 of Federal Treasury Rules states that save as otherwise expressly provided in these rules or in any authorized departmental regulations, the following rules shall be observed by all Government officers who are required to receive and handle cash:-

- i. Every officer receiving money on behalf of the Government should maintain cash book in Form T.R.4.
- ii. All monetary transactions should be entered in the cash book as soon as they occur and attested by the head of the office in token of check.
- iii. The cash book should be closed regularly and completely checked. The head of the office should verify the totaling of the cash book or have this done by some responsible subordinate other than the writer of the cash book, and initial it as correct.
- iv. At the end of each month, the head of the office should verify the cash balance in the cash book and record a signed and dated certificate to that effect. The certificate should also be recorded on the monthly cash account, primary abstract or account current.

During audit of Associated Press of Pakistan Corporation (APPC) for the financial year 2023-24, it was observed that the Corporation was maintaining cash books for each of their bank account and petty cash books which were not properly maintained as per above rules such as monthly opening and closing balances of receipts and payments were recorded with led pencil, cash book not attested by the head of the office, signature of DDO had not been affixed in petty cash book, the petty cash book from January, 2023 till the close of audit was not maintained.

Audit further observed that the cashbooks for Islamabad, Lahore, Karachi, and the Cash Book (Holiday Inn, Islamabad) for the periods 2021-22 and 2022-23 were missing, as management provided a certificate in this regard. It is worth mentioning here that these cash books pertained to a period where fraud and embezzlements were committed. Therefore, the audit was unable to ascertain the receipts and expenditures for that period.

Irregularity occurred due to non-adherence of the rules and weak internal controls.

Audit is of the view that improper maintenance of cashbooks, and non-compliance of the rules, severely compromised the integrity of financial records. Moreover, these issues significantly undermined financial accuracy and increased

the risk of fraud and misappropriation, thereby raising serious concerns about the overall financial governance of the Corporation.

The matter was reported to the management on 31.10.2024. Management in its reply dated 01.11.2024 stated that reply would be furnished after receipt of Audit Inspection Report.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter regarding improper maintenance of cash books as specified in the rules.

(Para-33, APPC, 2023-24)

9.2 Pakistan Television Corporation Limited

9.2.1 Introduction

Pakistan Television Corporation Limited (PTVCL) 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.

Aims & Objectives

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.

9.2.2 Comments on Audited Accounts

9.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2019-20 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2019-20 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

9.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	%age 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	02	01	81	67
2005-06	12	12	00	Nil	100
2006-07	21	11	10	121.6, 121.8, 122, 124, 125, 126, 127, 128, 129, 130	52
2007-08	07	02	05	100, 100.1, 101.2, 101, 102	29
2008-09	13	05	8	138, 139, 140, 141, 142, 143, 144, 145	38
2009-10	11	03	08	152, 153, 154, 156, 157, 158, 159, 160	27
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
2015-16	34	07	27	9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.2.4, 9.1.2.5, 9.1.2.6, 9.1.2.7, 9.1.2.8, 9.1.2.9, 9.1.2.10, 9.1.2.11, 9.1.3, 9.1.4.1, 9.1.4.2, 9.1.4.3, 9.1.4.4, 9.1.4.6, 9.1.4.8, 9.1.4.9, 9.1.4.10, 9.1.4.12, 9.1.4.16, 9.1.4.17, 9.1.4.18, 9.1.4.19, 9.1.4.21, 9.1.4.22	21
2019-20	08	0	08	8.2.4.1, 8.2.4.2, 8.2.4.3, 8.2.4.4, 8.2.4.7, 8.2.4.8, 8.2.4.9, 8.2.4.14	0
Total	231	115	116		50

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.2.4 Audit Paras

9.2.4.1 Excess payment of allowances and monthly pension and discriminatory payment of house rent allowance to Directors - Rs 13.658 million

According to Rule 1.4(f) of Pension Rules of PTVC, emoluments mean the emolument which an employee was receiving immediately before his retirement and shall include, basic pay, senior post allowance, special pay of all types and nature, personal pay, technical pay, dearness allowance, increments accrued during LPR and any other emoluments which may be specially classed as pay. Further, according to Finance Division OM No. F. No. 4(3) R-4/2011 dated January 23, 2024 regarding clarification on consultation/approval of Finance Division, para 5(iii) states that pays, allowances, and their revision of all Government employees, including those employed in autonomous/semi-autonomous/Corporate bodies require prior approval of Finance Division.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that seven retired employees received undue pensionary benefits due to the inclusion of additional charge and officiating/current charge in pension calculations, despite their regular promotions. This resulted in an excess amount of commutation and monthly pension amounting to Rs 11.330 million (Annex-52).

The Audit further observed irregularities and disparity in payment of house rent allowance to the working Directors of the Corporation. Employees in Grades 1-9 were paid house rent as per government-approved rates, while Directors (equivalent to BPS-21) were granted 70% of their basic pay as house rent allowance without Finance Division approval. This resulted in discriminatory and excess disbursements totaling Rs 2.33 million.

Audit is of the view that the inclusion of additional charge and officiating/current charge in pension calculations was irregular and resulted in excess payments, violating pension rules. Additionally, the disparity in house rent allowance payments created financial inconsistencies and unfair treatment among employees. The payment of 70% of basic pay as house rent allowance to

Directors without Finance Division approval was unjustified and led to undue financial burden.

The matter was reported to the management on October 22, 2024. The management in its reply stated that according to PTV Service Rule 7.13 “If the officiating arrangement lasts for 30 days or more, the employee appointed to officiate in terms of rule 7.12 will be paid 10% of his basic pay per month as charge pay for the period such officiating arrangement lasts. Thus, their pensions are calculated in accordance with the PTV Pension Rules and relevant guidelines. Management further stated that since Additional Secretary (B) Ministry of Finance was present in the Board meeting when allowances were approved, hence the same had concurrence of the Finance Division.

The management's reply is not convincing as there is a contradiction between PTVC Pension Rules and Government Pension Rules. Additionally, since the officers were promoted on a regular basis, multiple additional charges or current charge pay should not have been included in pension calculations. Moreover, the payment of 70% of running basic pay as house rent allowance to Directors is discriminatory and contradicts Government rules. Furthermore, as per the referenced letter, concurrence of the Finance Division is mandatory, and the mere presence of its representative does not constitute formal consultation.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the reason for inclusion of additional charge and current charge amount in the pension calculations instead of calculating on the basis of last pay drawn. Also to justify the reason for excess payment of house rent allowance to directors without approval of the Finance Division and to recover the excess amount paid to the retired officers including other similar cases of pension & house rent allowance payments.

(Para-1 & 4, PTVC 2023-24)

9.2.4.2 Loss of revenue due to inappropriate programme selection and ineffective marketing - Rs 39.211 million

According to clause 3.2(b) of the Revised Purchase Policy of Private Production, the Programmes Evaluation Committee will be responsible for previewing any sort of programme received for evaluation according to PTV

Censor Policy/Guidelines. Content, Star/Market Value and Quality of production will be the main focus of appraisal. Furthermore, as per clause 3.2(e), the individual members will independently mark rating of the appraisal given as point table containing 100 marks in total.

During audit of PTVC for the year 2023-24, it was observed that the management purchased various programs from private parties to air on its TV channels. However, a cost-benefit analysis revealed that the expenditure on these programs exceeded the revenue they generated, leading to a significant financial due to poor selection and ineffective marketing. Additionally, the Program Evaluation Committee members did not independently evaluate proposals, merely endorsing the Chairman's decisions. This led to the procurement of substandard programs that failed to attract audience and generate revenue, causing continuous financial losses. Consequently, all the programs were running in loss. Detail of programs purchased during the year is given at Annex-53.

Audit is of the view that the financial loss of Rs 39.211 million incurred by PTVC was primarily due to the inappropriate selection of programs and ineffective marketing strategies. Additionally, the lack of independent evaluation by the Program Evaluation Committee further contributed to the procurement of substandard content.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the quality or standard of any program cannot be measured in terms of the profits. If it has not generated enough income, does not mean it is substandard. The reasons for not doing good business can be enquired from Sales and Marketing Departments because almost no program (private or in-house productions) are in profit, get sponsored or cover the cost of production through one run only.

Reply of the management is not convincing as it is evident that since many years PTV could not succeed to produce quality content and failed to compete with private sector in drama production. Further, the non-achievement of revenue targets indicate that the marketing department is not working effectively to attract business.

No DAC meeting could be arranged till finalization of this report.

Audit recommends explaining the purchase of low-performing programs, justifying policy non-compliance, investigating responsibility, and improving selection and marketing to boost viewership and revenue.

(Para-9, PTVC 2023-24)

9.2.4.3 Financial unsustainability of PTVC due to operational losses and heavy reliance on TV license fees – Rs 6.212 billion

Rule 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 Television Corporation (PTVC) for the year 2023-24, it was observed that there were nine different channels being run under the umbrella of the Corporation. As per income and expenditure statement as on 31.05.2024, all the channels were running in loss as there was very minimal income from the advertisement (except PTV Sports) and the major source of income of the Corporation was only TV license fee being collected through electricity bills. Detail of channel wise income and expenditure excluding TV license fee is as under:

(Rs in million)				
Particulars	PTV Home	PTV Global	PTV National	Total
Advertising Income	1,019.65	0	2.21	1,021.86
Operating Expenses	7,021.16	142.257	70.84	7,234.26
Loss/Profit	-6,001.51	-142.26	-68.63	-6,212.40

PTV Home, Global, and National, being commercial entertainment channels, incurred substantial losses, increasing PTVC's dependence on TV license fees. Despite a workforce of 4,000, PTVC's revenue generation remains significantly lower than private TV channels operating with fewer resources. This indicates possible misalignment of content with audience preferences or inefficiencies in marketing.

Audit is of the view that the current financial state of PTVC's channels is unsustainable due to their significant operational losses. The Corporation's reliance on TV license fees to cover these losses highlights inefficiencies in both content quality and marketing strategies.

The matter was reported to the management on October 22, 2024. The management in its reply stated that PTV is committed to producing programs that are not solely revenue-driven but also aim to educate people about state narratives, social and moral values, and raise public awareness. Further, the management acknowledged in its reply that issues such as unsatisfactory distribution on cable TV, weak digital presence, lack of a digital marketing strategy, and inconsistencies in program policy are contributing to the losses. These issues need to be properly addressed to minimize financial losses.

Reply of the management is not convincing as being a state channel does not mean the Corporation cannot produce quality content that not only recovers its cost but also educates the public while adhering to social norms and moral values.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying operational losses, restructuring for efficiency, improving content quality, optimizing resources, evaluating workforce performance, and implementing cost-cutting measures to ensure financial sustainability.

(Para-17, PTVC 2023-24)

9.2.4.4 Loss due to inefficiency in recovering minimum guaranteed revenue from PTV-Flix- Rs 75 million

According to clause 4.1.1 of agreement between PTV and M/s Z2C for development of OTT platform, M/s Z2C shall guarantee Minimum Guaranteed Revenue (MGR) amounting to Rs 100 million per year during the term of the agreement.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that management entered into an agreement with M/s Z2C regarding development of OTT platform in October 2022. As per agreement, a minimum guaranteed revenue amounting to Rs 100 million per annum was to be paid by M/s Z2C to PTV. However, only an amount of Rs 25 million had so far been received. The management failed to present the post-dated cheques to recover the remaining amount of Rs 75 million, which was due as per the terms of the contract. This failure to collect the full revenue not only

showed weak enforcement of the contract but also resulted in a major financial loss for PTVC. It raised serious concerns about the effectiveness of the Finance Department and could negatively impact the organization's financial stability.

Audit is of the view that the failure to enforce the contractual terms and recover the full Minimum Guaranteed Revenue (MGR) from M/s Z2C demonstrated a lack of effective financial management and oversight by PTVC.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the issue is under litigation before, Honourable Sindh High Court, any outcome of the same will be communicated to audit accordingly.

Reply of the management is not convincing as the management failed to present cheques in bank in timely manner due to which an amount of Rs 75 million could not be recovered.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for non-recovery of MGR from M/s Z2C, investigate the matter and fix responsibility on the persons at fault for not presenting post-dated cheques and deliberately making them time barred and recover the amount in question under intimation to audit.

(Para-18, PTVC 2023-24)

9.2.4.5 Irregular benefit of move over and promotion in violation of Government policy - Rs 12.992 million

The Finance Division discontinued the policy of grant of selection grade/move over upon revision of pay scales in 2001. Furthermore, according to Rule 6.08 of PTV Employees Service Rules, for filling vacancies in Group-7 and above, serving employees who have completed 3 years' service in the previous post and are potentially promotable will first be considered for next vacant post.

According to Rule 4(11) of Public Sector Companies (CGR) 2013, the Board shall ensure compliance with policy directions received from Government from time to time.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was noted that the Finance Division had discontinued the policy of

granting selection grade/move over following the revision of pay scales in 2001. Despite this, there were instances within PTVC where selection grade/move over was still granted. Additionally, as per Rule 6.08 of the PTV Employees Service Rules, employees who had completed three years in their current post and deemed promotable should be given priority for vacancies in Group-7 and above. However, audit found that the rule was not consistently applied, leading to irregularities in the promotion process. Detail of employees granted move over, selection grade and promoted without completing required service in previous post is given in Annex-54.

Audit is of the view that granting selection grade/move over against government policy and promoting employees without fulfilling the required service tenure reflects mismanagement and favoritism, undermining merit and compliance within the organization.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the Board of Directors of PTV had clarified its powers in a number of meetings. The Board in its 199th meeting held on 17.5.2012 unanimously resolved that PTV Board is the competent authority for all financial/ administrative and corporate decisions of the Corporation under the Companies Ordinance, 1984. Further PTV is represented by the nominees of the Federal Government and is empowered to take all financial/ administrative & corporate decisions

Reply of the management is not convincing as the Corporation adopted adhoc relief allowances and revision of pay scales as per Government rates and move over was discontinued since 2001 and policy of PTV is in contradiction to the Government rules. Furthermore, the promotion was also made in violation of Service Rules without completing mandatory service period.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for granting selection grade, mover over and promotions in violation of rules, Corporation's service rules should be revised with Board approval to align with government policies, and concurrence should be obtained from the Finance Division to eliminate any

anomalies in the service structure, investigate the matter to fix responsibility on the persons at fault and identify all the similar cases and share with audit.

(Para-26, PTVC 2023-24)

9.2.4.6 Irregularities in the recruitment process and lack of transparency in hiring of contract employees - Rs 122.868 million

The Establishment Division vide letter No. F.53/1/2008-SP dated 16.01.2015 directed that for appointment in autonomous/semi-autonomous bodies/ corporations/ companies /authorities the initial screening of the applicants would be conducted by the centralized screening test to be carried out by a testing agency. The short listed applicants, as a result of screening test, would be interviewed after verification of academic/professional credentials and testimonials.

As per Establishment Division's 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 audit of PTVC for 2023-24, significant irregularities were found in the recruitment of 296 contract employees. Instead of issuing specific job advertisements detailing qualifications, experience, and selection criteria, a vague advertisement was published without specifying individual posts. The management claimed candidates were selected from a database and interviewed, but there was no documented shortlisting mechanism or merit-based evaluation. A review of 64 randomly selected hires revealed that only 5 were actually listed in the database, suggesting the hiring process was influenced by personal preferences rather than merit. Appointments appeared to be made on a pick-and-choose basis, as there were no merit lists or mark sheets available to justify the selection of candidates for each post.

Audit is of the view that the recruitment process at PTVC was marked by significant irregularities and lacked transparency. The absence of specific job advertisements, clear criteria for selection, and a proper shortlisting mechanism

indicated a flawed hiring process. These practices undermined the integrity of the recruitment process and raised concerns about fairness, transparency, and adherence to established procedures.

The matter was reported to the management on October 22, 2024. The management in its reply stated the BoD through a resolution authorized Managing Director to constitute Selection Board from time to time to assess the suitability or otherwise of the candidate by oral or written test and make recommendations about the candidates. Furthermore, we received applications / CVs online as well as in hard form through courier / at reception of PTVC in bulk for job. Furthermore, we received applications / CVs online as well as in hard form through courier / at reception of PTVC in bulk for job.

Reply of the management is not convincing as the hiring process lacked transparency and was carried out in violation of rules. Further verification of record in data bank also revealed significant discrepancies and record of most of the selected applicants did not reflect in data bank which shows that the whole process was done on pick and choose basis without proper advertisement, shortlisting, evaluation & selection criteria.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter of hiring of officials without following transparent and established procedures at Ministry level and fix responsibility on the persons at fault, terminate the contract of employees appointed without following proper procedure and advertise the posts by indicating clear criteria against each post and complete the recruitment process in a fair and transparent manner as per established procedures.

(Para-33, PTVC 2023-24)

9.2.4.7 Unjustified increase in pay package of anchors - Rs 3.400 million

Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that 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. Further, as per agreement between Mr. Altamish Jiwa, Natasha

Haseeb, Syeda Maimoona Hamdani and PTV, the pay package was fixed for a specific period.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that Mr. Altamish Jiwa, Ms. Natasha Haseeb and Syeda Maimoona Hamdani were hired as Anchors at the PTV Karachi Centre. According to their appointment letters, their pay packages were fixed for the duration specified in their agreements. However, it was found that their pay packages were increased before the completion of the agreed period. This premature increase was considered an undue favor to the concerned anchors which resulted into excess payment of Rs 3.40 million (Annex-55).

Audit is of the view that the early increase in pay packages, contrary to the terms of the appointment agreements, indicated a lack of adherence to contractual obligations and governance principles. This action not only undermined the integrity of the Corporation's contractual processes but also sets a precedent for potential favoritism, which could have broader implications for organizational fairness and financial management.

The matter was reported to the management on October 22, 2024. The management in its reply stated that competitive nature of Pakistan's media industry demands a proactive approach to retaining professional anchor persons who possess not only content expertise but also a high screen value that draws viewers. Private channels often offer lucrative salary packages, leading to brain drain and talent loss from PTV. To prevent this, a raise in salaries is justified as it acknowledges their role as the face of the organization, enhance their job satisfaction, and aligns their remuneration with industry standards.

Reply of the management is not convincing as the agreement was made for a specific period and during that period pay package should not be increased as the terms and conditions were agreed by the anchors.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to provide a clear justification for the premature increase in the pay packages of anchors in violation of agreements, investigate the matter to fix responsibility and recover the excess amount from the concerned.

(Para-36, PTVC 2023-24)

9.2.4.8 Award of various work orders through splitting in violation of PPRA rules - Rs 45.704 million

According to PPRA clause-9, a procuring agency shall announce in an appropriate manner all proposed procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement 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. According to PPRA clause-12 (1) Procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani Rupees shall be advertised on the Authority's website. According to PPRA clause-12 (2) all procurement opportunities over three million Pakistani 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 Television Corporation (PTVC) for the year 2023-24 it was found that several instances of procurement, repair, and maintenance work were awarded through splitting, bypassing the required formalities of PPRA rules. Further, no annual procurement plan was prepared. The details are as follows:

- 1 The repair and maintenance work for waterproofing, amounting to Rs 8.918 million was divided between M/s Newage Fire Solution (Rs 7.180 million) and M/s Naheed Enterprises (Rs 1.738 million) without following the required newspaper advertisement process, in violation of PPRA rules.
- 2 An amount of Rs 8.182 million for civil work repairs and maintenance was awarded to M/s Ever Green Technologies through quotations, with the work divided into smaller contracts to avoid open tenders in violation of PPRA rules.
- 3 An amount of Rs 3.637 million was spent by splitting the civil work across different floors at Karachi center without following a tendering process.
- 4 A purchase order for 10 AC units valuing Rs 4.635 million was split into two separate orders to bypass the requirement for newspaper advertisements and uploading on the PPRA website, thus preventing

competitive bidding. The orders, placed on 10.07.2023 and 22.08.2023, amounted to Rs 2,342,495 and Rs 2,292,495, respectively.

- 5 Purchase orders totaling Rs 20.332 million were issued by splitting procurement requirements and sourcing common-use items, such as printing and stationery, toners, and electrical items, from multiple suppliers.

Weak internal controls led to award of various works and procurements on splitting basis.

Audit is of the view that management was required to follow PPRA rules in true letter and spirit to avoid the practice of splitting procurements.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the all the civil works were carried out on demand based by the concerned department.

The reply is not tenable as repair and maintenance work should follow an annual plan, not be done on a demand basis. Work orders were issued in piecemeal to avoid newspaper advertisements and obtain more competitive rates. This approach is inappropriate and lacks transparency

Audit recommends investigating the cases besides fixing responsibility besides regularization from the competent forum.

(PARA-29, 41, 61, 63, & 81, PTVS 2023-24)

9.2.4.9 Excess payment of house rent ceiling to retired employees - Rs 7.372 million

According to Rule 15(2) of Accommodation Allocation Rules 2002, an allottee, on his retirement or expiry of contract period shall be entitled to retain the accommodation under his occupation for a period not exceeding six months, on payment of normal rent and this facility will be available to FGS once only. Further, according to Finance Division OM dated January 2024 regarding clarification on consultation/approval of Finance Division, para 5(iii) states that pays, allowances, and their revision of all Government employees, including those employed in Autonomous/Semi-autonomous/Corporate bodies require prior approval of Finance Division. Further, according to Rule 4(11) of Public Sector

Companies (CGR) 2013, the Board shall ensure compliance with policy directions received from Government from time to time.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that management paid house rent ceiling to its retired employees for a period of one year from the date of retirement contrary to the government policy stated above. As per the Government policy this facility was available to retired employees for maximum six month. Detail of payment made on account of house requisition/rental ceiling to retired employees during 2023-24 is as under:

No. of employees	Period	Total Payment (Rs)	Excess payment (Rs)
25	2023-24	14,744,226	7,372,113

Audit is of the view that undue financial favor was extended by paying the house rent ceiling to these officers amounting to Rs 7.372 million after retirement in violation of the prescribed rules and regulations hence, held irregular and unjustified.

The matter was reported to the management on October 22, 2024. The management in its reply stated that as per decision of the Board taken in its 105th meeting held on 10.09.1996, the Managing Director has to manage the business of the company on sound administrative, managerial and commercial lines. For this purpose, he/she shall take all necessary steps operating within the powers delegated to him/her by the Board, and within the rules and regulations of the Corporation.

Reply of the management is not convincing as the employees of corporation were being paid house rent ceiling equal to Government rates and payment of rental ceiling for more than six months was in contradiction of the said policy.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to justify the reasons for excess payment of house requisition/rental ceiling for one year in violation of Government policy, recover the excess payment and refer the matter to Finance Division for concurrence,

matter may be investigated to fix responsibility on the persons at fault and avoid such instances in future.

(Para-48, PTVC 2023-24)

9.2.4.10 Enlistment of medical stores without competitive bidding – Rs 379.548 million

Rule 20 of PPRA, 2004 states that 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 Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that an amount of Rs 379.548 million was paid to medical stores/pharmacies for medicines provided to employees without adhering to the required process of competitive bidding.

This non-compliance with PPRA rules resulted in irregular procurement practices and raised concerns regarding transparency and value for money in the procurement process.

Audit is of view that management did not follow the competitive bidding process in violation of PPRA Rules, 2004. Thus, payment of Rs 379.548 million was held irregular.

The matter was reported to the management on October 22, 2024. The management in its reply stated that PTV is an autonomous body which has framed its own rules and regulations governed by its BoD. PTV provides free medical facilities to its regular employees/their dependent family members retired employees and their spouses and dependent of diseased employee's family members through the medical agencies which are placed on the panel of PTV

Reply of the management is not convincing as the management made payment to medical stores/pharmacies for medicines provided to employees without adhering to the required process of competitive bidding.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for not adopting open competitive bidding for enlistment of medical stores/pharmacies, investigate the matter and fix responsibility on the person(s) at fault for this violation and

establish proper controls to prevent the recurrence of such procurement violations in future.

(Para-50, PTVC 2023-24)

9.2.4.11 Loss of revenue due to mismanagement in leasing of PTVC-owned agricultural land – Rs 2.724 million

According to Rule-4(3) of Public Sector 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 and these rules. 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 Television Corporation (PTVC) for the year 2023-24, it was observed that PTVC owned agricultural land at various locations in the Punjab and Sindh provinces. Scrutiny of the records regarding the leasing of these lands revealed several issues:

- i. Certain portions of PTVC-owned agricultural land were not leased out, resulting in a loss of potential revenue for the Corporation.
- ii. Some lease agreements had expired and were neither renewed nor re-tendered, further contributing to the revenue shortfall.
- iii. It was also noted that the agricultural land which was leased out had been rented at rates significantly lower than prevailing market rates per acre, leading to further financial loss for PTVC.

Details of the land and lease agreements is as under:

Detail of Agricultural Land at different RBSs						
S. No.	Name of RBS	Acres	Last period of contract	Amount (Rs)	Existing per Acre / year	Estimated loss (Rs)
1	Shikarpur	20	27.06.2019 to 26.06.2022	1,239,000	20,650	826,000
2	Layyah	7	01.10.2023 to 15.04.2024	315,000	45,000	131,250
3	Chishtian	5	15.10.2019 to 15.04.2024	720,000	32,000	66,667
4	Kala Shah Kaku	20	01.07.2019 to 30.06.2022	2,139,000	42,500	1,700,000
	Total loss					2,723,917

This situation reflected poor management of PTVC's agricultural assets, resulting in lost revenue opportunities and underutilization of valuable resources.

Audit is of the view that the failure to lease out agricultural land, along with leasing at below-market rates, reflected poor asset management. Additionally, the non-renewal of expired leases has caused revenue losses for PTVC.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the contracts at some RBSs were not renewed after expiry owing to the reasons that it was reported by the EICs of the RBSs that seepage of irrigation water of agricultural land at the RBSs is causing weakness of the strength of Tower's foundation, besides seepage is spreading in the transmitter/Generator buildings. Electronic equipment is of very sensitive against moisture which causes frequent break down of transmission.

Reply of the management is not convincing as the as the management failed to utilize the land to generate revenue.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for non-leasing out of agricultural land. Besides, fix responsibility for the lapses in managing the Corporation's agricultural assets.

(Para-58, PTVC 2023-24)

9.2.4.12 Irregular payment to Coordinating Consultant without agreement clause – Rs 10.00 million

According to Rule-4(3) of Public Sector 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 and these rules. 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 Television Corporation (PTVC) for the year 2023-24, it was observed that PTVC entered into an agreement with UNICEF on

December 5, 2023, for the production and airing of their awareness campaign on PTV Home. The agreement stipulated that PTVC had to record, edit, and broadcast 20 discussion programs of 30 minutes each (20 fresh and 20 repeats). It also included a special 10-minute segment in the Morning Show and awareness messages. The total contract value for the project was Rs 60,864,900, with payments to be made by UNICEF in four equal installments, based on the deliverables. Scrutiny of agreement file revealed that while getting approval of MD for the payment to consultant, it was mentioned by the GM Marketing that Mr. Akhtar had helped PTV in securing this project, he would also be helping in planning & production of programs and UNICEF had agreed to pay his fee as Coordinating Consultant and included in the approved budget. However, there was no clause in the agreement explicitly stating the payment of a fee to the Coordinating Consultant. Despite this, management paid Rs 10 million (in two equal installments) to Mr. Akhtar Viqar Azeem, which was considered irregular.

Audit is of the view that the payment of Rs 10 million to Mr. Akhtar Viqar Azeem, without an explicit clause in the agreement authorizing such payment, constituted a breach of financial propriety and a deviation from the agreed terms with UNICEF.

The matter was reported to the management on October 22, 2024. The management in its reply stated that PTV has entered into an agreement with UNICEF for the production of series of educational and social awareness programs to be telecasted on PTV network, while approving the above said arrangements worthy Managing Director has approved Rs 10 million fee in respect of Mr. Akhtar Viqar Azeem because he helped PTV in securing such a huge business from UN agency.

Reply of the management is not convincing as there was no clause in the agreement explicitly stating the payment of a fee to the Coordinating Consultant.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to provide a detailed justification for the payment made to Mr. Akhtar Viqar Azeem, including the basis for his appointment as Coordinating Consultant, submit documentary evidence supporting the claim that UNICEF approved the payment of a fee to coordinating consultant and recover

the amount and initiate appropriate action against those responsible for authorizing the irregular payment.

Para-59, PTVC 2023-24)

9.2.4.13 Non-recovery of office rent and interest on loan from PTV Foundation (a separate entity) – Rs 41.482 million (approx.)

According to Rule-4(3) of Public Sector 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. His responsibilities include 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 Television Corporation (PTVC) for the year 2023-24, the audit team requested the financial and operational records of PTV Foundation. However, the management of Foundation informed that the Foundation was a separate entity, not a subsidiary of PTVC, and thus does not fall under the audit jurisdiction of the Auditor-General of Pakistan. As per the annual return of the Foundation, its registered office was located within the PTV Headquarters building. The Foundation received loans from PTVC totaling Rs 45.462 million as seed money and for operating expenses during the period from 2004 to 2016, which were cleared in July 2024. The Foundation being a separate legal entity, neither paid PTVC any rent, electricity bills, or maintenance charges for use of PTV premises nor it paid any interest on the loan amount.

The failure of the Foundation to make these payments caused financial loss to PTVC. The approximate recoveries to be made from the Foundation are as follows:

Interest Calculation on Loan to PTV Foundation		(Amount in Rs)
Loan Amount		45,463,000
Period		5 Years (2016-17 to 2020-21)
Interest Amount @5% (approx.)		11,365,750
Loan repaid in the year 2020-21		21,000,000
Balance Loan Amount		24,463,000
Period		3 Years (2021-22 to 2023-24)
Interest Amount @5% (approx.)		6,115,750
Total Interest Amount		17,481,500
Rent Calculation for Office Space to PTV Foundation		
Monthly Rent, Electricity, Maintenance charges etc. (Approx.)		100,000
No of Months since inception (2004)		240
Total Rent		24,000,000
Grand Total Recoverable		41,481,500

Audit is of the view that the non-recovery of rent, utility, maintenance costs, and interest on loans from the Foundation constituted a violation of financial discipline, resulting in undue financial benefit to the Foundation at the expense of PTVC.

The matter was reported to the management on October 22, 2024. The management in its reply stated that PTV Foundation was operating from within the premises of PTV HQrs in accordance with the decision taken in its 101st meeting wherein it was resolved that PTV would provide office accommodation as per requirement.

Reply of the management is not convincing as the management in response to the audit requisition intimated that PTV Foundation (Guarantee) Limited is a separate entity registered under Companies Act 2017 and not a subsidiary company of PTVC. Therefore, being a separate entity using PTV resources free of cost is not covered under any law.

No DAC meeting could be arranged till finalization of this report.

Audit recommends recovering outstanding dues from the Foundation, clarifying its financial relationship with PTVC, enforcing a contractual arrangement for future payments, and investigating those responsible for non-recovery.

(Para-60, PTVC 2023-24)

9.2.4.14 Loss due to non-viable Morning Shows - Rs 45.834 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 PTV for the Year 2023-24, it was observed that three live programs i.e. Rising Pakistan, Morning @ Home, and Weekend @ Home were transmitted on PTV Home from the Lahore and Islamabad Centers. Further probe into record of these programs revealed significant financial issues:

1. The programs could not generate enough revenue to meet the actual expenditures incurred during the financial year 2023-24, leading to financial losses.
2. The hosts of these programs were drawing substantial payments per episode/ program, which further contributed to the financial burden on the channel. Despite their long-term involvement in these programs, they had been unable to generate enough revenue to meet the break-even point. Detail is as under;

(Rs in million)									
S. No.	Program Name	Host Salary (Per program / episode) (Rs)	Total salary paid 2023-24	Total Episodes	Expenditure Incurred	Revenue Booked	Recovered amount	Loss of revenue (%age)	Revenue Loss
1	Morning @ Home	110,000	21.010	229	49.709	40.006	22.959	53.81	26.75
2	Weekend @ Home	75,000	7.050	87	25.123	10.887	6.039	75.96	19.084
3	Rising Pakistan	Not provided		-	Not provided	3.990	2.918	Not provided	-
	Total								45.834

Thus, due to non-analysis of cost effectiveness of programs caused a loss of Rs 45.834 million to public exchequer which is indicative of weak internal controls.

Audit is of the view that the continued production and airing of these programs, which were not financially viable, establish poor decision-making and in-effective cost management.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the live shows are flagship programs that offer a blend of entertainment, information.

The reply is not tenable as the corporation is facing operational losses and cannot meet its expenditures, making the non-viable program an additional burden. No cost-benefit analysis was conducted before launching the program and its low viewership compared to competitors indicates poor decision-making and ineffective cost management. Continuing its production and airing reflects poor decision-making and ineffective cost management.

No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the matter at administrative level besides fixing responsibility and recovering the revenue loss.

(Para-69, PTVC 2023-24)

9.2.4.15 Irregular extension in contract of a security company beyond the admissible limit - Rs 48.261 million

According to clause-42(C)(IV) of PPRA, repeat orders not exceeding fifteen per cent of the original procurement.

During audit of the PTVC (HO) for the year 2023-24, it was observed that the services of Security Company “M/s Sigma Security Services (Pvt.) Ltd were hired for provision of security services at Head Office and allied centers. The original contract, which began on 11.05.2023, involved annual payment of Rs 180.980 million for 487 guards and was set to expire on 10.05.2023.

Audit noted that after the contract's expiration, no process for hiring a new security firm was initiated even after a lapse of five months till closure of audit i.e. Sep. 2024, and the existing contract with M/s Sigma Security Services was extended beyond permissible limit of PPRA i.e. 15% repeat order. This extension was done without the approval of the Board of Directors (BoD) and violated the PPRA rules, specifically Clause-42(C) (IV), which limits repeat orders to 15% of the original procurement.

Audit is of the view that the management should have initiated the process of hiring a new security firm before the expiration of the original contract

in compliance of PPRA rules which was not done. Thus, the excess payment of Rs 48.261 million to Security Company beyond the 15% permissible limit defined by PPRA, was held irregular Detail is as under;

Period of Contract	Initial amount on 367 Guards (Rs)	Revised amount after 487 Guards (Rs)	Per month cost (Rs)	Payment of Repeat Order 05 months (Rs)	15% Permissible Limit (Rs)	Excess Payment (Rs) (42-15) = 27%
03.05.2023 to 02.05.2024	136,796,788	180,980,003	15,081,667	75,408,335	27,147,000	48,261,335

The matter was reported to the management on October 22, 2024. The management in its reply stated that new security firm M/s Wahguns Security was hired w.e.f. October 1st 2024.

Reply is not convincing as management failed to initiate the process of hiring a new security firm before the original contract expired, in violation of PPRA rules. As a result, an excess payment of Rs 48.261 million (42% - 15%=27%) was made to the security company beyond the 15% permissible limit.

No DAC meeting could be arranged till finalization of this report.

Audit recommends investing the matter besides fixing responsibility and referring the case to PPRA for regularization.

(Para-83, PTVC 2023-24)

9.2.4.16 Grant of pensionary benefits to engineer with unverified degree - Rs 9.422 million

According to Establishment Division D.O No.6 (28) 2011-DG-II Mar 08, 2011, the Prime Minister directed 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.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that Mr. Javaid Iqbal, an ex-engineer, was issued charge sheet on 11.07.2019 during his service due to the non-provision of a verifiable diploma of DAE (Electronics). Instead of providing the original diploma for

verification, the officer requested premature retirement, which was hastily processed and approved by the then management. An inquiry committee was constituted vide office order dated 03.09.2020 to investigate the matter of non-verification of the diploma and the acceptance of premature retirement of the officer who was under disciplinary proceedings. The committee was required to submit its report within seven days but failed to do so. After more than a year, the Chairman of the committee indicated that he was extremely busy with routine matters and unable to spare time to conduct the inquiry, requesting the nomination of another officer to complete the inquiry.

Subsequently, another committee was proposed vide letter dated 21.04.2022, i.e. more than two years after the officer's retirement. This committee held the then Controller A&P and Director A&P responsible for hiding the facts from the Managing Director regarding the disciplinary proceedings and for recommending the approval of premature retirement. The details of pensionary benefits given to the officer are as follows:

Date of retirement	Arrear of pension w.e.f 21.12.2019(Rs)	Amount of commutation (Rs)	Total (Rs)
20.12.2019	2,478,087	6,944,186	9,422,273

Audit is of the view that the premature retirement of Mr. Javaid Iqbal was processed inappropriately and without proper verification of his academic credentials. The failure to conduct the inquiry in a timely manner and the subsequent payment of pensionary benefits without taking disciplinary action indicate weak managerial, internal and financial controls.

The matter was reported to the management on October 22, 2024. The management in its reply stated that case was referred to PTV's Legal Advisor for Legal Opinion who has given his remarks by referring to Judgments of the Supreme Court of Pakistan & Lahore High Court, Lahore, that disciplinary proceedings against a retired employee can be initiated within a period of 01 years and lastly within 02 two years.

Reply of the management is not convincing as the delay in finalization of inquiry by the Chairman inquiry committee appears to be deliberate. Further no action was taken against the then Controller A&P and Director A&P who were held responsible by the inquiry committee for hiding the facts from the Managing

Director regarding the disciplinary proceedings and for recommending the approval of premature retirement.

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends to investigate the matter with a view for processing the pension case without fulfilling the codal formalities, fix responsibility on person(s) at fault and strengthen the internal controls to avoid recurrence of such instances.

(Para-3, PTVC 2023-24)

9.2.4.17 Irregular re-designation and promotion of Chief Organizer Sports as Director Sports without requisite service experience - Rs 2.120 million

According to Rule 6.08 of PTV Employees Service Rules, for filling vacancies in Group-7 and above, serving employees who have completed 3 years' service in the previous post and are potentially promotable will first be considered for next vacant post. Furthermore, as per Establishment Division OM No 8/36/2000-R-I dated September 11, 2018 and Supreme Court of Pakistan order in Civil Appeal No 101 & 102-P of 2011, the upgradation cannot be made to benefit a particular individual in term of promoting him to higher post and further providing him with the avenues of lateral appointment or transfer or posting. In order to justify the upgradation, the Government is required to establish that the department needs re-structuring, reform or to meet the exigency of service in the public interest. In the absence of these pre-conditions, upgradation is not permissible.

During audit of PTVC for the year 2023-24, it was observed that management promoted Mr. Osama Azhar, Chief Organizer (Grade-9) to Director (Grade-14) w.e.f. June 13, 2024 before attaining the minimum of service experience of three (03) years as Chief Organizer Sports (G-9). The officer was promoted from Group-8 to Group-9 on August 08, 2023 and required service for promotion to next post i.e. Director was to be completed on August 07, 2026. The promotion was made after serving only eight (08) months in Group-9 which was a clear violation of rules. Furthermore, it was observed that the officer was

appointed as Resource Person on temporary basis in 1997 and later he was regularized in Group-6 as Programmer IT w.e.f January 11, 2012. He was further awarded Group-7 w.e.f January 30, 2014 with no change in his substantive post and seniority of Programmer (IT). Later, on January 12, 2016 the management re-designated him from the post of Programmer (IT) as Executive Organizer Sports (Group-7). This re-designation/change in cadre was in violation of above referred rules and orders of Honorable Supreme Court of Pakistan. Detail of pay and allowances drawn by the officer after irregular promotion is as under:

Monthly pay and allowances (Rs)	Period	Total (Rs)
530,000	June-24 to September-24	2,120,000

Audit is of the view that promotion and re-designation/upgradation without requisite criteria reflected favoritism to the individual. It reflects weak internal controls and HR management. Hence, expenditure on account of pay and allowance of Rs 2.120 million was held irregular.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the post of Director Sports was lying against which Mr. Osama Azhar was allowed to officiate as additional charge being the senior most and the only officer of substantive pay group-9 of the Sports Cadre. In order to fill in the said post, he has been appointed as whole time working Director i.e. Director Sports with effect from 13.06.2024 with the recommendations/approval of Selection Board duly approved by MD, PTVC.

Reply of the management is not convincing as the officer was promoted without completing mandatory service period as required under PTVC Service Rules. Furthermore, change of cadre from Programmer (IT) to Executive Organizer Sports was also irregular.

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends to explain the reasons for re-designation/change of cadre of officer from Programmer IT to Executive Organizer Sports (G-7) in violation of rules, justify the promotion from G-9 to Director without completing requisite service of 3 years in previous post, revert the officer to original post and effect recovery from the individual.

(Para-15, PTVC 2023-24)

9.2.4.18 Irregular hiring of staff in excess of the sanctioned posts - Rs 23.548 million

According to Rule 4.03 of PTV Employees Service Rules, Permanent Employee means an employee who has been engaged on a permanent basis against a sanctioned post, and who has satisfactorily completed his probation period in the same post or in any other post in the Corporation including breaks due to illness, accident, leave, etc. Further according to Rule 5.04, Actual Staff Strength of any unit of the Corporation will, at no time, except with prior permission of the Managing Director, exceed its Sanctioned Staff Strength. Moreover, it was resolved in 258th meeting held on March 15, 2023, in future recruitment should be made only against one category of contract employment against sanctioned vacant posts/pay group with established designations.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that the management appointed additional staff across various grades during the year. A detailed review of the record revealed that these appointments were made despite the fact that the existing staff already exceeded the sanctioned strength for these positions. The unauthorized appointments not only violated the approved sanctioned strength but also contributed to an increased financial burden of Rs 23.548 million on PTVC. It may also be noted that the Corporation had been experiencing operational losses for several years. The additional salaries and benefits for the excess staff further strain the Corporation's already limited financial resources. Detail is given in Annex-56.

Audit is of the view that the management's decision to appoint additional staff despite already exceeding sanctioned strength demonstrated a lack of adherence to proper governance and financial discipline. This practice not only contravened established policies but also worsened the financial challenges faced by Pakistan Television Corporation (PTVC).

The matter was reported to the management on October 22, 2024. The management in its reply stated that concentration of employees at PTV News and Lahore Centres is justified being within the overall sanctioned staff strength of PTVC, by their strategic significance in national broadcasting. Lahore, being a cultural hub, requires a robust workforce to produce entertainment programs, dramas, cultural shows that resonate with the local and national audience along

with coverage of Provincial Government initiatives. Similarly, PTV News demands additional human resources to ensure timely and credible coverage of current affairs and breaking news, which are integral to public trust

Reply of the management is not convincing as the staff strength was already in excess to the sanctioned post and management again appointed officials at PTV News (Sanctioned: 115 Available: 195) and PTV Lahore (Sanctioned: 44 Available: 76).

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends to explain the reasons for appointment of staff in excess of the sanctioned posts, immediately review and reconcile staffing levels with the sanctioned strength and investigate the matter and fix responsibility on the persons at fault.

Note: The issue of hiring of staff in excess of sanctioned posts was also reported earlier in the Audit Reports for Audit Years 2022-23 and 2023-24 vide para number 12.2.4.48 and 10.1.4.6 having financial impact of Rs 63.083 million and Rs 130.399 million. Recurrence of same irregularity is a matter of serious concern.

(Para-19, PTVC 2023-24)

9.2.4.19 Regularization of services by allowing age relaxation in violation of rules - Rs 400 million

According to Islamabad High Court judgement dated October 13, 2023 conveyed by Ministry of Information & Broadcasting vide its letter dated June 11, 2024, the Honorable Court set aside the NA Special Committee on Affected Employees recommendations as null & void with no legal effect and the Establishment Division has circulated this decision to take necessary action to implement the subject judgement of IHC. It was directed to revert all the regularized employees to their pre-regularization status.

According to Rule 4-B of Initial Appointment to Civil Posts (Relaxation of Upper Age Limit) Rules, 1993, the President or the Prime Minister may, on extreme compassionate grounds, grant age relaxation to an individual candidate

for a period not exceeding three years over and above the relaxation in upper age limit already admissible, if any.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that the management regularized services of 852 contract, daily wages, resource persons, pay package and PSDP employees in Pay Group 1 to 6. Scrutiny of record revealed that among 852 employees, 141 employees were overage and were unfit for regularization but they were also considered for regularization in violation of above rules. Total financial impact of regularization as calculated by Finance Department and conveyed to BoD in its meeting dated March 09, 2023 was Rs 400 million per annum. Subsequently, the Islamabad High Court declared the regularization null and void with no legal effect. Audit notes that management failed to revert the employees to their pre-regularization status despite the Court's ruling.

Audit is of the view that of the management was required to revert the employees to pre-regularization status but the same was not done.

The matter was reported to the management on October 22, 2024. The management in its reply stated that BoD in its 258th meeting held on 15.03.2023, had regularized the service of the 852 employees including 141 overage employees by granting one-time waiver.

Reply of the management is not convincing as the regularization of employees by NA Special Committee was declared as null & void by Islamabad High Court vide its decision dated 13.10.2023 and it was directed to revert the employees.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for non-implementation of subject judgement of Honorable Islamabad High Court and refer the case to establishment Division through Ministry for clarification, fix responsibility on the persons at fault and avoid such instances in future.

(Para-22, PTVC 2023-24)

9.2.4.20 Irregular re-hiring and unjustified increase in salary of anchor - Rs 1.850 million

According to Rule-(3) of Public Sector 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 and these rules. 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 Television Corporation (PTVC) for the year 2023-24, it was observed that the management of PTV News Current Affairs planned to produce outdoor reports and programs regarding General Elections 2024. In this context, the Controller of Current Affairs sought approval from the Managing Director on January 31, 2024, to hire Ms. Komal Saleem, an anchor, for the election coverage at a monthly salary of Rs 250,000. However, a review of the anchor's personal file revealed several discrepancies:

- i. Ms. Komal Saleem had previously worked with PTVC but was terminated on October 14, 2019, due to average performance. Despite this, the management rehired her as an anchor w.e.f February 21, 2024, at the TV Centre in Lahore, which was considered irregular.
- ii. The Controller of Current Affairs had proposed her hiring specifically for covering the General Elections. However, she was appointed only after the elections, on February 21, 2024, for a period of one year, which was deemed unjustified.
- iii. Her initial contract was for one year with a monthly consolidated salary of Rs 250,000. Yet, before the contract period was completed, she was issued a new contract in August 2024 with a revised salary of Rs 300,000 per month, only five months after the initial contract, which was also considered irregular and unjustified.

Audit is of the view that the decision to rehire an individual who had previously been terminated for average performance reflects poor judgement by

the management and indicates a lack of adherence to merit-based hiring practices. Furthermore, the timing of her appointment, which occurred after the General Elections, raised questions about the necessity and justification of her hiring. The premature increase in her salary, without completing the initial contract period, also points to improper financial management.

The matter was reported to the management on October 22, 2024. The management in its reply stated that services of the Anchorpersons were hired as per requirement of the corporation after following due process and approval of the competent authority

Reply of the management is not convincing as the anchor who was previously terminated on average performance was rehired with increased salary package indicate that undue favor was granted by the management.

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends to justify rehiring an anchor who had previously been terminated due to average performance, explain why she was hired after the General Elections 2024, despite the fact that her services were specifically requested for election coverage.

(Para-21, PTVC 2023-24)

9.2.4.21 Unjustified payment of loan to PBC and interest on overdraft - Rs 106.757 million

According to Rule-(3) of Public Sector 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 and these rules. 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 PTVC for the year 2023-24, it was observed that PTVC experienced operational losses and its main source of income was TV fee

collection, having significant amount of liability on employee related expenses. Despite weak financial position, PTVC had extended a loan of Rs 180 million to Pakistan Broadcasting Corporation (PBC) and was also availing the facility of overdraft from banks and incurred interest on overdraft expenses of Rs 106.77 million. The decision to provide a loan to PBC and to maintain overdrafts despite PTVC's weak financial position suggests a lack of prudent financial management and prioritization of critical financial obligations.

Audit is of the view that PTVC's financial mismanagement, including extending a loan to PBC and incurring significant interest expenses on overdrafts, was unjustified given its weak financial position and outstanding pension liabilities. PTVC must prioritize its financial obligations, avoid unnecessary expenses, and strengthen its financial management practices to improve its financial stability.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the management of PTV has decided to release the payment to M/s PBC as loan, as both PTVC and PPBC are National broadcasters under the control of Ministry of Information and Broadcasting, this decision has been made in alignment with the Ministry's guidelines.

Reply of the management is not convincing as the Corporation was availing an overdraft facility due to its poor financial position while simultaneously extending a loan to PBC

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends to justify the payment of loan to PBC when the PTV's financial position was also weak, recover the amount and make arrangements in order to avoid overdraft from banks and to save the interest expense. Besides, avoid such instances in future.

(Para-11, PTVC 2023-24)

9.2.4.22 Loss due to unjustified and excess payment of drama purchased with shared digital rights – Rs 36.00 million

According to clause 5(c) of Revised Purchase Procedure of Private Productions, simulcast proposals of programmes will be acquired with perpetual rights to PTV shared with any other channel/entity including shared digital rights. Such programmes will be purchased on half price of the approved category rates.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that management made an agreement with M/s Shahid Films on October 12, 2023, to supply and sell the program/drama serial titled “Huay Tum Ajnabi” at a rate of Rs 2.00 million per episode for 26 episodes and made full payment in advance. The Programme Evaluation Committee approved the serial and placed it in the OS (outstanding) category. According to the revised purchase procedure, the rate for Category-OS was fixed at Rs 2.20 million for 40 minutes’ content. The Price Negotiation Committee, in its meeting held on October 12, 2023, approved the price of Rs 2 million per episode inclusive of all taxes and the management made an additional payment for 10 more episodes @ Rs 2 million per episode.

Scrutiny of record revealed that the Price Negotiation Committee, while finalizing the terms & conditions with Mr. Kamran Shahid, agreed upon shared digital rights for the serial and allowed M/s Shahid Films to sell/supply/use or place the serial on any other digital platform. These terms & conditions indicated that it falls under the simulcast proposal with shared digital rights and should be purchased on half the price of the approved category rates, i.e., Rs 1 million per episode. However, the management purchased the serial at Rs 2 million per episode.

Detail of advance payment made to M/s Shahid Films is as under:

Per episode rate paid	Total episodes	Total payment made	Per episode rate as per policy (half of approved category)	Excess payment (Rs)
2,000,000	36	72,000,000	1,000,000	36,000,000

Audit is of the view that the management should have paid half price of the category for purchase of the serial with shared digital rights as per established procedure. This transaction appears to have been conducted to extend undue

favor to M/s Shahid Films, resulting in a significant and unjustifiable expenditure of public funds.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the price of a good A-list project starts with 35-40 lacs per episode. The price of the said serial Rs 2 Million per episode (Inclusive of all taxes) is almost half the price of its actual market value considering the fact that it has huge A-list cast including Sohail Ahmed, Mehmood Aslam, Samina Peerzada, Shamoon Abbasi, Mikal Zulfiqar, Ayesha Omer, Sadia Khan, Shafqat Cheema and Aly Khan.

Reply of the management is not convincing as per revised Purchase Procedure shared digital rights is covered under the mode 5(c) of the policy i.e. Simulcast proposals. Such programmes will be purchased on half of the price of approved category rates.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reason for purchase of serial with shared digital rights in violation of approved purchase procedure, matter may be investigated at Ministry level to fix responsibility on the persons at fault and avoid such instances in future.

(Para-6, PTVC 2023-24)

9.2.4.23 Irregular procurement of professional camcorders for TV Centre AJK - Rs 3.978 million

According to clause-12(2) of PPRA Rules, 2004, all procurement opportunities over three million Pakistani 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 Television Corporation (PTVC) for the year 2023-24, it was observed that management of TV Centre AJK published a tender on website for purchase of two professional engineering Camcorders. The value of procurement was more than three million rupees therefore the advertisement was required to be published on Newspapers as well but the same was not done.

The management awarded the purchase order to M/s ZM Suppliers on October 27, 2022 for supply of two Professional Eng. Camcorders at a total cost of Rs 3,978,000 without tender process and advertisement in newspapers.

Due to non-observance of PPRA rules the irregularity occurred.

Audit is of the view that award of contracts amounting to Rs 3.978 million without advertisement on print media or newspapers having wide circulation was a gross violation of rules.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the matter has already been investigated through department enquiry in which concerned responsible officers has already been punished as per PTV Employees Service Rules. Now onward all the procurement has been processed in accordance with to avoid any irregularity in future.

Reply of the management is not convincing as the management failed to ensure compliance of PPRA rules.

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends to explain the reasons for not publishing the tender on print media or newspapers having wide circulation, investigate the matter to fix responsibility on the person(s) at fault and avoid such instances in future.

(Para-45, PTVC 2023-24)

9.2.4.24 Irregular and unjustified payment of honorarium for budget session - Rs 22.588 million

As per S. No. 17 of Annex-I to Finance Division OM No. F.3(2) Exp.III/2006 dated 13.09.2006, the amount of honoraria should not exceed one month's pay of the government servant concerned on each occasion. In the case of recurring honoraria, this limit applies to the total of recurring payments made to an individual in a financial year. No expenditure should be incurred on honoraria in excess of the specific provision made for this purpose in the sanctioned budget grant and that if expenditure in cases of such provision becomes necessary at same stage, prior concurrence of the Financial Adviser shall be necessary before

such expenditure is incurred. Notwithstanding the provisions of para 8 (c) of this O.M. this power shall not be delegated by the Secretaries of administrative Ministries/ Divisions and Heads of Departments to the officers subordinate to them in Ministries/ Divisions and Departments.

During audit of Pakistan Television Corporation (PTVC) for the year 2023-24, it was observed that honorarium equivalent to three basic pays was granted to 124 PTVC officers/officials for the Budget Session 2023-24. However, the session, held in June 2023, required the involvement of only a limited number of employees for reporting purposes. Granting honorarium to such a large number of employees appeared excessive and resulted in undue benefits to those not directly involved in the budget reporting.

Moreover, the mandatory concurrence from the Finance Division was neither obtained, nor was a budget allocated for these payments. Additionally, PTVC's annual budget, approved by the Board of Directors (BoD), did not include a provision for honorarium. As a result, the payment of Rs 22.588 million to employees most of whom had no direct role in the Budget Session was deemed irregular and unjustified.

Audit is of the view that the payment of honorarium to a large number of employees who were not directly involved in the Budget Session constitutes an undue benefit and a misuse of resources.

The matter was reported to the management on October 22, 2024. The management in its reply stated that staff was deployed for coverage of Budget Session 2023-24 as per requirement on full time basis. Federal Minister for Finance had announced honorarium equal to three (03) basic pay for budget session 2023-24 to the employees who performed duties during the session.

Reply of the management is not convincing as the management provided honorarium to numerous employees, not directly involved in the Budget Session, constituting misuse of resources. The absence of Finance Division concurrence and budgetary provision by BoD, violates financial regulations. Additionally, no justification, duties, or rationale for awarding honorarium to these employees was provided.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the honorarium payments to 124 employees, specifying their roles in the Budget Session 2023-24, obtaining post-facto approval from the Finance Division or recovering undue payments,

(Para-56, PTVC 2023-24)

9.2.4.25 Irregular hiring and payment of Legal Consultants and Advisors - Rs 20.362 million

According to the Ministry of Law, Justice and Human Rights letter No.F.6/1/2013-LA dated 3rd June, 2015 Clause-V, 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 case the 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. Any failure in doing so will render the engagement of Advocate/Counsel etc. void and no ex-post facto approval will be allowed.

BoD in its 268th meeting held on 26.04.2024 directed to follow policy guidelines issued by the Law & Justice Division to engage lawyers. According to agenda item No: 3 of the 243rd meeting of Board of Directors dated December 07, 2020, the Board approved termination of the services of professionals/ contract employees who were drawing salary above Rs 350,000 per month.

During audit of PTVC for the year 2023-24, it was observed that management hired the services of four legal advisors/ consultants on monthly retainer-ship fee and paid Rs 10.00 million. In addition to that, they were also allowed to charge professional fee upto Rs 125,000 per case and made payment of Rs 10.362 million.

Moreover, following observations were noted:

- i. It was noted that approximately 95 percent of the cases presented in courts were handled by these legal advisors had significant financial implications for PTVC.
- ii. The hiring process did not involve obtaining the necessary concurrence from the Ministry of Law, Justice, and Human Rights Division as well as the approval for providing dual benefits both a

monthly retainer-ship fee and a substantial professional fee per case upto Rs 125,000 was not sought. This dual payment structure raised concerns about compliance with financial and legal guidelines.

Thus, payment of monthly retainer ship fee along with a professional fee of up to Rs 125,000 per case (dual benefits) without obtaining concurrence from Ministry of law and Justice as well as Finance Division was unjustified and had substantial financial implications for PTVC.

Audit is of the view that hiring of legal consultants and advisors without obtaining the required approvals and concurrence from the Ministry of Law, Justice, and Human Rights Division, as well as the provision of dual benefits, constituted a significant irregularity. This practice led to financial inefficiencies and potential legal non-compliance, affecting the transparency and accountability of the organization.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the legal consultant's salary is below Rs 300,000, so Law & Justice Division approval is not required, and no ban was imposed by the BoD on hiring legal advisors. The reply is not convincing as the salary was Rs 440,000 per month along with dual benefits, which are not justified against an assignment. The matter should be referred to Ministry of Law, Justice, and Human Rights Division as well as Finance Division to seek advice that a legal advisor working on a retainer-ship fee @ Rs 440,000 per month may be hired his services on additional payment on case to case basis.

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends to justify the appointments along with approval of dual financial benefit without seeking concurrence of the Ministry of Law, Justice, and Human Rights Division, regularize dual benefits from Ministry of Finance and recover the irregular payment besides fixing responsibility. Further, explain the reasons for violating the directions of BoD.

(Para-67, PTVC 2023-24)

9.2.4.26 Loss due to non-recovery of revenue of sport events – Rs 1,397.885 million

According to Rule 10(i) of the PBA Rules, the management was required to send their outstanding bills/invoices against agencies to PBA supported with telecast certificate along-with the statement of bills within 15 days of the last date of each clearance period. They were also required to obtain proper acknowledgement of the receipt of these bills from the agencies.

During the audit of PTVC Sales Office, Karachi, for the financial year 2023-24, it was observed that several sports events were telecasted on PTV Sports channel during the year 2023-24. Advertisement business during these live sports events was awarded to various agencies and clients. However, the agencies failed to clear their dues within due period, resulting in an outstanding amount of Rs 1,397.885 million.

Management neither obtained proper acknowledgement of bills from the agency nor was the default case sent to PBA for taking appropriate action. Consequently, the outstanding dues against the agencies were accumulated to Rs 1,397.885 million.

Audit is of the view that cases for defaulting agencies should have been sent to Pakistan Broadcasting Association (PBA) for early recovery in order to avoid a huge loss of Rs 1,397.885 million.

Non-recovery of revenue from advertising agencies is indicative of weak internal controls.

The matter was reported to the management on October 22, 2024. The management in its reply stated that 90.4% of Rs 6.387 billion has been recovered. However, the reply was unconvincing as management did not provide recovery details for the mentioned events, along with documentary proof such as bank statements, cheques, and invoices. Additionally, no recovery was made for events such as the Hero Men's Asian Champion Trophy 2023 (Field Hockey), the English Premier League 2023-24, and the ICC Men's T20 World Cup 2024, despite the considerable time that has passed.

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends to inquire the reasons for non-observance of PBA Rules, fix responsibility on the person(s) at fault for the failure to ensure compliance and timely recovery. Besides immediate efforts be made to recover the outstanding amount.

(Para-68, PTVC 2023-24)

9.2.4.27 Irregular grant of arrears of promotion with backdated benefits - Rs 10.034 million

Board of Directors (BoD) in its 164th and 179th meetings held on 18.12.2004, approved a procedure for appointing whole-time working Directors based on seniority and suitability, with recommendations from a Selection Board. Further, PTVC's service rules para 6.08 of the chapter "Promotions and Employment Procedure" state that vacancies in Group 7 and above are filled based on seniority-cum-suitability, with the Managing Director as the sole judge.

During the audit of PTVC Islamabad for the year 2023-24, it was noted that BoD in its 243rd meeting dated 07.12.2020, appointed Mr. Arif Noor and Mirza Rashid Baig as Director Engineering and Director Global respectively, despite the MD's dissent, who argued that the appointments should have been made through the Selection Board. However, the decision was not implemented for four years. Later on June 1, 2023, both officers were promoted to Director Engineering and Director Global, respectively, based on the Selection Board's recommendations, as notified by the MD, PTVC. After the MD's tenure, the promotion orders were reissued on 20.06.2024, in the light of decision of the 245th BoD meeting, despite the four-year lapse. Additionally, arrears of Rs 8.088 million were paid to the Director Engineering (Rs 4.280 million) and the Director Global (Rs 3.807 million) without the Selection Board's approval.

Likewise, two retired officers namely Mr. Sohail Bukhari and Saifullah Shahid were granted promotion with retrospective effect without approval of selection Board and HR committee of Board and paid an arrear of Rs 1.947 million (Rs1,004,795 and Rs 942,445) respectively.

Thus, the payment of Rs 10.034 million in arrears for backdated financial benefits was considered irregular and unjustified, reflecting weak financial internal controls.

Audit is of the view that promotion should have been made through Selection Board as per rule.

The matter was reported to management on October 22, 2024 and management accepted the stance of audit that the then MD of PTV did not implement the BoD's decision for three years, as he stated the case should be presented to the Selection Board in accordance with policy/rules, which was not done.

No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the retrospective promotions and payments, referring the case to the Establishment Division for seeking advice, and recovering the amounts paid.

(Para-70, PTVC 2023-24)

9.2.4.28 Unauthorized payment of bonus against ICC T20 World Cup – Rs 8.700 million

Finance Division (Regulations Wing) office letter No. F.3(5) R.12/80(R.14). Vol.II/2001-544 dated 30th November 2001, reads as “it has been observed that certain corporations are not following the Government instructions in letter and spirit and making payment of bonus to their employees without approval of Finance Division (Regulation wing).”

Para (ii) and (iii) of Finance Division (Regulation Wing) OM. No. F.3 (5) RI2/ BOCR.14/ 2002-154 dated 18.03.2002 regarding payment of bonus to the employees of autonomous / semi-autonomous / public sector corporations / organizations states that the payment of bonus would not be made as customary, the Managing Directors and members of Board of Directors will not be entitled to receive bonus.

Prime Minister vide letter dated April 16, 2020 has been pleased to direct that till such time a policy “Grant of Special Performance incentive to the officers/ officials of the federal Government” is approved by Federal Cabinet, Finance Division/ Chairman ECC shall not approve the grant of honorarium to the employees of federal government beyond a single basic pay during one fiscal year.

During the audit of PTVc for the year 2023-24, it was observed that the Managing Director awarded two months' basic pay as bonus to nineteen officers including himself on successful broadcast of ICC T20 Cricket World Cup 2024 and paid a sum of Rs 8.700 million in violations of the above referred rules.

Audit is of the view that concurrence of Ministry of Finance and approval of administrative Ministry/Division was not sought. Hence, payment of Rs 8.700 million as Bonus to the employees was held irregular and unjustified.

The matter was reported to the management on October 22, 2024. The management stated that the Managing Director is authorized to take necessary actions within the powers delegated by the Board of Directors. However, this reply is not justifiable, as the payment of two bonuses to the MD and officers violates the Prime Minister's directives. Furthermore, the corporation incurred significant losses from several sports events intended to generate revenue during 2023-24, and billions of rupees remain outstanding from advertising agencies related to these events. Given this financial context, awarding bonuses to management is highly unjustifiable.

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends investigating the matter at the administrative level, including the criteria for awarding bonuses exclusively to officers, submitting the complete financial records of revenue and costs related to the ICC T20 Cricket World Cup 2024 for audit review, and recovering the irregular bonus payments.

(Para-87, PTVc 2023-24)

9.2.4.29 Loss due to non-acquisition of media rights for FIFA World Cup 2022

According to Rule-(3) of Public Sector 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 and these rules. 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 Television Corporation (PTVC) for the year 2023-24, it was observed that the process of floating FIFA World cup 2022 media rights for Pakistan territory was started in the month of September-October 2021 by the regional rights holder M/s Viacom-18 and concluded in May 2022 which M/s A-Sports succeeded to acquire. In the past, PTV acquired media rights of FIFA World Cup 2014 and 2018 and broadcasted all the matches of the event. However, for FIFA World Cup 2022, the management of PTV failed to acquire the media rights. Scrutiny of record revealed that the Chief Organizer Sports through its email dated July 2, 2022 approached the FIFA authorities after the acquisition of media rights by the M/s ARY/A-Sports channel. The FIFA authorities however, in November 2021 intimated that prior to M/s ARY, they had approached PTVC for sub-licensing FIFA rights directly, however, they showed limited interest back then. Hence they progressed and closed the deal with M/s ARY. As a result, PTVC missed out on advertising revenue worth millions of rupees, and a significant portion of the population was deprived of the opportunity to watch the global event. An inquiry was conducted by the Ministry of Information regarding this matter, but a copy of the inquiry report was not provided to the Audit.

Audit is of the view that due to the negligence and careless attitude of the then Director of Sports & Syndication and the Chief Organizer of Sports, the Corporation failed to secure the media rights for the FIFA World Cup 2022, resulting in a loss of millions of rupees in revenue. Despite this, no action had been taken against those responsible, indicating undue favoritism by the management.

The matter was reported to the management on October 22, 2024. The management in its reply stated that the Inquiry Committee submitted its report wherein the then Director Sports Syndication Dr. Nauman Niaz was held responsible for depriving PTVC from rights to broadcast FIFA World Cup 2022 whereas Mr. Osma Azhar, Chief Organizer Sports was held partially responsible for the failure.

Reply of the management is not convincing as the inquiry committee also held responsible the then Director Sports and Chief Organizer Sports but no action has been taken against them.

DAC meeting was held on 03.02.2025 but the minutes were not received till finalization of this report.

Audit recommends to explain the reasons for failure to acquire media rights for FIFA World cup 2022 and loss of revenue, inquire the matter at higher level and take strict action against responsible and avoid such instances in future.

(Para-20, PTVC 2023-24)

9.3 Shalimar Recording and Broadcasting Company Limited

9.3.1 Introduction

Shalimar Recording and Broadcasting Company Limited (SRBC) is an unlisted public limited Company, incorporated in Pakistan on December 18, 1974. The Company commenced its commercial business on July 01, 1976. This company is engaged in operating, telecasting, and broadcasting facilities. In 1989 it created a wholly owned Peoples Television Network (Pvt.) Limited which was later on amalgamated with SRBC with the new name of “STN” now called ATV. Currently it is a recording and broadcasting company with 20 ATV stations in the urban centers of Pakistan.

Corporate Information

Government of Pakistan holds 92.81% shares of the Company through Pakistan Television Corporation Limited (70.95%), Pakistan Broadcasting Corporation (19.67%) and Pakistan National Council of Arts (2.19%). The registered office of the Company is situated at 36, H/9 Islamabad. The Company is under the administrative control of Ministry of Information and Broadcasting, Government of Pakistan.

The company has a paid up capital of Rs 54.900 million and is under the administrative control of Ministry of Information and Broadcasting.

9.3.2 Comments on Audited Accounts

9.3.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2019-20 and 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the years 2019-20 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

9.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2011-12	12	0	12	10.4.1, 10.4.2.1, 10.4.2.2, 10.4.2.3, 10.4.2.4, 10.4.3, 10.4.4.1, 10.4.4.2, 10.4.4.3, 10.4.4.4, 10.4.4.5, 10.4.4.6	0
2012-13	04	0	04	10.4.1, 10.4.2.1, 10.4.2.2, 10.4.3	0
2015-16	08	01	07	9.2.2.1, 9.2.2.2, 9.2.2.3, 9.2.2.4, 9.2.2.5, 9.2.2.6, 9.2.2.7	13
Total	24	1	23		4

Overall compliance of PAC directives was not satisfactory which needs to be improved.

9.3.4 Audit Paras

9.3.4.1 Non-Production of record by Shalimar Recording & Broadcasting Company (SRBC)

Article 170(2) of the Constitution of Islamic Republic of Pakistan states "The audit of the accounts of the Federal and of the Provincial Governments and the accounts of any Authority or Body established by, or under the control of, the Federal or a Provincial Government shall be conducted by the Auditor-General, who shall determine the extent and nature of such audit."

The Honorable Supreme Court of Pakistan in para 27(b) of its judgment dated 08.07.2013 decided that the Auditor-General, in order for him to fulfill his duties under Articles 169 and 170 of the Constitution, is not only authorized but also obligated to access all records maintained by Federal and Provincial Governments, and any entities under their control, regardless of any designation as 'secret' or otherwise.

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 and Section 14(3) of said Ordinance, stipulates that any person or authority obstructing 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 Ministry of Law and Justice, vide its office memorandum No.F.No.467/2024-Law-I dated 04.09.2024, while examining the stance taken by a refusing entity, clarified that in terms of Article 169 of the Constitution of Islamic Republic of Pakistan, 1973, the Auditor-General of Pakistan has been mandated to perform Audit of the accounts of any Authority or Body established by the Federation and or a Province. The Auditor-General has all kind of powers to inspect and enquire into the accounts, office, books and papers of any office under the control of Federation and Provinces.

During the audit of Shalimar Recording & Broadcasting Company, the management was requested to provide the auditable record vide this office letter

No. 225/AP/Intimation/DGCA/ISB/2024-25 dated 27.09.2024. The record was requisitioned upto the FY 2023-24. However, it has not been provided to audit despite reminders and meetings with the concerned department by the Field Audit team. Subsequently, the matter was escalated to the level of Principal Accounting Officer (PAO) by the Director General Commercial Audit who reported the matter to PAO twice. However the issue of non-production of record has remained unresolved.

The issue of refusal from audit has been persisting for the past three (3) years with multiples attempts made by this office to obtain the records through communication with the Shalimar Recording & Broadcasting Company and Ministry of Information & Broadcasting, Islamabad. Despite these efforts, the record has remained unavailable till date.

In such circumstances, neither the sanctity of utilization of Public Money according to relevant financial and other applicable rules could be verified nor the constitutional duty of the Auditor-General of Pakistan could be fulfilled.

The Audit recommends that the responsibility be fixed on those responsible for non-production of record upto the FY 2023-24 and disciplinary proceedings be initiated against the concerned under relevant E&D, Rules. Further, the PAC may direct the department to get its accounts audited on regular basis in the light of Constitutional mandate of Auditor-General of Pakistan.

Chapter-10

Ministry of Interior

Overview

Interior Ministry is responsible for policing, emergency management, national security, registration, supervision of local governments, conduct of elections, public administration and immigration matters.

Aims & Objectives

To make Islamic Republic of Pakistan a country where rule of law reigns supreme; where every Pakistani feels secure to lead a life in conformity with his religious beliefs, culture, heritage and customs; where a Pakistani from any group, sect or province respects the culture, tradition and faith of the other, where every foreign visitor feels welcome and secure.

Polices

- National Internal Security Policy 2018-2023
- SOPs 2017
- Government Procedures 2017
- Rules of Business
- Visa Policy General
- Visa Abolition Agreements
- Visa Policy For Indian Nationals
- Private Security Companies
- Updated Arms Policy 2012

Audit Profile of Ministry of Interior

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	2	1	48,206.55	65,586.93
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	2	1	-	-
4	Foreign Aided Projects (FAP)	1	1	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 36,137.711 million were raised as a result of this audit. This amount also includes recoverable of Rs 6,644.064 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	965.002
B	Procurement related irregularities	1,454.127
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	33,718.582

10.1 National Database and Registration Authority (NADRA)

10.1.1 Introduction

National Database and Registration Authority (NADRA) was established on March 10, 2000 by the Government of Pakistan under the National Database and Registration Authority Ordinance 2000 by merging the National Database Organization (NDO) and the Directorate General of Registration (DGR). The principal office of the Authority is situated at Islamabad. The purpose and object of the Authority is to formulate and implement policies and plans for:

- (i) The development and establishment of an improved and modernized system of registration in the Country;
- (ii) The broadening of the registration base to bring within its purview all persons and things, wherever they may be to the extent and in the manner laid down in the Ordinance; and
- (iii) The establishment and maintenance of multi-purpose databases, warehousing, networking, interfacing of databases and related facilities and services.

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 annual accounts of the organization for the years 2022-23 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2022-23 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

10.1.3 Compliance of PAC Directives

Sr. No.	Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of Compliance
1	2003-04	75	27	48	11.3, 11.4, 11.5, 11.6, 11.8, 11.13, 11.14, 11.15, 11.16, 11.22, 11.24, 11.25, 11.11, 11.12, 11.23, 11.25, 11.26, 11.27, 11.28, 11.29, 11.30, 11.32, 11.35, 11.37, 11.44, 11.45, 11.48, 11.36, 11.38, 11.39, 11.40, 11.42, 11.54, 11.57, 11.71, 11.75, 11.46, 11.50, 11.51, 11.53, 11.54, 11.55, 11.59, 11.61, 11.65, 11.67, 11.68, 11.69	36
2	2016-17	04	0	04	10.1.4.2, 10.1.4.3, 10.1.4.6, 10.1.4.7,	0
3	2017-18	10	06	04	13.1.1, 13.1.3, 13.1.4.2, 13.1.4.5, 13.1.4.8,	60
4	2019-20	15	9	6	9.1.2.3, 9.1.2.4, 9.1.3, 9.1.4.2, 9.1.4.3, 9.1.4.4,	60
	Total	104	42	62		40

Overall compliance of PAC directives was not satisfactory which needs to be improved.

10.1.4 Audit Paras

10.1.4.1 Loss due to award of contract by splitting the similar work - Rs 11.897 million

Rule 4 of PPRA 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 Rule 9 of PPRA, 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 NADRA for the years 2023-24, it was observed that management hired ground and 1st floor in Evacuee Trust building for shifting of its offices. The management published two different tenders by splitting the work for renovation & furnishing of ground and 1st floor of the building. The opening date of financial bid for ground floor & 1st floor was December 12, 2022 & December 16, 2022 respectively. Detail is as under:

Works detail	Name of Contractor	Date of award	Total value (Rs)
Ground floor (Renovation & Furnishing of office)	M/s V Care Engineering	31.01.2023 (74,773,828) 04.03.2024 (10,910,315) (Additional work)	85,684,143
1 st floor (Renovation & Furnishing of office)	M/s U & J Global	24.01.2023	12,132,500
Total			97,816,643

Scrutiny of tender files revealed that both projects were similar in nature and located in the same building. However, the work was divided into two separate tenders. Additionally, it was observed that the work awarded on January 24, 2023, had much lower rates for identical items compared to the other tender awarded on January 31, 2023. This discrepancy resulted in a financial loss of Rs 11.897 million to the Authority.

Irregularity caused by non-compliance of PPRA regulations and weak managerial controls.

Audit is of the view that splitting similar works into separate tenders violated PPRA rules, lacked managerial oversight, and compromised transparency. This resulted in financial discrepancies, with identical items awarded at different rates.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility for splitting the work of same nature on same place into two tenders in violation of PPRA, recover the loss from responsible individual(s) and avoid such instances in future.

(Para-2 NADRA 2023-24)

10.1.4.2 Unjustified collection of fee from general public against issuance of decline succession certificates - Rs 237.865 million

According to Rule 38 (4) of GFR, the audit of receipts should be regulated mainly with reference to the statutory provisions or financial rules or orders which may be applicable to the particular receipts involved. If the test check reveals any defect in such rules or orders, the advisability of amendment should be brought to notice.

During audit of NADRA for the year 2023-24, it was observed that, based on data regarding the issuance of succession certificates, a total of 51,088 applications were received, and 49,644 succession certificates were issued. Additionally, it was noted that 16,819 decline certificates were issued, for which NADRA collected a processing fee of Rs 237.865 million from the applicants. Management charged a processing fee of Rs 22,000 per application for assets valued over Rs 100,000 and Rs 10,000 for assets below that threshold, regardless of whether a succession or decline certificate was ultimately issued.

However, it was observed that despite 16,819 applicants did not receive succession certificates but they were still charged the full processing fee. Charging the full fee for decline certificates appears unreasonable and places an unnecessary financial burden on applicants who did not receive a certificate.

Irregularity occurred due to weak internal controls.

Audit is of the view that charging the full processing fee for applicants who received decline certificates is not justified. Since these applicants did not receive succession certificates, the fee should be adjusted to reflect this outcome and they should be charged a nominal fee. Revising the fee structure would make the process fairer and help maintain public trust.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to revise the fee policy and charge a nominal fee to prevent charging the full processing fee for applicants who receive decline certificates, place the matter before Authority for appropriate decision and refund the excess fee charged to general public.

(Para-4 NADRA 2023-24)

10.1.4.3 Irregular purchase of vehicles during ban period - Rs 670.021 million

According to Finance Division (Expenditure Wing) OM No.7(1)Exp-IV/2023-463 dated 20.02.2024 there shall be complete ban on purchase of all types of vehicles both for current and development expenditure excluding motor cycles.

According to Finance Division (Expenditure Wing) OM No. 7(1) Exp-IV/2016-340 dated 07.07.2022 there shall be complete ban on purchase of all types of vehicles both for current and development expenditure excluding motor cycles.

Rule 3(5) of Staff Cars Rules, 1980 states that no Division shall purchase a staff car unless it has obtained a No Objection Certificate from the Cabinet Division. In the case of replacement of an existing staff car, it shall first be verified from the Cabinet Division that no surplus car is available.

Para 2(b) of Cabinet Division letter No. 6-7(1)/02-M-II dated 22.07.2005 states that the new vehicle can be purchased with the approval of committee constituted in the Finance Division under the Chairmanship of Additional Secretary (Expenditure).

During audit of NADRA for the year 2023-24, the management procured different vehicles amounting to Rs 629.541 million and Rs 40.480 million for the financial year 2022-23 and 2023-24 respectively.

Audit observed as under:

- The vehicles were purchased during period of ban.
- The vehicles were purchased without obtaining approval from the Finance Division.
- NOC from Cabinet Division was not obtained.

Irregularity occurred due to non-compliance of Government instructions.

Audit is of the view that the purchase of vehicles during ban period without seeking approval from austerity committee was held irregular.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter for purchase of vehicle during ban period without getting approval from austerity committee. Besides, expenditure may be got regularized from Finance Division.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2022-23, vide para number 13.1.4.12 having financial impact of Rs 692.039 million. Recurrence of same irregularity is a matter of serious concern.

(Para-45, NADRA 2023-24)

10.1.4.4 Irregular / unjustified procurement / up gradation of IRIS modality and Onelook Cameras - (US\$ 3.500 million) Rs 642.145 million

According to Rule 42(c) of PPRA Rules, direct contracting can only be used under specific conditions:

1. The procurement involves spare parts or supplementary services from the original manufacturer or supplier, and no alternatives are available.
2. Only one manufacturer or supplier exists for the required procurement.
3. A change of supplier would result in incompatibility or technical difficulties, and the contract duration should not exceed three years.

During the audit of NADRA for the year 2023-24, the management made procurement of IRIS Modality and OneLook cameras through direct contracting with M/s IDEMIA, valued at USD 3.5 million (PKR 642.145 million). The purchase order was issued on March 8, 2022, after a technical evaluation conducted on December 10, 2021. M/s IDEMIA has been providing services to NADRA since 2005. Payment was made in advance via a letter of credit backed by a bank guarantee, and the contract includes a support and maintenance agreement until June 30, 2024.

Audit observed as under:

- The direct contracting was initiated without following the open bidding process, violating PPRA Rules.

- Despite the fact that the technical evaluation revealed that five companies (NEC, IRIS ID, TECH-5, Neuro Technology, and Tiger IT) were capable of providing the IRIS recognition system, the contract was awarded to M/s IDEMIA without considering alternative suppliers.
- No justification was provided for declaring M/s IDEMIA as the only supplier, in violation of Rule 42(c)(ii).
- The contract duration exceeds the three-year limit specified in Rule 42(c)(iii), as NADRA has been acquiring services from M/s IDEMIA since 2005.

Irregularity occurred due to non-compliance of PPRA Rules.

Audit is of the view that procurement process violated PPRA rules, which require a fair and transparent procurement process, including open bidding and ensuring competitive pricing and held irregular.

Audit recommends to investigate the reasons of procurement of services by using direct contracting in violation of PPRA rules and fix responsibility on the person(s) at fault.

(Para-47, NADRA 2023-24)

10.1.4.5 Irregular payment of monetization allowance to Directors and Dy. Directors - Rs 59.823 million and non-deduction of 5% income tax – Rs 3.599 million

Finance Division O.M. No.F. No.4 (3) R-4/2011 dated 23.01.2024 Para (iii) states that “Pays, allowances and their revision of all government employees, including those employed in Autonomous/Semi-Autonomous/Corporate bodies require prior approval of Finance Division.

Rule 2(x) of Use of Staff Cars Rules, 1980 defines the ‘Entitled Officers’ as officers of Grade 22, 21 & 20 of the Federal Government borne on the sanctioned Establishment of a Division or an Organization under its administrative control.

The Federal Government approved the “Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22” vide Cabinet Division

letter No. 6/7/2011-CPC dated 12.12.2011. The Monetization Policy was implemented w.e.f. 01.01.2012.

According to FBR notification dated 12.05.2012 vide S.R.O. 569(I)/2012 “(27) the tax on payments under the Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22 (as reduced by deduction of driver’s salary) shall be charged at the rate of 5% as a separate block of income.”

During the audit of NADRA for the year 2023-24, the management of NADRA approved policy for monetization of transport facility for their officers and officials @ BS-21/O/T-11 Rs 96,000, BS-20/O/T-10 Rs 78,000, BS-19/O/T-9 Rs 57,500 and BS-18/O/T Rs 40,250.

Audit observed that management paid Rs 59.823 million to 23 Directors and 91 Deputy Directors (Rs 15.870 million and Rs 43.953 million respectively) under the monetization of transport facility scheme, which was in violation of the policy outlined by the Establishment Division. Additionally, the Rules/Policy for the Monetization of Transport Facility was neither approved nor received concurrence from the Finance Division, as required by their guidelines.

Audit further observed that the management did not deduct or charge income tax at the rate of 5% on the monetization allowance payments, as required by the Federal Board of Revenue (FBR) notification. According to FBR notification, monetization allowance is considered as a separate block of income, and tax must be levied accordingly.

Irregularity occurred due to non-compliance of Government instructions.

Audit is of the view that undue favor was extended to these officers by paying monetization allowance and non-deduction of income tax, contrary to the instructions issued by the Establishment Division / FBR which was held irregular and unauthorized.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that the monetization allowance may be stopped henceforth and recovered from the non-entitled officers. Besides, pay slips of the officers may also be provided for scrutiny. Furthermore, the Rules/Policy for the

Monetization of Transport Facility should be formally approved by the Finance Division to ensure compliance with the established guidelines.

(Para-49 & 50, NADRA 2023-24)

10.1.4.6 Irregular rental ceiling for hiring of residential accommodation at non-specified stations - Rs 111.282 million

According to Ministry of Housing and Works vide letter No.F.4(8)/92-Policy dated 28.09.2021 the Federal Government is pleased to enhance rental ceiling for hiring of residential accommodation in Federal Ministries / Divisions / Attached Department / Subordinate offices at Islamabad and other specified station i.e. Rawalpindi, Lahore, Karachi, Peshawar and Quetta.

Finance Division OM No.F. No.4 (3) R-4/2011 dated 23.01.2024 Para (iii) states that “Pays, allowances and their revision of all government employees, including those employed in Autonomous/Semi-Autonomous/Corporate bodies require prior approval of Finance Division.

During the audit of NADRA for the year 2023-24, during scrutiny of the ledger of “Residential Building Rent” the management paid rental ceiling for hiring of residential accommodation to the officers / officials at Sargodha, Multan and Sukkar amounting to Rs 29,905 million, Rs 57.634 million and Rs 23.743 million respectively.

Audit observed as under:

- Rental ceilings for residential accommodations are to be paid only at specified stations such as Islamabad, Rawalpindi, Lahore, Karachi, Peshawar, and Quetta. However, rental ceilings were paid to officers/officials at non-specified stations, namely Sargodha, Multan, and Sukkar.
- The rental payments at Sargodha, Multan, and Sukkar amounting to Rs 29,905 million, Rs 57.634 million and Rs 23.743 million respectively paid, despite these locations not being included in the list of approved stations.
- The NADRA Hiring Policy 2015, under which these payments were likely made, had not been vetted or approved by the Ministry of Housing and Works or the Finance Division.

Irregularity occurred due to non-compliance of Government instructions.

Audit is of the view the payment of rental ceilings for residential accommodation at non-specified stations is irregular and unjustified, violating the Ministry's orders. Furthermore, the NADRA Hiring Policy 2015 is not approved by the competent authorities, which compromises its legitimacy and adherence to government rules.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to stop the rental ceiling at non-specified stations i.e. Sargodha, Multan and Sukkar henceforth. Besides, NADRA Hiring Policy 2015 may be vetted from the competent forum.

(Para-53, NADRA 2023-24)

10.1.4.7 Irregular procurement of Laptops and SIEM software - Rs 7.529 million

According to PPRA Rule 42 (c) (iii) a procuring agency shall only engage in direct contracting if the following conditions exist, namely:

- i. the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier: Provided that the same are not available from alternative sources;
- ii. only one manufacturer or supplier exists for the required procurement:
- iii. in case of an emergency: Provided that the procuring agencies shall specify appropriate fora vested with necessary authority to declare an emergency;

During the audit of NADRA for the year 2023-24, the management floated tender on NADRA website for the procurement of Laptops and SIEM Software Support for General Elections. Bids were opened on 30.11.2023. According to technical evaluation report, five vendors participated; out of which three bidders were qualified i.e. M/s NESCOL, M/s The Experts, and M/s Qavi Technologies. The technical committee approved purchase of Laptops from M/s NESCOL and SIEM Software from M/s Qavi Technologies. Subsequently,

purchase orders amounting to Rs 4.600 million and Rs 2.929 million respectively were issued on 18.01.2024.

Audit observed as under:

- A contractual agreement between NADRA and ECP was formalized on 28.09.2023. However, despite having sufficient time before the elections (scheduled for 8th February 2024), the tendering process was not completed as per PPRA rules. The procurement process was initiated late, bypassing the required timelines and competitive bidding process.
- PPRA Rule 42(c) (v) allows for direct contracting in case of emergencies, provided the procuring agency specifies an appropriate authority vested with the power to declare an emergency. The due process for declaring an emergency was not followed despite the availability of sufficient time for the procurement process.

Irregularity occurred due to non-compliance of PPRA Rules.

Audit is of the view that the procurement action taken by NADRA was in violation of PPRA rules, specifically regarding the failure to follow proper tendering procedures and lack of a declared emergency. Sufficient time was available to follow the prescribed process, making the invocation of emergency provisions unjustified.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reason for non-following the tendering process despite having sufficient time. Further, the justification for not following the due process for declaring an emergency be provided. Besides, responsibility be fixed on the person(s) at fault for non-compliance of PPRA rules.

(Para-55, NADRA 2023-24)

10.1.4.8 Irregular appointments and promotions resulting in unjustified salary payments - Rs 44.237 million

According to clause 11(6) of NADRA Employees Service Regulations 2002, all vacancies shall be advertised in the national press to ensure maximum participation by all eligible persons.

During audit of NADRA for the year 2023-24, it was observed that multiple appointments were made where candidates did not fulfill the required criteria for their respective posts. Audit scrutinized eleven (11) cases on test check basis and following irregularities in recruitment and promotion processes were observed:

- 1 Appointments were made without advertisement (1 case)
- 2 The degrees were not recognized by HEC (2 cases)
- 3 The degrees were not verified (4 cases)
- 4 The condition of required experience was ignored (6 cases)
- 5 Appointments were made with the approval of irrelevant authority (1 case)
- 6 Promotions were made without fulfilling the required length of service and other conditions (2 cases)
- 7 Overlapping academic qualification (1 case)
- 8 Irrelevant qualification (3 cases)
- 9 Appointment made without applying for the post (1 case)

The detail of irregular appointments and promotions is given at Annex-57.

Irregularities occurred due to weak internal controls and lapses in recruitment process.

Audit is of the view that the above irregularities highlight significant lapses in transparency, fairness, and compliance with recruitment regulations. The appointments and promotions were conducted without due diligence, in non-transparent manner, in violation of merit and unverified degrees, leading to unjustified financial losses and compromising the integrity of NADRA's recruitment process.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that above cases be thoroughly investigated to determine accountability for the irregular appointments and promotions. Steps should be taken to recover the unjustified payments made due to these actions from those responsible.

Note: The issue of irregular appointments was also reported earlier in the Audit Reports for Audit Years 2022-23, 2023-24 vide paras numbers 13.1.4.18, 13.1.4.33, 13.1.4.39, 12.1.4.9, 12.1.4.10 and 12.1.4.28 having financial impact of Rs 180.015 million, Rs 46.200 million, Rs 29.17 million, Rs 38.406 million, Rs 32.160 million and Rs 9.611 million. Recurrence of same irregularity is a matter of serious concern.

(Para-13, 16, 20, 34, 35, 67 & 70 NADRA 2023-24)

10.1.4.9 Irregular conversion from trainee to contract employment (Deputy Assistant Directors) - Rs 14.818 million

According to clause 10 of Recruitment Policy issued on July 27, 2023 relevant experience for the post of Deputy Assistant Director O-6/T-4 shall be 2 to 3 years. Further, as per advertisement for the post of Dy. Asstt. Director (Trainee) the positions on trainee basis was for a period of one year and no further mention regarding conversion of trainees into NADRA Pay Scales/Contract appointment.

During audit of NADRA for the year 2023-24, it was observed that the management initially appointed 40 Deputy Assistant Directors (Trainees) for a one-year term. Upon the completion of this period, their employment was converted to the position of Deputy Assistant Director (O-6) on a five-year contract basis.

Irregularity occurred due to weak internal controls.

Audit is of the view that the conversion of these positions into O-6 scale contracts without adhering to established recruitment criteria and without conducting an open competition process violates transparency and fairness principles. This practice is deemed irregular and unjustified.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends explaining the reasons for the conversion of Trainees into O-6 scale contracts in violation of policy. The contracts should be terminated, and the recruitment process approved for appointments on a contract basis should be followed. Additionally, the matter should be investigated, and responsibility should be fixed on the persons held responsible.

(Para-19, NADRA 2023-24)

10.1.4.10 Non-recovery of advances from terminated/resigned/retired employees - Rs 6.187 million

According to clause 5(a) of NADRA employees Loan Policy, employees who have resigned or terminated or whose employment contracts have been expired shall have to return the outstanding balance of loan within 30 days of resignation/termination or contract expiry.

5(b) HR department will ensure that employee has deposited the outstanding amount of loan or provided he surety bond of any other NADRA employee before proceeding for extra ordinary leave. 5(c) In case, an employee fails to deposit/refund the outstanding balance of loan within the stipulated time period then necessary measures for the recovery of loan amount will be initiated by Administration and Legal Department.

During audit of NADRA for the financial year 2023-24, it was observed that the management granted advances against salaries to its employees as per the applicable policy. However, scrutiny of records revealed that advances amounting to Rs 6.187 million were still outstanding against employees who had either been terminated, resigned, or retired from service. Despite their separation from the organization, no recovery mechanism was effectively implemented to recover the outstanding amounts.

Irregularity occurred due to weak internal controls.

Audit is of the view that the failure to recover advances from separated employees indicates weak financial controls and non-compliance with the policy framework. This lapse may result in financial loss to the organization and warrants immediate corrective action.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends initiating recovery proceedings for the outstanding amounts from the separated employees. Additionally, the matter should be investigated, and responsibility should be fixed on the person(s) at fault for the lapse.

(Para-23, NADRA 2023-24)

10.1.4.11 Irregular appointment of Management Associates and Assistant Management Associates - Rs 96.708 million

According to rule 8(2) of NADRA Employees Service Regulations 2002, at the time of creating or re-designating a post, the authority shall determine and specify the following, namely: (a) The pay scale in which the post is classified. (e) Job description and nature of duties to be performed by the incumbent of the post.

During audit of NADRA for the financial year 2023-24, it was observed that the management appointed individuals to the positions of Management Associate and Assistant Management Associate, which are not reflected in the approved Organogram. These posts do not correspond to any recognized pay scale under NADRA's approved framework. Despite this, the officers appointed against these positions have been assigned designations aligned with the O&T Pay Scales, in violation of NADRA Service Regulations. This practice appears to have been adopted to provide undue favor to specific individuals, raising concerns about governance, regulatory compliance, and potential favoritism.

Irregularity occurred due to weak internal controls and non-compliance of Service Regulations.

Audit is of the view that these positions do not exist in the approved Organogram and are not tied to any recognized pay scale within NADRA's framework and this practice has been adopted to provide undue favor to specific individuals, bypassing established rules and procedures hence held irregular.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends conducting a thorough review of these appointments to assess their legality and compliance with NADRA's approved policies and regulations. Corrective actions should be taken for any identified irregularities,

including rectifying unauthorized benefits granted to individuals and initiating recovery proceedings for outstanding amounts from separated employees. Furthermore, any practices deviating from the approved Organogram and pay scale framework should be immediately ceased. It is essential that all future appointments strictly adhere to NADRA's Service Regulations and organizational structure. The matter should be investigated, and responsibility should be fixed on the person(s) responsible for the irregularities.

(Para-24, NADRA 2023-24)

10.1.4.12 Non-recovery of outstanding dues from BISP and Pakistan Bureau of Statistics – Rs 4,405.512 million

According to Finance Division OM dated September 05, 1982, funds provided, acquired or granted 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 rules or specific orders of the government. Furthermore, according to clause 8 of the Contract Agreement between Pakistan Bureau of Statistics & NADRA for provision of IT solution to conduct 7th Population & Housing Digital census, payments will be made to the account of the Consultant for deliverables/milestones after the conditions listed in SCC for such payment have been met and the consultant has submitted an invoice to the client specifying the amount due. The invoice will be cleared within 30days after the date of the invoice and acceptance of the deliverables by the client.

During audit of NADRA for the financial year 2023-24, it was observed that outstanding dues amounting to Rs 274.512 million from Benazir Income Support Program (BISP) and Rs 4,131 million from Pakistan Bureau of Statistics (PBS) remain unrecovered as detailed below:

- BISP outstanding dues (Rs 274.512 million):

The amount pertains to various projects such as the Ehsas Emergency Cash Program, SMS-based services, and data validation. Despite significant delays, no substantial efforts to recover these dues were evident, reflecting weak internal controls and lack of follow-up.

- PBS outstanding dues (Rs 4,131 million):

The dues relate to NADRA's provision of IT solutions for the 7th Population & Housing Digital Census under a contract signed on June 20, 2022. The delay in payment indicates insufficient efforts by management to ensure timely recovery of dues.

Irregularity occurred due to weak internal controls.

Audit is of the view that the delay in recovering the outstanding dues shows that the management has not taken sufficient action to follow up.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends explaining the reasons for the non-recovery of long outstanding dues from BISP & PBS. Immediate and concrete steps should be taken to recover NADRA's outstanding receivables. Responsibility should be fixed on those accountable for the delays in pursuing the recovery of these receivables.

(Para-25 & 26, NADRA 2023-24)

10.1.4.13 Non-booking and non-recovery of revenue from Civil Registration Management System (CRMS) – Rs 15.332 million

According to Finance Division OM dated September 05, 1982, funds provided, acquired or granted 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 rules or specific orders of the government.

During audit of NADRA for the financial year 2023-24, it was observed that the Authority implemented the Computerized Registration Management System (CRMS) nationwide in coordination with respective Local Government Authorities and Cantonment Boards for the registration and issuance of vital event certificates (Birth, Death, Marriage, and Divorce). Previously, this activity was managed using manual registers at the Union Council (UC) and Cantonment Board levels. Certificates were issued by District Governments and Cantonment Boards with operational support from NADRA. Scrutiny of relevant record

revealed that prior to the implementation of online system the record regarding outstanding dues from UCs was not properly maintained/available on record. As the same was not reflected in the books of accounts as receivable. As per the prevailing practice of NADRA, the actual receipt in Bank was being booked as both revenue and collection and there is no booking of actual invoices as receivable.

Furthermore, the receivables against offline system was maintained manually which was provided by the management (RHO-Lahore only) and the amount is still receivable. Despite the considerable lapse of time, no meaningful efforts were observed to recover the outstanding dues. Detail is as under:

S. No.	Description	Amount (off-line) Rs
i.	Old receivables (offline system) Lahore, Nankana Sahib, Kasur, Gujranwala, Sialkot	9,795,633
ii.	Receivables as on June 30, 2024	5,536,693
	Total	15,332,326

Irregularity occurred due to weak financial management.

Audit is of the view that a proper financial reporting system should have been developed to accurately record the revenue generated through CRMS and to identify and recover offline receivables, which was not done.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends explaining the reasons for the non-booking of receivables in the ERP system and the lack of a proper financial module for recording CRMS revenue and its reconciliation. The exact amount of offline revenue receivable for all regions should be identified and communicated to the audit. Immediate and concrete steps should be taken to recover NADRA's outstanding receivables. Responsibility should be fixed on those accountable for delays in pursuing the recovery of these receivables.

(Para-27, NADRA 2023-24)

10.1.4.14 Irregular payment of house rent allowance - Rs 1,467 million

According to Finance Division OM dated January 2024 regarding clarification on consultation/approval of Finance Division, para 5(iii) states that

pays, allowances, and their revision of all Government employees, including those employed in Autonomous/Semi-autonomous/Corporate bodies require prior approval of Finance Division. Furthermore, NADRA adopted Adhoc relief Allowances as admissible to the Government Servants.

During audit of NADRA for the financial year 2023-24, it was observed that employees in O and T scales were being paid house rent allowance at 45% of the running basic pay without obtaining approval from the Finance Division. NADRA has three categories of scales: O, T, and BPS. Employees in BPS are entitled to house hiring allowances in accordance with rates applicable to Government Servants. However, employees in O and T scales, equivalent to BPS 1 to 20, are being paid house rent allowance significantly higher than the rates applicable for house hiring under the Government rules. This amount also exceeds the ceiling notified by the Ministry of Housing & Works. Such disparity creates discrimination among employees and results in the payment of excess allowances beyond authorized limits.

Irregularity occurred due to non-compliance of Government instructions.

Audit is of the view that management should adopt a uniform policy for house rent allowance, ensuring alignment with government rates applicable to all employees. This policy must also be approved by the Finance Division, which was not obtained in this case. Consequently, the payments made to employees in O and T scales on account of house rent allowance are considered irregular by the audit.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the reason for the payment of house rent allowance (on running basic pay) in excess of the amount being paid by the Government and without the approval of the Finance Division. The excess payment should be recovered, and the matter should be referred to the Finance Division for concurrence. The matter should be investigated to fix responsibility on the individuals involved in the irregularity. Stronger controls should be implemented to prevent similar discrepancies in the future.

(Para-28, NADRA 2023-24)

10.1.4.15 Discrepancies in recruitment process/evaluation of candidates - Rs 50.07 million

According to Rule 10 of NADRA Employees Service Regulations, 2002, there shall be constituted one or more selection committees, with the approval of the Chairman, for the purpose of selection of persons for appointment to posts in BS-16, or equivalent O or T pay scale, and below. No appointment whatsoever shall be made in the authority without the recommendations of the Selection Board or, as the case may be, the appropriate selection committee.

During audit of NADRA for the financial year 2023-24, a review of recruitment records on a sample basis revealed irregularities in the hiring process for 29 employees on a contract basis for NTL. It was observed that the evaluation forms used during the interview process were left blank, with no marks assigned to the weightage categories designated for evaluation. This raised serious concerns about the transparency and fairness of the recruitment process, suggesting that the candidates may have been pre-selected on a pick-and-choose basis, and the interviews conducted were merely a formality. An amount of Rs 50.07 million was paid to these employees during 2023-24. The details of candidates whose files were checked on a sample basis are given at Annex-58.

Irregularity occurred due to weak internal controls and non-compliance of Service Regulations.

Audit is of the view that the recruitment process lacked transparency and fairness due to the absence of proper evaluation and documentation during interviews. The blank evaluation forms indicate a potential disregard for merit-based selection criteria.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for using blank evaluation forms during interview and selection of applicants in violation of approved criteria, investigate the matter and fix responsibility on the responsible persons and ensure strict adherence to recruitment criteria and avoid such instances in future hiring.

(Para-31, NADRA 2023-24)

10.1.4.16 Irregular parking of annual surplus funds in NADRA's Subsidiary Company Account – Rs 27,104.006 million

According to section 26A of NADRA Ordinance 2000, Surplus to be remitted to Federal Consolidated Fund — Any surplus of receipts over the actual expenditure in a year, after payment of tax, shall be remitted to the Federal Consolidated Fund (FCF) and any deficit from the actual expenditure shall be made up by the Federal Government to the extent of funds deposited in FCF.

According to Para 5 (ii) of Finance Division (Regulation Wing), GoP notification No. F.No.4 (3) R-4/2011, dated: 23.01.2024, “All offices are required to deposit, after carrying out their expenditure as authorized by Federal Government/Finance Division, their annual surpluses in the Federal Consolidated Fund promptly in accordance with the provision of their own laws as well as the Public Financial Management Act, 2019.

During audit of NADRA for the year 2023-24, it was observed that an amount of Rs 27,104.006 million was recorded under the head of account “Deposits, Prepayments and Other Receivables – Due from Subsidiary (NTL)” in its financial statements for the year ended June 30, 2024. Similarly, NTL recorded an amount of Rs 27,129.068 million under “Trade and Other Payables (Payable to Related Party – note 16.3)” in its financial statements for the same period. This amount represented funds payable to NADRA on demand and carried an interest rate ranging from 20.64% to 22.86%. Furthermore, this resulted in a difference in payables and receivables amounting to Rs 25.062 million which needs to be reconciled.

This arrangement indicated that the management intentionally parked the funds in its subsidiary to obscure surplus funds that should have been deposited into the Government Treasury, as required under the relevant rules.

Non-compliance with NADRA Ordinance & Government (Finance Division) instructions resulted in the irregular parking of Rs 27,129.068 million in the subsidiary company's accounts instead of transferring the funds to the Federal Consolidated Fund during the financial year 2023-24.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends transferring the surplus funds of Rs 27,129.068 million to the Federal Consolidated Fund at the earliest under intimation to Audit. Additionally, the matter should be investigated to fix responsibility on the person(s) responsible for this irregularity.

(Para-84, NADRA 2023-24)

10.1.4.17 Unauthorized grant of data acquisition unit privileges to a transport office leading to data breach

According to Section 7(1) (j) of NADRA Ordinance, “the Authority shall be responsible for ensuring of due security, secrecy and necessary safeguards for protection and confidentiality of data and information contained in or dealt with by the National Data Warehouse at individual as well as collective level.

According to Information security, cybersecurity and privacy protection Standard ISO 27001 Clause 5.18 Access rights to information and other associated assets shall be provisioned, reviewed, modified and removed in accordance with the organization’s topic-specific policy on and rules for access control.

During the audit of NADRA for the year 2023-2024, the audit observed that on the request of the management, a Joint Investigation Team (JIT) was constituted by the Prime Minister on November 13, 2023, to investigate the cyber security incidents. The JIT submitted its findings to the Prime Minister on March 1, 2024. Based on read-only access to JIT report on Cyber Security Breach at NADRA and responses to audit questionnaire by NADRA, audit observed that a significant breach of information systems had occurred at one of NADRA’s offices in March 2023. Audit identified the following serious issues:

- NADRA management unauthorizedly and in complete disregard and neglect of the standard information security practices related to Access Control granted Data acquisition unit rights to a Transport office and authorized NRC access to this transport office in 2019 which eventually led to compromise of system and possibly data leak of citizens of Pakistan to an unknown extent.
- NADRA management neglected the fact that it was using insecure end point PC based firewalls at its production systems without even

password protection and without policy level approval from NADRA Authority/Board since its more secure hardware-based firewalls had reached the end of life since 2016 and NADRA senior management did not prioritize procurement of firewalls and left the security gaps open for exploitation by hackers. Therefore, the then senior management exhibited a lack of seriousness and commitment about security of citizens' data. Eventually the system was compromised, and malware was installed which was found pervasive on multiple computers / systems and was used for exfiltration of citizen's data. The extent of the data leak is yet unknown.

Audit is of the view that there were multiples failures by NADRA. Not only wrong access privileges were granted to a Transport Office and insecure firewalls were used but the supposedly secure VPN tunnel was also compromised, possibly with insider support and connivance of PTCL staff which added unauthorized route entries to a foreign country to where the citizens' data might have been routed.

Audit had warned earlier during Information Systems Audit of NADRA for Audit Year 2016 that NADRA was not following secure information systems practices but successive NADRA managements did not take any concrete measures which eventually led to compromise of NADRA systems on multiple occasions. The current NADRA management has initiated the implementation of information security controls, nearly eight years after the Information Systems Audit was conducted.

Successive NADRA managements ignored the information security aspects at NADRA for unknown reasons which led to unauthorized export of citizens' data.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends taking appropriate legal and administrative actions against those responsible in the light of JIT findings and recommendations. NADRA may also implement robust procedures to monitor data routes and prevent network compromises, including securing virtual private networks.

Action be initiated against PTCL for the compromised VPN and unauthorized routing entries that led to data export to a foreign destination. Regular network penetration tests should be conducted, and NADRA should consider implementing an Information Security Management System (ISMS) while undergoing regular Information Systems Audits and Penetration Testing to enhance security.

(Para-85, NADRA 2023-24)

10.1.4.18 Unauthorized and insecure transfer of citizens data from NDW and its provision to development team

According to Section 7(1) (j) of NADRA Ordinance, “the Authority shall be responsible for ensuring of due security, secrecy and necessary safeguards for protection and confidentiality of data and information contained in or dealt with by the National Data Warehouse at individual as well as collective level.”

According to Information security, cybersecurity and privacy protection Standard ISO 27001 Clause 8.31 Development, testing and production environments shall be separated and secured.

As per Section 7(1) (J) of NADRA Ordinance 2000. NADRA shall ensure due security, secrecy and necessary safeguards for protection and confidentiality of data and information contained in or dealt with by the National Data Warehouse at individual as well as collective level.

During the audit of NADRA for the year 2023-2024, the audit observed that on the request of the management, a Joint Investigation Team (JIT) was constituted by the Prime Minister on November 13, 2023, to investigate the cyber security incidents. The JIT submitted its findings to the Prime Minister on March 1, 2024. Based on read-only access to JIT report on Cyber Security Breach at NADRA and responses to audit questionnaire by NADRA, audit observed unauthorized and insecure transfer of data of the citizens of Pakistan from NADRA Data Warehouse to Development team in violation of NADRA Ordinance and Information security standards/best practices which recommend that development team should not have access to production data.

Audit identified the following serious issues:

- Entire data of all citizens of Pakistan was transferred from NDW to Software Developers in violation of NADRA Ordinance 2000
- The data was transferred on a USB in an insecure way without any record or evidence that it was transferred in encrypted form further exposing the citizens' data to risks. Chain of custody of USB device containing the data, its serial number matching with NADRA inventory of assets is unknown to this day.
- The data access and monitoring controls were also disabled for National Data Ware House after this unauthorized migration of data. This loophole ultimately led to exfiltration of citizens' data and its possible exposure internationally without any limitation.
- The developers were accessing this data from their homes which further raises questions about the security of citizens' data.

Audit had warned earlier during Information Systems Audit of NADRA for Audit Year 2016 that NADRA was not following secure information systems practices but successive NADRA managements did not take any concrete measures which eventually led to compromise of NADRA systems on multiple occasions. The current NADRA management has initiated the implementation of information security controls, nearly eight years after the Information Systems Audit was conducted.

Audit is of the view that ignoring security aspects by successive NADRA management led to major and disastrous security incidents.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends a comprehensive review of the criminal and civil aspects of the case to take appropriate legal and administrative actions. NADRA should ensure complete separation of development, quality assurance, and production environments and restrict developers' access to the full production dataset and systems. Additionally, NADRA should consider implementing an Information Security Management System (ISMS) and conduct regular Information Systems Audits and Penetration Testing to enhance security and safeguard sensitive data.

(Para-87, NADRA 2023-24)

10.1.4.19 Unauthorized countrywide implementation of insecure encryption leading to data leaks of citizens of Pakistan

According to Section 7(1) (j) of NADRA Ordinance, “the Authority shall be responsible for ensuring of due security, secrecy and necessary safeguards for protection and confidentiality of data and information contained in or dealt with by the National Data Warehouse at individual as well as collective level.”

According to Email and Internet Policy for Federal Government “No encryption software will be used by any user/organization unless authorized by the Cabinet Division (NTISB)”

According to National Cyber Security Policy 2021 Government Departments will define and enforce a robust Government Authentication and Data Protection Framework including data classification and to ensure that appropriate controls exist to protect data.

According to Information security, cybersecurity and privacy protection Standard ISO 27001 Clause 8.24 Rules for the effective use of cryptography, including cryptographic key management, shall be defined and implemented.

According to Section 6.3 of NIST Special Publication 800-56B an encryption of at least 112 bits of security strength may be used.

During the audit of NADRA for the year 2023-2024, the audit observed that on the request of the management, a Joint Investigation Team (JIT) was constituted by the Prime Minister on November 13, 2023, to investigate the cyber security incidents. The JIT submitted its findings to the Prime Minister on March 1, 2024. Based on read-only access to JIT report on Cyber Security Breach at NADRA and responses to audit questionnaire by NADRA, audit observed unauthorized and insecure use of 80 bits encryption security at NADRA’s core production system that processes citizens’ data.

Audit identified the following serious issues:

- Mr. Usman Mobeen ex-CTO and later Chairman NADRA implemented his personal and unprofessionally designed encryption algorithm in the NIS application that processes citizens’ data.

- Against the best practices of cryptographic key management, he completely withheld the documentation to himself and implemented it without any internal or external tests of its strength. After leaving NADRA he took the documentation with himself without handing it over to NADRA.
- The algorithm was inherently flawed as it used RSA 1024 encryption cipher with maximum security strength of 80 which was against the recommended security strength of at least 112.
- The algorithm was unprofessionally assumed to be secure though it returned server response in base64. Audit noted with grave concern that base 64 is only an encoding and not encryption at all and could be decoded within a few seconds.

Audit is of the view that insecure encryption key management practices including absence of any key management policy, shared keys via insecure internet channels without adhering to best practices, multiple use of same key, no Mac binding of key, would have facilitated the compromise of key which was used by hackers later on to not only use a fake NIS application to connect to backend NADRA servers but also fetch data using NADRA API in base64 encoding which was inherently insecure and almost clear text and exported to possibly foreign countries via compromised VPN tunnels.

Audit had warned earlier during Information Systems Audit of NADRA for Audit Year 2016 that NADRA was not following secure information systems practices but successive NADRA managements did not take any concrete measures which eventually led to compromise of NADRA systems on multiple occasions. The current NADRA management has initiated the implementation of information security controls, nearly eight years after the Information Systems Audit was conducted.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to initiate appropriate legal and administrative actions in the light of findings and recommendations of JIT. NADRA should immediately discontinue the use of insecure encryption and adopt secure,

standards-compliant encryption algorithms with robust key management practices. Additionally, it is crucial for NADRA to consider implementing an Information Security Management System (ISMS) and conduct regular Information Systems Audits and Penetration Testing to enhance the security and integrity of its systems.

(Para-88, NADRA 2023-24)

10.1.4.20 Insecure and unprofessional software development practices at NADRA

According to Section 7(1) (j) of NADRA Ordinance, “the Authority shall be responsible for ensuring of due security, secrecy and necessary safeguards for protection and confidentiality of data and information contained in or dealt with by the National Data Warehouse at individual as well as collective level.”

According to National Cyber Security Policy 2021 Government Departments will define and enforce a robust Government Authentication and Data Protection Framework including data classification and to ensure that appropriate controls exist to protect data.

According to Information security, cybersecurity and privacy protection Standard ISO 27001 Control 8.25 Rules for the secure development of software and systems shall be established and applied.

During the audit of NADRA for the year 2023-2024, the audit observed that on the request of the management, a Joint Investigation Team (JIT) was constituted by the Prime Minister on November 13, 2023, to investigate the cyber security incidents. The JIT submitted its findings to the Prime Minister on March 1, 2024. Based on read-only access to JIT report on Cyber Security Breach at NADRA and responses to audit questionnaire by NADRA, audit observed insecure and unprofessional software development practices at NADRA.

Audit identified the following serious issues:

- No rate limiting was built into logic of NIS application and the API used to access it did not have any security controls built into it which resulted in unrestricted compromise of NADRA’s core application. Had NADRA software development team implemented any rate limiting at application or API level, the extent of damage resulting from compromise of its

systems and exposure of data could have been restricted or even avoided altogether with proper triggers like IP address, username, Mac address etc.).

- The attackers were successfully able to clone NIS application of NADRA and even reverse engineer the inherently weak and insecure custom encryption.
- The attackers were able to discover the unprotected encryption and decryption functions in NADRA application and use it to successfully exfiltrate citizens' data.
- No secure software development practices were developed or adopted at NADRA and code was not reviewed from security point of view at requirement/design stages.
- There were no code security audits conducted.
- No software design documents, and detailed workflows were available even for applications in production use which indicate that software development was random, unprofessional and completely oblivious of security implications of exposure of sensitive data of a nationally important organization like NADRA.

Audit had warned earlier during Information Systems Audit of NADRA for Audit Year 2016 that NADRA was not following secure information systems practices but successive NADRA managements did not take any concrete measures which eventually led to compromise of NADRA systems on multiple occasions. The current NADRA management has initiated the implementation of information security controls, nearly eight years after the Information Systems Audit was conducted.

Audit is of the view that ignoring security aspects by successive NADRA management led to major and disastrous security incidents.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to initiate appropriate legal and administrative actions in the light of findings and recommendations of JIT. NADRA may also adopt secure coding practices, ensuring security is an integral part of software

development processes. Furthermore, the organization should implement an Information Security Management System (ISMS) and conduct regular Information Systems Audits and Penetration Testing to strengthen its cybersecurity framework.

(Para-89, NADRA 2023-24)

10.1.4.21 Leakage of huge data (1 Terabyte) Including all usernames / passwords of NADRA to a foreign country

According to Section 7(1) (j) of NADRA Ordinance, “the Authority shall be responsible for ensuring of due security, secrecy and necessary safeguards for protection and confidentiality of data and information contained in or dealt with by the National Data Warehouse at individual as well as collective level.

According to Information security, cybersecurity and privacy protection Standard ISO 27001 Control 5.28 the organization shall establish and implement procedures for the identification, collection, acquisition and preservation of evidence related to information security events.

During the audit of NADRA for the year 2023-2024, the audit observed that on the request of the management, a Joint Investigation Team (JIT) was constituted by the Prime Minister on November 13, 2023, to investigate the cyber security incidents. The JIT submitted its findings to the Prime Minister on March 1, 2024. Based on read-only access to JIT report on Cyber Security Breach at NADRA and responses to audit questionnaire by NADRA, audit observed the following serious issues:

- A critical data breach occurred at NADRA in 2017.
- Around 1 TB of critical data was leaked which included Active Directory data, login/passwords of all NADRA users and databases etc.
- NADRA management at that time deleted the incident report to hush up such huge negligence, incompetence and complete compromise of NADRA critical infrastructure.
- No inquiry and proper incident management was followed up by NADRA. Even the associated emails were also deleted.

- DG Technology of NADRA at that time Mr. Ahmerin Hussain ordered unauthorized deletion of evidence.
- Chairman NADRA at that time did not probe the data leak and deletion of evidence of data leak and no investigation or disciplinary or legal action was taken in violation of provisions of NADRA Ordinance.

Audit had warned earlier during Information Systems Audit of NADRA for Audit Year 2016 that NADRA was not following secure information systems practices but successive NADRA managements did not take any concrete measures which eventually led to compromise of NADRA systems on multiple occasions. The current NADRA management has initiated the implementation of information security controls, nearly eight years after the Information Systems Audit was conducted.

Audit is of the view that not only the core critical infrastructure data was hacked but also the management tried to hush up the matter by deleting evidence which reflects on the unprofessionalism of NADRA management.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends appropriate legal and administrative actions be pursued in the light of JIT findings and recommendations. Furthermore NADRA may establish a comprehensive Incident Management procedure to address future security incidents effectively. Additionally, NADRA may implement an Information Security Management System (ISMS), preferably with ISO 27001 certification, and undergoes regular Information Systems Audits and Penetration Testing to enhance its security posture and protect sensitive data.

(Para-90, NADRA 2023-24)

10.1.4.22 Lack of Backup Card Printing Setup for Business Continuity in NADRA

According to section 5(4-d) of NADRA Ordinance 2000, the Authority shall ensure and provide by regulations for the due security, secrecy and necessary safeguards for protection and confidentiality of data and information contained in the registration and database systems developed, established or

maintained, or so caused to be developed, established or maintained, under this Ordinance including any database, data warehouse and networking infrastructure;

During audit of NADRA for the year 2023-24, it was observed that while NADRA maintains and stores the data of all Pakistani citizens in its primary database at the Islamabad headquarters, with Disaster Recovery (DR) sites at other locations, the card printing setup for citizens globally is centralized solely at the Islamabad headquarters. No backup card printing setup has been established elsewhere in Pakistan. This poses a significant risk as, in the event of a disaster impacting the Islamabad headquarters, NADRA would lack an alternative facility for the printing of identity cards. This gap in contingency planning could lead to operational disruptions and significant delays in providing vital identity services to citizens.

Irregularity occurred due to non-compliance of NADRA Ordinance.

Audit is of the view that the absence of a backup card printing setup reflects inadequate contingency planning and poses a critical risk to NADRA's operational continuity. Establishing an alternative setup is essential to ensure uninterrupted card printing services in the event of a disaster or operational disruption at the Islamabad headquarters.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the establishment of a backup card printing setup at an alternate location to ensure the continuity of operations in case of any disaster or disruption at the Islamabad headquarters. Additionally, a comprehensive disaster recovery and business continuity plan should be developed to mitigate risks associated with centralized operations.

(Para-32, NADRA 2023-24)

10.1.4.23 Irregular procurement of Routers, LAN Switches, and Wireless Access Points through negotiated tendering - Rs 19.499 million

According to PPRA Rule 42 (d) a procuring agency may engage in negotiated tendering with one or more suppliers or contractors with or without prior publication of a procurement notification. This procedure shall only be used

when,- (iii) for reasons of extreme urgency brought about by events unforeseeable by the procuring agency, the time limits laid down for open and limited bidding methods cannot be met. The circumstances invoked to justify extreme urgency must not be attributable to the procuring agency: Provided that any procuring agency desirous of using negotiated tendering as a method of procurement shall record its reasons and justifications in writing for resorting to negotiated tendering and shall place the same on record.

During the audit of NADRA for the year 2023-24, NADRA issued a purchase order to M/s Information System Association Ltd. (COMSTAR) on 28.11.2023 for the procurement of 900 GSM Routers, 900 8-Port LAN Switches, and 400 Wireless Access Points/Routers for Rs 22.83 million, with a delivery deadline of 18th December 2023. The items were not delivered within the stipulated time, and on 26.12.2023 by M/s COMSTAR, a purchase order was issued to PTCL for Rs 19.499 million with a 2-day delivery period via negotiated tendering under PPRA Rule 42(d)(iii). No evidence for imposition of penalty or forfeiture of bank guarantee was shared with audit.

Audit observed as under:

- The procurement through negotiated tendering was based on the claim of "extreme urgency." However, the justification for the urgent procurement was not adequately provided. Specifically, the events leading to this urgency were not unforeseeable and were not beyond the control of the procuring agency.
- Furthermore, the contractual agreement between NADRA and the ECP was formalized on 28.09.2023, and the elections were scheduled for February 2024.
- Although PTCL was given a 2-day delivery period, they failed to deliver the items within this time frame. Furthermore, the 5% Performance Guarantee clause was excluded from the purchase order with PTCL, indicating potential favoritism.

Audit of the view that the procurement was carried out in violation of PPRA Rules.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that the management explain the reasons for bypassing the tendering process despite having sufficient time and failing to follow the due process for declaring an emergency. Responsibility should be fixed on individuals accountable for non-compliance with PPRA rules to ensure adherence to procurement regulations and prevent similar lapses in the future.

(Para-59, NADRA 2023-24)

10.1.4.24 Irregular and undue promotions of Director Generals, violating eligibility criteria resulting in irregular payments – Rs 31.866 million

According to promotion criteria, total eight (08) years of service in current grade (T-8) was required for promotion to the next grade (T-9) and nine (09) years of service was required in T-9 for promotion to the next grade (T-10). Further according to promotion criteria of NADRA, “O” scale and “T” scale is two different cadre of post.

During the audit of NADRA for the year 2023-24, significant irregularities were observed in the career progressions of Mr. Kashif Iqbal and Mr. Usman Javaid.

Mr. Kashif Iqbal was appointed as Assistant Manager (T-4) on May 12, 2003, and subsequently received multiple promotions in violation of NADRA’s prescribed eligibility criteria. His grade was changed from T-4 to O-7 without justification, followed by further promotions to T-8, T-9, and ultimately Director General (T-10). At each stage, he failed to meet the required service tenure, with his final promotion falling short by nearly three years. Consequently, salary and allowances amounting to Rs 17.414 million for the year 2023-24 are deemed irregular and unjustified.

Similarly, Mr. Usman Javaid, initially appointed as a Software Design Engineer (T-6) on April 20, 2005, was promoted through the ranks to Head of Software Development (T-10) in just 13 years, despite failing to meet the required experience at each stage. His promotions were in clear violation of NADRA’s promotion criteria and indicate undue favoritism. Additionally, a

report submitted by the Joint Investigation Team (JIT) on the NADRA cyber security breach highlighted his failure to implement critical security measures within the National Information System (NIS) Application. His negligence in enforcing software development best practices, including comprehensive reviews, detailed testing, and rigorous audits, exposed NADRA's critical information systems to severe security risks.

Audit is of the view that both officers were granted undue favor through irregular promotions, violating merit and transparency principles. Moreover, Mr. Usman Javaid's failure to implement essential security measures further compromised NADRA's operational integrity. These irregularities reflect weak internal controls, necessitating a thorough investigation to fix responsibility and ensure compliance with established policies.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends obtaining justification for the promotions granted in violation of eligibility criteria. A thorough investigation should be conducted to identify and fix responsibility for these irregularities. Additionally, the undue payments made as salaries and allowances should be recovered from the officers or those responsible.

(Para-69, 72 NADRA 2023-24)

10.1.4.25 Non-formulation of policy of dual national employment in NADRA compromising national security

In the case of Muhammad Ibrahim Shaikh v Government of Pakistan [PLD 2019 Supreme Court 133], the Court specifically held "Nonetheless, a real concern as raised by the opponents of dual nationality is that of divided loyalties leading to potential national security risks. It is in light of both the advantages and disadvantages of dual nationality that leads us to consider the adoption of a balanced approach where certain important positions in government service and public offices where indeed complete and undivided loyalty to Pakistan is required ought to be restricted to those who are citizens of Pakistan only."

During audit of NADRA for the year 2023-24, it was observed that the Authority employed individuals holding dual nationality although NADRA has

been declared "critical infrastructure" by the Ministry of Interior (vide letter No. 8/25/2023-NADRA dated February 22, 2024) and serves as the custodian of sensitive national identity data. Employing dual nationals in such critical positions may poses significant risks to national security. Audit noted that 14 employees possess dual nationality of other countries i.e. UK, USA, Canada & Australia.

It was also observed that the management took advice from Ministry of Interior on the matter and it was directed by the Ministry that NADRA may decide the matter at their own end under the relevant rules.

Audit is of the view that employing dual nationals in NADRA may pose serious risks to critical infrastructure and weaken NADRA's security and reliability.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends conducting a review of employee records to identify dual nationals, followed by the approval of regulations on dual national employability in NADRA, in consultation with the Government.

(Para-73, NADRA 2023-24)

10.1.4.26 Irregular appointments & promotion of officers without requisite qualifications to the posts of Director

According to rule 11 (5) of National Database and Registration Authority Employees (Service) Regulations, 2002 a candidate for initial appointment must possess the qualification and experience and must be within the age limit laid down for the post by the Authority. Further, as per recruitment policy required qualification for the post of Deputy Assistant Director is sixteen-years' education.

During audit of NADRA for the year 2023-24, it was observed that certain officers promoted to the positions of Directors despite not possessing a Master's qualification. This goes against NADRA's recruitment and selection policy, which requires at least sixteen years of education for entry-level positions like Deputy Assistant Director (DAD). Detail is as under:

S. No.	Name	Designation	Qualification at the time of appointment/promotion
1	Muhammad Asad Munir,	Director	BA
2	Mr. Kamran Latif	-do-	BCS
3	Mr. Rizwan Haider	-do-	B.com
4	Mr. Ghazali Zahid	-do-	F.Sc
5	Mr. Rehman Gul	-do-	BSC
6	Mr. Abid Naseer	-do-	DAE
7	Mr. Tanveer Abbas	-do-	BA
8	Mr Saqib Mahmood Warriach	-do-	BA
9	Mr Shahzad Malik	-do-	BA
10	Mr. Khurshid Ahmed	-do-	BA
11	Mr Aamir Hayat Khan	-do-	BA

Audit is of the view that promotion of officers without the required qualifications represents a clear violation of NADRA's recruitment and promotion policy. Such actions can demoralize employees who meet or exceed the qualification criteria but were bypassed for promotions, leading to dissatisfaction within the workforce. Furthermore, promoting unqualified individuals to senior positions can compromise decision-making quality and adversely affect the organization's overall effectiveness.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends reviewing the qualifications of all Directors and DGs for discrepancies, ensuring promotions align with recruitment policies, and enforcing compliance with qualification requirements. Corrective measures should be taken, and the matter should be presented to the Authority for a decision.

(Para-80, NADRA 2023-24)

10.1.4.27 Loss to NADRA due to unjustified acceptance of handsets instead of billing waivers - Rs 4.100 million

According to Finance Division Para No.F.15 (13)-R 14/82 dated September 05, 1982, funds provided, acquired or granted 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 rules or specific orders of the Government.

During audit of NADRA, it was observed that NADRA entered into agreements with various telecom companies during the years 2020-2022, including Ufone, Zong, Telenor, and Jazz, for the provision of telecom services. As part of these agreements, telecom companies offer billing waivers or discounts upon meeting certain revenue commitments. However, instead of availing billing waivers, which would have directly benefited NADRA by reducing its operational costs, the management accepted handsets from the telecom companies. Detail is as under:

Name of company	Amount of Handsets (Rs)
PMCL/Jazz	2,000,000
CMPak/Zong	1,200,000
Telenor	500,000
PTCL/Ufone	400,000
Total	4,100,000

This decision raises the following concerns:

- i. Accepting handsets instead of billing waivers suggests a deviation from the best financial interest of NADRA. This arrangement appears to have benefited individual officials rather than NADRA as an organization.
- ii. The acceptance of handsets resulted in a financial loss to NADRA, as the potential billing waivers could have reduced expenses and increased organizational efficiency.
- iii. The handsets received were not entered into NADRA's asset register, raising concerns about the accountability and transparency of this transaction.

Audit is of the view that this decision reflects a lack of due diligence and prudence in financial management, potentially resulting in personal benefits to individuals at the expense of NADRA's operational efficiency.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends fixing responsibility on the officials for choosing handsets instead of billing waivers, causing a loss to NADRA. The handsets

should immediately be recorded in asset register and their current status verified. Further, future agreements should prioritize NADRA's financial interests and avoid decisions which may lead to personal gains.

(Para-83, NADRA 2023-24)

10.1.4.28 Irregular appointments, promotions and unauthorized salary increases – Rs 19.092 million

According to advertisement dated January 14, 2018, three years post qualification experience was required for the post of Management Associate/Deputy Director. According to contract letter dated February 20, 2018, Management Associate will be compensated @ Rs 110,000 pm (lump sum) compensation cannot be increased or decreased during the term of this contract except maximum of 10% increase upon completion of each year of service. Furthermore, according to rule 11 (5) of National Database and Registration Authority Employees (Service) Regulations, 2002 a candidate for initial appointment must possess the qualification and experience and must be within the age limit laid down for the post by the Authority. Further, as per recruitment policy required qualification for the post of Deputy Assistant Director is Sixteen-year education.

According to advertised criteria for the post of Assistant Director MBA/MPA from an HEC recognized university with minimum of 03 years post qualification experience was required. According to promotion criteria, total eight (08) years of service in current grade (O-7) was required for promotion to the next grade (O-8).

According to advertisement in daily Nawa-i-waqt dated September 27, 2011, required qualification for the post of Assistant Manager was Master in Business/Public Administration or equivalent with two years' experience. Further as per advertisement in daily Jang dated May 02, 2012, required qualification for the post of Assistant Director O-7 scale was Master in Business/Public Administration or equivalent. Furthermore, according to rule 11 (5) of National Database and Registration Authority Employees (Service) Regulations, 2002 a candidate for initial appointment must possess the qualification and experience and must be within the age limit laid down for the post by the Authority. Further,

as per recruitment policy required qualification for the post of Deputy Assistant Director is Sixteen-years education

During audit of NADRA for the year 2023-24, it was observed that the management appointed and promoted the following officials without adhering to established policies. Following irregularities were revealed:

Sr. No.	Name & Designation	Nature of Irregularity	Required Qualification/Experience	Financial Impact (Rs in million)
1	Ms. Maheen Gabol (Management Associate/Deputy Director)	Appointed without the required 3 years of post-qualification experience. No record of applications, shortlisting, or interviews. Unauthorized salary increases beyond contract terms.	Minimum 16 years of education with 3 years of post-qualification experience.	2.042
2	Sheikh Muhammad Waqar (Manager Accounts O-8)	Appointed as Assistant Manager Budget (O-5) without advertisement or relevant experience. Promoted within 1.5 years, violating promotion policy. Further promoted without meeting Master's degree requirement.	Master's degree with relevant financial management experience.	5.477
3	Muhammad Sultan Bakhat (O-8)	Appointed as Operator (O-2) without required qualifications. Promoted multiple times without meeting experience or degree criteria. Master's degree obtained in 2024, much later than required.	BA in English or O Levels (for initial appointment), Master's degree for higher scales.	4.627
4	Syed Muhammad Aun Ali (Deputy Director O-8)	Appointed as Assistant Director without meeting the MBA/MPA requirement. Degrees not verified by HEC. Promoted to Deputy Director before completing the required 8 years of service.	MBA/MPA with 3 years of post-qualification experience.	3.289
5	Muhammad Ali Shah (Deputy Director O-8)	Appointed as Technical Assistant without advertisement. Promoted to O-6 despite holding a 3rd division Bachelor's degree. Re-hired and promoted in violation of rules.	Master's degree required for Assistant Director and Deputy Director positions.	3.657
				19.092

Irregularity occurred due to weak internal controls and non-compliance of Service Regulations.

Audit is of the view that these appointments and promotions violated policies, undermining transparency and merit. The lack of required experience, missing selection records, and unauthorized salary increments highlight weak controls. Irregular promotions further reflect non-compliance, causing financial losses and compromising hiring integrity.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons for appointing & promoting the officers in violation of the prescribed criteria and to conduct a thorough inquiry to fix responsibility on officials involved in these irregularities.

(Para-29, 39, 40, 64 & 81 NADRA 2023-24)

10.1.4.29 Irregular appointments, promotions and wrong fixation of salary – Rs 28.784 million

According to promotion criteria, total nine (09) years of service in current grade (T-9) was required for promotion to the next grade (T-10) and total (08) years of service in current grade (T-08) was required for promotion to the next grade (T-09).

During audit of NADRA for the year 2023-24, the following irregularities were observed concerning the appointments and promotions of two officers, both of whom were granted undue favor in violation of NADRA's promotion criteria:

1. Mr. Sohail Jahangir, Director General (Rs 18.186 million)
 - i. According to the promotion criteria, nine (9) years of service in the current grade (T-9) was required for promotion to the next grade (T-10). However, Mr. Sohail Jahangir was promoted from Deputy General Manager (T-9) to Director General (T-10) on April 19, 2016, after serving only 6 years, 8 months, and 14 days in the T-9 scale, instead of the required 9 years of service.
 - ii. It was also observed that:

- He was appointed without any advertisement.
 - No experience certificate was found in his personal file.
 - His Master of Science in Information Systems degree from the University of Texas at Arlington was not verified by HEC or the university.
 - He was offered a salary of Rs 221,000 per month as Deputy General Manager and later Rs 505,000 per month as Director General without justification.
- iii. The payment of Rs 18.186 million on account of salary and perks for the year 2023-24 was deemed irregular and unjustified.
2. Mr. Abid Naseer, DGM (HW) (Rs 10.598 million)
- i. According to the promotion criteria, eight (8) years of service in the current grade (T-8) was required for promotion to the next grade (T-9). However, Mr. Abid Naseer was promoted from Hardware Engineer (T-8) to DGM (HW) on April 15, 2008, after serving only 3 years, 3 months, and 3 days in the T-8 scale, instead of the required 8 years.
- ii. It was also observed that:
- He was appointed as Incharge Mailing in T-7 scale on September 13, 2004, without any advertisement.
 - His degree, Bachelor of Science in Computer Science, was obtained from Virtual University of Pakistan in 2014, after his initial appointment.
 - His designation was changed from Incharge Mailing (T-7) to Hardware Engineer (T-8) after serving only 4 months in T-7, rather than the required 4 years.
- iii. The payment of Rs 10.598 million on account of salary and perks for the year 2023-24 was considered irregular and unjustified.

Audit is of the view that in both cases, the management granted undue favor to the officers, and their promotions and appointments were made in violation of the prescribed criteria. Consequently, the payments made in both cases are deemed irregular and unjustified.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends obtaining justification for the selection of candidates who did not meet the advertised criteria for the posts and their subsequent irregular promotions. The matter should be investigated to fix responsibility on the persons accountable for these irregularities. Additionally, the amount of pay and allowances paid to the employees should be recovered from the officers or individuals responsible for these actions.

(Para-68, NADRA 2023-24)

10.1.4.30 Irregular promotions in violation of Authority's criteria – Rs 121.261 million

According to promotion criteria, total nine (09) years of service in current grade (T-9) was required for promotion to the next grade (T-10), total eight (08) years of service in current grade (T-8) was required for promotion to the next grade (T-9), and 08 years' service was required in O-7 for promotion to the next grade O-8.

During audit of NADRA for the year 2023-24, it was observed that multiple promotions were granted in violation of the prescribed promotion criteria. The details of these irregularities are as follows:

1. Promotion of Mr. Ali Javed (T-9 to T-10):
 - i. As per promotion criteria, a minimum of 9 years of service in T-9 was required for promotion to T-10.
 - ii. The officer was promoted to T-10 on 19th December 2018 after only 2 years and 8 months of service in T-9.
 - iii. His promotion was deemed irregular, as it violated the prescribed criteria and granted undue benefit of Rs 33.33 million.
2. Promotion of Mr. Ehtasham Shahid (T-8 to T-10):
 - i. A minimum of 8 years of service in T-8 was required for promotion to T-9, and 9 years of service in T-9 was required for promotion to T-10.

- ii. The officer was promoted to T-9 on 8th January 2008 after 3 years and 3 months in T-8 and then promoted to T-10 on 15th October 2012 after 4 years and 9 months in T-9.
 - iii. This violated the promotion criteria, resulting in irregular and unjustified pay and benefits of Rs 85.107 million.
3. Promotion of Mr. Muhammad Shandar Saeed (O-6 to O-8):
- i. A minimum of 5 years of service in O-6 was required for promotion to O-7, and 8 years of service in O-7 was required for promotion to O-8.
 - ii. The officer was promoted to O-7 on 10th May 2012 after serving only 1 year, 10 months, and 20 days in O-6. He was later promoted to O-8 on 1st July 2018, backdated to 1st March 2016, after serving only 3 years, 9 months, and 20 days in O-7.
 - iii. Additionally, the officer availed 395 days of unpaid leave (EOL) during this period, further complicating the backdated promotion.
 - iv. Payment of Rs 2.824 million during 2023-24 was deemed irregular and unjustified.

Audit is of the view that the promotions of the above-mentioned officers were in clear violation of NADRA's own prescribed criteria, indicating undue favor and negligence in ensuring compliance with promotion rules. These actions resulted in significant financial irregularities.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends obtaining justification for the promotion of officers who did not meet the eligibility criteria. The matter should be thoroughly investigated, and responsibility fixed on the persons held accountable for these irregular promotions. Furthermore, the total amount of Rs 121.261 million paid as salaries and allowances should be recovered from the officers or the responsible personnel.

(Para-66, NADRA 2023-24)

10.1.4.31 Irregular appointment of fake degree holders

According to judgment of Supreme Court of Pakistan (Case 2009 SC MR 1497) no leniency should be shown in favor of employees possessing fake /

bogus degrees /certificates. 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 misconduct.

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 NADRA for the year 2023-24, it was observed that management referred the degrees of various employees from RHO Peshawar to different Universities/Boards for verification. Consequently, twenty-two (22) degrees were declared forged/fake. Although the employees were subsequently terminated from service, no criminal proceedings were initiated against them.

Audit is of the view that the management's failure to verify degrees at the time of appointment reflects negligence and potential undue favor. As a result, a huge amount paid as salaries and other allowances to these employees is deemed irregular and unjustified.

The matter was reported to the management on 15.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the delay in the verification of degrees/certificates in a timely manner and fixing responsibility for the delay. A criminal case should be registered against the concerned employees to deter future misconduct. Additionally, the salaries paid to the employees, or the responsible person(s), should be calculated and recovered.

(Para-71, NADRA 2023-24)

10.2 NADRA Technologies Limited

10.2.1 Introduction

NADRA Technology Limited (NTL) was incorporated in Pakistan as a public limited company on July 14, 2004. The company is a wholly owned subsidiary of National Database and Registration Authority (the Parent Company). The objectives of the company are to undertake surveys, development of electronic chips, software development, data warehousing and management, business process re-engineering, documentation, and reporting on the field of Information Technology (IT) and Geographic Information System (GIS) for public and private sectors, nationally and internationally.

10.2.2 Comments of audited Accounts

10.2.2.1 The working results of NADRA Technology Limited (NTL) for the years 2019-20 to 2023-24 are given below:

	2023-24	% Inc / (Dec)	2022-23	% Inc / (Dec)	2021-22
Income					
Turnover-net	1,440.707	0.53	1,433.061	2.87	1,393.074
Total Income	1,440.707	0.53	1,433.061	2.87	1,393.074
Expenditure					
Operating Cost	961.287	(13.53)	1,111.726	23.83	897.764
Total Expenditure	961.287	(13.53)	1,111.726	23.83	897.764
Gross profit	479.420	49.20	321.340	(35.12)	495.310
Other Income	7.813	813.80	0.855	(16.42)	1.023
Finance Income	5,131.178	124.74	2,283.137	411.64	446.238
Finance Costs	(4,635.726)	154.36	(1,822.496)	346.85	(407.855)
Net Finance income	495.452	7.56	460.641	1,100.12	38.383
Profit before tax	982.685	25.53	782.832	46.40	534.715
Taxation	385.309	27.50	302.213	73.07	174.617
Profit for the year	597.376	24.29	480.619	33.47	360.098

There was a nominal increase in turnover (net) of 2.87% from Rs 1,393.074 million to Rs 1,433.061 million during 2022-23 which was again increased by 0.53% to Rs 1,440.707 million during 2023-24. On the contrary, the operating costs were disproportionately increased by 23.83% from Rs 897.764 million in 2021-22 to Rs 1,111.726 million during 2022-23 resultantly the gross profit was

reduced by 35.12% during 2022-23 which needs to be justified.

10.2.2.2 Cash and bank balances increased by 95.36% from Rs 2,561.925 million as on June 30, 2022 to Rs 5,005.091 million as on June 30, 2023 which further increased by 98.22% to Rs 9,921.094 million as on June 30, 2024. The reasons for holding such a huge amount in banks despite the delay in repayment of the outstanding liabilities need elucidation.

10.2.2.3 Trade and other payables increased by 181.62% from Rs 7,528.039 million as on June 30, 2022 to Rs 21,324.595 million as on June 30, 2023 which further increased by 74.49% to Rs 37,212.278 million as on June 30, 2024. The main reason for the abnormal increase in trade and other payables was non-payment of liabilities due to piling up of bank balances upto Rs 9,921.094 million and irregular increase in short term investments upto Rs 25,039.338 million as on June 30, 2024. The reasons for not paying back the liabilities even though the company has sufficient funds need to be explained. Furthermore, the detail of these trade payables, including the aging analysis and terms and conditions, need to be shared with audit.

10.2.2.4 Gross intangible assets stood at Rs 35.298 million during the year 2023-24 whereas the net book value of these intangibles was Rs 1.145 million as on June 30, 2024. The management is applying rate of amortization per annum 33.33%. Although, major cost of computer software has since been amortized but the management is still utilizing the said computer software at its network spread at E-sahulat Centers level. The management may evaluate the computer software fair market value and be reflected in the financial statements as major upgradations are being carried out annually. The detail related to additions & transfer of these Intangibles Assets / E-sahulat Software alongwith year wise break up of acquisition and disposal may be provided to Audit.

10.2.2.5 The revenue from international projects performed outside Pakistan was decreased by 24% to Rs 88.312 million in 2023-24 as compared to Rs 115.858 million during 2022-23, whereas traveling expenses during the year were increased by 14% to Rs 135.835 million during 2023-24 as against Rs 119.002 million during 2022-23. Position regarding decrease in revenue on account of international projects despite increase in traveling expenses needs justification.

10.2.2.6 Trade debts increased from Rs 523.887 million in 2021-22 to Rs 2,572.218 million during 2022-23 registering an increase of 391% which further increased by 51% during the year ended June 30, 2024 and stood at Rs 3,885.051 million. The abnormal increase in trade debts needs to be explained. Furthermore, the detail of these trade debts, including the aging analysis and terms and conditions, need to be shared with audit.

10.2.2.7 Operating costs included marketing expenses which were increased by 853.33% from Rs 1.125 million in 2020-21 to Rs 10.725 million in the year 2021-22 which further increased by 31.44% during the year 2022-23 despite the nominal increase in revenue by 2.87% as on June 30, 2023. The abnormal increase under said head needs to be justified.

10.2.2.8 Although the total number of employees of the Company were reduced by 9% from 320 to 291 but salaries and wages expenses were increased by 42.54% from Rs 494.532 million as on June 30, 2021 to Rs 704.915 million as on June 30, 2022. Furthermore, the employees again increased by 37.80% to 401 during 2022-23 from 291 during 2021-22 yet revenue was increased by 2.87% only during 2022-23. The disproportionate increase in salaries and wages with respect to number of employees and nominal increase in revenue despite abnormal increase in number of employees needs to be justified.

10.2.2.9 A huge provision of Rs 50.341 million was made as on June 30, 2010 under the head “Other Receivables”. Likewise, a provision amounting to Rs 2.001 million was also provided for under the head, “Trade Debts” during 2009-10. The whole amount of provision was written off during the subsequent financial year without any justification. The reasons of writing off whole amount of provision needs justification. Furthermore, any recovery on account of bad debts during subsequent years may be shared with audit.

10.2.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

10.2.4 Audit Paras

10.2.4.1 Unjustified and excessive bonus paid to employees - Rs 425.570 million

Finance Division's letter No. F.3(5)R. 12 / 80 (R. 14).Vol.II / 2001-544 dated November 30th, 2001 regarding bonus policy of Federal Government, clearly states that payment of bonus to the employees of autonomous bodies / semi-autonomous bodies and corporations without approval from the Administrative Ministry / Division and concurrence of Finance Division will tantamount to financial irregularity. As per bonus policy of Federal Government circulated by the Finance Division (Regulation Wing) vide its OM. No. F.3 (5) RI2/ BOCR.14/ 2002-154 dated 18.03.2002, the bonus would be paid on operational profit of the organization only excluding income from other sources. The payment of bonus would not be made as customary but it would be on the basis of profit earned and as reflected in the annual audited accounts of the organization.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the BoDs of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) in its 78th meeting dated 03.02.2023 approved the disbursement of bonus amounting to Rs 215.547 million and Rs 210.023 million to all NTL employees during 2022-23 and 2023-24 respectively. This decision was taken in complete disregard to instructions issued by Finance Division from time to time. Details of operational profits and bonus payments are as follows:

Rs in million				
S. No.	Financial Year	Operational Profit	Bonus Paid	%age
1	2022-23	321.336	215.547	67%
2	2023-24	479.420	210.023	44%
Total		800.756	425.570	53.15%

Moreover, the bonus was approved by the BoDs to all employees without any performance evaluation or prescribing any criteria. The BoDs' decision to approve the bonus payment despite evident financial constraints and regulatory non-compliance reflected poor governance and lack of fiduciary responsibility. The BoDs should have prioritized measures to improve financial stability.

Imprudent decision of the BoDs resulted in unjustified approval of bonus to NTL employees amounting to Rs 425.570 million despite poor operational and financial performance of the Company.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying the award of bonus without approval of Finance Division besides ensuring recovery of the same.

(Para-93, NADRA 2023-24)

10.2.4.2 Irregular expenditure on account of foreign visits/ air travels of officers of NADRA – Rs 233.385 million

According to the Government of Pakistan Cabinet Division, Islamabad O.M. No. 9-148/2002-Min.II dated March 07, 2024, the following procedure for visit abroad for officials/officers working in autonomous bodies/Companies is laid down:

- i. In case of officers of BPS-20, and above the approval of the Minister In charge will be necessary with prior NOC by the Foreign Affairs Division.
- ii. At the conclusion of a foreign visit, the delegation/official shall submit post visit report to the Ministry of Foreign Affairs and concerned Division within 15 days of the completion of visit.

Further, according to Rule 5 (5) of Corporate Governance Rules, 2013, 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; objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely:- (a) the principle of probity and propriety entails that company's assets and resources are not used for private advantage and the due economy is exercised to reduce wastage.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) incurred an expenditure amounting to Rs

233.385 million on certain foreign visits performed by the Directors and other officers of NTL during the period 2022-23 and 2023-24. It was, however, observed that neither the approval of the Competent Authority as mentioned above nor post visit reports on the return from visits were submitted. Thus, the expenditure of Rs 233.385 million incurred on the foreign visits without observing the Government procedures was held irregular in Audit. It was observed that there was no such practice in the company for obtaining approval for foreign visits from the relevant competent authorities' i.e. Foreign Affairs Division. It was also observed that the financial statements for the year ended June 30, 2023 and 2024 of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) showed expenditures incurred by NTL on behalf of NADRA (parent organization) amounting to Rs 233.385 million on account of Foreign Visits/Air Travels of officers of NADRA. It is pertinent to mention here how the Company can incur expenditure on behalf of the parent company without any service level agreement or recoupment of such expenditure. Resultantly, expenditure of Rs 233.385 million was incurred, which is unjustified in Audit.

Audit is of the view that the NOC from Foreign Affairs Division was not obtained by the Company. Furthermore, non-submission of post visit reports to the Ministry of Foreign Affairs and concerned Division which was necessary is also held irregular in audit. Audit is further of the view that the incurrence of expenditure on behalf of the parent company by NTL without any service level agreement or recoupment of such expenditure violated the above regulations.

Non adherence to the Cabinet Division instructions resulted in irregular expenditure incurred amounting to Rs 233.385 million during the financial years 2022-24. The visit made without the approval of competent forum was indicative of weak internal control system of the organization.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons for performing foreign visits in violation of the government prescribed procedure besides fixing of responsibility thereof. Audit also recommends to explain the matter before the

audit besides regularization/recoupment of expenditure incurred from the competent authority.

(Para-94 & 95, NADRA 2023-24)

10.2.4.3 Irregular purchase of vehicles during ban period - Rs 92.345 million

According to Finance Division (Expenditure Wing) Office Memorandum No. F.7(1) Exp. IV/2016-340 dated July 07, 2022, regarding Austerity Measures for the Financial year 2022-23, there shall be a complete ban on the purchase of all types of vehicles both for current as well as development expenditures excluding motorcycles, student buses, ambulances, and firefighting vehicles.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) procured vehicles costing Rs 92.345 from M/s Toyota GT Motor and from Suzuki Islamabad Motors Pvt. Ltd. in the financial year 2022-23 during the ban period in violation of the above Govt. instructions and no approval from austerity committee was taken before procurement of vehicles hence procurement of vehicles during ban period is held irregular as detail given below. It is also observed that these vehicles were also accounted for as additions to fixed assets during FY 2022-23. Furthermore, records related to need assessment, the entitlement of an officer for luxury vehicles along with fuel ceiling, approval of competent authority, and detail of vehicles performing operational duties along with logbook and movement register may be shared with the audit to ascertain the need and their efficient usage.

Audit is of the view that the purchase of vehicles during the ban period without seeking approval from the austerity committee is held irregular. Furthermore, complete records related to the entitlement of the officer and approval of competent may be shared with audit.

Non adherence to the Finance Division instructions regarding ban on purchase of vehicles resulted in irregular expenditure incurred amounting to Rs 92.345 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter of the purchase of a vehicle during the ban period without getting approval from the austerity committee furthermore, the matter be justified and appropriate action against the responsible functionaries of the company by the respective competent authority.

(Para-96, NADRA 2023-24)

10.2.4.4 Irregular appointment of NADRA employee as Audit consultant in NTL after the age of superannuation – Rs 18.525 million

According to serial No-2, 7 and 8(i) of the Establishment Division, MS Wing's U.O.No.11-3/2001-MSW-III, dated January 25, 2002, a consultancy would, therefore, always be assignment specific and time bound and should be preferred only when it is considered value effective to hire services of a consultant compared to developing in-house expertise. No person retired from a government organization will be hired as a consultant only to re-employ him/her. Consultants should not be appointed to perform routine functions of an organization. Special attention should be given by the Divisions/Organizations to train and develop their own personnel to take up higher responsibilities. An objective evaluation and assessment of a consultant's performance should invariably be undertaken on a periodic basis in a manner especially designed for the job. In addition to the above, following further guidelines will also be strictly complied with, engagement of retired officers as Consultants/Advisers etc. shall require prior permission of the government.

According to Rule 12 (1) of PPRA Rules, 2004, states that over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani 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 NADRA Authority for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) hired the services of Anayat

Ullah Khan Hijazi (Ex Director Audit) as Audit consultant after the age of superannuation without prior approval of the Prime Minister of Pakistan and without advertisement and open competition. It is also observed that he was awarded open contract for professional audit services on lump sum package of Rs 450,000 per month w.e.f 08th September 2021 resultantly an amount of Rs 18.525 million was paid irregularly till the termination of his contract on 05th February 2024. The detail is as under:

S. No.	Name of Consultant	Designation	Date of approval of BoDs	Date of Retirement on superannuation	Date of appointment as consultant	Remuneration payments (Rs in million)
1	Mr. Anayat Ullah Khan Hijazi	Audit Consultant	Nil	04.11.2020	08.09.2021	Rs 450,000 P.M. (08.09.2021 to 05.02.2024) = Rs 18.525 million

Audit is of the view that the appointment of employee after the age of superannuation without the approval of Prime Minister and without advertisement was held irregular and unjustified. Furthermore, it was also observed that there was no internal audit department established in the Company nor internal audit charter and internal audit manual was prepared by the audit consultant. There was not a single internal audit report presented to the BoDs of NTL for seen and approval and the attendance record of the audit consultant was also not available. The consultant's performance was not evaluated by the NTL management thus consultants' contract amounting to Rs 18.525 million stand irregular. It is also worth mentioning that NTL Audit & Inspection Wing and Pre-Audit Function of Finance Wing neither audited nor objected this appointment which showed the ineffectiveness and biasness of NTL Audit & Inspection Wing and Pre-Audit Function.

Non adherence to Establishment Division instructions resulted in irregular hiring of consultancy services of employee after the age of superannuation amounting to Rs 18.525 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to inquire the matter besides fixing responsibility for irregular appointments after superannuation. Further, justify non-existence of proper succession plan to replace the retiring senior engineers.

(Para-100, NADRA 2023-24)

10.2.4.5 Irregular expenditure on hiring of accommodation lodges and utility bills – Rs 8.493 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.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) hired two accommodations in Murree on the plea that "there is only one suite of NTL available which can accommodate one family, due to this reason a large number of our employees cannot avail this facility, due to non-availability of a suite during their vacations or when needed. In order to cater for the rising demand from officers/employees and to cater for their need for suite in Murree, it is suggested that we should enhance our existing facility by hiring one more place for converting it into NTL Lodge. This will be helpful in accommodating more officers and their families. Details of hired accommodation are as under:

S. No.	Particulars of residence in Murree	Rent / Utility Expenses (Rs)
1	House No. 9 -B Gharial Cantt Murree	2,850,996
2	House No. 9 -C Gharial Cantt Murree	3,972,000
3	Utility Bills	1,670,000
	Grand Total	8,492,996

Audit is of the view that due to violation of above referred instructions while incurring the expenditure, NTL management wasted an amount of Rs 8.493 million on account of hiring of lodges for staying during vacation for entertainment of NTL employees and their families in Murree as well as payment of utility bills.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Non adherence to corporate governance rules resulted in irregular expenditure incurred on account of hiring accommodation lodges amounting to Rs 8.493 million during the financial years 2022-24.

Audit recommends explaining the reasons for the incurrence of unjustified expenditure on rent and utility bills for the entertainment of employees and their families. The reasons for the violation of SOPs should also be clarified. Additionally, the amount spent on rent and utility bills, including rent and utility bills, should be recovered from the officers concerned.

(Para-107, NADRA 2023-24)

10.2.4.6 Irregular appointment of Assistant Managers/Assistant Directors without relevant/equivalent educational qualification and experience resulting in irregular payment of salaries – Rs 29.751 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.

According to Government of Pakistan Cabinet Secretariat Establishment Division, (Management Services Wing) letter dated March 08, 2011, 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 department's subordinate offices and autonomous bodies under their administrative control.

According to Rule 14 of NADRA Employees (Service) Regulations, 2002 an initial appointment shall be subject to such verification of the character and antecedent of the candidate.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) hired staff in different cadres/posts. The posts were advertised in the daily newspapers. The detail of these hiring / appointments is given at Annex-59.

During the detailed scrutiny of recruitment record following discrepancies were found as under:

1. No Age limit was mentioned in the advertisement.
2. No Professional and job-related expertise were mentioned in the advertisement.
3. Relevant professional educational qualification and experience was not observed during recruitment process.
4. The management also did not obtain medical fitness certificates from initially recruited staff.
5. The educational degrees of its employees from respective Universities/Boards and institutions were also not got verified despite a lapse of considerable time.
6. The experience certificates of its employees were also not got verified from concerned organizations despite a lapse of considerable time.
7. The appointment process was demanded from management but the same was also not provided to audit.
8. The discrepancies noted in advertisement were also not addressed by management.

Audit is of the view that the appointment as Deputy Assistant Directors/Assistant Managers/Assistant Directors in contravention of above said govt. instructions regarding pre-determined criteria for each post including job related education and experience and increase in salary without renewing the employment contract and payment of Rs in million on account of pay and allowances was irregular and unjustified. Audit was further of the view that employees in question have unlawfully been appointed in violation of NADRA Service Rules without observing their appropriate experience and relevant qualification required for the post. Hence, management extended undue favor to employees concerned.

This resulted into irregular appointment of employees and payment of pay and allowances valuing Rs 29.751 million. This was a sign of weak HR management.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter at appropriate level for non-transparent appointments made against defective advertisement and non-observance of relevant qualification and experience required for the post besides fixing of responsibility thereof.

(Para-113, NADRA 2023-24)

10.2.4.7 Non-deduction of Contributory Provident Fund from the salaries of NTL employees – Rs 8.828 million

According to Clause 6.4 of NTL HR Policy 2012 approved by BoDs of NTL in its 36th meeting held on 23.02.2012, “All employees are bound to make provident fund contribution @ 10% of basic salary. NTL is also bound to make equal amount of CP fund contribution i.e. 10% of basic salary.

Furthermore, according to Section 218 (1), (2) and (3) of The Companies Act 2017, All moneys including contributory provident fund deposited by the employees in pursuance of their contract of service with the company shall be kept or deposited by the company within fifteen days in a special account to be opened by the company for the purpose in a scheduled bank. According to section 219 of the act *ibid*, any contravention or default in complying with requirement of section 218 shall be an offence liable to a penalty under the rules.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) did not deduct an amount of Rs 8.828 million as contributory provident fund from the salaries of its employees as per above referred rules since inception of the Company till todate. The Company also did not contribute equal amount of CP fund resultantly the employees were deprived of that facility.

Audit is of the view that the management of NTL was required to follow the NTL HR policy and the Companies Act 2017 which was not followed in letter and spirit.

Non adherence to the HR policy of NTL and The Companies Act 2017 resulted in non-deduction of Contributory Provident Fund from the Salaries of NTL employees amounting to Rs 8.828 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to state reasons of non-deduction of contributory provident fund from the salaries of NTL employees in violation of above referred rules, start making monthly deductions @ 10% of basic salaries of NTL employees alongwith equal contribution by the employer (NTL) and investigate the matter at administrative level regarding non-compliance and fix responsibility.

(Para-108, NADRA 2023-24)

10.2.4.8 Loss of revenue due to investment of funds at lower rates – Rs 39.668 million

According to Rule 5(5)(a)(i) of Public Sector Companies (Corporate Governance) Rules, 2013 states that 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; objectivity, integrity and honesty; 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 handling of public funds, assets, resources.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) participated in Treasury Bills auction on 05.04.2023 and 04.10.2023 and offered the bids at different slabs with different

bids rates to State Bank of Pakistan (SBP). SBP rejected these bids as bids rates were higher than SBP cut-off rates. Resultantly, surplus / idle funds remained parked in same bank at very nominal rates which caused loss of Rs 39.668 million as detailed below:

S#	Surplus funds A	Auction date B	Issue date C	Bids offered by NTL (%) D	SBP weighted Average (%) E	Funds invested in Banks (rates) F	Difference of Profit G (A*E- F*3/12) (Rs In million)
1	10,500,000,000	04.10.2023	05.10.2023	22.5195% to 22.6745%	22.4945%	21.10%	36.606
2	500,000,000	05.04.2023	06.04.2023	22.2495%	21.9494%	19.50%	3.062
	Total						39.668

Audit is of the view that the management failed to act prudently and invested at lower rates as compared to rates offered by SBP causing loss of Rs 39.668 million due to parking of funds at lower rates.

Non adherence to the corporate governance rules 2013 resulted in loss of income amounting to Rs 39.668 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that Government instructions regarding investment should be followed in letter and spirit besides investigating the matter and fix responsibility thereof.

(Para-97, NADRA 2023-24)

10.2.4.9 Irregular hiring of Media/Communication Consultants – Rs 8.694 million

According to Rule 4 of PPRA Rules, 2004, the 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 10 (1) states that the procuring agency shall allow the widest possible competition by defining such specifications that shall not favor any single contractor or supplier

nor put others at a disadvantage. Rule 32 states that no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty.

According to Para 7(ii) of Govt. of Pakistan Finance Division letter No. F.3(10) Exp.II/94-Vol-I-68 dated 8th February, 2002, the Consultants should not be appointed for routine functions of an organization.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) awarded the contract of consultancy service for Media/Communication to M/s Communication Research Strategies amounting to Rs 8.694 million. Following irregularities were observed:

- The bids of three firms, i.e. M/s Communication Research Strategies, M/s Message Communications, M/s The Passage were submitted to Evaluation board. But only one bidder was found technically responsive i.e. M/s Communication Research Strategies, which offered Rs 8.694 million. The reasons on which other two bidders were rejected on technical grounds were not recorded in the evaluation sheet by the evaluation board nor was the evaluation sheet uploaded on the PPRA website as required under Rule 35 of PPRA Rules which is held irregular in audit.

Audit is of the view that the management extended an undue favor to the consultant in violation of PPRA Rules, 2004. Therefore, award of contract to M/s Communication Research Strategies amounting to Rs 8.694 million stands irregular and unjustified. Furthermore, the management hired the services of the Consultants to perform routine functions in violation of the rules.

Non adherence to the PPRA rules and Finance Division instructions resulted in irregular expenditure incurred on account of hiring of media consultants amounting to Rs 8.694 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter regarding non-observance of Govt. instructions be explained, fix responsibility on person(s) at fault.

(Para-102, NADRA 2023-24)

10.2.4.10 Irregular hiring of Tax Consultants – Rs 6.235 million

According to Para 7(ii) of Govt. of Pakistan Finance Division letter No. F.3(10) Exp.II/94-Vol-I-68 dated 8th February, 2002, the Consultants should not be appointed for routine functions of an organization.

According to Rule 4 of PPRA 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. Rule 10 (1) states that the procuring agency shall allow the widest possible competition by defining such specifications that shall not favor any single contractor or supplier nor put others at a disadvantage. Rule 32 states that no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty.

According to Rule 12(1) of Public Procurement Rules, 2004, procurement over five hundred thousand Pakistani rupee and up to the limit of three million Pak rupees shall be advertised on the authority's web site in the manner and format specified 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 NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) awarded the contract of tax consultancy service to M/s Rafaqat Babar & Co. at a monthly retainer fee of Rs 417,600 in 2018. The management, instead of entering into bidding process again extended the services for another period of 03 years for Rs 15.033 million and paid an amount of Rs 6.235 million during 2022-23 and 2023-24.

Audit is of the view that the management hired the services of the Consultants to perform routine functions amounting to Rs 6.235 million in violation of the rules. Despite the presence of the Finance Department, which

could easily look after such affairs, hiring of Tax Consultants was unjustified. Furthermore, giving extension to the tax consulting firm instead of fresh bidding/hiring is also unjustified and held irregular in Audit.

Non adherence to PPRA rules resulted in irregular expenditure incurred on account of hiring of tax consultants amounting to Rs 6.235 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter regarding non-observance of Govt. instructions be explained, fix responsibility on person(s) at fault.

(Para-103, NADRA 2023-24)

10.2.4.11 Irregular engagement of legal firm – Rs 6.50 million

According to Para I of Law, Justice and Human Rights Division vide its letter No. F.6/1/2013-LA dated 03.06.2015 “in terms of clause (g) of sub-rule (1) of rule 14 of the Rules of Business, 1973, only those recommendations / nominations shall be considered by the “Committee for Selection of Legal Advisors / Panel Advocates”, which are duly recommended by the concerned Departments/Organizations/Corporations for the appointment of Legal Advisor in consultation with the Attorney General of Pakistan through Ministry of Law, Justice and Human Rights.

According to Rule 4 of PPRA 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.

According to Rule 12(1) of Public Procurement Rules, 2004, procurement over five hundred thousand Pakistani rupee and up to the limit of three million Pak rupees shall be advertised on the authority’s web site in the manner and format specified 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 NADRA Authority for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) hired M/s Kundi & Kundi, as Legal consultants/advisor for an indefinite period on retainership basis at Rs 250,000 per month. The legal consultant was hired without advertisement and made payments on accounts of Legal and Professional charges Rs 6.50 million during 2022-23 and 2023-24. Audit observed that the engagement of M/s Kundi & Kundi, as Legal consultants was in violation of Supreme Court decision and without prior approval of Ministry of Law, Justice and Human Rights. Furthermore, PPRA rules were also not followed.

Audit is of the view that the hiring of the firm without fulfilling the codal requirements was held irregular in Audit.

Non adherence to Law, Justice and Human Rights Division instructions and PPRA rules resulted in irregular expenditure incurred on account of hiring of legal advisors amounting to Rs 6.50 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that responsibility should be fixed on the person(s) at fault besides ex-post facto approval of law division be obtained.

(Para-104, NADRA 2023-24)

10.2.4.12 Irregular payment of monetization allowance to officers - Rs 5.394 million

According to Establishment Division O.M No. SRO. No.6/7/2011-CPC, December 12, 2011 the Federal Government has been pleased to approve the monetization of transport facility for Civil Servants in BPS-20 to be implemented from January 01, 2012 subject to fulfillment of the parameters of the policy.

Furthermore, in continuation to the above referred letter Establishment division vide letter No.6/7/2011-CPC dated December 30 2011 at serial No.6 clarified that monetization policy is applicable only to the Civil Servant in BPS-20 to BPS 22 working in Ministries/ Division/ Attached Departments and

Sub ordinate officer. The policy is not applicable in case of officers of Autonomous/Semi-autonomous Organizations, Corporation as well as to the officers drawing pay against constitutional posts, appointed on contract, re-employed or persons appointed on Management pay scales, Special pay scale and Health personnel scale.

During audit of NADRA Authority for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) is paying monetization allowance amounting to Rs 5.394 million to the officers having designation of Deputy Director and Director pay scale T-7, T-8, O-8, and NTL-9. The management paid an amount of Rs 5.394 million to its officers working against above mentioned positions on account of monetization allowance in violation of above policy. The policy was applicable to Federal Government Officers only. The management not only adopted the monetization policy but also extended it upto Director and Deputy Director level which normally fall in BPS-19 and 18 respectively. Furthermore, equivalency of scale for the above mentioned posts from Govt. did not exist in NTL.

Audit is of the view that undue favour was extended to six officers by paying them monetization allowance in violation of Establishment Division instructions which resulted in irregular payment of Rs 5.394 million.

Non adherence to Establishment Division instructions resulted in irregular expenditure incurred on account of monetization allowance amounting to Rs 5.394 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that the matter regarding non-observance of Govt. instructions be explained, fix responsibility on person(s) at fault and recover the amount in question.

(Para-105, NADRA 2023-24)

10.2.4.13 Un-authorized / irregular provision of gratuity – Rs 28.765 million

According to Finance Division, Regulation Wing-II vide OM No.G.15(3)R-14/84 dated October 16, 1984 instructions to Ministries / Division to direct such Autonomous / Semi-Autonomous Bodies and Corporations under their administrative control, where the pension scheme does not exist, the payment of gratuity in addition to C.P.F should not be allowed to their employees on their quitting the services. However, the above facilities were allowed to the employees of autonomous bodies and corporations as available to them prior to October 16, 1984 as a special case vide Finance Division OM dated February 11, 1985. According to Government of Pakistan Finance Division letter dated Jan 21, 2015, it was again clarified and directed that payment of gratuity in addition to Contributory Provident Fund shall not be allowed to their employees on their qualifying service.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) extended the gratuity scheme to their employees who were appointed after October 16, 1984 in violation of above instructions. A provision of Rs 28.765 million was made on account of gratuity for non-entitled employees upto June 30, 2024. Due to non-observance of Government instructions, corporation made irregular provision of gratuity amounting to Rs 28.765 million.

Audit is of the view that after issuing of the above instructions from the Finance Division making provision of Gratuity valuing Rs 28.765 million was unlawful and irregular.

Non adherence to the Finance Division instructions resulted in irregular payment of gratuity to the NTL employees amounting to Rs 28.765 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to state reasons for booking provision for gratuity in the accounts in violation of above referred rules, stop making further provision in

the books of accounts and reverse the available provision of Rs 28.765 million for the financial year 2023-24 and investigate the matter at administrative level and fix responsibility.

(Para-109, NADRA 2023-24)

10.2.4.14 Non-adjustment of temporary advances issued to employees for spot procurement – Rs 10.848 million

According to 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 NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) disbursed an amount of Rs 10.848 million as advances which were outstanding since long against various heads i.e. advance against salary, advance for medical, petty cash and TA/DA the detail of which is as under:

S. #	Description(s)	Amount (Rs)
1	Nor recovered neither adjusted during 2022-23 & 2023-24	3,811,464
2	Not recovered neither adjusted during 2023-24	7,036,377
	Total	10,847,841

Audit is of the view that substantial amount of Rs 10.848 million was outstanding against various advances to staff which reflected weak financial management of the company. Audit is further of the view that expenditure was made in violation of PPRA rules and advances were granted for purchase of routine items which were neither sensitive nor technical in nature.

Non-adherence to SECP Corporate Governance rules resulted in non adjustment of temporary advances to employees amounting to Rs 10.848 million during the financial year 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that the advances may be recovered/ adjusted, and responsibility be fixed for not inviting tender.

(Para-114, NADRA 2023-24)

10.2.4.15 Non-recovery due to irregular extension in credit to franchisees - Rs 6.754 million

According to Clause 9 of agreement between NADRA and franchisee, “In order to avoid any interruption in transactions or inconvenience to the customers, the service provider shall ensure that adequate funds are available at all times for operating the NADRA e-sahulat. Accordingly, the service provider shall recharge account at least 3 days in advance from any designated bank by NADRA in order to maintain sufficient amount of funds for transactions to be carried out. If NADRA, due to some technical reasons or bank mistake, recharge the ID of any service provider in the amount deposited by the service provider in NADRA’s account, the service provider shall remain as the trustee of the excess amount. The service provider shall have no right to use the excess amount and shall be liable to inform NADRA about the excess recharge and return the amount on the same day to NADRA. Breach of this clause tantamount to a criminal breach of trust.”

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) granted undue extension to 352 franchisees valuing Rs 6.754 million. It was further observed that an amount of Rs 3.387 million was recoverable from 160 blocked franchisees. The management was required to recover the outstanding amount from these franchisees as per clause 9 of the agreement but failed to do so resultantly an amount of Rs 6.754 million was still outstanding as on June 30th 2024.

Audit is of the view that management of NTL was required to implement e-sahulat franchisee operational SoPs in its true letter and spirit which was not done resultantly franchisees were defaulted in paying back their outstanding dues.

Weak operational controls resulted in non-implementation of operational SoPs regarding functioning of e-sahulat franchisees which resulted in non-recovery of outstanding dues with financial impact of Rs 6.754 million from 352 franchisees.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to state reasons of not following the SoPs regarding operations and maintenance and non-recovery of outstanding dues from franchisees business and inquire the matter at Company's level and fix responsibility on persons at fault besides effecting recovery.

(Para-111, NADRA 2023-24)

10.2.4.16 Irregular procurement of Goods by avoiding bidding process and granting undue favor to suppliers – Rs 6.591 million

According to Rule 4 of Public Procurement Rules, 2004 states that 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.

According to Rule 12(1) of Public Procurement Rules, 2004 states that procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani 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.

During audit of NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) procured different sundry items from same suppliers in piece meal and avoided the tendering process resulted in non-economical procurement without competition. This resulted in undue favor was granted to these suppliers. Procurement over 3 million was required to be advertised on PPRA website as well as in national daily newspapers for pen competition. The detail is as under:

S. No.	Name of Supplier	Detail of items procured	Payment Date	Amount (Rs)
1	POU Enterprises	Printer Tonners	09.01.2022	954,492
2	POU Enterprises	Printer Tonners	01.03.2023	477,332
3	POU Enterprises	Printer Tonners	03.03.2023	475,891
4	POU Enterprises	AC Inverter	09.05.2023	465,410
5	POU Enterprises	Printer Tonners	19.06.2023	1,425,529
6	MK Design	Renovation Work	20.01.2023	471,425
7	MK Design	Office Furniture	01.02.2023	473,756
8	MK Design	Office Furniture	08.02.2023	474,874
9	Friends Corporation	LED TV	26.07.2022	681,870
10	Friends Corporation	LED TV	25.05.2023	305,600
11	Friends Corporation	LED TV	04.06.2024	384,615
Total				6,590,794

Audit is of the view that the procurement process was not transparent as quotations were obtained from same contractor and bids were not invited through open tenders. Audit is further of the view that the purchase of sundry items without open competition not only deprived the government from the benefit of the competitive rates but also is violation of PPR, 2004.

Non-adherence to PPRA rules and Govt. instructions caused wasteful expenditure which is ultimate loss to the Authority of Rs 10.126 million.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that inquiry may be held to fix the responsibility.

(Para-115, NADRA 2023-24)

10.2.4.17 Irregular appointment of external auditors – Rs 2.216 million

According to Finance Division's O.M. No. F.3(1)-Inv.III/80-406 dated March 25, 1981, where appointments of CA Firms is to be made by the Federal 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 (AGP).

According to Rule 20 of PPRA, 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 NADRA for the financial years 2022-23 and 2023-24, it was observed that the management of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA) appointed a Chartered Accountant firm M/s Grant Thornton Anjum Rahman Company for the audit of financial statements for the years 2022-23 & 2023-24 without competitive process and concurrence of Auditor-General of Pakistan. The management paid an amount of Rs 2.216 million to the Chartered Accountant firm. During audit, file for appointment of Chartered Accountant (Audit Firm) was called for by the management, but no detailed record was produced to audit, despite requisition and subsequent reminder.

Audit is of the view that hiring services without competitive bidding and concurrence of AGP office is held irregular.

Non adherence to Finance Division instructions and PPRA rules resulted in irregular expenditure incurred on account of hiring of external auditors amounting to Rs 2.216 million during the financial years 2022-24.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter regarding non-observance of Finance Division instructions and PPRA rules fix responsibility thereof.

(Para-106, NADRA 2023-24)

10.2.4.18 Irregular payment of Pay & Allowances due to non-vetting of pay structure/ service rules - Rs 26.516 million

According to Rule 12 of Rules of Business, 1973, “no Division / Autonomous / Semi-autonomous / Corporate Bodies shall, without previous consultation with the Finance Division, authorize the issue of any orders, which will affect directly or indirectly the finances of the Federation”. But according to Finance Division (Regulation Wing), GoP notification No. F.No.4 (3) R-4/2011,

dated 23.01.2024, instances have come to the notice of FD where the offices especially Autonomous/Semi-autonomous/Corporate Bodies have contended that they enjoy financial autonomy and that their own Boards are competent to take their financial decisions. Such decisions frequently include sanctioning new allowances or enhancing rates of existing allowances. In response, the FD issued instructions in order to comply with the legal provisions as well as Rules of Business, 1973, “Pays, allowances and their revisions of all Government employees, including those employed in Autonomous / Semi-autonomous / Corporate Bodies require prior approval of Finance Division”.

During audit of NADRA Authority for the financial years 2022-23 and 2023-24, it was observed that the pay/packages allowed to the employees of different cadres were approved by the BoDs of NADRA Technologies Limited (NTL) (a wholly owned subsidiary of NADRA). The management paid an amount of Rs 26.516 million on account of different allowances including field allowance, HQ allowance, Utility allowance, Child Care allowance and Baluchistan allowance etc. to the officers and staff during 2022-23 and 2023-24.

Audit is of the view that the pay and allowances were required to be allowed to the officers and staff with due concurrence of the Finance Division in the light of approvals from the BoDs as well as the Administrative Ministry. Concurrence/ Approval of Finance Division was, however, not obtained. The pay/ package allowed by the management to employees was thus irregular.

Non adherence to Finance Division instructions resulted in irregular expenditure incurred on account of pay and allowances amounting to Rs 26.516 million during the financial years 2022-24.

Audit recommends to investigate reasons for non-obtaining approval from Finance Division, besides, fixing responsibility. Regularize the expenditure in addition to get vetting of pay structure and service regulation under orders of the competent authority.

The matter was reported to the management on January 15, 2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate reasons for non-obtaining approval from Finance Division, besides, fixing responsibility. Regularize the expenditure in addition to get vetting of pay structure and service regulation under orders of the competent authority.

(Para-98, NADRA 2023-24)

Chapter-11

Ministry of Maritime Affairs

Overview

Ministry of Maritime Affairs in Islamabad is the central administrative authority of the Government of Pakistan primarily assigned to facilitate the ports and shipping industry of Pakistan by providing policy guideline to encourage port development and growth in shipping while maintaining safety standards. The Ministry is headed by the Federal Minister for Maritime Affairs assisted by the Secretary, Maritime Affairs. In Karachi Director General (Maritime Affairs) represents Ministry.

Aims & Objectives

- To formulate and implement plans and policy in conformity with International best practice to transform the ports of Pakistan into modern, competitive, user friendly and a transshipment hub of the region with hinterland connectivity.
- To encourage private ship owning under Pakistan flag by creating favourable conditions.
- To improve governance of the ports while focusing of modern and innovative approaches of land lard posts strategies.
- To maintain safety and security standards as per international Maritime Organization (IMO) Conventions with strenuous efforts aimed at maintaining world class standards of marine pollution control
- To ensure and maintain quality of Pakistani seafarers in accordance with the Standards for Training Certification and Watch-keeping (STCW) 1978 Convention.
- To promote Deep Sea Fishing of Pakistan.
- To regulate the export of Fish and Fisheries Products and also to bring a pronounced positive change in the Harbour Environment.

Governing Laws and Policies

- i. GPA Ordinance, 2002
- ii. KOHFA Ordinance-II
- iii. Recruitment Rules for Ex-Cadre Posts
- iv. Port Qasim Authority Act, 1973-Amended-2021
- v. Exclusive Fisheries Zone (Regulation of Fishing) Rules,1990-Amended-2021
- vi. Merchant Shipping (Medical Examination Rules, 2021)
- vii. Fishing Vessels Registration Rules, 2021
- viii. Merchant Shipping (Pilot Ladder Rules, 2020)
- ix. Fishing Vessels Inspection Rules, 2020
- x. Merchant Shipping (Safe Manning of Work and Watch-keeping) Rules, 2021
- xi. Pakistan National Shipping Ordinance, 1979
- xii. Companies Act, 2017
- xiii. PPRA Rules 2004.

(Rs. in million FY 2023-24)					
S#	Description	Total	Audited	Expenditure audited	Revenue/Receipts
1	Formations	4	4	80,595.037	133,791.247
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations of Rs. 69,658.937 million were raised as a result of this audit. This amount also includes recoverable of Rs. 17,161.300 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

(Rs. in million)		
S#	Classification	Amount
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR / Employees related irregularities	320.977
B	Procurement related irregularities	18,655.617
C	Management of Accounts with Commercial Banks	11,997.444
4	Value for Money and service delivery issues	1,061.520
5	Others	37,623.378

11.1 Gwadar Port Authority

11.1.1 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 Gwadar 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 Build–operate–transfer (BOT) 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.

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 years 1986-87 to 2023-24 despite a number of reminders.

Audit requires that the annual audited accounts of the years 1986-87 to 2023-24 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

11.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2010-11	1	1			
2011-12	-	-			
2012-13	1	1			
2014-15	4	1	3	18.1.4.1, 18.1.3, 18.3.2.1	25%
2013-14	5	1	4	16.1.2, 16.1.3.1, 16.1.3.2, 16.1.3.3	20%
2015-16	5		5	17.1.4.3, 17.1.2.1, 17.1.4.1, 17.1.4.2, 17.1.4.4	0%
2016-17	5	4	1	15.1.2.1, 15.1.3, 15.1.4.1, 15.1.4.2	80%
2017-18	4	2	2	14.1.4.1, 14.1.4.3	50%
2019-20	1		1	10.1.4.1	0%
2021-22	8		8	12.1.4.5 (remainig to be discussed in PAC)	0%
Total	34	10	24		29%

No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2020-21 and onwards.

The overall compliance of PAC directives needs improvement.

11.1.4 Audit Paras

11.1.4.1 Non-reporting of evaluation results - Rs. 414.814 million

Rule 35 of PPRA Rules, 2004 states that based on the procedure adopted for the respective procurement, the procuring agency shall announce the result of bid evaluation, in the form of final evaluation report giving justification for acceptance or rejection of bids at least fifteen days prior to the award of procurement contract: Provided that in case where technical proposal is to be evaluated separately, prior to opening of financial proposal, the technical evaluation report shall be announced before opening of the financial proposal.

During audit of Gwadar Port Authority (GPA) for the year 2023-24, it was observed that management awarded contracts worth Rs. 414.814 million to various suppliers and contractors without following proper procedures. Specifically, the management failed to announce the bid evaluation results, including a final evaluation report, at least 15 days before awarding the contracts.

The details are as under:

(Rs in million)				
S#	Name of Contractor / Supplier	Nature of Work	Date of Agreement	Amount
1	M/s Saleh Techno Enterprises	Water Supply line for Gwadar Free Zone from 1.2 MGD Desalination Plant to GPA	18-09-2023	135.996
2	M/s China Communication Construction Company	Perimetric Security System Gwadar Port Project	-	232.091
3.	M/s Talah Builders & Construction Company	Repair & Maintenance works in GPA (Head Office) Building & GPA Housing Complex at Gwadar	08-05-2024	44.302
4.	M/s JK, Contractors & Enterprises	Procurement of hardware equipment for consultant of real estate & asset management consultancy services.	-	2.425
Total				414.814

Audit is of the view that the management failed to publicly announce the bid evaluation results which constitutes a significant lapse in transparency and compliance. This omission reflects a negligence on the part of the management, potentially undermining the integrity of the procurement.

The matter was reported to the management on October 25, 2024. The irregularity was discussed in DAC meeting held on December 24, 2024. The management stated that the final results were announced through GPA letters on all the procurements. Audit is of the view that the management failed to announce the results. DAC directed the management to comply with PPRA directives in future. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.1.4.2 Irregular / unjustified award of contract of repair & maintenance - Rs. 44.302 million

Rule 4 of PPRA 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.

Rule 31 (1) of PPRA Rules, 2004 states that 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 Gwadar Port Authority (GPA) for the year 2023-24, it was observed that the contract was awarded to M/s Talah Builders & Construction Company of Rs. 44.302 million on May 08, 2024 for repair and maintenance works at GPA's Head Office Building and Housing Complex in Gwadar. However, audit pointed out variations in BOQs, and the contractor lacked relevant experience. Furthermore, the evaluation result of the bid was not uploaded on the PPRA website.

Audit is of the view that the award of a contract, despite significant irregularities and shortcomings, including unjustified revisions to the original BOQ, raises serious concerns about the management's procurement process. Thus, the award of contract of Rs. 44.302 million was held irregular.

The matter was reported to the management on October 25, 2024. The irregularity was discussed in DAC meeting held on December 24, 2024. The management informed the DAC that all codal formalities have been completed in award of contract. The DAC directed the management to provide relevant record to Audit for verification. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.1.4.3 Irregular medical expenditure - Rs. 27.860 million

Clause 53 of Gwadar Port Authority (GPA) Ordinance, 2002 states that the Board may, with the prior approval of the Federal Government, engage consultants on such terms and conditions as may be determined.

During audit of Gwadar Port Authority (GPA) for the year 2023-24, it was observed that the management incurred medical expenditure of Rs. 27.860 million for its employees without having a Medical Officer or a referral system in place with the Gwadar Development Authority Hospital (GDAH). This

expenditure covered medical treatment for officers, officials, their dependents, and parents. Those patients with serious health issues were referred to Karachi for further treatment.

Currently, GPA has 302 officers and officials, but lacks a Medical Officer, resulting in difficulties with basic first aid, consultancy, and referrals. This raises concerns about the management's procedures for diagnosing and treating illnesses, as well as making payments for medical services.

Audit is of the view that the management's decision to incur expenditure without a Medical Officer or referral to the GDAH raises concerns as this causes increased expenditure on account of minor-medical issue referrals. This lack of prudence and oversight reflects weak internal controls. Thus, the medical expenditure of Rs.27.860 million without the presence of Medical Officer or referrals is held irregular.

The matter was reported to the management on October 25, 2024. The irregularity was discussed in DAC meeting held on December 24, 2024. The management claimed that the Board approved medical facilities for GPA staff and their dependents, allowing them to use GPA panel hospitals. They also stated that basic medical care is provided through a government hospital, and patients are referred to Karachi by a GPA-authorized officer. The DAC directed management to appoint Medical Officer. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.1.4.4 Non-preparation / finalization of annual accounts

Section (e) of Gwadar Ordinance, 2002 states that that the auditor shall report to the Federal Government upon the Annual Balance Sheet and accounts and in their report state whether in his opinion the Balance Sheet is full and properly drawn up so as to exhibit a true and correct view of the state of the Authority's affairs, and in case they have called for any explanation or information from the Board, whether it has been given and whether it is satisfactory.

During audit of Gwadar Port Authority (GPA) for the year 2023-24, it was observed that the Board / management did not finalize the annual audited

accounts for the year 2022-23 and 2023-24 after considerable lapse of time in violation of above mentioned rules.

Audit is of the view that the delay in finalizing annual accounts prevents a timely and accurate representation of the organization's financial position, thereby depriving the Federal Government and stakeholders of crucial information. This oversight constitutes non-compliance with statutory requirements and obscures the true state of the Authority's affairs.

The matter was reported to the management on October 25, 2024. The irregularity was discussed in DAC meeting held on December 24, 2024. The management stated that the two Chartered Accountant firms were appointed to conduct the audit of Authority's accounts for the period 2022 to 2026 and previously pending audited accounts are currently under review. DAC directed the management to finalize the accounts without delay and share it with Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 14.1.4.9. Recurrence of same irregularity is a matter of serious concern.

11.1.4.5 Vacant positions at key management levels

Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2013 states that the 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 Gwadar Port Authority (GPA) for the year 2023-24, it was observed that the following key posts were lying vacant in the Authority.

S#	Designation	Vacant Since
1.	Conservator	Creation of GPA
2.	Director General (Administration & Personnel)	02.04.2017
3.	Director General (Operations)	2016
4.	Director General (Finance)	2022
5.	Secretary	Creation of GPA

6.	Chief Hydrographer	30.06.2017
7.	Deputy Conservator	Creation of GPA
8.	Director (Admin)	30.11.2018
9.	Director (Legal)	31.12.2010
10.	Director (Technical)	22.10.2022
11.	Director (Marine Operations)	2019

The absence of key personnel and departmental heads in the GPA is a pressing concern, as it may compromise the organization's ability to efficiently manage its increasing workload and critical projects, ultimately undermining its overall performance and effectiveness.

Audit is of the view that lack of key personnel and departmental heads is a critical governance issue that poses significant risks to the organization's operations, efficiency, and effectiveness. This vacancy crisis may lead to compromised project management, inadequate decision-making, and suboptimal performance, ultimately undermining the Authority's ability to achieve its objectives.

The matter was reported to the management on October 25, 2024. The irregularity was discussed in DAC meeting held on December 24, 2024. The management stated that the efforts were continuously being made to fill the vacant positions. Audit is of the view the key management posts have been vacant since long which are affecting affairs of the business. DAC directed the management to fill the vacant post. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.2 Korangi Fisheries Harbour Authority

11.2.1 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.

11.2.2 Comments on Audited Accounts

11.2.2.1 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 2015-16 to 2023-24 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2015-16 to 2023-24 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (*Annex-2*).

11.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% of compliance
2003-04	5	4	1	180.2	80%
2010-11	5	1	4	16.1.4.1	20%
2011-12	1	1			100%
2012-13	1	1			100%
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%
2014-15	3	1	2	18.2.3, 18.2.2.1	33%
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%

2016-17	3	2	1	15.2.2.1, 15.2.2.1	67%
2017-18	2	1	1	14.2.2.1	50%
2019-20	3		3	10.2.4.1, 10.2.4.2, 10.2.4.3	0%
2021-22	8		8	12.2.4.1, 12.2.4.3 (remaining to be discussed in PAC)	0%
Total	46	13	33		28%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2022-23 and onwards.					

The overall compliance of PAC directives needs to be improved.

11.2.4 Audit Paras

11.2.4.1 Non-recovery of utility and rent charges from the tenants – Rs. 128.589 million

Article 24 of KoFHA Ordinance, 1982, says 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 Harbor Authority (KoFHA) for year 2023-24, it was observed that a substantial amount of Rs. 128.589 million was outstanding under various head of accounts as on June 30, 2024, from various parties (Annex-60).

Rs. in million		
S#	Description	Amount
1.	K- Electric charges	19.171
2.	Water Charges	6.375
3.	Rent from NBP	1.199
4.	Shop rent	2.186
5.	Annual ground rent	94.241
6.	Mole office/ shop rent	5.417
Total		128.589

Audit is of the view that the significant amount of outstanding from various parties, raises concerns about the effectiveness of the organization's receivable management and debt collection processes.

The matter was reported to the management in October, 2024. The irregularity was discussed in DAC meeting held on December 24, 2024. The DAC directed the management to recover the amount and get it verified from audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

(DP. Nos. 539, 540, 541, 542, 543 & 546)

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 14.2.4.6 having financial impact of Rs.101.194 million. Recurrence of same irregularity is a matter of serious concern.

11.2.4.2 Non-preparation / finalization of annual accounts

Section 18 of the Korangi Fisheries Harbor Ordinance, 1982, stipulates that the accounts of the Authority shall be maintained by the Authority in such form as may be prescribed by the Auditor-General of Pakistan consistent with the requirements of this Ordinance.

During audit of Korangi Fisheries Harbor Authority (KoFHA) for year 2023-24, it was observed that the management failed to prepare Annual Accounts for the year 2023-24, and in fact, has a significant backlog, with no accounts published since 2015, indicating a severe delay in financial reporting and non-compliance with regulatory requirements.

Audit is of the view that the absence of audited accounts since 2015, including for the year 2023-24, severely hampers the ability to accurately ascertain the financial position of KoFHA, thereby undermining transparency, accountability, and good governance.

The matter was reported to the management in October, 2024. The irregularity was discussed in DAC meeting held on December 24, 2024. The DAC pended the para subject to preparation of Annual Accounts. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 14.2.4.13. Recurrence of same irregularity is a matter of serious concern.

11.2.4.3 Non-follow up of legal case since 2016

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During the Audit of Korangi Fisheries Harbor Authority (KoFHA) for year 2023-24, it was observed that the management failed to pursue a legal case, C.P.No./ D-5893 of 2016, which has been pending since 2016 with no hearings taking place. Furthermore, the management deputed Mr. Rameez Ahmed as the authority's representative in the case, despite he was a beneficiary of the case, which raises questions about potential conflicts of interest.

Audit is of the view that the management's failure to pursue the case effectively since 2019 constitutes negligence and a lack of diligence, potentially compromising the Authority's interests and undermining its accountability.

The matter was reported to the management in October, 2024. The irregularity was discussed in DAC meeting held on December 24, 2024. The management informed the DAC that the case is sub-judice however; management would take material action to expedite the court proceedings. Moreover, the management deputed Mr. Rameez Ahmed for the court cases other than above referred case. DAC directed management to get the court proceedings expedited under intimation to audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of DAC directives.

11.3 Pakistan National Shipping Corporation

11.3.1 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.

11.3.2 Comments on Audited Accounts

11.3.2.1 The working results of the Corporation for the year 2023-24 as compared with the preceding years are given below:

(Rs. in million)					
Particulars	2023-24	%	2022-23	%	2021-22
		Inc		Inc	
		/(Dec)		/(Dec)	
No. of Ships	12		12		11
Cargo carried by owned and chartered vessels (in million tons)	9.94	(8.2)	10.83	(9.5)	11.97
Operation Revenue					
Own vessels	33,778.49	(11.84)	38,317.88	142.4	15,805.60
Chartered vessels	4,068.723	(3.25)	4,205.51	(19.8)	5,246.51
Slot Chartered revenue	3,150.69	(33.06)	4,707.06	86.8	2,520.27
Total income from shipping business	40,997.91	(13.19)	47,230.45	100.4	23,572.43
Rental Income	287.97	8.47	265.46	11.1	239.01
Other income/other operating activities	9,129.08	(84.83)	16,549.54	212.3	5,298.93
Total revenue	50,414.95	(21.28)	64,045.45	120	29,110.37
Operating expenses					
Fleet expenses	(27,428.41)	0.14	(27,469)	40.3	(19,579.58)
Admin expenses	(2,003.50)	24.54	(1,608.71)	32.2	(1,216.63)
Other expenses including Real Estate Expense (p-86)	(885.05)	58.83	(557.22)	3.1	(540.54)
Total expenses	(30,316.96)	(1.43)	(30,757.87)	38	(22,282.88)
Operating profit/(loss)	23,772.47	(28.58)	33,287.58	387.5	6,827.79
Finance Cost	(1,014.77)	(28.08)	(1,411.03)	165.9	(530.66)
Profit/(Loss) before Taxation	22,757.70	(28.60)	31,876.55	406.2	6,297.14
Profit/(Loss) after Taxation	20,181.73	(32.71)	29,994.30	430.9	5,649.89

(Source: Annual Audited Accounts)

11.3.2.2 Revenue Performance

- i. Pakistan National Shipping Corporation's (PNSC) total income from its shipping business has decreased by Rs. 6,232.54 million (or 13.2%) from Rs. 47,230.45 million in 2023 to Rs. 40,997.91 million in 2024. This significant decline in revenue warrants further investigation to determine the underlying causes.

11.3.2.3 Operating Expenses

- i. Operating expenses decreased by 1.43% in 2023-24, mainly due to a 0.14% increase in fleet expenses and a 24.54% increase in administrative expenses.
- ii. Admin expenses increased by 25% in year 2024 rising from Rs.1,608.71 million in 2023 to Rs.2,003.50 million in 2024. This rise in cost is primarily due to fee to Directors, repairs and maintenance, workshop management & benefits and allowances to employees
- iii. Other expenses increased by 59% in 2024 from Rs.557.22 million in 2023 to Rs.885.05 million. This indicates significant increase due to unrealized exchange loss of Rs.198.134 million and certain other claims have been filed against the Corporation in respect of employees' matters for an aggregate amount of approximately Rs. 82.597 million during year 2024.

11.3.2.4 Liability analysis

Pakistan National Shipping Corporation's (PNSC) current liabilities have decreased by Rs. 2786.89 million, from Rs. 1, 1260.114 million in 2023 to Rs. 8,473.224 million in 2024. This reduction of approximately 24.7% in non-current liabilities is a positive sign, indicating a potential improvement in the corporation's long-term financial health and debt servicing capabilities.

11.3.2.5 Operating Profit

- i. The operating profit declined by 28.58% in 2023-24, primarily due to the decrease in total revenue.

11.3.2.6 Financial Performance

- i. The company's profit before taxation declined by 28.60% in 2023-24, while profit after taxation decreased by 32.71%. The finance cost decreased by 28.08% in 2023-24.

11.3.2.7 Key Ratios and Trends

- i. Revenue growth: -21.28% (2023-24), 120% (2022-23)
- ii. Operating expense growth: -1.43% (2023-24), 38% (2022-23)
- iii. Operating profit growth: -28.58% (2023-24), 387.5% (2022-23)
- iv. Net profit growth: -32.71% (2023-24), 430.9% (2022-23)

11.3.3 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%
2010-11	13	13			100%
2011-12	13	2	11	22.3.2.1, 22.3.2.2, 22.3.2.3, 22.3.2.4, 22.3.2.5, 22.3.2.6, 22.3.2.7, 22.3.2.8, 22.3.2.9, 2.3.2.10, 22.3.4.1	15%
2012-13	6	2	4	22.1.2.1, 22.1.2.2, 22.1.2.3, 22.1.2.4	33%
2013-14	10	7	3	16.3.2.1, 16.3.4.2, 16.3..4.4	70%
2014-15	12	9	3	18.3.2.1, 18.3.2.2, 18.3.2.3, 18.3.3, 18.3.4.1, 18.2.4.2, 18.2.4.3, 18.3.4.4, 18.3.4.5, 18.3.4.6, 18.3.4.7	75%
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	10	1	9	15.3.2.1, 15.3.3, 15.3.	10%

				4.1, 15.3.4.2, 15.3.4.3, 15.3.4.4, 15.3.4.5, 15.3.4.6,15.3.4.7	
2017-18	12	1	11	14.3.2.1,14.3.2.2, 14.3.2.3, 14.3.3, 14.3.4.1, 14.3.4.2, 14.3.4.3, 14.3.4.4, 14.3.4.5, 14.3.4.6, 14.3.4.7	8%
2019-20	4	2	2	10.3.4.1, 10.3.4.2	50%
2021-22	22		22	12.3.4.4, 12.3.4.12, 12.3.4.2 (remaining to be discussed in PAC)	
Total	142	64	78		45%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2022-23 and onwards.					

The overall compliance of PAC directives needs improvement.

11.3.4 Audit Paras

11.3.4.1 Non-recovery of outstanding dues from different customers - Rs. 11,164.390 million

Chapter 3 of PNSC Internal Control System (ICS) states that “raise bills upon clients for freight, dead-freight, demurrage, war risk etc. & to ensure their timely collection”.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that an amount of Rs.11,164.390 million was lying outstanding against different customers / parties. The detail of outstanding amount is as under: -

S#	Para#	Description	Rs. in million
1	2	Trade Debts	9,235.13
2	8	M/s PARCO	479.82
3	10	Contractors & Suppliers	372.174
4	11	Other receivables	360.965
5	13	Government parties	304.208
6	17	Temporary agents	235.034
7	25	Tenants	57.775
8	32	Agents & Owners	27.609
9	41	Insurance claims	21.885

10	65	Advances against employees	52.30
11	75	Dead Freight charges	12.56
12	93	Decreed amount	1.51
13	89	Decreed Amount from M/s Polyfly	3.420
Total			11,164.390

Audit is of the view that the management was unable to recover a substantial amount of Rs. 11,164.390 million from the customer, which indicates a weak and ineffective recovery mechanism, highlighting poor financial management and a lack of oversight.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024.

- a) On the basis of verification, the DAC settled the para extend to Rs. 5,206.48 million (DP No. 02)
- b) DAC directed the management to verify the recovery and provide the copy of approval authority as per Internal Control System (ICS) for out of court settlement to Audit.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.02 & 46)

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 14.3.4.3 having financial impact of Rs.8,072.149 million. Recurrence of same irregularity is a matter of serious concern.

11.3.4.2 Irregular award of bunker supply to technically dis-qualified bidders - Rs. 9,688.229 million

Para 2.1 of the bidding documents outlines the instruction to bidders, stating that the qualification criteria for prequalification will be based on the applicant's financial soundness, experience, professional capabilities, and equipment capabilities. Specifically, applicants are preferred to have compliance with ISO 9001:2015 Quality Management System (proof required), and must meet the financial requirements of a minimum annual turnover of \$50 million for the sale of VLSFO and \$100 million overall during the last financial year.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management floated an international tender on April 22, 2021, for marine fuel oil supply. In response, nine bidders participated in prequalification process, out of which six bidders were technically qualified. However, four successful bidders failed to meet the mandatory qualification criteria outlined in the bidding documents as under:

S#	Criteria	1	2	3	4
		M/s Arte bunkering	M/s BunkerEx private limited	M/s FNSA fuel limited	M/s Sing Fuels Pvt. Ltd.
3	Compliance with ISO 9001: 2015 – quality management system is preferable	<u>Not available</u> because of trading company	<u>Not available</u> because of trading company	<u>Not available</u> because of trading company	<u>Not available</u> because of trading company
6	Minimum annual turnover of 100 million USD during last financial year	-	\$72 million (last F.Y)	\$56.986 million (last F.Y)	-

Audit is of the view that the management's decision to prequalify bidders who failed to meet the mandatory criteria outlined in the bidding documents indicates undue favoritism. Consequently, the procurement of Marine Fuel Oils of Rs.9,688.229 million was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed that management to adopt the corrective measures to follow PPRA rules. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.3 Non transparent sale of vessel - USD 22.440 million equivalent to - Rs. 5,610.000 million

Rule 04 of the 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. Rule 26(3) of PPRA, 2004 states that the procuring agency shall

ordinarily be under an obligation to process and evaluate the bid within the stipulated bid validity period.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, following points were observed in the sale of vessel M.T. Karachi to M/s Reinda Trade and Shipping.

1. Management created a second-hand ship sale process without approval from the Public Procurement Regulatory Authority (PPRA).
2. The Sale and Purchase Committee settled the Price and Terms & Conditions in violation of PPRA Rule 40, which limits negotiations.
3. Management accepted two bids after the deadline.
4. The sale was conducted using the Norwegian Sale Form (NSF) 2012, which contradicts PPRA regulations.
5. Management failed to execute an Integrity Pact with M/s Reinda Trade.

These irregularities suggest a lack of adherence to established regulations and procedures, potentially leading to unfair business practices and financial losses.

Audit is of the view that the numerous irregularities in the sale of vessel indicate clear violation of PPRA regulations and a lack of transparency. This raises serious concerns about the fairness, accountability, and potential financial implications of the sale.

The matter was reported to the management in June 2024. Subsequently, the irregularity was discussed in the DAC meeting held on November 26 and 27, 2024. During the meeting, the management informed the DAC that, pursuant to the SOE Act 2023, a new procurement policy had been drafted, approved by the Pakistan National Shipping Corporation's (PNSC) Board of Directors (BoD), and submitted to the Federal Government for approval. The DAC directed the management to prepare a policy regarding ship sale and purchase in line with the Public Procurement Regulatory Authority (PPRA) rules. Furthermore, the DAC instructed the management to verify the facts with the Audit department. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.4 Undue favor extended in awarding contract of bunker supply – Rs. 4,079.366 million

Rule 18 of PPRA Rules, 2004, states that the procuring agency shall disqualify a supplier or contractor if it finds, at any time, that the information submitted by him concerning his qualification as supplier or contractor was false and materially inaccurate or incomplete.

Clause 4.5 of bidding documents states that BIMCO terms 2018 will be followed subject to any logical / justifiable changes proposed by supplier.

Rule 35 of PPRA Rules, 2004 states that based on the procedure adopted for the respective procurement, the procuring agency shall announce the result of bid evaluation, in the form of final evaluation report giving justification for acceptance or rejection of bids at least fifteen days prior to the award of procurement contract.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management floated an international tender for marine fuel oil supply in April 2021. M/s DAN Bunkering DMCC was technically disqualified due to non-compliance with PNSC's terms and conditions.

Despite this, the management negotiated with M/s DAN Bunkering, along with two other suppliers, and included them in the prequalified suppliers list. Further, M/s DAN Bunkering was included in the list without the approval of Chairman, citing their previous status as a prequalified supplier. Ignoring the facts, the management awarded a contract of Rs.4,079.366 million to M/s DAN Bunkering in October 2021, without uploading the evaluation results on the PPRA website.

Audit is of the view that the above lapses in the procurement process, indicate non-observance of transparency, fairness, and accountability. This raises concerns about potential favoritism. Thus, award of contract of Rs.4,079.366 million stands irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to adopt process as per PPRA Rules, 2004.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.5 Unauthorized payment on account of local & foreign port charges - Rs. 1,478.361 million

PNSC ICS (2.5.4) requires prior approval from the Large Expenditure Committee for transactions exceeding Rs. 10 million, excluding Bunkers and Tenders. The Committee consists of the Chairman/Chief Executive PNSC as Chairman, Executive Director (Finance) as Member, and the Executive Director in-charge of the proposing Division as Member. The Chairman may co-opt additional members as necessary, and the Committee will appoint a Secretary to record meeting minutes.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that management paid an advance payment against local and foreign port charges without formal approval from Large Expenditure Committee (LEC) (Annex-61).

Audit is of the view that the management failed to obtain Large Expenditure Committee (LEC) approval, demonstrates weak internal controls, lack of accountability, and disregard for established protocols. Thus, the payment of Rs.1,478.361 million is considered irregular, unauthorized, and potentially wasteful, emphasizing the need for strengthened financial oversight and compliance.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management should get approval from Large Expenditure Committee (LEC) required as per ICS manual of PNSC and streamline the process for payment of local & foreign port charges. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.6 Irregular award of contracts without open competitive bidding - Rs. 1,303.697 million

Rule 20 of PPRA Rules, 2004, stipulates that 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 Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management awarded various contracts amounting to Rs.1,303.697 million without open competitive bidding. The details are as under:

S#	Para#	Description	Rs. in million
1	06	Unjustified / irregular award of contract for procurement of Marine Lubricant without advertisement - Rs.557.625 million	557.625
2	07	Awarding of contracts without tender by extending undue favor to tenants - Rs.527.894 million	527.894
3	71	Irregular hiring of agents for foreign port services without tender - Rs.31.090 million	31.09
4	78	Irregular hiring of Surveyors without tendering - Rs.9.449 million	9.45
5	84	Irregular purchases without tender – Rs.5.028 million	5.03
6	21	Unjustified splitting of foreign procurement of stores for PNSC vessels - Rs.133.065 million	133.065
7	28	Irregular procurement of stores for PNSC workshop – Rs.39.543 million	39.543
Total			1,303.697

Audit is of the view that the decision of management to bypass competitive bidding and award of direct contracts shows favoritism to the contractors/clients/parties. This reflected lack of transparency, fairness, and accountability, and the contracts of Rs.1,303.697 million were held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. The management stated that the Marine Lubricant procurement advertisement was published in newspapers on January 1, 2019, with the contract extension made after formal performance evaluation and mutual consent. The Property Management Department was transparent and competitive in renting out vacant spaces, publishing advertisements and uploading vacant spaces on the PNSC website. Agent appointments for foreign port services were governed by charter

party agreements, ensuring transparency and consistency. Surveyor selection without tendering was due to exceptional circumstances and operational necessities, emphasizing their long-standing relationships and expertise. Purchases worth Rs. 5.028 million were made under the CSR policy for low-income employees. The management denied splitting foreign procurement and stores procurement, stating that requisitions were processed according to PPRA rules, with RFQs uploaded on the PNSC website for transparency and fairness. DAC directed the management to get verified the stated facts. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.7 Irregular award of dry docking contracts - Rs. 1,081.913 million

Rule 4 of PPRA Rules, 2004, states that the 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 10 (1) of PPRA Rules, 2004 provides that the procuring agency shall allow the widest possible competition by defining such specifications that shall not favour any single contractor or supplier nor put others at a disadvantage.

Rule 31 of PPRA Rule, 2004 states that the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was noted that the management awarded contracts for dry docking and repairs of three vessels, MT Khairpur, MT Malakand, and MT Mardan, to three different companies, M/s Drydock World Dubai, M/s Zhoushan Xinya, and M/s Colombo Dockyard, totaling Rs.730.696 million. Following points were observed:

- Scope of work in bidding documents was later reduced.
- Bid costs rates were increased for non-quoted items and there was lack of rational analysis.

Furthermore, it was observed that the management awarded contracts of dry docking and repairs for MT Sargodha & MV Sibi to M/s COSCO Shipping &

M/s Zhoushan respectively amounting to Rs.351.217 million by altering / modifying the financial bids as detailed below:

S #	Name of Vessel	Bidder's name	Bid quoted by bidder (US\$)	As per evaluation sheet prepared by tender committee (US\$)	Extra cost added by tender committee (US\$)
1	MT Sargodha	M/s COSCO shipping	745,381	799,114	53,733
2	MV Sibi	M/s Zhoushan Xinya	506,280	580,735	74,455
Total					128,188
Difference/extra cost added by tender committee: Rs.32,047,000/- (US\$ 128,188 * Rs.250)					

Audit is of the view that the alteration and modification of financial bids is a serious irregularity that undermines the transparency and fairness of the procurement process. This action raises concerns about potential favoritism, manipulation, and lack of accountability.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024.

- a) DAC directed the management to reconcile the facts (DP No. 31).
- b) DAC directed the management to stop such practice of bid alteration / modification and also directed adhere to the PPRA rules.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 31 & 34)

11.3.4.8 Blockade of funds due to over-stocking of spare parts - Rs. 665.769 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His

responsibilities include implementation of strategies and policies approved by the Board.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that management had a significant stockpile of spare parts, valued at Rs. 575.085 million, as of July 1, 2022. Despite having this substantial inventory, the management proceeded to purchase additional spare parts worth Rs. 244.979 million during the year. The detail is as under:

	(Rs. in million)									
	Bolan	Chitral	Hyderabad	Malakand	Multan	Sibi	Shalamar	Quetta	Khairpur	Total
Opening ROB as at 1st July 2022	52.306	59.350	107.872	52.411	71.269	81.024	71.536	48.943	30.371	575.082
Purchases during the year	20.354	13.084	26.459	53.877	30.882	26.003	22.521	14.946	36.849	244.979
Total on Board	72.660	72.434	134.331	106.288	102.152	107.028	94.057	63.890	67.220	820.064
Consumption during the year	19.821	8.201	19.893	29.044	27.615	11.443	11.212	7.431	19.630	154.295
Closing ROB as at 30 June 2023	52.838	64.232	114.437	77.244	74.536	95.585	82.845	56.459	47.589	665.769

Furthermore, the management's consumption of spare parts, totaling Rs. 154.295 million, was significantly lower than the amount purchased during the year, highlighting inadequate inventory management and poor financial planning.

Audit is of the view that the management's decision to purchase additional spare parts, despite having a substantial inventory, indicates poor inventory management and inefficient utilization of resources. Thus, it resulted in blockade of funds due to over-stocking of spare parts on board of Rs.665.769 million.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to provide list of Spares on Board (RoB) and spare parts procured and consumed to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

**11.3.4.9 Loss due to non-collection of advance income tax on sale of vessel -
Rs. 561.000 million equivalent to US\$ 2.244 million**

Section 236 A of the Income Tax Ordinance 2001, states that advance tax at the time of sale by auction. (1) Any person making sale by public auction¹⁴[or auction by a tender], of any property or goods [(including property or goods confiscated or attached)] either belonging to or not belonging to the Government, local Government, any authority, a company, a foreign association declared to be a company under sub-clause (vi) of clause (b) of sub-section (2) of section 80, or a foreign contractor or a consultant or a consortium or Collector of Customs or Commissioner of 2 [Inland Revenue] or any other authority, shall collect advance tax, computed on the basis of sale price of such property and at the rate specified in Division VIII of Part IV of the First Schedule, from the person to whom such property or goods are being sold. Further, Division VIII Advance tax at the time of sale by auction. The rate of collection of tax under section 236A shall be 2 [10] % of the gross sale price of any property or goods sold by auction.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management sold a vessel (MT Karachi) to M/s Reinda Trade and Shipping (buyer) amounting to US\$ 22.440 million. However, the management did not charge the advance income tax @ 10% amounting to Rs.561.000 million (US\$ 2.244 million * Rs.250) at the time of sale of vessel.

Audit is of the view that the management failed to charge the advance income tax on account of sale of vessel which caused loss of Rs.561.000 million (US\$ 2.244 million * Rs.250) to government exchequer.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. The management replied that the Income Tax Ordinance, 2001 is not applicable to the transaction of selling the vessel. The transaction was executed outside Pakistan and the buyer was a non-resident company, with sale proceeds received outside Pakistan. DAC directed the management to get the facts verified from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.10 Loss due to non-acquisition of dry container – Rs. 461.200 million (equivalent to US\$ 1,844,800)

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. He is responsible for implementation of strategies and policies approved by the Board.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the Executive Director (Commercial) proposed utilizing PNSC's acquired container fleet for SoE cargo, estimating annual savings of US\$ 1,844,800 with cost recovery within one year. The planned route for SoE cargo was Shanghai – Karachi – Shanghai.

Despite approval of a capital budget of Rs. 8,599.500 million for purchasing brand new 200 TEU dry container and in phases 50 containers from the Board of Directors, no container was purchased.

Audit is of the view that the non-utilization of the approved capital budget for purchasing containers and projected annual savings of US\$ 1,844,800, equivalent to Rs.461.200 million indicates poor project management, lack of financial discipline, and inefficient resource allocation.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. The management replied that the delay in acquiring dry containers was due to the time required for internal processes and approvals and that procurement of 150 TEUs was put on hold due to the volatile nature of the business and lack of demand for shipping arrangements of SOE cargoes. DAC directed the management to provide documentary evidence of procurement of dry containers. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.11 Loss of revenue and non-imposition of liquidated damages - Rs.387.792 million

Clause 11 & 8 of instructions for the Bidders states that penalty / liquidated damages would be charged as follows:

1. Sargodha Dry docking @US\$ 8,000/ per day for first 5 days and US\$ 14,000/, per day for the delay in excess of 5 days in case of delay in repairs by Shipyards with margin of 10% enhancement of work scope. Further, clause 10 (b) states that evaluation would also consider the opportunity cost i.e. US\$ 73,000 per day.
2. Shalamar Dry docking @ US\$5,000/ per day for first 5 days after 1 day grace period and US\$ 7,000/, per day after first 5 days. Further, it would also consider the opportunity cost i.e. US\$ per day 12,896.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management had awarded two contracts for dry-docking to specific shipyards, but these shipyards failed to deliver on time, causing significant delays. As a result, the PNSC sustained a loss of Rs. 387.792 million in income due to the management's failure to impose liquidity damages on the shipyards for their delays. The details are as under:

S#	Vessel Name	Name of Contract awarded	Approved days	Actual days	Differ: late completion (1)	Opportunity loss in US \$ (2)	LD Charges (3)	Total Loss US\$ 1*(2+3)
1.	Sargodha	M/s. COSCO shipping	18	34	16	73,000 @4,562.5/day	14,000	1,392,000
2.	Shalamar	Dry dock world Dubai	24	32	08	12,896 @1,612/day	7,000	159,168
Total								1,551,168
Rs @250 avg.								387,792,000

Audit is of the view that the management extended undue favor by not imposing the LD charges and also failed to avail the opportunity cost due to delay in completion of dry docking which showed weak planning on part of management.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. The management replied that overstay of vessels was due to unforeseen reasons beyond their control and that in both cases, the management emphasized that the delays were not attributable to the shipyards, making the liquidity damage charges clause inapplicable. DAC directed the management to get verify the facts from Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.12 Unjustified award of contract to the surveyors - Rs. 344.690 million

Rule 4 of PPRA 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, Rule 15 of PPRA Rules, 2004 on Pre-qualification of suppliers and contractors states that (1) A procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of

procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management did not follow the standard procedures by selecting surveyors while awarding the work for classification, survey and certification charges of PNSC subsidiaries, without a pre-qualification process or open competitive bidding, which is a clear violation of the PPRA Rules, 2004. The detail is as under:

S#	Name of classification society	Annual survey fee (USD)	Total PKR @250	Period of agreement
1	American Bureau of shipping (ABS)	126,000	31,500,000	5 years
2	M/s Lloyd's Register	86,400	21,600,000	5 years
3	M/s Bureau Veritas	43,000	10,750,000	5 years

Audit is of the view that the management extended undue favour to the surveyor by awarding a contract worth Rs. 344.690 million (Rs.127.652 million + Rs.121.844 million + Rs.95.194 million) without following proper procedures, which was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to provide the documentary evidence regarding restriction / limitation for changing the classification society for surveyors. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.13 Loss due to sale of vessel at lower rates - Rs. 283.230 million equivalent to USD 1,258,800 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 within the public sector companies to

ensure compliance with fundamental principle of probity and propriety, objectivity, integrity and honesty.

During the 2022-23 audit of Pakistan National Shipping Corporation (PNSC), it was discovered that the Board of Directors approved the sale of M.T. Karachi in operational condition in its 415th meeting dated June 6, 2022. However, the management sold the vessel to M/s Reinda Trade and Shipping for US\$ 22.440 million, which is lower than the reserved price of US\$ 23.250 million set by the Sales & Purchase Committee. This sale resulted in a loss of US\$1,258,800 equivalent to PKR.283.230 million excluding brokerage commission of 2% as detailed below:

Name of vessel	Reserved price of PNSC (USD)	Actual sale of vessel (USD)	Loss/ difference (USD)	Dollar Conversion rate (Rs.)	Total loss (Rs.)
	A	B	C=(A-B)	D	E=(D*C)
M.T. Karachi	23,250,000	21,991,200 (excluding brokerage fee)	1,258,800	225	283,230,000

Audit is of the view that the management's decision to sell M.T. Karachi at a price lower than the reserved price as determined by the Sales & Purchase Committee, resulted in a loss. This transaction raises concerns about the management's ability to maximize returns on asset sales.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. The management replied that the final sale price was in line with the prevailing market price. DAC directed the management to get verified the facts. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.14 Irregular procurement of marine fuel oil & lubricant - Rs. 256.263 million

Rule 15 (1) of PPRA 2004 states that pre-qualification of suppliers and contractors states that A procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in

case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management procured marine fuel oils & lubricant amounting to Rs.256.263 million from M/s MJM & M/s Total Lube Marine. However, the suppliers were not prequalified as required under the above rule.

Audit is of the view that the management made procurement directly from non-prequalified suppliers by avoiding its own prequalified suppliers in violation of PPRA rule. Thus, procurement of Rs.256.263 million was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to stop the practice of direct procurement of marine fuel oil and lubricant and follow the PPRA rules. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.15 Losses due to vessel idleness and Off-Hire - Rs. 160.848 million

Para 3.3.3.1.2 of the Internal Control System (ICS) mandates the Commercial Department to ensure effective utilization of the Corporation's owned, managed, or chartered tonnage. The Job Description (JD) for the General Manager Commercial Division also requires utilizing vessels in the most profitable manner, preparing and maintaining vessel schedules, and ensuring proper execution of voyages.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the corporation incurred significant losses due to vessel idleness and off-hire periods.

a) The management suffered a loss of Rs. 85.291 million, comprising Rs. 53.527 million due to vessels being off-hire and Rs. 31.764 million due to idle vessel time.

b) Additionally, the corporation sustained losses totaling Rs. 75.557 million, attributed to idle vessel time (Rs. 41.099 million) and off-hire and laid-up vessels (Rs. 34.458 million).

Audit is of the view that the management's inability to effectively utilize vessels resulted in substantial revenue losses. This was evident in two instances: a loss of Rs. 85.291 million due to off-hire and idle vessel time, and another loss of Rs. 75.557 million resulting from frequent periods of off-hire and idle time. Both instances indicate poor operational planning and inefficient management of resources.

The matter was reported to the management in June 2024, and the irregularity was discussed in the DAC meeting held on November 26-27, 2024.

a) The management attributed the loss of revenue to off-hire periods, technical issues with the vessel, and other non-commercial factors.

b) The DAC directed the management to make concerted efforts to achieve revenue targets, prepare a realistic budget, and focus on improving operational planning and vessel management by implementing efficient strategies for vessel utilization, reducing idle time, and renegotiating contracts to minimize off-hire periods.

However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos. 35 & 37)

11.3.4.16 Non-uniform policy regarding appointments of daily wages employees - Rs. 101.532 million

Rule 7 (q) of the Code of Corporate Governance Rules 2013 states that the Board shall also formulate significant policies of the Public Sector Company, which may include the human resource policy including succession planning.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management hired daily wages employees without a uniform legal framework or HR assessments, instead using a non-transparent "pick and choose" approach. It was also observed that Manager & Deputy Manager ranked employees were also hired on daily wage to avoid advertisement & open competition. Further, the corporation lacked a uniform policy of salaries, leading to disparate pay for employees within the same category.

Audit is of the view that the management failed to establish a clear human resources policy, succession planning, and standardized salary structure for daily wage employees, indicating weak internal controls and poor HR management. Thus, the monthly salary of Rs.101.532 million without uniform policy is held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to establish a clear human resource policy, including succession planning and a standardized salary structure, to ensure transparency and fairness. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.17 Non-settlement of outstanding insurance claims – Rs. 77.442 million

Chapter 3.3.1.4.1.3 Internal Control System (ICS) of PNSC, states that insurance and claims department is responsible for general and particular average claims (4) claims arising out of charter parties.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management had filed insurance claims totaling Rs. 77.442 million with Protection & Indemnity (P&I) due to ocean losses, which remained pending as of June 30, 2023, as detailed below:

				Rs.in million
S#	Insured asset	Policy period	Date of incident	Claim amount
1.	MT Quetta	2018-19	23.10.2018	0.728
2.	MT Karachi	2019-20	06.04.2019	16.380
3.	MT Lahore	2018-19	03.02.2019	6.694
4.	MT Lahore	2019-20	28.03.2019	12.356
5.	MT Karachi	2019-20	03.04.2019	14.457
6.	MT Lahore	2018-19	16.02.2019	11.749
7.	MT Lahore	2018-19	30.11.2018	15.078
Total				77.442

Audit is of the view that the management's failure to recover the outstanding insurance claims from Protection & Indemnity (P&I) as of June 30, 2023, indicates inadequate follow-up and poor claims management, resulting in delayed receipt of legitimate revenues.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to provide latest status of recovery, expenditure incurred on court case along-with progress. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.18 Losses in voyages - Rs.74.962 million

Job Description (JD) states that General Manager Commercial Division (PNSC) is required to utilize vessels 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 2022-23, it was observed that losses occurred on the voyages performed by various vessels amounting to Rs.74.962 million. The details are given as under:

							(Rs.in million)
S#	Voyage No.	Days	Start date	End date	Total Revenue	Total Expense	Net Profit / (Loss)
1.	050	51	23.01.2023	14.03.2023	51.674	83.218	(31.544)
2.	043	21	08.01.2023	28.01.2023	27.120	29.492	(2.372)
3.	045	36	30.01.2023	06.03.2023	45.162	64.595	(19.433)
4.	051	42	14.02.2023	27.03.2023	48.595	70.208	(21.613)
Total							(74.962)

Audit is of the view that due to ineffective planning, the management sustained losses of Rs.74.962 million on its voyages.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. Management replied that the vessel faced several unforeseen off-hires during the voyage, due to which the vessel's expected profit declined. However, the reply of the management is not tenable, because it was the prime responsibility of the management to take into account all the relevant factors of revenue and expenditure to ensure a profitable business. DAC directed the management to re-evaluate and strengthen its voyage planning and execution processes. However, no record was produced by the management till finalization of this report.

DAC directed the management to get verify the facts and also provide the Cost Benefit-Analysis against voyages performed.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2023-24 vide para(s) number 14.3.4.16 having financial impact of Rs.223.152 million. Recurrence of same irregularity is a matter of serious concern.

11.3.4.19 Exchange loss and non-imposition of LD on non-completion of project – Rs. 62.609 million

Clause 4 of the contract agreement between PNSC and M/s Danaos Management Consultants S.A. dated May 30, 2019, in case of delay, the contractor shall pay Liquidated Damages to PNSC at a rate of 0.25% per week of delay or part thereof, up to a maximum of 10% of the contract price, calculated from the day following the expiry of the agreed completion period till the whole of the Works are completed to the satisfaction of PNSC. Clause 6.2 of the proposal submitted by consultant states that the total duration of the project is estimated to be 12 months.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management hired M/s Danaos Management Consultants in 2019 to implement Enterprise Resource Planning (ERP) software for its marine and shipping operations at a cost of US\$676,143. Although the project was supposed to be completed by October 1, 2020, it was

delayed, resulting in an exchange rate loss of Rs.44.016 million for PNSC. The detail is as under:

S#	Activity / milestone	Amount paid US\$.	Date of payment	Dollar conversion rate in October 2020 (Rs.)	Dollar conversion rate for delayed period (Rs.)	Difference in exchange rate (Rs.)	Exchange Loss (Rs.)
1	Data population (11 Vessels) and data migration of financial, commercial & other data. Certificate properly endorsed by all divisional heads.	67,610	11.05.2022	166.10	189.15	23.05	1,558,411
2	UAT of ERP Modules. Certificate properly endorsed by all divisional heads.	202,842	09.01.2024	166.10	281.75	115.65	23,458,677
3	Analyzing and mapping / studying PNSC procedures as per new ERP. Certificate properly endorsed by all divisional heads.	101,421	02.04.2024	166.10	278.50	112.40	11,399,720
4	Performance Security. Certificate properly endorsed by all divisional heads.	67,614	To be paid	166.10	278.50	112.40	7,599,814
Total		439,487					44,016,622

Audit is of the view that exchange loss and non-imposition of LD indicated poor contract management, lack of oversight, and ineffective enforcement of contractual obligations.

The matter was reported to the management in June 2024, and the irregularity was discussed in the DAC meeting held on November 26-27, 2024. The DAC directed the management to provide documentary evidence, including a work completion certificate of the ERP project, along with proper justification for the delay. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.49 & 51)

11.3.4.20 Non-transfer of BESOS shares - Rs. 35.830 million

The Honorable Supreme Court of Pakistan (SCP), vide its detailed judgment dated December 22, 2021, declared the BESOS Scheme ultra vires.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the Benazir Employee Stock Option Scheme (BESOS), launched in 2009, was declared ultra vires by the Supreme Court of Pakistan in a judgment dated December 22, 2021. The scheme, which allotted 14,124,807 shares to 419 PNSC employees, was declared a breach of Article 154 of the Constitution.

As a result, the Ministry of Finance directed vide letter dated March 8, 2022 to PNSC to deposit the accrued BESOS principal amounts, along with interest, into the federal Consolidated Fund. However, the management has yet to comply with this directive.

Audit is of the view that the management did not comply orders of the Supreme Court of Pakistan to transfer BESOS shares to Government of Pakistan. Thus, the retention of shares worth Rs.35.930 million is held irregular and unauthorized. This raises concerns about the management's compliance with legal obligations and its handling of funds.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to comply with the Court orders in consultation with Finance Division. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.21 Loss due to write-off cases – Rs. 35.295 million

Rule 5(a) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that (i) 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 (ii) claiming of expenses.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management wrote off a substantial amount of Rs. 35.295 million without seeking legal advice or providing adequate justification. The details are as under:

S#	Description	Amount (Rs)	Aging
1.	Demurrages receivable CORAL	5,327,160	Over 1 year
2.	Demurrages receivable VITOL	3,925,285	Over 1 year
3.	Tax refundable (SRB)	13,667,153	Over 3 year
4.	GST refundable	11,942,951	Over 3 year
5.	Danish traders	432,509	Over 1 year
Total		35,295,058	

Audit is of the view that the management's unjustified write-off of receivables indicates weaknesses in financial management and inadequate debt collection mechanism.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to formulate the write-off policy and also provide proper justification for written-off amount. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.22 Wasteful expenditure on non-operational subsidiaries - Rs. 28.766 million

Memorandum of Association (MoA), entails that the primary objective of the company is to engage in shipping and cargo transportation businesses, including chartering, owning, and operating vessels, as well as carrying cargo through various means.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management spent Rs. 28.766 million on non-operational subsidiaries, which failed to deliver on their primary objectives despite incurring expenses.

Further, two subsidiaries, M/s National Ship Management & Crewing Pvt. Ltd and M/s Pakistan Marine and Shipping Services Pvt. Ltd, underwent changes in their business activities but remained unprofitable. Details are as under:

S#	Name of subsidiaries	Expenditure (Rs.)	Non-operational since (years)	Accumulated expenditure (Rs.)	Remarks
1	SWAT Shipping Private Limited	378,000	Vessel sold since 2011 (12 years)	(Rs.378,000*12year) 4,536,000	No revenue earned since 2011
2	Johar Shipping Private Limited	378,000	Vessel sold since 2011 (12 years)	(Rs.378,000*12year) 4,536,000	No revenue earned since 2011
3	Makran Shipping Private Limited	378,000	Vessel sold since 2009 (14 years)	(Rs.378,000*14year) 5,292,000	No revenue earned since 2009
4	National Ship Management And Crewing Pvt. Ltd	948,000	8 years	(Rs.948,000 * 8 year) =Rs.7,584,000	No revenue earned before and after changing in principle line of business
5	Pakistan Marine and Shipping Services Pvt. Ltd	1,137,000	6 years	(Rs.1,137,000 * 12 year) =Rs.6,822,000	No revenue earned before and after changing in principle line of business
Total				28,766,000	

Audit is of the view that the management's inability to operationalize and make profitable its subsidiaries, despite altering their business objectives, constitutes a significant failure to achieve intended goals and optimize resources.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. The management replied that they have taken steps to make dormant companies operational, and the losses incurred are due to mandatory expenses such as audit fees, taxes, and professional charges. DAC directed that the management may assess the feasibility of reviving, restructuring these subsidiaries, or consider liquidation options for those that are no longer viable. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.23 Award of contract to 2nd lowest bidder - Rs. 25.500 million equivalent to USD 102,000

Rule 38 of PPRA Rules, 2004 provides that the bidder with the lowest evaluated bid shall be awarded the procurement contract.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management awarded a contract to M/s. SunRui Marine to the 2nd lowest bidder, for the procurement and installation of Ballast Water Treatment Equipment (BWTS) on the vessel M.T. Khairpur on September 26, 2022. The detail is as under:

Amount in USD			
Criteria	1	2	
	M/s SunRui Marine	M/s S&SYS Co. Ltd.	Remarks
As per Evaluation Report by the tender committee			
Complete accessories and material (painting, fitting, cables, valves etc.	89,000	270,000	
Total financial bid amount (USD)	432,000	590,000	
As per financial bid submitted by bidder			
Complete accessories and material (painting, fitting, cables, valves etc.	89,000	-	Estimated price only, final price is subject to detailed drawings completed
Complete accessories and material (painting, fitting, cables, valves etc.		10,000	-
Financial bid quoted by bidder (USD)	432,000	330,000	

The tender evaluation committee made an unjustified alteration to M/s S&SYS Ltd.'s financial bid, increasing it from USD 330,000 to USD 590,000, while leaving M/s SunRui's bid unchanged. Furthermore, the technical evaluation sheet lacked the committee's signature, raising concerns about the evaluation process's transparency and integrity.

Audit is of the view that the tender evaluation process was compromised due to the unjustified alteration of financial bid and the lack of signature on the technical evaluation sheet. This raises concerns about the transparency, leading to

an unfair advantage to M/s SunRui Marine, the second-lowest bidder, which resulted into loss of Rs.25.500 million.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management adhere to the PPRA rules. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.24 Non-evaluation of performance of Executive Directors - Rs. 24.012 million

The 423rd Board meeting held on January 13, 2023, resolved to set Key Performance Indicators (KPIs) for PNSC Executive Directors and develop a module for evaluating their performance, which will be assessed by the Board's HR, Nomination, and CSR Committee on a quarterly basis.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that management failed to establish key performance indicators (KPIs) for executive directors and didn't develop a performance evaluation module, contrary to Board directives. The renewal of executive directors' contracts and a significant salary increase of Rs. 24.012 million were made without any assessment of their performance. Moreover, PNSC's HR manual lacked clear policies and criteria for appointing executive directors and determining their pay and allowances.

Audit is of the view that the management failed to establish KPIs and assess performance before increasing salaries indicates undue favoritism and poor human resource management. Consequently, the contract renewals and salary increments totaling Rs. 24.012 million for EDs were held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to set KPI's to evaluate the performance of Executive Directors in compliance of BoD directives. Moreover, management should frame the policy/criteria for appointment and fixation of pay and allowances of Executive Director(s) in PNSC's HR manual. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.25 Wasteful expenditure due to non-construction of building - Rs. 21.146 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that a plot No. 31-A, was obtained on lease from the Karachi Port Trust (KPT) for 25 years for commercial use. However, the management decided to use the space for a mosque and parking area instead. However, the lease agreement expired on March 27, 2018, and wasn't renewed.

In addition to above, a construction contract worth Rs. 81.359 million was awarded to M/s Ammar Enterprises in 2012, but the work remains incomplete, despite the management paying Rs. 21,146,453 to the contractor.

Audit is of the view that management failed to complete the project despite engaging a contractor and making significant payments (Rs. 21.146 million) since 2012 is unacceptable. With no progress made over 10 years, the expenditure of Rs.21.146 million was held wasteful.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. The management replied that a payment of Rs. 21.146 million was made to the contractor against the actual work done. DAC directed the management to provide documentary evidence and get verified the facts. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

(DP Nos.10 & 21)

11.3.4.26 Unauthorized payment on expired lease agreement - Rs. 20.971 million

Chapter 3.3.4.3.(2) Internal Control System (ICS) of PNSC entails that Estate Department Protect ownership rights of PNSC real estate through timely execution of Lease Agreements with various agencies. Further, Rule 5(5) of Public Sector Companies (Corporate Governance) Rules, 2013, Board shall establish a system of sound internal control which shall be effectively implemented at all levels within the public sector companies to ensure compliance with fundamental principle of probity and propriety, objectivity, integrity and honesty.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the corporation held twelve (12) leasehold properties whose lease agreements were expired. The detail of PNSC expiry leasehold agreements is as under:

S#	Name of property	Address	Lessors/ land lords	Expiry status	Total amount (Rs.)
1.	PNSC building	Plot No.30-A, Lalazar, MT khan road Karachi.	KPT	27 th March 2018	(Rs.1,801,800 * 5 year) =Rs.9,009,000
2.	PNSC Mosque & parking plot	Plot No.31-A, Lalazar, MT Khan road Karachi.		27 th March 2018	(Rs.364,324 * 5 year) =Rs.1,821,620
3.	Ship store department building	Plot No.17/1 west wharf Karachi.		20 th March 2019	(Rs.125,056 * 4 year) Rs.500,224
4.	Beach Hut (N-37)	Sandspit Karachi		28 th July 2022	Rs.1,091,158
5.	Beach Hut (S-12)	Sandspit Karachi		9 th August 2021	(Rs.921,256 * 2 year) =Rs.1,842,512
6.	PCSS	Plot 70/4 timber pond Keamari Karachi.		30 th November 2008	(Rs.447,132 * 15 year) =Rs.6,706,980
Total					20,971,494

Audit is of the view that the payment of Rs.20.971 million to the Karachi Port Trust (KPT) without valid lease agreement is unauthorized and irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. Management replied that upon the expiry of the lease agreement, the department initiated various letters to KPT for renewal of the lease agreement; however, the matter regarding renewal of the lease agreement is still in progress with KPT. DAC directed the management to take strenuous efforts for renewal of the lease. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.27 Irregular/unjustified procurement of vehicles - Rs. 20.188 million

Finance Division (Expenditure Wing) GOP vide OM No. F.7 (1) Exp-IV/2016-340 dated July 07, 2022, Austerity measures and from time to time (i) there shall be complete ban on purchase of all types of vehicles both for current as well as development expenditure. (2) All Ministries/Divisions are requested to disseminate the above instructions to all their concerned departments / organizations/ autonomous bodies / corporations/ authorities etc. for strict compliance.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management procured different types of vehicles amounting to Rs.20.188 million in violation of Finance Division's directives. The details are as under:

S#	Description	Registration Number	Purchase value (Rs.in million)	Purchase Date
1	<u>TOYOTA</u> Revo, double cabin	GPB-284	10.253	1.12.2022
2	<u>TOYOTA</u> Corolla Altis	GPB-247	3.986	31.3.2023
3	<u>SUZUKI</u> Cultus VXL	BWS-149	2.300	31.3.2023
4	<u>SUZUKI</u> Hi-Roof Bolan Van	CZ-9161	1.217	31.3.2023
5	<u>SUZUKI</u> Hi-Roof Bolan Van	CZ-9163	1.217	31.3.2023

6	<u>SUZUKI</u> Hi-Roof Bolan Van	CZ-9164	1,217	31.3.2023
Total			20,188	

Audit is of the view that management did not observe the Austerity Measures and mis-used its financial powers by utilizing the funds.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to obtain concurrence from Standing Committee, Ministry of Finance for vehicles purchased during the ban period. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.28 Unjustified/abnormal increase on account of other allowances - Rs. 18.880 million

Rule 5 (a) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that (i) 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 (ii) claiming of expenses.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that other allowances of Chairman and Executive Directors were abnormally increased without variation in the number of persons during year 2022-23 as comparison with previous year. Details are as under:

Rs. In million						
Description	Chairman & Chief Executive		Variation %	Executive Directors		Variation %
	June 30, 2023	June 30, 2022	200%	June 30, 2023	June 30, 2022	
Other allowances	13.540	6.749		13.234	1.145	1,155%
Difference in amount	6.791			12.089		
Number of persons	1	1		5	5	

Audit is of the view that increase in other allowance was irrational. Moreover, there was no policy/ criteria for appointment and fixation of pay and allowances of Executive Directors in PNSC's HR manual.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to provide the documentary evidence regarding abnormal increase of other allowances to Audit. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.29 Irregular promotions of contractual officers - Rs. 16.652 million

Clause 10.4.1 & 2 of PNSC HR Policy Manual, Promotion Policy required mandatory service limits for promotion are:

Category	Contract
From Managers to General Managers	Five Years
From Deputy Managers to Managers	Five Years

Guidelines/criteria:

1. Seniority-cum-fitness.
2. Qualification.
3. Experience.
4. Sanctioned vacancy.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management made promotions in contravention of the established seniority list. Junior contractual officers were promoted over senior permanent employees post, with selections made arbitrarily rather than based on merit and seniority as detailed below:

S#	Name of Officer	Number in Contractual Seniority list	Promoted as designation	Salary (Rs.)
1.	Muhammad Faisal Hadi	6	Manager (XII)	Rs.420,151 * 12 months = 5,041,812
2.	Danish Meraj	10	Manager (XII)	Rs.389,793 * 12 months =

				4,677,516
3.	Muhammad Zubair	12	Manager (XII)	Rs.334,502 * 12 months = 4,014,024
4.	Muhammad Arif	4	Deputy Manager (XI)	Rs.243,249 * 12 months = 2,918,988
Total				16,652,340

Audit is of the view that the decision of the management to promote junior contractual officers over senior permanent employees 'posts, in violation of the seniority list, is unjustified and lacks transparency. This arbitrary promotion process raises concerns about favoritism and undermines the principle of merit-based promotions. Thus, the total payment of Rs.16.652 million to the above officers was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. Management stated that contractual officers were promoted in accordance with the Promotion Policy outlined in the PNSC HR Policy Manual, which was approved by the Board of Directors. However, this explanation is unsatisfactory, as it appears that junior officers were promoted to senior positions on a selective basis, disregarding the established criteria for promotion. DAC directed the management to take corrective measures. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.30 Irregular payment of donation - Rs. 15.789 million

Para-9(b) of Finance Division OM No. F.15 (13)-R-14/82 dated Sep 05, 1982, states that corporations should not pay any donation unless the donation directly promotes its business and authority to make the donation exists in its statutes. Further, as per Finance Division (Regulation Wing-II) dated October 04, 1987, the organization should ensure the purpose of donation is consistent with the objectives/operations of the organization and which has relationship with the business activities of the organizations concerned or directly adds to the promotion of their business

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management paid donations of Rs.15.789 million in violation of directives of Finance Division. The detail is as under:

S#	Description	Donation (Rs.)
1.	Advances to employees	7,223,446
2.	Flood relief staff /paramedics	3,352,227
3.	Bonus to MoMA employees	3,259,080
4.	Bahria Foundation Colleges-scholarship fund reh. Fld. Vctm.	500,000
5.	Pakistan Hindu Council inv#1137 16th mass marriage prog-23	500,000
6.	Pakistan Navy school/academy	375,000
7.	Others	579,700
	Total	15,789,453

Audit is of the view that the donations made by PNSC to certain institutions were irregular and unjustified, as these institutions have no relevance to PNSC's shipping business or objectives and non-aligned with the Corporation's purpose or operations.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to recover the amount. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.31 Irregular / unjustified fixing of salaries - Rs.15.627 million

Clause 3.4 of PNSC HR Policy Manual provides salary grades and ranges as below:

Grades	Designation.	Min-Max	Nature	Pay as per HR manual (Rs.)
XII	Manager	Rs.93,692-30,000-273,692	Basic	93,692
			Gross	187,957
XI	D. Manager	Rs.66,045-20,000-186,939	Basic	66,939
			Gross	149,302
X	Asst. Manager	Rs.26,276-10,000-88,276	Basic	26,276
			Gross	80,067

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management hired various officers on a

contract basis and paid those salaries higher than what was stipulated in the PNSC's HR Policy Manual (Annex-62).

Audit is of the view that the management's decision to pay salaries exceeding the rates prescribed in the HR Policy Manual to contract officers constitutes undue favoritism and a violation of the corporation's HR policies, hence, the payment of Rs. 15.627 million was irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. The DAC directed the management to fix the salaries of employees in accordance with the HR Policy Manual. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.32 Unjustified payment of special compensatory allowance - Rs. 14.579 million

Finance Division (Regulation Wing) letter No.F.4(3)R-4/2011-Revision dated October 31, 2022, emphasizes adherence to the Rules of Business, 1973, and established rules regarding changes to government servants' terms and conditions, including financial implications. Prior consultation with the Finance Division is required, as stipulated in Paragraph (h) of sub-rule (1) of Rule 12, and special pays/allowances for Management Grade Officers are to be frozen at existing levels, preventing unjustified payments, including special compensatory allowance.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that there were some discrepancies in the compensation package of the Chairman of PNSC. His basic pay was fixed at Rs. 243,840 per month, but he was receiving a special compensatory allowance of Rs.1,214,967 per month, which is approximately 500% higher than his basic pay. Additionally, he was receiving a special allowance of Rs.15,986 per month, which is in violation of above orders of the Finance Division.

Audit is of the view that the payment of special compensatory allowance Rs.14.579 million (Rs.1,214,967 * 12 months) exceeding 500% of the basic pay is irregular, unjustified and in violation of existing rules and regulations, as there

is no provision in finance division notifications or PNSC's rules and regulations that permits such an arrangement.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to get concurrence from Ministry of Finance for grant of special compensatory allowance. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.33 Loss due to ship incidents - Rs. 12.798 million

PNSC Bulletin No. 82 Ref. 1887-4779 dated February 14, 2009, directed senior officers to enforce security measures to counter crew desertion from ships, with strict disciplinary action to be taken against those found negligent or involved directly or indirectly in any future cases of desertions from the ships. This directive is in addition to the responsibilities of the General Manager Commercial Division, as outlined in the Job Description (JD), which includes utilizing vessels in the most profitable manner, preparing and maintaining vessel schedules, and ensuring proper execution of voyages.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that a ship MT Sargodha collided with MV Evmilos resulted in repair costs of Rs.9,062,500 due to failure of PNSC's commercial division to ensure proper voyage execution as assessed by surveyor.

Additionally, MV Sibi was detained in Algeciras, Spain, due to a breach of traffic control, incurring a penalty of Euro 6,600 (PKR 2.076 million). This incident reflected the negligence on the part of the ship's master and personnel. Furthermore, desertion led to an additional expense of Euro 7,760 (PKR 1.660 million).

Audit is of the view that the incidents of ship collision, detention, and desertion resulting in expenses of Rs. 12.798 million (Rs. 9.062 million + Rs. 2.076 million + Rs. 1.660 million) reflect negligence, inefficiency, and lack of effective control on the part of PNSC's management, master, and crew.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to provide the inquiry report for incidents of vessels and breach of Algeric traffic rules. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.34 Irregular appointment of external auditors - Rs. 11.890 million

Finance Division's O.M. No.F.3(1)-Inv.III/80-406 dated March 25, 1981, where appointments (of CA Firms) is to be made by the Federal 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 audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management hired external auditors, M/s Yousuf Adil Chartered Accountants and M/s Grant Thornton Anjum Rahman, for Rs.11.890 million without getting the required approval from the Auditor-General of Pakistan in violation of Finance Division directives.

Audit is of the view that the appointment of external auditors without approval of the Auditor-General of Pakistan is a serious violation. Hence, the payment of Rs.11.890 million was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to get concurrence from AGP for appointment of external auditor. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.35 Non-transferring of unclaimed dividend amount– Rs. 6.764 million

Section 244 of the Companies Act, 2017, states that unclaimed shares, modaraba certificates and dividends shall vest with the Federal Government. If no claim is made within 90 days of publication of notice, the company shall deposit the unclaimed amount to the Federal Government's credit.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that three (03) dividend bank accounts were dormant having balances of Rs.6.764 million. The management did not deposit the unclaimed dividend amount to Federal Government Treasury in violation of above rules. The details are as under:

(Amount in Rs)			
S#	Description	Account No.	Closing Balance
1.	NBP 7 th dividend A/c	4000314089	3,675,291
2.	NBP 6 th dividend A/c	4000313928	1,941,068
3.	NBP 5 th dividend A/c	4000313740	1,148,248
Total			6,764,607

Audit is of the view that the management failed to deposit the unclaimed dividend amount of Rs. 6.764 million to the Federal Government Treasury is a clear violation of the Companies Act, which was irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to provide the list of unclaimed dividend shareholders and also directed to deposit the unclaimed dividend amount with the Federal Government Treasury pursuant to the sub-section (2) of the section 244 of the Companies Act 2017. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.36 Non-verification of equivalence of foreign degree / diploma - Rs. 5.876 million

The Government of Pakistan's Establishment Division instructed federal government employees, ministries, divisions, and autonomous bodies to verify their degrees and certificates in 2011. The verification process is to be initiated by respective ministries and organizations, with costs borne by them, and funded by the Finance Division if necessary. Foreign degrees must be verified by the Higher Education Commission (HEC). A certificate and list of verified officers must be submitted to the Establishment Division within 45 days. Additionally, the ESTA

Code 2007 emphasizes the importance of verifying educational qualifications and age before appointment.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management appointed Mr. Ali Imam Qadri as General Manager of Procurement in April 2019, based on his foreign degree in Masters of Public Procurement from Turin University, Italy. However, the management failed to verify the equivalence of his degree from the Higher Education Commission (HEC) in violation of the Establishment Division's directives.

Audit is of the view that the management extended undue favor by neglecting to verify his foreign degree from HEC, contrary to Establishment Division directives. Hence, the payment of Rs.5.876 million on account of salary and car monetization was irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. DAC directed the management to get verify the equivalence of foreign degree/diploma of incumbent from Higher Education Commission (HEC). However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.37 Irregular appointment of Advisor, Business Development - Rs. 5.400 million

Clause 4.3 of ESTACODE Policy Guidelines states that contract appointments in autonomous/semi-autonomous bodies, corporations, and public sector companies should be made after advertising vacancies in national and regional newspapers and selecting candidates through a constituted Selection Committee/Board. Additionally, Rule 7(q) of the Code of Corporate Governance Rules 2013 requires the Board to formulate significant policies, including human resource and succession planning.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that the management hired Syed Muhammad Yahya as an Advisor for Business Development in the North Region, initially on

a daily wage basis at Rs.21,428 for 60 days, from June 1 to July 30, 2023. Later, he was re-appointed on a contractual basis with a fixed monthly salary of Rs. 450,000, without sanctioned budget and advertisement.

Audit is of the view that the management extended undue favor by appointing him without advertising the position and following required formalities. Thus, the appointment and salary of Rs. 5.400 million (12 months' salary and benefits) to the incumbent was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. Management replied that the appointment and salary was made as per Section 21 of PNSC Ordinance, 1979, which entails that the Corporation may appoint such officers, consultant, advisers and employees as it considers necessary for the efficient performance of its function, on such terms and conditions as it may deem fit. The DAC directed the management to address irregularity by taking corrective measures. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.38 Irregular award of contract to technically disqualified bidder - Rs. 3.650 million

Rule 1 (f) (iv) of PPRA Rules, 2004 provides that "fraudulent practices" which means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;

Rule 4 of PPRA 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.

During audit of Pakistan National Shipping Corporation for the year 2022-23, it was observed that the management floated tender for renovating beach huts (N-7 and S-12) at Sandspit beach in Karachi. Initially, M/s Horizon Builders & Developers was deemed a qualified bidder, while M/s Bhatti Enterprises was disqualified. However, the management reassessed the technical

evaluation and declared M/s Bhatti Enterprises a qualified bidder, awarding him the contract worth Rs. 3.65 million.

Audit is of the view that the decision of management to award the contract of Rs. 3.65 million to M/s Bhatti Enterprises on the basis of fabricated technical evaluation report, despite initially declaring them disqualified, was irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th November, 2024. Management replied that it was recommended by tender committee for awarding the contract to M/s Horizon Builders & developers and forwarded the case for approval. Later on as per instructions of the Chairman PNSC, the evaluation of bids was done again after obtaining all the required documents from M/s Bhatti Enterprises (Pvt.) Ltd JV M/s Shams & Zain Meo Rajput Construction Company. DAC in its meeting held on 26 & 27th November, 2024. DAC directed that the management may fix the responsibility on the person (s) at fault. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.3.4.39 Unjustified expenditure on purchase of gift items - Rs. 2.605 million

PNSC ICS (2.7.2.3.3) Power and authority matrix: as per Head of the departments and concerned officers delegated with authority are responsible for approvals culminating in financial expenditure and are accountable for all transactions submitted by their respective department. However, due diligence will be carried out by Finance Department, including financial discipline, appropriateness of the transaction and compliance of relevant rules and procedures. In this regard, Finance Department may ask for additional document, information / details/ clarifications before final payment.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2022-23, it was observed that an amount of Rs.2.605 million was incurred on procurement of various gift items in the name of Chairman (PNSC) on account of sundries without having any provision (Annex-63).

Audit is of the view that the management failed to exercise financial prudence and adhere to austerity measures. Furthermore, there was no provision or policy in place for purchasing gifts for non-official individuals. Thus, the expenditure of Rs. 2.605 million on account of miscellaneous items was held unjustified and irregular.

The matter was reported to the management in June 2024. The irregularity was discussed in the DAC meeting held on November 26-27, 2024. Management replied that the gift items purchased were on the instructions of the Chairman, PNSC, for official guests and distribution at various official events. However, the DAC directed the management to recover the amount from the person(s) at fault. However, no record was produced by the management till finalization of this report.

Audit recommends implementation of the DAC directives.

11.4 Port Qasim Authority

11.4.1 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.

11.4.2 Comments on Audited Accounts

11.4.2.1 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 2006-07 to 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2006-07 to 2022-23 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts (**Annex-2**).

11.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% 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%
2010-11	7	5	2	20.3.3, 20.3.4.3	71%
2011-12	15	12	3	22.4.3, 22.4.4.2, 22.4.4.3	80%
2012-13	11	5	6	22.2.3, 22.2.4.1, 22.2.4.2, 22.2.4.4, 22.2.4.5, 22.2.4.6	45%
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%

2014-15	63	3	60	18.4.4.2, 18.4.4.27, 18.4.4.1, 18.4.4.34, 18.4.4.15, 18.4.4.3, 18.4.4.6, 18.4.4.8, 18.4.4.10, 18.4.4.11, 18.4.4.12, 18.4.4.14, 18.4.4.17, 18.4.4.19, 18.4.4.21, 18.4.4.24, 18.4.4.28, 18.4.4.31, 18.4.4.33, 18.4.4.36, 18.4.4.39, 18.4.4.41, 18.4.4.44, 18.4.4.46, 18.4.4.47, 18.4.4.48, 18.4.4.49, 18.4.4.50, 18.4.4.51, 18.4.4.53, 18.4.4.55, 18.4.4.57, 18.4.4.58, 18.4.4.60 PAC referred to DAC level)	18.4.4.4, 18.4.4.26, 18.4.4.43, 18.4.4.29, (18.4.3, 18.4.4.5, 18.4.4.7, 18.4.4.9, 18.4.4.13, 18.4.4.16, 18.4.4.18, 18.4.4.20, 18.4.4.23, 18.4.4.25, 18.4.4.30, 18.4.4.32, 18.4.4.35, 18.4.4.38, 18.4.4.40, 18.4.4.42, 18.4.4.45,	5%
2015-16	18	1	17	17.4.4.1, 17.4.4.5, 17.4.4.15, 17.4.4.2, 17.4.4.6, 17.4.4.8, 17.4.4.10, 17.4.4.12, 17.4.4.14	17.4.4.3, 17.4.4.10, 17.4.3, 17.4.4.4, 17.4.4.7, 17.4.4.9, 17.4.4.11, 17.4.4.13,	6%
2016-17	10	2	8	15.4.2.1, 15.4.4.2, 15.4.4.3, 15.4.4.4, 15.4.4.5, 15.4.4.6, 15.4.4.7	,15.4.3,	-
2017-18	10	1	9	14.4.2.1, 14.4.4.2,	14.4.3, 14.4.4.1, 14.4.4.3,	10%

				14.4.4.4, 14.4.4.5, 14.4.4.6, 14.4.4.7	
2019-20	3		3	10.4.4.1, 10.4.4.2, 10.4.4.3	0%
2021-22	26		26	12.4.4.11, 12.4.4.10, 12.4.4.3, 12.4.4.2 (remaining to be discussed in PAC)	0%
Total	219	63	156		29%
No Public Accounts Committee (PAC) meeting was convened to discuss the Audit Report on the accounts of Public Sector Enterprises (ARPSE) Audit Year 2022-23 and onwards.					

The overall compliance of PAC directives needs improvement.

11.4.4 Audit Paras

11.4.4.1 Deposit of bank balances without approval - Rs. 11,735.084 million

Section 30 of the Public Finance Management (PFM) Act, 2019, expanded the Treasury Single Account (TSA) system to include Public Entities of the Federal Government, as per Finance Division's Notification No. F.I (I)/(TSA)/2020-08/20 dated August 12, 2020. Rule 37 (1), revenues collected by autonomous entities arising from federal laws or instruments must be deposited into the TSA, while Rule 23 (2) prohibits the transfer of public funds for investment or deposit from government accounts to other bank accounts without prior federal government approval, with the principal accounting officer required to submit a half-yearly certificate to the Finance Division.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that the management maintained 71 bank accounts across various commercial banks, holding a substantial balance of Rs. 11,735.084 million, without obtaining the necessary approval from the Finance Division which is in violation of the Cash Management and Treasury Single Account Rules, 2020.

Audit is of the view that the maintenance of bank balances in commercial banks without Finance Division approval constitutes a breach of the rules, indicating a significant lapse in financial management and compliance.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. DAC directed the management to submit revised reply.

Audit recommends implementation of the DAC directives.

11.4.4.2 Loss due to non-investment in government securities - Rs. 8,473.010 million

Objectives of the Investment Policy of Port Qasim Authority (PQA), state that the investment portfolio shall be designed to obtain the highest available returns, taking into account the investment risk constraints and cash flow needs. The Committee shall seek to obtain the highest available return before placing any funds.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that management did not invest any amount in Treasury Bills(T-Bills) causing an opportunity loss of Rs. 8,473.01 million. The Management invested only in Term Deposit Receipts (TDRs) and saving accounts of various banks and Asset Management Companies (AMCs) and did not invest in Government securities through investment in T-Bills. Returns earned by management on their investments in TDRs were substantially less than T-Bills rate. The details of investments along with return are as follow:

Particulars	Rs. in million
Total Investment	160,397.00
Gross Profit	20,959.84
Rate of Return (%)	13.07
Weighted Avg. T. Bill Rate (%)	18.35
Opportunity Loss (%)	(5.28)
Loss on Investment	8,473.01

Audit is of the view that management's conservative approach of investing only in TDRs of banks instead of investing in secured investment i.e. Treasury Bills caused loss of Rs. 8,473.01 million.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. DAC directed the management to submit revised reply and diversify the investment to earn optimal returns by taking the matter to the Board.

Audit recommends implementation of the DAC directives.

11.4.4.3 Non-recovery from various parties – Rs. 5,409.321 million

Implementation Agreement (April 28, 2007) between PQA and M/s. PGPCL requires monthly royalty payments by the 15th of each month (Article 21) and arbitration for dispute resolution (Article 16).

The Land Allotment Policy 2000 mandates yearly advance payment of leviable charges, approval of construction plans within 6 months, and project completion within 2 years for light/medium industries, with Non-Utilization Fee (NUF) applicable in case of failure.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that management failed to recover a substantial amount of Rs. 5,409.321 million from various parties. The details are as under:

(Rs. in million)			
S#	Name of party	Description	Amount
1	M/s. Pakistan Gasport Consortium Ltd (PGPCL)	Outstanding royalty	4,715.194
2	Various customers	Water charges	59.287
3	M/s Port Qasim Electric Power Company Ltd. (PQEPCL)	Sea Water Charges, NUF & Allied Charges (Dispute on Sea Water Charges and sales tax on the annual land rent)	89.994
4	Various Customers	Penalty in violation of Environmental SOPs	3.500
5	Defense Housing Authority (DHA)	Land rent	342.986
6	Various parties	Receivables from auction of vehicles	4.846
7	M/s Naveena Steel Mills	Penalty on construction, NUF & other arrears/dues	191.026
8	M/S Muhammad Ayub & Brothers (Pvt) Ltd	Non-adjustment of outstanding balances against capital work in progress	1.423
9	Bahria Foundation	Non-adjustment of outstanding balances against capital work in progress	1.065
Total			5,409.321

Audit is of the view that management failed to recover a significant amount from various parties which reflected internal control and weaknesses in recovery mechanism.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024.

DAC directed the management to get the recovered amount verified from Audit and to expedite recovery of outstanding.

Audit recommends implementation of the DAC directives.

(DP Nos. 123, 132, 147, 148, 149, 150, 151 & 152)

11.4.4.4 Unjustified sale/purchase of land to K-Electric by private parties - Rs. 2,860.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

Clause xxii of the Final Letter of Allotment explicitly states that the transfer of interest in any form, whether wholly or partially, without permission of Port Qasim Authority will not be recognized, effectively forbidding the sale of the land to a third party.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that M/s K-Electric approached Pakistan Textile City Limited for purchase of 220 acres land. The case for above stated purpose was submitted to Competent Authority and it was decided that PTCL land can only be used for setting up of Textile Industry. Later on, KE purchased 220 acres of land from private parties without obtaining NOC. The land was allotted to private parties for establishment of industry. However, land was sold to KE for installation of power plant @ cost of Rs.2,850 million (Rs.13 x 220 acres).

Audit is of the view that the land was sold without NOC and land was not utilized for its intended purpose.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management informed that no loss has been incurred, PTCL land is in possession of PQA and no land sold to KE by PQA. Further private parties sold other land which is allowable in land allotment policy. DAC settled the para subject to verification of record and providing rules for selling land by private

parties to others. However, during the verification, relevant record was not provided.

Audit recommends implementation of the DAC directives.

11.4.4.5 Loss due to non-acceptance of highest bids – Rs. 793.000 million

Rule 38 of PPRA states that the bidder with the most advantageous 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 audit of Port Qasim Authority for the year 2022-2023, it was observed that an amount of Rs. 10,000 million was invested in Habib Bank Limited (HBL) and Rs. 2,900 million in Askari Bank as a Time Deposit Receipt (TDR) against a letter of credit (LC). However, the management did not accept the highest bids from NBP and ABL in above two investments, resulting in total loss of Rs.793.000 million, as detailed below:

Table-1 (Rs. in million)

Description	TDR amount	Rates		Rate difference	Loss
		NBP +0.25	HBL +0.22		
Initial rates (10.45 +0.25 & +0.23)		10.7	10.68		
KIBOR (1month) Rate as on 18.11.2022	9,000	15.81	15.78	0.03	270
KIBOR (1month) Rate as on 10.03.2023	1,000	20.76	20.73	0.03	30
Total	10,000				300

Table-1 (Rs. in million)

Description	TDR amount	Rate offered		Rate difference	Loss
		ABL (KIBOR +0.40)	Askari (KIBOR +0.23)		
TDR	2,900	0.4	0.23	0.17	493

Audit is of the view that it indicates a lack of effective financial management, inadequate evaluation of investment opportunities, and insufficient consideration of alternative options.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024.

- a) DAC directed the management to get its record verified from audit and show that the letter of credit opened in Habib Bank Ltd was the most advantageous bidder in the light of PPRA rules 2004. (DP. 175)
- b) The management informed that Initially ABL was highest for the LC, which was valid for 7 days (from 4th April till 11th April) and bank revised its offer from One Month KIBOR (Offer) + 0.40% to One Month KIBOR (Offer) - 100% on dated 01.09.2022, due to delay in approval of opening LC from Ministry of Finance (that was for about 06 months) PQA issued a revised request for obtaining offers from banks and management awarded offer to Askari Bank Ltd has submitted the highest offer i.e. One Month KIBOR (Offer) + 0.25% among 05 banks. DAC directed the management to look into matter for losses due to delay in investment and provide the profit received from Askari Bank.

Audit recommends implementation of the DAC directives.

(DP Nos.175 &176)

11.4.4.6 Unauthorized payment of bonus - Rs. 492.777 million

Finance Division (Regulations Wing) OM No.F.3(5) R.12/80(R.14). Vol.H2201-54 dated 30th November 2001, states that autonomous bodies / corporations are not following the Government instructions in letter and spirit and making payment of bonus to their employees without approval of Finance Division (Regulation wing).

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that an amount of Rs.492.777 million was paid as bonus to officers & officials without the concurrence of Ministry of Finance.

Audit is of the view that the payment of Rs.492.777 million as bonus to the officers & officials without the concurrence of Ministry of Finance and approval of concerned administrative Ministry/Division was held irregular.

The matter was reported to the management on June 07, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024.

Management stated that payment of bonus to PQA Employees is made under the Regulation No. 65 of Revised PQA Employees Service Regulations-2011. DAC was of the views that Bonus of Rs. 492.77 million was granted in FY 2022-23 and this should be based on operational profit, however, there were delays in finalizing the accounts. DAC directed the management for obtaining of concurrence from the Finance Division of Govt. of Pakistan.

Audit recommends implementation of the DAC directives.

11.4.4.7 Non-receipt of profit from bank – Rs. 459.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His responsibilities include implementation of strategies and policies approved by the Board.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that the management invested Rs. 2,900 million in Askari Bank Limited through a Time Deposit Receipt (TDR) on October 7, 2022, earning a 15.85% profit rate, but the bank failed to pay Rs.459.000 million in markup as of the current date.

Audit is of the view that management failed to obtain profit of Rs.459 million which reflected negligence and poor financial controls.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management informed that matter of non-payment of profit by Askari bank against TDR held for LCs – Rs. 2,000 million was timely and effectively taken up with the bank management but due to unresponsive attitude, PQA decided to approach the court for resolution and recovery of profit as per the agreed terms and conditions mentioned in the placement letters of PQA TDRs. DAC directed the management to recover the amount from bank.

Audit recommends implementation of the DAC directives.

11.4.4.8 Loss due to imprudent investment – Rs. 262.361 million

Investment Policy of Port Qasim Authority (PQA), states that purpose of this policy is to provide guidelines to the Authority for the investment of funds and the manner in which the sum could be supervised, monitored and managed in an efficient and effective manner with the objectives to achieve the goals of safety, liquidity and yield.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that the management suffered loss of Rs.262.361 million due to imprudent investment. The management invested in TDRs worth Rs.1,500.000 million @ 1 Month KIBOR + 0.16% with NIB Bank Ltd for a period of one year in June, 2016. Subsequently, NIB Bank Ltd was merged with MCB Bank Ltd in June, 2017. MCB Bank Ltd reinvested/rolled over said TDRs at its published / declared profit rates without management's request at lower rates. The management lodged complaint in Banking Mohtasib of Pakistan in March, 2019 which was rejected on the grounds that no request was received from PQA by MCB for reinvesting of TDRs on special rates after maturity. The detail of loss is as under:

(Rs in million)				
Period	Mark up received (A)	Mark up receivable at 1MK+0.16% (B)	Opportunity Cost (C)	Total Loss (B-A+C)
Jul 2016-Jun 2017	92.861	96.144	6.144	9.427
Jul 2017-Jun 2018	70.599	97.828	6.310	33.539
Jul 2018-Jun 2019	70.910	145.590	10.693	85.373
Jul 2019-Jun 2020	184.253	194.177	26.505	36.429
Jul 2020-Jun 2021	85.788	114.412	8.203	36.827
Jul 2021-Jun 2022	97.500	146.448	11.818	60.766
Total	601.911	794.599	69.673	262.361

Audit is of the view that the management suffered a loss of Rs.262.361 million due to absence of any request from PQA for special rates after maturity of TDRs.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. DAC directed the management to submit revised reply and pursue the case vigorously.

Audit recommends implementation of the DAC directives.

11.4.4.9 Irregular repair and maintenance from other parties instead of OEM – Rs. 82.013 million

An agreement was signed between PQA and Uzmar on November 5, 2021. The agreement pertained to the MT Sohna, Mohna, and Amber vessels, which were under the OEM/manufacturer's warranty for a period of two years. During this warranty period, the seller efficiently rectified faults/defects in the main engines, auxiliary engines, and other equipment/machinery, ensuring fast delivery of spare parts.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that the management made agreement on 05.11.2021 with Uzmar Gemi for warranty of MT Mohna, Sohna & Amber for a period of two (02) years. During the warranty period, the faults / defects in the main engines, auxiliary engines and other equipment / machinery were required to be rectified by the seller but these tugs and boats were repaired by M/s PNSC despite agreement with M/s Uzmar. Details are as below:

(Rs. in million)				
Description	SOHNA	MOHNA	AMBER	Total
PNSC Workshop R/M of PQA Crafts	21,629,129	27,057,923	33,326,022	82,013,074

Audit is of the view that repairs and maintenance from outside despite agreement with M/s Uzmar was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management informed that repair made from PNSC was not covered in warranty contract with M/s Uzmar. DAC settled the para subject to verification. However, relevant record was not provided to audit till finalization of this report.

Audit recommends implementation of the DAC directives.

11.4.4.10 Extra land of 76 acres granted for PTCL - Rs. 76.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters. His

responsibilities include implementation of strategies and policies approved by the Board.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that Government of Sindh allotted 1326 acres to PQA for Pakistan Textile City Limited (PTCL) on 02.12.2006 but the management allocated land of 1250 acres to Pakistan Textile City Limited (PTCL) which resulted in short allocation of 76 acres land valuing Rs.76.000 million.

Audit is of the view that due to poor planning and supervision of assets the land was short allocated.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management informed that the Government of Sindh granted PQA an area of 1250 acres instead of 1326 acres. The land remains occupied by the Pakistan Navy and sub-judice. DAC directed the management to pursue the court cases vigorously.

Audit recommends implementation of the DAC directives.

11.4.4.11 Penalty on non-utilization of land - Rs. 85.856 million

Land Allotment Policy, 2005 states that charges shall be payable yearly in advance, the project/industry shall be operational within two years, failing which NUF (Non-Utilization Fee) will be applicable, the allottee will start work on the plot within six months from the date of possession.

During audit of Port Qasim Authority (PQA) Karachi for the year 2022-23, it was observed that the management allotted 25 acres of land in SWIZ to M/s Synergy Limited in 2011 for warehouse under the DFI scheme. However, the allotment was made without verifying the company's financial stability or its sponsor's ability to invest 30% equity. Instead of developing the project, M/s Synergy Limited sold the plot to M/s World Ocean Container Terminal for Rs. 150 million in 2013. PQA transferred the plot to the new owner after receiving Rs. 67.763 million. The management issued cancellation notice on 22 July, 2015 to M/s World Ocean Container Terminal for non-commencement of construction work within six months.

Audit is of the view that the management failed to develop the land despite receiving all charges from allottee which reflected poor governance and negligence.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The matter was discussed in the DAC meeting held on dated 26.12.2024 in which management stated that yearly bill for the year 2024-2025 including NUF amounting to Rs.85,856,728 was issued which is still pending till date. DAC directed the management to expedite recovery of outstanding.

Audit recommends implementation of the DAC directives.

11.4.4.12 Irregular payment of monetization allowance to officers - Rs. 39.498 million

Cabinet Division's OM No. 6/7/2011-CPC, dated December 30, 2011, states that the Monetization Policy applies only to civil servants in BS-20 to BS-22 working in Ministries, Divisions, Attached Departments, and Sub-Ordinate offices. However, it excludes officers from autonomous/semi-autonomous organizations, corporations, and those holding constitutional posts, contract appointments, re-employment, or management pay scales. These excluded officers will retain their existing transport facility entitlements.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that the management has been authorizing a transport monetization allowance to its employees (Managers, Directors, DGs, Chief Engineer, Harbor & Dock Master, Pilot / Tug Commander) in grade 18 to 21 amounting to Rs.39.498 million, whereas, this allowance was stipulated by the Cabinet Division for grade 20 to 22 officers within the Civil Service framework.

Audit is of the view that the monetization allowance in question was for Civil Servants only, and should not be extended to employees of the authority. The authority's employees were not civil servants and thus, did not meet the eligibility criteria for this allowance.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. Management stated that PQA has devised own monetization policy through PQA

Board under Section 70 of PQA Act considering the cost Benefit Analysis in 2015. DAC directed the management for obtaining of concurrence from the Finance Division of Govt. of Pakistan.

Audit recommends implementation of the DAC directives.

11.4.4.13 Irregular re-appointment of ex-pilots beyond superannuation age – Rs. 36.000 million

Cabinet Secretariat letter No. F.2/10/2007-E-I dated December 4, 2007, restricts re-employment on contract after superannuation to exceptional cases where expertise is required by Autonomous / Corporations, subject to Prime Minister's approval, and conditional on: (i) non-availability of a suitable officer, and (ii) the officer being highly competent with distinction in their field.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that the management appointed three pilots / tug commanders beyond superannuation without approval from Prime Minister. The management appointed these pilots directly, without merit and without creating open competition through advertisement at Rs.35,000 per pilotage in 2021-22 and their pilotage act was restricted to only one per day in order to protect the interest of existing pilots of PQA. Moreover, there were 9 pilots working as against strength of 20, indicating towards in-effective succession planning in Human Resource. PQA was handling sea-trade with approximately 150 ships per month (300 pilotage acts per month). Subsequently, during 2022-23, management not only increased their pilotage fees from Rs. 35,000 to Rs.40,000 but also increased the pilotage act from one to two. Detail of ex-pilots re-employed is as follows:

Name	Date of re-employment	Age	Pilotage Acts per month	Total monthly pilotage (Rs)	Yearly pilotage fees (Rs)
Capt. Safdar Ali Zaidi	26.10.2021	61	25	25*40,000=1,000,000	12,000,000
Capt. Hamza Khan	17.02.2022	61	25	25*40,000=1,000,000	12,000,000
Capt. Syed Kazim Abbass	17.07.2022	60	25	25*40,000=1,000,000	12,000,000
Total					36,000,000

Audit is of the view that the management extended an undue favor to ex-pilots in their re-appointment beyond superannuation age without approval from Prime Minister and increase in pilotage fees and pilotage acts without safeguarding the interests of existing pilots.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management stated that PQA faced a shortage of skilled pilots due to limited public-sector interest and international demand. DAC directed the management to share advertisement of ex-pilot hiring and pilotage acts of both regular and ex-pilots in order to determine fair distribution of works.

Audit recommends implementation of the DAC directives.

11.4.4.14 Award and payment of work beyond BoQ rates – Rs. 19.947 million

Rule 04 of PPRA Rules, 2004, states that 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.

During audit of Port Qasim Authority (PQA) for the year 2022-23, following discrepancies were observed in award of annual running repair & maintenance contract for cargo handling equipment to M/s Ghori Engineering:

- i. The same contract was awarded to M/s Madni Engineering Construction Co. @ Rs.7.470 million, In FY 2021-22, whereas, in FY 2022-23, tender for the same Bill of Quantities (BOQ) items initiated with a 100% increase in the engineer's estimate to Rs.15.084 million without specific calculations, detailed workings, or appropriate rate analysis & justifications.
- ii. Contract awarded to M/s Ghori Engineering for Rs.20.000 million, despite BOQ rates were Rs.11.946 million and engineer's estimate was Rs.15.084 million.
- iii. Rates of each item in BOQ were disclosed to bidders in bidding documents. Fair and competitive process was not followed.

Audit is of the view that the cost escalation lacked documented calculations, workings or justifications. Disclosure of BOQ item rates to bidders

was inappropriate. Payments exceeded the contracted amount by Rs.5.647 million. The lack of proper documentation, rate analysis, and justification for the cost escalation and excess payments demonstrates a failure to exercise the required level of vigilance and prudence.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management stated that additional items were added (as per requirement) in Abstract / BOQ, which were not included in previous contract BOQ. During the execution, 02 Nos. of 10 Ton Fork Lifters were completely overhauled and 02 Nos. of Trailers were completely repaired. BOQ item were disclosed, was due to the management decision. DAC settled the para subject to verification. However, relevant record was not provided to audit till finalization of this report.

Audit recommends implementation of the DAC directives.

11.4.4.15 Irregular re-appointment of chartered accountant firms – Rs. 18.050 million

Rule 12 of PPRA rules, 2004 states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority 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 2022-23, it was observed that the management re-appointed M/s. RSM Avais Hyder Liaquat Nauman and M/s. Kreston Hyder Bhimji & Co. Chartered Accountants for audit of PQA accounts for another five years i.e. FY 2021-22 to FY 2025-26 without advertisement in violation of PPRA rules. The management appointed the said audit firms earlier for five year Audit period from FY-2016-17 to FY 2020-21 in which his performance was not satisfactory. The management hired the firms at Rs.18.050 million for the period of five years.

Audit is of the view that the management granted undue favor to audit firms in its re-appointment in violation of PPRA rules.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024.

DAC directed the management to verify the record and share the approvals once granted with Audit.

Audit recommends implementation of the DAC directives

11.4.4.16 Unjustified award of contract resulting in conflict of interest – Rs. 15.120 million

Rule 12 of PPRA rules, 2004 states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority 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.

Section 210.2 of ICAP's Code of Conduct stipulates that a conflict of interest creates threats to compliance with the principle of objectivity and might create threats to compliance with the other fundamental principles.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that management awarded the contract to M/s. Kreston Hyder Bhimji & Co, Chartered Accountants and M/s. RSM Avais Hyder Liaquat Nauman, Chartered Accountants to perform Agreed-Upon Procedures (AUP) on fixed assets, investments, stores and spares and revenue receivables for professional fee of Rs.7.56 million to each firm totaling Rs.15.12 million without following tendering process. Moreover, awarding the contract to similar audit firms which were already involved in statutory audit for audit period from FY 2017 to FY 2021 had created conflict of interest. Complete detail of the contract including fees is as follows:

S#	Assignment	Assignment period	Fees (Rs. in million)
1	Fixed Asset Register and physical verification	2017-2021	2.7
2	Investments	2017-2021	1.62
3	Revenue	2017-2021	1.62
4	Stores and Spares	2017-2021	1.62
5	Land Assignment	2017-2021	7.56
Total			15.12

Audit is of the view that awarding of contract of Agreed-upon procedures directly to audit firms by management without following tendering process as required by PPRA rules was irregular and has also created conflict of interest.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management stated that awarding of contract of AUP services did not require competitive bidding as it was awarded to existing joint Statutory Auditors with separate teams for accurate financial statement preparation. DAC was not satisfied with management's reply and directed to submit revised reply.

Audit recommends implementation of the DAC directives.

11.4.4.17 Irregular increase in salary of chairman without approval – Rs. 9.977 million

Section (1) of Management Position Policy, 2020 and Establishment Division's notification No. 1/3/2020-E-6 dated 22-06-2020, pay scales of MP-1 scales are to be determined by Finance Division, with the approval of Prime Minister.

Section 7 of Port Qasim Authority (Amendments) Act, 2021 states that the Chairman and each member shall receive such salary and allowances and shall be subject to such conditions of service, as may be determined by the Prime Minister.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that Rear Admiral (R) Syed Hasan Nasir Shah was appointed as Chairman PQA in MP-I Scale for a period of three (03) years. His tenure was extended for one (01) year w.e.f. 12.07.2022 and then again extended for another year up to 12.07.2024. The Chairman was drawing salary of Rs.532,950 per month. Board in its 227th meeting dated 22-06-2023 approved Executive allowance of Chairman at 63% of running basic salary w.e.f 01-07-2022 and further increased it at 30% of running basic pay w.e.f 01-07-2023 without the concurrence from Prime Minister's office. Detail of increment in salary of chairman is calculated as below:

Allowance	Period	Monthly Amount (Rs)	Yearly (Rs)
Executive Allowance	01.07.22 to 30.06.23	63% * 532,950= 335,758	4,029,096
	01.07.23 to 30.06.24	30% * 532,950=159,885	1,918,620

Audit is of the view that increase, in salary or allowances by the management without approval from Prime Minister, as required by PQA Amended Act and Management Position Policy, 2020, was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management stated that the Chairman's stagnant MP-I Scale pay since 2017 prompted the Board to approve an Executive Allowance, aligning compensation with inflation, civil servant increases, and CEO packages of similar SOEs. DAC directed the management to recover the amount or get the ex-post facto approval from Prime Minister.

Audit recommends implementation of the DAC directives.

11.4.4.18 Irregular enhancement in board meeting fees - Rs. 5.265 million

Section 7 of Port Qasim Authority (Amendments) Act, 2021 states that the Chairman and each member shall receive such salary and allowances and shall be subject to such conditions of service, as may be determined by the Prime Minister.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that the Board of Directors approved an increase in board meeting attendance fees/allowance from Rs.25,000 to Rs.65,000 without obtaining the required concurrence from the Prime Minister, contrary to the Act. The Board had initially sent the recommendation for enhancement in fees to the Ministry of Maritime Affairs for concurrence, but later approved the increase without necessary approvals. Furthermore, the performance evaluation of the Board members was not conducted during the year, and the total fees paid for board meetings amounted to Rs.5.265 million.

Audit is of the view that enhancement in Board meeting attendance fees/allowance without concurrence from the Prime Minister and Ministry of

Maritime Affairs, along with non-conducting of performance evaluation was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management stated that Board meeting fee was neither salary nor allowance, hence, it did not fall under section-7 of PQA Act. Moreover, Board meeting fee was fixed and revised by Board itself and minutes of the Board Meeting was forwarded to controlling Ministry which did not object to the same. DAC was not satisfied with management's reply and directed to submit revised reply.

Audit recommends implementation of the DAC directives.

11.4.4.19 Irregular award of contract without tender – Rs. 3.675 million

Rule 12 of PPRA rules, 2004 states that all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority 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 2022-23, it was observed that the management awarded the contract directly to M/s. HR Wallingford for review of five (05) Quantitative Risk Assessment (QRAs) submitted by LNG Developers for establishment of LNG Terminal(s) at PQA in 2019 without following tendering process amounting to Rs.3.675 million (£10,000 plus Rs.800,000).

Audit is of the view that management's awarding of contract without tendering process was held irregular.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management stated that PQA engaged M/s. HR Wallingford directly for urgent LNG Zone Study work to meet ECC directives for a 3rd LNG terminal by winter 2020, bypassing competitive bidding due to limited timelines. DAC directed the management to submit revised reply.

Audit recommends implementation of the DAC directives.

11.4.4.20 Variation in land area of 1,118 acres

Section (38) of Port Qasim Authority Act, 1973 on land to be marked out, measured and planned “Where any land is proposed to be acquired under section 37, the Deputy Commissioner shall cause the land (unless it has already been marked out) to be marked out and measured, and if no plan has been made thereof, a plan to be made of the same”.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that the PQA had actual land of 12000 acres. However, variation of 1,118 acres land was observed as detailed below:

Description	(land allotted)	(As per available land in record)	Difference
	Acres		
Industrial Zone (South West Industrial Zone)	1,000	1,211	(211)
North Western Industrial Zone	2,700	2,175	525
Eastern Industrial Zone	8,300	7,496	804
Total	12,000	10,882	1,118

Audit is of the view that weak supervisory control resulted in variation of land.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management informed that as per Federal Government survey and PQA master plan total land was increased to 13,770 acres. The additional 211 acres in SWIZ may result from land acquisitions or expansion projects. Reduction in NWIZ and EIZ Land Areas (North Western Industrial Zone and Eastern Industrial Zone): PQA have reallocated land from NWIZ and EIZ to other purposes, such as infrastructure development or environmental conservation. DAC directed to management to provide survey report of land increased and decreased and documents of payments made to Government of Sindh and Private parties for purchased land.

Audit recommends implementation of the DAC directives.

11.4.4.21 Non-preparation of annual accounts

Rule 57 (2) of PQA Act states that the Accounts of the Authority shall be audited by the not less than two Auditors who are chartered accountants within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), appointed by the federal government in consultation with the Auditor General of Pakistan.

Section 233 of the Companies Act, 2017, states that the company should finalize its annual accounts within four months after closing date of accounts for the year.

During audit of Port Qasim Authority (PQA) for the year 2022-23, it was observed that contrary to above, the annual accounts were not prepared / audited by the Chartered Accountant for the year under review.

Audit is of the view that due to non-preparation and un-audited of financial statement; the true picture of accounts could not be ascertained.

The matter was reported to the management in June, 2024. The irregularity was discussed in DAC meeting held on 26 & 27th December, 2024. The management stated that financial accounts of for the FY 2010-11 to 2015-16 (five years) were completed on 16.07.2021. Chartered Accountants to perform audit from Financial Year 2016-17 to 2020-21. Three (03) out of Five (05) year's audit have been completed and duly approved by PQA Board. Joint Statutory Auditors are currently working on remaining two years i.e., audit for the F.Y. 2019-20 to 2020-21, which is in finalization stage. Hiring of CA firm for fiscal year 2021-22 to fiscal year 2025-26 has been processed for approval. DAC directed the management to get accounts be audited for the year 2022-23 and share the audited accounts with Audit.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2023-24 vide para(s) number 14.4.4.56. Recurrence of same irregularity is a matter of serious concern.

Chapter-12

Ministry of National Food Security and Research

Overview

The Ministry of National Food Security & Research is mainly responsible for policy formulation, economic coordination and planning in respect of food grain and agriculture. It also includes procurement of food grains, fertilizer, import price stabilization of agriculture produce, international liaison, and economic studies for framing agricultural policies.

Aims & Objectives

A Food Secure Pakistan. To ensure a modern and efficient food production and distribution system that can best contribute towards food security and nutrition, in terms of availability, access, utilization and stability.

Governing Laws and Policies

- Rules of Business

Audit Profile of Ministry of National Food Security and Research

(Rs in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	4	3	313,820.76	37,290.00
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	3	3	313,820.76	37,290.00
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 316,426.857 million were raised as a result of this audit. This amount also includes recoverable of Rs 216,036.222 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	815.100
3	Irregularities:	
A	HR/Employees related irregularities	91.450
B	Procurement related irregularities	75,053.232
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	33.628
5	Others	240,433.447

12.1 Livestock and Dairy Development Board

12.1.1 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.

12.1.2 Comments on Audited Accounts

12.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2018-19 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2018-19 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

12.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2010-11	06	05	01	16.2.2.4	83
2014-15	09	06	03	13.2.3, 13.2.4.1, 13.2.4.6	67
2015-16	05	01	04	12.2.2.1, 12.2.2.2, 12.2.2.3, 12.2.2.5	20
2018-19	07	06	01	13.2.2.6	85
Total	27	18	9		67

Overall compliance of PAC directives was not satisfactory which needs to be improved.

12.1.4 Audit Paras

12.1.4.1 Overpayment on account of pay & allowances – Rs 1.089 million

As per Para-12 of GFR Vol-I, 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.

Para 3.3.12.7 of Accounting Policy and Procedures Manual (APPM) states that excesses (i.e. expenditure for which no provision has been made in the current year's original budget) should not normally be incurred.

During audit of Livestock and Dairy Development Board (LDDDB), Islamabad for the years 2021-23, it was observed that Dr. Mastan Ali was appointed as Project Incharge (Equivalent to BPS-19) vide contract No. LDDDB/Project/MM dated March 31, 2016 in Livestock and Dairy Development Board, Islamabad with monthly salary of Rs 99,845 per month. Later on, the said officer held the charge of CEO on current charge basis till August 13, 2022 instead of actual due dated of superannuation i.e. April 13, 2022. Thus, the payment of extra pay and allowances of gap period i.e. April 13, 2022 to August 13, 2022 of Rs 1,089,460 (Monthly Salary Rs 272,365*4) is considered as irregular.

Audit is of the view that it is prime responsibility of the Human Resource Section to see and monitor the date of superannuation of every employee instead of relying on an external agency which indicates weak managerial and internal controls.

The matter was reported to the management on 08.07.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to recover the extra amount paid to the concerned officer and deposit into Government Treasury under intimation to audit in addition to regularization of the irregular expenditure from the competent forum. It may also be explained how the officer continued working as CEO beyond retirement age.

(Para-5, LDDDB, 2021-23)

12.1.4.2 Selection of farmers in violation of Revised PC-I - Rs 3.070 million

As per Clause-6A(I) of Revised PC-1 of Development of Yak at High Altitude Area of Pakistan (GB) that the advertisement in the local newspaper will be made to invite the expression of interest and application for selecting the suitable farmers.

During audit of Livestock and Dairy Development Board (LDDDB), Islamabad for the years 2021-23, it was observed that the farmers were selected for the development of Yak without advertisement as required in Revised PC-I. However, the payment of Rs 3.070 million was made to fifty-nine (59) farmers on pick and choose basis instead of advertisement regarding expression of interest and submission of application of the farmers in the project activities. The record relating to selection of farmers for the said project was demanded for scrutiny, but the same was not produced. Audit examined the expenditure detail of the said project which revealed that an amount of Rs 3.070 million was paid to farmers for the development of Yak.

In the absence of record pertaining to the selection of farmers, audit is of the view that the management selected the farmers by ignoring the basic criteria as required in Revised PC-1 which creates uncertainty regarding selection of deserving farmers to participate in this project activities. Thus, the selection of farmers and disbursement of Rs 3.070 million held irregular.

The matter was reported to the management on 08.07.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person at fault besides relevant record may be produced to audit for determination of authenticity and transparency of disbursement.

(Para-2, LDDDB, 2021-23)

12.1.4.3 Irregular placement of Funds in LDDDB Bank Account pertaining to Animal Husbandry Commission Project – Rs 4.457 million

According to general instructions of Assan Assignment Account Procedure (Local Currency), 2020, “cash withdrawal or transfer of funds to any bank account is not allowed. Moreover, security deposit / retention money may

be deposited in a designated bank account in case of perpetual organizations but in case projects / programs or operational units or corporations, in a dedicated bank account opened with the approval of Finance Division or in Public Account. The account shall be used for deposit of retention money only and no utilization shall be made out of the account, except payment of retention money /security deposit. Such account shall immediately be closed on expiry of contract or completion of project under intimation to Finance Division. In case retention money is forfeited or not claimed within stipulated period, same may be deposited along with interest in the Federal Government Account or Provincial Government as the case may be”

During the audit of Livestock and Dairy Development Board (LDDDB), Islamabad for the years 2021-23, it was observed that the funds of Rs 4,456,882 were placed in LDDDB commercial bank account No. 3006564933 on 22.05.2023 being maintained in National Bank of Pakistan. These funds relate to the project of Animal Husbandry Commissioner (AHC) and not to LDDDB. The World Organization for Animal Health (WOAH) provided these funds to AHC with the objective to improve the Antimicrobial Resistance (AMR) awareness among different stakeholders in animal health sector in Pakistan and also to improve technical capacity of Antimicrobial agents intended for use in Animals (AMU) monitoring and reporting at provincial level. The period of project was w.e.f. November 01, 2022 to May 31, 2023 or within 6 months after this Agreement signed. Likewise, total expenditure of Rs 316,638 was incurred so far out total funds transferred in LDDDB Bank Account. Hence, the transfer of funds in LDDDB bank account pertaining to another department (project) which comes under Animal Husbandry Commissioner Department and run by LDDDB is considered irregular.

Audit is of the view that the placement of funds in LDDDB bank account of the project which does not relate to LDDDB projects is irregular. This irregularity occurred due to weak internal and financial control.

The matter was reported to the management on 08.07.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to probe the matter regarding irregular placement of funds in LDDDB bank account and also forward the case to Finance Division for further guidance under intimation to audit besides fixing responsibility on the person at fault.

(Para-10, LDDDB, 2021-23)

12.1.4.4 Irregular promotion from computer operator to private secretary – Rs 1.869 million

According to advertisement published in Jang newspaper dated 03.04.2009, the requirement for the post of computer operator was intermediate, diploma in computer application with two year working experience.

During audit of Livestock and Dairy Development Board (LDDDB), Islamabad for the years 2021-23, it was observed that Mr. Qamar Bin Yameen was appointed as computer Operator (Equivalent to BPS-14) on contract basis in Livestock and Dairy Development Board (LDDDB), Islamabad on November 26, 2009 on lump sum basis of Rs 22,000 plus 5% annual increment. The post of said official was upgraded to computer operator from Basic Pay Scale -14 to Basic Pay Scale -16 on his personal request on January 15, 2019. Subsequently, promoted from computer Operator BPS-16 to Private Secretary (BPS-17) on September 06, 2019. In fact, the official neither could be upgraded as being contract employee on lump sum pay nor promoted due to non-availability of promotion policy in LDDDB. Hence, the payment of Rs 1.869 million (Monthly salary Rs 93,437*20 months) on account of pay and allowance due to upgradation and promotion of official was considered irregular.

Audit is of the view that the upgradation and promotion of the concerned official was irregular and contrary to the rules. This act of the management was not only discrimination but also against rules. The irregularity showed mis-management and weak financial and internal controls.

The matter was reported to the management on 08.07.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter controlling Ministry level as the LDDDB does not have the upgradation and promotion policy in addition to ensure recovery. Moreover, it is also recommended that the matter regarding

promotion of the LDDDB employees may please be thoroughly probed under intimation to audit.

(Para-7, LDDDB, 2021-23)

12.1.4.5 Non-reconciliation of expenditure between provinces/regions data with Project Management Unit - Rs 481.194 million

As per terms of reference/contractual obligation of tender documents between LDDDB and third party validation the basic objectives states (1) “to facilitate institutional accountability & transparency of the public sector expenditure through a technical and third party monitoring/review and evaluation of the implementation of public sector interventions. (2) to evaluate the project success in achieving the set goals and objectives. (3) to assess the efficiency and effectiveness of the public funds resources utilized to achieve the set targets.

During audit of Livestock and Dairy Development Board (LDDDB), Islamabad for the years 2021-23, it was observed that the management hired services of M/s Brift Consultancy vide work order dated 28.02.2023 for third party validation (TPV) of projects like Prime Minister Initiative for Save the Calf (STC), Calf Feedlot Fattening (CFF) and Prime Minister Initiative for Backyard Poultry Project for the period July, 2019 to June, 2023. The firm pointed out difference in expenditure of Rs 481.194 million between PMU and Provinces/region in their final report (PMU expenditure shows excess expenditure of Rs 164.432 million and Province/ Regions expenditure shows excess Rs 316.762 million). Reconciliation of such difference in expenditure is still not reconciled pertaining to three projects. Thus, non-reconciliation of expenditure of Rs 481.194 million is held as doubtful which requires immediate attention of the management.

Audit is of the view that the management should have reconciled the expenditure on monthly basis to avoid any misappropriation or fraud but the same has not been done so far. Non- reconciliation of expenditure showed weak internal and financial control.

The matter was reported to the management on 08.07.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter of difference of expenditure under intimation to audit besides fixing responsibility.

(Para-13, LDDDB, 2021-23)

12.1.4.6 Irregular transfer of funds from ICT, Islamabad to Operational Account of LDDDB – Rs 40.579 million

According to general instructions of Assan Assignment Account Procedure (Local Currency), 2020, “cash withdrawal or transfer of funds to any bank account is not allowed. Moreover, security deposit / retention money may be deposited in a designated bank account in case of perpetual organizations but in case projects / programs or operational units or corporations, in a dedicated bank account opened with the approval of Finance Division or in Public Account. The account shall be used for deposit of retention money only and no utilization shall be made out of the account, except payment of retention money /security deposit. Such account shall immediately be closed on expiry of contract or completion of project under intimation to Finance Division. In case retention money is forfeited or not claimed within stipulated period, same may be deposited along with interest in the Federal Government Account or Provincial Government as the case may be”

During audit of Livestock and Dairy Development Board (LDDDB), Islamabad for the years 2021-23, it was observed that the Directorate of Agriculture Extension Services, ICT Islamabad has transferred an amount of Rs 21.699 million and Rs 18.880 million in June, 2021 and June, 2022 in the LDDDB Operational Bank Account No.3006564933 of NBP, F/10 Markaz, Islamabad respectively from lapsable account to non-lapsable account specifically from assignment account of project titled save the calf without prior approval of Finance Division. These funds were transferred just to avoid lapse of funds. Thus, the transfer of funds Rs 40.579 million is clear violation of stipulated procedures.

Audit is of the view that the transfer of funds from Assignment account to operational account was carried out to avoid lapse of funds and is considered irregular and unauthorized. Hence, this irregularity showed lack of financial and managerial controls.

The matter was reported to the management on 08.07.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends that funds irregularly withdrawn from assignment account may be deposited into Government Treasury with the consultation of Finance Division henceforth besides taking disciplinary action against the person(s) at fault.

(Para-11, LDDDB, 2021-23)

12.1.4.7 Non-achievement of objectives of the projects namely Prime Minister's Initiative for Save the Calf Project, Calf Feedlot Fattening in Pakistan and Prime Minister's for backyards poultry – Rs 954.959 million

As per PC-1 of the Prime Minister's Initiative for Save Calf Project, the overall project objectives of the save calf are providing the foundation of healthy young calves (3-4) months old in the country, save the young calve from the early slaughtering for enhanced meet production in profitability, motivation to the farmers to reduce the mortality in young calf, capacity building of farmers in field staff and poverty reduction through generation of calf rearing business opportunities. Further, as per PC-1 of Calf Feedlot Fattening in Pakistan, the overall Calf Feedlot fattening objectives are establishing of calf and kids feed lot fattening farms, evolving and preparation of most appropriate business modules on calf feed lot fattening systems and capacity building of stock holder calf feed lot fattening. Moreover, as per PC-1 of Prime Minister's Initiative for Backyard Poultry Project, the overall project objectives of Backyard Poultry are, strengthening of backyard poultry through provision of high producing birds, addressing potential deficiency and malnutrition and capacity building of household and field staff throughout Pakistan.

During audit of Livestock and Dairy Development Board (LDDDB), Islamabad for the years 2021-23, it was observed that the management initiated projects namely Prime Minister's Initiative for Save the Calf, Calf Feedlot fattening and Prime Minister's for Initiative for Backyard Poultry for the development of livestock. The project period was 2019 to 2023. As per the PC-1 of the projects, the sources of financing of the projects includes Federal and Provincial Government share. The aforementioned projects disbursement area

includes Punjab, KP, Baluchistan, GB, AJK and ICT. The payment of Rs 954.959 million made to the farmers and beneficiaries by the Federal Government provided by the management are as under:

(Rs in million)			
Sr. No.	Name of project	Period	Incentives paid by the Federal Government
1	Prime Minister's for Save the Calf Project	2019 to 2023	460.433
2	Calf Feedlot Fattening in Pakistan	2019 to 2023	329.428
3	Prime Minister's for Backyards Poultry	2019 to 2023	165.098
	Total		954.959

The record was demanded during audit pertaining to the three projects i.e. media campaign, letter of interest from farmers, verification of farmers, agreements, start feedlot fattening operation, beneficiaries' wise bird's distribution, preparation of claims, payment of incentive and monitoring reports as required in PC-1 but no data was produce to audit.

In the absence of record, audit is of the view that a huge amount was paid on pick and choose basis to the farmers / beneficiaries without keeping project objectives which created doubt about provision of facility to eligible farmers / beneficiaries.

The matter was reported to the management on 08.07.2024 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends an inquiry to substantiate that the project objectives were achieved and fixing the responsibility on the person at fault.

(Para-26, 27 & 28 LDDb, 2021-23)

12.2 Pakistan Agricultural Storage and Services Corporation Limited

12.2.1 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.

12.2.2 Comments on Audited Accounts

12.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

12.2.2.2 The working results of the Corporation for the year ended March 31, 2023 as compared to the previous years are as under:

	(Rs in million)						
	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20
Sales	268,799.68	255	75,756.62	10	68,763.47	23	56,079.88
Cost of sales	(264,088.262)	274	70,633.85	2	69,222.34	20	57,819.90
Gross (loss)/ profit	4,711.421	-8	5,122.77	1,216	(458.87)	(74)	(1,740.02)
Allowance for incidentals	27,078.609	215	8,585.07	(17)	10,368.10	12	9,256.54
Profit/ (loss) after allowance for incidentals	31790.03	132	13,707.84	38	9,909.23	32	7,516.52
Operating expenses	(8,698.915)	6	(8,227.56)	113	(3,857.88)	132	(1,660.46)
Administrative and general expenses of HO	(754.205)	28	(589.469)	17	(505.73)	(3)	(520.74)
Administrative and	(1,255.106)	33	(942.387)	17	(808.89)	(15)	(955.7)

general expenses of Field Offices							
Cost differential	16,637.815	238	4,916.17	8	4,564.75	(69)	14,840.63
Other income	1,350.355	360	293.714	(42)	507.63	49	340.78
Other expense	-	-	-	-	-	(100)	134.87
Finance cost	(34,995.743)	390	(7,148.62)	24	(5,767.30)	(55)	(12,817.36)
Profit/ (Loss) before tax	4,074.231	103	2,009.70	(50)	4,041.81	(41)	6,878.54
Taxation	(3,655.567)	247	(1,054.69)	30,063	(3.52)	(99)	(592.57)
Profit/ (Loss) for the year	418,664.0	43739	955.003	(76)	4,045.31	(33)	6,016.23
Accumulated Profit	18,991.067	1	18,811.15	0	18,841.67	30	14,539.36

(Source: Annual Audited Accounts)

12.2.2.3 Accumulated profit of the Corporation reached to Rs 18,991.07 million as on March 31, 2023. Finance Division has allowed the Corporation to charge incidental charges and cost differential on sale of wheat to the borrowing government agencies on actual expenditures incurred. Unappropriated profit needs to be utilized in operation and surplus may also be paid as dividend to the shareholders.

12.2.2.4 As per Notes-28.1 and 29.1, the expenses on account of compensated absences increased from Rs 141.525 million in 2021-22 to Rs 214.122 million in 2022-23 registering an increase @ 51% which needs justification with full facts and figures.

12.2.2.5 As per Note-35.1, Government of Pakistan has direct shareholding 25% and 26.66% indirect held by state owned banks i.e. National Bank of Pakistan and Zarai Taraqati Bank Limited. Further, the administrative control of the corporation is also under the control of Government of Pakistan. Thus, Public Sector Company should comply with Rule 24(2) of Corporate Governance Rules-2017 which stated that every Public Sector Company shall ensure that the statement of compliance which was to be reviewed and certified by external auditors, where such compliance can be objectively verified, before publication by the Public Sector Company but the same was not done which needs justification.

12.2.2.6 As per Note-15 under the head of stores and spares, stock of Gunji kits has increased of Rs 1,590.829 million as on March 31, 2023 from Rs 673.901 million as on March 31, 2022. This represented blockage of huge funds and payment of interest on the procurement of Gunji kits as the corporation carried out business on credit arrangements. The huge procurement of Gunji kits needs to

be justified with reference to wheat target assigned and actual wheat handled.

12.2.2.7 As per Note-19, the receivables from Government of Pakistan increased to Rs 49,711.892 million in the year 2022-23 from Rs 40,743.528 million in the year 2021-22. The non-receipt of outstanding amount from Government caused high borrowing and Corporation has to pay huge financial cost which has also increased to Rs 4,059.829 million in the year 2022-23 from Rs 2,445.968 million in 2021-22. Efforts need to take up the matter at appropriate level to resolve the issue of outstanding balance.

12.2.2.8 As per Note-17.1, trade debts increased to Rs 139,544.241 million in the year 2022-23 from Rs 18,986.854 million in 2021-22 registering an increase @ 635%. It showed weak recovery cycle which ultimately resulted increase in borrowing cost.

12.2.2.9 The quantity of strategic reserves of the Corporation is 1.00 million metric ton but management has total covered capacity of only 0.562 million metric ton. During the year 2022-23 not a single godown was constructed or planned to be constructed in future by management. Due to non-construction of godowns each year management had to bear huge cost of Gunji kits and polythene which were used for open stacking of wheat and also were at risk of severe climate condition in case of open stock of wheat.

12.2.2.10 The Gearing Ratio is commonly used by financial analysts to understand the overall capital structure of the company and it between 25% to 50% is typically considered optimal or normal for well established companies. As per Note 38, PASSCO gearing ratio is 94% during the year 2022-23 which was 87% in 2021-22. The higher gearing ratio indicated chances of default which needs to be look into for better capital management.

12.2.2.11 As per Note-27, impairment loss on stock was Rs 249.348 million in 2022-23. It showed mishandling and deterioration of wheat stock which needs to be elucidated.

12.2.3 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	00	03	53, 54, 55	0
2008-09	23	21	02	86, 87	91
2009-10	12	11	01	82	91
2010-11	16	13	03	8.1.2.7, 8.1.4.1, 8.1.4.2	81
2013-14	05	03	02	11.1.4.1, 11.1.4.4	60
2014-15	37	23	14	13.1.2.3, 13.1.2.12, 13.1.2.14, 13.1.2.15, 13.1.3, 13.1.4.4, 13.1.4.5, 13.1.4.6, 13.1.4.8, 13.1.4.12, 13.1.4.13, 13.1.4.14, 13.1.4.15, 13.1.4.18	62
2015-16	27	13	14	12.1.2.3, 12.1.2.6, 12.1.3, 12.1.4.1, 12.1.4.2, 12.1.4.3, 12.1.4.4, 12.1.4.7, 12.1.4.9, 12.1.4.10, 12.1.4.11, 12.1.4.13, 12.1.4.15, 12.1.4.17	48
2016-17	12	09	03	11.1.4.3, 11.1.4.4, 11.1.4.5	75
2017-18	17	15	02	16.1.3, 16.1.4.11	88
2018-19	11	09	02	13.1.2.3, 13.1.4.1,	81
2019-20	02	00	02	12.1.4.2, 12.4.4.3	0
Total	260	191	69		73

Overall compliance of PAC directives was not satisfactory which needs to be improved.

12.2.4 Audit Paras

12.2.4.1 Interest loss due to non-lifting the wheat by the KP government - Rs 15,314.612 million

A quantity of 1.400 million metric ton of wheat was allocated to KP government through PASSCO by Ministry of National Food Security and Research on June 22, 2023.

During audit of PASSCO for the year 2023-24, it was observed that management retained 1.40 million metric ton wheat for KP government. As per procedure of the PASSCO, management obtained loan from the different banks on the government guarantee for procurement of wheat. KP government lifted 221,953-metric ton wheat upto November 30, 2024 leaving a balance of 1,178,047 metric ton due to which a huge loss of interest of Rs 15,314.612 million was caused. Detail is as under:

Description	Unit	Qty./Rs
Qty. Procured	Metric Ton	1,400,000
(-)Qty. Lifted	Metric Ton	221,853
Balance Qty. to be lifted	Metric Ton	1,178,047
Average rate	Rs/M.Ton	97,500
Amount of Balance Qty.	Rs in million	114,859.583
Interest loss upto November 2024 from April 2024 (8 months @ Rs 20% pa)	Rs in million	15,314.611

Due to weak internal controls, management failed to dispatch the quantity despite allocation.

Audit is of the view that management was required to take strenuous efforts to dispatch the allocated quantity to avoid interest loss.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding non-lifting of wheat by KP government. Inquire the matter and fix the responsibility.

(Para-22, PASSCO 2023-24)

12.2.4.2 Loss due to shortage of 963.053 metric ton wheat at different Zones - Rs 240.554 million

As per 28 (k)(xi) of Wheat procurement Policy 2023, Zonal Head (ZH) will take legal action in consultation with Field and HR wings where damages or losses to the Corporation or stores have taken place.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2023-24, it was observed that a quantity of 963.053 M.Ton at different zones was found short having valuing Rs 240.554 million. Detail is as under:

Name of Zone	Crop	Qty. in M.Ton	Average Rate / M.Ton including Incidental (Rs)	Amount (Rs)
Okara	Crop-2022 Imported	221.863	100,000	22,186,300
Khanpur	Crop-2022 Imported	32.457	100,000	3,245,700
Hafizabad	Crop-2022 Imported (PP-Bags)	15.000	100,000	1,500,000
Okara	Crop-2022 Imported (PP-Bags)	181.877	100,000	181,887,000
Hyderabad	Damage Wheat	188.244	62,000	11,671,128
Dera Allah Yar	Damage Wheat	323.612	62,000	20,063,944
	Total	963.053		240,554,072

Due to weak operational control, a huge shortage of wheat was found at different zones.

Audit is of the view that management required to recover the loss from the accused.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to take legal action against the accused and recover the loss under intimation to audit.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2014-15, 2015-16, 2017-18, 2019-20, 2022-23 and 2023-24 vide paras number 13.1.4.8, 12.1.4.1, 16.1.4.1, 12.1.4.3, 15.1.4.3, 15.1.4.5, 15.1.4.8 & 15.1.4.11 having financial impact of Rs 35.10 million, Rs 23.152 million, Rs 2.448 million, Rs 12.539 million, Rs 9.827 million, Rs 4.190 million and

Rs 11.376 million & Rs 5.458 million. Recurrence of same irregularity is a matter of serious concern.

(Para -5, PASSCO 2023-24)

12.2.4.3 Loss to government exchequer due to non-imposition of stamp duty on purchase orders - Rs 86.678 million

As per schedule to the Stamp Act (ACT II of 1899), stamp duty of twenty five paisa for every hundred rupees or part thereof of the amount of the purchase order to supply or to undertake cartage of stores and materials will be charged.

During audit of PASSCO for the year 2023-24, it was observed that management issued purchase orders to various suppliers for purchase of jute bales, Polythene Sheets, AP Tablets and transportation of wheat but management did not impose stamp duty of Rs 86.678 million as per requirement of Act mentioned above. Detail is given at Annex-64.

Due to weak financial controls, management failed to impose stamp duty on purchase orders which caused loss to government exchequer.

Audit is of the view that management was required to impose stamp duty as per act on purchase orders.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding non-imposition of stamp duty on purchase orders. Recover the amount of stamp duty from the concerned and deposit in government treasury.

(Para -10, PASSCO 2023-24)

12.2.4.4 Loss due to purchase of Aluminum Phosphide tablets at higher rates - Rs 81.210 million

As per Rule 38B (1) d & (2) of Public Procurement Rules 2004, the procuring agency shall consider single bid in goods, works and services if it has financial conformance in terms of rate reasonability. The procuring agency shall make a decision with due diligence and in compliance with general principles of procurement like economy, efficiency and value for money.

During audit of PASSCO for the year 2023-24, it was observed that management published tender for purchase of 43,220-Kgs Aluminum Phosphide (AP) tablets on January 14, 2023 for wheat crop-2023. In response of this, two suppliers participated in tender and only one namely M/s ZR Engineering technical qualified after obtaining 43.33-marks and award of contract on March 06, 2023 for supply of AP tablets for Rs 165.057 million. As per market survey, management obtained rate Rs 2,000/kg and Rs 3,000/kg of AP tablets but the said supplier quoted Rs 3,819/kg. Further, a public sector company namely M/s STEDEC supplied the same specification and manufacturer of AP tablets to different companies from January 2023 to March 2023 @ Rs 1940/kg. This shows that management purchased AP tablets from a single supplier almost at double rate without due diligence and financial conformance in terms of rate reasonability. Thus, PASSCO suffered a loss of Rs 81.210 million (Rs 3,819 - Rs 1,940= Rs 1,879/kg * 43,220-KGs)

Due to weak internal controls, management procured AP tablets at higher rates.

Audit is of the view that management was required to consider the market rate and confirmation of rate reasonability before awarding of contractor to the supplier as per provision of the PPRA rules.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding purchase of AP tablets at higher rates. Inquire the matter and fix the responsibility.

(Para-8, PASSCO 2023-24)

12.2.4.5 Embezzlement in Bardana at Bhawalnagar Zone - Rs 815.100 million

As per Para-5 revised guidelines/SOPs for wheat procurement target issued on May 07, 2024, a registered/verified farmer/grower holding maximum of 12.50 acres as per revenue record of wheat cultivated land shall be entitled to receive Bardana. Specifically, an allocation of 8-bags per acre shall be granted, not exceeding a maximum of 100 bags against 12.5 acres.

During audit of PASSCO Bahawalnagar Zone for the year 2023-24, it was observed that Deputy Commissioner Bahawalnagar vide its letter No. DC/BWN/1254 dated June 14, 2024 intimated to Managing Director PASSCO that final lists approved by the registration committee were displayed at each center for distribution of Bardana. According to the reports of Assistant Commissioner concerned, most of the centre incharges did not abide by the claims in approved lists. Rather, they preferred to distribute Bardana of second phase on the same self-centered/motivated lines, they followed, in distribution of Bardana in first phase. Farmers were again neglected and grievances multiplied. With reference to the 2nd phase of the wheat procurement scheme, the additional target allocated to District Bahawalnagar was 42,000 M.Ton (420,000 bags of 100kg). The Assistant Commissioners concerned pointed out that the issuance of Bardana was not made as per approved lists, indicating approximately 60% embezzlement made by the PASSCO staff at 22 stations.

Thus, embezzlement of Bardana of approximately 250,800 bags of 100kg in second phase was made. The average rate of wheat in market was Rs 2,600 per 40 Kg and the government rate was Rs 39,00 per 40kg, thus the difference was Rs 1,300 per 40kg (i.e. difference Rs 3250 per 100Kg Bag * 250,800-bags). Because of potential embezzlement of Rs 815.100 million an inquiry be initiated by a third party to determine whether the policy guidelines issued in second phase were followed and to what extent by PASSCO formation of District Bahawalnagar.

Due to weak operational controls, management failed to implement the policy of second phase.

Audit is of the view that management was required to inquire the matter but did not to do so.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

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

(Para -37, PASSCO 2023-24)

12.2.4.6 Unnecessary purchase of jute bags of Rs 399.327 million and resultant loss of interest - Rs 59.899 million

According to Finance Division letter No F.15(13)R-14/82 dated Sep 5, 1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rules.

During audit of PASSCO Zones for the year 2023-24, it was observed that management was allocated 1.8 million Metric Ton target of procurement of Wheat 2024. Management procured Jute Bags as per target and issued to the Zones. The zones achieved procurement of wheat target but a number of bags were lying in zones un-utilized from April 2024 to December 2024 (9-Months) which showed excess purchase of Rs 399.327 million and interest loss of Rs 59.899 million. Details is as under:

Name of Zone	Excess No. of Bags	Rate/bag	Amount of Bags (Rs)	Interest loss @ 20% p.a. for one month (Rs)	Interest loss of nine months (Rs)
Hafizabad Zone	178,177	523.46	93,268,532	1,554,476	13,990,280
Multan Zone	114,793	523.46	60,089,544	1,001,492	9,013,432
Bahawalnagar	469,890	523.46	245,968,619	4,099,477	36,895,293
Total	762,860	523.46	399,326,696	6,655,445	59,899,004

Due to poor operational control, management failed to assess actual requirement and procured excess bags without need.

Audit is of the view that as the corporation business was running on loan. Therefore, management suffered interest loss due to unnecessarily purchase of jute bags.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding excess purchase of gunny bags and interest loss. Besides, inquire the matter and fix responsibility.

(Para-39, PASSCO 2023-24)

12.2.4.7 Irregular award of contract of Aluminum Phosphide tablets to ineligible supplier - Rs 165.057 million

As per technical qualification evaluation criteria, aggregate marks obtained less than 42 will lead to technical disqualification of the bidder. Furthermore, marks obtained less than 50% against each technical requirement will also lead to technical disqualification of the bidder.

During audit of PASSCO for the year 2023-24, it was observed that management published tender for purchase of Aluminum Phosphide (AP) Tablets on January 14, 2023 for wheat crop-2023. In response of this, two suppliers participated in tender and one supplier namely M/s ZR Engineering technical qualified after obtaining 43.33-marks and contract for supply of AP Tablets was awarded for Rs 165.057 million. As per evaluation criteria mentioned above, the said ZR Engineering obtained 3.33-marks against 10-marks in one of the technical requirements i.e. documentary proof of number and quantum of major contracts (10,000 Kgs and above) successfully executed during last three years and above. Supplier needed minimum 5-marks to qualify for tender but he obtained only 3.33 marks. Thus, management awarded contract to the ineligible supplier.

Due to weak internal controls, management granted undue benefit to the supplier.

Audit is of the view that management was required to re-tender the purchase of AP tablets as no supplier was qualified as per technical requirements.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding selection of ineligible supplier as per technical requirement.

(Para -9, PASSCO 2023-24)

12.2.4.8 Irregular advance payment to NLC of Rs 1.50 billion and interest loss - Rs 25.918 million

As per Clause-4(A)(k) of agreement executed between PASSCO and NLC regarding transportation of wheat from Gwadar Port to PASSCO Zones,

NLC submit the bills along with all supporting documents to Commercial Wing PASSCO Head Office on weekly basis against transportation services. PASSCO will make the payment of bills within fifteen (15) days of the receipt of bills after written confirmation from S&C Wing or by operation team at Gwadar Port.

During audit of PASSCO for the year 2023-24, it was observed that management granted advance payment of Rs 1,500.00 million to NLC on April 11, 2024 without provision in the agreements. It is necessary to mention here that all the business of PASSCO is running on credit and payment of interest. The said amount was adjusted @ 50% of each claim bill which started after 22-days of advance i.e. May 04, 2023 and amount was fully adjusted upto May 29, 2023 due to which management suffered interest loss of Rs 25.918 million.

Due to weak contractual control, management had given advance without provision in agreement.

Audit is of the view that management was required to make payment after provision of services as per agreement.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding advance payment without provision in the agreement. Recover the interest from the quarter concern under intimation to audit.

(Para-25, PASSCO 2023-24)

12.2.4.9 Irregular charging of impairment loss through incidental to government agencies - Rs 249.378 million

As per instructions of the Federal Government, PASSCO sells wheat and bill the cost of wheat to the agencies (Buyers). Cost of wheat has two parts (i) Support Price of wheat (MSP fixed by the Federal Government every year) and incidentals i.e. actual expenses incurred on purchase and storage of wheat.

During audit of PASSCO for the year 2023-24, it was observed that management sold local wheat and imported wheat to different government agencies and included impairment loss of Rs 249.378 of damaged wheat in incidental charges. Impairment loss on stock occurred due to rain and negligence

of the management. The burden of loss transferred to government agencies is held irregular as per instructions of Federal Government. The said loss should be transferred to share-holders instead of government agencies.

Due to weak financial control, management charged impairment loss to the government agencies.

Audit is of the view that management was required to charge the loss to the shareholders.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to return the excess charges of impairment loss to the government agencies under intimation to audit.

(Para -13, PASSCO 2023-24)

12.2.4.10 Loss due to delay in sale of damaged wheat - Rs 667.230 million

As per clause-d of agreements regarding sale of damaged wheat, the purchasers shall have to deposit 10% total value of the bid stock as performance money and lift the entire contracted quantity within 45-days or upto extended time if and as approved by the competent authority.

During audit of PASSCO for the year 2023-24, it was observed that management published the tender for sale of damaged wheat due to heavy rain in July 2022 having quantity 40,000 M.T (+ 15%) in Feb 25, 2023 after seven months and received average rate Rs 65,594/M.Ton but the tender was scraped by the management. Management again published a tender on June 11, 2023 against which management received rate from Rs 31,225/M.Ton to Rs 77,320/M.Ton. Management opened the bids on June 26, 2023 and executed agreements with the bidders who quoted highest bids. The bidders only lifted 4,392.881 M.Ton wheat against 40,000 M.Ton. Due to deterioration in quality of wheat with the passage of time and poor control on damaged wheat, the quantity 16,481.049 M.Ton was sold through four tenders published in October-2023, January-2024 and February 2024 within the range of Rs 7,000/M.Ton to Rs 58,000/M.Ton. Due to which management suffered loss of Rs 667.230 million and the remaining quantity about 19,126 M.Ton was still in stock for sale.

Due to weak operational control, management failed to dispose of damaged wheat timely.

Audit is of the view that management was required to take serious efforts to dispose of the damaged wheat to avoid loss but it did not do so as it took the management more than one year to start sale of damaged wheat.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to conduct inquiry and fix the responsibility beside recovery of loss under intimation to audit.

(Para -2, PASSCO 2023-24)

12.2.4.11 Loss due to non-obtaining of performance security from the bidders against sale of damaged wheat - Rs 249.06 million

As per clause-d of agreements regarding sale of damaged wheat, the purchasers shall have to deposit 10% total value of the bid stock as performance money and lift the entire contracted quantity within 45-days or upto extended time if and as approved by the competent authority.

During audit of PASSCO for the year 2023-24, it was observed that management published the tender on June 06, 2023 for sale of 40,000 M.T+ 15% damaged wheat at Khairpur and Dera Allah Yar Zones. Management opened the bids on June 26, 2023 and executed agreements with the bidders who quoted highest bids. As per agreements management was required to obtain 10% performance security from the bidders of Rs 276.41 million before lifting damaged wheat. The bidders started to lift the quantity and deposited only Rs 27.35 million against performance security and later on stopped to lift the quantity as per agreements. Resultantly bidders failed to lift the wheat as per stipulated time and management did not have any security to bind the bidders to complete its obligations. Thus, management suffered loss of Rs 249.06 million due to not obtaining of security money from the bidders.

Due to weak operational control, management failed to obtain performance security as per agreement.

Audit is of the view that management was required to recover performance security from the bidders to bind to fulfill contractual obligation and avoid loss.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to take legal action against the accused and recover the loss under intimation to audit.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2020-21 vide para number 13.1.4.5 having financial impact of Rs 2,149.212 million. Recurrence of same irregularity is a matter of serious concern.

(Para -1, PASSCO 2023-24)

12.2.4.12 Irregular payment of leave encashment - Rs 87.079 million

As per Finance Division notification dated August 29, 2012, the encashment of LPR shall also be applicable to employees of the autonomous and semi-autonomous bodies under Administrative control of the Federal Government which have adopted basic pay scales scheme and these rules in toto.

During audit of PASSCO for the year 2023-24, it was observed that PASSCO is working under the administrative control of the Federal Government but did not adopt basic pay scales in toto. The management paid leave encashment for Rs 87.079 million for 365 days to its employees against the above said notification which was held irregular.

Due to weak internal controls, management granted undue benefit to its employees.

Audit is of the view that management should not pay leave encashment to its employees as per notification mentioned above as the PASSCO did not adopt basic pay scales.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding payment of leave encashment against the rules. Inquire the matter and fix the responsibility.

(Para -16, PASSCO 2023-24)

12.2.4.13 Irregular purchase of vehicle during ban period - Rs 4.999 million

According to para-1(ii) of Finance Division letter dated Feb 20, 2024, there shall be a complete ban on purchase of all vehicles except ambulances, buses for educational institutions, solid waste vehicles, tractor, buses for educational institutions, solid waste vehicles, fire fighting vehicles, motor bikes.

During audit of PASSCO for the year 2023-24, it was observed that management purchased one Toyota Yaris (1300-CC) for Rs 4.999 million from M/s Indus Motors in violation of Finance Division instructions mentioned above. Thus the purchase of said vehicle is held irregular.

Due to weak internal controls, management violates the instructions of the government.

Audit is of the view that management was required to follow the government instructions.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding purchase of vehicle against the instructions of the government. Inquire the matter and fix the responsibility.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2014-15, 2016-17 and 2023-24 vide paras number 13.1.4.3, 9.1.4.14 and 15.1.4.6 having financial impact of Rs 18.88 million, Rs 4.989 million and 71.800 million. Recurrence of same irregularity is a matter of serious concern.

(Para -20, PASSCO 2023-24)

12.2.4.14 Non achievement of wheat procurement target for crop year-2023

As per clause (4) of Wheat Procurement Policy 2021, Economic Coordination Committee (ECC) of the Cabinet has fixed 1.80 million M.Tons as PASSCO's procurement target for wheat Crop 2023.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2023-24, it was observed that Economic Coordination Committee (ECC) of Cabinet fixed 1.800 million M.Tons wheat procurement target for Crop 2023. The management could only procure 1.131 million M.Tons which is only 63% of the Procurement Target 2023. The detail of Wheat Procurement Targets and Achievements at provincial level is as under:

(Quantity in million M.Tons)				
Sr. No.	Province	Target	Achievement	%age of Achievement
1.	Baluchistan	0.050	0.021	42%
2.	Sindh	0.210	0.021	10%
3.	Punjab	1.540	1.088	71%
Total		1.800	1.131	63%

The above table shown that in Sindh and Baluchistan Provinces the management could only achieve 10% and 42% respectively of wheat procurement target set by ECC of Cabinet. It indicates non-serious attitude regarding operations of PASSCO.

Due to weak operational control, management failed to achieve the wheat procurement target.

Audit is of the view that the management got data from zones regarding cultivation of wheat and on the basis of this, ECC decided target which should be achieved by the management of PASSCO.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommended the management to explain the reason(s) for non-achievement of procurement targets. Inquire the matter and fix responsibility.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2019-20 and 2020-21 vide paras number 12.1.4.16 and 13.1.4.7. Recurrence of same irregularity is a matter of serious concern.

(Para -17, PASSCO 2023-24)

12.2.4.15 Non disposal of imported wheat due to damage - Rs 74,470.00 million

As per Para-5 of SOP-Wheat Disposal Policy of PASSCO, Field Wing, after approval of the GM (Field) will sub-allocate the wheat from field zones against the approved allocations. Efforts will be to give proportionate share to all zones on merit/according to the held stocks and issue as per the principle of FIFO (First in-First out).

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2023-24, it was observed that management procured 1.258 million M.Ton imported wheat in 2022-23 and 0.375 million M.Ton in 2023-24 through TCP. Out of total imported wheat, the management disposed of 0.956 million M.Ton wheat leaving balance of 0.677 million M.Ton upto March 31, 2024. On the other hand, the management having a stock of local wheat of 1.343 million M.Ton as on March 31, 2023 also procured local wheat of 1.127 million M.Ton upto March 31, 2024. Out of the total local wheat, the management sold 1.881 million M.Ton leaving a balance of 0.589 million M.Ton wheat upto March 31, 2024. This showed that management sold out about 74% local wheat of total procured quantity and sold only 41% of imported wheat. Further, the imported wheat was checked by the PASSCO itself and found Fungus, Susri and Khapra wheat powder which were the reasons of non-disposal. Management did not dispose of the imported wheat due to damage of wheat of 0.677 million M.Ton of Rs 74,470.00 million (Rs 110,000/M.Ton average rate * 0.677 million M.Ton).

Due to weak operational control, management procured imported wheat without any requirement.

Audit is of the view that management was required to purchase the imported wheat as per requirement and sold out as per policy.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter regarding import of wheat and non-disposal till date besides fixing responsibility.

(Para-4, PASSCO 2023-24)

12.2.4.16 Unauthorized payment of advance increments resulting into increase in salaries of Deputy General Managers - Rs 1.413 million

As per Para No. ii of the Finance Division letter dated March 06, 2014 that the pay of only those contract employees (Non-gazetted), whose appointments have been made on standard terms and conditions in BPS by the competent authority, is protectable. According to Rule 8 (d) of the Recruitment & Promotions section of the HR policy, the Managing Director is empowered to appoint/promote officers in the BPS-16 to BPS-19 scale. Furthermore, as per Sr. No. 02, Section (III) of the Administrative and Financial Powers, the Managing Director is competent to appoint and remove officers in the BPS-16 to BPS-19 scale.

During the audit of PASSCO for the year 2023-24, it was observed that Dr. Muhammad Aslam and Mr. Faisal Hussain had been serving as Deputy General Managers in PASSCO since 2021. Advance increments ranging from 5 to 7 were approved by the then Acting Managing Director on January 12, 2024. This resulted in an unauthorized salary increase of Rs 1.413 million. The Acting Managing Director had not the authority to approve such benefits for BPS-19 officers. Additionally, Mr. Faisal Hussain, a former Monitoring Officer in Punjab Police (BPS-18) and Dr. Muhammad Aslam, an Assistant Chief in the Planning & Development Department were working on contract basis. They did not follow proper procedures for approval from their parent departments. As gazetted officers, their pay was not subject to protection applicable to non-gazetted staff and increase in salary amounting to Rs 1.413 million was considered unjustified and unauthorized.

Due to weak internal controls and poor financial management, an amount of Rs 1.413 million was made to these officers.

Audit is of the view that management was obligated to adhere to both the HR policy and the delegation of powers as well as the Finance Division instructions but the same was not done.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to inquire into the matter at a higher level regarding the unauthorized and un-justified sanction of payment to the officers besides effecting recovery.

Note: The issue was also reported earlier in the Audit Reports for Audit Year 2018-19 vide para number 13.1.4.4 having financial impact of Rs 20.60 million. Recurrence of same irregularity is a matter of serious concern.

(Para -26, PASSCO 2023-24)

12.2.4.17 Non-recovery of cost of wheat from different agencies – Rs 214,106.184 million

The Provincial and other government agencies were bound to make payment of PASSCO for the supply of wheat from March to May for each crop year.

During the audit of PASSCO for the year 2023-24, it was observed that management sold local and imported wheat to various agencies and an amount of cost of wheat amounting to Rs 214,106.184 million was outstanding against them. It is also necessary to mention that the management paid huge amount of interest every quarter on cash credit limits obtained from commercial banks hence early recovery of the above receivable was the need of the time. Details is as under:

S. No.	Name of Agency	Total Outstanding (Rs in million)
1	Food Department Azad Jammu & Kashmir	16,860.690
2	Food Department Gilgit Baltistan	6976.831
3.	Defence (Pak Army)	10,193.814
4.	Food Department	17,183.273
5.	Khyber Pakhtunkhwa (KP)	34,473.330
6.	Food Department Punjab	32,289.095
7.	Finance Division-GoP (as reported by F&A Wing) 01.03.2024	96,129.151
	Total	214,106.184

Due to weak financial controls, a huge amount is still recoverable from the different agencies.

Audit is of the view that management should recover the amount at the earliest because reasonable time has been elapsed.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding non-recovery of the cost of wheat from different agencies and recover the amount at the earliest under intimation to audit.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2015-16, 2016-17 and 2020-21 vide paras number 12.1.4.4, 9.1.4.4 & 13.1.4.4 having financial impact of Rs 72,586.932 million, Rs 63,125.658 million and Rs 21,427.845 million. Recurrence of same irregularity is a matter of serious concern.

(Para-36, PASSCO 2023-24)

12.2.4.18 Non-disposal of un-serviceable stock - Rs 33.628 million

As per clause-03 of SOP of disposal of dead stock dated March 20, 2015, reclassification boards as normal routine are constituted by S&C Wing every year in the months of Feb-March and Sept-October to reclassify/downgrade the dead stock items. Therefore, auction of items will be conducted twice a year i.e. in March and November.

During audit of PASSCO Zones for the year 2023-24, it was observed that management held unserviceable dead stock i.e. Gunji Kits, Polythene, PP Bags, Tat & Patri and Empty Silver Bottles of Rs 33.628 million on November 28, 2024. Management did not auction the said dead stock till to date and caused blockage of huge funds. Detail is as under:

S. No.	Name of Dead Stock	Unit	Qty.	Rate (Rs)	Amount (Rs)
Bahawalnagar					
1	Gunji Kits	Nos.	820	17,000	13,940,000
2	Polythene	Kgs	14,600	300	4,380,000
3	PP Bags	Kgs	4,708	32	150,656
4	Tat & Patri	Nos.	5,926	310	1,837,060
5	Empty Silver Bottles	Nos.	5,861	79	463,019
6	Rope (Jute)	Kgs	374	13	4,862
	Total				20,775,597
Multan					
1	Gunji Kits	Nos.	317	17,000	5,389,000
2	Polythene	Kgs	5,330	300	1,590,000
3	PP Bags	Kgs	34,960	32	1,118,720
4	Tat & Patri	Nos.	5,561	310	1,723,910
5	Empty Silver Bottles	Nos.	4,526	79	357,554
	Total				10,179,184
Hafizabad					
1	Gunji Kits	Nos.	11	13,500	148,500
2	PP Bags	Kgs	5901	25	147,525
3	Tat & Patri	Nos.	6635	300	1,990,500
4	Empty Silver Bottles	Nos.	4829	80	386,320
					2,672,845
	Total				33,627,626

Due to weak internal controls, management failed to auction the dead stock as per policy.

Audit is of the view that management was required to auction the dead stock as per policy but did not to do so.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to auction the stock immediately under intimation to audit.

(Para -38, PASSCO 2023-24)

12.2.4.19 Distribution of Bardana without confirmation of actual farmers and growers in violation of policy and PM's directions - Rs 2,979.686 million

As per Para-3 of letter dated Feb 14, 2024 issued by the Ministry of National Food Security and Research, PASSCO is advised to make necessary prior arrangements, in order to procure 1.400 MMT of local wheat from growers. Further, as per clause-7 of the Procurement Policy-2024, the field force of the PASSCO is directed to take all steps to facilitate small farmers and genuine growers without compromising the quality and quantity of wheat. Needless to mention that wheat procurement policy must be complied with true letter and spirit. As per clause-10 of the procurement policy 2024 that for better control and coordination, procurement activities will be restricted to Tehsils/Taluqas as mentioned in policy. Prime Minister vide its directive dated May 14, 2024 suspended the MD PASSCO due to non-following the instructions regarding the use of technology in the wheat procurement process.

During audit of PASSCO Zones for the year 2023-24, it was observed that management issued Bardana (jute bags) 4,870,000-Nos. to the individuals in Phase-I without confirmation of genuine farmers/growers. The evidence of issuance of Bardana other than farmers/growers in Phase-I is that a list of genuine farmers/growers of each center in Phase-2 was issued by the district management who were deprived in Phase-I by the management of PASSCO. Only 1,428,000-Jute bags were issued in Phase-II to the genuine farmers/growers and 4,870,000-jute bags were issued to the individuals without confirmation of growers/farmers in Phase-I. As per IB and FIA reports, Bardana was issued after receipt of bribe of Rs 500 to 1,000 per bag other than the growers/farmers. Thus management of Bahawalnagar, Multan and Hafizabad Zones issue Bardana after collection of bribe of Rs 2,435.000 million from the individuals

Similarly, the management of said Zones also issued Bardana (jute bags)-83,493 Nos. to the individuals who did not belongs the area of operation of PASSCO after collection bribe of Rs 41.747 million from the individuals.

Audit also observed that Prime Minister Office directed the MD, PASSCO to use technology for wheat procurement from the eligible

growers/farmers. Management did not comply the directions of the PM and issued Bardana in routine to achieve the target of 1.40 million metric ton. Out of which, 487,000 M.Ton (4,870,000-bags) was allocated to the above Zones and management carried out procurement of wheat after May 12, 2024 without digitization. Management issued 1,005,878-jute bags to the farmers against the directions which was held irregular. As per IB and FIA reports, Bardana was issued after receipt of bribe of Rs 500 to 1,000 per bag other than the growers/farmers. Thus, management issued Bardana after collection of bribe of Rs 502.939 million from the individuals.

Due to weak operational controls, management failed to implement the procurement policy in letter and spirit.

Audit is of the view that management was required to issue Bardana as per policy and Prime Minister's directions so that eligible farmers and growers who were residents of respective tehsils could be facilitated from the support price of the wheat fixed by the government.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding issuance of Bardana to individuals against the policy and PM's directions depriving the genuine farmers/growers from the support price of the government and inquire the matter at ministry level to fix responsibility.

(Para-42, 44, 45, 49, 50, 51, 55, 56 & 57 PASSCO 2023-24)

12.2.4.20 Issuance of jute bags to the individuals from multiple centres of Zones - Rs 61.519 million

As per clause-10 of the procurement policy 2024 that for better control and coordination, procurement activities will be restricted to Tehsils/Taluqas as mentioned in policy.

During audit of PASSCO Zones for the year 2023-24, it was observed that management issued Bardana (jute bags) 123,037-Nos to the individuals from the multiple centres against the policy mentioned above. As per IB and FIA reports, Bardana was issued after receipt of bribe of Rs 500 to 1,000 per bag other than

the growers/farmers. Thus, management issued Bardana after collection bribe of Rs 61.519 million from the individuals. Detail is as under:

S. No.	Name of Zone	Bardana issue (No. of Bags)	Issuance of Bardana @ Rs 500/bag (Rs)
1	Bahawalnagar	33,109	16,554,500
2	Multan	64,255	32,127,500
3	Hafizabad	25,673	12,836,500
	Total	123,037	61,518,500

Due to weak operational controls, management failed to implement the procurement policy in letter and spirit.

Audit is of the view that management was required to issue Bardana to the farmers/growers who were residents of tehsils mentioned in the Policy.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to intimate the reasons regarding issuance of Bardana to individuals from multiple centres and depriving the genuine farmers/growers from the support price of the government. Inquire the matter at ministry level and fix the responsibility.

(Para-46, 52 & 58 PASSCO 2023-24)

12.2.4.21 Interest loss due to investment of funds at lower rates and borrowing of loans at higher rates - Rs 66.540 million

According to Finance Division letter No F.15(13)R-14/82 dated Sep 5,1982, the funds provided, acquired or generated by the autonomous/semi-autonomous bodies and corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rules.

During audit of Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) Lahore for the year 2023-24, it was observed that management borrowed loan for procurement of wheat @ 23.375% per month and invested its own funds @ 20.50% and 20.60% per month instead of using for procurement of wheat. Due to which management suffered interest loss of Rs 66.540 million. Detail is as under:

(Rs in million)

S. No.	Particulars	Investment rates	Borrowing Avg. Rate	Difference in Borrowing & Lending rates	Investment Amount bi annually	Loss
1	1 st Investment	20.5	23.375	2.875	2,304.353	33.125
2	2 nd Investment	20.6	23.375	2.775	2,408.260	33.415
	Total					66.540

Due to weak financial controls and non-implementation of prudent policy, management suffered loss on account of investment of funds at lower rates as the whole business of PASSCO was running on credit obtained from banks.

Audit is of the view that management was required to use its own funds instead of obtaining loan to avoid interest loss.

The matter was reported to the management on 09.01.2025 but no reply was received. No DAC meeting could be arranged till finalization of this report.

Audit recommends the management to inquire the matter regarding investment of the funds at lower interest rate. Fix the responsibility of persons at fault.

(Para-59, PASSCO 2023-24)

12.3 Pakistan Tobacco Board

12.3.1 Introduction

Pakistan Tobacco Board Peshawar came into existence in 1968 as a semi-autonomous body under the control of Ministry of Commerce. The principal activities of the Board are to regulate, control and promote the export of tobacco and related produce and to the grading standards, to undertake and assist research connected with tobacco industry, impart training in tobacco testing and generally to take measures in the interest of tobacco industry. 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.

12.3.2 Comments on Audited Accounts

12.3.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

12.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2003-04	04	02	02	18 &18.1,18.2	50
2005-06	04	03	01	26	75
2007-08	05	04	01	17	80
2009-10	08	04	04	27, 28, 30, 33	50
2010-11	16	07	09	2.5.2.2, 2.5.2.3, 2.5.2.6, 2.5.2.8, 2.5.2.9, 2.5.2.10, 2.5.2.11, 2.5.2.12, 2.5.4.1	43
2013-14	11	03	08	4.6.2.1, 4.6.3, 4.6.4.1, 4.6.4.2, 4.6.4.3, 4.6.4.5, 4.6.4.7, 4.6.4.8	27
2016-17	16	13	03	3.6.3, 3.6.4.8, 3.6.4.1	81
2017-18	07	06	01	4.5.3	86

2018-19	09	06	03	4.6.3, 4.6.4.2, 4.6.4.3	67
2019-20	10	09	1	12.2.4.7	90
2021-22	01	01	0	-	100
Total	91	58	33		63

Overall compliance of PAC directives was not satisfactory which needs to be improved.

12.3.4 Audit Paras

12.3.4.1 Loss due to less recovery of collection of cess from the Contractor - Rs 154.106 million

According to Clause-9 of the terms and conditions for the 2023-24 open auction of cess collection rights in Khyber Pakhtunkhwa, the successful bidder had to provide a bank guarantee of 25% of the bid amount plus 10% advance income tax or insurance coverage of 75% of the bid amount plus 10% advance income tax before signing the contract and receiving the work order. The Board could encash the guarantee or insurance in case of delayed installment payments. If encashed, the contractor had to submit a new guarantee or insurance within 15 days. In case of failure to do so, PTB held the right to cancel the contract for the remaining period. As per clause-20 of the contract agreement, the contractual amount of the contract will be enhanced for the remaining period according to increased cess rates notified by Federal Government. Pakistan Tobacco Board will inform the contractor accordingly.

The record of Pakistan Tobacco Board (PTB), Peshawar for the years 2021-22 to 2023-24, revealed that cess collection rights for Khyber Pakhtunkhwa for the year 2023-24 were awarded to Mr. Ashraf Bahadar for Rs 190.300 million. The contractor was required to submit a 25% bank guarantee and 10% advance income tax or 75% insurance coverage before the agreement. A provisional work order was issued on 05.07.2023 without a bank guarantee, violating auction terms, and later confirmed on 10.08.2023 after submitting a performance bond. Cess rates were revised on 04.08.2023, raising the total payable amount to Rs 311.104 million, including 10% income tax. The contractor paid Rs 157 million but failed to pay the remaining amount of Rs 154.106 million

but neither the performance guarantee encashed nor was the contract cancelled which resulted into loss of Rs 154.106 million.

The loss occurred due to weak internal controls.

The issue was raised with management on 10.09.2024. In response dated 02.10.2024, management stated that PTB issued a recovery notice which was challenged by the contractor in court. The court suspended the notice and ordered arbitration, which took place on 29.04.2024, 22.08.2024, and 31.08.2024. Before the arbitration award, a recovery notice was issued on 25.09.2024.

The reply is not convincing as an amount of Rs 52.332 million (Rs 47.575 million + Rs 4.758 million tax) was due on 01.09.2023 but the contractor paid only Rs 12.00 million on 04.9.2023. However, the management neither encashed the performance guarantee nor cancelled the contract, resulting in unnecessary legal proceedings.

No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the non-encashment of the performance guarantee and fixing responsibility for the contractor's payment default. Besides recovery of the outstanding amount be made with accrued interest.

(Para-1, PTB 2021-24)

12.3.4.2 Loss due to less collection of cess from tobacco companies – Rs 423.170 million

In pursuance of Section 9 of PTB Ordinance and in accordance with SRO. 8(1)/98 dated January 7, 1998 cess on tobacco consumed by a tobacco company in the process of cigarette manufacturing shall be paid to the Pakistan Tobacco Board.

During the audit of Pakistan Tobacco Board (PTB), Peshawar for the years 2021-22 to 2023-24, the stock verification report prepared by the Statistical Section of PTB showed that tobacco companies consumed 139.95 million kgs tobacco, while the cess collection register recorded consumption of only 77.768 million kgs tobacco. This discrepancy caused a loss of Rs 423.170 million in cess revenue.

Audit is of the view that the management failed to compare monthly cess statements with the stock verification report, which led to the loss of Rs 423.170 million.

The loss occurred due to weak internal controls.

The matter was pointed out to the management on 10.09.2024. In its reply on 02.10.2024, management stated that the PTB Statistics Section incorrectly included imports, exports and wastage in consumption figures, inflating the data. Revised reports excluded these components, and reconciliation with companies would be made to recover any dues.

The reply is not acceptable as the closing stocks in the revised reports did not match the opening stocks of subsequent years, and no evidence was provided to validate the export, import, and wastage figures.

No DAC meeting could be arranged till finalization of this report.

Audit recommended investigating the matter to fix responsibility for improper stock verification that caused a loss to PTB besides explaining the reasons for the non-collection of cess and income tax. Further, reconcile all data related to opening and closing stock balances, purchases, exports, imports, and wastages, and recover the outstanding cess and income tax from the companies.

Note: The issue was also reported earlier in the Audit Report for Audit Year, 2021-22 vide para number 13.2.4.1 having financial impact of Rs 149.26 million. Recurrence of same irregularity is a matter of serious concern.

(Para-2, PTB 2021-24)

12.3.4.3 Irregular award of work order for collection of cess of tobacco in Balochistan and loss of income – Rs 10.005 million

According to clause 236A (1) of the Income Tax Ordinance, 2001, advance tax was to be collected on the sale of property or goods through public auction, based on the sale price at the specified rate. As per terms & conditions of open auction for the tobacco cess collection rights in Balochistan (01.01.2024 to 30.06.2024), the highest bidder had to deposit 25% of the bid amount plus 10% advance income tax on the auction day. If the highest bidder failed, their deposit was to be forfeited and the second bidder had to be offered the same terms. The

successful bidder also had to provide a bank guarantee or insurance covering the remaining amount before signing the contract.

The record of PTB for the years 2021-22 to 2023-24, revealed that the auction for tobacco cess collection rights in Balochistan was held on 19.12.2023 for six months (01.01.2024 to 30.06.2024). Mr. Bashir Ahmed's highest bid of Rs 15.505 million was accepted, and he deposited Rs 3.500 million through CDRs, with Rs 376,250 remaining to be deposited in PTB's account. A provisional work order was issued on 29.12.2023, allowing cess collection from 01.01.2024, subject to submission of a bank guarantee @ 25% of the contractual amount plus 10% advance income tax or insurance coverage equal to 75% of bid amount plus 10% advance income tax and contract signing.

Instead of signing the contract, the bidder filed a suit on 27.12.2023, claiming his bid was for one year, not for six months, and obtained a stay order. The stay was vacated on 06.03.2024 but reinstated on 19.03.2024 on the appeal of the bidder. The stay was vacated again on 07.05.2024. Accordingly, the charge of tobacco cess posts (Surkhab and Yaroo Distt. Pishin) was taken over by the Farm Manager and Assistant Development Officer (ADO), Tobacco Model Farm, Pishin on 14.05.2024 for self-collection of cess. The PTB management decided to forfeit the bid earnest money of Rs 2.00 million but nothing was available on record regarding blacklisting the bidder.

Audit holds the view that issuing a provisional work order without collecting the full amount (25% of the bid amount plus 10% income tax) on the same day favored the bidder unfairly. The earnest money should have been forfeited, and the second-highest bidder should have been offered the contract, which was not done. As a result, PTB incurred a loss of Rs 10.005 million (Rs 15,505,000 – Rs 3,500,000 – Rs 2,000,000).

The matter was reported to management on 10.09.2024. In response, management in its reply dated 02.10.2024 stated that legal and administrative actions had been initiated against the defaulting contractor to recover the amount.

The reply is not convincing as nothing was intimated regarding issuance of provisional work order without collecting the full advance payment, including income tax, in violation of auction terms and income tax rules.

No DAC meeting could be arranged till finalization of this report.

The audit recommends to investigate the matter to fix responsibility for issuing the provisional work order without collecting the full advance payment, including income tax, in violation of auction terms and income tax rules. Further, action should be taken against the responsible person(s) for the failure to offer the contract to the second-highest bidder. Besides, initiate the blacklisting process against the defaulting bidder.

(Para-3, PTB 2021-24)

12.3.4.4 Non-recovery of cess income from contractor – Rs 15.462 million

According to clause-4 of cess contract agreement between Mr. Murad Ali Lehri and Pakistan Tobacco Board for cess collection of rights of tobacco in Balochistan for the year 2023, the contract shall be for a period of 12 months w.e.f. 1st January, 2023 to 31st December 2023.

The record of Pakistan Tobacco Board (PTB), Peshawar for the years 2021-22 to 2023-24, revealed that Mr. Bashir Ahmed was selected through an auction to collect tobacco cess in Balochistan for the period 01.01.2024 to 30.06.2024 at a bid price of Rs 15.505 million. On 27.12.2023, he filed a suit claiming his bid was for one year, not for six months, and sought a work order for the extended period. The court granted a stay order, restraining PTB from issuing the work order and prohibiting Mr. Murad Ali Lehri, the previous contractor, from handing over the cess collection check posts.

Mr. Bashir Ahmed engaged in prolonged litigation, with the stay order finally vacated on 14.06.2024. During this time, Mr. Murad Ali Lehri continued collecting tobacco cess from 01.01.2024 to 14.06.2024. Based on Mr. Bashir Ahmed's bid, the previous contractor was liable to deposit Rs 15.462 million (Rs 14,056,730 + Rs 1,405,673 tax) for the six-month period but the same was not done which resulted into loss of Rs 15.462 million to the PTB.

The irregularity occurred due to poor financial management.

The matter was pointed out to the management on 10.09.2024. The management in its reply dated 02.10.2024 replied that recovery proceedings for the cess amount collected from 01.01.2024 to 14.06.2024 had been initiated, with

letters issued to the ex-contractor on 30.08.2024, 13.09.2024, and 23.09.2024. Management further indicated that legal action would be pursued in case of non-compliance.

The reply is not convincing as significant time has passed but the outstanding amount remained unrecovered.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to take legal steps to recover the outstanding cess amount from the previous contractor to avoid loss.

(Para-4, PTB 2021-24)

12.3.4.5 Loss due to irregular payment of cess to FBR instead of PTB - Rs 22.318 million

In pursuance of Section 9 of PTB Ordinance and under rule 2, sub-rule (3) of the Collection of Tobacco Cess Rules, 1968 as amended vide S.R.O. 1204 (I)/78 dated 8th October, 1978 cess shall be determined by the Central Excise Officer within his jurisdiction at the rate specified by the Federal Government and shall be paid in the following manner, namely:-

- (a) the manufacturer shall remit ninety five per cent of the determined amount of cess to the Chairman, Pakistan Board, Peshawar through a bank draft for credit to the Personal Ledger Account of the Pakistan Tobacco Board and deposit the remaining five per cent of the determined amount in the treasury on account of collection charges for credit under the head “II Central Excise Duties-Miscellaneous”.

During the audit of Pakistan Tobacco Board (PTB), Peshawar for the years 2021-22 to 2023-24, it was observed that before the Federal Excise Act, 2005 (effective 1st July 2005), M/s Pakistan Tobacco Company (PTC) paid 95% of the cess to the PTB and 5% to the Central Excise Department, as per the rules. After the abolition of the Central Excise Department, PTC started paying the 5% cess to the Federal Board of Revenue (FBR). However, other tobacco companies paid 100% of the cess directly to the PTB.

Audit holds that FBR neither participated in the collection of tobacco cess nor incurred expenses related to it. Therefore, the payment of Rs 22.318 million

in cess by PTC to FBR was unjustified, causing a financial loss of the same amount to the PTB.

The matter was pointed out to the management on 10.09.2024. The management in its reply dated 02.10.2024 stated that PTB had requested FBR, followed by reminders, for a refund of the collection charges on tobacco cess collected by FBR, but no response was received. Meanwhile, PTC maintained that it could not pay the 5% collection charges to PTB without an amendment to S.R.O No. 8(I)/98 dated 7th January 1998. PTC filed a writ petition in the Peshawar High Court against PTB, FBR, and others, challenging PTB's notice dated 03.04.2023 regarding payment of 5% cess collection charges. The Court, in its order dated 23.06.2023, suspended the operation of the impugned notice. The case, initially scheduled for hearing on 23.05.2024 but was adjourned to 31.10.2024.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to take up the matter at higher level with FBR to resolve the matter and recover the amount of cess paid so far to the FBR. Besides, necessary steps be taken to recover full amount of cess from the PTC.

Note: The issue was also reported earlier in the Audit Report for Audit Year, 2021-22 vide para number 13.2.4.4 having financial impact of Rs 11.21 million. Recurrence of same irregularity is a matter of serious concern.

(Para-5, PTB 2021-24)

12.3.4.6 (i) Undue favour to the contractor in the award of cess collection contract – Rs 14.200 million

(ii) Loss due to non-recovery of income tax and illegal collection of cess beyond the contractual period – Rs 8.807 million

According to Clause-8 of the bidding terms, the successful bidder must submit a performance guarantee within 15 days of signing the agreement. In case of a breach, the Chairman PTB is authorized to encash the guarantee. The bid money/security is returned after the performance guarantee is submitted. As per S. No. 13 of the bidding terms, failure to deposit installments within the due date allows the Chairman PTB to cancel the contract or impose a 10% penalty on the contract amount. Additionally, Clause 236A(1) of the Income Tax Ordinance,

2001, mandates the collection of advance tax on the sale of property or goods through public auction or tender, based on the sale price and at the rate specified in Division VIII of Part IV of the First Schedule.

The record of Pakistan Tobacco Board (PTB), Peshawar for the years 2021-22 to 2023-24, revealed that a notice for the auction of cess rights for the collection of tobacco cess in Balochistan for the period from 02.02.2021 to 01.02.2022 was published on 02.01.2021. Mr. Hafeezullah offered the highest bid of Rs 14.200 million and was awarded contract. However, due to a stay order obtained by the previous contractor, M/s Samiullah Farooqi & Brothers, the auction was delayed. After the legal proceedings, the contract with Mr. Hafeezullah was signed on 22.05.2021, and the check posts were handed over on 25.05.2021 for one year. The contractor paid Rs 7.00 million as an advance installment and provided two post-dated cheques for the remaining contractual amount, agreeing to pay the outstanding balance. However, the contractor failed to meet the payment deadlines. Additionally, the contractor illegally collected cess after the expiry of the contract from 25th May 2022 to 5th October 2022 (133 days).

Audit observed several irregularities, including violation of PPRA rules, failure to submit a performance guarantee, and improper adjustment of bid security. Payments were delayed but penalties were not imposed and no action was taken on dishonored cheques or unpaid taxes, resulting in a loss of Rs 8.807 million (Rs 7.387 million + income tax Rs 1.420 million) to the exchequer.

The matter was pointed out to the management on 10.09.2024. The management in its reply dated 02.10.2024 stated that a recovery suit was filed for the unpaid income tax, which was partially decreed in PTB's favor.

The reply is not acceptable as the management had sufficient time to follow PPRA rules and enforce the terms of the contract. The contractor failed to submit the performance guarantee, and PTB did not impose 10% penalty or collect income tax as per the Income Tax Ordinance, 2001. Furthermore, despite the dishonored cheques, no FIR was filed against the contractor.

No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the matter to fix responsibility for non-recovery of income tax as per the contract and tax rules. Further, a clause in contracts should be included requiring timely income tax payments and outlining consequences for non-compliance. Further, a system for immediate action be implemented on breaches. Besides, ensure enforcement of performance guarantees clause and take legal action to recover outstanding amounts.

(Para-6 & 8, PTB 2021-24)

12.3.4.7 Unauthorized investment of surplus public funds - Rs 2,343.85 million

Under Clause 21(1) of the Public Finance Management Act, 2019, all government entities must remit revenues, grants, loans, and repayments to the Federal Consolidated Fund without delay, as required by Article 78 of the Constitution. Clause 23(2) of the Act prohibits transferring public funds to other bank accounts without Federal Government approval, ensuring accountability. Clause 37(1) mandates that revenues collected by autonomous entities under federal statutes be deposited into the treasury single account. The Finance Division clarified on 23rd January 2024 that while some autonomous bodies have operational independence and authority to generate revenue, they must deposit annual surpluses into the Federal Consolidated Fund after meeting authorized expenditures.

During audit of Pakistan Tobacco Board (PTB) for the years 2021-22 to 2023-24, it was observed that PTB invested surplus funds in various banks and Pakistan Investment Bonds (PIBs) during 2021-24 as under:

S. No.	Year	Amount (Rs in million)
1	2021-22	2,021.90
2	2022-23	2,261.50
3	2023-24	2,343.85

Audit is of the view that investments in violation of clear Government instructions were irregular and should have been deposited into Federal Consolidated Fund.

The matter was pointed out to the management on 10.09.2024. The management in its reply dated 02.10.2024 stated that PTB operates on (i) cess

collected from tobacco manufacturing companies and cess collection contractors; and (ii) profits generated through investments of surplus funds. Transferring PTB's surplus funds to the Federal Consolidated Fund would undermine its financial sustainability and limit its capacity for research and development in tobacco sector. PTB invests its surplus funds in profitable avenues according to the rules, with approval from the Board of Directors.

The reply is not tenable. The surplus funds originate from cess collected from tobacco manufacturers, which are public contributions. Transferring surplus funds to the Federal Consolidated Fund would enhance transparency and accountability in utilizing public resources. PTB could fulfill its research and operational objectives through a budget allocation from the government. The surplus funds exceeding the approved budget should be deposited in the Federal Consolidated Fund as per Government instructions.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to deposit all surplus funds exceeding the authorized expenditure into the Federal Consolidated Fund and strengthen internal controls to prevent future violations. The matter should also be referred to Finance Division for clarification.

(Para-10, PTB 2021-24)

12.3.4.8 Loss due to unauthorized exemption of import quantity of tobacco from cess - Rs 34.233 million

As per Section 9 of Pakistan Tobacco Board Ordinance 1968; there shall be levied and collected in such manner as may be prescribed a cess on tobacco produced in Pakistan at such rate or rates, as the Federal Government may, by notification in the official Gazette, specify in this behalf, and proceeds of the cess, after deducting the cost of collection, if any, shall be paid to the Board". In pursuance of Section 9 of PTB Ordinance and in accordance with SRO. 8(1)/98 dated January 7, 1998 cess on tobacco consumed by a tobacco company in process of cigarette manufacture shall be collected by Central Excise Department and after deduction of 5% cost of collection be paid to the Pakistan Tobacco Board.

During the audit of Pakistan Tobacco Board (PTB), Peshawar for the years 2021-22 to 2023-24, it was observed that M/s Pakistan Tobacco Company submitted monthly consumption reports to the PTB for the payment of cess. The consumption reports showed import quantity of tobacco but excluded the same from the applicable quantity of cess. Thus, Board suffered a loss of Rs 34.23 million.

Audit is of the view that non-deduction of cess on imported tobacco consumed from Tobacco Company was irregular.

In its reply dated October 2, 2024, the management stated that under Section 9(1) of the PTB Ordinance, 1968 cess on the quantity of imported tobacco consumed does not apply. It was also mentioned that SRO-1998 is subordinate legislation to the Ordinance.

The reply is not convincing. As per SRO 8(1)/98 dated January 7, 1998, cess was to be collected on tobacco consumed by a tobacco company during cigarette manufacturing. The SRO does not exclude the collection of cess on imported tobacco consumption.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to explain the reasons regarding non-deduction of cess, fix the responsibility on the person(s) at fault and recover the amount of Cess; less recovered, from Company.

Note: The issue was also reported earlier in the Audit Report for Audit Year, 2021-22 vide para number 13.2.4.3 having financial impact of Rs 17.901 million. Recurrence of same irregularity is a matter of serious concern.

(Para-15, PTB 2021-24)

12.3.4.9 Loss due to huge expenditure against low production on tobacco model farms - Rs 207.816 million

As per Section-6 (c) of Ordinance 1968 of PTB, the Board shall perform function to render 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 general to render assistance for improving tobacco production.

During the audit of Pakistan Tobacco Board (PTB), Peshawar for the years 2021-22 to 2023-24, it was observed that management established tobacco model farms at Mansehra, Mardan, Buner Okara and Kunjah for conducting researches in order to maximize production with the least amount of space and cost. Detail is as under:

(Amount in Rs)

Particulars	Mansehra	Mardan	Buner	Okara	Kunjah
Income from Tobacco Model Farms					
2020-21	3,032,658	1,657,887	918,123	1,264,299	1,197,441
2021-22	5,395,924	3,755,862	1,410,998	1,891,987	1,462,832
2022-23	7,302,134	6,396,841	4,014,140	3,469,044	1,782,158
Total	15,730,716	11,810,590	6,343,261	6,625,330	4,442,431
Expense incurred on TMF					
2020-21 Operating Expenses & Others	3,321,414	4,817,265	1,486,161	3,648,188	1,838,407
2020-21 Pay & Allowances	9,056,258	26,909,038	6,736,955	11,780,519	7,792,952
2021-22 Operating Expenses & Others	3,931,067	5,365,630	1,974,685	2,180,016	1,823,082
2021-22 Pay & Allowances	11,221,563	31,769,463	8,231,051	11,810,460	9,070,179
2022-23 Operating Expenses & Others	3,468,164	3,982,129	1,715,083	1,814,320	1,911,672
2022-23 Pay & Allowances	13,339,899	30,747,845	9,050,123	12,482,691	9,492,532
Total	44,338,365	103,591,370	29,194,058	43,716,194	31,928,824
Expense over income					
2020-21	9,345,014	30,068,416	7,304,993	14,164,408	8,433,918
2021-22	9,756,706	33,379,231	8,794,738	12,098,489	9,430,429
2022-23	9,505,929	28,333,133	6,751,066	10,827,967	9,622,046
Total	28,607,649	91,780,780	22,850,797	37,090,864	27,486,393
Total Loss					207,816,483

The above table shows that management failed to produce enough production to cover the expenses of tobacco model farms. The production from these farms was too low and the revenue generated was insufficient to meet the operating cost which highlights the inefficiency in achieving production but also indicates that the entire operation was running in loss.

Audit is of the view that management did not take interest in best utilization of farms and huge expenditures were incurred without any planning and justification.

The matter was pointed out to the management on 10.09.2024. The management, in its reply dated October 2, 2024 stated that PTB is a research-cum-regulatory authority that helps growers achieve higher yields and export-quality tobacco. As a research institute, it argued that comparing expenses to income was not meaningful. PTB's income came from cess, taxes, and exports, not directly from research activities, and had increased over time due to higher cess rates and improved production.

The reply is not convincing as the management needed to align expenditures with goals and demonstrate better financial performance to benefit growers and reduce dependence on external funding.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate less production of tobacco and other crops at model farms despite deploying all resources and fix the responsibility.

(Para-16, PTB 2021-24)

12.3.4.10 Grant of annual increment during EOL

As per FR-26 (a), all duty in a post on a time-scale and period of leave other than extraordinary leave count for increments in that time scale.

As per Finance Division (Regulation Wing) O.M. No.F.1 (12) R-4/97 dated 07.01.2002, Pay and allowances are inadmissible during EOL. Annual increments also are inadmissible under FR-26.

During audit of PTB for the years 2021-22 to 2023-24, it was observed that BoD in its 160th meeting held on 22.09.2021 allowed annual increments under Rule-28(d) of PTB Service Rules, 1985 to below mentioned officers who availed leave without pay for Ph.D. studies for the years mentioned against each without arrears of the increments:

S. No.	Name & Designation	Nature of leave granted	Increments for the years
1	Dr. Hafiz Abdul Samad Tahir, Deputy Director (Marketing)	Extra ordinary Leave	2017
2	Dr. Zain-Ul-Abideen, Farm Manager	-do-	2017, 2018, 2019
3	Dr. Syed Muhammad Waqas Gillani, Chief Statistical Officer	-do-	2015, 2016, 2017, 2018
4	Dr. Mehwish Kanwal, Assistant Botanist	-do-	2018, 2019, 2020

Audit is of the view that grant of increment during the extraordinary leave was irregular.

The matter was pointed out to the management on 10.09.2024. The management in its reply dated 02.10.2024 stated that the competent authority can decide to count such leave for increments in special cases. Since the officers in question were pursuing Ph.D. degrees, BoD decided to count the leave without pay taken by these four officers for their studies toward their annual increments as allowed under Rule-28(d).

The reply is not acceptable as annual increments were not admissible during EOL.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility thereof besides recovery of payment made on this account.

(Para-18, PTB 2021-24)

12.3.4.11 Irregular opening of bank accounts and earning of profit – Rs 23.718 million

According to the amendment of rule 2, sub-rule (3) (a) of Collection of Tobacco Cess Rules, 1968 issued vide S.R.O. 1204 (I)/78 dated 08.10.1978, the manufacturer shall remit ninety-five per cent of the determined amount of cess to the Chairman, Pakistan Tobacco Board, Peshawar, through a bank draft for credit to the Personal Ledger Account of the Pakistan Tobacco Board and deposit the remaining five per cent of the determined amount in the treasury on account of collection charges for credit under the head “II Central Excise Duties-Miscellaneous”;

(b) the receipt of the bank draft shall be acknowledged by the Chairman, Pakistan Tobacco Board, Peshawar, and the credit for the amount of cess shall be passed on to the Personal Ledger Account of the Pakistan Tobacco Board immediately on the receipt of bank draft in his office:

During audit of Pakistan Tobacco Board (PTB), Peshawar for the years 2021-22 to 2023-24, it was observed that two separate bank accounts were being maintained in MCB Bank, Hayatabad, Peshawar for depositing the receipts of

cess received from Cess Collection Contractors and Tobacco Manufacturing Companies. The cheques / amounts received from contractors and companies were initially deposited in these accounts which were later on transferred after one month to the Personal Ledger Account of the Pakistan Tobacco Board; being maintained in treasury. The PTB also earned profit of Rs 23.718 million on these accounts from July, 2021 to June, 2024.

Audit holds the view that depositing of cess receipts into bank accounts was in violation of the provisions of Collection of Tobacco Cess Rules, 1968.

The matter was pointed out to the management on 10.09.2024. The management, in its reply dated October 2, 2024, stated that to improve financial discipline and adopt a better financial strategy, PTB decided to transfer the funds to banks by opening separate accounts for company and contractor payments. This allowed PTB to earn interest on the funds, which was not possible when they were held in the PLA.

The reply is not convincing as depositing of cess receipts into bank accounts was in violation of the provisions of Collection of Tobacco Cess Rules, 1968.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that the receipts of cess alongwith profit earned thereon be deposited into the Personal Ledger Account of Pakistan Tobacco Board and the said bank accounts be closed immediately under intimation to Audit.

(Para-19, PTB 2021-24)

12.3.4.12 Unjustified expenditure on Tobacco Research - Rs 416.211 million

As per Section-6 (c) of PTB Ordinance 1968, the Board shall perform function to render 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 general to render assistance for improving tobacco production.

During the audit of the Pakistan Tobacco Board for the years 2021-22 to 2023-24, it was observed that Pakistan Tobacco Board conducted extensive

research on tobacco crops aimed to increase production, enhancing export quality, maximizing output and reducing insect-related losses. For the purpose, during 2020-21 to 2023-24, the management incurred an expenditure of Rs 416.211 million as detailed below:

Particulars	2020-21	2021-22	2022-23	Total
Pay & Allowances	100.91	123.676	133.808	358.394
Operating Expenses	15.082	21.691	21.044	57.817
Total	115.992	145.367	154.852	416.211

The Board failed to provide evidence as to how its initiatives benefited growers. There was no record showing improvements in production, quality, or pesticide savings from applying the Board's research. The justification for expenses on tobacco research lacked proof of actual benefits to growers.

Inadequate monitoring and documentation made it difficult to justify the research expenditures. Without feedback, survey data, or evidence of impact, the expenses incurred were held as unjustified.

The matter was pointed out to the management on 10.09.2024. The management, in its reply dated October 2, 2024 stated that the yield of Flue Cured Virginia (FCV) tobacco increased to 3,000 kg per hectare. Recommended pesticides reduced export rejections and increased exports from \$24.10 million to \$81.54 million. The management argued that maintaining comprehensive records of growers' feedback would be costly and burdensome.

The reply is not convincing as PTB's claims lacked concrete records of growers' feedback or data showing the impact of these programs. Proper monitoring and documentation were essential to validate the success of research initiatives and justify the significant expenditures.

No DAC meeting could be arranged till finalization of this report.

Audit recommends that PTB set up a strong system to track and document the benefits of its research for growers. This should include keeping detailed records of participation, feedback and production improvements. Using surveys and detailed reports would ensure transparency, prove research effectiveness and help in future evaluations and resource planning.

(Para-20, PTB 2021-24)

Chapter-13

Ministry of National Health Services, Regulation and Coordination

Overview

Ministry of National Health Services, Regulations and Coordination is committed for helping the people of Pakistan to maintain and improve their health and to make our population among the healthier in the region.

Aims & Objectives

To provide efficient, equitable, accessible & affordable health services with the objective to support people and communities to improve their health status.

- Oversight for regulatory bodies in health sector
- Population welfare coordination
- Enforcement of Drugs Laws and Regulations
- Coordination of all preventive programs, funded by GAVI/GFATM
- (TB, HIV/AIDS, Malaria, Hepatitis etc.)
- International commitments including attainment of MDGs
- Infectious disease quarantine at ports
- Coordination of Hajj medical mission
- Provision of medical facilities to the Federal employees in provinces

Governing Laws and Policies

- Pakistan Human Resource of Health vision 2018-30
- Public Health Laws of Pakistan.

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	1	-	-	-
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	1	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs Nil million were raised as a result of this audit. This amount also includes recoverable of Rs Nil million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

S. No.	Classification	Amount (Rs in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	-

13.1 National Institute of Health Biological Production Division

13.1.1 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.

13.1.2 Comments on the Audited Accounts

13.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

13.1.2.2 The working results of Proforma Accounts of Biological Production Division for the years 2020-21 to 2022-23 are tabulated below:

	(Rs in million)				
	2022-23	%Inc / (Dec)	2021-22	%Inc / (Dec)	2020-21
Income					
Sales	295.91	3	286.74	-19	354.62
Total	295.91	3	286.74	-19	354.62
Expenditure					
Cost of Production	183.204	-17	221.273	-21	279.641
Gross Profit	88.858	21	73.508	4	70.714
Operating Expenses	50.022	5	47.518	2	46.794
Depreciation	0.008	-11	0.009	0	0.009
Net Profit Transferred to Balance Sheet	38.828	49	25.981	9	23.911

(Source: Annual Audited Accounts)

Sales of the Division decreased from Rs 354.62 million in the year 2020-21 to Rs 286.74 million in 2021-22 registering decrease of 19% which needs justifications. Breakup of sales figures also need to be provided.

13.1.2.3 Production of Measles and Tetanus vaccine remained NIL during the years 2020-21 to 2022-23. This showed that management failed to get the orders from Government hospitals, civil and military indentors for supply of said vaccines. Further investigation is needed to determine the reasons behind this halt in production.

13.1.2.4 According to statement of cost of production for the year 2021-22 and 2022-23 the number of horses and other livestock decreased by 37%, from 5443 in 2021-22 to 3454 in 2022-23. Conversely, the cost of animal fodder & upkeep has seen a substantial increase of 104%, rising from Rs 20.134 million to Rs 41.079 million during the same period. The management needs to justify huge increase in the cost of Animal fodder & upkeep despite a decrease in livestock numbers.

13.1.2.5 A discrepancy was identified between debtors, sales, and amounts remitted in NBP for the Proforma accounts. These account balances did not reconcile for the years 2022-23, 2021-22, and 2020-21, resulting in net differences of Rs 39.037 million, Rs 99.343 million, and (Rs 95.272) million, respectively.

	(Rs in million)		
	2022-23	2021-22	2020-21
Opening debtors (A)	0	12.746	12.775
Sales (B)	295.909	286.735	354.618
Closing debtors (C)	5.928	0	12.746
Remittances in NBP (A+B-C)	289.981	299.481	354.647
Remittances in NBP (As per accounts)	250.944	200.138	449.919
Difference	39.037	99.343	(95.272)

To ensure accurate financial reporting, management should reconcile these accounts and provide an explanation for the variances.

13.1.2.6 Since the Biological Production Division (BPD) operates on a commercial basis, it is crucial to maintain a dedicated cash book and bank account. Presently, all BPD receipts and payments are processed through the main bank account of the NIH, which hampers reconciliation efforts for "Withdrawals from and Remittances in NBP." This issue is evidenced by the discrepancies noted earlier. To ensure transparency and avoid discrepancies, it is recommended that the Biological Production Division (BPD) implement a double-entry accounting system. This system, along with a certified audit by a chartered accountant firm, will provide a more accurate and reliable reflection of the BPD's financial health.

13.1.2.7 A discrepancy has been identified between the capital account figures presented in the Biological Production Division's (BPD) balance sheet for 2020-21 to 2022-23 and the BPD's closing balance and current year profit. This increase in the capital account could be due to either government funding or a potential error. To ensure accurate financial reporting, management is requested to provide a detailed explanation for this difference, supported by relevant documentation.

13.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2010-11	09	02	07	9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.2.4, 9.1.2.5, 9.1.2.6, 9.1.3	22
2015-16	06	02	04	7.1.4.1, 7.1.4.2, 7.1.4.3, 7.1.4.4	33
2017-18	05	0	05	15.1.2.1, 15.1.2.2, 15.1.2.3, 15.1.2.4, 15.1.3	0
2019-20	06	0	06	11.1.2.1, 11.1.2.2, 11.1.2.3, 11.1.2.4, 11.1.2.5, 11.1.3	0
Total	26	04	22		15

Overall compliance of PAC directives was not satisfactory which needs to be improved.

Chapter-14

Ministry of Planning, Development and Special Initiatives

Overview

To manage Pakistan's socio-economic development in a strategic and sustainable manner.

Aims & Objectives

Designing and implementing methodology for leadership for planning social and economic development. Development economic programmes designed to achieve competitiveness and leadership for national economy.

Establishing and implementing an approach to strengthen partnership with public agencies private sector and other stakeholder. Coordinating efforts to formulate and achieve development objectives plan and objective to ensure efficiency in performance.

Developing the planning and implementation capabilities of public entities, to facilitate their roles in formulating and implementing plans and strategies.

Governing Laws and Policies

- Rule of Business 1973
- Economic Development Policy of Federal Govt.

Audit Profile of Ministry of Planning, Development and Special Initiatives

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	3	2	37,907.05	37,167.27
2	Assignment Accounts (excluding FAP)	-	-		
3	Authorities /Autonomous Bodies etc. under the PAO	3	2	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 57,102.339 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,978.780 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Overview of the Audit Observations

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	270.463
B	Procurement related irregularities	53,634.859
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	3,197.017

14.1 National Logistics Cell

14.1.1 Introduction

National Logistic 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, infrastructure rehabilitation, and development sector, Management of Dry Ports & Border Terminals, Technical Institutes and Express Freight Train Service, toll collection and other engineering related activities. It is an attached department of Ministry of Planning, Development & Reform 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.
- Management of Dry Ports and Border Terminals.
- Express Freight Train Service.

14.1.2 Comments on Audited Accounts

14.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

14.1.3 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	08	07	01	178	88
2007-08	04	01	03	154.2, 154.3, 155	25
2008-09	08	06	02	202, 207	75
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
2016-17	25	07	18	14.1.3, 14.1.4.1, 14.1.4.2, 14.1.4.3, 14.1.4.5, 14.1.4.7, 14.1.4.8, 14.1.4.11, 14.1.4.12, 14.1.4.13, 14.1.4.14, 14.1.4.15, 14.1.4.16, 14.1.4.17, 14.1.4.18, 14.1.4.19, 14.1.4.20, 14.1.4.21	28
2019-20	10	03	07	13.1.2.8, 13.1.4.1, 13.1.4.2, 13.1.4.4, 13.1.4.6, 13.1.4.7, 13.1.4.10	3
Total	170	112	58		65

Overall compliance of PAC directives was not satisfactory which needs to be improved.

14.1.4 Audit Paras

14.1.4.1 Irregular acceptance of elevators without Pre-Shipment Inspection - Rs 62.220 million

According to clause-8 (1&2) of the Agreement between National Logistic Corporation (NLC) and M/s Chaudhry Enterprises, dated 04.09.2023, Pre-delivery inspection of complete items/equipment will be carried out at firm premises in its manufacturing facility abroad before shipment by 3 members team of NLC /consultants on supplier expenses for a period of 3-4 days excluding travelling time free of cost including boarding / lodging by the supplier.

During the audit of the National Logistics Corporation (NLC) for the financial year 2023-24, it was observed that a contract was awarded to M/s Chaudhry Enterprises on 30.05.2023 with a contract value of Rs 62.220 million. Elevators were supplied on 08.05.2024 without the pre-delivery inspection as required by the agreement and was accepted by the management. Further, installation, testing, and commissioning of the elevators are pending till finalization of the report.

Irregularity occurred due to a lack of internal and financial controls.

Audit is of the view that management granted undue favor to the supplier, resulting in a violation of the agreement.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter and fix responsibility on the person(s) for receipt of the elevator without pre-inspection at the factory premises abroad, provide complete inspection report along with documentation regarding the installation, testing, and commissioning of the elevators completed so far. Besides, take steps to prevent the recurrence of such irregularities in the future.

(Para-1, NLC 2023-24)

14.1.4.2 (i) Irregular payment to M/s Kasib Tech on account of supply of HVAC items – Rs 289.331 million
(ii) Loss due to payment of the sales tax to M/s Kasib Tech – Rs 8.863 million

According to rule 18 of the PPRA 2004, the procuring agency shall disqualify a supplier or contractor if it finds, at any time, that the information submitted by him concerning his qualification as supplier or contractor was false and materially inaccurate or incomplete.

Clause 2.8 of the contract agreement between NLC and M/s Kasib Builders & Developers PVT Ltd. dated 29.03.2024, supplier will be entirely responsible for the execution of the contract in all respects according to the terms of the contract. Supplier shall not sublet/ transfer or assign the contract or any part thereof without prior written permission of the DG NLC.

During audit of the of the National Logistics Corporation (NLC) for the financial year 2023-24, it was observed that a contract for procurement of HVAC (VRF) system for Rs 289.331 million was awarded to M/s Kasib Builders & Developers Pvt. Ltd. The firm submitted partial bills of Rs 49.856 million and Rs 8.246 million (Total Rs 58.102 million) through M/s Kasib Tech (other company) instead of M/s Kasib Builders & Developers Pvt. Ltd and were paid accordingly.

Further, two GD documents No. 2265 dated 09.08.2023 each were used separately for the item, air conditioning out door units with accessories Model No. YV2VYHo61 KASFD-1 & Model No. YV2VYHo68 KASFD-1 which seems that the GD documents were fake and the supply was not made by the original supplier i.e. Kasib Builders & Developers.

Audit further observed that as the original supplier M/s Kasib Builders & Developers had not actually provided the goods therefore payment of sales tax amounting to Rs 8.863 million (58,102,426 x 100/118) to M/s Kasib Tech by the NLC was also considered irregular.

Irregularity occurred due to lack of financial control.

Audit is of the view that M/s Kasib Builders & Developers Pvt. Ltd had only authorized M/s Kasib Tech for release of payment on their behalf but record showed that the said company had actually procured the contract items for the project on behalf of the original supplier therefore, is considered as irregular.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter. Further, immediate action be initiated against the supplier/contractor failing to procure the supply at his own level. Besides, disciplinary action be initiated against the officers involved in illegal inspection and release of payments through fake GD documents.

(Para-2, NLC 2023-24)

14.1.4.3 Loss due to non-imposition of penalty - Rs 23.123 million

According to clause 4 of the contract agreement, the supplier shall supply, install, test, and commission HVAC including all local and other works at King Hammad University Project Islamabad till 20 May 2024. The supplier should not delay the supply, installation testing, and commissioning of HVAC including all local and other works beyond the prescribed given time.

According to clause 12 of the contract agreement, if the supplier fails to deliver any or all of the goods or perform the services within the time period specified in the contract then the purchaser shall claim 1% to 2% of the value of goods delayed for each month from supplier maximum deduction of 10% of contract cost.

During audit of National Logistic Corporation for the year 2023-24, it was observed that management awarded a contract for the supply, Installation, Testing & Commissioning of the HVAC system of the King Hammad University project, Islamabad to M/s Kasib Builders & Developers on 18.01.2024 at cost of Rs 289.331 million. The supplier delivered 04 sets of out-door units of HVAC and other allied equipment amounting to Rs 58.102 million till finalization of this report. According to the above contract clause, the contractor was required to complete the supply by May 2024. However, the contractor failed to do so but

penalty amounting to Rs 23.123 million (Rs 289,331,425 - Rs 58,102,427 x maximum 10%) was not imposed and re-covered from the supplier/contractor till finalization of this report.

The irregularity occurred due to non-adherence to the contract clauses.

Audit is of the view that due to non-imposition and recovery of L.D. charges, the Corporation sustained a loss of Rs 23.123 million.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to provide justification for non-imposition of penalty for delay in supply of HVAC items, recover penalty amount from the suppliers / contractor besides taking immediate action for disqualification of the contractor and fixing responsibility on the individuals at fault.

(Para-3, NLC 2023-24)

14.1.4.4 (i) Irregular award of steel, cement and bitumen contracts to the 2nd & 3rd lowest suppliers on matching rates of the 1st lowest bidder – Rs 7,702.282 million

(ii) Loss due to non-recovery of performance guarantees from M/s PARCO - Rs 40.00 million

Rule 40 of the PPRA 2004 states that without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder (with a view to streamline the work or task execution, at the time of contract finalization) on methodology, work plan, staffing and special conditions of the contract.

During audit of the National Logistics Corporation (NLC) for the financial year 2023-24, it was observed that management awarded contracts of steel, cement and bitumen costing Rs 1,700.05 million, Rs 2,653.232 million and Rs 3,349 million respectively (total Rs 7,702.282 million) to different suppliers standing on 2nd and 3rd position in the competitive process on the matching principle of the 1st lowest bidder for their all projects under the jurisdiction of each Project Director.

Audit observed that:

1. The firms who had given the lowest rates were deprived of their right for supply of their whole quantity by sharing and distributing the quantities among the 2nd and 3rd lowest suppliers.
2. Management negotiated the prices with other bidders for reducing and matching with the lowest bidder.
3. This process shows that technical qualification of the firms was not carried out in light of the relevant PPRA rules.
4. M/s PARCO was required to provide performance security amounting to Rs 40.00 million but Management did not obtain the same from the supplier.
5. Management failed to obtain prior approval from the OIC NLC for awarding cement contracts worth Rs 2,653.232 million to M/s Fauji Cement Co. Ltd as the overall value of the contracts was beyond the sanctioning powers of the Director General NLC.
6. M/s Kohat Cement was 2nd lowest bidder in the competitive process of cement but no cement was procured from the firm.

The irregularity occurred due to non-adherence to rules and procedures as well as extending undue favor to the suppliers.

Audit is of the view that award of the supply of steel, cement and bitumen contracts costing Rs 7,702.282 million to the unsuccessful bidders on matching rates with the 1st lowest bidder, non-obtaining performance security from M/s PARC and by passing required approval from the OIC in the award of contracts was considered as violation of PPRA and NLC's own rules.

The matter was reported to the Management on 08th January, 2025 but no reply was furnished till finalization of the Report.

Audit recommends to investigate the matter regarding the award of contracts to the 2nd and 3rd lowest firms on matching rates with the 1st lowest firms in violation of PPRA rules and initiate disciplinary action against the individuals held responsible.

Note: The issue was also reported earlier in the Audit Report for Audit Year, 2023-24 vide para number 17.7.4.18 having financial impact of Rs 2,219.369 million. Recurrence of same irregularity is a matter of serious concern.

(Para-4, 5 & 10 NLC 2023-24)

14.1.4.5 Irregular award of civil works contracts to the sub-contractors without tender – Rs 32,892.36 million

According to rule 59 (e) ii of Punjab PPRA, 2014 read with general condition No. IB 3.1 (a) of the bidding documents, government organization engaged for the procurement shall accomplish the task exclusively through its own resources without involving private sector as a partner or in the form of a joint venture or as a sub-contractor.

According to Para 15 of the PPRA 2004, a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids.

During the audit of the Project Directorates North and Centre, National Logistics Corporation (NLC) for the year 2023-24, it was observed that 06 No. of contracts costing Rs 4,229.56 million & 24 Nos. of contracts costing Rs 28,662.36 million (Total Rs 32,892.36 million) were awarded by the Project Directors North and Centre to their 157 and 75 sub-contractors respectively. These contracts were awarded by obtaining quotations from 03 to 05 firms in each civil work on pick and choose basis instead of proper competition through open tendering system in the daily newspapers amongst all pre-qualified/enlisted contractors to achieve the most competitive and economical rates. Audit also assumed that sub-contracts in other PDs offices are also being awarded by the NLC on the same pattern which is violation of the PPRA rules, 2004.

Irregularity occurred due to lack of financial management.

Audit is of the view that an expenditure of Rs 32,892.36 million on the sub-let including labour contracts without open competition among the pre-qualified contractors was irregular and violation of the PPRA rules, 2004.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to provide justification for award of the sub-contracts to the firms on quotation basis instead of proper tendering among the all pre-qualified contractors. Besides, fix responsibility on the person(s) at fault for violations of the PPRA 2004 despite repeated observations by audit on the same issue.

Note: The issue was also reported earlier in the Audit Report for Audit Year, 2021-22 vide para number 11.1.4.1 having financial impact of Rs 203.551 million. Recurrence of same irregularity is a matter of serious concern.

(Para-6, NLC 2023-24)

14.1.4.6 Irregular award of transportation (HMT) contracts without tender – Rs 12,850.742 million

According to Para 15 of the PPRA rules 2004, a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects.

According to Rule- 4 of the Public Procurement Rules, 2004, procuring agencies must ensure that procurements are conducted in a fair and transparent manner, that the procurement provides value for money to the agency, and that the procurement process is efficient and economical.

During the audit of the National Logistics Corporation (NLC) Log Services Karachi for the year 2023-24, it was observed that a tender was floated in the daily Khabrain on 05.02.2023, for pre-qualification of the hiring of the heavy mechanical transport (HMT) sub-contractors / suppliers for the year 2023-24. Separate contracts were made with the firms for execution of the works. An expenditure of Rs 12,850.742 million (Rs 6,757.923 million & Rs 6,092.819 million) (Annex-65) was incurred under the head of account dry and liquid respectively.

Audit observed that:

1. In the pre-qualification process, only 05 sub-contractors / suppliers qualified for dry and 23 for liquid HMT services but later on from time to time, approval for enlistment of the other contractors / suppliers was obtained from the Commander Logistic Services Karachi for providing

the same HMT services through separate minute sheets without proper competition.

2. Works were awarded to the sub-contractors by collecting quotations from 03 firms on pick and choose basis for each work instead of proper competition.
3. Most of the works were awarded to those suppliers who became pre-qualified through minute sheets during the financial year 2023-24.
4. Commander LS was authorized to accord approval for the contracts costing 50 million only but all the HMT hiring contracts awarded to different suppliers, were much higher than his financial powers.
5. Category status of the suppliers/contractors showing the eligibility for award of each work was also not available on record therefore audit was unable to authenticate the status of the suppliers.

Irregularity occurred due to lack of financial management.

Audit is of the view that an expenditure of Rs 12,850.742 million on HMT contracts without proper open competition among the pre-qualified contractors was considered irregular and violation of the PPRA rules, 2004.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to provide justification for award of the contracts on quotation basis instead of proper tendering among the pre-qualified contractors, justify enlistment of contractors at later stage without advertisement, justify obtaining approval of the works from commander LS instead of the competent authority as per delegation of powers besides fixing responsibility on the individuals at fault.

(Para-7, NLC 2023-24)

14.1.4.7 Loss due to irregular claim of income tax by M/s Faisal Movers from NLC in the bid price - Rs 1.413 million

According to section 153 of the Income Tax Ordinance 2001, withholding tax @ 04% shall be deducted by the withholding agent from the companies/firms on providing transportation services.

During the audit of the National Logistics Corporation (NLC) Log Services Karachi for the year 2023-24, it was observed that a contract for transportation of Awan coal from Port Qasim (PIBT) to Nishat Chunian Lahore for the year 2023-24 was made with M/s Faisal Movers being the lowest bidder for a quantity of 6,450 ton @ Rs 5,850 per ton. M/s Faisal Movers offered a lowest rate of Rs 6,250 per ton by including 04 % withholding tax in the quotation and accordingly approved by the Board of Officers on 11.09.2023. As per government rules, income tax was required to be paid by the individuals on their yearly income earned to the government but in the instant case, the contractor claimed the income tax separately in their bid price for onward payment to the government through different bills.

Irregularity occurred due to lack of financial control of the management.

Audit considered that due to charging of the income tax amounting to Rs 1.413 million from the NLC for onward depositing into the public exchequer instead of paying by the firm from its own income was considered irregular and loss to the NLC.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to recover income tax from the contractor besides explaining the reasons for charging income tax from NLC and onward payment for depositing into the government treasury.

(Para-8, NLC 2023-24)

14.1.4.8 Irregular expenditure over the permissible limit of contract cost - Rs 569.192 million

According to clause 03 of the schedule “A” to the contract agreement dated. 03.11.2023, the contractor shall carry out such deviations as may be ordered upto max +/- 15% and agree to carry out all works under the agreement and such deviations or amendments relating to item of Schedule “A” the prices of rates or rates of which cannot be directly reduced from prices given in Schedule “A” of agreement.

During audit of the Project Director Centre Lahore for the year 2023-24, it was observed that a sub work “Construction of Flyover at Babe-Pakistan to Walton” was awarded by the NLC to their Sub Contractor M/s Habib Construction Services Ltd. at an estimated cost of Rs 993.058 million. An expenditure of Rs 1,562.25 million had been incurred till the close of audit. The work was still in progress. The management paid Rs 569.192 million in excess of the contract cost to the sub-contractor which was 57.31% higher than the original contract agreement and against the permissible limit of 15%.

Irregularity occurred due to lack of financial control of the management.

Audit is of the view that excess expenditure of Rs 569.192 million over the permissible limit without any cogent reasons caused violation of the rules, therefore, held irregular.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to provide justification for incurrence of the expenditure beyond the permissible limit of 15% of the contract cost, regularize the case from the competent forum and initiate disciplinary action against the individuals held responsible.

(Para-9, NLC 2023-24)

14.1.4.9 Irregular execution of repair & maintenance works at NLC off dock terminal Karachi in piecemeal by splitting the cost – Rs 119.318 million

According to rule-9 of Procurement 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.

According to para 2 (a) (2) of Maintenance & Development Works of NLC Accommodation issued on 09 September 2013 and amendments issued vide letter dated 21st November, 2013 & dated 10th December, 2013 and policy letters state that all works other than routine maintenance works including Minor / major renovations including extensions / repair / maintenance, involving all civil and electrical works of residential, commercial and official accommodation of SBUs and HQ NLC shall be executed through Respective PD of NLC Engineers, in whose area the work falls.

During audit of NLC Logistic (HQ), Karachi for the year 2022-23, it was noted that the management executed several renovations, repair and maintenance works costing Rs 119.318 million at NLC off dock terminal Sultanabad Karachi directly through several contractors despite availability and functioning of the PD South (Annex-66).

Audit observed the following:

1. The management split the repair works and executed through different contractors amounting to Rs 119.318 million in violation of PPRA rules.
2. Works as a whole were above the financial powers of the Commander Logistic Services Karachi but split up to bring it within his own financial powers.
3. The management failed to obtain performance bank guarantees from each contractor as required under PPRA rules amounting to Rs 9.326 million.
4. Management paid advance payments to the contractors but did not obtain bank guarantee amounting to Rs 76.115 million.
5. Contract Agreements were not signed with the contractors against each work.

6. Items of works were neither recorded in the measurement books nor vetted from any engineer.
7. Two contracts were awarded by direct contacting on the plea of urgency by using a negotiated tendering method without recording justification and approval from competent authority. i.e. PAO.

The irregularity occurred due to non-adherence to the rules and SOPs of the organization

Audit is of the view that non-execution of the renovation, repair and maintenance works amounting to Rs 119.318 million through PD Sindh, splitting the works in piecemeal and without open tendering system was considered irregular and violation of the PPRA rules.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter for splitting the works, non-execution of works through PD Sindh and without open tender. Besides, fix responsibility for non-obtaining the performance guarantee and exercising the financial powers of the high authority.

(Para-11, NLC 2023-24)

14.1.4.10 Revenue loss due to non-operationalizing of the locomotive in-time - Rs 28.050 million

According to rule 04 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, 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.

Clause-5.1.1 of the agreement between Pakistan Railway and National Logistic Cell states that monthly rent was Rs 187,000 per locomotive per day for 365 days against availability of locomotives for 300 working days in a lease year.

During the audit of the National Express Freight Train (NEFT), Lahore for the year 2023-24, it was observed that locomotive No. 7176 was standing idle at the LOCO Workshop in Mughul Pura, Lahore for repairs. This locomotive remained in the workshop for approximately 240 days for maintenance and was declared fit for freight train operation on 23.08.2023. Management failed to monitor the maintenance work in a timely manner resulting in keeping the locomotive as idle for a long period and thus the Corporation sustained a revenue loss of Rs 28.050 million (Rs 187,000 x 150 days i.e. 240 – 90 days).

Irregularity occurred due to weak internal and financial controls.

Audit is of the view that due to lack of interest and proper monitoring of the maintenance work, NLC has sustained a revenue loss of Rs 28.050 million.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to conduct a fact finding inquiry to probe into the matter for non-operationalization of the locomotive within the approved time frame of 03 months and fix responsibility on the person(s) at fault besides recovery of loss sustained by the Corporation.

(Para-12, NLC 2023-24)

14.1.4.11 Irregular pre-qualification / enlistment of a transport company without submission of the performance security – Rs 134.183 million

According to the serial 16 of the bidding documents offered to the contractors for prequalification through advertisement in the daily Khabrain on 05.02.2023, security money amounting to Rs 2.00 million for dry cargo and minimum Rs 3.00 million for liquid cargo will be deposited in the shape of pay order / bank draft in the name of OIC NLC GHQ, Rawalpindi.

According to Para 39 of the PPRA rules, 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 per cent of the contract amount.

During the audit of the National Logistics Corporation (NLC) Log Services Karachi for the year 2023-24, it was observed that an expenditure of Rs 134.183 was incurred on payment to M/s Bilal Goods Transport Company for providing HMT services to the NLC LS. The firm participated in the bid for pre-qualification of hiring of the HMT contractors/suppliers. According to the Board of Officers proceedings, the firm did not submit the required security money of Rs 2.00 million with the bid but on the recommendation of the Manager HMT, competent authority approved the pre-qualification of the firm subject to deduction of the required security amount from the upcoming bills of the contractor vide Para 10 dated 28.08.2023.

Irregularity occurred due to lack of financial control.

Audit is of the view that non-payment of the security amount was violation of the bidding documents and PPRA rules. Therefore expenditure of Rs 134.183 million incurred by the firm was considered irregular.

The matter was reported to the management on 08th January, 2025 but no reply received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate and justify for pre-qualification of the firm without submission of the required security money, besides fixing responsibility on the individuals held responsible.

(Para-27, NLC 2023-24)

14.1.4.12 Non deduction of Sindh Services Tax from the HMT sub-contractors – Rs 1,927.611 million

According to rule 03 (1) of the Sindh Sales Tax special procedure (withholding) rules 2014, the withholding agent, intending to receive taxable services, shall indicate in a notice in Form SSTW-05, that the sales tax, to the extent as prescribed in these rules, shall be deducted and withheld by him from the payment made or to be made to the service provider and shall be deposited in Sindh Government's head of account No. "B-02384" in the prescribed manner.

During audit of the Logistic Services Karachi, National Logistic Corporation for the year 2023-24 it was observed that an expenditure of

Rs 12,850.742 million (Rs 6,092.819 million and Rs 6,757.923 million) was incurred on account of payment to the different suppliers / contractors hired for the transportation of the dry and liquid cargo respectively to different parts of the country. Management of the NLC failed to recover the Sindh services tax @ 15% from the HMT contractors/suppliers.

Irregularity occurred due to lack of financial controls and extending an undue favour to the contractors at the cost of the public exchequer.

Audit is of the view that non-deduction of the Sindh Services Tax caused a loss of Rs 1,927.611 million (Rs 12,850,742,198 x 15%) to the public exchequer.

The matter was reported to the management on 08th January, 2025 but no reply received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate and justify for non-recovery of the Sindh Services Tax from the contractors/suppliers besides immediate recovery of the tax amount from the contractors concerned.

Note: The issue of non-deduction of provincial services tax was also reported earlier in the Audit Report for Audit Year, 2021-22, 2022-23 and 2023-24 vide para number 11.1.4.10, 16.1.4.5 and 17.1.4.6 having financial impact of Rs 10.628 million, Rs 155.527 million and Rs 264.362 million. Recurrence of same irregularity is a matter of serious concern.

(Para-35, NLC 2023-24)

14.2 Pakistan Institute of Development Economics

14.2.1 Introduction

Pakistan Institute of Development Economics (PIDE) was established in 1957 by the Government of Pakistan and initially was registered under Societies Registration Act XXI of 1860.

In 1964 it was re-established as Pakistan Institute of Development Economics under the administrative control of Ministry of Education and Information vide S.R.O. 370 (K) 64 dated May 01, 1964.

Pakistan Institute of Development Economics (PIDE) has been contributing towards research and teaching in the field of development economics and its associated fields. In 2010 PIDE was declared as body corporate and degree awarding status was given through PIDE Act -2010.

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.
- iii. 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.
- iv. To disseminate information and extend advice to the government and other agencies based on original research in economics and related disciplines.

14.2.2 Comments on Audited Accounts

14.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

14.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2013-14	08	05	03	14.2.2.2, 14.2.4.1, 14.2.4.3	63
Total	08	05	03		63

The compliance of PAC directives was not satisfactory which needs to be improved.

14.2.4 Audit Paras

14.2.4.1 Irregular appointment of employees without sanctioned posts - Rs 8.244 million

According to sanctioned strength of PIDE, the posts of Staff Officer to VC, Graphic Designer and Video Editor neither existed in approved sanctioned strength nor were the same vacant.

During audit of Pakistan Institute of Development Economics (PIDE) for the period from 2022-23 to 2023-24, it was observed that the management recruited the following employees on contract basis whereas their posts did not exist in approved sanctioned strength.

S. #	Name of employee	Designation	Date of appointment	Monthly salary (Rs)	Salary paid (Rs)
1	Mr. Kelash Kumar	Staff Officer to VC	01.08.2023	110,000 132,000	1,320,000 1,840,000
2	Mr. Usman Ihsan	Video Editor	01.08.2023	60,000	720,000
3	Ms. Manahal Zainab	Graphic Designer	14.02.2022	75,000	900,000
4	Mr. Muhammad Saeed	Video Editor	14.09.2021	60,000 80,000 110,000	720,000 960,000 1,320,000
5	Mr. Mohsin Ali	Graphic Designer	21.04.2022	60,000	720,000
Total					8,244,000

Moreover, Senate or Syndicate of PIDE neither approved any of above posts nor these were available in the budget estimates for the year 2024-25.

The irregularity occurred due to ignoring approved sanctioned strength and hiring of 05 employees over and above the approved limit.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 stated that PIDE Senate had approved the PIDE restructuring in 2019 and examined the progress on restructuring for the next five years. It was reiterated by the Senate and by the Ministry to move ahead from permanent positions to contractual positions for long term budgetary responsibility. PIDE had been hiring on contractual terms since 2019. No one was hired on BPS.

The reply of the management is not tenable as posts were still not existed in the approved sanctioned strength of PIDE.

The DAC in its meeting held on January 09, 2025 directed the management to refer the matter to syndicate for regularization of expenditure already incurred, creation of contract posts and get the record verified from Audit.

Audit recommends to implement the directives of the DAC.

(Para-1, PIDE 2022-24)

14.2.4.2 Irregular distribution of amount in shape of honorarium from the receipt of ECONFEST- Rs 13.863 million

Policy for grant of Honorarium Prime Minister issued directive dated 16.04.2020 restricted grant of honorarium up to a single basic pay.

According to Para-10(i) of General Financial Rules, “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 audit of PIDE for the financial years 2022-23 to 2023-24, it was observed that the management distributed an amount of Rs 13.863 million on account of honorarium among the employees from the receipt Head of ECONFEST of SRFA bank account maintained at PIDE i.e. amount received from the donors for conducting conferences and seminars for the PIDE. However, most of expenditure involved for conducting seminars and conferences was met from the Assignment Accounts of the Institute and not from receipts from different sponsors. Millions of rupees were distributed self / sanctioned to themselves by the Vice Chancellor Dr. Nadeem ul Haque and Pro-Vice Chancellor Ms. Durr-e-Nayab without any provision and in direct conflict with federal government instructions.

Audit is of the view that amount received from the donors for conducting seminars and conferences and disbursement of amount as honorarium among the employees was unjustified and held irregular by the audit.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 stated that compensation in the form of remuneration was essential to make up for their extraordinary efforts.

The reply of the management is not tenable as the management failed to justify distribution of amount among the employees in the shape of honorarium received from the different sponsors for holding of ECONFEST.

The DAC in its meeting held on January 09, 2025 directed the management to share details of amount spent from ECONFEST with Audit besides submission of revised reply and unauthorized honorarium may be recovered.

Audit recommends to implement the directives of the DAC.

(Para-6, PIDE 2022-24)

14.2.4.3 Irregular payment of honorarium to Vice Chancellor – Rs 4.521 million

According to clause IV of letter No. U.O.1701.SAFM/2016 dated 27.06.2016 of Finance Division, honorarium will be granted to those officers / officials who are working in Basic Pay Scales. Accordingly, no honorarium will be granted to those working in MP scales.

Further, as per clause 12 (iii) Service Rule 2016 of PIDE that “The Senate shall determine the honorarium as well as increase in basic pay of the Vice Chancellor”

During the audit of Pakistan Institute of Development Economics (PIDE) for the period from 2022-23 to 2023-24, it was observed that Dr. Nadeem ul Haque was appointed as Vice Chancellor, Pakistan Institute of Development Economics (PIDE) in MP-I scale vide Notification dated 01.10.2019 of Establishment Division. The officer had drawn an amount of Rs 4.521 million as honorarium in violation of above said Govt. directives. Scrutiny of the record further indicated that honorarium of the officer was not approved from the Senate. The amount of honorarium paid to the officer from 2019 to 2021 was not provided to the audit.

The irregularity occurred due to payment of honorarium to the Vice Chancellor without Senate approval, in violation of government directives.

Audit is of the view that as per said Government directives, the officer was not entitled to draw amount as honorarium and payment of Rs 4.521 million was held irregular.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 stated that post of Vice Chancellor, PIDE was not an MP scale post. However, the officer was being paid a salary at the maximum of MP-I scale with due approval of the appointing authority. During the entire tenure of Vice Chancellor, his salary was not increased as he was already at the maximum of MP-I.

The reply of the management is not tenable. As per notification dated 01.10.2019, the appointment of officer made as Vice Chancellor, PIDE in MP-I scales. As per clause IV of letter No. U.O.1701-SAFM/2016 dated 27.06.2016 of Finance Division, honorarium would be granted to those officers / officials who were working in Basic Pay Scales. Accordingly, no honorarium was admissible to those working in MP scales.

The DAC in its meeting held on January 09, 2025 directed the management to initiate recovery from VC besides provision of record regarding approval of honorarium already paid from previous years too.

Audit recommends to implement the directives of the DAC.

(Para-13, PIDE 2022-24)

14.2.4.4 Irregular appointment of employees due to severe deficiencies in recruitment process - Rs 39.024 million

According to Rules.7 (a & b) of Pakistan Institute of Development Economics Revised Service Rules 2016, “all vacant posts for the academic staff shall be advertised in the print media within the country and given on the web site of the Institute”. Reasonable efforts would have made to also advertise the posts in suitable publications abroad. Furthermore, according to Rule-12 of PIDE Revised Service Rules 2016 “appointment of employees of Category (I) i.e. BPS-17 & above shall be made by the Senate on the recommendation of Selection Committee.

During audit of Pakistan Institute of Development Economics (PIDE) for the period from 2022-23 to 2023-24, it was observed that the management appointed 14 employees against different posts (Annex-67). Audit requisitioned the record pertaining to appointment process of said employees. The record containing complete process of recruitment was not available with the management. The management provided selected documents, which were not enough to ascertain whether the appointments were made on merit or otherwise. The following deficiencies were observed by the audit in said appointments:

1. Administrative approval of the appointment was not available on record.
2. Applications/Profiles of the candidates applied for the post and shortlisted for interview was not available on record.

3. The basis for shortlisting of candidates were not shared with audit.
4. For some posts, only two candidates were called for interview against the standing instructions of calling at least five candidates for interview.
5. Constitution of Interview Committee was not shared with audit.
6. Merit list of the candidates interviewed was not available in the file.
7. Attendance sheet of candidates interviewed was not shared with audit.
8. Attendance sheet of members of interview committee was not available.
9. Interview marks sheet of candidates duly signed by the members of interview committee was not shared with audit.
10. Approval of Senate was not obtained for the said appointments.
11. In some cases, no advertisement was made for initial appointment on contract basis.
12. Written test not conducted of candidates for any post.

The above said deficiencies prove that the appointments were not made on merit. These lapses were made intentionally to hide the merit. Tailor made system was adopted to appoint favorite candidates in PIDE. Thus due to severe deficiencies in recruitment process, the appointments of 19 employees and payment valuing Rs 39.024 million was held irregular in audit.

Audit is of the view that the management should follow the merit for appointment of employees. The complete record of appointment process should have been maintained but the same was not done.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 stated that advertisements had been placed, but many ineligible candidates applied. Meanwhile, qualified candidates were identified but achieved limited success. To mitigate risks, short-term contracts were initially offered after validation through interviews by four researchers. All candidates were thoroughly interviewed by experts, and appointments finalized accordingly under the PIDE restructuring plan.

The reply of the management is not tenable as during verification the management had not submitted any document in support of their reply.

The DAC in its meeting held on January 09, 2025 directed the management to provide requisitioned record to Audit.

Audit recommends to implement the directives of the DAC.

(Para-19, PIDE 2022-24)

14.2.4.5 Irregular distribution of receipt pertaining to funded research studies and non-inclusion thereof in annual accounts - Rs 147.969 million

According to Para-10(i) of General Financial Rules, “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.” As per IAS 1 the financial statements must “present fairly” the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transaction, other events and conditions in accordance with the definition and recognition of criteria of assets. Further, is 16 requires for each class of property, plant and equipment disclose reconciliation of the carrying amount at the beginning and end of period, showing addition and other movements.

During audit of PIDE for the financial years 2022-23 to 2023-24, it was observed that PIDE conducted national and international research studies. As per guidelines of research study, 15% of funds were for PIDE and 85% amount was at the discretion of the Principal Investigator (PI), who was also the Vice Chancellor. The PI could adjust fund distribution based on team members' contributions, even if they were not listed in the study agreement. As per records, no formal research team compositions were made. Huge amounts were disbursed to faculty and unrelated employees without proper documentation. Thus, authenticity of payments of Rs 147.969 million could not be verified. Further, no criteria or financial limits were set for disbursing the 85% share. Audit also noted that the said payments were not reflected in the financial statements.

Audit is of the view that the management should notify research teams for each project and proper criteria / mechanism for disbursement of 85% project amount should be approved from the Senate of PIDE. Further, the said payment should be included in financial statements to present true and fair view of the financial statements but the same was not done. Thus, the payment made was held irregular in audit.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 stated that since the accounts of contractual research studies were maintained and audited separately, information regarding PIDE share was reflected in the annual accounts of PIDE and remaining details were available in audited accounts of contractual research studies.

The reply of the management is not tenable as the management failed to reflect the funds in the financial statements of PIDE.

The DAC in its meeting held on January 09, 2025 directed the management to develop a mechanism approved from competent forum for formulation of project team and detail of budgeting for each project and show vouched accounts record of 85% amount to Audit. DAC also directed the management for inclusion of 85% amount of research studies into annual financial statements.

Audit recommends to implement the directives of the DAC.

(Para-7 & 8, PIDE 2022-24)

14.2.4.6 Irregular expenditure incurred on foreign visits - Rs 10.265 million

The Government of Pakistan Cabinet Division, Islamabad vide O.M. No. F-9-148/2002-Min dated February 19, 2003 prescribe the following procedure for visit abroad for official/officers working in autonomous bodies:

- iii. In case of officer of BPS-20, and above the approval of the Minister In charge will be necessary with prior clearance by the Ministry of Finance.
- iv. At the conclusion of a foreign visit, the delegation/official shall submit post visit report to the Ministry of Foreign Affairs and Economic Affairs Division within 15 days of the completion of visit.
- v. All cases of visits abroad will require clearance from the Ministry of Foreign Affairs

During audit of PIDE for 2022-24 it was revealed that under the "Tobacco Research" project with the University of Illinois (Jan 1 - Dec 31, 2023), PIDE officers incurred Rs 10.265 million on foreign travel expenses. This spending was

deemed unnecessary, as the project agreement included no provision for foreign tours. When questioned, the PIDE management failed to provide a clear rationale or documentation supporting the necessity of these trips.

S. No.	Name of officer	Designation	Destination	Amount (Rs)
1	Dr. Durr-e-Nayab	Pro- Vice Chancellor	China	1,142,626
2	Dr. Nadeem ulHaq	Vice Chancellor	Turkey	584,023
3	Dr. Durr-e-Nayab	Pro- Vice Chancellor	France	1,406,520
4	Dr. Nadeem ulHaq	Chancellor	France	1,390,520
5	Dr. Durr-e-Nayab	Pro- Vice Chancellor	Turkey	619,604
6	Miscellaneous officers	Miscellaneous designations	Bali, Indonesia	6,512,500
	Total			10,265,273

It is worth mentioning here that audit demanded details of officers who made foreign visits during the FY 2022-23 to 2023-24 but the same was not provided. The final accounts of the TOBACO project were also not provided to audit for scrutiny. Approvals of the competent authority were also not available.

The irregularity was caused by management's authorization of foreign travel without aligning with the project terms, a lack of oversight in ensuring compliance with agreement provisions, and inadequate justification for travel expenses.

Audit is of the view that the management should avoid foreign visits without approval of the competent authority as no mechanism was mentioned in TORs of research study grants.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 stated that no staff member of PIDE had travelled on any funds other than those provided by international funders. No Govt. funds were involved. All these visits were internationally funded.

The reply of the management is not tenable as per instructions of Government of Pakistan Cabinet Division, Islamabad vide O.M. No. F-9-148 / 2002-Min dated February 19, 2003 the management of PIDE did not obtain approval from the appropriate authority for officers traveling abroad. Without a properly formed project team, the authenticity of these trips could not be verified.

Furthermore, the management did not have any reports from these foreign visits on record.

The DAC in its meeting held on January 09, 2025 directed the management that visits of the officers may be got regularized from the competent forum in the light of Cabinet Division's instructions on visit abroad and post visits report along-with details of officers who made foreign visits in the FY 2022-23 to 2023-24 be shared with Audit.

Audit recommends to implement the directives of the DAC.

(Para-4, PIDE 2022-24)

14.2.4.7 Non-recovery of cost of higher studies from the defaulters of Ph.D scholarship holders - Rs 9.662 million

According to clause 3 and 4 of the terms and condition of indemnity bond, “the Principal and two sureties in consideration of the aforesaid nomination and expenditure involved therein, DO HEREBY BIND themselves and each one of them including their respective heirs, executor and administrators to pay to the PIDE upon demand and without demur all sums expended by the PIDE, in case the Principal does not return to duty at all or fails to serve PIDE for a period of 05 (five) years from the date of return at any post directed by PIDE.”

During audit of PIDE for the financial years 2022-23 to 2023-24 it was observed that certain employees of PIDE were awarded PhD scholarships. However, these employees failed to rejoin after completion of PhD and did not serve PIDE for a period as per indemnity bonds after successful completion of their PhD programs. An amount of Rs 9.662 million was outstanding against these employees as detailed below:

S. No.	Name of Researcher	Cost Recoverable (Rs)
1	Ms. AdeebaIshaq	2,443,442
2	Ms. TahiraIshaq	2,884,504
3	Ms. Nadia Zakir	4,334,553
	Total	9,662,499

Audit is of the view that the management failed to recover of cost of higher studies from defaulter PhD scholarship holder. Resultantly PIDE sustained loss of Rs 9.662 million.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 stated that an amount of Rs 8.403 million out of a total of sum Rs 17.965 million was recovered and the remaining amount of Rs 9.562 million was under the process of recovery.

The reply of the management is not tenable as an amount of Rs 9.562 million is still recoverable which reveals that there was poor mechanism of recovery.

The DAC in its meeting held on January 09, 2025 directed the management to issue notices to concerned scholarship holders and to those who signed surety bond for full recovery of Rs 9.562 million within a defined timeline and get the record verified from Audit. Moreover, in future amount may be recovered in lump sum.

Audit recommends to implement the directives of the DAC.

(Para-3, PIDE 2022-24)

14.2.4.8 Irregular disbursement of honorarium among contract employees of fixed pay package of - Rs 8.018 million

According to clause IV of letter No. U.O.1701.SAFM/2016 dated 27.06.2016 of Finance Division, no honorarium will be granted to those working on fixed pay package.

During audit of PIDE for the financial years 2022-23 to 2023-24, it was observed that the management of PIDE paid an amount of Rs 8.018 million as honorarium to contract employees who were appointed on lump sum package (Fixed pay).

This resulted in payment of honorarium to the tune of Rs 8.018 million which was considered irregular.

The irregularity occurred due to non-adherence to the Finance Division's instructions.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 stated that Senate, PIDE in its 14th meeting held on October 04, 2021 approved a restructuring plan wherein certain provisions were provided for contract employees. Section-V of the restructuring

plan deals with honorariums and awards and permits the Vice Chancellor and Senior Management Committee to grant such honorarium.

The reply is not tenable as the management did not comply / follow rules of Finance Division while making payment on account of honorarium among the contract employees serving on lump sum package.

The DAC in its meeting held on January 09, 2025 directed the management to refer the matter to Senate PIDE for consideration and outcome be shared with Audit.

Audit recommends to implement the directives of the DAC.

(Para-9, PIDE 2022-24)

14.2.4.9 Irregular appointments on contract and payment of pay & allowances to the employees without verification of degrees – Rs 192.833 million

As per approved sanctioned strength of PIDE all seats are based on National Pay Scales i.e. BPS. According to clause-4 of Service Statutes of PIDE 2008, subject to the general powers of the Syndicate to create and abolish posts according to the needs and requirements of the PIDE, the PIDE Service shall comprise of the following categories i.e.

Category-I BPS 17 and above

Category-II BPS 1-16

According to Cabinet Secretariat (Establishment Division) D.O No. 6(28) 2011-DG-II dated Mar 08, 2011, all Autonomous bodies / Companies, Corporations were required to take the measures to authenticate degrees / certificates of all the employees of their organization.

During the audit of Pakistan Institute of Development Economics (PIDE) for the period from 2022-23 to 2023-24, it was observed that the management of PIDE recruited employees on contract basis on lump sum package. During scrutiny of the pay roll, it was noted that hiring of services of employees was made in same grade/designations whereas the lump sum package was offered and annual increase in pay of said employees was different which showed that favor was extended to selected employees. It is worth mentioning here that sanctioned

strength of employees was framed in National Pay Scales i.e. BPS. In spite of these, the management of PIDE recruited 69 No. employees on lump sum package against the posts of BPS whereas neither any basis for contract appointment on lump sum package existed nor any contract appointment policy / rules were framed / vetted from the Establishment Division and Finance Division.

Further, the management failed to verify the testimonials of its employees in violation of the Establishment Division instructions.

Thus, the recruitment of contract employees on unapproved lump sum package and payment of salaries of Rs 192.833 million without verification of their testimonials was held irregular.

The irregularity occurred due to failure of management to establish an approved policy for contract appointments and deviation from standardized National Pay Scales.

Audit is of the view the management of PIDE should make recruitments in line with National Pay Scales instead of lump sum package but the same was not done.

The DAC in its meeting held on January 09, 2025 was apprised that PIDE Senate approved restructuring of PIDE in 2019 to move ahead from permanent positions to contractual positions and contract employees were being hired accordingly. The DAC directed the management to get approved Service Rules along-with pay structure from competent forum in line with restructuring plan. DAC also directed the management to verify degrees from HEC and get it verified from Audit.

Audit recommends to implement the directives of the DAC.

(Para-10 & 11, PIDE 2022-24)

14.2.4.10 Irregular increase in salary @ of 150% during three years and re-designation from Media Officer to Senior Media Officer - Rs 3.960 million

According to clause-4 of Service Statutes of PIDE 2008 that subject to the general powers of the Syndicate to create and abolish posts according to the

needs and requirements of the PIDE, the PIDE Service shall comprise of the following categories i.e.,

Category-I BPS 17 and above

Category-II BPS 1-16

During audit of PIDE for the financial years 2022-23 to 2023-24, it was observed that PIDE management appointed Mr. Hamayun Khan as Media Officer on contract basis in the Institute for the period of one year w.e.f. 14.12.2020 to 13.12.2021 at a fixed pay package of Rs 80,000 per month inclusive of all perks and fringe benefits. Later on, the PIDE management extended the contractual appointment of said officer for a period of further one year w.e.f. 14.12.2021 to 13.12.2022 with increase of pay Rs 80,000 to Rs 100,000 per month. The PIDE management again extended the contractual appointment of said officer for a period of one year, w.e.f 14.12.2022 to 13.12.2023 with unjustified abnormal increase of pay Rs 100,000 to Rs 150,000 per month.

Further it was also observed that PIDE management extended the contractual appointment of officer for a period of further two years w.e.f 14.12.2023 to 13.12.2025 with increase of pay of Rs 150,000 to Rs 200,000 per month and is re-designated him as Senior Media Officer. Hence, the total increase in salary becomes 150% ($\text{Rs } 200,000 - \text{Rs } 80,000 = \text{Rs } 120,000 / \text{Rs } 80,000 \times 100$) during last three years.

Audit is of the view that the management should have avoided abnormal increase in salary as well as re-designation of employee; Contrary to that undue favor was extended to the officer.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 explained that the incumbent received the stated salary because he was on a contract and not entitled to the benefits available to regular employees. The salary increase was implemented to align his compensation with that of regular employees in the same grade.

The reply of the management is not tenable as there were no grounds with the management for enhancement of salary upto 150% of Media Officer in a period of three years.

The DAC in its meeting held on January 09, 2025 directed the management to initiate fact finding inquiry and share report with Audit.

Audit recommends to implement the directives of the DAC.

(Para-15, PIDE 2022-24)

14.2.4.11 Irregular award of research studies to Pro-Vice Chancellor - Rs 15.292 million

As per Rule-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 PIDE for the financial years 2022-23 to 2023-24, it was observed that Ms. Durre Nayab was serving as Pro-Vice Chancellor. The management through a project RASTA (Research for Social Transformation & Advancement) awarded significant Research Studies to Ms. Durre Nayab, Pro-Vice Chancellor and an amount of Rs 15.292 million was paid to the officer. The vouched accounts of the said amount were not provided to audit for scrutiny. Further, it was observed that being Pro-Vice Chancellor and member of RAC (Research Advisory Committee), an award of significant research studies to the officer was a conflict of interest. Such situation undermines quality of research and high standard of governance and most of her research studies were in progress for the last three to four years.

The irregularity was caused due to conflict of interest, as significant research studies were awarded to the Pro-Vice Chancellor and a member of the Research Advisory Committee (RAC), leading to payments of Rs 15.292 million without proper scrutiny.

Audit is of the view that undue award of research studies to the officer and non-completion thereof despite elapse of a reasonable time was held irregular in audit.

The matter was reported to the management on 22.10.2024. The management in its reply dated 23.12.2024 stated that the officer was assigned to lead important DDR projects which were executed at PIDE. The officer was

never paid for any DDR research project she led as principal investigator or participated in any DDR study as a team member.

The reply of the management is not tenable as through RASTA project 05 No. of studies were awarded to the officer and only two (02) studies were completed, remaining three (03) studies were still in process despite elapse of a period of four years. At present, the officer had been proceeded on LPR without completing research studies.

The DAC in its meeting held on January 09, 2025 directed the management to verify the status of research studies projects conducted by Pro-VC from the Audit.

Audit recommends to implement the directives of the DAC.

(Para-16, PIDE 2022-24)

Chapter-15

Ministry of Science and Technology

Overview

The Ministry of Science and Technology concerned with Pakistan and in general, Pakistan's science policy, planning, co-ordination and directing of efforts to initiate and launch scientific and technological programs as well as projects aimed at economic development.

Aims & Objectives

The ministry is established has a sanctioned strength of 176 personnel and 17 on development side. The work is divided amongst Administration & Finance Wings and five technical wings; namely, (i) Policy & Coordination, (ii) the Planning & Development, (iii) the Technology, (iv) the International Liaison, and (v) the Electronics Wing. Efforts to consolidate achievements in the priority areas included: Human-Resource Development; Transfer of Technology from R&D Institutions and Universities to Industry; Food & Agriculture; Analytical Centers for Industrial Analysis, Industrialization, Health, Electronics, Ocean Resources, New Materials, Biotechnology, Textiles, and Pharmaceuticals.

Governing Laws and Policies

- Rules of Business 1973

Audit Profile of Ministry of Science and Technology

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2023-24	Revenue /Receipts audited FY 2023-24
1	Formations	4	1	124.476	658.68
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	4	1	124.476	658.68
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 599.518 million were raised as a result of this audit. This amount also includes recoverable of Rs 54.078 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs in million)
1	Non Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	545.440
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	54.078

15.1 STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited

15.1.1 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, Ferozpur Road, Lahore.

15.1.2 Comments on Audited Accounts

15.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2020-21 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts for the year 2020-21 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*Annex-2*).

15.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2018-19	06	01	05	17.2.2.1, 17.2.2.2, 17.2.2.3, 17.2.2.4, 17.2.2.5,	
Total	6	01	05		17

Overall compliance of PAC directives was not satisfactory which needs to be improved.

15.1.4 Audit Paras

15.1.4.1 Irregular procurement of raw material - Rs 510.441 million

According to Clause 12 (2) of PPRA Rules 2004, all procurement opportunities over three million Pakistani 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 15 of rules *ibid*, a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

During audit of STEDEC Technology Commercialization Corporation of Pakistan (Pvt.) Limited, Lahore for the years 2018-2024, it was found that management carried out pre-qualification process for procurement / import of raw material / Aluminum Phosphate during the year 2018 to 2024. The Aluminum Phosphate tablets/ raw material valuing Rs 510.441 million were procured through pre-qualified bidders instead of open competition. Moreover, it is pertinent to mention that material did not fall under rule 15 of PPRA rules which is held irregular in audit as detail here under:

(Amount in Rs)					
2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
19,553,575	10,909,136	9,822,610	15,530,646	34,893,582	39,714,111
10,424,170	10,597,549	10,295,951	30,155,936	35,080,646	30,888,378
18,426,025	11,003,303	11,490,433	17,531,713	34,983,894	38,197,298
19,254,651	9,676,980	-	18,239,808	-	33,075,835
21,431,782	-	-	19,263,014	-	-
89,090,203	42,186,968	31,608,994	100,721,117	104,958,122	141,875,622
		Grand Total	510,441,026		

Audit is of the view that the procurement of Aluminum Phosphate does not warrant prequalification of bidders being not a civil work, turnkey project or technically complex equipment. Hence, the procurement should have been made through open tender in compliance of PPRA Rule-12 and 20 but the same was not done.

The irregularity occurred due to non-observance of PPRA rules.

Due to non-observance of PPRA rules in letter and spirit, irregular procurement was made.

The matter was reported to the management on 19th December, 2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter of irregular procurement, regularize the amount from the competent authority and avoid recurrence of such irregularities in future.

(Para-1, STEDEC 2018-24)

15.1.4.2 Irregular purchase of packing material - Rs 24.684 million

According to clause 4 and 12 of PPRA 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. Procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani 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 STEDEC Technology Commercialization Corporation of Pakistan (Pvt.) Limited, Lahore for the years 2018-2024, it was found that management procured packing material i.e. bottles etc. through calling quotation from pre-qualified bidders instead of open tendering process. Moreover, prequalification of bidders was conducted in 2020 and the same bidders were

being considered for procurements which was held irregular in audit. The detail of irregular procurement made during 2018-19 to 2023-24 is given below:

Period of procurement	Amount (Rs in million)
2024	5.927
2023	4.921
2022	3.114
2021	4.607
2020	2.996
2019	3.119
Total	24.684

This violation occurred due to non-observance of PPRA rules.

Audit is of the view that management should have procured raw material through open tender in each financial year according to PPRA Rules 2004 for transparent procurement but the same was not done.

The matter was reported to the management on 19th December, 2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter of irregular procurement, regularize the amount from the competent authority and avoid recurrence of such irregularities in future.

(Para-2, STEDEC 2018-24)

15.1.4.3 Loss due to delay in clearance of shipment - Rs 2.184 million

According to Rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the principle of probity and propriety states that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

During audit of STEDEC for the year 2024, it was found that various LCs were open for import of Aluminum Phosphate tablets and other raw material from China. Further it was observed that the clearing agents raised invoices including detention charges /demurrage which showed that consignments were got cleared late. Consequently, detention /demurrage charges were to be paid due to delay in shipment clearance. The detail is given below:

S. No.	Name of clearing agent	LC No.	Invoice No.	Date	Amount (Rs)
1	Five Brothers	0021LC69591/2020	786/2021/50	29.03.2021	21,153
2	Five Brothers	0021LC43300/2018	786/2018/309	13.11.2018	153,000
3	Five Brothers	0021LC31543/2019	786/2019/101	30.06.2019	43,300
4	Five Brothers	0021LC27866/2019	786/2019/81	11.05.2019	74,000
5	Five Brothers	0021LC36329/2019	786/2019/143	14.09.2019	706,000
6	Five Brothers	0021LC73138/2019	786/2020/108	18.06.2020	849,690
7	Five Brothers	0021LC313560/2020	786/2020/100	06.06.2020	218,785
8	Five Brothers	0021LC34186/2018	786/2018/230	28.08.2018	118,311
					2,184,239

Irregularity occurred due to weak internal controls.

Audit is of the view that management should have cleared shipment in time to avoid detention /demurrage charges but the same was not done.

The matter was reported to the management on 19th December, 2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter to fix responsibility on the person(s) at fault besides recovery of loss. Further, strengthen the internal controls to avoid such irregularities in future.

(Para-3, STEDEC 2018-24)

15.1.4.4 Irregular purchase of Aluminum Phosphate Tablets - Rs 10.315 million

As per terms and conditions of LC, pre-shipment inspection is pre requisite of import items before shipment to ensure quality and quantity of the consignment.

Rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, states that the principle of probity and propriety states that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage.

During audit of STEDEC Technology Commercialization Corporation of Pakistan (Pvt.) Limited, Lahore for the years 2018-2024, it was found that an LC bearing No. 069591 was opened in Bank Al Habib at Ichra Branch, Lahore for

import of 12,600 Kg Aluminum Phosphate tablets @ USD 4.65/kg from M/s Jining High Technology Development Zone Yongfeng Chemical Plant, China. The Bank after scrutiny of import documents, informed the STEDEC management on 04.03.2021 that pre shipment inspection certificate date was after the shipment date. It was further revealed that pre ship inspection was conducted on 10.02.2021 and shipment advice was issued on 04.02.2021. Audit construed that quality was compromised as terms and conditions were violated.

Irregularity occurred due to weak internal controls.

Audit is of the view that management should have ensured that the inspection was carried out before the shipment of consignment but the same was not done.

The matter was reported to the management on 19th December, 2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter to fix responsibility on the person(s) at fault, get the amount regularized from the competent authority and strengthen the internal controls to avoid such lapses in future.

(Para-4, STEDEC 2018-24)

15.1.4.5 Loss due to non-recovery from defaulter distributors - Rs 12.569 million

According to Sale Policy of STEDEC, “Credit sale shall be made at the prevailing basic price, Maximum credit period - 60 days; After 60 days if still overdue - other sale on cash basis; After 180 days if still overdue – other sale on cash basis with 10-20% recovery from previous outstanding; Credit/time limit may be enhanced during the year subject to the recommendation of GM (F&A) and approval from the Managing Director.

During audit of STEDEC Technology Commercialization Corporation of Pakistan (Pvt.) Limited, Lahore for the years 2018-2024, it was observed that credit sale receivables from different distributors rose to Rs 12.569 million since 2014. The management filed a case in the court of law and received only Rs 317,282 (Rs 100,000 from Al Hussain Agro Company on 04.06.2020 and

Rs 217,282 from Pakistan Zari Services on 08.01.2016). The management had not made sincere efforts to recover the receivables despite lapse of considerable time of ten years. It is expected that management may sustain loss of Rs 12.569 million. The detail outstanding amount is as under:-

S. No.	Name of Party	Principal Amount (Rs)	Amount received (Rs)	Total (Rs)	Outstanding since
1	Danial Traders	425,650	-	425,650	18.06.2014
2	NADEC	1,845,018	-	1,845,018	24.07.2015
3	Hasan Traders	637,956	-	637,956	21.08.2015
4	Vantage Chemicals Lahore	5,684,247	-	5,684,247	02.12.2019
5	Al Hussain Agro SVC Sargodha	635,360	100,000	535,360	04.06.2020
6	Mr. Tauqer	660,014	-	660,014	04.06.2020
7	Haq Sons Enterprises	2,780,787	-	2,780,787	13.10.2020
	Total			12,569,032	

This irregularity occurred due to non-observance of sale policy.

Audit is of the view that management should have taken steps to recover the amount from distributors. This indicated poor financial and managerial controls on the part of management.

The matter was reported to the management on 19th December, 2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons for non-recovery from defaulter distributors and fix responsibility on the person(s) at fault. Besides, recover the outstanding amount and avoid recurrence of such irregularities in future.

(Para-11, STEDEC 2018-24)

15.1.4.6 Non-refund of tax by FBR - Rs 39.325 million

According to clause 170 (1) of Income Tax Ordinance “A taxpayer who has paid tax in excess of the amount which the taxpayer is properly chargeable under this Ordinance may apply to the Commissioner for a refund of the excess. Where any advance or loan, to which sub-clause (e) of clause (19) of section 2 applies, is repaid by a taxpayer, he shall be entitled to a refund of the tax, if any,

paid by him as a result of such advance or loan having been treated as dividend under the aforesaid provision”.

During audit of STEDEC Technology Commercialization Corporation of Pakistan (Pvt.) Limited, Lahore for the years 2018-2024, it was observed that the management paid income tax of Rs 104.282 million w.e.f. 2012 to 2024 against tax liability of Rs 34.208 million. An amount of Rs 70.074 million was receivable from FBR w.e.f. 2012 but FBR refunded only Rs 30.749 million. Thus, an amount of Rs 39.325 million was still receivable from FBR till June 2024. The detail is as under:-

Years	Tax Liability (Rs)	Tax Paid (Rs)	Refund amount (Rs)	Amount received (Rs)	Net refundable amount (Rs)
2012	2,543,635	4,919,033	2,375,398		2,375,398
2013	914,631	3,978,680	3,064,049		3,064,049
2014	1,674,844	5,790,401	4,115,557	3,748,848	366,709
2015	1,711,912	9,301,461	7,589,549	7,143,407	446,142
2016	1,681,353	7,695,513	6,014,160	5,555,424	458,736
2017	2,536,341	10,101,870	7,565,529	5,440,878	2,124,651
2018	2,503,014	10,341,196	7,838,182	4,793,536	3,044,646
2019	2,033,707	9,215,248	7,181,541	4,067,635	3,113,906
2020	1,407,205	4,623,401	3,216,196		3,216,196
2021	2,037,956	3,937,189	1,899,233		1,899,233
2022	2,204,386	6,688,419	4,484,033		4,484,033
2023	3,488,216	8,756,213	5,267,997		5,267,997
2024	9,470,987	18,934,156	9,463,169		9,463,169
	34,208,187	104,282,780	70,074,593	30,749,728	39,324,865

Furthermore, it was observed that management filed case in Federal Tax Ombudsman (FTO) on 22.09.2023. The FTO on 22.11.2023 directed the FBR / Revenue Division, Islamabad to refund the STEDEC outstanding amount, but Revenue Division / FBR did not implement the decision. This, resulted in non-refund of Rs 39.324 million by FBR.

Audit is of the view that management should have pursued the case with FTO again for refund of tax amount of Rs 39.325 million from FBR. This irregularity showed weak financial and internal controls.

The matter was reported to the management on 19th December, 2024 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the reasons for non-refund of tax by FBR, take concrete steps on administrative level for the recovery of outstanding amount from FBR.

(Para-12, STEDEC 2018-24)

Chapter-16

Strategic Plans Division

Overview

The Strategic Plans Division (SPD) is a Division of the Pakistan Military that manages the country's strategic programs. The SPD is the secretariat of the National Command Authority (NCA), which is responsible for policy formulation and control over Pakistan's strategic forces.

Audit Profile of Strategic Plans Division

(Rs in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	2	-	-	-
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	2	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

No audit observation was raised due to non-production of record.

16.1 Heavy Mechanical Complex (HMC)

16.1.1 Introduction

Heavy Mechanical Complex (HMC) was incorporated in Pakistan under the Companies Act, 1913 (Now Companies Act, 2017) in July 1975. It was wholly owned subsidiary of State Engineering Corporation (SEC) and under direct control of Ministry of Production and Special Initiative vide Administration Order dated July 03, 2008 with a new Board of Directors. Thereafter, the administrative control of the HMC was transferred to Strategic Planning Division (SPD) in compliance to the decision of Economic Coordination Committee of the Cabinet dated June 14, 2016 conveyed by the M/o Industries & Production vide letter dated 04.07.2016.

Nature of Business

The principal activities of the Company are to manufacture, supply and install machinery for cement, sugar, oil, gas and energy sector industries, to engineer, design manufacture and supply cranes, boilers, defence and construction equipment and production of ferrous and non-ferrous metals, alloys, casting and forging. The principal place of business of the Company is situated at Hattar Road, Taxila.

16.1.2 Comments on Audited Accounts

16.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

16.1.2.2 The working results of the Company for the financial year 2022-23 as compared to the preceding financial years are tabulated below:

(Rs in millions)

Particulars	FY 2022-23	% Inc / (Dec)	FY 2021-22	% Inc / (Dec)	FY 2020-21
Revenue	2,379.85	56.32	1,522.42	(38.28)	2,466.74
Cost of sales	2,322.27	56.23	1,486.43	(23.34)	1,939.07
Gross profit/(loss)	57.58	60.00	35.99	(93.18)	527.67
Administrative expenses	313.25	0.17	313.79	23.09	254.93
Selling & distribution expenses	26.63	19.16	22.35	6.61	20.96
Other expenses	0.00	-	67.03	(27.46)	92.39
Operating Profit/(Loss)	(282.30)	(23.12)	(367.18)	-	159.39
Other Income	915.53	137.61	385.31	32.85	290.04
Finance Cost	499.66	123.43	223.63	27.08	175.98
Profit / (loss) before tax	133.56	-	(205.50)	-	273.45
Taxation	0.53	58.38	0.33	(87.05)	2.58
Profit / (loss) after tax	133.04	(35.37)	(205.84)	(24.00)	270.87

(Source: Annual Audited Accounts)

During the FY 2022-23 the revenue of the formation was increased by 56.32% to Rs 2,379.85 million (Rs 1,522.42 million 201-22). The increase was due to sale of products by 29% from Rs 1,477.89 million in FY 2021-22 to Rs 1,910.29 million in 2022-23 and 291% increase in Contracts with Customer i.e. from Rs 160.18 million to Rs 625.86 million during the same financial years. The Cost of Sales was also increased with almost same proportion i.e. by 56.23% to Rs 2,322.27 million in FY 2022-23 (Rs 1,486.43 million FY 2021-22). Although, during the FY 2022-23 the Company earned net profit of Rs 133.04 million against net loss of Rs 205.50 of preceding financial year, but the accumulated loss of the Company stands at Rs 2,942.27 million as on June 30, 2023. Strenuous efforts are needed to make the factory a viable unit.

16.1.2.3 During the financial year 2022-23 the financial cost increased by 123% from Rs 223.63 million in FY 2021-22 to Rs 499.66 million. The reason for increase in financial cost was 141.89% increase in un-winding interest on long term interest free loan which increased from Rs 202.83 million in 2021-22 to Rs 490.62 million in 2022-23. It resulted in decrease of profit by equal amount. The booking of interest against interest free loan needs clarification.

16.1.2.4 Selling & Distribution Expenses increased by 19.16% to Rs 26.630 million in FY 2022-23 (2021-22 – Rs 22.348 million). The figure included other expenditure of Rs 3.130 million in FY 2022-23 with 39% increase as compared

to previous year (Rs 2.244 million – FY 2021-22). Management should provide head wise detail of said expenditure along with reasons of increase.

16.1.2.5 Although, there was no increase in General and Admin. Expenses during the FY 2022-23, but abnormal increase has been booked under the heads Vehicle Running and Commercial Guests by 55% and 64% respectively. Vehicle Running Expenses increased to Rs 19.802 million in FY 2022-23 (FY 2021-22 – Rs 12.774 million) and expenses under the head Commercial Guests increased to Rs 3.233 million in FY 2022-23 (2021-22 – Rs 1.972 million). Exorbitant increase under above said heads needs justification.

16.1.2.6 Managerial Remuneration of Chief Executive was increased by 156.80% to Rs 16.756 million in FY 2022-23 against Rs 6.525 million in preceding financial year. Abnormal increase under the head during the year needs proper justification with authority approving the increase. .

16.1.2.7 Stock in Trade increased by 13% to Rs 1,506.039 million in FY 2022-23 (FY 2021-22 – Rs 1,330.312 million). It was due to 15.54% increase in Work in Process to Rs 735.095 million in FY 2022-23 (FY 2021-22 – Rs 636.199 million) and 1,926% increase in Finished Goods to Rs 31.915 million (FY 2021-22 – Rs 1.575 million). Early completion of work in process and delivery of finished goods to the clients is stressed upon the management.

16.1.2.8 Although, during the FY 2022-23 Trade Debts decreased by 27.42% to Rs 606.513 million (FY 2021-22 - Rs 835.678 million) but are still on higher side. Management disclosed in Note 9.1.3 that this figure included an amount of Rs 12.499 million outstanding for about last three years. As per annual accounts, the outstanding amount on account of Trade Debts is Rs 606.513 million as on June 30, 2023 against which the management provided aging analysis of only Rs 88.861 million outstanding against related parties. Management may provide aging analysis of amount outstanding against other parties also.

16.1.2.9 Further, during the financial year 2022-23 an amount of Rs 24.696 million was considered for write off on account of expected credit loss. Party wise details of said amount along with reasons for considering the amount for write off needs to be clarified.

16.1.2.10 Loans & Advances – Unsecured increased by 296.90% to Rs 939.538 million as on June 30, 2023 (FY 2021-22 – Rs 236.721 million). The abnormal increase under the head was due to increase in advances to suppliers by 305% to Rs 913.949 million as on June 30, 2023 (FY 2021-22 – Rs 225.723 million). Reasons for abnormal increase in advances to suppliers during financial year and mode of security by which the interest of the company was secured needs to be provided to Audit with justification.

16.1.2.11 Trade Deposits increased by 105.71% to Rs 181.90 million as on June 30, 2023 (FY 2021-22 – Rs 89.885 million). A provision for doubtful debts of Rs 30.504 million was provided for in the annual accounts, during the financial year 2022-23 an amount of Rs 22.00 million was write off. Party wise detail of write off amount along with reasons under which the amount was considered for write off and efforts made for the recovery of said amount need to be provided.

16.1.2.12 Other Receivables increased by 91.33% to Rs 63.04 million as on June 30, 2023 (FY 2021-22 – Rs 32.948 million). The figure, financial notes to the accounts are silent about this increase. The management may provide party-wise detail and elaborate the reasons for increase under the head.

16.1.2.13 The Accumulated Loss is appearing Rs 4,453.989 million as on June 30, 2022, during the financial year 2022-23 the company earned net profit of Rs 133.036 million. After netting off said profit the accumulated loss reduced to Rs 4,320.853 million as on June 30, 2023 but in Annual Account the accumulated loss appears Rs 2,942.271 million with a difference of Rs 1,377.682 million. Position needs clarification.

16.1.2.14 Long Term Borrowings increased by 23.78% to Rs 2,553.373 million as on June 30, 2023 (FY 2021-22 – Rs 2,062.753 million). The increase in Long Term Borrowings was due to 45% increase in borrowings for refurbishment of Heavy Foundry & Forge (HFF) during the financial year i.e. from Rs 825.834 million as on June 30, 2022 to Rs 1,197.003 million as on June 30, 2023. The management may elaborate the terms & conditions of said borrowings including repayment schedule, rate of interest and target date for completion of refurbishment.

16.1.2.15 Short Term Borrowings increased by 868.94% to Rs 2,625.00 million as on June 30, 2023 (FY 2021-22 – Rs 270.714 million). According to Note – 24 of the Annual Accounts, the increase was due to receipt of loan for civil work of Nalter – III Project Rs 500.00 million, for working capital and miscellaneous requirements Rs 1,025.00 million and for repayment of liabilities Rs 830.00 million. The management may elaborate the terms & conditions of said borrowings including repayment schedule, rate of interest and target date for completion of project Nalter – III and financial impact due to delay in completion of project.

16.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2005-06	08	0	08	133, 133.1, 133.2, 133.3, 133.4, 134, 135, 136	0
2006-07	07	01	06	108, 108.1, 108.2, 108.3, 108.5, 108.6	14
2007-08	05	05	0	-	100
2008-09	04	01	03	125, 125.1, 125.2	25
2010-11	09	01	08	11.11.1, 11.11.2.1, 11.11.2.2, 11.11.2.3, 11.11.2.5, 11.11.2.6, 11.11.3, 11.11.4.1	11
Total	33	8	25		24

The compliance of PAC directives was not satisfactory which needs to be improved.

16.2 Institute of Space Technology

16.2.1 Introduction

Institute of Space Technology (The Institute) is a statutory organization established under the Institute of Space and Technology Act, 2010 (Act No. XI of 2010), formerly Institute of Space Technology Ordinance, 2007 (Ordinance No. XLII, 2001 and the approval granted shall remain in force until it has been withdrawn under Rule 217 of Income Tax Rule, 2002. The main objectives of the Institute is to promote and finance educational, research and development activities by facilitating the development of world-class degree awarding institute having a bearing on the socio-cultural economic needs of the country. The Institute is engaged in promoting space oriented activities with the help of both national and international experts.

16.2.2 Comments on Audited Accounts

16.2.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the years 2022-23 to 2023-24 till December 31, 2024.

Audit recommends that the annual audited accounts of 2022-23 to 2023-24 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (**Annex-2**).

16.2.2.2 Working results of the Institute for the year 2021-22 as compared with those of the previous years are as under:

(Rs in million)					
Particulars	2021-22	%age Inc / (Dec)	2020-21	%age Inc / (Dec)	2019-20
Income					
Grants	858.98	20.00	715.85	(0.63)	720.35
Income from educational activities	486.01	34.43	361.55	17.58	307.48
Income from other activities	60.25	122.94	27.03	(11.28)	30.46
Revenue on investments and deposits.	43.63	3.87	42.01	(20.95)	53.14
Total income	1448.87	26.38	1146.42	3.15	1111.43

Expenditure					
Educational expenses	845.59	24.78	677.68	(14.61)	793.61
Administrative expenses	499.12	24.53	400.81	51.82	264.01
Financial charges	0.92	8.36	0.849	30.62	0.65
Total expenditure	1345.63	24.67	1079.34	2.00	1058.27
Surplus for the year	103.244	53.90	67.084	26.19	53.16

(Source: Annual Audited Accounts)

Total income of the Corporation increased by 26.38% from Rs 1146.42 million in 2020-21 to Rs 1448.869 in 2021-22. Whereas total expenditure of the institute increased by 24.67% from Rs 1079.34 million in 2020-21 to Rs 1345.63 million in 2021-22. However, there was abnormal increase in expense of the following heads:

Description	2021-22	%age Inc/(Dec)	2020-21
Expenses from Operational Fund			
Motor Vehicle: Fuel	15.166	151.63	6.027
Janitorial services	19.247	74.35	11.039
Washing Charges	6.92	204.98	2.269
Expenses from Development Fund			
Salaries and Allowances	19.619	636.17	2.665
Misc. Expenses from development fund	32.271	7,151.91	0.445
Expenses from Restricted Grants			
Stationary & Printing Expenses	2.452	421.70	0.47
Other expenses	50.476	269.14	13.674
Administrative Expenses			
Expenses from Restricted Grants	4.118	468.00	0.725
Expenses from Restricted Grants			
Travel & Transportation expenses	16.275	186.48	5.681
Miscellaneous	1.859	1,759.00	0.1
Repair & Maintenance	7.755	51.38	5.123
Utilities	17.587	2,309.18	0.73
Housing Subsidy	52.271	48.34	35.238
Expenses from Development Fund			
Salaries and allowances	4.905	413.08	0.956
Depreciation	53.403	79.42	29.764

The management needs to justify the increase in expenditure under these heads.

16.2.2.3 Other receivables increased by 590.35% from Rs 1.854 million in 2020-21 to Rs 12.799 million in 2021-22 as on June 30, 2022. These receivables included “current maturity of long term investment”, receivables from employees

and receivable from sponsor organization. Abnormal increase in these heads needs to be justified.

16.2.2.4 Receivable from students increased by 9.82% from Rs 5.507 million in 2020-21 to Rs 6.049 million in 2021-2022. Provision for doubtful debts at 10% of receivable was also made. Reasons due to which provision for doubtful debts against receivable from students was made needs justification. Furthermore, the nature of these receivable i.e. secured or un-secured is not stated in the financial statements which needs to be explained. Efforts needs to be made for early recovery from the students.

16.2.2.5 Other payables under the head “Trade & Other Payable” increased by 368.46% to Rs 220.714 million during 2021-22 as compared to Rs 47.115 million during 2020-21. The excessive increase in other payables not explained by means of notes. Due to non-provisioning of aging of payables audit is unable to give opinion. However, audit stress that these payables may be paid to decrease liability of IST.

16.2.2.6 An amount of Rs 1619.529 million during 2021-22 has been shown under the head of “Cash at Bank” (2020-21 Rs 1030.395 million). This amount included Rs 683.299 million kept in current account and Rs 936.229 million in saving accounts during the year 2021-22. The management did not determine the working balance limit as required vide Finance Division letter No. F.4(1)/2002-BR. II dated 02.07.2003 which states that “the working balance limit of each organization should be determined with the approval of the administrative ministry in consultation with Finance Division. The account of this working balance may be maintained in a current or saving bank account” {para-3(e)}. Resultantly, management lost the opportunity of investing the surplus funds in the most profitable securities. Non-investment of these funds needs to be justified.

16.2.2.7 Development fund under of Profit & Loss account shown income of Rs 249.233 million in 2021-22 (2020-21 Rs 198.428 million) whereas expenditure are Rs 258.156 million in 2021-22 (2020-21 Rs 184.036 million). Due to excessive expenditure during the year 2021-22 IST sustained loss of Rs 8.925 million. Reasons for non-controlling of excess expenditure over income needs to be explain.

16.2.2.8 Development grants under head PSDP Development shows total available grant of Rs 997.924 million (2020-21 Rs 953.277 million) during the year 2021-22. Whereas, the institute utilized only Rs 327.825 million (2020 Rs 497.927 million) against available grant. This shows that the institute could utilized 32.85% in 2021-22 (2020-21, 52.233%) of the total grant whereas 67.149% (2020-21, 47.766%) could not utilized. Detail is as under:

Description	2021-22	2020-21
Opening Balance	455.35	666.031
Grants Received	542.574	287.246
Total Grant	997.924	953.277
Revenue Expenses	69.317	30.74
Refund of Grants	0.136	
External Transfer of grants	54.273	
Third party share		1.139
Transfer to capital asset grant	204.099	466.048
Grant Utilized/Expenses	327.825	497.927
% Grant Utilized	32.850	52.233
% Grant not Utilized	67.149	47.766

Non-utilization of grants needs to be explained. Further, granting authorities of funds needs to review unnecessary granting of excess funds.

16.2.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

Chapter-17

1 Thematic Audit of Compliance of PPRA Rules in Contract Management

1.1 Introduction

A thematic Audit on the subject of “Compliance of PPRA Rules in Contract Management” executed by the National Logistic Corporation during the financial year 2023-24 was planned in the 1st phase of the audit plan for the year 2024-25. Accordingly, a thematic audit of the subject matter was carried out by the audit team of the Director General Commercial Audit & Evaluation (North) Islamabad and its results have been incorporated under this chapter.

1.2 Background

National Logistics Corporation (NLC) (formerly known as National Logistic Cell) is multi model logistics organization of Pakistan offering multiple solutions to diverse clients. On 08th August 2023 National Logistics Corporation Act (NLC Act) was approved by the Government of Pakistan and NLC's status has been changed to Corporation. NLC is a Government organization listed under Schedule II of Rules of Business 1973 under the Ministry of Planning, Development and Special Initiatives. Services offered by NLC mainly include the provision of freight services, construction activities, management of dry ports & border terminals, collection of tolls, technical institute and express freight train services. NLC operates under the ambit of the Ministry of Planning, Development, and Special Initiatives (PD&S) and functions through the National Logistic Board (NLB) chaired by the Deputy Chairman Planning Commission, Pakistan.

Audit observed various issues in the contract management in the works and services as well as the supplies in NLC. The aim of the thematic Audit “Compliance of PPRA Rules in Contract Management in NLC” was to assess the effectiveness, compliance, and award of contracts after following the due competitive bidding process as per rules.

1.3 Establishing the Audit Theme

1.3.1 Reasons of selection

The criteria for selection of subject audit is as follows:

- Functional jurisdiction of the Directorate General (CA&E).
- Issue related to SDGs (directly) linked to various targets and achievements of SDGs.
- Procurements and contracts often involve large financial outlays. Auditing these areas ensure that the funds are spent effectively and in line with organizational objectives.
- Auditing procurement and contract management is crucial for ensuring proper financial management, legal compliance, operational efficiency, and risk management. It helps organizations ensure accountability and transparency while identifying opportunities for process improvements.
- Areas of government priorities.
- Issue of public importance
- Audit impact

1.3.2 Purpose /Objectives

Audit objectives included looking at the following aspects of PPRA compliance in contract management in NLC.

- Effectiveness of PPRA Rules in the organization.
- Compliance with PPRA Rules in contract management.
- Competitive procurement of goods or services.
- Compliance with proper contracting procedures.
- Proper scoring of bidders.
- Contract signed/approved by the competent authority.
- Contract amendments after the award of the contract that in effect nullify the proper competitive bidding process.
- The actual deliverable meets the terms and conditions of a promised deliverable.
- Payments made for work not done.

1.3.3 Scope

The scope of this audit was to ascertain the effectiveness of PPRA rules in the organization and to check whether compliance with PPRA rules was being observed in the organization both in procurement and in contract management.

2 Legal Framework Governing the Theme

In exercise of the powers conferred by section 26 of the Public Procurement Regulatory Authority Ordinance, 2002 (XXII of 2002), the Federal Government has enforced “Public Procurement Rules 2004” vide S.R.O. 432(I)/2004 dated 09.06.2004 for regulating the procurement of goods and services in the Federal entities. These rules were amended from time to time by the issuing authority i.e. PPRA.

3 Stakeholders and government organizations identified as directly /indirectly involved

Stakeholders directly or indirectly related to the theme are as under:

1. Federal Government of Pakistan and Provincial Governments of Punjab, Sindh, KP and Baluchistan
2. Public Accounts Committee and Departmental Accounts Committee
3. Ministry of Planning, Development, and Special Initiatives
4. Public Procurement Regulatory Authority
5. Auditor-General of Pakistan
6. Office of the Quarter Master General, GHQ Rawalpindi
7. Pakistan Engineering Council
8. Client organizations such as NHA, CDA, DHA, FBR, C&W, CBD, NDMA, PASSCO, NFML, PSO, and other private parties etc.

4 Role of Organization

Ministry of Planning, Development, and Special Initiatives:

The Ministry of Planning, Development, and Special Initiative is the controlling Ministry of NLC and Deputy Chairman Planning Commission, Pakistan is the chairperson of the National Logistics Board.

Public Accounts Committee:

The Public Accounts Committee (PAC) plays a pivotal role in ensuring parliamentary oversight on the assets management of government departments including NLC through the Audit Reports of the Auditor-General of Pakistan.

Public Procurement Regulatory Authority:

Public Procurement Regulatory Authority is a regulatory authority for ensuring the transparency in the procurement process in Governments organizations including State Owned Enterprises (SOEs).

The operations of NLC relate to logistics services, engineering works services, toll collection services, management of dry ports and border terminals, and express freight train services and currently established international road transport services namely “Transports Internationaux Routiers”. These fall under the ambit of PPRA regulations for the award of contracts and procurement of supplies.

Auditor-General of Pakistan:

Article 169 and 170 of the Constitution of the Islamic Republic of Pakistan read with section 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 Undertaking and of any Authority or Body established by the Federation.

National Logistic Corporation:

The National Logistics Board (NLB) is responsible for providing strategic guidelines to the Corporation, in accordance with the applicable government policies.

The Officer in Command (OIC) is responsible for the overall affairs of the Corporation, so as to ensure that applicable policy guidelines, issued by the Government, through the Board, are being implemented by the Corporation.

The Director General, as the chief executive of the Corporation, exercises administrative as well as financial powers with regards to the functioning of the Corporation.

5 Organization's financials

(Rs in million)			
Audit Areas	2023-24	2022-23	2021-22
Revenue	102,296.398	113,948.921	62,816.100
Operating Cost	94,540.019	102,832.063	57,047.541
Administrative expenses	2,967.874	2,125.798	1,680.629
Other operating income	3,091.029	1,857.204	1,723.775
Operating Profit	7,604.445	10,500.331	5,567.445
Finance Costs	720.193	152.991	36.316
Net Profit	6,884.252	10,347.340	5,531.129
Non-Current Assets			
Property, plant & equipment	35,560.526	32,204.504	27,243.810
Operating fixed assets – intangible	128.151	123.666	77.742
Investment Property	3,697.088	3,741.741	3,786.825
Long term investments	125.100	125.100	607.579
Long-term advances and deposits	9,826.269	5,612.584	4,591.214
Total Non-Current Assets	49,337.134	41,807.595	36,307.17
Current Assets			
Inventory	8,255.169	8,420.352	6,150.642
Trade debts	19,013.557	16,525.799	11,574.067
Advances, deposits, and other receivables	8,969.346	10,138.122	10,331.957
Unbilled revenue	33,234.319	17,830.177	14,469.579
Short term investments	0.22	482.220	500.000
Cash and bank balances	5,976.713	8,362.847	8,601.519
Total Current Assets	75,449.324	61,759.517	51,627.764
Total assets	126,173.838	104,953.957	87,934.934
Liabilities			
Non-current Liabilities	7,110.263	3,635.982	3,512.484
Current Liabilities	52,279.693	41,491.899	36,186.531
Total funds and liabilities	126,173.838	104,953.957	89,314.292

Source: (Annual Draft Accounts FY 2023-24)

6 Field Audit Activity

6.1 Methodology

The Thematic Audit conducted during 2023-24 employed an intensive application of desk audit techniques. This process encompassed a thorough examination of permanent files, computer-generated data and other pertinent documents alongside an assessment of the audited entities' compliance with established policies and regulations. Risk assessment was undertaken through analytical procedures and a review of internal controls. The desk audit facilitated auditors in gaining a comprehensive understanding of the systems, procedures, internal controls, and overall operational environment of the audited entities enabling the identification of high-risk areas for subsequent testing.

The evidence was primarily gathered by applying procedures like inquiries from the management; Scrutiny of documents, review of minutes of BoD meetings, monitoring reports, examination of payment vouchers, collection, interpretation and analysis of primary, secondary, and miscellaneous data. Data was also collected through observations and interviews with the relevant officials.

6.2 Audit Analysis

6.2.1 Review of Internal Controls

The audit team extensively studied and evaluated procurement and contracting activities in NLC to obtain an adequate understanding of the internal control systems and the contracting mechanism. The objective was to identify material and significant internal control weaknesses and report to the management for corrective action. The present report has identified a range of irregularities, indicating systemic issues due to an inadequate oversight mechanism or ineffective implementation of internal controls.

NLC has established several internal controls to ensure compliance and oversight, including:

- **Internal Audit Directorate:** A dedicated Internal Audit Directorate operates under a director at the headquarters, with branches in Project Directorates to oversee financial and operational compliance.

- **Pre-Audit System:** This system ensures that all codal requirements are met before making payments to vendors to reduce the risk of irregular transactions.
- **Procurement Committee:** This committee is responsible for reviewing and approving procurements to ensure compliance with procurement requirements under PPRA Rules.
- **Standard Operating Procedures (SOPs):** NLC has established SOPs for the procurement of goods & services and civil works, mainly derived from PPRA Rules, outlining clear guidelines and best practices to be followed in all procurement activities.

Despite these controls, the audit found that NLC's internal control mechanism failed to detect and prevent irregular procurements, indicating a lack of active monitoring. Despite clear guidelines under PPRA Rules 2004, NLC's management did not adhere to procurement procedures properly. The failure to enforce these guidelines resulted in unjustified expenditures and contract mismanagement which leads audit to conclude that there are gaps in implementation of the internal controls.

6.2.2 Critical Review

The Public Procurement Rules 2004 emphasize that procurement activities must be conducted in a fair, transparent, and efficient manner to ensure value for money and accountability. However, the thematic audit revealed multiple systemic weaknesses in NLC's contract management, procurement practices, and internal control mechanisms. These deficiencies not only violate the PPRA regulations but also expose the organization to financial risks, inefficiencies, and potential conflicts of interest.

Despite the existence of an Internal Audit Directorate, a Pre-Audit System, a Procurement Committee for procurement oversight, and SOPs for procurement of goods, services, and civil works, these controls were either ineffective or not strictly enforced. Audit found that NLC selected a large number of vendors as pre-qualified vendors and then systematically bypassed the competitive bidding process required under PPRA Rules. It did not advertise procurements of goods and services in print media or on NLC's website, as

mandated under PPRA Rules 2004. Rather, significant deviations were noted where procurement processes were conducted on a pick-and-choose basis among the pre-qualified vendors. Specific contractors were invited instead of allowing an open competitive bidding process. Proper advertisement is essential for ensuring that a wider pool of potential bidders is aware of procurement opportunities, ultimately securing the most cost-effective solutions for the organization. Non advertisement reduced transparency and competitiveness in the bidding process. This indicates a failure of oversight by the Procurement Committee and management in ensuring transparency in procurement.

Moreover, in several cases, construction materials were procured through single-source or quotation-based methods, bypassing tendering requirements as prescribed by PPRA Rules. The reliance on a limited pool of suppliers raises concerns about favoritism, transparency and non-competitive pricing, which should have been prevented through a robust and PPRA-compliant procurement process and adherence to SOPs.

A critical weakness identified was the failure to conduct proper pre-qualification of contractors. Contractors who lacked financial stability and technical expertise were enlisted, increasing the risk of substandard service delivery and delays in project completion. This not only violated PPRA rules but also led to financial losses due to inefficient resource allocation. The absence of a robust procurement mechanism reflects weaknesses in the internal controls of NLC.

A recurring issue was splitting of contracts into smaller parts to bypass approval requirements from higher authorities. This practice indicates an attempt to evade financial controls, reducing the effectiveness of oversight mechanisms. Internal controls failed to detect or prevent this fragmentation, allowing management to circumvent competitive bidding processes and increasing the risk of increased costs.

Audit found that there was absence of mechanism to conduct market rate assessments to determine the reasonability of the quoted prices in the cases where contracts were awarded to single bidders. In cases such as tyre and construction material procurements, contracts were given to a single supplier without price benchmarking. The SOPs for procurement should have mandated a cost-benefit

analysis, but their ineffective enforcement weakened the credibility of procurement decisions.

The audit observed instances where contracts were awarded and payments were made without ensuring that deliverables met contractual obligations. In particular, pre-fabricated containers and fire crush procurements were awarded without physical inspections or verification of delivered items. Inspection Committee which has the mandate to check the procurements units against the criteria mentioned in tender documents was either not formed or did not perform its function. Such lapse points to serious weaknesses in monitoring mechanisms and a lack of accountability in contract execution.

Audit revealed that no penalties were imposed on contractors for delays in contract execution although contracts explicitly outlined penalties for delayed work. Additionally, in one instance, Performance Guarantee which is received from the vendor to safeguard the corporation from any unexpected loss @ 10 % of the contract cost was not obtained from the vendor. The management's failure to penalize non-compliant contractors highlights weak internal controls and a lack of enforcement of contractual terms. This leniency not only financially disadvantages NLC but also sets a precedent for continued non-compliance by vendors.

The audit flagged procurement volumes that exceeded actual demand, raising concerns about wasteful expenditure. Tyre procurements, for instance, exceeded annual requirements, with an unexplained excess of 24,160 units (Rs 1.698 billion). Additionally, the funding source for these excess procurements was not documented, further complicating accountability. This reflects a failure in financial planning and oversight mechanisms by the management of the NLC.

The thematic audit of NLC highlights persistent violations of PPRA regulations, weak internal controls, and inefficiencies in contract management.

6.2.3 Significant Audit Observations

6.2.3.1 (i) Irregular procurement of tyres from single bidder without rate reasonability and by splitting the expenditure Rs 955.562 million

(ii) Irregular procurement of the excess quantity of tyres above the annual demand – Rs 1,698.448 million

According to Rule 08 of the PPRA 2004, 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.

Rule 09 further states that subject to the regulation made by the Authority, with the prior approval of the Federal Government, 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 thematic audit of the National Logistic Corporation for the year 2023-24, it was observed that an expenditure of Rs 955.562 million as per detail below was incurred on procurement of 13,940 Nos. tyres (size 1100 R 20) in the year 2023-24.

S #	Contract No. & Date	Quantity Procured	Rate (Rs)	Amount (Rs)
1	No. 5661/P /Fort / Tyres /NLC-8171 dated 26.07.2023-24	3,000	66,300	198,900,000
2.	No.5661 /P /Fort /Tyres /NLC-8198 dated 04.10.2023-24	3,000	67,500	202,500,000
3.	Repeat Order No. 8233	450	67,500	30,375,000
4.	No.5661/ P / Fort/ Tyres/NLC-8232 dated 10.01.2024	3,000	69,500	208,500,000
5.	Repeat order 8257	450	69,500	31,275,000
6.	No. 5661 /P/Fort /Tyres /NLC-8273 dated 10.06.2024	4,040	70,300	284,012,000
	Total:-	13,940		955,562,000

Audit observed that:

1. As against annual demand of 12,000 No. tyres, quantity of 13,940 tyres were procured from the single bidder for the entire financial year 2023-24.
2. The expenditure was split up by procuring the tyres in piecemeal on quarterly basis by awarding different contracts to the one and the same single supplier i.e. M/s Service Long March Tyres (Pvt.) Ltd.
3. Being single bidder in all contracts, rates of the tyres were not obtained from the open market to assess the rate reasonability given by the supplier.
4. Inspection committee was not formed for inspection of the tyres before delivery to the concerned offices instead, only the relevant officer furnished certificate that the tyres had been received.
5. Sanction for procurement of the tyres was obtained from the DG, NLC instead of OIC NLC as the cost was above Rs 500 million.
6. As per ERP/inventory module, 38,100 tyres were shown as received in 2023-24 but as per record, only 13,940 tyres were procured which showed that excess quantity of 24,160 (38,100-13,940) approximate costing Rs 1,698.448 million (24,160 x 70,300) was procured in violation of the actual demand of 12,000 tyres without knowing the actual source of funding.
7. Further, source of funding for the procurement of the excess tyres was also not available on record.

Irregularity occurred due to lack of internal and financial controls.

Audit is of the view that procurement of tyres; made in violation of the PPRA rules 2004 and extending undue benefit to the single bidder without proper competition, was irregular.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends justifying procurement of tyres without assessing rate reasonability, piecemeal contract awards to the same supplier, source of excess quantity of tyres and deliveries without inspection.

6.2.3.2 Irregular award of contracts for hiring of suppliers / contractors for providing water supply on single / quotation basis – Rs 321.272 million

According to rule 12 (1 & 2) of the PPRA 2004, procurements over five hundred thousand Pakistani Rupees and up to the limit of three million Pakistani 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 three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation.

During thematic audit of the National Logistics Corporation (NLC) Log Services Karachi for the year 2023-24, it was observed that an expenditure of Rs 321.272 million was incurred on payment to different hired contractors/suppliers for providing the water services to the DHA and other residents of the Karachi on behalf of the NLC. All contracts were awarded to the contractors / suppliers through single bid and on quotation basis on pick on choose basis instead of open tendering system to achieve the most competitive and economical rates, therefore held irregular.

Irregularity occurred due to lack of financial management.

Audit is of the view that an expenditure of Rs 321.272 million without tendering process was consider irregular and violation of the PPRA rules 2004.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends providing justification for awarding contracts without tendering process besides fixing responsibility.

6.2.3.3 Loss due to non-imposition of penalty on the sub-contractors for delay in works – Rs 534.27 million

According to the clause 12 of the general conditions of the contract agreement, in case of delay in completion of any work, an amount equal to 0.1% of the value of work involved subject to maximum of 10% of the contract cost

shall be paid by the contractor for every day the work remain uncompleted as compensation for delay.

During thematic audit of the Project Director Centre Lahore, National Logistic Corporation for the year 2023-24, that a work “Development of Internal Infrastructure of CBD Walton (phase – 2 & 3) and Flyover Connecting Bab-e-Pakistan to Walton” was awarded by the client M/s Punjab Central Business District Development Authority to the P.D. Centre Lahore for an estimated cost of Rs 9,119.177 million. The work was sublet to the other two contractors namely M/s Advance Engineering & Co for Rs 479.551 million and Habib Const. Co Ltd for three works for Rs 5,304.49 million (Rs 953.058 million, Rs 2,413.114 million, Rs 945.26 million and Rs 993.058 million) and remaining work was self-executed by the NLC.

Separate work orders were issued to sub-contractors for the completion of the works within stipulated time period but contractors failed to complete the work within the required time period. Neither any extension in the contract period was given to the contractors nor the management imposed penalty for delay in the completion of the works.

Irregularity occurred due to lack of internal and financial control of the management.

Audit is of the view that non-imposition of the penalty caused a loss of Rs 534.27 million to the NLC therefore held irregular (Annex-68).

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the failure to impose penalties on the contractor for delays in work, ensuring the immediate recovery of the penalty amount from the contractors and initiating disciplinary action against the responsible person(s).

6.2.3.4 Irregular procurement of construction materials and hiring of the transport on a quotation basis for the civil works projects costing - Rs 576.634 million

According to rule-12 (2) of PPRA 2004, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation.

Rule - 20 of PPRA states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the purchase of goods, services, and works.

During thematic audit of the Project Directorates North and Centre National Logistic Corporation for the year 2023-24, it was observed that management procured different construction materials i.e. Fabricated Steel, Curb Stone, Shattering, Crush, sub-base and Aggregate base for road works and hired vehicles for different projects costing Rs 576.634 million (Rs 50,116,334 + Rs 188,671,582 + Rs 337,845,934) (Annex-69) on quotations basis from different suppliers without open competition through advertisement in the daily newspapers as the cost of each work was Rs 500,000 or above for achieving the most competitive and economical rates.

The irregularity occurred due to non-adherence to the PPRA rules.

Audit is of the view that procurement of construction materials of Rs 576.634 million on quotations basis instead of open tender not only deprived the organization of value for money, efficiency, and effectiveness but also led to violation of the PPRA rules 2004, therefore, are held irregular.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the procurement of construction materials on quotations basis instead of competitive bidding through advertisement and fixing responsibility for the matter.

6.2.3.5 (i) Irregular procurement of Steel on a quotation basis amounting to - Rs 89.318 million
(ii) Loss due to procurement of steel at higher rates than the central contract rates - Rs 4.279

According to rule-12 (2) of PPRA, all procurement opportunities over three million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation.

Rule - 20 of PPRA states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the purchase of goods, services, and works.

During thematic audit of Project Directorate North, NLC for the year 2022-23, it was observed that the management of the 11th Avenue project has procured steel amounting to Rs 89,318,349 on quotations basis from M/s S.J. Steel and F.F. Steel instead of procuring from the first three approved suppliers i.e. M/s Mughal Iron, M/s Pak Steel, and M/s S.J. Steel duly approved by the DG NLC at an agreed rates of Rs 257,542/ M. Ton for the period 2023-24 for supply of steel on all projects of PD North. Audit further observed that the management procured steel from M/s S.J. Steel at the rate of Rs 298,000/M.Tons whereas the said supplier had agreed to supply the steel at the rate of Rs 257,542/M.Tons in the main contract. Resultantly, the company sustained a loss of Rs 4.278 million due to overpayment to the same supplier.

Details are as given below:

PV No.	Date	Name of supplier	Quantity M / Ton	Rate per M / Ton (Rs)	Total Payment (Rs)	Centrally agreed rate (Rs / M.Ton)	Difference (Rs)	Loss (Rs)
169	13.06.2023	SJ Steel Rerolling	32.985	298,000	9,829,530	257,542	40,458	1,334,507
172	09.05.2023	M/S FF Steel	29.899	239,996	7,175,630			
194	09.05.2023	M/S FF Steel	39.997	240,000	9,599,268			
195	13.06.2023	SJ Steel Rerolling	32.710	298,000	9,747,580	257,542	40,458	1,323,381
28	17.07.2023	M/S FF Steel	10	240,000	2,399,998			
28	17.07.2023	M/S FF Steel	10	240,000	2,400,000			
28	17.07.2023	M/S FF Steel	10	240,000	2,400,000			
28	17.07.2023	M/S FF Steel	10	240,000	2,400,000			
28	17.07.2023	M/S FF Steel	19.99	240,000	4,797,600			
28	17.07.2023	M/S FF Steel	39.990	240,000	9,597,587			
97	13.06.2023	SJ Steel Rerolling	32.730	298,000	9,753,540	257,542	40,458	1,620,909

126	09.05.2023	M/S FF Steel	40.064	240,000	9,615,228			
319	24.10.2023	M/S FF Steel	40.010	240,000	9,602,388			
Total			348.375		89,318,349			4,278,798

The irregularity occurred due to non-adherence to the PPRA and NLC's own rules.

Audit is of the view that procurement of steel amounting to Rs 89.318 million on quotation basis instead of the approved lowest firms led to the violation of the PPRA rules. Moreover, procurement of steel from the suppliers other than the approved firms /suppliers at higher rates has caused loss of Rs 4.278 million to Corporation.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends investigating the procurement of steel on quotations instead of an open tender process at higher rates besides justifying the procurement of steel on quotation basis at elevated rates and ensuring the immediate recovery of the overpaid amount from the suppliers or individuals held responsible.

6.2.3.6 Irregular procurement of Fire Crush from Single Bidder - Rs 123.244 million

According to Rule 38(B) of the PPRA 2004, the procuring agency shall consider single bid in goods, works and services if it-

- (a) meets the evaluation criteria, ensures compliance of specifications and other terms &
- (b) conditions expressed in advertisement or bid solicitation documents;
- (c) is not in conflict with any provision of the Ordinance;
- (d) conforms to the technical specifications;
- (e) has financial conformance in terms of rate reasonability.

During thematic audit of the National Logistics Corporation (NLC) for the financial year 2023-24, it was observed that a tender was published in the press on 25.05.2023 for the procurement of Fire Crush. In response, only one bidder submitted a bid and the contract was awarded to the single bidder

M/s Meraj Limited Karachi, for contract cost of Rs 123.244 million vide letter dated 10.08.2023. Audit noticed that the supplier was awarded the contract on a single-bid basis but management did not conduct a market survey to assess the rates reasonability.

Irregularity occurred due to weak internal controls.

Audit is of the view that non-obtaining the rate reasonability has led to an irregular award of the contract in violation of the PPRA rules 2004.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends to investigate the matter for award of the contract on single bid basis without rate reasonability to conform the prices and fixing responsibility on the person(s) at fault.

6.2.3.7 (i) Non-obtaining of performance bank guarantee - Rs 28.933 million

(ii) Loss due to non-imposition of delay fine on the late provision of performance guarantee - Rs 3.761 million

According to clause 7.1 of the bidding documents of the contract, the supplier will furnish an unconditional/ irrevocable bank guarantee from a scheduled Bank of Pakistan “AA” rating for 10% of contract cost as contract performance bank guarantee for 1st year 5% of the contract cost as performance bank guarantee for 2nd year and valid till one month after the warranty period. Furthermore, clause 7.2 of the same documents, performance guarantee will be provided within 15x days after the contract signing date.

According to Para 06 of the procurement manual of NLC, a performance bond in the shape of a bank draft in favor of OIC NLC Rawalpindi amounting to 05 % of the aggregate value of the contract must be provided by the firm to whom the contract may be awarded within twenty days after signing of a contract. In case of delay, 01% additional fine non-refundable per week will have to be deposited.

During thematic audit of the National Logistic Corporation for the year 2023-24, it was observed that management awarded a contract for the supply, installation, testing, and commissioning of the HVAC system for the King Hammad University project in Islamabad to M/s Kasib Builders & Developers on January 18, 2024, at Rs 289.331 million. The contractor failed to provide 10% performance bank guarantee of Rs 28.933 million for the first year, as required under the contract. Audit further noted that management did not obtain 01% additional fine amounting to Rs 3.761 million ($\text{Rs } 28,933,000 \times 01\% \times 13 \text{ weeks}$) for delayed submission, as required under the procurement manual.

This irregularity occurred due to non-adherence to the contract clauses and rules.

Audit is of the view that management extended undue favor to the contractor by non-obtaining the performance bank guarantee of Rs 28.933 million as well as the additional fine of Rs 3.761 million, in violation of the aforementioned contract clauses and rules. Furthermore, the contractor's failure to complete their scope of work within the stipulated period poses further risks to management.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends conducting a fact-finding inquiry to determine responsibility for failing to obtain the performance bank guarantee from the contractor and not recovering the additional fine for the delay besides obtaining the performance bank guarantee and recovering the additional fine for the delay.

6.2.3.8 Irregular procurement of pre-Fabricated containers from a single bidder without rate reasonability - Rs 13.965 million

According to clause 38 B (1) of the PPRA rules 2004, the procuring agency shall consider single bid in goods, works and services if it- (a) meets the evaluation criteria, ensures compliance of specifications and other terms & conditions expressed in advertisement or bid solicitation documents; (b) is not in conflict with any provision of the Ordinance; (c) conforms to the technical specifications; (d) has financial conformance in terms of rate reasonability.

According to Clause 10 of the bidding documents, firm will deliver pre-fabricated containers within 10-15 days after award of contract /issuance of letter of intent (whichever is earlier).

During thematic audit of the National Logistic Corporation for the year 2023-24 for the year 2023-24, it was observed that a contract for supply of 30 Nos. pre-fabricated containers size 10 x 20 feet was awarded to M/s S&S Corporation for Rs 13.965 million at unit price of Rs 465,500. Seven (07) firms participated in the technical bidding process out of which only one firm M/s S&S Corporation was declared as technically qualified on the grounds that the firm will provide the containers within 10-15 days. Financial bid amounting to Rs 13.965 million of the single bidder was accepted by the Board of officers and accordingly contract was awarded to other bidders in the competition were also technically qualified except provision of the containers within 10-15 days as per clause 10 of the bidding documents.

Audit observed that:

1. Advertisement was made on 01.06.2023 and technical bid opened on 15.06.2023. Board of officers' proceedings was made on 19.06.2023 and financial bid opened on 10.07.2023 i.e. after 21 days of the technical bid. LOI and contract was awarded on 04.08.2023 and 24.08.2023 respectively. Local office utilized more than two months on the procurement process which depicts that there was no urgency of providing the containers within 10-15 days.
2. Being single bidder, rate reasonability was not obtained from the open market to confirm the actual price of the container.
3. Inspection committee was not formed to inspect the containers at site and before delivery to the relevant quarters.
4. Integrity pact as required by the PPRA rules 2004 vide letter dated 05.10.2002 was not obtained from the supplier being the cost of the work was exceeding Rs 10.00 million.

Irregularity occurred due to lack of financial and internal controls of the management.

Audit is of the view that procurement of the containers was made in violation of the PPRA rules 2004, therefore, is held irregular.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends providing justification for the procurement of containers without ensuring rate reasonability from the market, late delivery as well as explaining the delivery of items without the involvement of an inspection committee.

6.2.3.9 Irregular award of contract by splitting in five sub-contracts to avoid sanction of the competent forum – Rs 9,119.177 million

According to rule 09 of the PPRA 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.

According to serial No. 01 (a) (ii) of the Delegation of Financial Powers 2022 of the NLC, following officers are empowered to sanction contracts / MoUs with sub-contractors for civil construction works:

- a. DG NLC Rs 1,000 million
- b. OIC Above Rs 1,000 and upto 5,000 million

During thematic audit of the Project Director Centre National Logistics Corporation (NLC) for the year 2023-24, it was observed that a work “Development of Internal Infrastructure of CBD Walton (phase – 2 & 3) and Flyover Connecting Bab-e- Pakistan to Walton” was awarded by the client M/s Punjab Central Business District Development Authority to the P.D. Centre Lahore for an estimated cost of Rs 9,119.177 million. The work was sublet to the other two contractors namely M/s Advance Engineering & Co. for Rs 479.551 million and Habib Const. Co Ltd for three works for Rs 5,304.49 million (Rs 953.058 million, Rs 2,413.114 million, Rs 945.26 million and Rs 993.058 million) and remaining work was self-executed by the NLC.

Audit hold that management split the flyover work in to 05 sub-contracts and obtained sanction of the work costing Rs 2,413.114 million from the OIC NLC and the other 04 works costing Rs 953.058 million, Rs 945.26 million, Rs 479.551 million and Rs 993.058 million through separate sanctions from the DG NLC for each work instead of obtaining sanction from the competent forum i.e. National Logistic Board as the cost of the project was above the delegated powers of the OIC NLC.

Irregularity occurred due to lack of financial control.

Audit is of the view that non-obtaining the sanction from the competent forum i.e. NLB led the execution of the work as irregular and violation of the delegation of powers of the NLC.

The matter was reported to the management on 8th January, 2025 but no reply was received.

No DAC meeting could be arranged till finalization of this report.

Audit recommends providing justification for splitting the work into four sub-contracts awarded to the same contractor, as well as for not obtaining approval from the competent authority, i.e. the NLB.

7 Conclusion

During thematic audit of the National Logistic Corporation (NLC), significant and recurrent violations of Procurement Rules were identified. These included, among others, failure to advertise the procurement of goods and services in print media and on the official websites of the Public Procurement Regulatory Authority (PPRA), thereby hindering the achievement of the most competitive bids. Besides this, NLC entered into contracts with sub-contractors through single bids, quotations, and direct contracting without adhering to the relevant PPRA regulations. Additionally, it was witnessed that contracts were awarded to contractors and suppliers who were not pre-qualified through proper advertisement as required under PPRA rules.

8 Departmental Response

The matter was reported to the Management on 08.01.2025 but the reply is awaited till finalization of the report.

9 Recommendations

Addressing NLC's procurement and contract management issues requires strict enforcement of internal controls, and improved transparency. While the Internal Audit Directorate, Pre-Audit System, Procurement Committee, and SOPs exist, their effectiveness needs to be enhanced to reduce procurement irregularities. To ensure compliance with PPRA Rules 2004, these controls must be strictly enforced.

1. The Internal Audit Directorate should be given greater autonomy and equipped with modern auditing tools to detect and prevent procurement irregularities. Regular internal audits should focus on high-risk areas, and the Pre-Audit System must adopt a risk-based approach to ensure thorough scrutiny of high-value procurements.
2. The Procurement Committee must enforce competitive bidding by ensuring all procurement opportunities are publicly advertised and single-source contracts are only allowed under exceptional circumstances with proper justification.

3. Quotation-based procurement of goods & services may be regulated as per PPRA rules.
4. In case of single bidder, the rate reasonability may be ensured by surveying the prevailing rates of the items in the market.
5. Splitting of contracts should be strictly monitored.
6. Vendor accountability must be strengthened by enforcing penalty clauses for delays and ensuring all deliverables are verified before payments are processed.
7. Procurement staff should undergo regular training to improve compliance with PPRA Rules.

These measures will strengthen NLC's internal controls and ensure compliance with PPRA rules. Strict accountability, continuous monitoring, and a commitment to transparent procurement practices will be key to restoring financial discipline in NLC.

ANNEXURE

MFDAC Paras

The Directorates General, Commercial Audit and Evaluation 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 2023-24, various types of financial irregularities and loss of public money etc. were detected and reported to the Ministries/Divisions and organizations concerned. The important irregularities/ loss and malpractices pertaining to various organizations have been printed in this report, while irregularities/ loss 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 Islamabad.

S.#	Title of Para	Rs in million
	Aviation Division	
	Pakistan International Airlines	
1.	Blockade of funds due to non-utilization of budget provisions - Rs.7.772 million	7.772
2.	Non-achievement of business target Rs. 22.206 million	22.206
3.	Loss of rental income due to non-renting out of vacant space of KBO building	0
4.	Loss of record in fire-Rs 7.91 million	7.91
5.	Non-Adjustment of advances against Custom Authority - Rs 23.00 million	23.00
6.	Non-utilization of land of closed office –Rs.49.692 million	49.692
7.	Undue favor due to non-forfeiture and non- blacklisting of Contractor	-
8.	Irregular award of contract to second lowest bidder - Rs.4.232 million	4.232
9.	Blockage due to retention of slow moving stock of various spare parts of aircrafts	0
10.	Unnecessary purchase of Technical Aircraft Parts and non-utilization of Items - Rs.3.202 million	3.202
11.	Non-inviting of tender / direct procurement by PIA to M/s SITA Network Services amounting to US Dollars 140,528	0

	Approximately plus taxes.	
12.	Loss to non-utilization of Engineering Department amounting to Rs. 135.679 million	135.679
13.	Un-justified Sale of Life Expire Chemicals Oil to M/s Greenland Waster Solution	0
14.	Irregular award of IFE Wireless Intranet services Solution for PIA Aircraft without getting security deposit-Rs. 3.544 million	3.544
15.	Abnormal delay in purchase articles more than 10 months with payment of 100% advance amounting to Rs. 11.635 million	11.635
16.	Non-conducting of Procurement Audit by Internal Audit, PIA	0
17.	Non-production of record	0
18.	Irrational budget allocation resulting in excess expenditure over and above the budget – Rs.20.393 million	20.393
19.	Irregular award of contract to M/s. Enterprise Lahore - Rs.4.300 million	4.300
20.	Irrational decision to award contract at higher rates to M/s Kitchen Cuisine at Faisalabad station- Rs. 10.80 million	10.80
21.	Non-Operational Quality Control (QC) Laboratory in Flight Kitchen (PIA)	0
22.	Unjustified posting of manager training support in PIA training centre	0
23.	Irregular adjustment of advances in PIA training Centre	0
24.	Irregular / unjustified waive-off tuition fee	0
25.	Non-completion of Fixed Assets register	0
26.	Irregular procurement of android smart panel amounting to Rs. 0.938 million	0.938
27.	Non-conducting the physical verification of vehicles – Rs.59.860 million	59.860
28.	Non-maintenance of log book of vehicles - Rs.28.690 million	28.690
29.	Irregular purchases of fuel without tender – Rs.18.467 million	18.467
30.	Irregular/unauthorized expenditure over and above the approved Budget -Rs.9.126 million	9.126
31.	Variation in budgeted and actual payments - Rs.3.332 million	3.322
32.	Blockade due to non-utilization of Off-road vehicles - Rs.2.800 million	2.800
33.	Non-transferring of shares in the name of Government of	0

	Pakistan-	
34.	Loss due to non-delivery of aircraft as per agreements	0
35.	Irregular expenditure on various head of accounts without budget-Rs.131.047 million	131.047
36.	Non-compliance of directives of Pakistan Civil Aviation Authority	0
37.	Non utilization of budget well in time resulted into lapse of funds - Rs.27.701 million	27.701
38.	Non-compliance of directives of Corporate Safety	0
39.	Increase in budget amounting to Rs. 3.812 million	3.812
40.	Issues related to going concern assumption and business continuity strategy	0
41.	Non-recovery of insurance claim-Hull	0
42.	Excess expenditure against approved budget-	0
43.	Irregular expenditure on various head of accounts without budget – Rs.533.84	533.84
44.	Irregular / unjustified enhancement of contract value and changed in scope of the work – Rs.1.987 million	1.987
45.	Irregular / unjustified rented out the plot without competitive bidding – Rs.12.800 million	12.800
46.	Posting of officers/ staff without approved HRB at PIAC, Islamabad	0
47.	Non-reconciliation of sales and passenger uplift/travelled despite several cases of misappropriation by agents noticed previously	0
48.	Loss due to default by not depositing the sales amount – Rs.68.439 million	68.439
49.	Irregular expenditures on various head of accounts without & in excess of the budget - Rs 25.043 million	25.043
50.	Abnormal delay in processing of bids related to pre-qualification of vendors due to unattended the bid validity period in the bidding documents – Rs.9.833 million	9.833
51.	Loss due to receiving procured items with discrepancy – Rs.2.560 million	2.560
52.	Blockage of fund due to imprudent fund management - Rs.124.710 million	124.710
53.	Non-achievement of revenue targets	0
54.	Irregular payment made without execution of lease deed – Rs.123.744 million	123.744
55.	Unjustified mode of payment and procurement of coaster from foreign bidder without insurance – USD 240,000 equivalent to Rs.66.720 million	66.720

56.	Unjustified expenditure on repair maintenance of vehicles – Rs.12.326 million	12.326
57.	Execution of internal audit by non-qualified officers	0
58.	Non-finalization of annual audited accounts	0
59.	Vacant positions at officers' / officials levels	0
60.	Vacant positions of officers and officials level	0
61.	Unjustified settlement of audit paras by Internal Audit Department	0
62.	Embezzlement in fee collection account at PIA training centre amounting to Rs.8.418 million	8.418
63.	Favoritism towards Mr. Faisal Anwar, Deputy Trainee Manager PTC, involved in theft fraud or dishonesty amounting to -Rs8.418 million	8.418
64.	Non-recovery from passed out students amounting to Rs.3.177 million	3.177
65.	Non-recovery from private trainees amounting to Rs.4.395 million	4.395
66.	Loss of 100 Quantity Pallet Lashing Nets from M/s GPI Forankra -Rs. 17.782 million	17.782
67.	Loss due to advance 100% payment for foreign procurements- amounting to US\$ 24,013.84	0
68.	Loss due to mishandling of Baggage – Rs.3.2 million	3.200
69.	Loss due to damage/ mishandled baggage–Rs.1.945 million	1.945
70.	Loss due to award of contract at exorbitant rates - Rs.4.985 million	4.985
71.	Loss due to penalty – Rs.4.650 million	4.650
72.	Un-reconciled / doubtful outstanding amount - Rs.4.531 million	4.531
73.	Unnecessary procurement resulted in non-utilization - Rs.2.969 million	2.969
74.	Unauthorized payment of non-refundable security charges – Rs.2.848 million	2.848
75.	Non-obtaining of performance security from consultant - Rs.2.809 million	2.809
76.	Excess payment to transportation contractor -Rs.2.453 million	2.453
77.	Non-recovery of stamp duty on contract / purchase orders – Rs.2.194 million	2.194
78.	Unjustified payment in violation of incentive scheme - Rs.1.203 million	1.203
79.	Loss of rental income on account of vacant space - Rs.57.128 million	57.128

	Skyrooms Pvt. Ltd	
80.	Irregular advance payments - Rs.18.788 million	18.788
81.	Non-compliance with board meeting requirements	0
82.	Inadequate assets management and control - Rs.54.163 million	54.163
83.	Deficiencies in earnest money and security deposit management – Rs.1.621 million	1.621
84.	Non –preparation of Annual Business Plan	0
85.	Inadequate controls for cash receipts and revenue recognition – Rs.6.516 million	6.516
86.	Irregular award of repair & maintenance – Rs.50.71 million	50.71
87.	Contract Management Deficiencies – Rs.50.71 million	50.71
88.	Procurements without annual procurement plan	0
	Cabinet Division	
	Printing Corporation of Pakistan (Pvt.) Limited	
89.	Irregular payment of supervisory allowance – Rs 0.900 million	0.900
90.	Irregular award of repair & maintenance work by splitting contracts – Rs 1.485 million	1.485
91.	Irregular and unauthorized payment of honorarium - Rs 7.14 million	7.14
92.	Irregular award of printing and binding work in violation of PPRA Rules - Rs 33.643 million	33.643
93.	Non composition of Board of Directors and committees in violation of SOE's ACT	0
94.	Procurement of Printing Papers in violation of rules - Rs 179.193 million	179.193
95.	Irregular grant through acting charge for four years – Rs 1.00 million	1.00
96.	Failure to upload Bid Evaluation Report on PPRA website - Rs 500.251 million	500.251
97.	Non-appointment of CFO, CIA and Company Secretary	0
98.	Non conduction of Internal audit of the Corporation	0
99.	Non-Finalization of Annual Audited Accounts for the Years 2021-22 to 2023-24	0
100.	Non conduction of Physical verification of stock - Rs 225.814 million	225.814
101.	Loss due to non-preparation of business plan - Rs 932.744 million	932.744
	National Engineering Services of Pakistan (NESPAK)	
102.	Loss due to non-acceptance of poorly performed job and imposition of LD charges - Rs 1.902 million	1.902

103.	Irregular composition of Board of Directors due to non-majority of independent directors – Rs 6.840 million	6.840
104.	Irregular hiring of law firm through negotiated tendering - Rs 3.250 million	3.250
105.	Loss due to irrational fixing of percentage of electricity bill from tenant - Rs 2.476 million	2.476
106.	Unjustified outsourcing of topographic survey to third party - Rs 1.134 million	1.134
107.	Loss of rental income due to non-renting out of available space - Rs 3.299 million	3.299
108.	Irregular procurement of vehicle in violation of austerity measures - Rs 37.413 million	37.413
109.	Irregular appointment of engineers without verification of experience certificates – Rs 48.982 million	48.982
110.	Wasteful expenditure on internal audit due to non-compilation of internal audit reports – Rs 11.536 million	11.536
111.	Irregular expenditure on procurement of printing and stationary – Rs 1.125 million	1.125
112.	Non-preparation of Business Plan in violation of SOE Act, 2023	0
113.	Unjustified outsourcing of janitorial and security services despite availability of adequate staff - Rs 15.193 million	15.193
114.	Non-finalization of annual accounts / financial statement for the year 2021-23 to 2023-24	0
115.	Irregular hiring of consultant through Turkpak instead of open competition - Rs 2.684 million	2.684
116.	Non-recovery of financial charges on delayed payments – Rs 1,118.157 million	1,118.157
117.	Wasteful expenditure on hiring of NESPAK Foundation and Turkpak staff on in-active jobs – 58.892 million	58.892
118.	Un-due favor to clients resulting into delayed payments - Rs 15.935 million	15.935
119.	Wasteful expenditure on HR study and legal audit - Rs 12.600 million	12.600
120.	Irregular payment of honoraria to higher management – Rs 2.154 million	2.154
121.	Heavy losses due to cost overrun projects – Rs 1,252.343 million	1,252.343
122.	Irregular use of Toyota Fortuner by Ex-MD beyond entitlement - Rs 20 million	20
123.	Irregular incurrence of expenditure - Rs 21.152 million	21.152
124.	Loss due to billing on old rates - Rs 3.295 million	3.295

	Ministry of Commerce & Textile	
	National Insurance Company Limited	
125.	Loss due to claims received in excess of premium collection from insurer – Rs.764.148 million	764.148
126.	Non-recovery of dues on account of rental income - Rs.17.241 million	17.241
127.	Loss due to purchase and holding of shares - Rs 101.441 million	101.441
128.	Loss due Misuse / theft of company vehicle – Rs.0.950 million	0.950
129.	Irregular advance payment of security deposit to pharmacy / hospital - Rs.3.500 million	3.500
130.	Loss of revenue due to non-renting of vacant space of building – Rs.34.762 million	34.762
131.	Non-submission of life certificate of pensioner - Rs.27.229 million	27.229
132.	Irregular settlement of claim - Rs.3.265 million	3.265
133.	Loss due to imposition of penalty - Rs.1.000 million	1.000
134.	Non-recovery of engineering insurance premium - Rs.504.856 million	504.856
135.	Non-receipt of miscellaneous insurance premium - Rs.81.558 million	81.558
136.	Non-recovery of fire insurance premium - Rs.48.251 million	48.251
137.	Irregular split up of purchases of stationary items - Rs.5.374 million	5.374
138.	Irregular settlement of claim which does not cover under policy - Rs.337.487 million	337.487
139.	Loss due to non-extension in contract period - Rs.5.749 million	5.749
140.	Irregular / unjustified payment of machine claim - Rs.3.461 million	3.461
141.	Irregular hiring of legal advisors on retainer basis – Rs.2.400 million	2.400
142.	Poor performance resulting in operational loss - Rs.236.000 million	236.00
143.	Operational loss due to poor performance –Rs.108.547 million	108.547
	Pakistan Re-insurance Company Limited	
144.	Irregular payment of insurance claims - Rs.1.371 million	1.371
145.	Irregular payment of claims against the policy - Rs.10.947 million	10.947
146.	Irregular payment of claims after expiry of insurance period	1.160

	- Rs.1.160 million	
147.	Irregular payment of claim on missing item US\$35,282/- equivalent to Rs.10.267 million	10.267
148.	Irregular expenditure on purchase of Vehicle Rs.40.172million	40.172
149.	Irregular payment of insurance claim without receiving the premium - Rs.11.760 million	11.760
150.	Non-imposition of liquidated damages charges and non-forfeiture of performance security - Rs.2.950 million	2.950
151.	Non-transfer of dividend amount paid to the employees - Rs.78.608 million	78.608
152.	State Life Insurance Corporation of Pakistan	
153.	Unjustified alteration of service and commission structure of field force in violation of court orders	0
154.	Unjustified claim of policy loans and surrender - Rs.3.211 million	3.211
155.	Loss due to surrender of policies	0
156.	Non settlement of the different claims	0
157.	Loss due to abnormal increase of surrender cases of insurance policies -	0
158.	Loss due to surrender of policies	0
159.	Excess against approved strength of employees – Rs.5.145 million	5.145
160.	Irregular payment of performance bonus - Rs.19.181 million	19.181
161.	Unjustified / avoidable expenditure of bank charges - Rs.6.000 million	6.000
162.	Unjustified purchase of vehicles during ban period – Rs.14.254 million	14.254
163.	Abnormal increase in surrender policy cases causing impact on potential revenue	0
164.	Appointment of members of the Board of Directors without qualification, relevant experience and holding of excessive BOD meetings. Rs 6.459 million	6.459
165.	Loss due to theft incident from cash counter - Rs.1.654 million	1.654
166.	Unjustified issuance and payment of death claim - Rs.27.787 million	27.787
167.	Irregular payment of early death claims - Rs.14.965 million	14.965
168.	Settlement of claims without investigation – Rs.8.997 million	8.997
169.	Unauthorized payment of provident fund loan - Rs.6.960 million	6.960

170.	Irregular procurement of furniture during ban period – Rs.6.488 million	6.488
171.	Loss due to theft incident from cash counter - Rs.1.654 million	1.654
	Dishonored cheque resulted in loss of premium - Rs.530.728 million	530.728
172.	Less collection of premium – Rs.186.868 million	186.868
173.	Issuance of insurance policies without verification of financial documents - Rs. 168.260 million	168.260
174.	Loss of revenue due to non-renting out of vacant buildings / spaces – Rs.41.350 million	41.350
175.	Poor performance resulting in operational loss - Rs.236.000 million	236.00
176.	Operational loss due to poor performance –Rs.108.547 million	108.547
177.	Non-deduction of sales tax on account of procurement of water- Rs. Rs.6.600 million	6.600
178.	Imposition of penalty - Rs.6.600 million	6.600
179.	Irregular payment of Project Allowance - Rs.6.320 million	6.320
	Trading Corporation of Pakistan	
180.	Loss due to under-utilization of godowns – Rs.80.857 million	80.857
181.	Irregular / unjustified pay fixation of General Managers – Rs.2.560 million	2.560
182.	Irregular awarding of contract in violation of tender documents – Rs.4.586 million	4.586
183.	Irregular awarding of contracts directly without an open competitive process – Rs.1.15 million	1.15
184.	Loss to Govt. Exchequer due to default by contractor - Rs.665.526 million	665.526
185.	Irregular settlement/adjustment of rent due to expired rent deed - Rs. 9.786 million	9.786
186.	Non-compliance of the Public Accounts Committee (PAC) Directives	0
187.	Loss due to penalties - Rs.1.107 million	1.107
188.	Non-utilization of Capital Development Budget - Rs. 200 million	200
189.	Irregular / unauthorized grant of Adhoc Relief Allowance-2023 to employees in violation of Finance Division instructions Rs. 47.958 million	47.958
190.	In-admissible payment of bonus to contractual employees - Rs. 2.182 million	2.182

191.	Irregular procurement of urea	0
192.	Loss due to renting out at lower rates – Rs.2.143 million	2.143
193.	Irregular / unjustified adjustment of subsidy –	0
194.	Loss due to issuance of excess quantity of urea against Bill of Lading - Rs 167.529 million	167.529
195.	Non implementation on ECC Directives for importing wheat	0
196.	Irregular splitting of procurements - Rs.11.748 million	11.748
197.	Unjustified expenditure on purchase of air conditioning units – Rs.10.180 million	10.180
198.	Undiversified investment portfolio	0
199.	Lack of diversification in revenue streams	0
	Pakistan Expo Centre (Pvt.) Limited	
200.	Irregular appointment of Manager MEP and payment thereon - Rs 3.300 million	3.300
201.	Irregular engagement/hiring of Legal Firm and payment made thereon - Rs 29.773 million	29.773
	Ministry of Defence Production	
	Karachi Shipyard and Engineering Works	
202.	Non-payment of stamp duty - Rs. 3.663 million	3.663
203.	Irregular award of contract to M/s Amreli Steel Limited- Rs.382.640 million	382.640
204.	Blockade of funds due to non-recovery of receivables	0
205.	Loss due to investments on low rates – Rs.20.653 million	20.653
206.	Blockade of funds due to inadmissible tax claims – Rs.36.281 million	36.281
207.	Unjustified payments of donations – Rs.5.475 million	5.475
208.	Unjustified refund of income tax - Rs.2.101 million	2.101
	Pakistan Ordnance Factories (POF)	
209.	Loss of revenue due to award of flawed agreement – Rs 51.09 million	51.09
210.	Loss due to sale of store below book value – Rs 6.156 million	6.156
211.	Irregular purchase of store on single source basis valuing – Rs 774.903 million	774.903
212.	Loss due to expiry of paint and other chemicals - Rs 2.494 million	2.494
213.	Irregular acceptance of machines beyond specification valuing Rs 265.65 million and loss due to payment of spare parts not received Rs 47.85 million	313.50
214.	Irregular acceptance of rejected store by changing the Inspection Authority – Rs 1.968 million	1.968
215.	Procurement of Cotton Linter without advertisement -	119.92

	Rs 119.92 million	
216.	Loss due to procurement of purified linter cotton instead of in-house purification - Rs 132.576 million	132.576
217.	Loss due to non-deduction of Punjab Sales Tax from contractors - Rs 2.790 million	2.790
218.	Loss due to non-disposal of rejected stores - Rs 65.240 million	65.240
219.	(i) Loss due to non-utilization of available hours - Rs 197.026 million (ii) Un-justified payment of overtime in availability of normal hours - Rs 148.660 million	345.686
220.	Loss due to non-recovery from defaulter firm - Rs 5.138 million	5.138
	Loss due to procurement of store at higher rates and non-replacement of rejected store - Rs 5.92 million	5.92
	Wah Industries Limited	
221.	Unjustified payment to a foreign and a local firm despite default in supply of store - Rs 476.184 million (approximately)	476.184
	Wah Brass Mill	
222.	Irregular payment of donation - Rs 5.00 million	5.00
223.	Irregular appointments of officers and payment of salary - Rs 3.429 million	3.429
224.	Irregular expenditure due to procurement of store in piecemeal - Rs 5.416 million	5.416
225.	Loss due to the shortage of scrap lot – Rs 2.545 million	2.545
226.	Irregular award of contract to non-registered firm and without bid money - Rs 1.739 million	1.739
	Wah Construction (Private) Limited	
227.	Irregular expenditure of Rs 680.631 million without pre-audit of bills and improper functioning of the company due to non-appointment of regular Chief Internal Auditor, Chief Financial Officer and Company Secretary	680.631
	Ministry of Federal Education and Professional Training	
	National Book Foundation	
228.	Irregular procurement made without approved annual procurement plan - Rs 1,185.65 million	1,185.65
229.	Irregular procurement of furniture & fixture and office equipment during ban period - Rs 4.246 million	4.246
230.	Loss of rental income due to provision of building free of cost – Rs 1.320 million	1.320
231.	Discontinuation of readers' club scheme leading to loss of	0

	revenue and decline in book culture promotion	
232.	Non-payment of PMA Package to the families of deceased employees – Rs 49.511 million	49.511
233.	Irregular appointment and regularization of services as Assistant Director	0
	Incurrence of expenditure without the preparation of an annual budget - Rs 749.068 million	749.068
234.	Non-compliance with BOG directives on building construction and revenue generation	0
	Loss of revenue due to non-renting of building in Mustafa Town Lahore - Rs 14.400 million	14.400
235.	Loss due to irregular award of contract for procurement of bleach card - Rs 4.712 million	4.712
236.	Irregular extension in contract period to extend undue favour to the security firm - Rs 2.34 million	2.34
237.	Non-deduction of tax on royalty income - Rs 1.237 million	1.237
	NFC Institute of Engineering and Fertilizer Research, Faisalabad	
238.	Non-recovery of conveyance allowance due to non-joining of institute since two years - Rs 0.546 million	0.546
239.	Defective feasibility reports resulting in zero enrollment	0
240.	Non preparation and implementation of business /marketing plan in violation of SOE's ACT	0
241.	Significant losses due to discontinuation of the products - Rs 20.162 million	20.162
242.	Irregular reduction in approved enrollment capacity – Rs 47.377 million	47.377
	Ministry of Finance (Finance Division)	
	House Building Finance Company Limited	
243.	Loss of in Treasury Operations – Rs.173.026 million	173.026
244.	Review of Data Cleansing and Financial Record Reconciliation	0
245.	Irregular Forward Sale of Rs 500 million with First Women's Bank	500
246.	Excess over limit while transacting for Reverse Repo and Repo	0
247.	Review of LMS and MIS System and its Impact on Operational Efficiency - Rs.143.404 million	0
248.	Sale of PIB's before maturity Rs.4,374 million	4,374
249.	Non-recovery of Refundable Sales Tax from the Tax Authority - Rs.30.234 million	30.234
250.	Irregular Promotions and Non-Compliance with Seniority	10.011

	Rules - Rs.10.011 million	
251.	Irregular/unjustified payment of Adhoc relief allowance – Rs.58.255 million	58.255
252.	Unjustified payment on account of recovery incentive to M/s Hassan Naeem Associates Rs.1.431 million	1.431
253.	Irregular appointment of Manager on regular basis - Rs.3.301 million	3.301
254.	Loss due to non-charging of mark-up on HB advance - Rs.12.595 million	12.595
255.	Undue favoritism due to increase in salary of AVP/head GSD (HBFC) - Rs.2.280 million	2.280
256.	Undue favoritism due to increase in salary of Group head Credit (HBFC) Rs.4.320 million	4.320
257.	Wasteful expenditure on hiring of services - Rs.7.751 million	7.751
258.	Loss due to purchase of imported vehicle for Group Head, (HR) under CLDP funds -Rs.5.959 million	5.959
259.	Poor performance by Legal department due to non-settlement of long outstanding cases amounting to Rs.1,405 million	1,405
260.	Unjustified issuance of variation order caused extra electrical work - Rs.1.337 million	1.337
261.	Unusual Account Movements and NPL Classification - Rs.6.00 million	6.00
262.	Irregular promotion and Associated Financial Benefits to CFO - Rs.1.703 million	1.703
263.	Irregular payment on account of security services to the contractor -Rs.5.769 million	5.769
264.	Loss in treasury operations – Rs.4.578 million	4.578
265.	Non-achievement of targets	0
266.	Non-utilization of vacant plot - Rs.370.650 million	370.650
267.	Disbursement of Housing Finance Loans without requisite actions	0
268.	Non retrieval of 28 Original title documents from Court	0
269.	Non-recovery on account of default from borrowers – Rs.49.648 million	49.648
270.	Stuck up loans due to non-recovery on account of zero payment- Rs.3.225 million	3.225
271.	Stuck up due to court case despite of decrees awarded in favour of HBFCL - Rs.113.879 million	113.879
272.	Irregular utilization of Construction Financing - Rs.6.360 million	6.360

273.	Non-recovery of loans decided / decreed in favor of HBFCL - Rs.39.551million	39.551
274.	Blockage of funds due to undecided legal suits in Banking Court - Rs.53.974 million	53.974
275.	Poor performance of lawyer - Rs.2.460 million	2.460
276.	Non-compliance of HR Manual regarding job rotation/posting	0
277.	Blockage of funds due to undecided legal suits in Banking Court - Rs.24.185 million	24.185
278.	Expected loss due to non-availability of original mutation of mortgaged properties - Rs.21.960 million	21.960
279.	Non-transparent manner of Hiring of Property Evaluations Consultants / Evaluators	0
280.	Rejection of loan disbursement cases without recording reason - Rs.103.562 million	103.562
281.	Operational loss due to poor performance	0
282.	Unjustified sanction of loan on installation of solar system under Ghar Ujala Scheme - Rs.1.850 million	1.850
283.	Irregular sanction of loan - Rs.3.125 million	3.125
284.	Irregular sanction of additional investment/loan on already mortgaged house -Rs.5.000 million	5.000
285.	Non-availability of title documents of mortgaged property - Rs.6.138 million	6.138
286.	Irregular sale of the property and non-recovery of outstanding balance – Rs.3.375 million	3.375
287.	Loss due to illegal sale out the mortgage property by borrower - Rs.2.025million	2.025
288.	Irregular award of contract of maintenance works – Rs.4.321 million	4.321
289.	Irregular / unauthorized re-appointment of Managing Director - Rs.4.235 million	4.235
	National Bank of Pakistan	
290.	Rented out properties as against the mandate of bank operation – Rs.34.591 million	34.591
291.	Irregular / unjustified approved the loan limit – Rs.48.084 million	48.084
292.	Higher NPLs in Regional Saibaan Financings – Rs.23.461 million	23.461
293.	Irregularities in CF Pledge financing Rs. 1,140 million	1,140
294.	Non-lifting of prize bonds from the chest vault, Main Branch, Faisalabad	0
295.	Un-reconciled balances of loan accounts of Housing Finance	246.212

	(Saibaan) – Rs.246.212 million	
296.	Loss due to poor performance of branches - Rs.17.320 million	17.320
297.	Motor car finance without joint registration of documents	0
298.	Outstanding staff loan advances from employees - Rs.13.880 million	13.880
299.	Outstanding staff loan advances from employees – Rs. 3.280 million	3.280
300.	Advances to borrowers without execution of mortgage deed / banks' charge over the secured property in time - Rs.14.800 million	14.800
301.	Hiring of premises without competitive process – Rs.47.731 million	47.731
302.	Excess payment of profit on Term Deposit Receipts (TDRs) - Rs.8.027 million	8.027
303.	Un-justified and wasteful expenditure by outsourcing employee as protocol officer - Rs.3.245 million	3.245
304.	Unjustified renewal of agreements and engagement on retainer ship basis - Rs.2.116 million	2.116
305.	Unjustified withdrawal of cash from the chest vault – Rs.2,488.700 million	2,488.700
306.	Loss due to imprudent investment – Rs.31.935 million	31.935
307.	Decrease in foreign remittances despite marketing expenditure	0
	National Security Printing Corporation	
308.	Loss of foreign exchange due to lack of appropriate planning - Rs.20.889 million	20.889
309.	Blockage of fund due to non-utilization of the machine – Rs.1,100.000 million and irregular payment on account of training of employees - Rs.172.000 million	172.00
310.	Un-justified appointment of ex-officers through 3rd party contractor - Rs.6.930 million	6.930
311.	Irregular procurement of cheque papers - Rs.25.200 million	25.200
312.	Irregular disbursement of Worker Profit Participation Fund (WPPF) to officers - Rs.4.269 million	4.269
313.	Loss due to delayed action against the defaulter - Rs.3.933 million	3.933
314.	Acceptance of inferior quality material against BoQ - Rs.3.474 million	3.474
315.	Irregular expenditure on procurement of passport material - Rs.2.727 million (equivalent to GBP 9,405)	2.727
	Pakistan Security Printing Corporation	

316.	Award of contract without entering into contract agreement - Rs.15.939 million	15.939
317.	Loss due to re-award of existing work-Rs.8.518 million	8.518
318.	Irregular sale of scrap / waste material and non-forfeit of earnest money - Rs.3.121 million	3.121
319.	Non-conduction of physical verification of fixed assets	0
320.	Un-justified rejection of bidders on the basis of ambiguous specification items in bidding documents-21.092 million	21.092
321.	Loss due to encashment of investment prior to maturity – Rs.86.140 million	86.140
322.	Procurement of bank note papers and ink without laboratory reports	0
323.	Loss due to delay in procurement / supply of material and payment of detention charges - Rs.9.133 million	9.133
324.	Award of work without obtaining quotations and on splitting basis - Rs.49.424 million	49.424
325.	Loss due to unjustified scrap of tender- Rs.6.184 million	6.184
326.	Hiring of consultant services at higher rates - Rs.5.876 million	5.876
327.	Non-deduction of tax resulted in penalty and surcharge - Rs.4.315 million	4.315
328.	Un-justified engagement of 3rd party resource at exorbitant salary – Rs.3.640 million	3.640
329.	Unjustified procurement of underlay sheets at higher rates - Rs.2.850 million	2.850
	State Bank of Pakistan	
330.	Non-production of record of write-off loans - Rs.7.846 million	7.846
331.	Non-recovery from litigant parties - Rs.2.954 million	2.954
332.	Irregular payments against transportation of currency and allied labor services – Rs. 87.447 million	87.447
333.	Irregular holding of excess cash in cash chest vaults due to weak monitoring	0
334.	Loss due to less rent charged for Chief Manager Residency Lahore	0
335.	Loss to Government due to non-payment of unclaimed government bills – Rs. 2.578 million	2.578
336.	Irregular procurement of vehicle during ban period - Rs.3.590 million	3.590
337.	Management’s failure to promote Refinance Schemes – Rs. 277.125 million	277.125
338.	Irregular procurement of fuel for generators – Rs.5.901	5.901

	million	
339.	Irregular and doubtful payment to District Police for deployment of Police Guards at SBP-BSC premises - Rs.20.560 million	20.560
340.	Undue favor to the selected beneficiaries under Refinance Scheme - Rs.41.721 million	41.721
341.	Non reconciliation of in inter-company receivable/payable account	0
342.	Non-conducting of physical verification of vaults	0
343.	Irregular award of contract for O&M Diesel Generator-Rs 2.776 million	2.776
344.	Irregular promotion of the officer-Rs.8.100 million	8.100
345.	Irregular procurement of in-house pharmacy service-Rs.245.721 million	245.721
346.	Shortage / discrepancy of the balances-Rs.1.000 million	1.000
347.	Non-submission of report after foreign training	0
348.	Unjustified enhancement of refinancing facility to combat COVID (RFCC)	0
349.	Unjustified agency agreement with a Bank	0
350.	Non-monitoring of compliance of the Banking Regulation	0
351.	Non-recovery of rent from office at Islamabad	
352.	Non-evaluation of performance of the Board of Directors & Corporate Secretary	0
353.	Poor performance of SBP consumer protection department	0
354.	Irregular appointment of Graphics and Multimedia Developer – Rs.2.860 million	2.860
355.	Loss due to expiry of medicine-Rs.1.592 million	1.592
356.	Loss of interest income on the investment due to imprudent decision– Rs.641.231 million	641.231
357.	Loss of interest income on the investment – Rs.68.000 million	68.000
358.	Expenditure on electric billing due to non-solarization – Rs.38.266 million	38.266
359.	Procurements beyond annual procurement plan - Rs.4.460 million	4.460
360.	Unjustified fixation of salaries of contractual employees beyond ceiling range – Rs.2.943 million	2.943
361.	Increase of 347% salary of Executive Directors and 221% of Directors-Rs.466.368 million	466.368
362.	Increase / revision of salary without approval of the Finance Division - Rs.4,243.780 million	4,243.780
363.	Irregular/ unjustified appointment of Deputy Director,	5.947

	Specialized Fund Accounting–Rs.5.947 million	
364.	Irregular appointment of officers due to violation of code of conduct policy-Rs.2.296 million	2.296
365.	Devaluation of rupee against dollar	0
366.	Issuance of currency without proper planning, which caused devaluation of rupee and increase of inflation	0
367.	Irregular appointment of Manager (Security Operation Center) - Rs.6.160 million	6.160
368.	Irregular appointment of IT Service Management Specialist - Rs.5.500 million	5.500
369.	Irregular re-employment of retired officer - Rs.5.330 million	5.330
370.	Delay in up-gradation of firefighting and electrical system - Rs.4.200 million	4.200
371.	Less deduction of income tax from the salaries of officers - Rs.3.460 million	3.460
372.	Irregular payment of one time grant to the contractual employees -Rs.2.130 million	2.130
373.	Non-establishment of independent issue department	0
374.	Unjustified earning by increasing abnormal interest rate	0
375.	Inconsistency of Section 44 of the SBP Act with article 170 (2) of the Constitution	0
376.	Non-appointment on vacant positions	0
377.	Grant of loan to power generation companies at nominal interest rate and without obtaining objectives	0
378.	Unjustified significant cash injection by the bank	0
	Zarai Taraqiati Bank Ltd (ZTBL)	
379.	Poor financial position of the bank to pay off the post retirement liabilities of employees - Rs 17.181 million	17.181
380.	Irregular expenditure on payment of bonus to the staff of loss making branches - Rs 203.926 million	203.759
381.	Irregular procurement of two vehicles for the President during ban period - Rs 17.759 million	17.759
382.	Un-justified expenditure on acquisition of USSD solution for non-smart phone customers - Rs 10.737 million	10.737
383.	Loss due to non-recovery of loans from the defaulter employees of the bank - Rs 29.534 million	29.534
384.	i. Irregular time barred appointment of the SEVP in violation of the recruitment policy and non-fulfillment of the assigned targets - Rs 2.947 million ii. Unauthorized waive off 03 month's salary of the officer - Rs 3.972 million	2.947 3.972

385.	Irregular grant of fixed annual increments to the employees under SR-2005 - Rs 69.62 million	69.62
386.	Excess payment of rent of hired buildings due to non-observance of the Govt. approved hiring rates - Rs 221.226 million	221.226
387.	Approximate loss of Rs 179.712 million due to non-renting out of the two vacant floors	179.712
388.	Irregular procurement of vehicle for the Chairman Board of Directors during ban period - Rs 8.383 million	8.383
389.	Loss due to non- auction of the acquired property of the defaulter borrowers Rs 52.842 million	52.842
390.	Interest loss due to maintaining excess cash reserve by the treasury office - Rs 30.789 million	30.789
391.	i. Irregular appointment of the brokerage firms without review of list of brokerage firms and approval by ALCO - Rs 6.928 million ii. Irregular payment of the Sindh Sales Tax on behalf of the brokers - Rs 903,698	6.928 0.904
392.	Loss due to investment in treasury bills on lower yield on the same day - Rs 142.283 million	142.283
393.	Irregular investments in securities without diversification of funds - Rs 4,517.976 million	4,517.976
394.	i. Un-necessary continuation of loss making branches - Rs 20.115 million ii. Irregular expenditure on the pay & allowances of the loss making branches - Rs 11.429 million	20.115 11.429
395.	Non-monitoring of the facial attendance device of the employees resulting into low performance of the bank	0
396.	Loss to bank due to non- recovery of minor loans from the borrowers - Rs 37.84 million	37.84
397.	Loss to the current and ex-employees due to Irregular retention of the redundant provident fund trusts - Rs 496.065 million	496.065
398.	Weak performance due to non-achievements of the deposit /accounts opening targets	0
399.	Wasteful expenditure on the pay & allowances of the head of Islamic Treasury Karachi without actual performance - Rs 7.720 million	7.720
400.	Loss to bank due to non- recovery of the insurance claims from the Federal Government - Rs 2,156.192 million	2,156.192
401.	Irregular intra-funds transfer by the trustees - Rs 473.298	473.298

	million	
402.	i. Non-clearance of the long outstanding taxation cases with the FBR - Rs 98,948 million ii. Wasteful expenditure on payment of fee to the consultant / advocates - Rs 7.913 million	98,955.913
403.	Loss to shareholders due to non- distribution of dividends by the bank - Rs 16,330.313 million	16,330.313
404.	Loss to the pension fund trust of the SR-1961 due to less contribution by the bank - Rs 532.591 million	532.591
405.	Unjustified expenditure on pay & allowances of the Islamic Branches due to non-achievements of the deposits targets - Rs 281.195 million	281.195
406.	i. Loss to bank due to allotment of the rooms to the officers on low rent in KSSL Executive Lodge Rooms - Rs 31.505 million ii. Non-Provision of the record of guest room at Murree	31.505
407.	Irregular appointment of 78 years old IT Advisor without having IT qualification - Rs 7.500 million	7.500
	Ministry of Industries & Production	
	Export Processing Zones Authority	
408.	Procedural flaws in restructuring of Reko Diq Project under umbrella of EPZA	0
409.	Irregular export proceeds without Custom value determination	0
410.	Use of percentage of tariff area export quantity on value of goods instead of production quantity.	0
411.	Poor performance of zones due to higher imports than exports – Rs.13.757 million	13.757
412.	Poor performance of zones due to decrease in exports – Rs.117.669 million	117.669
413.	Loss of revenue due to re-auction of scrap – Rs.8.05 million	8.05
414.	Irregular export proceeds without Custom value determination	0
415.	Outstanding claims pending due to non-entering of data – Rs.580.000 million	580.0
416.	Non-establishment of Faisalabad Industrial Estate Management Company – Rs.30.382 million	30.382
417.	Non-operational of Gwadar Export Processing Zone	0
418.	Un-justified allowing foreign companies to export raw material from Export Processing Zones	0
	Karachi Tools, Dies and Moulds Centre	
419.	Non-achievement of revenue targets – Rs.69.222 million	69.222

420.	Loss due to non-implementation of project causing cost overrun and revenue loss - Rs.46.095 million	46.095
	Pakistan Industrial Development Corporation	
421.	Irregular sale of vehicles to the Manager Finance-Rs. 1.592 million	1.592
422.	Unjustified excess expenditure due to delay execution of project-BQIP	0
423.	Loss of interest income due to park of PSDP funds into LC margin account- Rs.168.299 million	168.299
424.	Loss due to imprudent investment in un-listed companies– Rs.55.602 million	55.602
425.	Loss due to provisioning of doubtful debts - Rs.65.636 million	65.636
426.	Doubtful expenditure on installation of Water Sprinkler System– Rs. 32.743 million	32.743
427.	Loss due to non-renting out of vacant space – Rs 27.450 million	27.450
428.	Loss of rental income - Rs.569.736 million	569.736
429.	Wasteful Expenditure on NFIP-Project due to non-completion Projec-Rs.288.44 million	288.44
430.	Poor performance of Law Department of PIDC	0
431.	Irregular/unjustified award of contract-Rs.430.702 million	430.702
432.	Irregular appointment of Manager Finance-Rs. 28.105 million	28.105
433.	Irregular award of contract for cutting bushes/trees - Rs.8.700 million	8.700
434.	Loss of interest income on TDR investment - Rs.3.850 million	3.850
	Pakistan Industrial Development Corporation Medical Centre	
435.	Non-payment of Long outstanding loan amounting to Rs-10.149 million	10.149
436.	Non-replenish of gratuity funds for Rs-2.409 million	2.409
437.	Reimbursement of OPD charges from PIDC, HO without reconciliation records Rs.5.65 million	5.65
438.	Decline in revenue - Rs.2.490 million	2.490
439.	Non-recovery / adjustment of income tax – Rs.1.570 million	1.570
	Pakistan Institute of Management	
440.	Non-adjustment of advances against salaries- Rs. 6.435 million	6.435
441.	Loss of revenue due to non-achievement of target of public training Programs- Rs. 34.560 million	34.560

442.	Non-posting of officers on key positions lying vacant since long	0
443.	Non-conducting of verification of antecedents / degrees of employees	0
444.	Irregular award of additional charge of Executive Director	0
445.	Non-finalization of accounts	0
446.	Irregular hiring of building without competitive bidding – Rs.5.400 million	5.400
447.	Non-recovery from various sundry debtors - Rs.3.120 million	3.120
448.	Undue favor extended to ex-Executive Director – Rs.8.653 million	8.653
449.	Unjustified expenditure due to inviting visiting faculty members – Rs.17.814 million	17.814
	Pakistan Steel Mills Corporation (Pvt.) Limited	
450.	Un-authorized allotment of vehicles to officers / staff	0
451.	Non-registration of vehicles with Excise & Taxation Department	0
452.	Irrational decision of dissolution of Hadeed Welfare Trust resulted into blockage of Funds - Rs.92.925 million	92.925
453.	Non-utilization of land of transport yard lying vacant - Rs.960.000 million	960.00
454.	Un-due delay in sale of scrape/waste valuing - Rs.49.949 million	49.949
455.	Non-payment of telephone charges to M/s PTCL - Rs.6.722 million	6.722
456.	Running corporation on ad-hoc basis and assignment of look after charge of Chief Executive Officer to additional Secretary in violation of SOE Act	0
457.	Irregular constitution of Executive Committee of Management in violation of SOE Act	0
458.	Loss of potential income due to delay in allotment of land by PIDCL	0
459.	Weak Internal controls - systematic issue	0
460.	Poor performance of the PSM Board resulted in delayed and irrational decisions	0
461.	Unjustified declaration of investment as loss - Rs.178.744 million	178.744
462.	Unjustified payment without execution of formal agreement to M/s K. Electric -Rs.289.662 million	289.662
463.	Loss due to non-imposition of Liquidated Damages - Rs.28.966 million	28.966

464.	Recurring loss due to non-renting of vacant spaces – Rs.10.815 million	10.815
465.	Irregular engagement of advocates – Rs.8.475 million	8.475
466.	Loss due to imposition of late surcharge - Rs.588.467 million	588.467
467.	Operating loss of schools/colleges – Rs.4.102 million	4.102
468.	Loss due to imposition of penalty - Rs.2.763 million	2.763
	Pakistan Gems & Jewellery Development Company	
469.	Lapse/un-utilized of Cheques amounting to Rs.8.049 million	8.049
470.	Irregular Closure Of Head Office (PF&JDC) For 42 Days	0
471.	Investment of funds without competitive bidding - Rs.1.225 million	1.225
472.	Non-recovery of advances / dues from various parties – Rs.8.622 million	8.622
473.	Non-auction of old vehicles - Rs.8.450 million	8.450
474.	Irregular appointment of Management Associate – Rs.1.584 million	1.584
	State Engineering Corporation (Pvt.) Limited	
475.	Non-appointment of the Regular Chief Executive for the company	0
476.	Wasteful expenditures due to non-achievement of objectives set for the establishment of the company - Rs 42.33 million	42.33
477.	Non-availability of record due to fire accident in the SEC office building	0
478.	Wasteful expenditures on account of POL - Rs 1.719 million	1.719
479.	Irregular appointment of external auditors without concurrence of Auditor-General of Pakistan – Rs 0.471 million	0.471
	Technology Upgradation and Skill Development Company (TUSDEC)	
480.	Irregular purchase of equipment on single quotation basis – Rs 12.815 million	12.815
481.	Loss due to non-recovery of two month's salary of advance notice – Rs 1.287 million	1.287
482.	Irregular appointment of TUSDEC staff against Projects posts – Rs 43.946 million	43.946
483.	Irregular withdrawal and payment of salary from provident fund account – Rs 1.80 million	1.80
484.	Non-achievement of targets due to poor management in implementation of PSDP Project – Rs 176.956 million and revenue loss due to delay in implementation of Project –	262.027

	85.071 million	
	Utility Stores Corporation	
485.	Irregular payment to consultant M/s Glowbug Pvt. Ltd. - Rs 690,000	0.690
486.	Un justified/ wasteful expenditure on review and documentation of policies and procedure - Rs 9.804 million	9.804
	Mis-procurement of sugar - Rs 2,601.700 million	2,601.700
	Ministry of Information Technology and Telecommunication	
	Pakistan Software Export Board (Guarantee) Limited	
487.	Loss due to cancellation of first tender of procurement - Rs 4.862 million	4.862
	Ministry of Information, Broadcasting and National History & Literature, Heritage Division	
	Associated Press of Pakistan Corporation	
488.	Irregular procurement of equipment beyond the approved PC-I cost – Rs 367.252 million	367.252
	Irregular cash payment of salaries to the Managing Director - Rs 5.755 million	5.755
489.	Non achievement of revenue targets by the project - Rs 444.00 million	444.00
490.	Non-contribution to CPF by the Corporation Rs 496.182 million leading to continuous accumulation and interest loss to employees - Rs 34.733 million per annum	530.915
491.	Irregular payment of salaries through bearer cheques - Rs 21.686 million	21.686
	Pakistan Television Corporation Limited	
492.	Unauthorized use of official vehicle by General Manager - Rs 954,720	0.955
493.	Irregular payment of Adhoc Relief Allowance and revision of Pay Scales - Rs 439.004 million	439.004
494.	Purchase of machinery and equipment without approval of Austerity Committee - Rs 57.773 million	57.773
495.	Irregular composition of Board of Directors	0
496.	Loss due to payment of pay & allowances to employees having fake degrees - Rs 36.527 million	36.527
497.	Loss due to cost overrun of civil work at RBS Pandu - Rs 6.599 million	6.599
498.	Recurring loss due to not shifting loss making channel from satellite to application base – Rs 171.95 million	171.95
499.	Non-appointment of regular Managing Director of the Corporation	0

500.	Non preparation and adoption of Business plan	0
501.	Loss to the public exchequer due to non-utilization of internet services of NTC – Rs 11.762 million	11.762
502.	Irregular payment of meeting fee to Directors & Officers of Corporation – Rs 4.560 million	4.560
503.	Non-recovery of payment made for hiring of technical facilities - Rs 18.400 million	18.400
504.	Unauthorized use of official vehicle by General Manager - Rs 954,720	0.954
505.	Irregular upgradation/re-designation of the posts - Rs 22.892 million	22.892
506.	Irregular appointment of Manager Public Relations against ex-cadre post – Rs 1.140 million	1.140
507.	Mis-procurement of equipment - Rs 63.260 million	63.260
508.	Non-Finalization of Annual Audited Accounts for the Years 2020-21 to 2023-24	0
509.	Excess payment due to execution of quantities more than BOQ - Rs 10.630 million	10.630
510.	Loss due to acquisition of loss making sports events – Rs 109.970 million	109.970
511.	Loss due to non-collection of TV license fee from bulk supply consumers - Rs 9.253 million	9.253
512.	Non-creation of separate pension fund and accumulation of significant liability - Rs 1.700 billion	1,700
513.	Irregular re-employment of officers after retirement on superannuation - Rs 15.789 million	15.789
514.	Irregular appointment and payment of salaries to anchor without attendance & hosting any program - Rs 2.861 million	2.861
515.	Irregular promotion of contract employee as Director Marketing by ignoring suitable officer	0
516.	Expected loss due to lack of verification mechanism for TV license fee revenue - Rs 24.152 million (approx.)	24.152
517.	Wasteful expenditure incurred on indoor medical treatment of employees - Rs 192.997 million	192.997
518.	Irregular award of contract for hiring the services of live streaming - Rs 3.143 million	3.143
519.	Irregular promotion of staff without sanctioned posts - Rs 1.762 million	1.762
	Ministry of Interior	
	National Database and Registration Authority	
520.	i) Irregular monetization of official vehicles to officers	0

	(ii) Unauthorized monetization of official vehicles to non-entitled officers	
521.	Unauthorized Exposure of 110 million Pakistani Citizens Data on Internet through eVerisys	
522.	Excess rental cost due to delay in finalizing bid for office space in RHO Quetta - Rs 67.617 million	67.617
523.	Non-Compliance with Authority Regulations in Waiver of Notice Period for Resigning Officer - Rs 3.262 million	3.262
524.	Unverified appointment of Afghan national in NADRA and associated security risks	0
525.	Irregular appointments, promotions and unauthorized conversion of major penalty (removal from service) into major penalty of compulsory retirement and payment of retirement benefits - Rs 4.277 million	4.277
526.	Irregular appointment, promotion & change of cadre - Rs 31.115 million	31.115
527.	Excess rent paid on hiring of Private Properties for office accommodation in Contradiction to Government Policy – Rs 20.931 million	20.931
528.	Disparity in Salaries of Employees in the Same Pay Scale	-
529.	Financial Losses and Revenue-Expenditure Disparities Across Regional Headquarters (RHOs)-Rs 1,752 million	1,752.00
530.	Loss to the public exchequer due to non-utilization of internet services of NTC-Rs 18.485 million	18.485
531.	Irregular award of repairing work of vehicles on quotation basis Rs 5.208 million	5.208
532.	Loss to Public Funds Due to Reliance on Rented Premises-Rs 2,084.39 million	2,084.39
533.	Conflict of Interest and Procedural Lapses in Procurement process of Dematerialized ID Cards	-
534.	Non-Initiation of Transition from Physical to Digital Identity Cards by NADRA	-
535.	Unjustified collection of fee against chip based CNICs having no use and loss of Rs 8,350 million	8,350
536.	Loss of foreign exchange due to lack of in-house card manufacturing facility - USD 63 million (approx.)	
537.	Irregular payment of Allowances without concurrence of Finance Division-Rs 8,146 million	8,146
538.	Irregular appointment of employee on fake / bogus education documents and recovery thereof - Rs 105.118 million	105.118
539.	Loss due to non-completion of RHO Peshawar building - Rs	661

	661 million	
540.	Compromise of NADRA/PTCL VPN Connection leading to unauthorized export of citizens data to a foreign country	0
541.	Irregular engagement/hiring of legal firm and payment thereof - Rs 2.2 million	2.2
542.	Irregular payment against CSI agreement of Exadata Hardware - Rs 2.887 million	2.887
543.	Loss due to award of contract to the highest bidder - Rs 5.151 million	5.151
	NADRA Technologies Limited	
544.	Wasteful expenditure incurred by NADRA for visit of foreign official in NADRA HQs – Rs 10.126 million	10.126
545.	Irregular procurement of consumable items without establishing annual procurement plan – Rs 16.62 million	16.62
546.	Unjustified and wasteful expenditure for procurement of Motorbikes - Rs 21.870 million	21.870
547.	Irregular cancelation/blocking of e-sahulat franchisees IDs without specifying reasons – Rs 25.953 million	25.953
	Ministry of Maritime Affairs	
	Gwadar Port Authority	
548.	Enhancement of project cost by increase in quantities – Rs.2.942 million	2.942
549.	Re-appropriation of expenditure in other head of account & over spending in excess of allocated budget - Rs.88.016 million	88.016
550.	Irregular hiring of services of external auditors - Rs.2.227 million	2.227
551.	Procurement of tractor without tender - Rs.8.660 million	8.660
552.	Rental loss due to cancellation of agreement - Rs.8.009 million	8.009
553.	Non-recovery of outstanding rent and utilities charges from tenants - Rs.5.951 million	5.951
554.	Non-disposal of vehicles despite BoD directives - Rs.5.440 million	5.440
555.	Loss of income due to non-renting out of properties - Rs.1.974 million	1.974
	Korangi Fisheries Harbour Authority	
556.	Irregular award of contract to 2nd Lowest M/s Oqab Security Services (Pvt) Ltd. -Rs.4.668 million	4.668
557.	Irregular payment of Imprest money - Rs.1.892 million	1.892
558.	Non-reconciliation of the expenditure with AGPR Office – Rs.244.395 million	244.395

559.	Irregular/ un-Justified payment on account of Repair & Maintenance in violation of PPRA Rules - Rs.3.915 million	3.915
560.	Irregular excess payment on account of hiring ceiling payment to staff at KoFHA - Rs.1.691 million	1.691
561.	Non-conducting of verification of antecedents / degrees of employees	0
562.	Purchase of Stationery and others without Annual Plan / Consumption Account - Rs.1.978 million	1.978
563.	Irregular payment of TA/DA - Rs.5.042 million	5.042
564.	Irregular award of contract to M/s Defender Security Services (Pvt) Ltd - Rs.9.076 million	9.076
565.	Irregular award of contract award - Rs.7.089 million	7.089
566.	Irregular holding of investment in a single bank - Rs.891.000 million	891.000
567.	Line losses in the electricity supply – Rs.2.303 million	2.303
	Pakistan National Shipping Corporation	
568.	Loss of revenue due to overage premium paid by PNSC Rs.213.984 million	213.984
569.	Loss due to Out of Court settlement with contractor – Rs.94.358 million	94.358
570.	Irregular purchase and non-entitlement of property – Rs.35.406 million	35.406
571.	Poor performance by legal department due to non-recovery of decreed amount -Rs.23.713 million	23.713
572.	Non-blacklisting of contractor due to non-performing of contractual obligations-Rs.3.657 million	3.657
573.	Poor performance of Special Planning & Projects department due to non -execution of development projects	0
574.	Delay in Project for hiring of vessels on bareboat resulted in non-compliance of directives by Board	0
575.	Diminishing of the shares value due to ill planned investment - Rs.12.125 million	12.125
576.	Undue favor to officer due to promotion and acting charge of Chief Internal Auditor -Rs.11.883 million	11.883
577.	Non-hoisting of Evaluation Report on PPRA website for prequalification of Marine Fuel Oils suppliers	0
578.	Loss on sale of bunkers of PNSC vessels - Rs.176.344 million	176.344
579.	Loss of revenue due to non-achievement of targets-Rs.5,233.745 million	5,233.745
580.	Loss on account of revenue due to time charter – Rs.401.791 million	401.791

581.	Loss of rental revenue - Rs.313.023 million	313.023
	Port Qasim Authority	
582.	Non-conducting of enquiry into land related matters	0
583.	Irregular expenditure on printing - Rs. 2.842 million	2.842
584.	Delay in announcement of contract evaluation results - 12.944 million	12.944
585.	Avoidable expenditure amounting to Rs. 2.824 million	2.824
586.	Non-conductance of physical verification of stores/ assets	0
587.	Irregular refunding of excess tax deducted – Rs.69.815 million	69.815
588.	Board resolution passed in violation of rules to purchase shares on higher rates - Rs.650 million	650
589.	Irregular award of contract for purchase/supply of one Conventional Twin-screw Buoy (Tug Boat)	0
590.	Loss due to poor management of the contracts – Rs.130 million	130
591.	Irregular payment to contractor without opening of LC	0
592.	Irregular award of annual running maintenance contract in NWIZ Rs. 300 million	300
593.	Undue favor in shifting of cargo handling & failure to recover Rs.45.406 million	45.406
594.	Non-payment of tax -	0
595.	Irregular import of crafts spare parts from other sources –	0
596.	Irregular direct payment to contractor without opening of LC - Rs.343.683 million	343.683
597.	Irregular Provision of transport facility to employees without approval – Rs.328.760 million	328.760
598.	Non-refund of income tax - Rs.191.773 million	191.773
599.	Blockage of funds in dormant accounts – Rs.154.226 million	154.226
600.	Non-reconciliation of bank challans – Rs.112.152 million	112.152
601.	Unauthorized payment of fees to advocates / lawyers / firms - Rs.40.303 million	40.303
602.	Management's failure to control water losses - Rs.24.853 million	24.853
603.	Un-presented / not-deposited cheques - Rs.15.209 million	15.209
604.	Non-obtaining of bid security - Rs.14.200 million	14.200
605.	Unjustified expenditure on procurement of fuel and cylinder gas - Rs.13.557 million	13.557
606.	Poor financial management resulting in loss – Rs.7.581 million	7.581
607.	Non-auction of tugboats and subsequent expenditure on	6.170

	repair & maintenance – Rs.6.170 million	
608.	Non-insurance of boats	-
609.	Unauthorized purchase of vehicles in ban period – Rs.32.456 million	32.456
610.	Irregular procurement on splitting basis - Rs.3.288 million	3.288
611.	Irregular repetitive changes in allocation of plot – Rs.3.000 million	3.000
612.	Escalation in cost due to repeated scrapping of tender – Rs.1.657 million	1.657
	Ministry of National Food Security and Research	
	Livestock and Dairy Development Board	
613.	Non finalization of annual accounts for the year 2020-21 to 2022-23	0
614.	Incurrence of expenditure without budget allocation in PC-1 –Rs 7.300 million	7.300
615.	Misappropriation on purchase of Yak Semen Imported from USA – Rs 2.640 million	2.640
	Pakistan Agricultural Storage and Services Corporation (PASSCO)	
616.	Excess charging of incidental expenses on sale of imported wheat to government agencies - Rs 48.184 million	48.184
617.	Excess charging of incidental expenses on sale of local and imported wheat to government agencies - Rs 153.616 million	153.616
618.	Loss due to investment of funds at lower rate - Rs 6.432 million	6.432
619.	Non recovery of difference of Incidental charges - Rs 1,890.129 million	1,890.129
620.	Loss due to poor pursuance of legal cases and decision against the PASSCO – Rs 29.479 million	29.479
621.	Irregular expenditure on account of printing - Rs 4.800 million	4.800
622.	Irregular hiring of advertising agency for advertisement - Rs 3.211 million	3.211
623.	Irregular appointment and payment made on a deputation basis at PASSCO - Rs 3.600 million	3.600
624.	Irregular cash payments to growers and farmers exceeding the admissible limit – Rs 19.316 million	19.316
625.	FIA and IB alleged corruption in issuance of Bardana more than admissible limit - 407.691 million	407.691
626.	Non dismissal from services of 207 employees involved in corruption in sale of Bardana	0

627.	Illegal issuance of Bardana to Arties in violation of procurement policy - Rs 84.646 million	84.649
	Pakistan Tobacco Board	
628.	Cost overrun due to delay in execution of civil work - Rs 12.88 million	12.88
629.	Irregular hiring of consultant law firm - Rs 1.800 million per annum	1.800
630.	Irregular expenditure due to appointment on daily wages against substantives posts – Rs 10.189 million	10.189
	Ministry of Planning, Development and Special Initiatives	
	National Logistic Cell (NLC)	
631.	Irregular procurement of vehicles during ban period Rs 892.476 million	892.476
632.	Irregular award of contract for procurement of Automotive Lead Acid Batteries Rs 3.398 million	3.398
633.	Irregular award of contract without transparent competitive bidding process – Rs 27.690 Million	27.690
634.	Loss to NLC due to inefficiency of the Management of the Logistic Services Karachi – Rs 417.533 million	417.533
635.	Irregular conversion of the double cabin in to the Revo bullet proof vehicle – Rs 7.150 million	7.150
636.	(i) Loss due to sale of auction on low rates than the reserve price Rs 14.11 million (ii) Loss due to non- recovery of the income tax from the approved bidders Rs 21.014 million	35.124
637.	Opportunity loss of bonus due to non- completion of the projects within stipulated time period – Rs 199 million	199.00
638.	Loss due to non- recovery of the performance guarantee from the sub-contractors – Rs 398.00 million	398.00
639.	Non-deduction of Late Delivery Charges and acceptance of IT Equipment without Pre-Inspection – Rs 4.030 Million	4.030
640.	Loss due to procurement of inferior quality of tyres - Rs 2.342 million Suspected loss due to non- replacement of the inferior quality of tyres - Rs 45.625 million	47.967
641.	Irregular pre-qualification/ enlistment of M/s Bilal & Co. without submission of the performance security – Rs 134.182 million	134.182
642.	Irregular payment of international traffic challans from NLC Funds – Rs 4.838 million	4.838
643.	Irregular Hiring of M/s Masood-Ul-Hassan, Consultant &	8.306

	EHS Management Services – Rs 8.306 million	
644.	Non-compliance of the various sections of the State Owned Enterprises (Governance and Operations) Act, 2023.	-
645.	Loss to the public exchequer due to non-deduction of General Sales Tax from suppliers – Rs 4.141 million	4.141
646.	Loss due to non-recovery of lease rent from Pakistan Railway – Rs 1,829.00 million Non-recovery of late payment charges from Pakistan Railway Rs 359.924 million	2,188.924
647.	Loss due to waiver of the liquidated damages to the contractors – Rs 4.009 million	4.009
648.	Non deduction of Sindh Services Tax from the HMT sub-contractors – Rs 1,927.611 million	1,927.611
649.	Irregular operations of utilization of the MAS US \$ account by the TIR – Rs 77.590 million	77.590
	Pakistan Institute of Development Economics	
650.	Irregular Additional Charge of the post of Treasurer to the Chief of Research	-
651.	Irregular expenditure incurred for purchase of IT equipment - Rs 18.343 million	18.343
	Ministry of Science and Technology	
	STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited	
652.	Non appointment of Regular Chief Executive Officer/Managing Director	

Non-submission of Audited Accounts

Annual audited accounts of Public Sector Enterprises for the year 2023-24, were required to be submitted to the Directorates General of Commercial Audit and Evaluation, Islamabad by December 31, 2024. 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:

S#	Name of Ministry/Division/Organization	Year of Accounts
Cabinet Division		
1.	Printing Corporation of Pakistan (Pvt.) Limited	2021-22 to 2023-24
2.	National Engineering Services Pakistan (Pvt.) Ltd	2019-20 to 2023-24
3.	Islamabad Employees Social Security Institution	2018-19 to 2023-24
4.	Pakistan Tourism Development Corporation	2022-23 to 2023-24
5.	Pakistan Tours (Pvt.) Limited	2023-24
6.	Associated Hotel of Pakistan Ltd	2023-24
7.	Pakistan Institute for Parliamentary Services (PIPS)	2018-19 to 2023-24
Ministry of Defense Production		
8.	Wah Brass Mills (Pvt.) Limited	2022-23
9.	Wah Nobel (Pvt.) Limited	2021-22 to 2023-24
10.	Wah Construction (Pvt.) Limited	2022-23 to 2023-24
Ministry of Federal Education and Professional Training		
11.	National Book Foundation	2023-24
12.	Pakistan Education Endowment Fund (PEEF)	2023-24
13.	NFC Institute of Engineering and Fertilizer Research, Faisalabad	2023-24
14.	National Textile University Faisalabad	2023-24
Ministry of Industries & Production		
15.	Furniture Pakistan (Pvt.) Limited	2020-21 to 2023-24
16.	Industry Facilitation Centre (Pvt.) Limited	2017-18 to 2023-24
17.	Heavy Electrical Complex (Pvt.) Limited	2022-23 to 2023-24
18.	National Fertilizer Corporation of Pakistan	2021-22 to 2023-24
19.	National Fertilizer Marketing (Pvt.) Ltd.	2018-19 to 2023-24
20.	Pakistan Engineering Company Limited	2018-19 to 2023-24
21.	Pakistan Hunting and Sporting Arms Development Company	2019-20 to 2023-24
22.	Small and Medium Enterprise Development Authority (SMEDA) & its allied projects.	2023-24
23.	Technology Upgradation and Skill Development Company (TUSDEC)	2023-24
24.	Utility Stores Corporation of Pakistan (Pvt.) Limited	2020-21 to 2023-24
25.	Export Processing Zones Authority	2010-11 to 2023-24

26.	PIDC Medical Centre	2022-23 to 2023-24
27.	Pakistan Institute of Management	2012-13 to 2022-23
28.	Pakistan Steel Mills	2020-21 to 2023-24
29.	Pakistan Gems & Jewellery Company Limited	2022-23 to 2023-24
	Ministry of Maritime Affairs	
30.	Gwadar Port Authority	1986-87 to 2023-24
31.	Korangi Fisheries Harbour Authority	2015-16 & 2023-24
32.	Port Qasim Authority	2006-07 to 2022-23
	Ministry of Information Technology and Telecommunication	
33.	Pakistan Software Export Board (Guarantee) Limited	2023-24
	Ministry of Information, Broadcasting and National History & Literary, Heritage Division	
34.	Associated Press of Pakistan Corporation	2013-14 to 2023-24
35.	Pakistan Broadcasting Corporation	2019-20 to 2023-24
36.	Pakistan Television Corporation Limited	2019-20 to 2023-24
37.	Shalimar Recording and Broadcasting Company limited	2019-20 to 2023-24
	Ministry of Interior	
38.	National Database & Registration Authority (NADRA)	2022-23 to 2023-24
	Ministry of National Food Security and Research	
39.	Livestock and Dairy Development Board	2018-19 to 2023-24
40.	Agribusiness Support Fund	2017-18 to 2023-24
41.	Pakistan Agricultural Storage and Services Corporation Limited (PASSCO)	2023-24
42.	Pakistan Tobacco Board	2023-24
	Ministry of National Health Services Regulation and Coordination	
43.	National Institute of Health Biological Production Division	2023-24
	Ministry of Planning, Development and Special Initiatives	
44.	National Logistics Cell	2023-24
45.	Pakistan Institute of Development Economics	2023-24
	Ministry of Science and Technology	
46.	Pakistan Science Foundation	2022-23 to 2023-24
47.	Pakistan Scientific & Technological Information Centre	2022-23 to 2023-24
48.	Pakistan Museum of Natural History	2022-23 to 2023-24
49.	STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited	2020-21 to 2023-24
	Strategic Plans Division	
50.	Heavy Mechanical Complex (Pvt.) Limited	2023-24
51.	Institute of Space Technology	2022-23 to 2023-24
	Aviation Division (Cabinet Secretariat)	
52.	Skyrooms (Pvt.) Limited	

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.

S. No.	Name of Ministry/Division/Organization	Status/Remarks
CABINET DIVISION		
Pakistan Tourism Development Corporation		
1	Malam Jabba Resorts Limited	Operational activities closed since May 2008
2	Associated Hotel of Pakistan Limited	Operation closed since long
FINANCE DIVISION		
3	Agricultural Marketing and Storage (Pvt.) Ltd.	Under liquidation since 1993
MINISTRY OF INDUSTRIES & PRODUCTION		
4	Aik Hunar Aik Nagar (AHAN)	
5	Federal Bank for Co-operatives	Under liquidation since 2002
PLANNING DIVISION		
6	National Construction Company of Pakistan Limited	Under Liquidation Since September, 1990

Annex-4**Recoveries made at the instance of Audit**

During the year 2023-24, audit of the accounts for the year 2022-23 of Public Sector Enterprises of Federal Government was conducted and results thereof, pinpointing various types of financial irregularities and loss 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 loss / irregularities pointed out by Audit, made recoveries to the tune of Rs 506.473 million at the instance / pursuance of Audit as detailed below:

S#	Name of Ministry/ Division/ Organization	Brief Particulars of Recoveries	Amount recovered at the instance of audit (Rs in million)
1	KS&EW	Non-settlement of outstanding advances US \$ 17.697 million equivalent to Rs. 2,212.125 million	1,620.76
2	KS&EW	Non-recovery of services charges from customers Rs.853.853 million	53.427
3	PRCL	Non-recovery of amount due from NICL and other insurers Rs. 15,442 million	7.51
4	GPA	Non recovery of rent from services and General administration Rs. 14.132 million	13.267
5	GPA	Non recovery of outstanding dues from mole holders Rs. 1.791 million	1.791
6	GPA	Non recovery of port operation revenue from concession holder Rs.24.893 million	24.893
7	KSE&EW	Unadjusted unsecured advance against suppliers contractors Rs. 89.051 million	42.06
8	KSE&EW	Non-recovery of refundable Sales Tax Rs. 203.336 million	142.5
9	KSE&EW	Non-recovery of service charges Rs. 94.343 million	75.353
10	KSE&EW	Loss due to Non- fulfillment of contractual obligations for construction of pilot boat of Rs 17.776 million	6.22
11	KSE&EW	Increase in trade debtors	14.781
12	GPA	Non-Recovery of Revenue from the Port Operator Rs.	21.893

		58.768 million	
13	GPA	Non-Recovery of Rent form the Tenants Rs. 45.451 million	31.373
14	GPA	Non-Recovery of charges from the Mole Traders Rs. 1.286 million	1.286
15	KSE&EW	Non-recovery of outstanding dues from different customers Rs. 6,385.179 million	3932.58
16	KS&EW	Non-recovery of advance and liquidated damages charges from the defaulting contractor Rs. 167.491 million	131.343
17	KS&EW	Provision for doubtful trade debts Rs. 31.312 million	10.29
18	KS&EW	Inordinate delay in collection of amount Rs. 20.257 million	20.257
19	KS&EW	Provision for loss on incomplete jobs Rs. 5.937 million	3.845
20	KS&EW	Los due to unauthorized trade debts write off Rs. 16.224 million	1.735
21	KS&EW	Non-recovery of refundable sales tax Rs. 538.073 million	245.597
22	TCP	Non-recovery of dues from various parties Rs. 81,568.058 million	22,700.00
23	PIM	Sundry Debtors increased by 77% from 4.14 million in 2010-11 to Rs. 7.33 million in 2011-12 steps needs to be taken to recover the outstanding amount	7.33
Ministry of Defence Production			
24	POF	(Para 4.2.4.1, Audit year 2021-22)	201.734
25	POF	(Para 4.2.4.3, Audit year 2021-22)	3.443
26	POF	(Para 4.2.4.22, Audit year 2019-20)	3.81
27	POF	(Para 4.2.4.26, Audit year 2020-21)	48.72
28	WBM	(Para 4.5.4.11, Audit year 2021-22)	22
Finance Division			
29	SME Bank Ltd	Irregular disbursement of second loan - Rs 25.00 million (Para 6.7.4.4, Audit year 2022-23)	15.715
30	ZTBL	Loss due to embezzlement in Branch - Rs 631.66 million (Para 8.5.4.1, Audit year 2018-19)	143.223
31	ZTBL	Loss due to embezzlement of funds through NIFTS - Rs 37.78 million (Para 8.5.4.2, Audit year 2018-19)	11.798
32	ZTBL	Irregular grant of subsequent loans to defaulters – Rs 61.03 million (Para 8.5.4.7, Audit year 2018-19)	10.893
33	ZTBL	Non recovery of advances from dismissed / severance employees – Rs 6.02 million (Para 8.5.4.10, Audit year 2018-19)	3.182
34	ZTBL	Non-recovery of advances from ex-employees – Rs 43.55 million (Para 8.5.4.11, Audit year 2018-19)	4.703
	ZTBL	Loss due to non-recovery of penalty and official vehicle from employee – Rs 9.18 million (Para	3.647

		8.5.4.21, Audit year 2018-19)	
		Ministry of Industries & Production	
35	USC	Audit Comment: Trade debtors of the Corporation increased from 0.984 million as on June 30, 1995 to Rs 25.777 million as June 30, 1996 registering an increased of 3519.61% which was very much alarming. The amount of trade debtors was arrived at after making provision for doubtful debts of Rs 7.691 million. Reasons due to which these debts became doubtful of recovery within the same year need to be investigated and efforts made to recover the said amount to avoid loss to the Corporation. (Para 131, Audit year 1995-96)	4.93
		Ministry of Interior	
36	NADRA	12.1.4.7 Non-recovery of long outstanding amount from Federal Board of Revenue (FBR) – Rs 64.479 million (Para 12.1.4.7, Audit year 2023-24)	16.091
37	NADRA	12.1.4.16 Non recovery of amount due from various organizations – Rs 17.246 million (Para 12.1.4.16, Audit year 2023-24)	8.8
		Ministry of Federal Education & Professional Training	
38	NTU, Faisalabad	7.3.4.6 Loss due to non-recovery from unsuccessful employees in PhD studies - Rs 4.325 million (Para 7.3.4.6, Audit year 2023-24)	2
39	NFC-IEFR, Faisalabad	Audit Comment: 7.2.2.4 The management written off receivable loan of Rs 1.784 million from National Fertilizer Marketing Limited (NFML), Lahore during 2022-23. Detailed justification of write off the loan be provided to audit. (Para 7.2.2.4, Audit year 2023-24)	1.784
			29,616.56

Annex-5

Non-recovery from various debtors - Rs. 23,631.055 million (Engineering Department)		
S. #	Name of Customer	Outstanding Amount More than 01 year (Rs)
1	Vision Air International	67,470,237
2	Shaheen Air International	21,411,990
3	SERENE AIR	6,411,721
4	AIRBLUE LIMITED	2,347,121
5	Boeing Commercial Airplane Co.	9,462,348
6	Air Falcon (Pvt) Ltd.	5,436,701
7	PNS Mehran	5,136,904
8	Hamilton Sundstrand	3,047,389
9	Messier - Bugatti-Dowty	2,280,904
10	CAA CONGO	2,000,065
11	Atr Eastern Support Private Limited	1,467,467
12	Aar Corporation	1,073,256
13	SINDH POLICE.	1,019,841
Total		128,565,944

GROUND HANDLING AGENTS							
MONTH	Karachi	Lahore	Islamabad	Peshawar	Multan	Faisalabad	Total
	Earning in USD	Earning in USD	Earning in USD	Earning in USD	Earning in USD	Earning in USD	Earning in USD
JANUARY	9,792	400	572	1,247.0	1,377	129.92	135,17.92
FEBRUARY	19,284	285	272	1,002.5	1,282	126	22,251.50
MARCH	12,240	18,390	644	1,257.5	1,388	146.16	340,65.66
APRIL	17,136	180	120	2,812.5	0	300	20,548.50
MAY	22,032	559	240	5,177.5	0	0	28,008.50
JUNE	19,584	200	0	570	0	0	20,354.00
JULY	31,824	1,280	0	562.5	465	113.68	34,245.18
AUGUST	34,272	1,010	45	0	3,090	0	38,417.00
SEPTEMBER	29,376	0	45	406	2,380	0	32,207.00
OCTOBER	34,272	60	384	510	1,800	0	37,026.00
NOVEMBER	34,072	0	1,449	845	360	0	36,726.00
DECEMBER	31,824	45	11,617	270	0	150	43,906.00
TOTAL	295,708	22,409	15,388	14,660.5	12,142	965.76	361,273.30

Non-disclosure of receivables against agents - Rs. 150.417 million

S. #	Agent	Outstanding (Rs)
1.	Air bridge intl	87,813,278
2.	Rehman travel	13,725,603
3.	Fly travels & tours	8,353,417
4.	Travel times	2,596,762

5.	Sak travels	2,309,068
6.	Streamline intl	829,718
7.	Hania travel & tours	611,697
8.	Al saudia intl	593,467
9.	Express travel	528,064
10.	Rayyan air travel	411,334
11.	Oec travel	363,345
12.	Aryana vision	191,291
13.	Karim travel	185,765
14.	Al kaba al madina	177,945
15.	Nazeer travel	170,204
16.	Air track	135,211
17.	Fast travel	72,284
18.	Margalla-1631	5,476
19.	Hania travel	4,470
20.	Labbaik travel-bsp	19,720,534
21.	Hza travel & tour-bsp	2,802,446
22.	De risen travel and tours-BSP	1,839,858
23.	Karwan-e-makkah	6,976,030
Total		150,417,267

Annex-6
(See Para. 1.1.4.4)

Loss on account of prolonged grounded aircrafts and non-disposal of aircraft engines - Rs. 14,975.590 million											
s. #	A/C Tail	A/C Type	Engine Type	ESN	Market Value at last Operation (US\$ in Million)				Status	Market Value AS in 2018	Sale Proceeds
					last Operation of A/C	By M/s Ascend Value (US\$)	FX Rate	Value of Engine Rs million			
	1	2	3	4	5	6	7	8=(6x7)	9	10	
1	AP-BCA	737-300	CFM56-3	720,205	12-11-11	0.90	86	77.40		No Market Value	
			CFM56-3	720,221		0.90	86	77.40		No Market Value	
2	AP-BCB	737-300	CFM56-3	720,191	19-05-12	0.90	93	83.70		No Market Value	
			CFM56-3	720,230		0.90	93	83.70		No Market Value	
3	AP-BCC	737-300	CFM56-3	720,452	31-03-08	0.90	69	115.23		No Market Value	
			CFM56-3	720,206		1.67	69	103.50		No Market Value	
4	AP-BCD	737-300	CFM56-3	720,229	16-06-14	1.50	101	65.65		No Market Value	
			CFM56-3	720,230		0.65	101	65.65		No Market Value	
5	AP-BCF	737-300	CFM56-3	720,316	17-06-14	0.65	101	65.65		No Market Value	
			CFM56-3	720,241		0.65	101	65.65		No Market Value	

										Value	
6	AP-BFT	737-300	CFM56-3	720,316	09-03-14	0.65	101	65.65		No Market Value	
			CFM56-3	720,241		0.65	101	65.65		No Market Value	
7	AP-BEH	737-300	CFM56-3	720,218	11-02-13	0.65				Not provided	
			CFM56-3	720,191		Not provided	101	90.90		No Market Value	
8	AP-BFU	747-300	RB211-524	12,057	01-07-14	0.90				Not provided	
			RB211-524	12,063		Not provided				Not provided	
			RB211-524	12,217		Not provided				Not provided	
			RB211-524	12,241		Not provided				Not provided	
9	AP-BFV	747-300	RB211-524	12,241	02-06-14	Not provided				Not provided	
			RB211-524	12,057		Not provided				Not provided	
			RB211-524	12,054		Not provided				Not provided	
			RB211-524	12,274		Not provided				Not provided	
10	AP-BFW	747-300	RB211-524	12,241	09-04-12	Not provided	93	23.25		No Market Value	
			RB211-524	12,053		0.25	93	23.25		No Market Value	
			RB211-524	12,285		0.25				Not provided	
			RB211-524	12,243		Not provided	93	23.25		No Market Value	
11	AP-BFX	747-300	RB211-524	12,241	13-06-08	0.25	69	62.10		No Market Value	
			RB211-524	12,053		0.90	69	62.10	sold	1,100,000	1.10
			RB211-524	12,285		0.90	69	62.10			
			RB211-524	12,243		0.90	69	62.10			
12	AP-BFY	747-300	RB211-524		01-Jul-15	0.90				Not provided	
			RB211-524	12,269		Not provided				Not provided	
			RB211-524	12,054		Not provided				Not provided	
			RB211-524	12,217		Not provided				Not provided	
13	AP-BGG	747-300	RB211-524	12,213	09-Apr-13	Not provided				Not provided	
			RB211-524	12,071		Not provided			sold	1,100,000 (RS)	1.10
			RB211-524	12,260		Not provided				Not provided	
			RB211-524	12,054		Not provided				Not provided	

14	AP-BAK	747-200	CF6-50E2	528-190	15-May-11	Not provided				Not provided	
			CF6-50E2	455-334		Not provided				Not provided	
			CF6-50E2	517-341		Not provided				Not provided	
			CF6-50E2	455-339		Not provided				Not provided	
15	AP-BAT	747-200	CF6-50E2	517-179	15-Jun-08	Not provided	69	58.65		No Market Value	
			CF6-50E2	455-921		0.85	69	58.65		No Market Value	
			CF6-50E2	517-618		0.85	69	58.65		No Market Value	
			CF6-50E2	517-212		0.85	69	58.65		No Market Value	
16	AP-BDZ	310-300	CF6-80C2	695-411	18-May-14	0.85	101	313.10		No Market Value	
			CF6-80C2	695-397		3.10	101	313.10		No Market Value	
17	AP-BEB	310-300	CF6-80C2	695-526	18-Nov-12	3.10	93	288.30	sold	0.60 (US\$)	55.80
			CF6-80C2	695-518		3.10	93	288.30		No Market Value	
18	AP-BEC	310-300	CF6-80C2	695-397	07-Oct-13	3.10	101	313.10		No Market Value	
			CF6-80C2	695-403		3.10	101	313.10	sold	0.32 (US\$)	32.32
19	AP-BEG	310-300	CF6-80C2	695-164	15-Feb-16	3.10	105	325.50	sold		
			CF6-80C2	695-414		3.10	105	325.50	sold	1.2 (US\$)	126.00
20	AP-BEQ	310-300	CF6-80C2	695-392	N/A value taken of 2015	3.10	102	265.20		No Market Value	
			CF6-80C2	695-611		2.60	102	265.20		No Market Value	
21	AP-BEU	310-300	CF6-80C2	695-414	22-Jul-15	2.60	102	265.20		No Market Value	
			CF6-80C2	695-397		2.60	102	265.20		No Market Value	
22	AP-BGN	310-324	PW4000	717,703	13-Aug-14	2.60	101	176.75		No Market Value	
			PW4000	Not Provided		1.75				Not Provided	
23	AP-BGQ	310-324	PW4000	724,916	15-Dec-12	Not Provided	93	232.50	sold	0.3 (US\$)	27.90
			PW4000	724,913		2.50	93	232.50	sold	0.3 (US\$)	27.90
24	AP-BGS	310-324	PW4000	724,914	05-Feb-13	2.50	101	227.25	sold	0.3 (US\$)	30.30
			PW4000	724,918		2.25	101	227.25		No Market Value	
25	AP-BHJ	ATR42	PW127	PCE-ED0006	13-Aug-12	2.25	93	97.65	shop	No Market Value	
			PW127	PCE-ED0591		1.05	93	-	Shop	No Market Value	
Sub-Total								6,313.18			302.42
Total											6,010.76

Loss due to default by the agents - Rs. 2,669.325 million

1- Misappropriation by the Agent VWSTA-AAN TRAVEL, in connivance with the concerned management – Rs. 109.046 million

M/s VWSTA-ANN TRAVEL, IATA agent No. 9121322 misappropriated an amount of Rs. 109.046 million against the tickets of PIAC sold during September - October, 2015. The agent was allowed to sell the tickets beyond the prescribed limits/capping of 300 tickets/ fortnight. The matter was reported to the management in December 2017.

2- Misappropriation by Travel Agent, M/s NITA Travels–£ 0.282 million (Rs. 39.458 million)

M/s NITA Travels did not deposit an amount of £ 171,859 in 2009 relating to the sale of PIAC Tickets from London to various destinations, which was required to be deposited fortnightly with PIAC. In instant case the Bank Guarantee of the agent was released on the direction of DGM, London office one day before this misappropriation by the travel agent, which shows involvement of the management in misappropriation.

3- Misappropriation by the various Travel Agents-£0.280 million (Rs. 39.153 million)

Travel agents did not deposit the amount of £ 0.280 million relating to the sale of PIAC Tickets, which was required to be deposited fortnightly with PIAC. The detail is as under:

Sr. No.	Name of Travel Agent	Year of deposit	Amount (£)		
			Principle	Interest @ 8% per annum	Total
1	Travel Line Services	2008	80,750	51,680	132,430
2	Travel ink	2009	77,566	49,642	127,208
3	Tajj Travel	2013	14,307	5,722	20,029
Total			172,623	107,044	279,667

4- Mr. Saleem Travel Agency committed fraud of Rs 10.05 million in year 2009 in Karachi Booking Office (KBO), but the legal case is yet undecided due to poor perusal of the case as the employee of PIA (Mr. Sardar Khan, P.No.

56964 Accounts Assistant and others) were involved in the fraud case as per statements of the agent.

- 5- As per show cause notice issued to Mr. Abdul Khaliq Mahar DSM, the agent M/s Wakalat-ul-Fursan committed fraud of Rs 26.223 million (Rs 20,137,027 +Rs 6,086,565 penalty) at Rahim Yar Khan Station, but neither legal action was taken against the agent nor against the concerned DSM after about 02 years (from Dec, 2016). In addition, the sabre sale report shows that the tickets of Rs 98.911 million were sold by the agent, but the sales report submitted by the Sales Division does not show any sale by the agent.
- 6- M/s. Moon Aviation Pvt. Ltd., Passengers Sales Agent, defaulted on 1st May, 2014 due to non-submission of fortnightly sales for the month of April, 2014. The total amount in default was Rs 24.129 million. However, management recovered Rs 11.00 million against agent cash/bank guarantee. The management of Karachi Booking Office (KBO) was required to allow maximum 25% over and above of existing financial guarantee, but KBO station allowed trading of more than 100% over the guarantee. However, penalty of RS 500,000/- was imposed on delayed payment.

Management conducted an investigation against following officers of the Marketing Department,

S. No.	Name	P. No.	Designation
1	Mr. Aftab Ahmed Solangi	34086	District Manager, DSO-Karachi
2	Mr. Ayaz Mahmood	43490	Passenger Sales Manager, DSO-Karachi
3	Mr. Muhammad Riaz	46526	Sales Promotion Officer, DSO-Karachi.

According to the conclusion of investigation report, the above officials committed negligence and failed to adopt adequate measure to protect extra sales within financial guarantees, which resulted in default.

General Manager Pax Sales recommended to recover the amount and put the agent back into business with PIA and the officers must be appreciated for taking risks for the sake of increasing sales.

Mr. Yasir Aslam, Accounts Assistant at Finance Revenue / Revenue Accounting, staff No. 65355, was issued show cause notice dated 04th April, 2014 in which management charged that Mr. Yasir Aslam did not perform any checking on the PV's of supporting papers and did not point out accounts officer/ in-charge about

the duplication of payment had been made to M/s. Regent Palace Guest House. Beside, documentary evidence confirms that fraudulent payments to the tune of Rs 2.821 million to M/s. Regent Place Guest House. Mr. Yasir Aslam was once again issued show cause notice dated 19th July, 2018 regarding fraudulent issuing of Medicine Form-60 of various period on different employees accounts amounting to Rs 0.164 million. However, disciplinary proceedings/ enquiry was conducted against accused person on account of financial embezzlement, who was found guilty of the charges.

Annex-8

(See Para. 1.1.4.11)

Loss due to launching of Premiere Service flight operations – Rs. 3,197.162 million

Particular	Rs. in million
Premiere service One Aircraft for six months lease term	
Revenue	
Passenger Revenue	1,982.341
Other Revenue	352.271
Total Revenue	2,334.612
Direct Operating Cost	
Fuel	756.265
Landing & Parking l	95.076
Overflying	231.837
Handling	115.348
Pax Meal Supplies	66.200
Crew Layover	68.169
Rental	2,106.503
Cabin Crew Salary	38.201
Total Direct Operating Cost	3,477.599
Profit / (Loss) on Direct Operating Cost	(1,142.987)
Allocated Shared Cost (indirect cost)	1,739,025
Profit/Loss on Total Operating Cost	(2,882.012)

Table-1

Month(2016)	From	To	No. of flights	Seat Factor (%)	No. of Pax
Dec.	Lahore	London	14	60.05	2,497
	Islamabad	London	12	60.24	2,147
Nov.	Lahore	London	13	66.48	2,567
	Islamabad	London	13	68.58	2,648
Oct.	Lahore	London	13	57.52	2,221
	Islamabad	London	14	69.19	2,877

Aug.	Lahore	London	13	85.57	3,304
	Islamabad	London	12	86.22	3,073
	Lahore	London	7	92.20	1,917
	Islamabad	London	9	94.79	2,543
Total			120	-	25,794

Table-II

Month (2016)	From	To	No of flights	Seat Factor (%)	No. of Pax
Dec	London	Lahore	13	84.17	3,250
	London	Islamabad	13	91.29	3,222
Nov	London	Lahore	13	56.87	2,196
	London	Islamabad	13	82.31	2,909
Oct	London	Lahore	13	48.69	1,880
	London	Islamabad	14	85.97	3,575
Sep	London	Lahore	13	50.55	1,952
	London	Islamabad	12	84.00	2,994
Aug	London	Lahore	8	67.29	1,599
	London	Islamabad	8	86.82	2,063
Total			120		25,640
Decrease of Revenue due to launching of premiere service-Rs. 315 million					

Annex-9

(See Para. 1.1.4.19)

Irregular procurement of aircraft parts / components from unapproved vendors – Rs. 237.913 million					
S. #	Description/Category	Name of Supplier	Total Amount	Rate (Rs.)	Amount (Rs.)
1	Commercial Item	Advanced Ground Systems	USD 18,700	200	3,740,000
2	Technical – Aircraft - Part	AERFIN Ltd	USD 24,000	200	4,800,000
3	Services Repair Abroad	AEROSPARE 2000 Ltd	USD 5,600	200	1,120,008
4	Commercial Accessories	Air And Ground Aviation Inc.	USD 1,140	200	228,000
5	Technical – Consumable	AIR COMM Corporation	USD 465,644	200	93,128,820
6	Technical- Aircraft - Part - Rotable (Spc 2) - Rotable Parts -G B-777	Airline Spares	USD 19,000	200	3,800,000
7	Aircraft - Related - Non-Technical - Commercial - Local Purchase – Consumable	Aiza Enterprises	Rs. 907,288	-	907,288

8	Technical-Aircraft-Part - Rotable (Spc 2) - Rotable Parts -G B-777 & Services Repair Abroad	AJW Group	USD 36,079	200	7,215,806
9	Technical - Aircraft-Part - Rotable (Spc 2) - Rotable Parts - G B-777 & Q A320-200	Unical Aviation Inc.	USD 18,500	200	3,700,000
10	Technical-Aircraft-Part - Rotable (Spc 2) - Rotable Parts -Q A320-200 & G B-777	Skyline Aero LTD	USD 530,250	200	106,050,000
11	Technical - Aircraft-Part - Rotable (Spc 2) - Rotable Parts -G B-777	Blueline General Trading LLC	USD 42,916	200	8,583,138
12	Technical-Aircraft-Part - Repairable (SPC 6) - Recoverable -Q A320-200 Main Tyre	M/s SKY BIZZ	AED 77,339	60	4,640,342
				Total	237,913,402

Annex-10
(See Para. 1.1.4.21)

Non-recovery of outstanding amount from government and private departments - Rs. 324.650 million		
(Government Departments)		
S#	Description	Outstanding amount Sum of above 3 years
01	C.O. E.H.Q. (NAVY),	77,875,373.44
02	Civil Aviation Authority	940,048.00
03	COMDT. E.H.Q (ARMY),	373,872.21
04	MIN. OF FOREIGN AFFA	36,105.00
05	O.C 101ALC [INTL]PAF	34,491,600.30
06	O.C PAF MASROOR	95,553.00
07	O.C. 101ALC [DOM]PAF	28,203.88
08	O.C. 102AED PAF	
09	O.C. 105AED PAF,	972,665.52
10	O.C.103 ALC CHK	3,228,250.00
11	O.C.110 ALD LHE	5,272,636.00
12	O.C.120ALD,PAF SARGO	23,197,199.05
13	O.C.121 ALD PAF	11,474,445.72
14	O.C. PAF BASE FAISAL,	
15	O.C.PAF BASE MALIR,	15,836.43
16	PROV. ELECTION COMMISSION	7,039.00
17	S.B.P. CURRENCY OFFICER	20,076.80
18	SLO P721 (DETT)PAF K	368,971.00

19	Pakistan Post office	63,579,859
	Grand Total	63,991,782.23

KBO (Tickets)		
S. No.	Name of customer	Amount (Rs)
1	CMA(RC)	9,979,372
2	CMA (FWO)	233,649
3	CMA(LC)	65,297
4	CMA(KC)	21,582
5	NAVY	5,000,442
6	PAF BASE FAISAL	138,763
7	PAF BASE RAFIQUI	59,742
8	PAF BASEMUSHAF (SARGODHA)	108,867
9	PAF HOSPITAL ISLAMABAD	116,698
	TOTAL	15,724,412

(Private Customers)

S. #	Description	Sum of 01-90 days amount	Sum of 91-365 days amount	Sum of 366-730 amount	Sum of 731-1095 days amount	Sum of above 3 years	Sum of Outstanding Amount
1	Shaheen Airport Services	-	-	-	-	3,855,721	3,855,721
2	Daily Dawn Newspaper	102,490	-	-	-	-	102,490
3	Cargo Receivables						1,831,382
4	M/s Cargo AIDS						132,983,000
5	M/s Royal Travel Services (Isb Station)						106,162,000
Grand Total		102,490	-	-	-	3,855,721	244,934,593

Payment of parking charges against grounded / phase-out aircrafts - Rs. 285.219 million					
S. #	Sign	Reg.	Type	Arrival Date	Up to 31-8-2024 (Rs)
1	PK3032	SXTIE	B747	11-Oct-11	85,896,343
2	PK213	APBEC	A310	6-Oct-13	33,287,702
3	PK541	APBHN	AT43	6-Apr-14	549,708
4	PK307	APBGN	A310	14-Aug-14	24,608,167
5	PIA307	APBEU	A310	23-Jul-15	19,247,626
6	PK8307	APBGO	A310	25-Dec-16	15,765,495
7	PK307	APBGR	A310	31-Dec-16	16,161,937
8	PK226	APBGP	A310	1-Jan-17	25,680,496
9	PK537	APBKW	AT72	31-Aug-18	912,934
10	PK605	APBHP	ATR-42	20-Jul-19	123,793
11	PK502	APBKV	ATR-72	9-Feb-20	668,735
12	PK303	APBGL	B772	27-Feb-20	18,475,411
13	PK759	APBHW	B772	11-Mar-20	23,294,429
14	PK305	APBKZ	ATR-72	1-Aug-20	595,302
15	PK732	APBFV	B744	2-Jun-14	12,366,266
16	PK305	APBEG	A310	29-Jan-15	982,157
17	PK536	APBHJ	AT43	29-Oct-12	2,208,084
18	PK214	APBCD	B737	17-Jun-14	973,592
19	PK319D	APBCF	B737	17-Jun-14	1,474,195
20	PK732	APBFY	B744	3-Jul-15	1,947,618
Total					285,219,990

Annex-11
(See Para. 1.1.4.23)

Unjustified expenditure of allowances to engineers posted at foreign stations - Rs. 193.388 million									
S. #	Station	Engineers posted	Currency	Foreign allowance	Communication Allow	House Rent Allow	Conveyance Allow	Total	PKR
1	Dubai	6	AED	4,635	730	8,000	1100	14,465	@ Rs 76 = 1,099,340
2	Sharjah	2	AED	4,635	360	7,000		11,995	911,620
3	Bahrain	2	BHD	514	250	450		1,214	@ 739 = 897,146
4	Toronto	4	CAD	2,423	100	1,900		4,423	@ 206 = 911,138
5	Beijing	2	CNY	11,925	950	10,000		22,875	@ 39 = 892,125
6	London	2	GBP	1,694	142	1,400		3,236	@ 348 = 1,126,128
7	Manchester	2	GBP	1,694	42	1,000		2,736	952,128
8	Birmingham	2	GBP	1,694	42	800		2,536	882,528
9	Kuwait	2	KWD	430	50	400		880	@ 912 = 802,560
10	Muscat	2	OMR	578	70	500	165	1,313	@ 726 = 953,238
11	Doha	2	QAR	5,439	400	5,000		10,839	@ 76 = 823,764
12	Jeddah	6	SAR	6,693	800	3,500	1000	11,993	@ 74 = 887,482
13	Other than Jeddah	2	SAR	6,693	800	3,200		10,693	791,282
14	Abu Dhabi	4	USD	4,635	360	8,000		12,995	@ 266 = 3,456,670
15	Istanbul	2	USD	2,031	861	1,100		3,992	1,061,872
	Total								16,449,021 *12 months = 197,388,252

Annex-12
(See Para. 1.1.4.28)

Irregular appointment of officers / officials on fake degrees - Rs. 97.200 million					
S. #	Case	Case Title	Date of start of case	Court	Name of employee

1.	WP No. 1141 / 2017	Khalid Imtiaz Vs PIAC	28.03.2017	High Court ISB	Momin Ali
2.	W.P 3628/2019	Abdul Hameed Shan vs PIAC	29.10.2019	High Court ISB	Siddique Abbasi
3.	CPLA 4713/2019	PIAC vs CH. Rizwan	18.12.2019	Supreme Court	M. Waqar Rana
4.	4B(199)/2019	Zaheer Ahmed vs PIAC	09.01.2020	NIRC	Sardar Atif Nazir
5.	CPLA 1001/2020	Khalid Hussain vs PIAC	17.02.2020	Supreme Court	Rizwan Satti
6.	7(27)/2020	M. Kamran Khan vs PIAC	03.07.2020	NIRC	Umer Verdag
7.	W.P 237/2019	Zaheer Hussain Shah vs PIAC	13.07.2020	High Court ISB	Momin Ali
8.	W.P 1379/2019	Shaheen Iftikhar vs PIAC	28.07.2020	High Court ISB	Siddique Abbasi
9.	W.P 1380/2019	Syed Munawar Shah vs PIAC	28.07.2020	High Court ISB	Siddique Abbasi
10.	WP 4306/2021	Irum Gul vs PIAC	08.12.2021	High Court ISB	Siddique Abbasi
11.	WP 155/2022	PIAC vs Ashfaq Ahmed	18.01.2022	High Court ISB	Momin Ali
12.	WP 160/2022	PIAC vs Shandana Mumtaz	18.01.2022	High Court ISB	Momin Ali
13.	WP 179/2022	PIAC vs M. Kamran Khan	19.01.2022	High Court ISB	Momin Ali
14.	WP 480/2022	PIAC vs CH. Rizwan	11.02.2022	High Court ISB	Momin Ali
15.	WP 1219/2022	PIAC vs Abdul Saboor Shah	14.03.2022	High Court ISB	Syed Bilal
16.	WP 2537/2022	PIAC vs M. Ayaz	14.03.2022	High Court ISB	Syed Bilal
17.	WP 1379/2022	PIAC vs M. Nawaz	17.03.2022	High Court ISB	Momin Ali
18.	12A(62)/2022	Mirza Abdul Rauf Sultan Baig vs PIAC	31.03.2022	NIRC	Momin Ali
19.	12A(98)/2022	PIAC vs M. Riaz	24.05.2022	NIRC	Momin Ali
20.	12A(107)/2022	PIAC vs Razia Paras	23.06.2022	NIRC	Siddique Abbasi
21.	WP 2779/2022	Nazar Khan vs PIAC	17.08.2022	High Court ISB	Momin Ali
22.	WP 3451/2022	PIAC vs Razia Paras	05.09.2022	High Court ISB	Siddique Abbasi
23.	12A(16)/2022-P	PIAC vs Imran Malik	17.11.2022	NIRC	Momin Ali
24.	7B(132)/2022	Shukaib Shaukat vs PIAC	17.11.2022	NIRC	Momin Ali
25.	ICA 403/2022	Javed Anwar Khan vs PIAC	06.12.2022	High Court ISB	Siddique Abbasi
26.	12A(178)/2022	PIAC vs Khurram Shehzad	23.12.2022	NIRC	Siddique Abbasi
27.	WP 4905/2022	PIAC vs Khurram Shehzad	29.12.2022	High Court ISB	Siddique Abbasi

Annex-13

(See Para. 1.1.4.31)

Irrational decision of merger of UK stations causing losses –

Rs. 63.770 million

1. Inadmissible / Irregular claims & charges amounting to GBP 18,793

2. Inadmissible/unjustified taxi charges claimed – GBP 12,181
3. Excess / irregular payment made on account of salary – GBP 16,312.50
4. Outstanding Cargo Claims from Swiss Port – GBP 14,400 approximately
5. Excessive tickets cost amounted to GBP 6,013.89 to Asian Radio Sound System
6. Discrepancies in Handling charges – GBP 10,238
7. Outstanding COD charges - GBP 17,509
8. BSP Agents' Sales not covered against their respective Bank Guarantee
9. Laptop and Blackberry set not handed over by Ex Manager - Manchester to next office holder at station – GBP (595 and 399)
10. Outstanding / un reconciled VCRs – GBP 2,380
11. Short Collection of Fares by BSP Agents – GBP 5,856
12. Non / short collection against refund charges – GBP 14,785
13. Outstanding Amount from defaulted Agent – GBP 273,460
14. Payment of Immigration Fines – GBP 9,437
15. Possible Saving of Office Rent – GBP 8,000 per annum
16. Irregular payment of car parking – GBP 5,009
17. Payment for gift items without details of gifts and supporting invoices – GBP 905
18. Irregular claim of monthly mobile phone charges by Ex Manager North – GBP 1,413
19. Discrepancies in the catering arrangement with M/S Alpha Flight UK Limited (the Caterer)
20. Discrepancies of GBP 10,635 was not accounted for in LPC of Ex Manager North
21. Staff hired for airport counter without Head Office approval- GBP 3,091
22. Irregular payment of lease for two cars - GBP 8,320
23. Extra uplifting of Reading Material - GBP 1,902.61
24. Unjustified payment of overtime paid GBP 1,967 without head office approval
25. Irregular payment against Ground Feeding – GBP 986
26. Irregular payment on account of transportation - GBP 984
27. Excess accommodation allowance paid to Mr. Ishtiaq Rauf P No. - 31367 – GBP 800
28. Irregular medical charges – GBP 539.91
29. Excess issuance of Incentive tickets to M/S AA Express Travel
30. Irregular payment on account of passport renewal fee and consultation charges - GBP 4,576.56
31. FOC (NS-1) Tickets Issued Against Entitlement of 85 % / 95% Discounted Tickets
32. Agents' Sales Reports of BSP Agents are not reviewed by Finance
33. Amount GBP 3,294 .58 outstanding in account 22035 (Loan and Advances)
34. Excess TA / DA Payments – GBP 484.25
35. Discrepancies noted in Document Control
36. Actual vs. approved Human Resource Budget (HRB)
37. Irregular issuance of interline tickets - GBP 3,085

Annex-14

(See Para. 1.1.4.36)

Loss of revenue due to hoarding of cargo space by agents – Rs. 29.134 million								
S. #	Flight No.	Agent Name	Space Allocated in Kg	Actual space utilized by agent	Destination or Sector	Commodity mentioned on record	Avg. rate @ 0.67 USD	Loss in PKR USD Rate @ 285/

				in Kg			per Kg.	
1	PK - 213	IFC	3000	Canceled	Dxb	Fish	2,010	562,800
2	PK -370	IFC	1600	Canceled	Ruh	Fish	1,072	300,160
3	PK -731	IFC	3500	Canceled	Jed	Fish	2,345	656,600
4	PK -61	IFC	3000	Canceled	Jed.	Fish	2,010	562,800
5	PK -308	DPL	800	Canceled	Ist	Fish	536	150,080
6	PK -731	AEI	1400	Canceled	Jed.	Fish	938	262,640
7	PK -741	UFS	1500	Canceled	Dmm	Fruit / Veg.	1,005	281,400
8	PK -731	DPL	3000	Canceled	Jed.	Meat	2,010	562,800
9	PK -631	IFC	3000	Canceled	Jed.	Fish	2,010	562,800
10	PK -304	SPL	1200	Canceled	Doha	Fish	804	225,120
11	PK -729	IFC	2000	Canceled	Ruh	Fish	1,340	375,200
12	PK -731	PEX	3000	Canceled	Jed.	Mango / Fish	2,010	562,800
13	PK -731	PEX	3000	Canceled	Jed.	Mango	2,010	562,800
14	PK -225	IFC	3500	Canceled	Mct.	Mango	2,345	656,600
15	PK -308	XPA	2400	Canceled	Dmm	Veg.	1,608	450,240
16	PK -308	DPL	1500	Canceled	YYZ	Fish	1,005	281,400
17	PK -310	K&NS	1000	Canceled	-	-	670	187,600
18	PK -731	PEX	3000	Canceled	Jed.	Mango / Fish	2,010	562,800
19	PK -225	IFC	3500	Canceled	Mct.	Mango	1,005	281,400
20	PK -703	UFS	1500	Canceled	Yyz	Mango	536	150,080
21	PK -783	KFP	800	Canceled	YYZ	Fish	1,474	412,720
22	PK -300	KNL	2200	Canceled	Pek.	Crap	1,675	469,000
23	PK -213	IFC	2500	Canceled	Dxb	Fish	1,675	469,000
24	PK -213	IFC	2500	Canceled	Dxb	Fish	1,072	300,160
25	PK -213	TSS	1600	Canceled	Dxb	Mango	1,675	469,000
26	PK -731	UFS	2500	Canceled	Jed	Mango	1,675	469,000
27	PK -213	IFC	2500	Canceled	Dxb	Mango	1,675	469,000
28	PK -731	UFS	2500	Canceled	Jed	Mango	1,675	469,000
29	PK -213	IFC	2500	Canceled	Dxb	Mango	1,340	375,200
30	PK -368	HPA	2000	Canceled	Kul	Mango	1,675	469,000
31	PK -213	IFC	2500	Canceled	Dxb	Mango	804	225,120
32	PK -213	TAASS	1200	Canceled	Dxb	Fish	1,005	281,400
33	PK -213	IFC	1500	Canceled	Dxb	Fish	1,005	281,400
34	PK -213	IFC	1500	Canceled	Dxb	-	1,675	469,000
35	PK -213	CLL	2500	Canceled	Dxb	-	1,340	375,200
36	PK -241	UFS	2000	Canceled	Dmm	Veg.	804	225,120
37	PK -241	HPA	1200	Canceled	Dmm	Veg.	2,345	656,600
38	PK -225	IFC	3500	Canceled	Mct.	Meat	670	187,600
39	PK -207	IFC	1000	Canceled	Dxb	Fish	1,340	375,200
40	PK -302	UFS	2000	Canceled	Dxb	Fruits	670	187,600
41	PK -213	AEI	1000	Canceled	Fruits	Fruits	4,020	1,125,600

42	PK -759	UFS	6000	Canceled	Jed.	Mango	2,010	562,800
43	PK -759	PEX	3000	Canceled	Jed.	Mango	1,340	375,200
44	PK -759	IFC	2000	Canceled	Jed.	Fish	4,824	1,350,720
45	PK -731	IFC	7200	Canceled	Jed.	Meat	536	150,080
46	PK -731	UFS	800	Canceled	Jed.	Vegetable	2,345	656,600
47	PK -225	IFC	3500	Canceled	Mct.	Meat	2,010	562,800
48	PK -213	IFC	3000	Canceled	Dxb	Fish	1,943	544,040
49	PK -731	IFC	2900	Canceled	Dxb	Meat	1,340	375,200
50	PK -213	IFC	2000	Canceled	Dxb	Fish	3,350	938,000
51	PK -731	IFC	5000	Canceled	Jed.	Fish	670	187,600
52	PK -213	IFC	1000	Canceled	Dxb	"	1,340	375,200
53	PK -241	UFS	2000	Canceled	Dmm	Fruits	670	187,600
54	PK -783	UFS	1000	Canceled	Yyz	Vegetables	1,876	525,280
55	PK -731	IFC	2800	Canceled	Jed.	Meat	670	187,600
56	PK -308	RIL	1000	Canceled	Auh	Fruits	8,040	2,251,200
57	PK -213	IFC	12000	Canceled	Dxb	Fish	670	187,600
58	PK -300	SES	1000	Canceled	Dxb	Mango	469	131,320
59	PK -213	ELK	700	Canceled	Dxb	Mango	804	225,120
60	PK -213	SES	1200	Canceled	Dxb	Mango	804	225,120
61	PK -213	ICT	1200	Canceled	Dxb	Mango	402	112,560
62	PK -213	PEX	600	Canceled	Dxb.	Mango	1,340	375,200
63	PK -743	UFS	2000	Canceled	Medina	Mango	2,010	562,800
64	PK -731	IFC	3000	Canceled	Jed.	Fish	2,010	562,800
65	PK -731	DPL	3000	Canceled	Jed.	Meat	2,010	562,800
					Total			29,134,280

Annex-15
(See Para. 1.1.4.51)

Loss due to award of contract at exorbitant rates - Rs. 4.985 million										
Amount in Rupees										
Month	No. of passenger availed service			As per previous agreement			As per new agreement			Differ- ence Rs.
	Domestic	Inter- national	Total	Rate	Amount (without Tax)	Amount including Tax 13%	Rate inclusive tax		Amount including Tax 13%	
							Domestic	Inter- national		
	A	B	C= (A+B)	D	E = C*D	F = E + (E * 13%)	G	H	I = (A*G) + (B*H)	J = I – F
Nov-23	152	93	245	363	88,935	100,497	590	940	177,100	76,603
Dec-23	237	234	471	363	170,973	193,199	590	940	359,790	166,591
Jan-24	277	301	578	363	209,814	237,090	590	940	446,370	209,280
Feb-24	266	429	695	363	252,285	285,082	590	940	560,200	275,118
Mar-24	232	406	638	363	231,594	261,701	590	940	518,520	256,819
Apr-24	209	1166	1375	363	499,125	564,011	590	940	1,219,350	655,339
May-24	327	1465	1792	363	650,496	735,060	590	940	1,570,030	834,970

Jun-24	315	2255	2570	363	932,910	1,054,188	590	940	2,305,550	1,251,362
Jul-24	279	2283	2562	363	930,006	1,050,907	590	940	2,310,630	1,259,723
Total			10926			4,481,736			9,467,540	4,985,804

Annex-16
(See Para. 1.1.4.62)

Appointment of 457 employees on fake degree							
S. No.	P. No.	NAME	Appoint-ment Date	Designation	Qualification	Detected in	Present Status
1	36726	Tanvir Muzaffar	30-Nov-77	DGM PHS	Matric / MA	2016	Dismissed
2	37347	M. Sabir Khan	7-Feb-78	A/C ENGR	Inter	2014	Dismissed
3	37766	Syeda Fahmina Alam	23-Apr-78	SR INSTR	BA	2013	Dismissed
4	38150	Javed Anwar Khan	10-Jun-78	AM RES	Matric	2015	Dismissed
5	38794	S Fahim Mehmood	20-Sep-78	CAPT B777	Inter	2012	Dismissed
6	39684	M. Rafiq	30-Jan-79	OFFR ENGG	Matric	2014	Dismissed
7	41569	Muhammad Zafran	5-Sep-79	DIST SALE MGR	Matric	2015	Dismissed
8	42072	Ashraf Masood Khan	6-Dec-79	FLT PURSER	Inter	2014	Dismissed
9	42087	Muhammad Akhtar	10-Dec-79	OPTR/DRIVER	B.Com	2011	Terminated
10	42233	Rehmat Ali	20-Jan-80	FLT PURSER	Inter	2014	Dismissed
11	45614	Asmat Mehmood	2-Feb-86	CAPT A310	Matric	2011	Dismissed
12	46402	M. Hussain Pathan	28-Apr-87	STN MGR	Matric	2014	Dismissed
13	46443	Nasir Shakil Khan	10-May-87	DRIVER	Inter / BA	2014	Terminated
14	46564	Zia Nadeem Ahmed	7-Jun-87	CAPT B777	Inter	2015	Dismissed
15	47251	Rizwan ul Haq	25-Nov-87	OFFR ENGG	Inter / BA	2015	Dismissed
16	48653	S. Zahoor H. Shah	1-Nov-89	ACCTS OFFR	BA	2014	Dismissed
17	48695	Shahla Saboochi	12-Nov-89	PAX SER OFFR	Matric / Inter / BSc	2014	Dismissed
18	48749	Samia Jabeen	20-Nov-89	GROOMING OFFR	Inter	2014	Dismissed
19	48827	Noor Jehan	30-Nov-89	PAX SER OFFR	Matric	2015	Dismissed
20	49158	Muhammad Musheer	21-Feb-90	SR TECH	Matric	2016	Dismissed
21	49233	Syed Shad Javed	5-Mar-90	ACCTS OFFR	B.Com	2015	Dismissed
22	51214	Abdul Fatah Shah	18-Jun-90	TIME OFF OFFR	MA	2015	Dismissed
23	50134	Muhammad Ashraf	27-Aug-90	OPTR/DRVR CAT	Matric	2015	Dismissed
24	48726	M Asim Malik	16-Nov-90	OFFR ENGG	Matric	2015	Dismissed
25	48115	Fida Ahmed	28-Nov-90	ACCTS OFFR	Matric	2016	Dismissed
26	51792	Arshad Mehmood	17-Mar-91	CAPT ATR	Inter	2012	Dismissed
27	52115	Aneela Siddique	5-May-92	SR AIRHOSTESS	B.A	2013	Dismissed
28	52205	Hijab Junaid	10-Jun-92	SR AIRHOSTESS	Inter	2015	Terminated
29	52495	Qurat ul Ain	22-Feb-93	FLT PURSER	Matric	2016	Dismissed
30	52777	Muhammad Farhan	5-Aug-93	A/C ENGR	B.Sc	2015	Dismissed
31	52672	M Haroon Khan	29-Aug-93	SR NW OFFR	DAE	2015	Dismissed
32	53201	Muhammad Nawaz	6-Jul-94	BAGG ATTEND	Matric	2014	Dismissed
33	54128	Shahzad Ali Shan	12-Jan-95	A/C ENGR	B.Sc	2015	Dismissed
34	54082	M Aslam Khan	16-Jan-95	SEC SUPR	Matric	2012	Dismissed

35	53878	Huma Bakhsh	22-Nov-95	MKT OFFR	B.Com	2015	Dismissed
36	55154	S.Mahmod Abbas Shah	9-Apr-96	STR PUR OFFR	BA	2014	Dismissed
37	55397	Asim Sardar	21-Apr-96	RES TKT SUPR	Matric / Inter / BA	2016	Dismissed
38	55460	Arshad Jahangir	23-Apr-96	ACCTS OFFR	B.Com	2016	Dismissed
39	55580	Bibi Samina	20-May-96	ACCTS OFFR	Inter / BA	2014	Dismissed
40	55590	Rizwana	26-May-96	RES TKT SUPR	Matric	2015	Dismissed
41	55655	Muhamamd Yasir	23-Jul-96	SR FLT STEWRD	BA	2014	Dismissed
42	55776	Liaqat Ali Khan	8-Aug-96	SR FLT STEWRD	BA	2014	Dismissed
43	55893	Rashid H Ansari	12-Sep-96	STORE SUPR	Inter / BA	2014	Dismissed
44	56093	Mian Adnan Shaukat	7-Mar-97	A/C ENGR	MSc	2016	Dismissed
45	56183	Hamid Tanveer	28-Aug-97	OFFR ENGG	Inter	2014	Dismissed
46	56396	Sadia Saeed	3-Jul-01	SR AIRHOSTESS	Matric / Inter	2014	Dismissed
47	56410	Nazia Nahid	5-Jul-01	SR AIRHOSTESS	BA	2014	Dismissed
48	56449	Naheed Akhtar	6-Sep-01	SR AIRHOSTESS	BA	2014	Dismissed
49	56527	Naila Dost Muhammad	24-Dec-01	AIRHOSTESS	Matric / Inter	2014	Dismissed
50	56569	Farah Qayyum	24-Dec-01	SR AIRHOSTESS	Inter	2014	Dismissed
51	56761	Shazia Nawaz Malik	28-Dec-01	SR AIRHOSTESS	Inter	2014	Dismissed
52	56659	Aqila Bilal	31-Dec-01	SR AIRHOSTESS	Inter	2014	Dismissed
53	56518	Shagufta Aleemuddin	14-Jan-02	SR AIRHOSTESS	Inter	2014	Dismissed
54	56791	Fouzia Nasreen	26-Mar-02	SR AIRHOSTESS	Inter	2014	Dismissed
55	56848	M. Akram	1-May-03	OPTR/DRIVER	Matric	2010	Dismissed
56	56861	Muhammad Ayaz	1-May-03	ENGG HELPER	Matric	2010	Terminated
57	56933	Muhammad Ali	1-May-03	OPTR/DRIVER	Matric	2013	Dismissed
58	56989	Rafiq Ahmed	1-May-03	OPTR/DRIVER	Matric	2011	Terminated
59	57025	M Jamil	1-May-03	TGS HELPER	Matric	2011	Dismissed
60	57162	Najma Khatoon	1-May-03	MED ATTEND	Matric	2011	Terminated
61	57192	Shehla Zohra	1-May-03	SR R&TKT OFFR	Matric	2016	Dismissed
62	57199	Farhan ul Haq	1-May-03	RES TKT SUPR	BA	2012	Dismissed
63	57342	Shoaib Ahmed	1-May-03	ADMIN SUPR	B Com	2011	Dismissed
64	57381	Muhammad Akram	1-May-03	OPTR/DRIVER	Matric	2015	Dismissed
65	57538	Riaz Ahmed	1-May-03	PAX SER SUPR	BA	2014	Dismissed
66	57562	Hamid Salim Butt	1-May-03	PAX SER SUPR	BA	2014	Dismissed
67	57563	Noor Alam Khan	1-May-03	PAX SER SUPR	BA	2014	Dismissed
68	57781	Sabir Hussain	1-May-03	ENGG HELPER	Matric	2008	Terminated
69	57839	Amanullah Khan	1-May-03	CAT OPTR	Matric	2011	Dismissed
70	57881	Abdul Rasheed	1-May-03	OFF ATTEND	Matric	2014	Dismissed
71	57885	Akhtar Saeed	1-May-03	DRIVER	Matric	2011	Terminated
72	57941	M Arshad Sayal	1-May-03	OFF ATTEND	Matric	2011	Terminated
73	57964	Nisar Ahmed	1-May-03	DRIVER	Inter / BA	2015	Dismissed
74	57986	Ishtiaq Ahmed	1-May-03	DRIVER	Matric	2014	Dismissed
75	57992	Naeemuddin	1-May-03	DRIVER	Matric	2011	Terminated
76	57994	Rehman Ali	1-May-03	DRIVER	Matric	2011	Terminated
77	58010	M Jawaid	1-May-03	DRIVER	Matric	2010	Terminated
78	58027	Salahuddin	1-May-03	TRG SUPT SUPR	B Com	2012	Terminated
79	58039	M Ibrahim	1-May-03	ENGG HELPER	Matric	2011	Terminated
80	58049	Irfan Shah	1-May-03	TRG SUPT SUPR	B Com	2012	Terminated
81	58091	S Naveed ul	1-May-03	PAX SER SUPR	Matric / Inter	2016	Dismissed

		Hassan					
82	58506	Safdar Raza	1-May-03	BAGG ATTEND	Matric	2014	Dismissed
83	58761	Wajid Naseem	1-May-03	STORE SUPR	MSc	2016	Dismissed
84	58766	Abdul Kareem	1-May-03	STORE SUPR	B Com	2012	Dismissed
85	58933	Muhammad Ilyas	1-May-03	FLT SAF OFFR	B.Com	2016	Dismissed
86	58981	Waqar H Shah	1-May-03	RECORD ASSTT	Inter	2015	Dismissed
87	58993	Muhammad Shafiq	1-May-03	PROGM OFFR	B.Com	2015	Dismissed
88	59000	M Rehan Khan	1-May-03	D ENTRY OPTR	B.A	2013	Dismissed
89	59026	Mubashir Ahmed	1-May-03	TECH SYS SUPR	Matric / Inter	2014	Dismissed
90	59046	M Mian	1-May-03	FLT MANU SUPR	BA	2012	Dismissed
91	59057	S Amir Saeed	1-May-03	SCHED OFFR	B.Sc	2015	Dismissed
92	59113	Afsar Hussain	1-May-03	HR SUPR	Matric	2016	Dismissed
93	59307	Naheed Akhtar	1-May-03	HR SUPR	BA	2014	Dismissed
94	59311	M. Azeem	1-May-03	OFF ATTEND	Matric	2014	Dismissed
95	59394	M Alam	1-May-03	HR SUPR	B Com	2012	Dismissed
96	59414	S. Qasim Raza	1-May-03	CARPENTER	Matric	2011	Terminated
97	59432	M Aqil Alvi	1-May-03	ENGG SUPR	B Com	2012	Dismissed
98	59440	Raheela Rehman	1-May-03	ENGG SUPR	B Com	2012	Dismissed
99	59447	Abdul Qadeer Zafri	1-May-03	TECH	DAE / Inter / BA	2015	Dismissed
100	59453	Ghulam Hussain	1-May-03	ENGG HELPER	Matric	2011	Terminated
101	59459	Manzoor Hussain	1-May-03	ENGG HELPER	Matric	2011	Terminated
102	59462	Nazaket Ali Shah	1-May-03	ENGG HELPER	Matric	2011	Terminated
103	59532	M Naeem	1-May-03	ENGG HELPER	Matric	2011	Terminated
104	59549	M Arshad	1-May-03	ENGG HELPER	Matric	2011	Terminated
105	59564	Raza Ilahi	1-May-03	ENGG HELPER	Matric	2010	Terminated
106	59616	S Shabir Hussain	1-May-03	ENGG HELPER	Matric	2011	Terminated
107	59651	S Zehra Jabeen	1-May-03	INSP ASSTT	Matric / Inter	2012	Dismissed
108	59663	M Nadeem Kamal	1-May-03	MAT PLNG SUPR	B Com	2012	Dismissed
109	59667	Nadeem Alam Butt	1-May-03	MAT PLNG SUPR	B.Com	2012	Dismissed
110	59846	M Tariq	1-May-03	TECH	Matric	2011	Terminated
111	59849	Sami Khan	1-May-03	TECH	Matric	2011	Terminated
112	59864	Iftikhar Ahmed	1-May-03	TECH	Matric	2011	Terminated
113	59903	Naseer Ahmed	1-May-03	TECH	Matric	2011	Terminated
114	59947	Nasar Ahmed	1-May-03	TECH PUB SUPR	Inter / BA	2014	Dismissed
115	60182	Irfan Shah Noshai	1-May-03	PAX SER ASSTT	BA	2014	Dismissed
116	60207	Yasir Nawaz Awan	1-May-03	PAX SER SUPR	BA	2014	Dismissed
117	60219	Khurram Shahzad	1-May-03	PAX SER SUPR	BA	2014	Dismissed
118	60424	Iftikhar Ahmed	1-May-03	RES TKT SUPR	BA	2015	Dismissed
119	60455	M Mubashir Khan	1-May-03	RECORD ASSTT	Inter	2014	Dismissed
120	60588	Zaheer Babar	4-Aug-03	SEC GUARD	Inter	2014	Dismissed
121	60593	Khurram Shahzad	4-Aug-03	SEC GUARD	Inter	2014	Dismissed
122	60606	Habib Hussain	2-Sep-03	SEC GUARD	Inter	2014	Dismissed
123	61215	Agha shamsher Mirza	14-Sep-04	FLT STEWARD	B.Com	2013	Dismissed
124	61622	Arslan Ali	3-Jun-05	FLT STEWARD	B.Sc	2012	Dismissed
125	61658	Farukh Amin	9-Jun-05	FLT STEWARD	Matric	2015	Dismissed
126	61771	Asif Mehmood	19-Aug-05	SR R&TKT OFFR	Inter	2014	Dismissed
127	62031	Malkah Saba Kiani	26-May-06	AIRHOSTESS	BA	2014	Dismissed
128	62172	Aisha Shahzad	26-Jul-06	AIRHOSTESS	BA	2014	Dismissed
129	62190	Mohsin Ali Rauf	7-Aug-06	IST OFFR A310	BA	2014	Dismissed

130	62196	Salman Saeed	7-Aug-06	FLD SER OFFR	Inter	2011	Dismissed
131	62202	Ali Farid	30-Aug-06	SALES P OFFR	Matric	2015	Dismissed
132	62249	M Usman Shafiq	11-Sep-06	FLT STEWARD	Inter / BA	2014	Dismissed
133	62259	M Munib Asad	11-Sep-06	FLT STEWARD	BA	2014	Dismissed
134	62271	Farrukh Perwaiz	18-Sep-06	FLT STEWARD	B.Com	2017	Dismissed
135	62481	M. Arif Zulfiqar	14-Nov-06	FLT STEWARD	B. Com	2014	Dismissed
136	62493	Muhammad Sohail	14-Nov-06	FLT STEWARD	BA	2016	Dismissed
137	62526	Kashif Nisar	20-Dec-06	SR F OPS OFFR	B.Sc	2014	Dismissed
138	62617	M Nohsin	28-Feb-07	APP INSPECTOR	Inter	2015	Dismissed
139	62669	Erum Naz	4-Apr-07	AIRHOSTESS	BA	2012	Dismissed
140	62825	Noushen Khan	24-Jul-07	SR TECH	Inter	2012	Dismissed
141	63106	Muhammad Zahid	19-Sep-07	APP INSPECTOR	Matric / BA	2014	Dismissed
142	63108	M Saeed Saleem	19-Sep-07	SR TECH S MTL	Inter	2014	Dismissed
143	63373	M Asad khan	14-Mar-08	SR TECH	Inter	2014	Dismissed
144	63691	Manzoor Hussain	1-Jul-08	DRIVER	Matric	2014	Dismissed
145	63693	Akhlaq Ahmed	1-Jul-08	DRIVER	Inter	2014	Dismissed
146	63710	Arshad Khokhar	1-Jul-08	SEC GUARD	Matric	2014	Dismissed
147	63712	Mumtaz Ali	1-Jul-08	SEC GUARD	Matric	2014	Dismissed
148	63716	Azizullah	1-Jul-08	SEC GUARD	Matric	2014	Dismissed
149	63552	Siddique Ahmed	13-Aug-08	BAGG ATTEND	Matric	2014	Dismissed
150	63575	Ghulam Mustafa Siddiqui	20-Aug-08	BAGG ATTEND	Matric	2014	Dismissed
151	59247	Abbas Khan	28-Aug-08	KITCHEN MATE	Matric	2016	Dismissed
152	59277	Irshad Hussain	28-Aug-08	KITCHEN MATE	Matric	2011	Terminated
153	59711	Ahmed Ali	28-Aug-08	PAINTER	Matric	2011	Terminated
154	63639	Samina Bhatti	6-Oct-08	AIRHOSTESS	BA	2015	Dismissed
155	63726	Israr ul Haq Abbasi	6-Nov-08	OFF ATTEND	Matric	2014	Dismissed
156	63774	Khalil ur Rehman	17-Dec-08	TGS OPERATOR	Matric	2014	Dismissed
157	63829	Akbar Khan	30-Mar-09	IST OFFR ATR	Inter	2012	Dismissed
158	63928	Mansoor Khan	1-Jun-09	PAX SER OFFR	M.Sc	2012	Dismissed
159	64083	Anila Anwer	20-Jul-09	AIRHOSTESS	Inter	2013	Dismissed
160	64102	Zaibunissa	20-Jul-09	AIRHOSTESS	Inter	2012	Dismissed
161	64294	Kapil Dev	1-Sep-09	SR R&TKT OFFR	B.Com	2015	Dismissed
162	64382	Shaheen Sajid	2-Oct-09	NW OFFR	MCS	2015	Dismissed
163	64464	Ajmal Saeed	5-Oct-09	PAX SER ASSTT	BA	2012	Dismissed
164	64493	Iqra Mushtaq	21-Oct-09	AIRHOSTESS	Inter	2014	Dismissed
165	64559	M Qasim Ali Taj	14-Dec-09	JR COOK	BA	2014	Dismissed
166	64586	Yasser Chaudhry	29-Dec-09	SR HR OFFR	Inter	2015	Dismissed
167	64699	Abid Lala	8-Mar-10	PAX SER ASSTT	Inter	2014	Dismissed
168	64786	M Tahir Ali Khan	5-Jul-10	CARGO ASSTT	BA	2010	Terminated
169	65003	Shakil Ahmed	6-Jul-10	PAX SER ASSTT	Matric / Inter	2016	Dismissed
170	65166	Moazam Mehmood Nawaz	6-Jul-10	CARGO ASSTT	BA	2014	Dismissed
171	64912	Muhammad Fawad	7-Jul-10	HR ASSTT	M.Com	2015	Dismissed
172	64938	Jawad Bin Waqar	8-Jul-10	ACCTS ASSTT	B.Com	2016	Dismissed
173	64959	Tarique Ali	8-Jul-10	RES TKT ASSTT	BSc	2014	Dismissed
174	65313	Wajiha Bano	8-Jul-10	HR ASSTT	B.Com	2015	Dismissed
175	65346	M Rahil Khan Niazi	8-Jul-10	HR ASSTT	B.Sc	2014	Dismissed
176	65391	Mir Akbar	12-Jul-10	PAX SER ASSTT	Inter / BA	2016	Dismissed
177	65506	Rab Nawaz	12-Jul-10	PAX SER ASSTT	Inter / BA	2010	Terminated

		Siddiqui					
178	65399	Shafi Riaz Sahrukh	13-Jul-10	RES TKT ASSTT	Inter	2016	Dismissed
179	65535	M Asad Khan	16-Jul-10	CARGO ASSTT	Inter	2014	Dismissed
180	65832	Muhammad Saeed	12-Oct-10	HR ASSTT	BA	2014	Dismissed
181	65866	Sadia Ahmed	25-Oct-10	AIRHOSTESS	Matric / Inter	2016	Dismissed
182	65891	Mushtaq Ahmed	1-Dec-10	HR ASSTT	BA	2014	Dismissed
183	65980	Sumera	27-Jan-11	AIRHOSTESS	MA	2014	Dismissed
184	65986	Sonam Shoukat	27-Jan-11	AIRHOSTESS	Matric / Inter	2014	Dismissed
185	66553	Rabia Nazeer	1-Nov-11	AIRHOSTESS	Inter / BA	2014	Dismissed
186	66558	Uzma Kanwal	1-Nov-11	AIRHOSTESS	Inter	2015	Dismissed
187	66589	Syeda Nusrat Perveen	15-Nov-11	AIRHOSTESS	Matric / Inter / BA	2014	Dismissed
188	66571	Zain Alam Khan	21-Nov-11	CADET PILOT	Inter	2015	Dismissed
189	66663	Aisha Ambreen	2-Mar-12	AIRHOSTESS	Inter / BA	2016	Dismissed
190	66677	Farid Moin	19-Mar-12	PAX SER ASSTT	BA	2016	Dismissed
191	66893	Ayesha Rana Siddique	7-Jan-13	AIRHOSTESS	Inter	2014	Dismissed
192	66927	Ammar Ali	20-May-13	CADET PILOT	Inter	2014	Terminated
193	37037	Kamran Rushdi	2-Jan-78	SR OFFR ENGG	Matric / Inter / BA	2015	Court Case
194	39034	M. Hussain	2-Dec-81	A/C ENGR	Matric	2014	Court Case
195	40073	Zafar Iqbal	5-May-80	SR TECH	Matric	2014	Court Case
196	40931	Irshad Ali	27-Jun-79	PAX SER SUPR	Matric	2016	Court Case
197	41284	Ghulam Astafa	23-Jul-79	VVIP L ATTEND	Matric	2017	Court Case
198	41595	Muhammad Islam	12-Sep-79	OFF ATTEND	Matric	2016	Court Case
199	42541	Hashim Raza	9-Mar-80	SR OFFR ENGG	BA	2015	Court Case
200	44100	Nasir Ali	2-Mar-83	MGR PAX SALES	Matric / Inter	2015	Court Case
201	44345	S Mumtaz Haider	15-Jun-83	AM PHS	Matric	2016	Court Case
202	45018	Muhammad Khalid Khan	13-Nov-84	AC TECH	Matric	2017	Court Case
203	45269	Sajida Khanum	22-Apr-85	SR PROGM OFFR	Matric	2016	Court Case
204	45641	Faiz Ali Shah	12-Feb-86	DGM PRICING	Matric	2016	Court Case
205	45732	Shaheen Ghayoor	25-May-86	COOK	Matric	2016	Court Case
206	46069	Parveen Badar	16-Oct-86	DY CH ENGR	Matric	2017	Under process
207	46075	Rashda Zubair	23-Oct-86	RADIO G OFFR	BA	2015	Court Case
208	46183	Abraham Yousafzai	20-Jan-87	DIST MGR	Inter	2014	Court Case
209	47128	M Anwer Awan	11-Nov-87	SR FLT STEWRD	Inter / BA	2014	Court Case
210	47275	Azra Bano	27-Dec-87	SR AIRHOSTESS	Inter	2015	Court Case
211	47368	Fayyaz Hussain	10-Feb-88	AM OFFICE SER	Inter	2015	Court Case
212	47393	Shahzad Aziz	21-Feb-88	CAPT B777	B.Sc	2014	Court Case
213	47443	Rahana Perveen	8-Mar-88	FLT PURSER	Matric	2016	Court Case
214	47713	Badar Alam Abbasi	7-Jun-88	SR OFFR ENGG	Inter	2015	Court Case
215	47887	Ghulam Abbas	13-Oct-88	A/C ENGR	DAE	2014	Court Case
216	48104	Abdul Ghani	28-Nov-90	PAX SER OFFR	BA	2015	Court Case
217	48272	Javed Khan	3-Oct-93	DRIVER	Matric	2016	Under process
218	48286	S Haider Imam Rizvi	8-Nov-94	AM MARKETING	B.A	2015	Court Case
219	48401	Zakir Hussain	24-Jul-89	RES TKT SUPR	BA	2015	Under process
220	48655	Muhammad Arif Adnan	1-Nov-89	ACCTS OFFR	B.Com	2015	Court Case
221	48657	Syed Iftikhar Ali	1-Nov-89	RES TKT OFFR	B.Com	2015	Court Case

222	48676	Akbar Ali	7-Nov-89	TGS OPS SUPR	Inter	2015	Court Case
223	48682	Bakhtiar Anis	8-Nov-90	SR OFFR ENGG	DAE	2015	Court Case
224	48743	Saeed ur Rehman	19-Nov-89	SR R&TKT OFFR	BSc	2017	Court Case
225	48942	Farooq Khan Kalhoro	28-Dec-89	OFFR ENGG	Matric	2017	Court Case
226	49011	Muhammad Suleman	9-Jan-90	OFFR ENGG	BA	2015	Court Case
227	49018	Zahid Raza	14-Jan-90	SR TECH	Matric	2016	Court Case
228	49069	Muhammad Riaz	1-Nov-89	P PUMP ATTEND	Matric	2015	Court Case
229	49085	Muhammad Ashraf	1-Nov-89	OFF ATTEND	Matric	2015	Court Case
230	49137	Almas Akbar	4-Feb-90	FLT PURSER	Inter	2016	Court Case
231	49255	Syed Turab Ali Bukharey	18-Mar-90	CAPT B777	O Level	2017	Court Case
232	51017	Asif Tahir Khan	24-Apr-90	HR OFFR	BA	2015	Court Case
233	51051	Ghazala Amber	14-May-90	SR AIRHOSTESS	Inter	2014	Court Case
234	51098	Durdana Sajid	21-May-90	SR AIRHOSTESS	Matric	2016	Court Case
235	51168	Anita	31-May-90	SR AIRHOSTESS	Matric	2016	Court Case
236	51232	Anwar Sadiq	24-Jun-90	FLT PURSER	B.Sc	2016	Court Case
237	51248	Samar Shah	2-Jul-90	FLT PURSER	B.A	2017	Court Case
238	51283	Shahla Gul	8-Aug-90	SR AIRHOSTESS	Matric	2016	Court Case
239	51295	Pervez Khan	30-Aug-90	SR TECH	Inter	2015	Court Case
240	51519	Muhammad Hanif	10-Oct-90	RAMP OPTR	Inter / BA	2016	Court Case
241	51591	Irshad Hussain	18-Oct-90	SR TECH	Matric	2016	Court Case
242	51670	Rukhsana Faqir	27-Dec-90	SR AIRHOSTESS	Inter	2014	Dismissed
243	51711	Riizwana	4-Feb-91	SR AIRHOSTESS	Inter	2014	Court Case
244	52287	Sajid Hussain	30-Jul-92	A/C ENGR	B.Com	2015	Court Case
245	52501	Nayyar Sultana	22-Feb-93	GROOMING OFFR	Matric	2016	Court Case
246	52687	Nadeem Lodhi	5-Sep-93	SR OFR RS ENG	DAE	2015	Dismissed
247	52767	Iqbal Khan	5-Aug-93	A/C ENGR	B.Sc	2016	Court Case
248	52999	Muhammad Arif	22-Nov-95	PROJ OFFR	MA	2015	Court Case
249	53070	Zulfiqar Ali	6-Jul-94	TUG M OPTR	Matric	2016	Court Case
250	53096	Tariq Mahmood	6-Jul-94	OPTR/DRIVER	Matric	2015	Court Case
251	53180	Naila Naureen	6-Jul-94	PAX SER OFFR	BA	2014	Court Case
252	53199	Muhammad Younas	6-Jul-94	PAX SER SUPR	B.Sc	2014	Dismissed
253	53360	Ch. M. Rizwan	6-Jul-94	AC TECH	Matric	2014	Court Case
254	53420	Muhammad Ibrahim	26-Sep-94	SR TECH	Matric	2016	Court Case
255	53844	Zillur Rehman	22-Nov-95	PROJ OFFR	B.Sc	2015	Court Case
256	53870	Tahir Rauf	22-Nov-95	SR TECH AC	Matric	2017	Court Case
257	53876	Tariq Mehmood	22-Nov-95	PROJ TECH	Matric	2014	Court Case
258	53910	Maqsood Ahmed	22-Nov-95	SR PROJ TECH	Matric	2015	Court Case
259	54207	S. Arshad Hussain	12-Jan-95	OFFR ENGG	Inter	2017	Court Case
260	54238	M Saleem Aamir	20-Apr-95	HOCKEY PLAYER	Matric	2016	Under process
261	54294	Seema Mughal	31-May-95	CAT SUPR	Matric / Inter / BA	2014	Court Case
262	54307	Muhammad Riasat	12-Jun-95	HR OFFR	Matric	2016	Under process
263	54323	Nadeem Asad	14-Jun-95	PAX SER OFFR	B.Com	2016	Court Case
264	54416	Razia	7-Aug-95	HR SUPR	B.Sc	2015	Court Case
265	54465	Muhammad Saleem	27-Sep-95	TECH	Matric	2016	Dismissed / Court Case

266	54553	Shazia Afridi	23-Nov-95	FLT PURSER	Matric / Inter	2014	Court Case
267	54670	Muhammad Ayub	3-Dec-95	SEC GUARD	Matric	2015	Court Case
268	54913	Kashan Aijaz Dodhy	3-Mar-96	CAPT ATR	BSc	2015	Court Case
269	54973	Samina Saleem	20-Mar-96	SR AIRHOSTESS	BA	2014	Court Case
270	55058	Ali Abid Bhatti	7-Apr-96	PAX SER SUPR	BA	2015	Court Case
271	55061	Ashar Habib	7-Apr-96	PAX SER OFFR	BA	2017	Court Case
272	55161	Farooq Ahmed	8-Apr-96	DRIVER	Matric	2015	Under process
273	55184	Mujahid Hussain	9-Apr-96	CARGO OFFR	BA	2016	Court Case
274	55263	Adil Hussain	17-Apr-96	RES TKT SUPR	BA	2016	Under process
275	55403	Imdad Ali	22-Apr-96	ACCTS OFFR	B.Com	2016	Court Case
276	55426	Maqbool Hussain	22-Apr-96	PAX SER SUPR	BA	2014	Court Case
277	55475	Ishrat Hussain	23-Apr-96	RES TKT SUPR	BA	2016	Under process
278	55511	Allah Dad Shah	24-Apr-96	CARGO SUPR	BA	2016	Under process
279	55570	Ishaque Khan	15-May-96	ENGG HELPER	Matric	2016	Court Case
280	55588	Nazneen	26-May-96	SR AIRHOSTESS	Inter	2014	Court Case
281	55719	Mehboob Ahmed	13-Jun-96	OFFR ENGG	BA	2017	Court Case
282	55780	M Rehan Butt	8-Aug-96	FLT PURSER	Matric / Inter/BA	2016	Court Case
283	55798	Mirza Hammad	8-Aug-96	FLT PURSER	B.Com	2016	Court Case
284	55803	Baber Hussain	13-Aug-96	SR FLT STEWRD	BA	2016	Court Case
285	55863	Muhammad Hanif	4-Sep-96	RES TKT SUPR	MA	2015	Court Case
286	55902	Samina	22-Sep-96	SR AIRHOSTESS	Inter	2016	Court Case
287	55933	S Rauf Ahmed	9-Oct-96	SR HR OFFR	BA	2016	Court Case
288	55947	Abdul Ghaffar Bhutto	15-Oct-96	TECH	DAE	2015	Court Case
289	56084	Iftikhar Anis	7-Mar-97	SR TECH	Inter	2015	Court Case
290	56127	Dur Muhammad	3-Mar-97	PAX SER SUPR	Matric	2016	Court Case
291	56147	Muhammad Jaffar	28-Aug-97	AM INTERLINE	Inter	2014	Court Case
292	56309	S.Zubair H Shah	17-Mar-99	RES TKT OFFR	Inter	2014	Court Case
293	56315	Abdul Raheem	17-Mar-99	AM AUDIT COMP	Inter	2014	Court Case
294	56510	Atiya Iftikhar	13-Dec-01	SR AIRHOSTESS	Inter	2014	Court Case
295	56604	Afsheen Anis	11-Dec-01	GROOMING OFFR	Inter	2014	Under process
296	56636	Shaista Ishaq	24-Dec-01	AIRHOSTESS	Matric / Inter / BA	2014	Court Case
297	56638	Shazia Maqsood	26-Dec-01	SR AIRHOSTESS	Inter	2014	Court Case
298	56656	Saima Moin	27-Dec-01	AIRHOSTESS	BA	2014	Court Case
299	56663	Fakhra Saeed	12-Dec-01	AIRHOSTESS	Inter	2014	Court Case
300	56665	Tahira	24-Dec-01	SR AIRHOSTESS	Matric	2016	Court Case
301	56716	Ishrat Parveen	24-Dec-01	SR AIRHOSTESS	Matric/Inter	2016	Court Case
302	56718	Farida Bashir	12-Dec-01	SR AIRHOSTESS	Inter	2014	Court Case
303	56741	Arzoo	4-Jan-02	AIRHOSTESS	Matric / B.Sc	2017	Court Case
304	56742	Shazia	12-Dec-01	SR AIRHOSTESS	BA	2016	Court Case
305	56763	Shahida Parveen	3-Dec-01	SR AIRHOSTESS	Inter	2014	Court Case
306	56798	Muhammad Nadeem	20-May-02	MANAGER	BA	2016	Court Case
307	57068	Muhammad Ismail	1-May-03	SEC SUPR	BA	2016	Court Case
308	57104	Muhammad Ali	1-May-03	STORE SUPR	B.Sc	2014	Court Case
309	57133	Noreen Mehmood Qureshi	1-May-03	RES TKT SUPR	BA	2016	Court Case
310	57208	Rafat Ekrame	1-May-03	RES TKT SUPR	Matric	2016	Under process
311	57337	Raja Tariq Mehmood	1-May-03	WEL&CAN ASSTT	B.Com	2016	Court Case
312	57340	Shahzad Munawar	1-May-03	HR SUPR	B.Com	2013	Court Case
313	57351	Rizwan A Abbasi	1-May-03	HR OFFR	B.A	2017	Court Case

314	57355	Rehana	1-May-03	HOSTEL ATTEND	Matric	2016	Court Case
315	57437	Ali Hassan	1-May-03	CARPENTER	Matric	2015	Court Case
316	57438	M Arif Khan	1-May-03	PAINTER	Matric	2012	Court Case
317	57514	Naseer Ahmed Mughal	1-May-03	CARGO ATTEND	Matric	2017	Court Case
318	57567	Ahmed Salim Butt	1-May-03	PAX SER ASSTT	BA	2014	Court Case
319	57574	Muhammad Munir	1-May-03	PAX SER SUPR	BA	2014	Court Case
320	57577	Samiullah	1-May-03	PAX SER SUPR	BA	2014	Court Case
321	57578	Zulfiqar Ali Rizvi	1-May-03	PAX SER SUPR	BA	2014	Court Case
322	57713	Basharat Rehman Khan	1-May-03	FLD SER SUPR	BA	2014	Court Case
323	57783	Shahzad Ahmed	1-May-03	TECH	Matric	2015	Court Case
324	57784	Muhammad Saleem	1-May-03	PAX SER SUPR	Matric / Inter	2015	Court Case
325	57787	Tanveer Aslam	1-May-03	TECH	Matric	2015	Court Case
326	57792	Muhammad Saleem	1-May-03	ENGG HELPER	Matric	2015	Court Case
327	57814	Khuram Shahzad	1-May-03	TECH	Matric	2015	Court Case
328	57818	Abbas Iqbal	1-May-03	TECH	Matric	2016	Court Case
329	57919	Abdul Rasheed Khan	1-May-03	SEC GUARD	Matric	2017	Court Case
330	58050	Mehboob ur Rehman	1-May-03	STORE SUPR	B.Com	2013	Court Case
331	58149	Shakeel Ahmed	1-May-03	PAX SER SUPR	B.Com	2016	Court Case
332	58158	S Shahid H Zaidi	1-May-03	PAX SER SUPR	BA	2015	Court Case
333	58176	Ghulam Shabir	1-May-03	PAX SER SUPR	B.Com	2016	Court Case
334	58191	M Salman Ahmed Khan	1-May-03	PAX SER SUPR	BA	2016	Court Case
335	58192	Munawar Khurhid Zaidi	1-May-03	PAX SER SUPR	Matric	2016	Court Case
336	58256	S Musharraf Ali	1-May-03	BAGG ATTEND	Matric	2016	Court Case
337	58534	Ashfaq Ahmed	1-May-03	BRANCH MGR	BA	2014	Court Case
338	58545	Shafiq Ahmed	1-May-03	RES TKT ASSTT	Inter	2014	Court Case
339	58693	Naeem Akhtar	1-May-03	FLD SER SUPR	B.A	2017	Court Case
340	58751	Mukarram Ahmed	1-May-03	HR SUPR	BSc	2016	Court Case
341	58765	M Nayer Iqbal	1-May-03	STORE SUPR	B.Sc	2017	Court Case
342	58776	Shaheen Rashid	1-May-03	AM P&L	Matric	2017	Court Case
343	58793	Iqbal Shah	1-May-03	STORE ASSTT	BA	2015	Court Case
344	58877	Athar Faraz	1-May-03	ACCTS SUPR	B.Com / BA	2014	Court Case
345	58886	Imran H Hamidi	1-May-03	ACCTS SUPR	B.Com	2013	Court Case
346	58901	M. Rafiq Nazir	1-May-03	ACCTS SUPR	B.Com	2013	Court Case
347	58907	Mahmood Asmat Quadri	1-May-03	OFTG AM FIN	Matric	2016	Court Case
348	58908	Mujahid H Siddiqui	1-May-03	ACCTS SUPR	Matric	2016	Court Case
349	58916	Saeed Akhtar	1-May-03	ACCTS SUPR	B.Com	2014	Court Case
350	58923	Shoaib H Siddiqui	1-May-03	ACCTS SUPR	B.Com	2013	Court Case
351	58934	Mohsin Ali	1-May-03	ACCTS SUPR	B.Com	2016	Court Case
352	58958	M Fayyaz Nazir	1-May-03	RECORD ASSTT	Inter	2015	Court Case
353	58966	Muhammad Aamir	1-May-03	RECORD ASSTT	Inter	2015	Court Case
354	58983	Zubair Ahmed Khan	1-May-03	RECORD ASSTT	Inter	2014	Court Case
355	58988	Sharafat Ali Khan	1-May-03	RECORD KEEPER	Matric	2016	Court Case

356	59037	M Kashif	1-May-03	FLT MANU OFFR	B. Sc	2014	Court Case
357	59038	M Abbas	1-May-03	FLT MANU SUPR	B. Com	2014	Court Case
358	59111	Naseer Ahmed	1-May-03	FLD SER SUPR	B.Com	2017	Court Case
359	59291	Faheem Alam	1-May-03	WORKS SUPR	BA	2016	Court Case
360	59315	Adnan Amjad	1-May-03	ACCTS SUPR	Matric / B.Com	2016	Court Case
361	59317	Qamaruddin	1-May-03	HR SUPR	B.Com	2017	Court Case
362	59401	Malka Jafri	1-May-03	HR SUPR	B.Sc	2017	Court Case
363	59411	Uzma Qayyum	1-May-03	HR SUPR	BA	2015	Court Case
364	59484	Arshad Ali	1-May-03	SR PROJ TECH	DAE	2015	Court Case
365	59575	S Mehdi Haider	1-May-03	PROJ TECH	DAE	2015	Court Case
366	59581	S Muhammad Asim	1-May-03	ENGG HELPER	Matric / Inter	2016	Terminated
367	59634	Arif Ismail Khan	1-May-03	TECH R OFFR	B.Sc	2016	Court Case
368	59671	Farhan Shahid	1-May-03	MOD PLAN SUPR	B.Com	2016	Court Case
369	59898	Nadeem Khalid	1-May-03	SR TECH	DAE	2015	Court Case
370	59923	Abdul Majid	1-May-03	APP INSPECTOR	B.Sc	2016	Dismissed
371	59935	M Irfan Malik	1-May-03	SR TECH	Inter	2016	Court Case
372	59951	Abdul Rehman	1-May-03	PAX SER SUPR	Matric	2016	Court Case
373	60061	Shaikh Mateen Ahmed	1-May-03	PANTRYMAN	Inter	2017	Court Case
374	60205	Imran Akram	1-May-03	PAX SER SUPR	Inter / B.A	2014	Dismissed
375	60212	Amir Jamshed	1-May-03	PAX SER SUPR	B.Sc	2014	Dismissed
376	60216	Irum Gul	1-May-03	ACCTS OFFR	B.Com	2017	Court Case
377	60244	Tanvir Abbasi Riaz	1-May-03	PAX SER SUPR	BA	2014	Dismissed
378	60464	Khan Afsar	12-Jun-03	SEC GUARD	Inter	2016	Court Case
379	60508	Basharat Ali	12-Jun-03	SEC GUARD	Inter	2016	Court Case
380	60535	Zulfiqar Ali	1-May-03	SEC GUARD	Inter	2016	Court Case
381	60561	Asim Ali	12-Aug-03	SEC GUARD	Matric	2016	Court Case
382	60594	Muhammad Jamil	4-Aug-03	SEC SUPR	BA	2016	Court Case
383	60850	Asifa Iqbal	15-Jan-04	AIRHOSTESS	B.Com	2014	Court Case
384	60927	Bushra Saeed	1-May-04	PROJ OFFR	B.Sc	2015	Court Case
385	61071	Naveed Ahmed Malik	24-Jun-04	FLT STEWARD	B.Com	2016	Court Case
386	61072	Amanullah Khan	26-Jun-04	FLT STEWARD	Matric/Inter/B.Com	2016	Court Case
387	61168	Mirza Anwar ul Haq	25-Aug-04	FLT STEWARD	BA	2014	Dismissed
388	61178	Mirza A Rauf Sultan	25-Aug-04	FLT STEWARD	B.Com	2017	Court Case
389	61330	M Sajid Ali Khan	18-Nov-04	AM SYS ANALST	Inter	2014	Court Case
390	61574	Muhammad Kamran	17-Mar-05	SR PROJ TECH	DAE	2015	Court Case
391	61707	Amna Ahmed	17-Jun-05	HR SUPR	BA	2015	Court Case
392	61719	M Danish Kiyani	29-Jun-05	APP INSPECTOR	B.Sc	2016	Court Case
393	61753	Safdar Mirza	5-Jan-05	SR TECH S MTL	B.Com	2015	Court Case
394	61754	Malik Shafiq Ahmed	6-Jul-05	SR TECH S MTL	Inter	2016	Court Case
395	61789	Anwer H Mirza	19-Sep-05	SR FLT STEWRD	Inter	2014	Court Case
396	62039	Hina Dean	26-May-06	AIRHOSTESS	Matric/Inter	2014	Court Case
397	62221	Khalid Imtiaz	5-Sep-06	BUTCHER	Matric	2014	Court Case
398	62222	Mazhar Hussain	7-Sep-06	JR COOK	Matric	2013	Court Case
399	62313	Aamir Bin Khalil	27-Sep-06	FLT STEWARD	B.Com	2015	Court Case
400	62379	Amjad Salam	10-Oct-06	FLT STEWARD	B.Com	2016	Court Case

		Chaudhry					
401	62380	Kashif Ali	10-Oct-06	FLT STEWARD	B.Com	2016	Court Case
402	62416	Muhammad Adnan	20-Oct-06	FLT STEWARD	B.Com /INTER	2017	Court Case
403	62810	Waheed Haider	6-Jul-07	FLT STEWARD	Matric	2015	Court Case
404	62857	Raheel Sajid	6-Aug-07	FLT STEWARD	B.Com	2016	Court Case
405	62955	Faiz-ul-Wahab	7-Aug-07	FLT STEWARD	B.Com	2016	Court Case
406	63002	M Ali Baloch	3-Sep-07	FLT STEWARD	BA	2016	Court Case
407	63003	Nauman Ali Bhatti	3-Sep-07	FLT STEWARD	B.Com	2014	Court Case
408	63024	Saleemullah Khan	12-Sep-07	APP INSPECTOR	Inter	2015	Court Case
409	63065	Salman Munawar	13-Sep-07	APP INSPECTOR	B.Com	2015	Court Case
410	63133	Shah Khalid	26-Sep-07	SR TECH S MTL	Inter	2015	Court Case
411	63138	Ayesha Khan	3-Oct-07	AIRHOSTESS	B.A	2014	Court Case
412	63170	M Haroon Sultan	2-Nov-07	TRG SUPT ASST	B.Com	2013	Court Case
413	63308	Asif Naveed Hussain	19-Feb-08	RES TKT SUPR	B. Sc	2012	Court Case
414	63454	Ghulam Haider	25-Jun-08	SR FLT STEWRD	B.A	2014	Dismissed
415	63473	S Mehmood Haider Naqvi	25-Jun-08	SR FLT STEWRD	BA	2016	Court Case
416	63563	Rubina	15-Aug-08	BRIEFING SUPR	Matric/Inter	2015	Court Case
417	63612	Attiya Sultana	1-Sep-08	PAX SER ASSTT	Matric / BA	2016	Court Case
418	63676	Raja Ghulam Mohiuddin	1-Jul-08	PAX SER SUPR	BA	2015	Court Case
419	63734	M Haider Ali	21-Nov-08	PAX SER ASSTT	BSc	2015	Dismissed
420	63772	S. Farukh H Shah	17-Dec-08	SR TECH	Inter	2017	Court Case
421	63811	M Nazar Khan	25-Feb-09	SR FLT STEWRD	BA	2017	Court Case
422	64051	Asad Ilyas	6-Jul-09	IST OFFR B777	Inter	2015	Court Case
423	64520	Razia Sultana Beri	6-Nov-09	AIRHOSTESS	Matric/Inter/BA/MA	2016	Court Case
424	64527	Zaheer Hussain	25-Nov-09	PAX SER ASSTT	BA	2015	Court Case
425	64569	Robert Nazir	16-Dec-09	MECH	DAE	2015	Court Case
426	64722	Fawaz Naveed Khan	24-May-10	IST OFFR A320	Inter	2015	Court Case
427	64733	Sabir ur Rehman	24-May-10	IST OFFR ATR	O & A Level	2015	Court Case
428	64799	Muhammad Rizwan	5-Jul-10	CARGO ASSTT	BA	2016	Court Case
429	64865	Asad Ali Zafri	5-Jul-10	PAX SER ASSTT	Matric / Inter	2016	Court Case
430	65078	Tahir Naveed	8-Jul-10	HR ASSTT	Inter	2015	Terminated
431	65102	M Waqas Anwer	5-Jul-10	RES TKT SUPR	Matric / Inter	2017	Court Case
432	65430	S Nazim Hussain Shah	9-Jul-10	PAX SER SUPR	BA	2017	Court Case
433	65430	S M Nazim H Shah	9-Jul-10	PAX SER SUPR	BA	2017	Court Case
434	65529	Fareed Khan	16-Jul-10	CARGO ASSTT	BA	2016	Court Case
435	65644	Ijaz Younas	30-Jul-10	CARGO ASSTT	Inter	2016	Court Case
436	65704	Aneela Hameed	16-Aug-10	AIRHOSTESS	Inter	2016	Court Case
437	65708	Uzma Bakhtawar	16-Aug-10	AIRHOSTESS	Matric	2017	Court Case
438	65734	Ata ul Haq	27-Aug-10	MUDEER&KHATEB	Matric	2017	Under process
439	66089	M Faisal Siddiqui	1-Jun-11	SR TECH	Inter	2015	Court Case
440	66093	Shadab A Khan	3-Jun-11	SR TECH	Inter	2015	Court Case
441	66172	Abdul Waheed Jamali	5-Jul-11	SR TECH	D.Com	2015	Court Case
442	66202	Hamid Allaiddin	7-Jul-11	SR TECH	Machanist	2017	Court Case

443	66229	Salman Ahmed	13-Jul-11	TECH	DAE	2016	Court Case
444	66248	Hafiz M Khalid	9-Aug-11	SR TECH	Inter	2015	Court Case
445	66270	M Haseef Azim	11-Aug-11	SR TECH	Inter	2015	Court Case
446	66468	Nazish Urooj	1-Nov-11	AIRHOSTESS	BA	2015	Dismissed
447	66513	Farah Khan	1-Nov-11	AIRHOSTESS	Inter	2014	Court Case
448	66517	Fareeha Mukhtar	1-Nov-11	AIRHOSTESS	B.Com	2014	Terminated
449	66518	Manahil Saba Anwar	1-Nov-11	AIRHOSTESS	Matric/Inter/BA	2016	Court Case
450	66545	Tahira Sultana	1-Nov-11	AIRHOSTESS	BA	2017	Court Case
451	66618	S. Mehdi Raza	2-Jan-12	IST OFFR ATR	Inter	2014	Dismissed
452	66727	Nadia Hassan	2-Jul-12	AIRHOSTESS	BA	2015	Court Case
453	66936	Sarmad Razvi	20-May-13	IST OFFR ATR	O & A Level	2017	Court Case
454	67209	Meraajuddin	29-Sep-15	CARGO ASSTT	Inter / MA	2016	Under process
455	67294	M Sher Iqbal	26-Nov-15	SR TECH	Inter	2016	Court Case
456	67487	Muhammad Zubair	14-Dec-15	SR TECH	DAE	2016	Court Case
457	67891	Hira Akhtar	28-Nov-16	AIRHOSTESS	B.Com	2017	Court Case
458	-	Muhammad Habib	-	Passenger Services Supervisory	-	-	-

Annex-17
(See Para. 1.1.4.65)

Inefficient Flight Operations from Islamabad to other stations (domestic/international)					
S. No.	From Islamabad to other destination	No. of Flights	S. No.	From Islamabad to other destination	No. of Flights
1	AUH (Abu Dhabi)	67	16	KUL (Kuala Lmpur)	13
2	BAH (Bahrain)	10	17	LHE (Lahore)	1
3	BEY (Beirut)	1	18	LHR (London)	5
4	BHX (Birmingham)	5	19	MAN (Manchester)	4
5	CDG (Paris)	6	20	MCT (Muscat)	41
6	CTU (Chengdu - Shuangliu)	7	21	MED (Medina)	3
7	DIA	9	22	PEK (Beijing)	1
8	DMM (Damam)	65	23	RUH (Riyadh)	23
9	DOH (Doha)	19	24	SHJ (Sharjah)	4
10	DXB (Dubai)	509	25	SKZ (Sukkur)	4
11	GYD	1	26	SLL (Salalah)	1
12	IST (Istanbul)	12	27	UET (Quetta)	18
13	JED (Jeddah)	15	28	XIY (Xi'an – Xianyang)	1
14	KHG	1	29	YYZ (Toronto)	10
15	KHI (Karachi)	262			
Total		989			129
Grand Total					1,118

S. No.	No. of flights	No. of passenger	Fare (apx)	No. of average seats	Total impact in Rs.

1.	172	3	20000	200	688,000,000
2.	112	4	20000	200	448,000,000
3.	91	5	20000	200	364,000,000
4.	72	6	20000	200	288,000,000
5.	44	7	20000	200	176,000,000
6.	26	8	20000	200	104,000,000
7.	22	9	20000	200	88,000,000
8.	15	10	20000	200	60,000,000
9.	99	11-20	20000	200	396,000,000
10.	99	21-50	20000	200	396,000,000
Total	752				3,008,000,000

Annex-18

S. No.	Name of Candidate	Designation	Advertisement date	Criteria as per advertisement	Monthly pay (Rs)	Total Payment till June 2024 (Rs)
1	Mr. Ali Haider	Senior Engineer	23.09.2023	8 year and 35 age	154,298	1,388,682
2	Muhammad Wasay uz zaman		06.11.2022	At least 2 year	159279	1,433,511
3	Musa Zafar Dar		06.11.2023	Upto 5 years relevant experience	154298	1,388,682
4	Mr. Jahanger Khan		06.11.2022	2 years	154222	1,387,998
5	Sabir Hussain		06.11.2022	2 years	159279	1,433,511
1	Noshewan naeem	Junior Engineer G-8a	09.04.2023	1 to 5 years	124577	1,121,193
2	Mahrukh Ansar		06.11.2022	Upto 1 year	124577	1,121,193
3	Fawad Ahmed		09.04.2023	1 to 5 years	124577	1,121,193
4	Zeeshan Maqsood		13.02.22	Upto 1 year	124577	1,121,193
5	Abdullah Nazir		09.04.2023	1 to 5 years	124577	1,121,193
6	Mr. Hassan Ghafoor		09.04.2023	1 to 5 years	124577	1,121,193
7	Mr. Abuzar		09.04.2023	1 to 5 years	124577	1,121,193
8	Muhammad Anns Ali		09.04.2023	1 to 5 years	124577	1,121,193
9	Muhammad Faisal Rauf		13.02.2022	Upto 1 year	124577	1,121,193
10	Ahmad Ibrar Cheema		13.02.2022	Upto 1 year	124577	1,121,193
11	Mr. Umar Fiaz		09.04.2023	1 to 5 years	125214	1,126,926
1	Noman Ahmad	Junior Engineer G-8	13.02.2022	Upto 1 year	125314	1,127,826
2	Muhammad Waqas Ahmed		09.04.2023	1 to 5 years	128659	1,157,931
3	M. Zahid Usman		09.04.2023	1 to 5 years	128659	1,157,931
4	Tariq Iqbal Abbasi		09.04.2023	1 to 5 years	154298	1,388,682
5	Muhammad Ali		09.04.2023	1 to 5 years	124577	1,121,193
6	Dilawar Khan		01.04.2023	Upto 1 years	124755	1,121,193
7	Muhammad Iqbal		01.04.2023	Upto 1 years	124755	1,121,193
8	Nida Waseem		01.04.2023	Upto 1 years	124577	1,121,193

9	Chaudhry Fazeel Ahmad		12.11.2023	Upto 1 year	124577	1,121,193
10	Syed Salman Raza		06.11.2022	Upto 1 years	124577	1,121,193
Total						30,930,768

Annex-19

Sr. No	Emp No.	Name	Designation	Annual Payment in 2023-24			
				EVP Allowance	VP Allowance	VP Head Allowance	MD Allowance
1	4953	M. Zubair	EVP	215,930	86,372	875,000	
2	4232	Irfan ul Haq	EVP	43,186	-	125,000	
3	6187	Ahsan Anwar	VP	-	518,232	1,500,000	
4	4937	Danish Raza	VP	-	417,400	1,250,000	
5	6078	Ahmad Said	VP	-	518,232	1,500,000	
6	6252	Zargham Eshaq Khan	MD	-	302,302	875,000	1,607,365
7	4971	Nadeem Ashraf	EVP	518,232	-	1,500,000	
8	6527	m. Dawood Rana	EVP	431,860	86,372	1,500,000	
				1,209,208	1,928,910	9,125,000	1,607,365
	B	VPs/EVPs Irregular payments		9,297,744			
	a+b	Total Irregular payments		14,434,789			

Sr. No.	Emp No.	Name	Designation	Annual Payment in 2023-24	
				GM Allowance	GM Head Allowance
1	6038	Kaukab Hussain	GM Div.	500,376	1,500,000
2	7608	Kamran Yousaf	GM Div.	500,376	750,000
3	6292	Riasat Ali	GM Div.	333,584	1,000,000
4	7359	Furqan Ali Malik	GM Div.	430,956	125,000
5	6587	Mansoor Ali	GM Div.	500,376	1,500,000
6	7419	Mahmood Ahmad Bhandara	GM Div.	35,913	125,000
7	4962	Imran Badar	GM Div.	500,376	125,000
8	6206	Zahid Mahmood Khan	GM Div.	333,584	1,000,000
9	7669	Faisal Majeed	GM Div.	500,376	1,500,000
10	6029	M. Zafar Amin	GM Div.	500,376	1,500,000
11	4940	Omer Farooq	GM Div.	500,376	1,500,000
12	4745	Adil Nazeer	GM Div.	500,376	1,500,000
			A	5,137,045	12,125,000

Annex-20
(See Para. 2.2.4.2)

Exchange loss on account of delayed settlement of claims – Rs. 1,425.699 million					
BROKER NAME	Aviation (DOE) (PKR)	Engineering (DOE) (PKR)	Fire (DOE) (PKR)	Accident (DOE) (PKR)	Total (DOE) (PKR)
	19.05.2020	20.05.2020	15.05.2020	18.05.2020	
Arthur G Gallagher (Uk) Limited (18958)	-	-69,536,956	-	-	-69,536,956
Aon Group Limited (Aon-Uk) (18181)	-	-	-	- 4,565,715	-4,565,715
Chedid & Associates S.A.L. (18983)	-	-	-	- 527,716	-527,716
Lockton (Mena) Limited Dubai (18818)	-	-226,376,169	-124,881,031	-8,121,865	-359,379,065
Marsh Limited (10054)	7,836,439	-	-	-	7,836,439
Willis Towers Watson (18971)	14,734,074	-179,658,443	-11,236,387	-	-176,160,756
TOTAL (A)	22,570,513	-475,571,568	-136,117,418	-13,215,296	-602,333,769
Arthur G Gallagher (Uk) Limited (18958) (Pia-Fleet) (2021-2022)	-115,733,303	-	-	-	-115,733,303
Arthur G Gallagher (Uk) Limited (18958) (Pia-Fleet) (2022-2023) (Jan-Nov-2023)	-659,046,761	-	-	-	-659,046,761
Arthur G Gallagher (Uk) Limited (18958) (Pia-Fleet) (2022-2023) (Dec-2023)	-48,586,039	-	-	-	-48,586,039
TOTAL (B)	-823,366,103	-	-	-	-823,366,103
GRAND TOTAL (A + B)	-800,795,590	-475,571,568	-136,117,418	-13,215,296	-1,425,699,872

Annex-21
(See Para. 2.3.4.14)

Non-recovery of defalcation and excess cost from Area Managers - Rs. 57.593 million						
(Amount in Rs)						
S. #	Name of Area Manager	2020	2021	2022	2023	Total
1	Mr. Najmul Saqib (1408)	25,535	54,056	-	-	79,591
2	Mr. M.Sharif Gajani	219,848	120,440	60,116	174,682	575,086
3	Mr. Hazoor Bakhsh	98,907	150,737	-	-	249,644
4	Mr. Arz Muhammad	249,475	440,472	-	-	689,947
5	Mr. Mian Khan	131,445	108,938	284,657	302,634	827,674
6	Mr. Naseer Muhammad	-	560,392	-	-	560,392
7	Mr. Muhammad Sarwer	-	40,249	30,486	-	70,735
8	Mr. Waqar Ahmed Rao	-	117,905	242,749	109,780	470,434
9	Mr. Najmul Saqib 1408	-	-	134,324	-	134,324
10	Mr. Ali Goher 1409	-	-	69,704	-	69,704
11	Mrs. Zahira Parveen 1416	-	-	140,965	-	140,965
12	Mr. Haq Nawaz 1420	-	-	170,050	-	170,050
13	Mr. Mir Hassan 1421	-	-	34,901	-	34,901
14	Mr. Sanjay Kumar 1424	-	-	428,384	-	428,384
	Total	725,210	1,593,189	1,596,336	587,096	4,501,831

S. #	Area Managers	Outstanding Amount (Rs)	S. #	Area Managers	Outstanding Amount (Rs)
1	Raja Tariq	472,579	11	Arbab ali	247,322
2	Zamir Ahmed	160,921	12	Zahida Akhlaq	565,157
3	Bhiman Das	18,917	13	Anwar Husain	426,831
4	Moti Lal	120,727	14	Muhammad Ali Malik	205,130
5	Akhlaq Hussain	387,977	15	Aijaz Ali Markhand	258,962
6	Abdul Qadir Jatoi	34,711	16	Asif Saleem	72,666
7	Ali Hasan Bhutto	74,123	17	Muhammad Zahid	29,324
8	Gh: Shabir Chano	8,421	18	Ali Gohar Nasirani	49,141
9	Fayaz Hussain	160,038	19	Sarfraz Khuhro	136,100
10	Gh: Hyder Abbasi	270,070	20	M. Janib Ujjan	83,837
Total					3,782,954

(Rs. in million)			
S. #	Description	Year	Amount
1	A/c Receivable Defalcation by staff & field staff	2023	10.825
2	Excess cost from Area Managers	2023	24.280
		2022	14.204
Total			49.309

Annex-22
(See Para. 2.3.4.16)

Loss of revenue due to non-renting out of vacant buildings / spaces – Rs. 41.350 million						
Tenancy detail as on 31 December 2023						
S. No.	Building Name / No.	Total Rentable Area (Sft.)	Area Rented to Zone	Area Rented to Other Tenants	Total Rented Area	Vacant Area
Karachi						
1	SLB-1	168,510	7,366	134,096	141,462	27,048
2	SLB-1 Anx	24,015		8,242	8,242	15,773
3	SLB-1-A	25,476		25,476	25,476	-
4	SLB-1-B	55,170	476	33,541	34,017	21,153
5	SLB-1-C	40,656		38,305	38,305	2,351
6	SLB-2	200,205	81,350	68,690	150,040	50,165
7	SLB-2-A	55,315	7,952	34,780	42,732	12,583
8	SLB-2-B	12,583	8,656	1,420	10,076	2,507
9	SLB-3	102,577	7,173	92,008	99,181	3,396
10	SLB-4	72,507	11,434	58,483	69,917	2,590
11	SLB-5	79,733	15,431	48,735	64,166	15,567
12	SLB-5-A	46,476		36,008	36,008	10,468
13	SLB-5-B	17,241		17,241	17,241	-
14	SLB-5-C	6,794		6,794	6,794	-

15	SLB-6	127,438	29,829	69,167	98,996	28,442
16	SLB-7	87,121	21,719	36,869	58,588	28,533
17	SLB-8	11,258		6,084	6,084	5,174
18	SLB-9	103,336	90,010	13,326	103,336	-
19	SLB-10	19,100		19,100	19,100	-
20	SLB-11	145,323	21,894	51,519	73,413	71,910
21	SLB-12	81,129	4,616	24,815	29,431	51,698
22	Jason Trade Centre	11,200		11,200	11,200	-
23	Nazimabad Bungalow	3,600		3,600	3,600	-
24	Maqboolabad	16,200	16,200		16,200	-
25	11-J PECHS	4,000		4,000	4,000	-
Total		1,516,963	324,106	843,499	1,167,605	349,358
Hyderabad						
26	SLB- 1	3,960	1,351	-	1,351	2,609
27	SLB- 2	22,889	3,331	17,730	21,061	1,828
28	SLB- 3	114,955	37,157	73,253	110,410	4,545
TOTAL		141,804	41,839	90,983	132,822	8,982
Mirpurkhas						
29	SLB	34,029	12,121	18,206	30,327	3,702
Total		34,029	12,121	18,206	30,327	3,702
Sukkur						
30	SLB	19,319	18,879	440	19,319	-
Total		19,319	18,879	440	19,319	-
Larkana						
31	SLB	22,726	15,520	3,650	19,170	3,556
Total		22,726	15,520	3,650	19,170	3,556
Rahim Yar Khan						
32	SLB	32,111	11,940		11,940	20,171
Total		32,111	11,940	-	11,940	20,171
Quetta						
33	SLB	2,950			-	2,950
Total		2,950	2,950	2,950	2,950	2,950
Islamabad						
34	SLB- 5 (Phase-I)	31,377	3,080	27,288	30,368	1,009
35	SLB- 5 (Phase-II)	74,853	1,530	69,523	71,053	3,800
36	SLB- 6	20,732	-	20,732	20,732	-
37	SLB- 7 (Phase-I)	41,262	6,003	23,822	29,825	11,437
38	SLB- 9	29,557	24,862	4,495	29,357	200
39	G-8 MARKAZ	13,000	6,500	6,500	13,000	-

	(G.FLOOR)					
40	SLIC Tower, ISB	149,668	10,428	138,166	148,594	1,074
Total		360,449	52,403	290,526	342,929	17,520
Rawalpindi						
41	SLB- 1	35,202	35,202	-	35,202	-
42	SLB- 2	1,561	-	1,561	1,561	-
43	SLB- 8	22,389	14,919	7,470	22,389	-
Total		59,152	50,121	9,031	59,152	-
Gujrat						
44	SLB	76,060	21,443	27,816	49,259	26,801
Total		76,060			49,259	26,801
Peshawar						
45	SLB	145,423	64,692	51,717	116,409	29,014
Total		145,423	64,692	51,717	116,409	29,014
D.I.Khan						
46	SLB	23,000	3,145	9,528	12,673	10,327
TOTAL		23,000	3,145	9,528	12,673	10,327
Lahore						
47	SLB- 1	40,632	20,075	18,094	38,169	2,463
48	SLB- 2	153,532	97,013	52,967	149,980	3,552
49	SLB- 5	4,570	428	2,640	3,068	1,502
50	SLB- 6	12,613	500	9,549	10,049	2,564
51	SLB- 7	9,564	3,300	4,600	7,900	1,664
52	SLB- 9	4,251	1,232	2,062	3,294	957
53	SLB- 10	4,492	-	4,462	4,462	30
54	SLB- 11	70,621	29,718	40,803	70,521	100
55	66C-/1	4,765	4,765	-	4,765	-
56	133/1	3,000	3,000	-	3,000	-
Total		308,040	160,031	135,177	295,208	12,832
Faisalabad						
57	SLB- 1	1,300	-	1,300	1,300	-
58	SLB- 2	95,374	60,154	28,277	88,431	6,943
Total		96,674	60,154	29,577	89,731	6,943
Multan						
59	SLB	28,856	27,966	890	28,856	-
Total		28,856	27,966	890	28,856	-
Gujranwala						
60	SLB	36,093	24,787	11,127	35,914	179
Total		36,093	24,787	11,127	35,914	179
Grand Total		2,903,648.45	870,654.00	1,497,301.00	2,414,264.00	492,334.45

Annex-23
(See Para. 2.3.4.17)

Non-recovery of outstanding dues – Rs. 36.195 million						
S.#	Tenants	Area Rented (Per Sq ft)	Rent Per month	Period	Total Months	Outstanding Amount (Rs in million)
1.	M/s Tower Media	1,600	127,426	01.01.24 To 30.06.24	06	0.764
2.	M/s SBCA	2,050	135,300	15.02.22 To 30.06.24	28	3.788
Total						4.552

S. #	A/c	Description	Amount (Rs)
01	170SH	Loan to Staff - 2 Gross (staff) after 18/08/2000)	10,743,187
02	177SH	Advance Against Two months' Salary-Officers (after 18/08/00)	5,030,412
03	178SH	Advance against House Rent - A&B Category (after 18/08/00)	4,337,647
04	208	Accounts Receivable – Official receivables	3,854,698
05	183	Advance against Medical Bills	9,965
06	184	Advance against Telephone Bills	13,250
07	192	Security Deposits	439,949
08	194	Security Deposits against death claims	1,073,240
09	197	Pre-Paid Expenses	940,689
10	199	A/C Rcv bl Defalcation-By Field Staff	1,082,444
11	206	Accounts Receivable – Others	4,117,519
Total			31,643,000

Annex-24
(See Para. 2.3.4.21)

Non-finalisation of disciplinary actions – Rs. 13.313 million						
(Rs. in million)						
Policy No.	Name of Policyholder	Date of Issuance	Sum Assured	Annual Premium	Payment drawn	Nature of payment
502890660-5	Shama Naz	27.04.2016	2.500	198,075	-	-
502890661-7	Shama Naz	27.04.2016	2.500	198,075	-	-
502890264-5	Majid Akhter	31.12.2015	5.800	295,068	-	-
502891508-7	Intizar Ahmed	31.08.2016	10.000	588,380	1,103,705	Policy loan / surrender
502891509-9	Shakeel Ahmed	31.08.2016	10.000	542,900	9,601,239	Death claim
502891611-4	Waqar Ahmed	30.09.2016	10.000	551,900	1,695,742	Policy loan / surrender
Total			2,374,398	2,374,398	12,400,686	

Annex-25

L5N	VDT	SRNO	VTYP	RMKS	CHQ NO.	OPBAL	AMNTC	CLBAL
National Bank of Pakistan (Assignment Account) Quetta 1131	06/02/2021 00:00:00	2106-BPV-004	BPV	Fund transferred on a/c of overheads from NBP assignment a/c # 1131 to AKBL a/c no 1650511445.	823101	0.00	36,000,000	44,000,000
National Bank of Pakistan (Assignment Account) Quetta 1131	06/03/2021 00:00:00	2106-BPV-008	BPV	Fund transferred from assignment a/c # 1131 to NBP a/c # 4165743724 on a/c of LC related.	823102	0.00	20,000,000	6,001,835
National Bank of Pakistan (Assignment Account) Quetta 1131	08/12/2021 00:00:00	2108-BPV-005	BPV	Fund transfer from NBP (assignment) a/c # 1131 to NBP a/c # 4165743724 (Quetta project)	823108	0.00	135,000,000	25,000,000
National Bank of Pakistan (Assignment Account) Quetta 1131	09/23/2021 00:00:00	2109-BPV-034	BPV	Fund transfer from NBP (assignment) a/c # 1131 to NBP a/c # 4165743724 (Quetta project)	823109	0.00	242,500,000	22,500,000
National Bank of Pakistan (Assignment Account) Peshawar - 1132	06/06/2022 00:00:00	2206-BPV-007	BPV	Fund transfer from assignment a/c No. 1132 to AKBL a/c # 211650511445.	60508	0.00	36,000,000	22,971,223
National Bank of Pakistan (Assignment Account) Quetta 1131	10/27/2022 00:00:00	2210-BPV-047	BPV	Fund transfer from NBP assignment a/c # 1131 to NBP a/c no 4165743724.	823120	0.00	100,000,000	0.00
National Bank of Pakistan (Assignment Account) Quetta 1131	12/07/2022 00:00:00	2212-BPV-017	BPV	Fund transfer from NBP assignment a/c # 1131 to NBP a/c # 4165743724.	823123	0.00	98,052,249	1
National Bank of Pakistan (Assignment Account) Quetta 1131	02/24/2023 00:00:00	2302-BPV-063	BPV	Fund transfer from NBP assignment a/c # 1131 to NBP a/c # 4165743724.	823124	0.00	268,718,000	-268,717,999
							936,270,249	

Annex-26

Sr. No.	Item description	Quantity as per FAR	Quantity physically verified	(Short)	Value per Item (Rs)	Amount (Rs)
1	Chandelier (M)	20	15	(5)	40,635	203,175
2	Chandelier (L)	25	2	(23)	81,269	1,869,187
3	Special Lights	150	-	(150)	1,056	158,400
4	Picture lights	150	44	(106)	1,300	137,800
5	Glass screen 12 mm	1,500	-	(1,500)	1,707	2,559,976
6	Side table lamps	150	-	(150)	2,709	406,350
7	Standing lamps	150	2	(148)	8,804	1,302,992
8	Table lamps	150	2	(148)	3,386	501,128
9	WS 4 working counter	415	-	(415)	5,282	2,192,233
10	T 3 reception counter	3	-	(3)	56,018	168,054
11	T 1 reception counter	4	-	(4)	26,583	106,332
12	T 4 reception counter	2	1	(1)	146,244	146,244
13	PT projector table	16	-	(16)	16,846	269,536
14	Display boxes 1ft OIN X1FT	8	-	(8)	2,303	18,424
15	Display boxes 2ft OIN X3FT	15	-	(15)	9,346	140,190
16	Display boxes 3ft OIN X6FT	7	-	(7)	11,513	80,591
17	Service counter	55	32	(24)	23,619	555,042
18	T 2 reception table	240	102	(138)	7,436	1,026,185
	Total					11,841,839

Annex-27

Sr. No.	Contract Nature	Contractor Name	Contract Amount	Date of start of contract	Date of completion of contract	Actual date of completion	LD to be charged @ 1% for each day subject to Maximum 10% of contract price. (Rs in million)
1	Infrastructure	Khan	190.039	24.12.2020	23.07.2022	Ongoing	19.003

	work Peshawar (Road works)	Brothers					
2	Infrastructure work Peshawar (earthwork and allied activities, drain under road, drain under walkway, water supply etc.)	Khan Brothers	353.462	29.07.2020	28.12.2021	Ongoing	35.342
3	Construction work of test pile at expo centre Peshawar	Sinaco Engineer	24.050	15.12.2018	14.06.2019	12.07.2019	2.405
4	Gate houses, check post, watch towers of expo centre Peshawar	Sinaco Engineer	123.612	15.12.2018	14.06.2020	28.02.2023	12.361
	Total		691.163				69.115

Annex-28

List of staff whose pay was incorrectly fixed.

S. No.	Name	Designation	BPS	Date of Revision	Basic pay before Revision / Initial Basic Pay - 2022	Basic Pay After Revision	Difference per month	No. of months up to Nov-2024	Amount paid up to Nov-24	Remarks
1	Sheraz Naeem	Manager	18	27.04.2023	78,180	120,780	42,600	19	809,400	Pay Revised
2	Usman Bashir	Manager	18	07.01.2023	56,880	120,000	63,120	22	1,388,640	Newly appointed
3	Alishibah Tahir	Asstt. Manager	17	27.04.2023	62,170	82,690	20,520	19	389,880	Pay Revised
4	Rizwan Khan	Asstt. Manager	17	10.06.2023	45,070	80,000	34,930	17	593,810	Newly appointed
5	Faisal Bashir	Asstt. Manager	17	27.04.2023	45,070	80,000	34,930	19	663,670	Newly appointed
	Total								3,845,400	

List of staff to whom advance increments were granted

Name	Designation	BPS	Date of increment	Rate of increment	No. of increments granted	Total amount per month	No. of months upto Nov-2024	Amount paid upto Nov-24	Remarks
Naseem Ul Ghani	GM	19	1-Jun-23	4,530	15	67,950	17	1,155,150	
Mehmood Ali Raja	DGM	18	1-Dec-22	4,260	5	21,300	23	489,900	
Razi Ud Din	Mng	18	1-Dec-22	4,260	5	21,300	23	489,900	
Zeeshan Amin	Mng	18	1-Dec-22	4,260	5	21,300	23	489,900	
Mahmood Ali Raja	DGM	18	1-Dec-23	4,260	5	21,300	11	234,300	
Razi Ud Din	Mng	18	1-Dec-23	4,260	5	21,300	11	234,300	
Mansab Nazeer Ahmed	Mng	18	1-Dec-23	4,260	5	21,300	11	234,300	
Zoaib Anwar Durrani	Mrktg Exec	15	22-Nov-22	1,980	2	3,960	24	95,040	on initial appointment
Zoaib Anwar Durrani	Mrktg Exec	16	1-Dec-23	2,260	10	22,600	11	248,600	
Muhammad Ahsan Ali	Mrktg Exec	16	26-Dec-23	2,260	18	40,680	11	447,480	on initial appointment
Tanzeela Ghaffar	Mrktg Exec	15	1-Mar-23	1,980	2	3,960	20	79,200	on initial appointment
Khadim Ali	Mrktg Exec	15	31-Jul-23	1,980	2	3,960	15	59,400	on initial appointment
Amjad Ali	Mrktg Exec	15	14-Jan-23	1,980	2	3,960	22	87,120	on initial appointment
Hafiz Muzamil Abbas	LDC	10	31-Jul-23	1,190	3	3,570	15	53,550	on initial appointment
Jayyais Munawar	LDC	10	1-Sep-23	1,190	3	3,570	14	49,980	on initial appointment
Abdul Wasay	LDC	12	25-Apr-23	1,430	5	7,150	19	135,850	on initial appointment
								4,583,970	

Annex-29

S. No.	Department	Amount paid During 2022-23 (Rs)	Amount paid During 2023-24 (Rs)	Total (Rs)
01	Bonus Expenditure (WIL- Admin)	381,598,213	299,900,063	681,498,276
02	WIL-Bonus Expenses (Selling & Distribution)	163,970,200	141,815,771	305,785,971
03	WIL-Bonus Karachi Outlet	8,944,389	6,585,352	15,529,741
04	WIL-Bonus Lahore Outlet	3,355,960	6,565,645	9,921,605
05	WIL-Bonus Wah Cantt. Outlet	7,028,920	4,992,577	12,021,497
06	WIL-Bonus Peshawar Outlet	5,658,760	4,019,417	9,678,177
07	WIL-Bonus Multan Outlet	-	2,872,645	2,872,645
08	ET-Bonus Expenditure	-	6,363,061	6,363,061
	Total			1,043,670,973

Annex-30

S. No.	Name of employee	Designation	Date of appointment	Monthly pay (Rs)
1	Mr. Amjid Ali	Marketing Executive BPS-15	14.01.2023	1,159,268
2	Mrs. Tanzeela Ghaffar	Marketing Executive BPS-15 after one year absorbed on permanent basis as HR Executive	01.03.2023 28.02.2024	1,255,041
3	Mr. Zohaib Anwar Durani	Marketing Executive BPS-15 after one year absorbed on permanent basis as Marketing Executive BPS-16	02.11.2022 16.11.2023	3,371,112
4	Ms. Rameesha Raza	Marketing Executive BPS-15 after one year absorbed on permanent basis as Marketing Executive BPS-16	04.11.2022 16.11.2023	1,685,136
5	Muhammad Jawad Qurishi	Marketing Executive BPS-15	06.08.2024	461,088
6	Mr. Khadim Ali	Marketing Executive BPS-15	22.07.2023	863,200
7	Mr. Amjid Ali	Marketing Executive BPS-15	14.01.2023	1,159,268
8	Abdul Wassay	LDC(BPS-10)	24.04.2024	360,066
9	Hafiz Muzamil Abbas	LDC(BPS-10)	22.07.2023	661,920
	Total			10,976,099

**Table # 01 LME Copper (cash Settlement) rate of Quotation period
(cash Settlement)**

Sr. No.	Date	LME Copper Cash- Settlement
1	07. August 2023	8,495.00
2	08. August 2023	8,276.00
3	09. August 2023	8,395.00
4	10. August 2023	8,423.50
5	11. August 2023	8,242.00
6	14. August 2023	8,242.00
7	15. August 2023	8,126.50
8	16. August 2023	8,132.00
9	17. August 2023	8,215.00
10	18. August 2023	8,176.00
11	21. August 2023	8,239.50
12	22. August 2023	8,342.00
13	23. August 2023	8,377.50
14	24. August 2023	8,358.50
15	25. August 2023	8,381.50
16	29. August 2023	8,375.00
17	30. August 2023	8,394.50
18	31. August 2023	8,359.50
19	01. September 2023	8,515.00
20	04. September 2023	8,406.00
21	05. September 2023	8,430.00
22	06. September 2023	8,395.00
23	07. September 2023	8,242.50
24	08. September 2023	8,225.00
25	11. September 2023	8,332.50
26	12. September 2023	8,337.50
27	13. September 2023	8,353.00
28	14. September 2023	8,423.00
29	15. September 2023	8,376.50
30	18. September 2023	8,320.00
31	19. September 2023	8,233.50
32	20. September 2023	8,277.00
33	21. September 2023	8,101.00
34	22. September 2023	8,188.00
35	25. September 2023	8,107.00
36	26. September 2023	8,066.00
37	27. September 2023	8,017.00
38	28. September 2023	8,112.00
39	29. September 2023	8,230.50

40	02. October 2023	8,100.50
41	03. October 2023	7,960.00
42	04. October 2023	7,910.50
43	05. October 2023	7,812.50
44	06. October 2023	7,887.00
45	09. October 2023	8,015.50
46	10. October 2023	7,907.50
47	11. October 2023	7,943.50
48	12. October 2023	7,995.00
49	13. October 2023	7,891.00
50	16. October 2023	7,920.00
51	17. October 2023	7,846.50
52	18. October 2023	7,947.50
53	19. October 2023	7,938.00
54	20. October 2023	7,876.00
55	23. October 2023	7,824.50
56	24. October 2023	7,900.50
57	25. October 2023	7,946.00
58	26. October 2023	7,939.00
59	27. October 2023	7,963.50
60	30. October 2023	8,110.00
61	31. October 2023	8,038.00
62	01. November 2023	8,041.00
63	02. November 2023	8,066.00
64	03. November 2023	8,070.50
Total value in US\$		522,089.00
Average of US\$		{522,089/64}= 8157.641

Table # 2 (Calculation of loss due to delay in decision making)

Sr. No.	Description/ Offer of M/s GrFch (2nd lowest bidder)	Value in US\$ per ton	Remarks
1	Average per ton rate of Quotation period (i.e. Avg. of LME rate from 07.08.2023 to 04.11.2023)	8,157.64	Calculation given in table # 01
2	Premium (additional 4%)	326.31	-
3	Freight per ton	54.00	-
4	Total per ton rate	8,537.95	
	Actual Quantity procured	2000 M.ton	
	Estimated value of Quantity procured based on initial offer of second lowest bidder M/s GrFch in US\$	17,075,900	
	Actual Contract signed with supplier at an estimated rate in US\$	20,600,000	
	Difference in US\$	3,524,100	
	Value in PKR at an average conversion rate of US\$ to PKR 278	979,699,800	

Annex-32

Table # 3 (Calculation of loss due to unfavorable negotiation)

Sr. No.	Description/ Offer of M/s GrFch (2 nd lowest bidder)	Value in US\$ per ton	Remarks
1	Average per ton rate of Quotation period (i.e. Avg. of LME rate from 07.08.2023 to 04.11.2023)	8,157.64	Calculation given in table # 01
2	Premium (additional 4%)	326.31	-
3	Freight per ton	54.00	-
4	Total per ton rate	8,537.95	
	Actual Quantity delivered so for.	1652.88 M.ton	
	Estimated value of Quantity procured based on initial offer of second lowest bidder M/s GrFch in US\$	14,112,206.796	
	Value in PKR at an average conversion rate of US\$ to PKR 278	3,923,193,489	
	Actual payment made so for.	4,600,944,063	Table # 04
	Difference	677,750,574	

Table 4: Actual payment made to the supplier according to delivery schedule

Description	Invoice Number as per M/s GrFch invoice	Quoted rate 3% above Avg. Monthly LME rate	Qty. delivered in M. Tons	Total value of invoice in US\$	Payment in PKRs
90% of 1st Shipment	GFWIL/06062024/22/FP-2022-23/CuCa-WIL dated 15.06.2023/Pl	10,432.94	999	10,422,507.06	2,627,411,405.56
10% of 1st Shipment	GFWIL/06062024/22/FP-2022-23/CuCa-WIL dated 15.06.2023/Pl	-	-	-	290,788,046.00
90 % of 2nd Shipment	GFWIL/06062024/300mt/22/FP-2022-23/CuCa-WIL dated 15.06.2023/Pl	9,693.12	302.50	2,938,760.12	739,112,811
10 % of 2nd Shipment	GFWIL/06062024/300mt/22/FP-2022-23/CuCa-WIL dated 15.06.2023/Pl	-	-	-	78,739,767
90% 3rd Shipment	GFWIL/04112024/350mt/22/FP-2022-23/CuCa-WIL dated 15.06.2023/Pl	9,825.42	351.38	3,452,456.08	864,892,034
10% of 3rd payment (estimated)		-	-	-	0
Total in PKR (considered PKR 275 as avg. conversion rate of dollar to PKR)			1,652.88		4,600,944,063.56

Annex-33

B.sc Chemical Engineering Loss calculation Due to low Seats fulfillment			
2022-23		2023-24	
Seats allowed	Admissions made	Seats allowed	Admissions made
50	10	50	5
Fee 2022-23			
Admission Fee	Tuition	Examination Fee (7500/Semester*8 Semesters)	Project Fee
70,000	640,860	60,000	5,000
Total Fee/Student			775,860
Fee 2023-24			
Admission Fee	Tuition	Examination Fee (7500/Semester*8 Semesters)	Project Fee
70,000	812,540	60,000	5,000
Total Fee / Student			947,540
Missed Seats			
2022-23	2023-24	Total Loss	
40	45		
Lost fee	Lost fee		
31,034,400	42,639,300	73,673,700	

Bachelor of Business Administration Loss calculation Due to low Seats fulfillment			
2022-23		2023-24	
Seats allowed	Admissions made	Seats allowed	Admissions made
30	6	30	12
Fee 2022-23			
Admission Fee	Tuition	Examination Fee (7500/Semester*8 Semesters)	Project Fee
51,000	377,400	60,000	3,000
Total Fee/Student			491,400
Fee 2023-24			
Admission Fee	Tuition	Examination Fee (7500/Semester*8 Semesters)	Project Fee
51,000	532,540	60,000	3,000
Total Fee/Student			646,540
Missed Seats			
2022-23	2023-24	Total Loss	
24	18		
Lost fee	Lost fee		
11,793,600	11,637,720	23,431,320	
Grand Total			97,105,020

Annex-34

Rs in million

Particulars	Budgeted Income	Actual Income	Variance	Revenue Achieved (%)
INCOME				
Chemical Engg.	36.587	20.996	(15.591)	57%
Electrical Engg.	55.078	36.865	(18.213)	67%
Mechanical Engg.	67.922	50.941	(16.981)	75%
Civil Engg.	60.431	41.885	(18.546)	69%
B.Sc. (Hons) Computer Science	40.513	25.904	(14.609)	64%
Management Sciences	10.775	6.019	(4.756)	56%
B.Sc. Electrical Engg. Technology	0.539	0.170	(0.369)	32%
B.Sc. Mechanical Engg. Technology	4.571	3.075	(1.496)	67%
B.Sc. Civil Engg. Technology	0.959	-	(0.959)	0%
Bs. Information Technology	17.128	15.357	(1.771)	90%
Bs. Artificial Intelligence	11.622	6.902	(4.720)	59%
Bs. Data Science	11.622	4.740	(6.882)	41%
Bs. Cyber Security	11.623	6.430	(5.193)	55%
Bs. Banking & Finance	4.323	-	(4.323)	0%
Bs. Graphic Designing	5.755	-	(5.755)	0%
Bs. Tourism & Hospitality Management	6.404	-	(6.404)	0%
Bs. Bio Chemistry	7.404	-	(7.404)	0%
FSc - Engg.	15.360	-	(15.360)	0%
FSc – Medical	15.360	-	(15.360)	0%
Intermediate - Computer Science	15.360	-	(15.360)	0%
Intermediate – Commerce	6.400	-	(6.400)	0%
Intermediate – Technology	3.840	-	(3.840)	0%
Intermediate - Pharm D	14.250	-	(14.250)	0%
Interest Income	39.000	34.630	(4.370)	89%
R & D Generation	6.400	1.458	(4.942)	23%
Students Other Dues	108.545	75.013	(33.532)	69%
Total Income	577.771	330.385	(247.386)	57%

Annex-35

(See Para. 4.1.4.2)

Loss due to non-recovery of long outstanding loans – Rs. 7,513.745 million				
New Simplified Scheme				
(Amount in Rupees)				
No. of Customers	Loan Disbursed	Recovered Amount	Default Amount	Closing Balance
397	34,127,000	9,633,044	134,045,367	141,259,487

Profit & Loss Sharing Scheme				
(Amount in Rupees)				
No. of Customers	Loan Disbursed	Recovered Amount	Default Amount	Closing Balance
138	8,044,000	1,260,010	18,239,244	21,871,801

FLEXI Scheme				
(Amount in Rupees)				
No. of Customers	Loan Disbursed	Recovered amount	Default amount	Closing Balance
1	894,000	1,299,824	368,084	964,374
2	805,000	427,625	1,191,215	1,212,826
3	1,877,000	1,850,846	1,610,796	1,594,349
4	1,080,000	747,164	1,071,129	1,083,872
5	1,300,000	957,000	1,172,731	1,405,457
6	900,000	41,788	1,211,040	1,821,345
7	1,300,000	230,200	1,273,296	2,313,856
8	1,500,000	883,275	1,178,887	1,184,107
Total	9,656,000	6,437,722	9,077,178	11,580,187

Interest Bearing Scheme				
(Amount in Rupees)				
No. of Customers	Loan Disbursed	Recovered Amount	Default Amount	Closing Balance
91	2,773,400	110,561	6,329,818	2,890,339

Ghar Aasan Scheme (GAS)				
(Amount in Rupees)				
No. of Customers	Loan Disbursed	Recovered Amount	Default Amount	Closing Balance
1	300,000	59,8547	28,1980	341,682
2	490,000	62,6385	91,9976	1,021,336
3	2,250,000	334,8349	3,505,073	3,795,257
4	450,000	518,150	74,7504	750,676
5	2,440,000	4,571,662	140,2676	2,388,107
Total	5,930,000	9,663,093	6,857,209	8,297,058

Shandar Ghar Scheme			
(Amount in Rupees)			
No. of Customers	Loan Disbursed	Default Amount	Closing Balance
1	250,000	27,552	25,052
2	400,000	235,039	232,539
3	1,200,000	118,142	115,642
4	500,000	278,140	275,640
Total	2,350,000	658,873	648,873

Simplified Scheme				
(Amount in Rupees)				
No. of	Loan	Recovered	Default Amount	Closing Balance

Customers	Disbursed	Amount		
02	84,000.	-	192,373	217,490

Annex-36
(See Para. 4.1.4.3)

Non-achievement of targets of loan disbursement - Rs. 3,682.610 million					
S. #	Branch (Regions)	Category	Business target 2023	(Rs in million)	
				Achieved	Percentage of achievement
1	Gawadar Branch.	C	4	-	0%
2	Khairpur Branch	B	28	-	0%
3	Shikarpur Branch	C	4	-	0%
4	Sukkur Branch	B	48	1.73	4%
5	Quetta Branch	C	36	1.55	4%
6	Hyderabad Branch	A	252	16.55	7%
7	Mirpurkhas Branch	B	12	0.85	7%
8	Civic Centre Branch-Karachi	A	336.00	27.48	8%
9	Thatta Branch	C	12	0.9	8%
10	Nawabshah Branch.	B	48	6.43	13%
11	University Road Branch-Karachi	A	252	43.44	17%
12	Larkana Branch	B	28	5.59	20%
13	Dadu Branch	C	4	0.97	24%
14	Tandoadam Branch	C	16	9.95	62%
South Region Total (14) branches			1,080.00	115.44	11%
1	Faisalabad Branch	A	252	11.32	4%
2	Sargodha Branch	C	20	0.78	4%
3	Bahawalpur Branch	B	56	3.42	6%
4	Multan Branch	A	336	26.61	8%
5	Chauburji Branch-Lahore	A	336.00	44.10	13%
6	Vehari Branch	C	20	2.94	15%
7	Kasur Branch	B	16	2.59	16%
8	Johar Town Branch-Lahore	A	336	57.05	17%
9	Sahiwal Branch	A	84	14.2	17%
10	Defence Phase-3 Branch-Lahore	A	336	72.94	22%
11	Gujranwala Branch	A	56	12.37	22%
12	Sialkot Branch	C	20	4.63	23%
13	Gujrat Branch	C	28	6.36	23%
14	Jhang Branch	C	20	6.03	30%
15	Rahimyar Khan Branch	B	56	17.28	31%

16	Muzaffargarh Branch	B	20	7.26	36%
17	Bahawalnagar Branch	B	28	12.27	44%
18	Sheikhupura Branch	B	28	13.49	48%
19	Dera Ghazi Khan Branch	C	12	6.1	51%
Central Region Total (19) branches			2,060.00	321.74	16%
1	Jhelum Branch	C	20.00	-	0%
2	Peshawar Branch	A	56.00	1.50	3%
3	Rawalpindi Branch	A	420.00	11.48	3%
4	Attock Branch	B	40.00	2.12	5%
5	Swat Branch	C	20.00	1.20	6%
6	Kohat Branch	C	20.00	1.50	8%
7	Islamabad Branch	A	336.00	37.72	11%
8	Mansehra Branch	C	12.00	2.25	19%
9	Bannu Branch	C	12.00	2.50	21%
10	Wah Branch	B	40.00	10.19	25%
11	Mardan Branch	B	40.00	10.91	27%
12	Abbottabad Branch	B	40.00	12.40	31%
13	Mirpur (Ajk) Branch	C	12.00	7.89	66%
14	Deraismail Khan Branch	C	12.00	8.65	72%
15	Skardu Branch	C	20.00	14.94	75%
16	Gilgit Branch	A	56.00	49.09	88%
Central Region Total (16) branches			1,180.00	200.21	17%
Grand Total			4,320.00	637.39	15%

Annex-37

(See Para. 4.1.4.6)

Non-collection of revised / postdated cheques and non-imposition / recovery of penalty - Rs. 88.249 million							
(Amount in Rs)							
S. #	Business Proposal No.	Old Account No.	Product Code	Disbursement Date	Disbursement Amount	Penalty Imposed	Penalty Recovered
1	22148	NULL	AGS101	31.01.2022	1,350,000	27,500	-
2	24449	NULL	AGS101	22.11.2022	3,000,000	7,500	-
3	21306	NULL	GPS101	06.05.2021	2,650,000	11,000	-
4	32012	5000319	IBS186	01.12.1965	10,000	2,500	-
5	32023	5001560	IBS186	01.09.1973	20,000	2,500	-
6	32072	5003245	IBS186	01.12.1975	20,000	2,500	-
7	32295	5007720	IBS186	20.05.1980	4,000	2,500	-
8	75978	7050204480	NSS182	18.01.2000	160,000	30,270	-
9	75649	7050093347	NSS182	03.01.1990	53,000	15,450	-
10	75656	7050095169	NSS182	14.01.1990	60,000	17,130	-
11	75666	7050097892	NSS182	25.01.1990	60,000	17,010	-

12	75696	7050105554	NSS182	06.06.1990	40,000	16,830	-
13	75735	7050117930	NSS182	28.02.1991	60,000	16,290	-
14	75748	7050121148	NSS182	27.03.1991	60,000	16,230	-
15	75755	7050123201	NSS182	25.04.1991	60,000	16,230	-
16	75768	7050128333	NSS182	07.10.1991	60,000	15,870	-
17	75772	7050129240	NSS182	21.10.1991	60,000	15,870	-
18	75777	7050130214	NSS182	03.11.1991	60,000	780	-
19	75781	7050131469	NSS182	20.11.1991	60,000	15,450	-
20	75784	7050131956	NSS182	01.12.1991	45,000	15,750	-
21	75797	7050135346	NSS182	12.02.1992	60,000	15,630	-
22	75818	7050141690	NSS182	18.10.1992	40,000	15,150	-
23	75823	7050142193	NSS182	24.10.1992	120,000	30,360	-
24	75828	7050142680	NSS182	24.10.1992	120,000	30,360	-
25	75838	7050146236	NSS182	14.12.1992	120,000	30,120	-
26	75849	7050148398	NSS182	28.12.1992	120,000	30,120	-
27	75850	7050148471	NSS182	29.12.1992	120,000	30,120	-
28	75858	7050150592	NSS182	20.03.1993	120,000	29,760	-
29	75867	7050152085	NSS182	18.04.1993	120,000	29,640	-
30	75873	7050153158	NSS182	06.05.1993	60,000	14,730	-
31	68389	5050000834	GTS185	28.05.1989	45,000	1,890	-
32	68412	5050003150	GTS185	13.11.1989	40,000	1,730	-
33	68457	5050007607	GTS185	30.10.1991	40,000	1,570	-
34	23465	NULL	NPH203	04.04.2022	5,000,000	1,000	-
35	32016	5000491	IBS186	01.09.1967	37,000	2,500	-
36	32216	5006392	IBS186	25.09.1977	11,000	2,500	-
37	75642	7050091770	NSS182	21.12.1989	50,000	15,430	-
38	75663	7050096985	NSS182	25.01.1990	60,000	17,790	-
39	75675	7050100761	NSS182	31.03.1990	40,000	16,590	-
40	75683	7050101918	NSS182	09.04.1990	16,000	16,950	-
41	75727	7050115959	NSS182	29.12.1990	56,000	16,470	-
42	75733	7050117690	NSS182	28.01.1991	31,000	16,350	-
43	75734	7050117773	NSS182	12.02.1991	37,000	16,330	-
44	75746	7050120728	NSS182	27.03.1991	40,000	16,230	-
45	75910	7050173941	NSS182	26.02.1996	120,000	28,080	-
46	75931	7050183270	NSS182	22.03.1997	100,000	23,400	-
47	75939	7050188147	NSS182	14.10.1997	60,000	14,010	-
48	68395	5050001410	GTS185	29.07.1989	40,000	1,890	-
49	68401	5050002087	GTS185	25.10.1989	40,000	1,790	-
50	68406	5050002574	GTS185	25.10.1989	45,000	1,890	-
51	68415	5050003499	GTS185	17.12.1989	58,000	1,830	-
52	68420	5050003986	GTS185	07.02.1990	42,000	1,760	-
53	68423	5050004224	GTS185	08.04.1990	40,000	1,590	-
54	68443	5050006203	GTS185	30.10.1990	40,000	1,770	-
55	68444	5050006385	GTS185	01.11.1990	40,000	1,710	-
56	68454	5050007375	GTS185	19.08.1991	60,000	1,650	-

57	75776	7050130057	NSS182	30.10.1991	60,000	15,870	-
58	75785	7050132038	NSS182	01.12.1991	45,000	15,750	-
59	75807	7050138803	NSS182	11.05.1992	60,000	16,170	-
60	75824	7050142276	NSS182	24.10.1992	120,000	30,360	-
61	75834	7050145162	NSS182	01.12.1992	48,000	15,030	-
62	75837	7050146152	NSS182	14.12.1992	120,000	30,000	-
63	75860	7050150758	NSS182	20.03.1993	120,000	29,760	-
64	75878	7050155138	NSS182	13.07.1993	28,000	14,610	-
65	32014	5000424	IBS186	01.05.1967	40,000	2,500	-
66	32086	5003733	IBS186	01.01.1976	10,000	2,500	-
67	32107	5004292	IBS186	01.07.1976	2,000	2,500	-
68	32217	5006406	IBS186	27.12.1977	60,000	2,500	-
69	32233	5006708	IBS186	05.10.1979	43,000	2,500	-
70	75639	7050090863	NSS182	12.12.1989	35,000	17,190	-
71	75661	7050096563	NSS182	25.01.1990	60,000	16,990	-
72	75685	7050102585	NSS182	02.05.1990	40,000	16,890	-
73	75700	7050106479	NSS182	19.06.1990	40,000	16,830	-
74	75712	7050112238	NSS182	17.10.1990	60,000	16,590	-
75	75715	7050112980	NSS182	31.10.1990	40,000	16,530	-
76	75723	7050114887	NSS182	18.12.1990	40,000	16,470	-
77	75774	7050129570	NSS182	23.10.1991	98,000	26,500	-
78	75802	7050137573	NSS182	17.03.1992	40,000	15,270	-
79	75857	7050150428	NSS182	20.03.1993	120,000	29,670	-
80	75862	7050150915	NSS182	20.03.1993	120,000	29,760	-
81	75875	7050153802	NSS182	04.07.1993	70,000	22,880	-
82	75886	7050159924	NSS182	03.03.1994	140,000	27,900	-
83	75898	7050167190	NSS182	09.04.1995	60,000	14,010	-
84	75913	7050176670	NSS182	19.05.1996	60,000	14,010	-
85	68427	5050004638	GTS185	22.04.1990	16,000	1,830	-
86	68447	5050006617	GTS185	02.04.1991	40,000	1,710	-
87	68449	5050006872	GTS185	18.06.1991	38,000	1,650	-
88	32064	5002915	IBS186	01.05.1975	40,000	2,500	-
89	32067	5003059	IBS186	01.05.1976	20,000	2,500	-
90	32234	5006716	IBS186	27.12.1977	20,000	2,500	-
91	75630	7050086259	NSS182	23.09.1989	60,000	17,370	-
92	75644	7050092505	NSS182	27.12.1989	50,000	17,110	-
93	75646	7050093008	NSS182	01.01.1990	60,000	17,130	-
94	75655	7050095086	NSS182	14.01.1990	50,000	16,370	-
95	75659	7050095656	NSS182	25.01.1990	24,000	17,070	-
96	75674	7050100506	NSS182	30.03.1990	40,000	17,010	-
97	75687	7050103328	NSS182	07.06.1990	55,000	16,830	-
98	75689	7050103732	NSS182	05.05.1990	16,000	16,890	-
99	75690	7050103815	NSS182	05.05.1990	40,000	16,890	-
100	75705	7050109440	NSS182	22.08.1990	40,000	16,710	-
101	75711	7050112154	NSS182	16.10.1990	40,000	16,590	-

102	75714	7050112808	NSS182	31.10.1990	40,000	11,670	-
103	75741	7050119001	NSS182	03.03.1991	60,000	16,350	-
104	75747	7050121064	NSS182	27.03.1991	60,000	15,990	-
105	75751	7050122054	NSS182	03.04.1991	60,000	15,980	-
106	75773	7050129323	NSS182	21.10.1991	60,000	15,810	-
107	75778	7050130396	NSS182	05.11.1991	32,000	15,810	-
108	75780	7050131386	NSS182	13.11.1991	100,000	26,400	-
109	75827	7050142508	NSS182	24.10.1992	120,000	30,210	-
110	75848	7050148216	NSS182	28.12.1992	120,000	30,120	-
111	75866	7050151905	NSS182	15.05.1993	120,000	29,320	-
112	75872	7050153075	NSS182	06.05.1993	24,000	14,730	-
113	75890	7050161565	NSS182	08.10.1994	42,000	14,010	-
114	75914	7050177587	NSS182	15.07.1996	100,000	23,400	-
115	75930	7050183015	NSS182	20.03.1997	60,000	14,010	-
116	75937	7050186323	NSS182	30.08.1997	40,000	14,010	-
117	75974	7050201825	NSS182	11.11.1999	42,000	14,010	-
118	23753	NULL	NPH203	25.05.2022	5,000,000	2,500	-
119	68390	5050000917	GTS185	28.05.1989	45,000	1,890	-
120	68394	5050001337	GTS185	28.05.1989	45,000	1,890	-
121	68416	5050003564	GTS185	28.12.1989	16,000	1,830	-
122	68433	5050005213	GTS185	13.06.1990	40,000	1,770	-
123	68448	5050006799	GTS185	03.06.1991	16,000	1,610	-
124	68458	5050007789	GTS185	08.08.1991	40,000	1,650	-
125	68461	5050008027	GTS185	11.01.1994	58,000	1,480	-
126	22225	NULL	NPH203	29.12.2021	3,400,000	15,000	-
127	32026	5001684	IBS186	01.09.1973	18,000	2,500	-
128	32160	5005477	IBS186	01.03.1977	2,000	2,500	-
129	32186	5005981	IBS186	16.09.1979	4,000	2,500	-
130	32202	5006210	IBS186	02.04.1978	4,000	2,500	-
131	75664	7050097140	NSS182	25.01.1990	60,000	16,930	-
132	75692	7050104151	NSS182	05.05.1990	45,000	16,830	-
133	75698	7050106131	NSS182	19.06.1990	40,000	16,830	-
134	75725	7050115611	NSS182	26.12.1990	150,000	32,880	-
135	75740	7050118847	NSS182	03.03.1991	56,000	16,290	-
136	75756	7050123953	NSS182	27.05.1991	100,000	27,000	-
137	75788	7050132947	NSS182	10.12.1991	45,000	15,750	-
138	75806	7050138720	NSS182	11.05.1992	60,000	16,170	-
139	75812	7050139975	NSS182	26.08.1992	60,000	15,210	-
140	75835	7050145733	NSS182	14.12.1992	120,000	30,120	-
141	75851	7050148547	NSS182	29.12.1992	120,000	30,120	-
142	75856	7050150345	NSS182	30.03.1993	120,000	29,760	-
143	75863	7050151095	NSS182	20.03.1993	120,000	29,760	-
144	75915	7050177827	NSS182	25.08.1996	60,000	14,010	-
145	75946	7050189624	NSS182	29.12.1997	48,000	13,950	-
146	75950	7050191505	NSS182	14.05.1998	60,000	13,680	-

147	75956	7050193907	NSS182	02.11.1998	100,000	23,400	-
148	75959	7050195076	NSS182	04.2.1999	87,000	23,400	-
149	75960	7050195647	NSS182	23.02.1999	150,000	28,080	-
150	68400	5050001907	GTS185	24.09.1989	60,000	1,890	-
151	68405	5050002400	GTS185	25.10.1989	45,000	1,840	-
152	68442	5050006120	GTS185	18.10.1990	40,000	1,770	-
153	68452	5050007110	GTS185	19.06.1991	40,000	1,650	-
154	23207	NULL	NPH203	04.04.2022	5,000,000	2,000	-
155	32015	5000459	IBS186	01.05.1967	40,000	2,500	-
156	32124	5004527	IBS186	01.07.1976	2,000	2,500	-
157	32151	5005280	IBS186	01.06.1977	4,000	2,500	-
158	32230	5006651	IBS186	19.02.1978	20,000	2,500	-
159	32312	5008069	IBS186	25.09.1980	60,000	2,500	-
160	75628	7050085004	NSS182	17.09.1989	24,000	17,370	-
161	75631	7050086416	NSS182	28.09.1989	53,000	17,310	-
162	75647	7050093180	NSS182	01.01.1990	24,000	17,130	-
163	75648	7050093263	NSS182	02.01.1990	60,000	17,130	-
164	75660	7050096076	NSS182	25.01.1990	55,000	17,130	-
165	75684	7050102098	NSS182	09.04.1990	16,000	16,950	-
166	75697	7050105976	NSS182	06.06.1990	40,000	16,830	-
167	75709	7050111321	NSS182	19.09.1990	40,000	16,650	-
168	75716	7050113145	NSS182	11.11.1990	40,000	16,530	-
169	75721	7050114218	NSS182	08.12.1990	24,000	16,470	-
170	75726	7050115876	NSS182	29.12.1990	45,000	16,410	-
171	75742	7050119910	NSS182	06.03.1991	50,000	16,290	-
172	75760	7050125024	NSS182	27.06.1991	60,000	16,110	-
173	75791	7050133853	NSS182	23.12.1991	24,000	15,750	-
174	75801	7050137326	NSS182	12.03.1992	40,000	15,570	-
175	75803	7050137995	NSS182	17.03.1992	60,000	15,570	-
176	75811	7050139892	NSS182	26.08.1992	60,000	15,210	-
177	75822	7050142011	NSS182	21.10.1992	60,000	15,870	-
178	75832	7050144660	NSS182	21.11.1992	60,000	14,810	-
179	75844	7050147630	NSS182	29.12.1992	120,000	30,120	-
180	75855	7050150261	NSS182	20.03.1993	120,000	29,760	-
181	75861	7050150832	NSS182	20.03.1993	120,000	29,760	-
182	75864	7050151749	NSS182	06.05.1993	150,000	29,520	-
183	75897	7050167018	NSS182	09.04.1995	60,000	13,910	-
184	75916	7050177900	NSS182	25.08.1996	60,000	14,010	-
185	68391	5050001097	GTS185	29.05.1989	18,000	1,890	-
186	68411	5050003077	GTS185	13.11.1989	40,000	1,830	-
187	68446	5050006534	GTS185	02.04.1991	40,000	1,710	-
188	32181	5005906	IBS186	02.04.1978	4,000	2,500	-
189	32228	5006627	IBS186	27.12.1977	60,000	2,500	-
190	23430	NULL	NPH203	03.06.2022	2,200,000	5,000	-
191	32036	5001978	IBS186	01.06.1974	34,000	2,500	-

192	32135	5004802	IBS186	01.02.1977	27,000	2,500	-
193	32141	5005060	IBS186	01.11.1976	10,000	2,500	-
194	32175	5005825	IBS186	29.06.1978	4,000	2,500	-
195	68398	5050001741	GTS185	17.08.1989	16,000	1,890	-
196	68399	5050001824	GTS185	20.08.1989	16,000	1,890	-
197	68402	5050002160	GTS185	25.10.1989	16,000	1,890	-
198	68410	5050002996	GTS185	13.11.1989	45,000	1,780	-
199	68414	5050003317	GTS185	16.11.1989	16,000	1,830	-
200	68424	5050004307	GTS185	21.04.1990	40,000	1,610	-
201	68429	5050004893	GTS185	22.04.1990	16,000	1,830	-
202	68430	5050004976	GTS185	09.05.1990	40,000	1,520	-
203	68453	5050007292	GTS185	18.06.1991	50,000	1,150	-
204	75651	7050094337	NSS182	09.01.1990	60,000	16,530	-
205	75668	7050098056	NSS182	25.01.1990	60,000	17,070	-
206	75679	7050101348	NSS182	31.03.1990	40,000	16,950	-
207	75691	7050103997	NSS182	05.05.1990	16,000	16,890	-
208	75693	7050104490	NSS182	06.05.1990	60,000	16,890	-
209	75729	7050116296	NSS182	31.12.1990	40,000	16,410	-
210	75732	7050117443	NSS182	20.01.1991	22,000	16,410	-
211	75750	7050121486	NSS182	27.03.1991	42,000	16,230	-
212	75783	7050131790	NSS182	20.11.1991	45,000	15,030	-
213	75786	7050132111	NSS182	02.12.1991	47,000	15,750	-
214	75789	7050133440	NSS182	17.12.1991	70,000	26,270	-
215	75808	7050138985	NSS182	11.05.1992	60,000	15,450	-
216	75809	7050139066	NSS182	11.05.1992	60,000	16,170	-
217	75813	7050140379	NSS182	26.08.1992	60,000	15,210	-
218	75825	7050142359	NSS182	24.10.1992	120,000	30,360	-
219	75833	7050145089	NSS182	01.12.1992	48,000	15,030	-
220	75841	7050147226	NSS182	29.12.1992	120,000	30,120	-
221	75853	7050149388	NSS182	07.02.1993	60,000	15,630	-
222	75859	7050150675	NSS182	20.03.1993	120,000	29,760	-
223	75868	7050152168	NSS182	18.04.1993	120,000	29,300	-
224	75871	7050152994	NSS182	06.05.1993	60,000	14,730	-
225	75901	7050168180	NSS182	06.06.1995	130,000	27,480	-
226	75940	7050188303	NSS182	18.10.1997	40,000	13,990	-
227	75949	7050190440	NSS182	09.03.1998	42,000	14,010	-
228	22205	NULL	NPH203	30.11.2021	6,000,000	2,000	-
229	32223	5006511	IBS186	07.02.1978	60,000	2,500	-
230	75637	7050089303	NSS182	12.12.1989	50,000	11,460	-
231	75650	7050093420	NSS182	03.01.1990	60,000	17,130	-
232	75665	7050097710	NSS182	25.01.1990	58,000	17,070	-
233	75707	7050110257	NSS182	30.08.1990	60,000	5,620	-
234	75717	7050113301	NSS182	20.11.1990	16,000	16,470	-
235	75720	7050113897	NSS182	27.11.1990	150,000	33,120	-
236	75752	7050122880	NSS182	07.04.1991	40,000	14,530	-

237	75767	7050127756	NSS182	18.09.1991	45,000	15,930	-
238	75770	7050128820	NSS182	08.10.1991	60,000	15,870	-
239	75787	7050132525	NSS182	10.12.1991	45,000	15,750	-
240	75798	7050135429	NSS182	12.02.1992	60,000	15,630	-
241	75805	7050138647	NSS182	11.05.1992	60,000	16,170	-
242	75810	7050139710	NSS182	05.08.1992	60,000	15,990	-
243	75826	7050142433	NSS182	24.10.1992	120,000	30,360	-
244	75836	7050145998	NSS182	14.12.1992	120,000	30,120	-
245	75843	7050147556	NSS182	29.12.1992	120,000	30,120	-
246	75846	7050147978	NSS182	28.12.1992	120,000	30,120	-
247	75892	7050163215	NSS182	26.10.1994	65,000	23,250	-
248	68408	5050002731	GTS185	26.10.1989	16,000	1,890	-
249	68428	5050004711	GTS185	22.04.1990	16,000	1,830	-
250	68451	5050007037	GTS185	19.06.1991	40,000	1,650	-
251	51920	20500227	PLS184	01.11.1980	84,000	39,090	-
252	51947	20500793	PLS184	01.01.1984	65,000	21,705	-
253	46616	3050034937	SMP183	26.04.1988	70,000	23,500	-
254	46627	3050040959	SMP183	31.05.1988	15,000	14,010	-
255	46656	3050059777	SMP183	14.12.1988	45,000	13,590	-
256	46686	3050073380	SMP183	03.05.1989	60,000	13,290	-
257	59394	1050001559	SGS181	09.06.2008	500,000	2,500	-
258	46601	3050029747	SMP183	07.04.1988	95,000	23,500	-
259	46617	3050035272	SMP183	26.04.1988	75,000	23,500	-
260	46626	3050040611	SMP183	29.05.1988	15,000	14,010	-
261	46635	3050042773	SMP183	19.06.1988	15,000	13,950	-
262	46639	3050043763	SMP183	28.06.1988	15,000	13,950	-
263	46640	3050043847	SMP183	30.06.1988	15,000	13,750	-
264	46657	3050059934	SMP183	04.01.1989	47,000	13,530	-
265	46660	3050061401	SMP183	12.01.1989	47,000	13,530	-
266	46670	3050067101	SMP183	01.03.1989	60,000	13,410	-
267	46678	3050070071	SMP183	22.04.1989	56,000	13,350	-
268	46691	3050077597	SMP183	12.06.1989	60,000	13,230	-
269	46692	3050078587	SMP183	15.06.1989	47,000	13,100	-
270	59298	1050000544	SGS181	27.12.2004	200,000	2,500	-
271	46606	3050031396	SMP183	14.04.1988	75,000	23,500	-
272	46607	3050031701	SMP183	14.04.1988	24,000	14,070	-
273	46608	3050031883	SMP183	14.04.1988	24,000	14,070	-
274	46630	3050042286	SMP183	19.06.1988	15,000	13,950	-
275	46652	3050058035	SMP183	03.12.1988	47,000	8,070	-
276	46654	3050058456	SMP183	30.11.1988	19,000	13,650	-
277	46697	3050079403	SMP183	19.06.1989	47,000	13,080	-
278	46698	3050079577	SMP183	19.06.1989	57,000	13,040	-
279	59355	1050001169	SGS181	25.01.2008	330,000	2,500	-
280	59380	1050001400	SGS181	08.04.2008	150,000	2,500	-
281	51975	20501260	PLS184	01.01.1986	44,000	10,350	-

282	46605	3050031131	SMP183	13.04.1988	61,000	23,500	-
283	46609	3050032204	SMP183	14.04.1988	47,000	14,070	-
284	46615	3050034697	SMP183	25.04.1988	110,000	28,200	-
285	46618	3050037906	SMP183	09.05.1988	150,000	28,080	-
286	46637	3050043508	SMP183	28.06.1988	15,000	13,750	-
287	46647	3050050842	SMP183	21.09.1988	60,000	13,770	-
288	46655	3050058522	SMP183	03.12.1988	60,000	13,590	-
289	46696	3050079320	SMP183	24.06.1989	40,000	13,230	-
290	59331	1050000924	SGS181	18.04.2007	250,000	2,500	-
291	59379	1050001393	SGS181	01.04.2008	300,000	2,500	-
292	51940	20500561	PLS184	01.03.1983	98,000	30,250	-
293	51948	20500816	PLS184	01.04.1984	40,000	1,170	-
294	51976	20501266	PLS184	01.09.1986	120,000	12,875	-
295	59281	1050000379	SGS181	29.09.2004	440,000	2,500	-
296	59352	1050001138	SGS181	22.01.2008	419,000	2,500	-
297	46593	3050020654	SMP183	01.03.1988	71,000	23,600	-
298	46594	3050021157	SMP183	01.03.1988	75,000	23,600	-
299	46596	3050022148	SMP183	06.03.1988	80,000	23,450	-
300	46599	3050026511	SMP183	20.03.1988	75,000	23,600	-
301	46614	3050033608	SMP183	19.04.1988	56,000	14,070	-
302	46632	3050042443	SMP183	19.06.1988	15,000	13,950	-
303	46633	3050042518	SMP183	19.06.1988	15,000	13,950	-
304	46650	3050054232	SMP183	23.10.1988	60,000	13,710	-
305	46672	3050068356	SMP183	11.04.1989	60,000	13,350	-
306	46701	3050082787	SMP183	10.07.1989	57,000	13,890	-
307	51953	20500899	PLS184	01.07.1984	50,000	10,410	-
308	46597	3050024045	SMP183	20.03.1988	61,000	23,600	-
309	46610	3050032469	SMP183	14.04.1988	71,000	23,500	-
310	46612	3050032956	SMP183	18.04.1988	70,000	23,500	-
311	46623	3050040207	SMP183	29.05.1988	15,000	13,950	-
312	46629	3050042104	SMP183	19.06.1988	15,000	13,950	-
313	46646	3050048556	SMP183	01.09.1988	91,000	23,000	-
314	46651	3050055890	SMP183	30.10.1988	47,000	13,710	-
315	46663	3050063308	SMP183	02.02.1989	70,000	22,440	-
316	59304	1050000609	SGS181	03.02.2005	490,000	2,500	-
317	59333	1050000940	SGS181	27.04.2007	500,000	2,500	-
318	51932	20500387	PLS184	01.06.1981	39,000	18,270	-
319	51963	20501089	PLS184	01.09.1985	75,000	21,705	-
320	46604	3050031057	SMP183	13.04.1988	55,000	14,070	-
321	46636	3050043193	SMP183	22.06.1988	15,000	13,950	-
322	46643	3050045669	SMP183	17.07.1988	126,000	27,600	-
323	46661	3050062805	SMP183	30.01.1989	60,000	13,450	-
324	46664	3050064215	SMP183	07.02.1989	58,000	13,470	-
325	46679	3050070238	SMP183	13.04.1989	60,000	13,350	-
326	46682	3050070808	SMP183	23.04.1989	50,000	13,350	-

327	46695	3050079247	SMP183	19.06.1989	47,000	13,230	-
328	59288	1050000445	SGS181	10.12.2004	330,000	2,500	-
329	46581	3050009780	SMP183	07.02.1988	125,000	28,440	-
330	46592	3050020571	SMP183	15.03.1988	75,000	23,600	-
331	46600	3050027279	SMP183	22.03.1988	94,000	23,600	-
332	46613	3050033038	SMP183	18.04.1988	43,000	14,070	-
333	46622	3050040124	SMP183	16.05.1988	41,000	14,010	-
334	51919	20500165	PLS184	01.08.1980	100,000	39,090	-
335	51928	20500319	PLS184	01.03.1981	16,000	18,270	-
336	51945	20500719	PLS184	01.11.1983	100,000	21,455	-
337	59409	1050001708	SGS181	22.09.2008	150,000	2,500	-
338	59414	1050001773	SGS181	09.09.2008	402,000	2,500	-
339	59422	1050001864	SGS181	28.10.2008	466,000	2,500	-
340	46631	3050042369	SMP183	19.06.1988	15,000	13,950	-
341	46642	3050044670	SMP183	16.07.1988	75,000	23,200	-
342	46649	3050052822	SMP183	12.10.1988	89,000	22,900	-
343	46665	3050064470	SMP183	07.02.1989	58,000	13,470	-
344	46668	3050066863	SMP183	04.03.1989	60,000	13,410	-
345	46680	3050070311	SMP183	16.04.1989	60,000	13,350	-
346	46683	3050071228	SMP183	23.04.1989	60,000	13,180	-
347	46694	3050078900	SMP183	15.06.1989	50,000	13,230	-
348	46704	3050085186	SMP183	25.09.1989	19,000	13,050	-
349	51983	20501362	PLS184	01.08.1986	45,000	10,410	-
350	24424	NULL	GSS101	08.11.2022	1,500,000	2,500	-
351	7359	9050002444	GSS132	10.10.2012	799,000	48,166	-
352	7379	9050002667	GSS132	25.06.2013	300,000	13,462	-
353	7386	9050002733	GSS132	26.09.2013	1,000,000	1,454	-
354	7403	9050002907	GSS132	31.12.2013	400,000	44,962	-
355	7408	9050002972	GSS132	27.03.2014	1,096,000	40,429	-
356	7413	9050003046	GSS132	06.05.2014	1,800,000	10,715	-
357	7437	9050003335	GSS132	14.01.2015	1,500,000	39,729	-
358	7510	9050004093	GSS132	08.03.2016	1,000,000	25,029	-
359	7522	9050004218	GSS132	02.05.2016	2,000,000	31,527	-
360	7529	9050004291	GSS132	18.07.2016	1,000,000	525	-
361	7541	9050004416	GSS132	23.06.2016	606,000	25,500	-
362	866	9050004978	GPS103	24.12.2019	1,600,573	10,000	-
363	872	9050005058	GPS103	20.01.2020	1,490,312	20,000	-
364	873	9050005066	GPS103	20.01.2020	688,208	7,000	-
365	21960	NULL	GSS101	27.09.2021	2,970,000	4,500	-
366	23206	NULL	NPH202	24.03.2022	2,900,000	3,000	-
367	7342	9050002121	GSS132	27.05.2011	1,000,000	54,870	-
368	7432	9050003277	GSS132	20.11.2014	600,000	15,528	-
369	7439	9050003350	GSS132	01.01.2015	1,300,000	26,361	-
370	7440	9050003368	GSS132	29.12.2014	1,000,000	27,600	-
371	7446	9050003426	GSS132	01.01.2015	1,300,000	29,861	-

372	7455	9050003517	GSS132	10.03.2015	2,000,000	26,541	-
373	7498	9050003970	GSS132	14.12.2015	1,000,000	29,532	-
374	7508	9050004077	GSS132	26.02.2016	1,500,000	32,030	-
375	7539	9050004390	GSS132	22.09.2016	500,000	6,523	-
376	7542	9050004424	GSS132	27.06.2016	500,000	13,026	-
377	7547	9050004473	GSS132	03.08.2016	2,500,000	15,500	-
378	7558	9050004630	GSS132	14.04.2017	1,800,000	5,000	-
379	7560	9050004655	GSS132	05.06.2017	315,000	5,502	-
380	7576	9050004929	GSS132	31.12.2019	2,500,000	10,500	-
381	7349	9050002311	GSS132	16.05.2012	301,000	4,970	-
382	7375	9050002626	GSS132	09.05.2013	1,318,000	2,643	-
383	7399	9050002865	GSS132	17.12.2013	1,500,000	47,008	-
384	7420	9050003129	GSS132	25.11.2014	300,000	1,336	-
385	7486	9050003848	GSS132	02.09.2015	2,000,000	22,035	-
386	7503	9050004028	GSS132	28.12.2015	1,000,000	26,520	-
387	7551	9050004556	GSS132	04.10.2016	1,830,000	28,000	-
388	7557	9050004622	GSS132	19.05.2017	3,600,000	15,000	-
389	861	9050004853	GPS103	11.03.2019	1,700,000	9,000	-
390	880	9050005140	GPS103	28.02.2020	1,530,216	58,000	-
391	868	9050005009	GPS103	31.12.2019	664,748	8,000	-
392	881	9050005157	GPS103	28.02.2020	797,868	55,500	-
393	2594	9050005108	AGS122	29.01.2020	823,952	24,500	-
394	7273	9050000729	GSS132	24.11.2010	1,323,900	41,470	-
395	7315	9050001560	GSS132	01.02.2011	450,000	10,872	-
396	7340	9050002089	GSS132	10.06.2011	459,000	44,372	-
397	7346	9050002279	GSS132	17.05.2012	845,000	23,334	-
398	7365	9050002519	GSS132	18.10.2012	458,000	53,800	-
399	7391	9050002782	GSS132	06.11.2013	500,000	32,701	-
400	7412	9050003038	GSS132	24.03.2014	1,000,000	8,298	-
401	7466	9050003624	GSS132	25.05.2015	450,000	32,539	-
402	7478	9050003756	GSS132	03.07.2015	2,490,000	17,000	-
403	7509	9050004085	GSS132	17.02.2016	2,000,000	15,530	-
404	7519	9050004184	GSS132	29.03.2016	1,835,000	32,000	-
405	7545	9050004457	GSS132	19.07.2016	2,375,000	32,500	-
406	7549	9050004531	GSS132	17.10.2016	2,700,000	22,000	-
407	7575	9050004838	GSS132	11.02.2019	4,700,000	6,516	-
408	20830	NULL	GSS101	10.12.2020	4,000,000	10,000	-
409	21533	NULL	NPH202	22.09.2021	800,000	6,000	-
410	23211	NULL	NPH202	31.03.2022	1,950,000	5,000	-
411	862	9050004911	GPS103	26.12.2019	900,000	63,000	-
412	869	9050005017	GPS103	31.12.2019	526,161	46,000	-
413	2593	9050005033	AGS122	31.12.2019	1,404,834	23,000	-
414	7343	9050002188	GSS132	27.09.2011	500,000	41,948	-
415	7407	9050002964	GSS132	20.02.2014	2,000,000	35,594	-
416	7435	9050003319	GSS132	17.12.2014	2,000,000	18,656	-

417	7537	9050004374	GSS132	22.07.2016	1,000,000	17,525	-
418	7544	9050004440	GSS132	29.08.2016	2,000,000	21,524	-
419	7550	9050004549	GSS132	30.09.2016	1,897,000	24,023	-
420	7555	9050004606	GSS132	18.04.2017	1,500,000	23,504	-
421	7393	9050002808	GSS132	11.11.2013	1,500,000	23,046	-
422	7406	9050002931	GSS132	31.12.2013	2,000,000	14,196	-
423	7461	9050003574	GSS132	10.04.2015	2,490,000	36,500	-
424	7490	9050003889	GSS132	01.10.2015	1,500,000	36,034	-
425	7520	9050004192	GSS132	12.04.2016	1,784,000	27,028	-
426	7569	9050004754	GSS132	29.06.2018	2,025,000	15,000	-
427	23406	NULL	NPH202	31.05.2022	750,000	2,500	-
428	2592	9050004986	AGS122	24.12.2019	2,427,997	58,500	-
429	7334	9050002006	GSS132	13.11.2012	600,000	38,844	-
430	7350	9050002337	GSS132	13.06.2012	331,000	55,654	-
431	7371	9050002576	GSS132	03.01.2013	483,000	50,331	-
432	7450	9050003467	GSS132	03.03.2015	2,500,000	6,000	-
433	7460	9050003566	GSS132	03.04.2015	1,500,000	33,040	-
434	7479	9050003764	GSS132	03.07.2015	2,490,000	26,500	-
435	7489	9050003871	GSS132	05.10.2015	1,200,000	31,000	-
436	7516	9050004150	GSS132	18.03.2016	500,000	14,529	-
437	7532	9050004325	GSS132	08.06.2016	1,900,000	12,026	-
438	7556	9050004614	GSS132	19.04.2017	1,000,000	4,000	-
439	878	9050005124	GPS103	29.01.2020	894,250	44,000	-
440	20935	NULL	NPH202	13.01.2021	1,300,000	2,500	-
441	867	9050004994	GPS103	31.12.2019	664,400	36,500	-
442	871	9050005041	GPS103	31.12.2019	1,402,087	17,000	-
443	875	9050005082	GPS103	28.01.2020	186,036	22,000	-
444	876	9050005090	GPS103	29.01.2020	375,650	2,000	-
445	7328	9050001826	GSS132	22.06.2011	1,000,000	29,844	-
446	7394	9050002816	GSS132	10.01.2014	1,500,000	46,470	-
447	7469	9050003665	GSS132	05.06.2015	475,000	500	-
448	7521	9050004200	GSS132	01.04.2016	1,800,000	17,000	-
449	7546	9050004465	GSS132	29.07.2016	2,400,000	24,525	-
450	7561	9050004663	GSS132	16.08.2017	700,000	21,000	-
		Mehwis Siraj				2,782,000	
TOTAL					196,631,192	10,179,341	

Annex-38
(See Para. 4.1.4.9)

Irregular appointments in violation of Privatization Commission Directives - Rs. 40.014 million							
S. #	Name of Officers/Officials	Designation	Posting	DOA	DOB	Remarks	Salary per month (Rs.)
1	Syed Muhammad Safdar Abbas Kazmi	AVP	Regional Office	18/Sep/23	2/Jan/89	Contract	N/A

			South				
2	Fasih Ur Rehman Khan	AVP	Head Office	14/Dec/23	18/Nov/85	Contract	135,143
3	Ilsa Hashmi	Manager	University Road Karachi	4/Dec/23	25/Feb/93	Contract	149,261
4	Kinza Fatima	Asstt. Manager	Head Office	1/Dec/23	19/Mar/93	Contract	101,506
5	Hassan Ahmed Khan	Manager	Head Office	29/Nov/23	28/Jun/91	Contract	175,186
6	Muhammad Yawaruz Zaman	VP	Head Office	1/Nov/23	26/May/86	Contract	335,894
7	Fayyaz Ahmed Shaikh	VP	Head Office	6/Oct/23	22/Oct/80	Contract	304,205
8	Muhammad Abdul Waseiy	Manager	Head Office	5/Oct/23	11/Mar/23	Contract	179,351
9	Zeeshan Musrrat	Manager	Head Office	25/Sep/23	25/Oct/95	Contract	103,692
10	Rabel Aziz	AVP	Head Office	21/Aug/23	4/Mar/88	Contract	234,684
11	Gohar Jamal	Manager	Head Office	16/Aug/23	10/Mar/88	Contract	77,157
12	Umer Saeed	Asstt. Manager	Head Office	4/Aug/23	18/Mar/96	Contract	75,394
13	Agha Muhammad Shahid	Asstt. Manager	Head Office	22/Jun/23	7/Feb/84	Contract	75,214
14	Muhammad Kamran Qureshi	VP	Head Office	19/May/23	8/Jul/79	Contract	419,172
15	Asad Iqbal	Manager	Head Office	24/Mar/23	10/Feb/89	Contract	242,135
16	Muhammad Ali Jamil	Asstt. Manager	Skardu	13/Mar/23	28/Dec/89	Contract	83,463
17	Hassan Zulfiqar	Asstt. Manager	Multan	6/Mar/23	10/Sep/95	Contract	80,471
18	Vanesh Kumar	Manager	Head Office	21/Feb/23	7/Feb/95	Contract	175,260
19	Usman Rasheed	Asstt. Manager	R. Y. Khan	2/Feb/23	9/Jun/88	Contract	55,811
20	Muhammad Faisal	AVP	Regional Office - South	20/Jan/23	24/Jun/74	Contract	223,369
21	Muhammad Adnan Kazmi	Manager	Regional Office - Central	20/Jan/23	30/Dec/89	Contract	108,185
Total amount per year Rs. 40.014 million approx.(Rs. 3,334,553 per month * 12 months)							3,334,553

Annex-39
(See Para. 4.1.4.10)

Mismanagement of collateralized assets and irregularities in disbursement of loans – Rs. 27.832 million			
Name of Customer	Account Number	Loan Amount (Rs in million)	Discrepancy
Dr. Waqar	932000369-3	3,600,000	Third tranche cheque was issued on 28-09-2018. The

Ahmed			house showed some incompletions. Recall notice was issued to complete within 15 days but the house remains unchanged till 30-11-2019. The construction of house was not completed till end of construction period. Property address is No 86, Sector Q, Sheikh Maltoon Town, Mardan
Mr. Muhammad Ibrahim Khan	932000378-4	1,400,000	The construction is still incomplete and does not qualify for third tranche. No step by BM has been taken to reduce the case. Property address is No. 252, Sector S, Sheikh Maltoon Town, Mardan
Mr. Usman Ali Shah	932000392-5	1,530,000	No pictures of front view. BM should take his own picture but same was not available. Property address is Khasra No 701, 702/1, 835/2,703,715, 715/2,719,01, Rahim Abad, 833, 713, 722, 706, 707, 708, City Area
Mr. Aurangzeb	932000375-0	1,260,000	This particular case qualifies for renovation as it can be seen old doors, old wood work in kitchen. The case reported that it would be demolished but tranche was released at old lintel level. Strong room reveals documents were not available in cover which was made available after observation by internal audit. Property address is No. 86, Sector Q, Sheikh Maltoon Town, Mardan
Mr. Umar Sayeed(In-charge Regional CAD)		4,500,000	The sale deed was registered and submitted to the CAD after a delay of 13 months, on 19.07.2022. In June 2023, a review of pending documents was initiated. Mr. Sayeed claimed that the mortgage deed was at his home with other personal documents. The crucial Fard document, necessary for approving and registering a mortgage deed, was not demanded. Internal audit revealed that the mortgage deed was not found in the Revenue Office, even after requisitioning a certified true copy (CTC). It was further discovered that mutation number 109619 did not exist in the Patwari records.
Mr. Ubaid Akhtar		1,571,000	A loan was disbursed in 2012 for the renovation of the home of an employee's son. Mr. Ubaid Akhtar, the beneficiary, and his father, Mr. Akhter Hussain, intentionally submitted fraudulent documents to the then Branch Manager of the Lahore Chuburjee branch, Mr. Muhammad Zaheer Ahmed. A legal review confirmed the documents' authenticity and the absence of proper lien marking. The disbursed amount of Rs. 936,000 remains largely unpaid, with only Rs. 344,181 recovered by December 2020.

	Total	13,861,000	

Non-recovery from various defaulters - Rs. 170,347.796 million

National Bank of Pakistan						
Regional Office, Faisalabad.						
Detail of Outstanding MCA, HBA & Other Loan (Employee Related) of the retired terminated / Dismissed / Resigned / un-authorized in the given format for the 20						
Sr. No	SAP ID	Name	Type of Loan	Amount Outstanding	Date Last Recovery	Reason
1	15454	Ahsan Ali	STAFF MOTOR CAR/ MOTOR CYCLE FINANCE ACCOUNT	0.121	01.03.2017	Terminated in un-authorized absence case.
2	12216	Muhammad Ahmad	STAFF MOTOR CAR/ MOTOR CYCLE FINANCE ACCOUNT	0.608	29.02.2016	Terminated in un-authorized absence case.
3	21865	Kashif Akhtar	STAFF HOUSE BUILDING FINANCE ACCOUNT	0.745	03.03.2013	Dismissed in a fraud case
4	12612	MUHAMMAD ASGHAR	STAFF HOUSE BUILDING FINANCE ACCOUNT	2.197	20.02.2019	Dismissed in fraud case
5	12612	MUHAMMAD ASGHAR	STAFF MOTOR CAR/ MOTOR CYCLE FINANCE ACCOUNT	0.675	20.02.2019	Dismissed in fraud case
6	11969	TAUSEEF AHMAD	STAFF HOUSE BUILDING FINANCE ACCOUNT	4.339	11.12.2019	Dismissed in fraud case
7	11970	UMER ASGHAR QURESHI	STAFF HOUSE BUILDING FINANCE ACCOUNT	11.542	25.03.2022	Dismissed in fraud case
8	-	Azam Khan	STAFF MOTOR CAR/ MOTOR CYCLE FINANCE ACCOUNT	0.048	25.11.2003	Dismissed in a fraud case
9	12545	IRFAN MEHMOOD ZAFAR	STAFF HOUSE BUILDING FINANCE ACCOUNT	3.575	25.11.2019	Terminated in un-authorized absence case.
10	-	SHAFQAAT SHABBIR	STAFF MOTOR CAR/ MOTOR CYCLE FINANCE ACCOUNT	0.180	11.01.2006	Dismissed in a fraud case
Total				24.030		

Description of Loans	Provision (Rs. in million)
AGRICULTURE	4,624.046
ARD HEAD OFFICE	51,053.350
ARD SAM	657.209
ARG	41,357.928
COMMERCIAL	1,122.505
CONSUMER	21.382
CORPORATE	18,830.159
GOLD LOAN	149.957
ISLAMIC	913.875
OBG	31,396.681
PMSES	175.617
SAIBAAN	567.020
SME	7,504.421
STAFF LOAN	362.606
Grand Total	158,736.756

Annex-41
(See Para. 4.2.4.11)

Non-transferring of entitlement of properties – Rs. 2,305.065 million				
S#	Nature of property	Number	Total Area in Square Yards	Total covered in Sq. Ft.
1	Buildings	35	140,224.40	304,765
2	Open Land	02	4726.44	-
3	Open Land	01	04 Kanals 6 marla & 215 Sq Ft	-
4	Open Land	01	40 Acres 11 Ghuntas	-
Total		39	-	-
Property Description(s)			Valuation as per valuator in PKR	
4th Floor “C” Tower, Situated in SIDCO Known as Avenue Centre at 264 R.A Lines Karachi Cantt, Karachi			52,260,000	
Clifton Branch Situated at Ground Floor of Al-Saeed Centre, Plot No BC-13, Block 5, KDA Scheme No. 05 Clifton Karachi			123,760,000	
6th Floor of FTC Building, Situated at Shahrah-e-Faisal, Karachi.			1,314,360,000	
7th Floor of FTC building, Situated at Shahrah-e-Faisal, Karachi.			814,684,500	
Total			2,305,064,500	

Annex-42
(See Para. 4.2.4.27)

Rs. in million						
Loss due to shortage of pledge stocks - Rs. 91.777 million						
Date of Incident	Branch	Borrower	Principal Outstanding	Initial Shortage Amount (Including Margin)	Absolute Cash Recovery So Far	Remaining Shortage Amount
26-Nov-23	Corporate Branch M.M. Alam Road	Galaxy Textile Mills Limited	111.663	32.779	-	32.779

18-Sep-23	DC Branch, Bahawalpur	Hamza Cotton Ginners & Oil Mills	13.070	27.568	3.330	24.238
20-Aug-23	District Courts Branch Khanewal	Haider Khan Cotton Industries Ginning, Pressing & Oil Mills	16.569	47.040	21.280	25.760
29-May-23	Salehpat Branch	Al Madina Cotton Ginners	32.191	4.800	-	4.800
29-May-23	Clock Tower Branch	Muslim Flour Mill	62.416	4.200	-	4.200
				116.387		91.777

Annex-43

(See Para. 4.2.4.34)

Unjustified renewal of agreements and engagement on retainer ship basis - Rs. 2.116 million	
Description	Amount (Rs)
He was terminated on 19.07.2001, on account of guilty of unauthorized withdrawal of money and was reinstated into service in March, 2003.	(Rs. 176,374*12 months) = Rs. 2.116 million
His contract was again terminated vide order dated October 1, 2010 on account of fraudulent activities/ misappropriation & embezzlement of funds. At that time, an amount of Rs. 833,063 was outstanding on account of staff loan and advance salary.	
His services were again reinstated w.e.f. 01-10-2010 in May 2014.	
His annual performance appraisal was found un-satisfactory during the years 2014 and 2015.	
His last contract was renewed up to 22.01.2023 (till the age of 60 years).	
After his retirement on superannuation basis, he was appointed as in-charge Government collection and receipts at Main Branch, Islamabad (Operations Group) at lump-sum monthly remuneration of Rs. 176,374 w.e.f. 19.01.2023 for a period of one year. On expiry of one year, the management extended the agreement for further one year with the condition that he had been posted far from staff loan department in some other	

branch, his presence be monitored and not be allowed entry into any department.	

Annex-44
(See Para. 4.3.4.9)

Irregular disbursement of Worker Profit Participation Fund (WPPF) to officers - Rs. 4.269 million			
S#	UID	Name of officers	Amount Paid (Rs)
1	876	Nisar Ahmed	115,370
2	1090	Muhammad Latif Zahid	115,370
3	1093	Arif Rashid	115,370
4	1095	Siraj-Ul-Haq Siddiqui	115,370
5	1282	Faizi Ameer Siddiqui	115,370
6	1283	Masood-Ur-Rehman	115,370
7	1316	Muhammad Fahim Khan	115,370
8	1546	Altaf Hussain	115,370
9	1547	Naeem Ahmed	115,370
10	1585	Mukhtar-Ul-Haque	115,370
11	1590	Naveed Ahmed Khawaja	115,370
12	1599	Amir Nadeem	115,370
13	1622	Muhammad Saqib	115,370
14	1646	Aseer Ahmed Adeel	115,370
15	1648	Syed Salman Habib	115,370
16	1652	Syed Zia-Ul-Hassan	115,370
17	1657	Muhammad Jibran Ali	115,370
18	1688	Liaqat Ali	115,370
19	1775	Ahsan Iqbal	115,370
20	613	Abdul Rashid	115,370
21	2449	Zulqurnain Asim Shaikh	115,370
22	2996	Muhammad Shahid	115,370
23	3683	Mariam Bibi	115,370
24	4145	Shafqat Ali	115,370
25	4252	Muhammad Afzaal	115,370
26	4377	Zulfiqar Ali	115,370
27	4399	Khalid Ahmed	115,370
28	4695	Punhal Muhammad	115,370
29	4751	Muneer Ahmed	115,370
30	4816	Irshad Ali	115,370
31	4857	Muhammad Faheem	115,370
32	4954	Ali Haider	115,370
33	4955	Junaaid Ahmed Tunio	115,370
34	5088	Muhammad Shahid	115,370
35	5117	Muhammad Aadil	115,370
36	5226	Muhammad Khan	115,370

37	5266	Mr. Dawood Hussain	115,370
Total (Rs. 115,370 X 37)			4,268,690

Annex-45
(See Para. 4.4.4.12)

Non-imposition and refund of liquidated damages – Rs. 22.850 million							
S #	Contractor/ PO & date	Amount	Completion n date	Actual Completion	Delayed Completion	Penalty @ 2% P.M	Projects
1.	M/s Continental Enterprises (21244) 4-06-2020	69,658,000	04-10-20	01-12-20	2 months	2,786,320	contract of roof water proofing at banknote factory
2.	Millwala Dredging Co	14,343,859	17-01-2021	07-05-2021	4 months	1,147,508	Construction for Shahra -e- Faisal Gate
3.	Nabeesa contractor 23861 11-02-2022	47,604,370	10-06-22	31-07-22	1 month	952,087	Re-Construction of boundary wall
4.	M/s Falcon Construction 23085 28-06-2021	14,913,062	27-09-21	10-09-22	11 months	3,280,873	construction of residential bungalow No 1&4 at PSPC residential estate
5.	M/s Qaim Khani Associate 24269	9,990,228	28-02-23	09-06-2023	3 months	599,413	Construction for Shahra -e- Faisal Gate
6.	M/s Nabeesa contractor 24558 03-10-2022	40,716,000	03-02-2023	05-05-2023	3 months	2,442,960	Construction of boundary wall at PSPC
7.	M/s Aneel contractor (22742) (22743) 29-03-2021	9,545,000, 10,810,000	29-06-21 29-06-21			1,240,850 1,405,300	I Construction of road connecting residential estate with factory premises II Repair of existing road networks inside PSPC residential estate
8.	M/s Continental Enterprises (23038) 18-06-2021	7,756,750	18-09-2021			2,047,200	Renovation of old bank note canteen
9.	M/s Falcon Construction (22835) 28-06-2021						Construction and General supply for street pools with lights / electrical / plumbing
Total						15,902,511	

(Refunded the liquidated damages)				
S #	Voucher & Date	PO & date	Amount	Project
M/s Aneel Contractor				
1.	20210100079 12-01-2024	(22746)	1,669,749	I Construction of road connecting residential estate with factory premises
2.		(22747)	270,984	
3.		29-03-2021	1,507,017	II Repair of existing road networks inside PSPC residential estate
4.			20,923	

Total			3,468,673	
M/s Continental Enterprises				
1.	20240100081 12-01-2024	(23038)	1,634,843	I Renovation of old bank note canteen II Contract of roof water proofing at banknote factory
2.		18-06-2021	1,146,728	
3.		(21244)	593,392	
4.		04-06-2020	86,136	
5.			19,141	
Total			3,480,240	
Grand Total			6,948,913	

Annex-46

(See Para. 5.1.4.9)

Loss of profit due to non-transferring of funds on maturity – Rs. 6.726 million								
(Amount in Rs.)								
S#	Name of bank	Investment	Maturity	Rate Of Return (%)	Profit Received	Transferred in bank date	Days loss	Loss
1	Habib Bank Ltd.	150,000,000	09-Jun-23	15.20%	19,380,000	24.7.23	45	2,389,315
2	First Women Bank Limited	135,000,000	02-Aug-23	15.75%	18,073,124	07-08-23	5	247,577
3	NBP (FTC)	105,000,000	15-Sep-23	15.70%	14,155,295	20-09-23	5	193,908
4	The Bank of Punjab	150,000,000	06-Feb-24	17.75%	18,637,500	21-02-24	15	765,925
5	Al Falah Investments	150,000,000	24-Jan-24	22.20%	16,583,823	09-02-24	16	1,449,952
6	Pak Oman Investment Company Limited	150,000,000	23-Feb-24	17.80%	22,695,000	26-02-24	3	186,534
7	Al Falah Investments	150,000,000	23-Feb-24	22.40%	14,086,686	05-03-24	11	846,741
8	Pakistan Kuwait Investment Company	150,000,000	09-Mar-24	20.40%	26,209,957	18-03-24	9	646,273
Total		1,140,000,000			149,821,385			6,726,225

Annex-47

(See Para. 5.6.4.4)

(See Para. 5.6.4.)

(Rs. in million)									
Non-recovery of dues - Rs. 1,499.977 million									
Sr #	Description	Amount	Remarks						
1	Electricity charges	23.899	M/s PSFCL-						
2	Conservancy charges	87.424	G.Hadeed Residents Phase-1,II,& extension						
3	Water charges	299.212	defaulters of Gulshan-e-Hadeed residents, Down Stream Industries and other units						
4	Electricity charges	926.883	<table><tr><th>Sr #</th><th>Location</th><th>Rs.</th></tr><tr><td>1</td><td>Gulshan e Hadeed</td><td>719,866,833</td></tr></table>	Sr #	Location	Rs.	1	Gulshan e Hadeed	719,866,833
Sr #	Location	Rs.							
1	Gulshan e Hadeed	719,866,833							

			2	Steel Town	185,742,658
			3	ASCCL	1,734,864
			4	PSFCL	18,086,537
			5	Hafta Bazar	16,630
			6	Kashana	1,436,122
				Total	926,883,644
5	Rent from commercial units (Steel Town)	18.557	Commercial Shops / Flats / FTC / Banks / Schools / Canteens / Hafta Bazar / Quid-e-Azam Park / TV Cables etc		
6	Rent from residential allottees (Steel Town) outsiders.	8.285	Sr #	Description	Amount (Rs)
			1	Bank employees	174294
			2	DOA/Private	2346165
			3	Port	118238
			4	Nab	103408
			5	Pakistan Post office	176885
			6	Police	3349323
			7	PSH Medical	115900
			8	PTCL	109038
			9	Rangers	259231
			10	Shopkeepers	126257
			11	Sindh Government	180000
			12	Traffic Police	226574
	Total	8,285,313			
7	Ground rent, maintenance charges and water charges	115.209	Eight defaulters of downstream industries		
	Total	1,479.469			

Annex-48

Name of employee	Period	Name of Store/Regions	Cash / Stock embezzled (Rs)	Total embezzlement (Rs)
Hassan Ali	2010-15	P&T Colony USC Quetta	4,760,967	74,506,276
		Super Market Quetta	12,721,269	
		Samungli Town Quetta	2,461,931	
		Querray Road Quetta	9,568,050	
		USC Wahdat Colony Quetta	3,111,338	
		USC Wahdat Colony Quetta	8,628,849	
		Querray Road Quetta	10,490,375	
		Querray Road Quetta	22,748,269	
Abdul Wahab	2010-15	Killi Durrani Quetta	958,197	38,362,957
		Jinnah Town Quetta	12,823,110	
		Jinnah Town Quetta	7,469,000	
		Querry road Quetta	1,134,190	
		Jinnah Town Quetta	15,977,560	
Muhammad Ibrahim	2012-13	Siddiqa Masjid Town Quetta	2,143,404	19,977,639
		Railway Station Quetta	2,830,575	
		Spiny Road Quetta	15,003,660	

Waqar Hussain Ex- Accounts Officer	2012-13	Killa Saif Ullah	3,092,448	29,482,544
		Killa Saif Ullah	26,390,096	
Abdur Razaq AAO	24-Jun-24	Kanchoghi store	748,328	26,083,074
	Nov-10	Lorali region	1,976,000	
	19-Nov-12	US Basima Kharan	2,278,886	
	15.04.2017	Noshki Region	1,245,991	
	29.06.2017	Sibbi Region	870,000	
	11.01.2018	Hyderabad Region	1,282,100	
	18.10.2018		14,543,385	
	23.08.2021	Noshki Region	1,138,384	
	27.09.2022	Nushke region	2,000,000	
Sajid Mehboob	29.05.2023	Bahawalnagr Region	6,817,994	7,561,283
	29.05.2023	do		
	25.05.2023	do	69,750	
	24.07.2014	Rawalpindo North region	673,539	
Munir Ahmed	04.03.2017	Nushke region	866,444	419,236,742
	23.04.2017	Queta Region	18,476,798	
		Khuzdar Region		
		Nushke region		
		Nushke region		
	7.12.2017	Queta Region	369,354,999	
	25.03.2018	Queta Region	17,219,123	
	02.08.2018	Queta Region	4,830,974	
	23.9.2021	Lorali region	4,376,446	
	25.5.2023	Lorali region	1,272,177	
Waqas Ahmed	06.01.2023	Killa Saifullah Region	131,530	39,520,896
	16.11.2021	USC Noshki Region	2,764,039	
	04.03.2024	Khuzdar Region	3,183,203	
	01.05.2015	Kanchoghi store	33,442,124	
Arbab Munir	17.08.2023	Lorali region	1,272,177	5,648,623
	12.07.2017	US Basima Kharan	4,376,446	
		Total		

Annex-49

S. No.	Name	Designation	Amount (Rs)	Remarks
1.	Mr. Syed Danish Ali	Accounts.audit Assistant (BPS-16) Store Incharge	30,481,496	Misappropriation /embezzlement took place in the Pak secretariat USC Karachi Zone, the store incharge debit excess than total value as per ICL resulting difference total amount of Rs 22,391,778. Furthermore in Nushki region they are also convicted for misappropriation and embezzlement of Rs 80,89,718
2.	Mr. Muhammad Shakeel	Establishment Assistant BPS-16	11,200,000	A huge shortages was detected in US NIH Islamabad region against him They play a role of facilitator, hide fact cause a huge embezzlement misappropriation to the corporation and the same was inquired and proved by the FIA and inquiry officer.
3.	Rana Saeed Akhtar	Accounts Assistant (BPS-16)	7,097,752	They are charged for excess supply of subsidized item to franchises in the holy month of Ramzan exceeding more than approved ratio (50%/50%) which cause huge loss to corporation.
4.	Mr. Ahmad Yar Saeedi	BPS-16	29,176,130	They alleged and charged for Store Shortages at USC Mini Market Muzaffar Garh Region resulting loss to corporation. Further, Store incharge under his administrative control showed credit sale and the same was taken to physical stock accounts which caused embezzled a massive loss on account of credit sale and all of the credit sale process exercise without approval of the competent authority.
5	Arif Aftab	SM Mansehra Region	2,057,748	They alleged embezzlement and shortages in utility store at Al Fakhar plaza Mansehra Region and detected the same during the surprise audit.
	Total		80,013,126	

Annex-50

S. No.	GRN. No.	Name of Flour mills	Region	Total No. of Bags (10KG)	Total Qty M.T	Actual received 10 Kg Bags	difference 10 Kg Bags	Difference in M/ Tons	Amount of black marketing
1	Missing	Hoti Flour Mills	Abbottabad	70,200	702				
2	Missing	Hoti Flour Mills	Abbottabad	61,140	611				
3	GRN-2024-1-6-05-0005	Hoti Flour Mills	Swabi	66,805	668				
4	GRN-2024-1-1-05-0113	Hoti Flour Mills	Abbottabad	205,190	2,052				
5	GRN-2024-1-1-05-0106	Frontier Flour Mills	Abbottabad	60,500	605				
6	GRN-2024-2-8-05-0060	Ijaz Flour & General Mills	Peshawar (South)	64,337	643	660	63,677	637	41,262,696
7	GRN-2024-2-8-05-0062	Hoti Flour Mills	Peshawar (South)	75,720	757	1,900	73,820	738	47,835,360
8	GRN-2024-2-9-05-0018	Khan Baba Flour Mills	Swat	86,350	864	4,000	82,350	824	53,362,800
9	GRN-2024-2-9-05-0017	Talash Flour Mills, Dir Lower	Swat	65,840	658	2,000	63,840	638	41,368,320
10	GRN-2024-2-9-05-0020	Amin Flour & General Mills	Swat	58,800	588	2,000	58,212	582	37,721,376
11	GRN-2024-2-5-05-0038	Al Mansoor Flour Mills	Kohat	57,627	576	1,000	56,627	566	36,694,296
12	GRN-2024-2-6-05-0040	Koragh Flour Mills Mardan	Mardan	54,240	542	320	53,920	539	34,940,160
13	GRN-2024-1-4-05-0096	Kohsar Flour Mills	Mansehra	58,320	583	1900	58,320	583.2	37,791,360
14	GRN-2024-2-1-05-0009	Abu Bakar Flour Mills	Bannu	95,600	956	1,115	94,485	945	61,226,280
15	GRN-2024-1-4-05-0003	Javed Flour Mills	Mansehra	10,800	108	1720	9,080	90.08	5,883,840
16	GRN-2024-1-4-05-0187	Koragh Flour Mills (Pvt.)	Mansehra	19,480	194	1800	17,680	176	11,456,640
17	GRN-2024-2-2-05-0097	Malakand Flour Mills	Chitral	60,265	603	1,400	58,865	589	38,144,520
18	GRN-2024-2-2-05-0099	Hoti Flour Mills	Chitral	73,070	731	2,400	70,670	707	45,798,048
		Grand Total		780,449	7,804	16795	685,546	7,636	493,485,696

Annex-51

S. No.	letter date	Zones	Name of stores/RW	Value of Damage/ Expired stock (Rs)
1	02/02/2024	Islamabad	Regional ware house	2,614,549
2	24.01.2024	Islamabad	Regional ware house	6,433,981
3	24.01.2024	Lahore	Regional ware house	3,776,417
4	11.12.2023	Islamabad	Regional ware house	1,398,000
5	11.12.2023	Lahore	Regional ware house	4,575,507
6	20.11.2023	Islamabad	Regional ware house	6,813,872
7	10.11.2023	Abbotabad	Regional ware house	5,069,190
8	15.11.2024	Lahore	Regional ware house	6,238,052
9	17.10.2023	Islamabad	Regional ware house	4,215,296
10	31.08.2023	Islamabad	Regional ware house	16,889,917
11	30.08.2023	Islamabad	Ware house branded goods+Gee oil	16,355,704
12	30.08.2023	Islamabad	Ware house branded goods+Gee oil	2,620,961
13	30.08.2023	Islamabad	Ware house branded goods+Gee oil	7,440,380
14	29.08.2023	Lahore	Ware house branded goods+Gee oil	7,322,398
15	28.08.2023	Faisalabad	Regional ware house	1,370,098
16	24.08.2023	Lahore	W/H Branded/W/H Ghee/oil	5,362,963
17	24.08.2023	Lahore	Ware house branded goods+Gee oil	5,708,683
18		Multan	Regional ware house	13,975,263
19	13.07.2023	Islamabad	Ware house branded goods+Gee oil	25,923,311
20	25.06.2024	Lahore	Regional ware house	5,803,486
21	29.05.2024	Lahore	Regional ware house	14,512,845
			Grand Total	164,420,873

Annex-52

S. No.	Name	Designation	Excess monthly pension	Excess commutation
1	Liaqat Ali	Controller Finance	83,572	793,416
2	Lt Col (R) Hassan Immad Mohamedi	Director Special Assignment/ MD PTVF	157,590	1,495,949
3	Rehan Qasim	Director Finance	45,279	2,072,922
4	Syed Jamil Haider Zaidi	Director Finance	328,643	2,791,625
5	Syed Sohail Abbas	Director International Relations	54,240	583,689
6	Waseem Pervez	Director Finance	231,420	673,016
7	Muhammad Tariq Khan	Director Finance (Offg)	109,968	1,109,169
8	Zafar Ullah Khan	Director (A&P) Officiating	68,025	731,955
Total			1,078,737	10,251,741
Grand total				11,330,478.00

Annex-53
(Amount in Rs)

S. No.	Name of Programmes	Cost per episode	No. of episodes on aired till 30.06.24	Total cost of on aired episodes	Total income generated from on aired episodes	Per episode loss	Loss of on aired episodes	Total episodes expected loss
1	Maya Naaz	365,000	16	5,840,000	3,724,489	232,781	3,724,489	6,875,411
2	Ama Ka Qunba	360,000	16	5,760,000	3,002,877	187,680	3,002,877	13,785,615
3	Adventure Pakistan	276,000	8	2,208,000	1,086,583	135,823	1,086,583	2,803,543
4	Mian Biwi Bachon Samait	400,000	8	3,200,000	1,026,621	128,328	1,026,621	7,063,482
5	Hungama House	400,000	8	3,200,000	528,236	66,030	528,236	8,683,233
Total							9,368,806	39,211,283

Annex-54

Annex-E												
Moveover Details												
Sr#	Name	Designation	Center	1st Moveover	2nd Moveover	3rd Moveover	4th Moveover	5th	Before	After	Difference	Total Paid After Promotion
1	Muhammad Yasin	Sr. Engineer Incharge	Karachi	01.07.2017 Group 8	01.07.2023 Group 9	-	-	-	255,385	274,072	18,687	280,305
2	Muhammad Anwar Adil	Sr. Engineer Incharge	Karachi	01.07.2012 Group 7	01.07.2017 Group 8	01.07.2022 Group 9	-	-	209,226	269,502	60,276	1,627,452
3	Nadeem Ur Rehman	Accounts Officer	Lahore	01.07.2012 Group 7	01.07.2018 Group 8	01.07.2022 Group 9	-	-	202,365	274,830	72,465	1,956,555
4	Ehsan Ul Haq	Chief Cameraman	Lahore	01.07.2012 Group 8	01.07.2022 Group 9	-	-	-	228,041	307,222	79,181	2,137,887
5	Bahar Ul Islam	Chief Cameraman	Peshawar	01.07.2010 Group 7	01.07.2018 Group 8	01.07.2023 Group 9	-	-	249,265	329,888	80,623	1,209,345
6	Ashiq Hussain	Sr Cameraman	Peshawar	01.07.2011 Group 7	01.07.2021 Group 8	-	-	-	140,079	172,954	32,875	1,282,125
7	Zahoor Ahmed Shah	Officer (G-7) Elec. Cadre	Peshawar	01.07.2013 Group 6	01.07.2015 Group 7	01.07.2023 Group 8	-	-	208,917	263,918	55,001	825,015
8	Kifayat Ullah	Staff Officer (G-7)	Peshawar	01.07.2006 Group 5	01.07.2010 Group 6	01.07.2017 Group 7	01.07.2022 Group 8	-	175,107	210,289	35,182	949,914
9	Bashir Khan	Sr. Engineer Incharge	Peshawar	01.07.2011 Group 6	Group 7	01.07.2020 Group 8	01.07.2023 Group 9	-	241,152	297,897	56,745	851,175
10	Syed Asad Ali Naqvi	General Manager	Peshawar	Group 5	Group 6	01.07.2012 Group 7	Group 8	Group 9 01.07.2022	211,139	280,496	69,357	1,872,639
Total												12,992,412

Annex-55

Name	Pay package as per agreement (Rs)	Period of agreement	Revised package and date (Rs)	Difference (Rs)
Mr. Altamish Jiwa	300,000	15.01.2022 to 14.01.2025	450,000 w.e.f 20.02.2024	1,500,000
Ms. Natasha Haseeb	210,000	29.07.2022 to 31.12.2024	310,000 w.e.f 12.02.2024	1,000,000
Syeda Maimoona Hamdani	150,000	10.11.2022 to 09.11.2024	250,000 w.e.f 12.02.2024	900,000
Total				3,400,000

Appointments without sanctioned posts**PTV News**

Sr. #	Name	Designation	Sanctioned Strength	Available Strength	Date of Appointment	Pay	Amount Paid up to 30.09.2024
1	Mazhar Hayat	Sub Editor (G-5)	2	12	08.07.2023	59,912	898,680
2	Ghayoor Ahmad Waqar	Sub Editor (G-5)	2	12	08.08.2023	87,422	1,223,908
3	Ahmed Nawaz	Assistant Accountant (G-4)	3	5	10.01.2024	77,998	701,982
4	Hasin Uz Zaman Siddiqui	Assistant Accountant (G-4)	3	5	10.01.2024	84,343	759,087
5	Muhammad Ikram Zaman	Assistant Accountant (G-4)	3	5	10.01.2024	84,343	759,087
6	Waqas Ali Shah	Assistant Accountant (G-4)	3	5	10.01.2024	111,663	1,004,967
7	Waseem Akram	Associate Cameraman (G-4)	14	21	08.09.2023	59,912	718,944
8	Muhammad Yameen	Associate Cameraman (G-4)	14	21	10.10.2023	47,786	525,646
9	Tahir Mehmood Iqbal	Associate Cameraman (G-4)	14	21	31.05.2024	99,411	397,644
10	Ali Hussain Akbar	Associate Cameraman (G-4)	14	21	31.05.2024	95,669	382,676
11	Syed Sabir Hussain Shah	Associate Cameraman (G-4)	14	21	31.05.2024	82,326	329,304
12	Syed Zohaib Ali Shah	Associate Cameraman (G-4)	14	21	10.08.2023	96,752	1,354,528
13	Muhammad Usama Salar	Graphics Executor Assistant (G-3)	5	7	27.02.2024	47,144	330008
14	Muhammad Musa Hafeez	Graphics Executor Assistant (G-3)	5	7	27.02.2024	47,144	330008
15	Abdul Rafay	Graphics Executor Assistant (G-3)	5	7	29.05.2024	47,144	188576

16	Umar Raza	Marketing Assistant (Traffic) (G-4)	0	1	14.06.2024	59,912	179736
17	Irfan Ali	Programme Assistant (G-3)	0	2	27.06.2024	47,144	141,432
18	Muhammad Fayyaz Khan	Associate Engineer (A/C) (G-4)	0	1	10.01.2024	-	-
	Total						10,226,213

TV Center, Lahore

Sr. #	Name	Designation	Sanctioned Strength	Available Strength	Date of Appointment	Pay	Amount Paid upto 30.09.2024
1	Sarosh Butt	Head of Sales	0	1	01.04.2023	495,000	8,910,000
2	Arslan Tahir	Officer G-7 General Cadre	0	1	08.01.2024	206,107	1,648,856
3	Adeel Hussain	Graphics Executor Assistant	1	3	14.03.2024	47,144	282,864
4	Anayat ullah Butt	Graphics Executor Assistant	1	3	03.06.2024	47,144	141,432
5	Zaheer Abbas	News Producer/Reporter	9	18	04.07.2024	115,687	347,061
6	Ahmad Abid Ali	Associate Programmer	0	2	23.09.2023	83,116	997,392
7	Sidra George	TCJA	11	16	08.09.2023	39,305	718,944
8	M. Numan Siddique	TCJA	11	16	15.05.2024	39,305	157,220
9	Sarim Ansari	TCJA	11	16	27.06.2024	39,305	117,915
Total							13,321,684
Grant Total							23,547,897

Annex-57

S. No	Name & Designation	Nature of Irregularity	Required qualification/Experience	Possessed
1	Mr. Muhammad Usman Tariq, Senior Software Engineer	He applied for the post of Junior Software Engineer (Deputy Assistant Director, T-4 scale). However, he was appointed as Senior Software Engineer (Deputy Director, T-8 scale) despite not possessing the requisite experience for the post, (Rs 2.573 million)	7-10 years of proven experience as senior software engineer, as per the advertisement dated January 10, 2024.	3 years' experience
2	Mr. Sajjad Haider, Deputy Director	He was appointed as Assistant Manager Finance (O-6 scale) in 2009 without public advertisement, contrary to NADRA Employees Service Regulations 2002. His MBA degree was not recognized by the HEC. Despite this, he was re-appointed as Manager Finance (O-8 scale) in 2012 and subsequently had his scale converted from O to T, despite lacking the technical qualifications required for the T scale. (Rs 3.835)	vacancy shall be advertised in the national press HEC Recognized Degree	Not advertised Degree not recognized by HEC
3	Mr. Ata Ur Rab Mansoor, Assistant Director (Database Security)	Appointment in violation of the advertised criteria	Bachelor's degree in Information/Cyber Security, IT, Computer Science, or equivalent (4 years) from an HEC-recognized university, along with 3 to 5 years of technical hands-on experience in database security and analytics	8 months
4	Ms. Anam Zai, Information Security GRC Analyst	-do-	3 years of post-qualification relevant experience. Further mandatory requirements included Experience in Implementation / Auditing of different security standards like	No post qualification & mandatory experience as required

			IS027001, BCM, Risk Management and organizational security policies etc. and Conduct IT General Controls and Application Audit and compliance, periodically	
5	Ms. Rida Qazi, Senior Corporate Council	Irregular appointment and further posting on attachment basis and payment of pay & allowances from NADRA - Rs 4.686 million	According to advertisement dated October 30, 2022, Graduate or Masters in Law from HEC recognized university and the applicant must be Advocate of High Court or above. Further, according to Rule 9 of NADRA Employees (Service) Regulations 2002, the Authority competent to make appointment to posts in BS-19 & 20 or equivalent O & T pay scales and above is the Authority Board.	HEC equivalence/attestation was not done till January 2024. She was selected against the post of Senior Corporate Council/Director Legal (O-9 scale) whereas she was posted as HoD Public Engagement Department. The Authority competent to make appointment to posts in BS-19 & 20 or equivalent O & T pay scales and above is the Authority Board whereas she was selected by the Selection Board which did not include any member of the Authority/Board of Directors. She was posted in Senate Secretariat w.e.f May 16, 2024 on attachment basis whereas she was drawing Pay & Allowances including performance incentive from NADRA.
6	Mr. Imran Malik, Assistant Director (O-6)	Irregular appointments due to unverified degrees – Rs 8.006 million	MBA/MPA from an HEC recognized university with minimum of 03 years post qualification experience	MBA (MIS) degree from the International University, Gulberg III, Lahore, obtained in 1997. The degree remains unverified by the Higher Education Commission (HEC) despite multiple requests from

				management
7	Mr. Tariq Mahmood, Database Administrator		Master's Degree from HEC recognized university with minimum of 03 years post qualification experience.	MSc in Computer Science from Preston University, USA, Rawalpindi Campus, obtained in 1999, which has not been verified by the concerned authorities. Additionally, he submitted a fraudulent Microsoft certificate allegedly signed by Bill Gates, further questioning the legitimacy of his qualifications.
8	Mr. Sher Khan Babar, Database Administrator	Irregular Appointment, Overlapping Academic Qualifications, and Unverified Credentials Resulting in Unjustified Payments - Rs 8.758 million	vacancy shall be advertised in the national press HEC Recognized Degree For promotion to T-6, required experience in T4 & T-5 was 7 years	Not advertised Degree not recognized by HEC BCS degree (2000-2004) from the University of South Asia, Lahore, and an MCS degree (2002-2004) from Al-Khair University, Muzaffarabad, which is practically impossible. Promoted to T-6 scale after just three years of service, bypassing the required tenure in T-4 and T-5, and was further promoted to T-7 in February 2007, both in violation of promotion rules.
9	Mr. Mukarram Ali, Deputy Director (O-8)	Irregular appointments of employees not meeting advertised criteria – Rs 9.085 million	MBA/MPA or equivalent from an HEC-recognized university with 5-7 years of post-qualification experience.	Bachelor of Arts in Management with Business Studies from Middlesex University, UK. His degree was not verified by the issuing university, and no experience certificate was available in his personal file. Despite the discrepancies, the

				officer was promoted to the post of Director (O-9) on 28th September 2022.
10	Syed Muntazim Rizvi, Deputy Director		MBA/ MPA/ MCS/ MIT/ M.Com/ M.Sc. /MS/ MS (IT) (2 years)/ BBA/Bachelor in (CS/CE/IT/Telecom/SE/Eng.) from HEC recognized university with 5 years' experience	Bachelor of Fine Arts Only 8 months of experience was documented in his personal file, and his degrees were not verified by HEC.
11	Ms. Anmol Wajid, Graphic Designer		Bachelor's degree or Masters in Graphic Designing/ Marketing/ Communications/ Business with minimum 03 years of experience in Graphic Designing, Social Media or working in the marketing/ Communication role	Bachelor of Science in Software Engineering No Work experience

Annex-58

S #	Name	Designation	Scale	Salary per month (Rs)
1.	Muhammad Rehan Khalid	Technical Writer	NTL-7	300,194
2.	Muhammad Haroon Khan	Technical Writer	NTL-5	100,065
3.	Waqar Sherazi	Technical Writer	NTL-7	300,194
4.	Tariq Siraj	Application Security Engineer	NTL-6	200,129
5.	Sharahbeel Aziz	System Analyst	NTL-8	400,258
6.	Naveed Ahmad	System Analyst	NTL6	200,129
7.	Anmol Wajid	Graphic Designer	NTL-5	150,097
8.	Abdul Salam	Mobile Developer Android	NTL-8	400,258
9.	Muhammad Furqan Javed	Mobile Developer Android	NTL-6	200,129
10.	Mubashir Mumtaz	Mobile Developer Android	NTL-8	400,258
11.	Muhammad Naveed Akram	Mobile Developer Android	NTL-8	400,258
12.	Muhammad Abdullah	Software Engineer	NTL-8	400,258
13.	Muhammad Talha Rafique	Software Engineer	NTL-7	300,194
14.	Umair Anser	Software Engineer	NTL-6	200,129
15.	Muhammad Ali Hassan Mushtaq	Software Engineer	NTL-5	120,290
16.	Javid Iqbal	Software Engineer	NTL-5	100,065
Total				4,172,905
Grand Total (Rs 4,172,905 per month x 12)				50,074,860

Annex-59

S No.	Name of Employee	ERP #	Designation and scale	Date of Advertisement	Date of appointment in NTL	Salary PM (Rs)	Total Salary Drawn (Rs)	Education and experience required	Education and experience discrepancies
1	Muhammad Jawad Ul Hassan	46752	Deputy Assistant Director (O-6)	Nil	03.09.2018	55,084	4,186,384	Master's degree in HR with 3 years relevant experience	BSc Computer Engineering, No Experience
2	Ms. Sana Zia Kazmi	48841	Deputy Assistant Director (O-6)	Daily Jang dated 07.11.12	26.02.2013	25,432	3,636,776	Post Qualification at least Two Years' Experience	Experience was only 8 months and unverified
3	Syed M Asad Raza	40843	Assistant Manager (O-6)	Daily Pakistan Observer dated 03.03.11	02.02.2012	32,671	5,064,005	MBA or equivalent degree with 3 years relevant experience	BBA only
4	Malik Yaser Najeeb	54190	Assistant Director (O-7)	Online application	18.01.16	65,251	7,047,108	MBA or equivalent degree with 3 to 5 years relevant experience	BBA Only
5	Ms. Hina Hassan	42378	Assistant Manager NTL-5)	Daily The News dated 25.01.2012	16.03.12	22,606	3,933,444	MBA from HEC recognized University, No experience mentioned	MA Economics (Irrelevant Education)
6	Ms. Qandeel Iqbal	53484	Deputy Assistant Director (O-6)	Daily The News dated 02.07.15	06.09.2015	52,529	5,883,248	MBA or equivalent degree with 2 to 3 years relevant experience	B.Com with no experience verification
					Total		29,750,965		

Annex-60
(See Para. 6.1.4.8)

Loss of rental income due to vacancy of properties - Rs. 1.974 million						
Sr	Project Name	Asset Name	Floor	Total Area	Vacant /Tenant/ Gpa Use	Rent Per Month
1	Gpa Housing Complex	Old Office Building	Ground Floor	510 Sq Ft	Vacant	2000
2	Gpa Housing Complex	Old Office Building	Ground Floor	435 Sq Ft	Vacant	2000
3	Gpa Housing Complex	Old Office Building	Ground Floor	165 Sq Ft	Vacant	2000
4	Gpa Housing Complex	Old Office Building	Ground Floor	358 Sq Ft	Vacant	2000
5	Gpa Housing Complex	Old Office Building	Ground Floor	358 Sq Ft	Vacant	2000
6	Gpa Housing Complex	Old Office Building	Ground Floor	40 Sq Ft	Vacant	2000
7	Gpa Housing Complex	Old Office Building	Ground Floor	273 Sq Ft	Vacant	2000
8	Gpa Housing Complex	Old Office Building	Ground Floor	133.68 Sq Ft	Vacant	2000
9	Gpa Business Complex	Zirbaar Commercial Complex	Ground Floor	1739.76 Sq Ft	Vacant	5000
10	Gpa Business Complex	Zirbaar Commercial Complex	Ground Floor	337.02 Sq Ft	Vacant	5000
11	Gpa Business Complex	Zirbaar Commercial Complex	Ground Floor	115.78 Sq Ft	Vacant	5000
12	Gpa Business Complex	Zirbaar Commercial Complex	Ground Floor	240.36 Sq Ft	Vacant	2000
13	Gpa Business Complex	Zirbaar Commercial Complex	Ground Floor	240.36 Sq Ft	Vacant	2000
14	Gpa Business Complex	Zirbaar Commercial Complex	Ground Floor	491.05 Sq Ft	Vacant	2000
15	Gpa Business Complex	Zirbaar Commercial Complex	Ground Floor	631.52 Sq Ft	Vacant	2000
16	Gpa Business Complex	Zirbaar Commercial Complex	Ground Floor	360.16 Sq Ft	Vacant	2000
17	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1011.16 Sq Ft	Vacant	6000
18	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1004.60 Sq Ft	Vacant	6000
19	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1004.60 Sq Ft	Vacant	6000
20	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1004.60 Sq Ft	Vacant	6000
21	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1011.16 Sq Ft	Vacant	6000
22	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	629.26 Sq Ft	Vacant	1000

23	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	771.50 Sq Ft	Vacant	1000
24	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	758.86 Sq Ft	Vacant	1000
25	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	815.77 Sq Ft	Vacant	1000
26	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	758.86 Sq Ft	Vacant	1000
27	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	771.50 Sq Ft	Vacant	1000
28	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1004.60 Sq Ft	Vacant	1000
29	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1004.60 Sq Ft	Vacant	1000
30	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1004.60 Sq Ft	Vacant	1000
31	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1004.60 Sq Ft	Vacant	1000
32	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1044.60 Sq Ft	Vacant	1000
33	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	541.69 Sq Ft	Vacant	500
34	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	541.69 Sq Ft	Vacant	500
35	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	541.69 Sq Ft	Vacant	500
36	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	541.69 Sq Ft	Vacant	500
37	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	1006.24 Sq Ft	Vacant	500
38	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	993.11 Sq Ft	Vacant	500
39	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	555.85 Sq Ft	Vacant	500
40	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	555.85 Sq Ft	Vacant	500
41	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	554.13 Sq Ft	Vacant	500
42	Gpa Business Complex	Zirbaar Commercial Complex	First Floor	554.13 Sq Ft	Vacant	500
43	Gpa Business Complex	Zirbaar Commercial Complex	Second Floor	625.45 Sq Ft	Vacant	500
44	Gpa Business Complex	Zirbaar Commercial Complex	Second Floor	662.87 Sq Ft	Vacant	500
45	Gpa Business Complex	Zirbaar Commercial Complex	Second Floor	662.87 Sq Ft	Vacant	500
46	Gpa Business Complex	Zirbaar Commercial Complex	Second Floor	1525.49 Sq Ft	Vacant	500
47	Gpa Business Complex	Zirbaar Commercial Complex	Second Floor	624.84 Sq Ft	Vacant	500

48	Gpa Business Complex	Zirbaar Commercial Complex	Second Floor	712.28 Sq Ft	Vacant	500
49	Gpa Business Complex	Zirbaar Commercial Complex	Second Floor	721.59 Sq Ft	Vacant	500
50	Gpa Business Complex	Zirbaar Commercial Complex	Second Floor	404.97 Sq Ft	Vacant	500
51	Gpa Business Complex	Zirbaar Commercial Complex	Second Floor	1083.71 Sq Ft	Vacant	500
52	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	356.70 Sq Ft	Vacant	500
53	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	356.70 Sq Ft	Vacant	500
54	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	326.47 Sq Ft	Vacant	500
55	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	326.47 Sq Ft	Vacant	500
56	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	326.24 Sq Ft	Vacant	500
57	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	321.28 Sq Ft	Vacant	500
58	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	789.73 Sq Ft	Vacant	500
59	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	302.51 Sq Ft	Vacant	500
60	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	1,453.10 Sq Ft	Vacant	1000
61	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	1,580.21 Sq Ft	Vacant	500
62	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	539.50 Sq Ft	Vacant	500
63	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	112.23 Sq Ft	Vacant	500
64	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	128.08 Sq Ft	Vacant	500
65	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	263.15 Sq Ft	Vacant	500
66	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	274.68 Sq Ft	Vacant	500
67	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	274.45 Sq Ft	Vacant	500
68	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	60.27 Sq Ft	Vacant	500
69	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	344.59 Sq Ft	Vacant	500
70	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	39.14 Sq Ft	Vacant	500
71	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	8563.09 Sq Ft	Vacant	500
72	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	397.15 Sq Ft	Vacant	500

73	Gpa Business Complex	Gurab Commercial Complex	Ground Floor	91.83 Sq Ft	Vacant	500
74	Gpa Business Complex	Gurab Commercial Complex	First Floor	378.79 Sq Ft	Vacant	500
75	Gpa Business Complex	Gurab Commercial Complex	First Floor	391.32 Sq Ft	Vacant	500
76	Gpa Business Complex	Gurab Commercial Complex	First Floor	357.11 Sq Ft	Vacant	500
77	Gpa Business Complex	Gurab Commercial Complex	First Floor	357.11 Sq Ft	Vacant	500
78	Gpa Business Complex	Gurab Commercial Complex	First Floor	359.77 Sq Ft	Vacant	500
79	Gpa Business Complex	Gurab Commercial Complex	First Floor	354.81 Sq Ft	Vacant	500
80	Gpa Business Complex	Gurab Commercial Complex	First Floor	797.76 Sq Ft	Vacant	500
81	Gpa Business Complex	Gurab Commercial Complex	First Floor	789.63 Sq Ft	Vacant	500
82	Gpa Business Complex	Gurab Commercial Complex	First Floor	302.51 Sq Ft	Vacant	500
83	Gpa Business Complex	Gurab Commercial Complex	First Floor	382.66 Sq Ft	Vacant	500
84	Gpa Business Complex	Gurab Commercial Complex	First Floor	397.32 Sq Ft	Vacant	500
85	Gpa Business Complex	Gurab Commercial Complex	First Floor	247.88 Sq Ft	Vacant	500
86	Gpa Business Complex	Gurab Commercial Complex	First Floor	206.03 Sq Ft	Vacant	500
87	Gpa Business Complex	Gurab Commercial Complex	First Floor	260.78 Sq Ft	Vacant	500
88	Gpa Business Complex	Gurab Commercial Complex	First Floor	39.14 Sq Ft	Vacant	500
89	Gpa Business Complex	Gurab Commercial Complex	First Floor	105.80 Sq Ft	Vacant	500
90	Gpa Business Complex	Gurab Commercial Complex	First Floor	327.56 Sq Ft	Vacant	500
91	Gpa Business Complex	Seamen Center	Ground Floor	1034.22 Sq Ft	Vacant	500
92	Gpa Business Complex	Seamen Center	Ground Floor	219.76 Sq Ft	Vacant	500
93	Gpa Business Complex	Seamen Center	Ground Floor	212.67 Sq Ft	Vacant	500
94	Gpa Business Complex	Seamen Center	Ground Floor	212.67 Sq Ft	Vacant	500
95	Gpa Business Complex	Seamen Center	Ground Floor	212.67 Sq Ft	Vacant	500
96	Gpa Business Complex	Seamen Center	Ground Floor	212.67 Sq Ft	Vacant	500
97	Gpa Business Complex	Seamen Center	Ground Floor	2672.06 Sq Ft	Vacant	500

98	Gpa Business Complex	Seamen Center	Ground Floor	125.39 Sq Ft	Vacant	500
99	Gpa Business Complex	Seamen Center	Ground Floor	87.58 Sq Ft	Vacant	500
100	Gpa Business Complex	Seamen Center	Ground Floor	2766.16 Sq Ft	Vacant	500
101	Gpa Business Complex	Seamen Center	Ground Floor	877.38 Sq Ft	Vacant	500
102	Gpa Business Complex	Seamen Center	Ground Floor	136.43 Sq Ft	Vacant	500
103	Gpa Business Complex	Seamen Center	Ground Floor	656.27 Sq Ft	Vacant	500
104	Gpa Business Complex	Seamen Center	Ground Floor	95.51 Sq Ft	Vacant	500
105	Gpa Business Complex	Seamen Center	Ground Floor	91.61 Sq Ft	Vacant	500
106	Gpa Business Complex	Seamen Center	Ground Floor	124.06 Sq Ft	Vacant	500
107	Gpa Business Complex	Seamen Center	Ground Floor	172.75 Sq Ft	Vacant	500
108	Gpa Business Complex	Seamen Center	Ground Floor	275.92 Sq Ft	Vacant	500
109	Gpa Business Complex	Seamen Center	Ground Floor	255.60 Sq Ft	Vacant	500
110	Gpa Business Complex	Seamen Center	Ground Floor	255.71 Sq Ft	Vacant	500
111	Gpa Business Complex	Seamen Center	Ground Floor	255.66 Sq Ft	Vacant	500
112	Gpa Business Complex	Seamen Center	Ground Floor	255.64 Sq Ft	Vacant	500
113	Gpa Business Complex	Seamen Center	Ground Floor	255.66 Sq Ft	Vacant	500
114	Gpa Business Complex	Seamen Center	Ground Floor	255.70 Sq Ft	Vacant	500
115	Gpa Business Complex	Seamen Center	Ground Floor	265.13 Sq Ft	Vacant	500
116	Gpa Business Complex	Seamen Center	Ground Floor	151.03 Sq Ft	Vacant	500
117	Gpa Business Complex	Seamen Center	Ground Floor	260.98 Sq Ft	Vacant	500
118	Gpa Business Complex	Seamen Center	Ground Floor	256.35 Sq Ft	Vacant	500
119	Gpa Business Complex	Seamen Center	Ground Floor	255.94 Sq Ft	Vacant	500
120	Gpa Business Complex	Seamen Center	Ground Floor	255.76 Sq Ft	Vacant	500
121	Gpa Business Complex	Seamen Center	Ground Floor	255.86 Sq Ft	Vacant	500
122	Gpa Business Complex	Seamen Center	Ground Floor	255.87 Sq Ft	Vacant	500

123	Gpa Business Complex	Seamen Center	Ground Floor	261.39 Sq Ft	Vacant	500
124	Gpa Business Complex	Seamen Center	First Floor	2169.98 Sq Ft	Vacant	500
125	Gpa Business Complex	Seamen Center	First Floor	1021.50 Sq Ft	Vacant	500
126	Gpa Business Complex	Seamen Center	First Floor	110.68 Sq Ft	Vacant	500
127	Gpa Business Complex	Seamen Center	First Floor	287.64 Sq Ft	Vacant	500
128	Gpa Business Complex	Seamen Center	First Floor	1725.30 Sq Ft	Vacant	500
129	Gpa Business Complex	Seamen Center	First Floor	399.41 Sq Ft	Vacant	500
130	Gpa Business Complex	Seamen Center	First Floor	1444.56 Sq Ft	Vacant	500
131	Gpa Business Complex	Seamen Center	First Floor	292.75 Sq Ft	Vacant	500
132	Gpa Business Complex	Seamen Center	First Floor	255.60 Sq Ft	Vacant	500
133	Gpa Business Complex	Seamen Center	First Floor	255.71 Sq Ft	Vacant	500
134	Gpa Business Complex	Seamen Center	First Floor	255.66 Sq Ft	Vacant	500
135	Gpa Business Complex	Seamen Center	First Floor	255.64 Sq Ft	Vacant	500
136	Gpa Business Complex	Seamen Center	First Floor	255.66 Sq Ft	Vacant	500
137	Gpa Business Complex	Seamen Center	First Floor	255.71 Sq Ft	Vacant	500
138	Gpa Business Complex	Seamen Center	First Floor	261.23 Sq Ft	Vacant	500
139	Gpa Business Complex	Seamen Center	First Floor	260.98 Sq Ft	Vacant	500
140	Gpa Business Complex	Seamen Center	First Floor	256.35 Sq Ft	Vacant	500
141	Gpa Business Complex	Seamen Center	First Floor	255.94 Sq Ft	Vacant	500
142	Gpa Business Complex	Seamen Center	First Floor	255.76 Sq Ft	Vacant	500
143	Gpa Business Complex	Seamen Center	First Floor	255.86 Sq Ft	Vacant	500
144	Gpa Business Complex	Seamen Center	First Floor	255.87 Sq Ft	Vacant	500
145	Gpa Business Complex	Seamen Center	First Floor	261.39 Sq Ft	Vacant	500
146	Gpa Business Complex	Cargo Storage Shed	Ground Floor	44463.17 Sq Ft	Vacant	500
147	Gpa Business Complex	Freight Shed	Ground Floor	40180 Sq Ft	Vacant	500

148	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
149	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
150	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
151	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
152	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
153	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
154	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
155	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
156	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
157	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
158	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
159	Gpa Business Complex	Freight Shed	Ground Floor	276.50 Sq Ft	Vacant	500
160	Gpa Business Complex	Freight Shed	Ground Floor	117 Sq Ft	Vacant	500
161	Gpa Business Complex	Freight Shed	Ground Floor	117 Sq Ft	Vacant	500
162	Gpa Business Complex	Clock Tower	Ground Floor	1482.25 Sq Ft	Vacant	500
163	Gpa Business Complex	Container Shed	Ground Floor	13030.79 Sq Ft	Vacant	500
164	Gpa Business Complex	Marinerepair Shed	Ground Floor	13030.79 Sq Ft	Vacant	500
165	Gpa Civic Ceter	Shop-1	Ground Floor	219.93 Sq Ft	Vacant	500
166	Gpa Civic Ceter	Shop-2	Ground Floor	215.62 Sq Ft	Vacant	500
167	Gpa Civic Ceter	Shop-3	Ground Floor	198.37 Sq Ft	Vacant	500
168	Gpa Civic Ceter	Shop-4	Ground Floor	185.43 Sq Ft	Vacant	500
169	Gpa Civic Ceter	Shop-5	Ground Floor	176.81 Sq Ft	Vacant	500
170	Gpa Civic Ceter	Shop-7	Ground Floor	216.75 Sq Ft	Vacant	500
171	Gpa Civic Ceter	Shop-8	Ground Floor	212.50 Sq Ft	Vacant	500
172	Gpa Civic Ceter	Shop-9	Ground Floor	195.50 Sq Ft	Vacant	500

173	Gpa Civic Ceter	Shop-10	Ground Floor	182.75 Sq Ft	Vacant	500
174	Gpa Civic Ceter	Shop-11	Ground Floor	216.75 Sq Ft	Vacant	500
175	Gpa Civic Ceter	Shop-12	Ground Floor	212.50 Sq Ft	Vacant	500
176	Gpa Civic Ceter	Shop-13	Ground Floor	195.50 Sq Ft	Vacant	500
177	Gpa Civic Ceter	Shop-14	Ground Floor	182.75 Sq Ft	Vacant	500
178	Gpa Civic Ceter	Hall-3	Ground Floor	2178 Sq Ft	Vacant	500
179	Gpa Civic Ceter	General Store	Ground Floor	550 Sq Ft	Vacant	500
180	Gpa Civic Ceter	Room-12	First Floor	180.25 Sq Ft	Vacant	500
181	Gpa Civic Ceter	Room-13	First Floor	180.25 Sq Ft	Vacant	500
182	Gpa Civic Ceter	Room-14	First Floor	180.25 Sq Ft	Vacant	500
183	Gpa Civic Ceter	Room-15	First Floor	364.79 Sq Ft	Vacant	500
184	Gpa Civic Ceter	Room-16	First Floor	154.65 Sq Ft	Vacant	500
185	Gpa Civic Ceter	Room-17	First Floor	255 Sq Ft	Vacant	500
186	Gpa Civic Ceter	Room-18	First Floor	244.37 Sq Ft	Vacant	500
187	Gpa Civic Ceter	Room-19	First Floor	145.20 Sq Ft	Vacant	500
188	Gpa Civic Ceter	Room-20	First Floor	145.20 Sq Ft	Vacant	500
189	Gpa Civic Ceter	Room-21	First Floor	139.30 Sq Ft	Vacant	500
190	Gpa Civic Ceter	Room-22	First Floor	227.62 Sq Ft	Vacant	500
191	Gpa Civic Ceter	Room-23	First Floor	222.73 Sq Ft	Vacant	500
192	Gpa Civic Ceter	Room-24	First Floor	227.67 Sq Ft	Vacant	500
193	Gpa Civic Ceter	Room-25	First Floor	418.16 Sq Ft	Vacant	500
194	Gpa Civic Ceter	Hall-1	First Floor	1218.37 Sq Ft	Vacant	500
195	Gpa Civic Ceter	Hall-2	First Floor	1005.75 Sq Ft	Vacant	500
196	Gpa Civic Ceter	Store	First Floor	478.83 Sq Ft	Vacant	500
						164,500
		Total	164,500 X 12 Month			1,974,000

Annex-61
(See Para. 6.2.4.1)

Non recovery of utility and rent charges from the tenants – Rs. 128.589 million							
Amount in Rs							
Sr #	Name of Party	Opening Balance	During The period	LPS	Received Amount	Balance Amount	Remarks
1.	National Bank Of Pakistan , KoFHA Branch	(1)	627,832	0	627,832	(0)	Operational
2.	Bahria Boat Building Yard	23,703	410,051	3,015	406,096	30,672	Operational
3.	Business Engg. Trends C-39 & 40	0	831,357	-	831,357	0	Operational
4.	Marina Sea Craft C-37 & 38	(0)	2,023,208	-	2,023,208	(1)	Operational
5.	Botan Corporation	40,246	292,952	3,121	242,176	94,143	Operational
6.	ABC Fisheries (Pvt) Ltd. Unit-I	1,647,154	-	261,223	-	1,908,376	Operational
7.	Mukhinoordin & Sons A-45	-	-	-	-	-	Operational
8.	Maritime Security Agency C-36-A	88,153	1,134,785	-	1,009,276	213,662	Operational
9.	Maritime Security Agency boat	5,787	73,564	-	56,635	22,716	Operational
10.	Maritime Security Agency C-2	16,505	213,936	-	208,208	22,232	Operational
11.	Seo Young International	149,994	-	-	150,000	(6)	Operational
12.	Morawala Engineering C-3, C-4	9,641	59,337	1,467	44,178	26,267	Operational
13.	Al Habib Hotel Shop #1	118,674	297,652	9,302	376,111	49,517	Operational
14.	La Candila Pvt LTD (Reliable)	(1)	1,319,026	8,563	1,126,229	201,360	Operational
15.	Al Malik Traders (Kanta) A-41	163	65,316	443	65,922	0	Operational
16.	Hei - 5 International A-43	-	-	-	-	-	Operational
17.	Imdad Hussain LPG C-22	3,554	29,358	1,694	13,791	20,816	Operational
18.	Zulfiqar Ali Shop #3	6,902	116,510	435	112,532	11,315	Operational
19.	Ghulam Azhar Commercial D-3	872,217	1,825,088	140,359	1,987,000	850,664	Operational
20.	Falcon Fisheries Pvt Ltd.A-40	-	-	-	-	-	Operational
21.	Falcon Fisheries Pvt Ltd.A-40	-	-	-	-	-	Operational
22.	Khadim Hussain Mole #2	4,194	37,177	1,671	34,382	8,660	Operational
23.	blue Lagoon Mole.# 10	15,351	52,290	4,631	40,000	32,272	Operational
24.	Blue Lagoon Fisheries	9,428,807	8,645,642	2,031,980	7,410,000	12,696,430	Operational
25.	Nazir Ahmed Mole	1,809	10,938	222	7,790	5,178	

	No.15						Operational
26.	Meccon Engineering C-10 & C-11	237	240	59	-	536	Operational
27.	Friends Sea Food A-44	-	-	-	-	-	Operational
28.	Badsha Company C-35	155	18,840	24	19,018	1	Operational
29.	Amjad Shafqat C-6	2,799	30,085	915	15,391	18,408	Operational
30.	Muhammad Sabir Shop #5	6,422	90,989	1,286	76,308	22,389	Operational
31.	Sindh Fisheries Mole Building	90,381	8,593	16,658	-	115,632	Operational
32.	Trans Power Logistic C-23	310	530	68	-	908	Operational
33.	Atta Muhammad Dry Cleaner	25,041	343,678	6,996	294,219	81,497	Operational
34.	Ather Ali LPG Unit	394,623	614,455	43,112	680,080	372,111	Operational
35.	Fouji Enterprises C-1	16	318	0	-	333	Operational
36.	Dynamic LPG unit	8,824	28,360	1,546	26,228	12,502	Operational
37.	Muhammad Arif C-8	49,840	174,765	1,421	209,246	16,779	Operational
38.	Shaheen Diesel Services- D-8	(3,906)	63,514	-	59,609	(0)	Operational
39.	Amjad Shafqat D-2	-	253,582	10,312	99,179	164,715	Operational
40.	Nisar Engg Works C-24 & C-25	24,224	4,941	490	24,226	5,428	Operational
41.	Shaikh Rehman Engineering Works	618	103,086	2,477	42,088	64,092	Closed
42.	Shahid Tanki Wala-C-14						Closed
43.	UNSA SERVICE STATION (PSO)	2,662	240	499	-	3,401	Closed
44.	Falcon Oils Filling Station- D-1	405	43,707	774	32,234	12,652	Closed
45.	Colonel Seafood A-9 to A-10	806	240	165	-	1,211	Closed
46.	Ali Ice Factory A-37	1,788,133	240	283,792	-	2,072,164	Closed
47.	Kanishero	(14,885)	-	-	-	(14,885)	Closed
48.	Searevo Custom	-	-	-	-	-	Closed
49.	Zia ul Haq A-39	-	-	-	-	-	Closed
50.	Haidery Eng.MW C-26 & 27	60,877	240	9,551	70,668	(0)	Closed
51.	Bismillah Café (Shokat Khati)	-	-	-	-	-	Closed
52.	Jahangeer Shop No.2	(206)	-	-	-	(206)	Closed
53.	AR Traders Shop #8	10,922	-	-	-	10,922	Closed
54.	AR Traders Shop #9	6,131	-	-	-	6,131	Closed
55.	Jam Ameer Ahmed Shop #4	-	-	-	-	-	Closed
56.	Jam Ameer Ahmed Mole #1	-	-	-	-	-	Closed
57.	Shop # 6	9,128	240	1,568	-	10,936	Closed

58.	Shop # 7	-	-	-	-	-	Closed
59.	Mole # 13	-	-	-	-	-	Closed
60.	Dondha Boat (Noor Hassan)	-	13,892	-	13,894	(2)	Closed
	Total	14,896,410	19,860,793	2,849,838	18,435,111	19,171,931	
	Operational	13,032,436	19,801,994	2,553,490	18,318,315	17,069,605	
	Closed	1,863,974	58,799	296,348	116,796	2,102,325	
	Total:-	14,896,410	19,860,793	2,849,838	18,435,111	19,171,931	

S r #	Descripti on	Openin g Balanc e Water	During the period	LPS	Receive d Amount Water	Balanc e Amount Water	Remarks
1.	Cash water sale for Fishing Boats M.# 1	-	-		-		
2.	Bahria Boat Building Yard	0	56,533	-	56,534	(0)	operatio nal
3.	Business Engg. Trends C-39 & 40	2	158,620	-	158,619	3	operatio nal
4.	Marina Sea Craft C-37 & 38	1	133,785	-	133,786	(1)	operatio nal
5.	Botan Corporation	(1,189)	34,045	362	18,476	14,741	operatio nal
6.	ABC Fisheries (Pvt) Ltd. Unit-I	1,209,439	585,866	237,011	326,735	1,705,582	operatio nal
7.	Aqua	2,087	782,951	13,98	797,332	1,689	

	Pearl 3362			3			operational
8.	Legend International A-11 to A-13	416,629	2,581,947	8,539	2,350,330	656,784	operational
9.	Mukhinoor din & Sons A-29 To A-31	(0)	4,719,773	-	4,224,495	495,277	operational
10	Mukhinoor din & Sons A-45	1	902,073	-	789,409	112,665	operational
11	Maritime Security Agency C-36-A	27,662	165,683	-	142,097	51,248	operational
12	Maritime Security Agency C-2	21,735	166,786	-	146,406	42,115	operational
13	Seo Young International	(14,277)	242,894	23,912	13,790	238,739	operational
14	Al Habib Hotel Shop #1	112,054	150,843	31,711	61,181	233,428	operational
15	Kanishero	0	6,915	1,124	-	8,040	operational
16	HAJI MUHAMMED SADIQ	1	5,099,390	-	4,463,586	635,805	operational
17	La Candila Pvt LTD (Reliable)	(1)	549,767	2,528	451,753	100,542	operational
18	Al Malik Traders (Kanta) A-41	4,263	24,910	523	29,696	(0)	operational
19	Hei - 5 Internati	1	674,036	1,384	591,627	83,793	operational

	onal A-43						nal
20	Ghulam Azhar Commercial D-3	91,225	206,492	12,295	215,000	95,012	operational
21	Meccon Engineering C-10 & C-11	-	-	-	-	-	operational
22	Falcon Fisheries Pvt Ltd.A-40	(73)	200,997	164	201,091	(3)	operational
23	Shahid Tanki Wala	-	-	-	-	-	operational
24	Morawala Engineering C-3, C-4	25	10,859	48	9,367	1,565	operational
25	Friends Sea Food A-44	(1)	1,075,996	-	937,496	138,499	operational
26	Badsha Company C-35	(19)	154	10	-	145	operational
27	Blue Lagoon Fisheries	222,270	597,181	16,153	769,000	66,603	operational
28	Muhammad Sabir Shop #5	11,275	203,131	3,282	155,600	62,088	operational
29	Ather Ali LPG Unit	8,686	67,141	3,305	26,313	52,818	operational
30	Hussain Engineering Works	-	1,998	153	2,000	151	operational
31	Shaheen Diesel Services-D-8	0	19,230	67	19,297	0	operational
32	Suhbat Khan (Atta Muhammad)	14,667	214,538	5,849	93,135	141,919	operational
33	Amjad	22,873	161,862	7,948	90,418	102,26	

	Shafqat D-2					5	operational
34	Maritime Seafood	-	69,254	-	-	69,254	operational
35	Zia ul Haq A-39	-	-	-	-	-	Closed
36	Bismillah Petroleum Services PP-1	522,833	502,949	139,106	-	1,164,887	Closed
37	Falcon Oils Filling Station-D-1	22	-	4	-	26	Closed
38	UNSA SERVICE STATION (PSO)	6,970	-	1,091	-	8,061	Closed
39	Trans Power Logistic C-23	-	-	-	-	-	Closed
40	Colonel Seafood A-9 to A-10	30	-	6	-	36	Closed
41	Ali Ice Factory A-37	65,482	-	10,404	-	75,886	Closed
42	Bismillah Café (Shokat Khati)	-	-	-	-	-	Closed
43	Shaikh Rehman Engineering Works	(2,323)	-	-	-	(2,323)	Closed
44	Kissa Engineering Works	-	-	-	-	-	Closed
45	Searveo Custome Marine	-	-	-	-	-	
Total							

		2,742,348	20,368,598	520,962	17,274,569	6,357,339	
	Operational	2,149,335	19,865,649	370,351	17,274,569	5,110,766	
	Closed	593,013	502,949	150,611	-	1,246,573	
	Total;-	2,742,348	20,368,598	520,962	17,274,569	6,357,339	

S. No	Monthly Rent Parties	Shop Mole & Plots	Opening Balance	During The Year	LPS	Received	Balance Amount	Remarks
1.	Botan Corporation	Old KoFHA Office Building	18,088	1,186,828	8,256	997,548	215,623	Operational
2.	Al Habib Hotel Shop #1	Shop . # 1	42,234	178,998	5,905	211,175	15,963	Operational
3.	Muhamma d Jahngeer	Shop . # 2	257,455	-	-	-	257,455	Closed
4.	Zulfiqar Ali Shop #3	Shop . # 3	(120)	96,000	120	96,000	(0)	Operational
5.	Jam Ameer - shop # 4	Shop . # 4	-	-	-	-	-	Closed
6.	Muhamma d Sabir Shop #5	Shop . # 5	0	96,000	1,811	81,449	16,362	Operational
7.	Bismillah Café (Shokat	Café	997,782	-	-	-	997,782	Closed

	Khathi)							
8.	Khadim Hussain Mole #2	Mole No, 2	30,243	60,000	12,100	-	102,343	Operational
9.	Ishaq Khan Mole # 4	Mole No, 4	-	-	-	-	-	Closed
10.	Shaid Hayat Mole # 5	Mole No, 5	-	-	-	-	-	Closed
11.	Noor Seafood Mole.# 06	Mole No, 6	-	-	-	-	-	Closed
12.	blue Lagoon Mole.# 10	Mole No, 10	7,492	60,000	187	70,000	(2,321)	Operational
13.	Umer Hayat Mole .# 08	Mole No, 08	-	-	-	-	-	Closed
14.	Nazir Ahmed Mole No.15	Mole No, 15	128,475	60,000	28,185	30,000	186,659	Operational
15.	Mrs, Khadija	Mole No, 16	276,791	60,000	60,329	-	397,120	Operational
16.	Abdul Kareem Mole 14	Mole No, 14	-	-	-	-	-	Closed
17.	Abdul Majeed Mole 11	Mole No, 11	-	-	-	-	-	Closed
18.	Ali Muhammad Mole 12	Mole No, 12	-	-	-	-	-	Closed
Total			1,758,439	1,797,827	116,893	1,486,172	2,186,986	

Annex-62
(See Para. 6.3.4.31)

Irregular / unjustified fixing of salaries - Rs.15.627 million							
S#	Name and designation	Grade	Description	Pay as per pay slip	Pay as per HR manual	Difference per month (Rs.)	Difference per year (Rs.)
1.	Hamadullah Sheikh Manager, Estate	XII	Basic pay	128,719	93,692		
Gross pay				250,000	187,957	62,043	744,516
2.	Ahmed Qayum Khan Manager, Commercial	XII	Basic pay	316,219	93,692		
Gross pay				550,000	187,957	362,043	4,344,516
3.	M. Javed Noor Manager, Tech. Ops	XII	Basic pay	316,219	93,692		
Gross pay				550,000	187,957	362,043	4,344,516
4.	Bilal Aslam Dy. Mgr. M&RS	XI	Basic pay	214,719	66,939		
Gross pay				380,000	149,302	230,698	2,768,376
5.	M. Waqas Zahoor Dy. Mgr. chartering	XI	Basic pay	157,219	66,939		
Gross pay				300,000	149,302	150,698	1,808,376
6.	Ali Raza AM, PNSC workshop	X	Basic pay	34,828	26,276		
Gross pay				100,000	80,067	19,933	239,196
7.	Wasim Abbas AM, MR&S	X	Basic pay	34,828	26,276		
Gross pay				100,000	80,067	19,933	239,196
8.	Razi Ahmed Mufti AM, MR&S	X	Basic pay	44,203	26,276		
Gross pay				115,000	80,067	34,933	419,196
9.	Mujtaba Fayaz Ahmed AM, ship personnel	X	Basic pay	59,828	26,276		
Gross pay				140,000	80,067	59,933	719,196
Total (Rs.)							15,627,084

Annex-63
(See Para. 6.3.4.6)

Unauthorized payment on account of local & foreign port charges Rs. 1,478.361 million				
Vessel Name	Advance Payment(Rs.)	NDC Amount (Rs.)	Invoice Amt (Rs.)	Amount Paid(Rs.)
MT. Quetta	10,000,000	10,706,756	10,917,179	10,917,179

MT. Shalamar	10,000,000	9,438,386	11,996,181	11,996,181
MT. Shalamar	10,000,000	9,646,390	10,242,031	10,242,031
MT. Lahore	10,000,000	-	11,655,589	11,655,589
MT. Mardan	10,000,000	10,535,996	11,340,690	11,340,690
MT. Karachi	10,000,000	9,417,298	10,198,016	10,198,016
MT. Shalamar	10,000,000	10,509,823.57	10,111,803	10,111,803
MT. Lahore	11,000,000	11,941,127	10,053,076	10,053,076
MT. Shalamar	11,000,000	13,458,255	11,759,546	11,759,546
MT. Mardan	11,000,000	13,700,459	12,254,073	12,254,073
MT. Quetta	11,000,000	8,580,500	11,049,711	11,049,711
MT. Lahore	12,000,000	14,306,901	12,052,748	12,052,748
MT. Quetta	11,000,000	11,203,842	10,415,870	10,415,870
MT. Karachi	11,000,000	11,217,092	10,623,744	10,623,744
MT. Lahore	10,000,000	11,289,411	10,398,317	10,398,317
MT. Mardan	10,000,000	12,450,240	12,938,324	12,938,324
MT. Shalamar	12,000,000	11,508,100	10,581,302	10,581,302
MT. Lahore	12,000,000	11,947,890	12,418,096	12,418,096
MT. Quetta	11,000,000	10,686,718	10,606,673	10,606,673
MT. Mardan	11,000,000	10,690,266	11,444,321	11,444,321
MT. Shalamar	12,000,000	10,492,348	11,412,413	11,412,413
MT. Lahore	12,000,000.00	11,841,604	11,572,103	11,572,103
MT. Mardan	14,000,000	13,047,260	11,080,332	11,080,332
MT. Quetta	11,000,000	11,636,465	11,788,330	11,788,330
MT. Shalamar	12,000,000	13,967,690	11,440,014	11,440,014
MT. Lahore	12,000,000	11,227,000	11,778,611	11,778,611
MT. Quetta	12,000,000	14,648,914	11,641,872	11,641,872
MT. Shalamar	12,000,000	12,391,108	11,282,000	11,282,000
MT. Mardan	12,000,000	12,590,721	10,924,435	10,924,435
MT. Lahore	12,000,000	12,556,819	11,629,926	11,629,926
MT. Quetta	12,000,000	-	10,981,246	10,981,246
MV. Hyderabad	10,000,000	14,162,115	11,867,993	11,867,993
MT. Shalamar	12,000,000	12,401,982	11,925,312	11,925,312

MT. Mardan	12,000,000	12,650,808	11,910,871	11,910,871
M.T.Shalamar	12,000,000	12,632,522	12,302,369	12,302,369
M.T.Quetta	12,000,000	11,354,925	11,904,928	11,904,928
M.T.Mardan	12,000,000	14,777,802	13,157,859	13,157,859
M.T.Lahore	13,000,000	11,176,188	12,737,626	12,737,626
M.T.Shalamar	13,000,000	11,008,194	10,745,640	10,745,640
M.T.Mardan	13,000,000	14,133,545	13,157,859	13,157,859
M.T.Shalamar	13,000,000	12,719,518	12,178,649	12,178,649
M.T.Lahore	13,000,000	11,221,138	12,247,231	12,247,231
M.T.Quetta	13,000,000	6,876,020	29,889,667	29,889,667
M.T.Shalamar	14,500,000	16,130,829	11,242,709	11,242,709
M.T.Mardan	14,500,000	12,800,633	15,942,445	15,942,445
M.T.Shalamar	14,500,000	14,241,154	16,377,004	16,377,004
M.T.Lahore	14,500,000	14,382,498	15,798,807	15,798,807
M.T.Shalamar	14,500,000	14,133,794	16,046,418	16,046,418
M.T.Mardan	12,000,000	12,650,809	11,910,871	11,910,871
M.T.Lahore	12,000,000	12,680,820	12,883,294	12,883,294
M.T.Quetta	14,500,000	12,868,168	15,340,166	15,340,166
628,156,307.98				

Details of payments on account of foreign port charges without formal approval from Large Expenditure Committee (LEC)

S#	Vessel Name	Date of Sailed	Name of Port	Amount (Rs.)
1	Sargodha	2/25/2023	Malaysia	26,171,901
2	Khairpur	9/28/2022	NEW MAGALORE	21,347,191
3	Bolan	8/1/2022	VADINAR	19,996,118
4	Shalamar	4/22/2023	Das Island	19,668,153
5	Khairpur	7/10/2022	SIKKA	17,155,096
6	Bolan	2/23/2023	SIKKA	16,587,825
7	Bolan	3/20/2023	SIKKA	16,571,212
8	Khairpur	5/4/2023	RAS LAFFAN	16,149,164
9	Khairpur	4/20/2023	RAS LAFFAN	16,148,007
10	Khairpur	5/12/2023	RAS LAFFAN	16,085,587
11	Sargodha	11/7/2022	PORT DICKSON	14,713,914

12	Sargodha	2/10/2023	SRIACHA	14,409,591
13	Bolan	3/8/2023	JEBEL ALI	13,335,860
14	Sargodha	11/30/2022	Malaysia	12,949,343
15	Bolan	1/17/2023	RAS LAFFAN	12,736,663
16	Quetta	6/1/2023	Rastanurah	12,655,721
17	Mardan	6/13/2023	Rastanurah	12,651,016
18	Lahore	4/16/2023	Rastanurah	12,600,888
19	Lahore	3/15/2023	Rastanurah	12,517,960
20	Quetta	3/6/2023	Rastanurah	12,497,706
21	Shalamar	6/3/2023	Rastanurah	12,468,343
22	Shalamar	6/27/2023	Rastanurah	12,468,343
23	Quetta	5/18/2023	Rastanurah	12,455,652
24	Lahore	2/26/2023	Rastanurah	12,455,534
25	Mardan	5/27/2023	Rastanurah	12,451,022
26	Shalamar	3/23/2023	Rastanurah	12,448,203
27	Lahore	6/8/2023	Rastanurah	12,430,038
28	Lahore	3/31/2023	Rastanurah	12,418,933
29	Shalamar	5/8/2023	Rastanurah	12,383,681
30	Mardan	4/28/2023	Rastanurah	12,377,161
31	Sargodha	12/22/2022	Malaysia	12,360,208
32	Shalamar	5/20/2023	Rastanurah	12,271,236
33	Quetta	3/18/2023	Rastanurah	12,268,705
34	Quetta	4/23/2023	Rastanurah	12,264,849
35	Shalamar	4/7/2023	Rastanurah	12,251,324
36	Lahore	5/23/2023	Rastanurah	12,233,540
37	Shalamar	2/19/2023	Rastanurah	12,220,477
38	Mardan	3/12/2023	Rastanurah	12,197,373
39	Mardan	4/17/2023	Rastanurah	12,160,285
40	Mardan	3/29/2023	Rastanurah	11,971,500
41	Shalamar	4/25/2023	Rastanurah	11,835,813
42	Quetta	4/5/2023	Rastanurah	11,745,225
43	Mardan	5/23/2023	KARACHI	11,504,155
44	Lahore	1/20/2023	Rastanurah	11,403,214
45	Mardan	5/23/2023	KARACHI	11,380,149
46	Sargodha	10/24/2022	FUJAIRAH	11,366,021

47	Quetta	2/15/2023	Rastanurah	11,344,846
48	Mardan	2/13/2023	Rastanurah	11,330,739
49	Shalamar	1/19/2023	Rastanurah	11,300,092
50	Khairpur	7/15/2022	JEBEL ALI	11,287,959
51	Shalamar	2/5/2023	Rastanurah	11,267,324
52	Quetta	1/2/2023	Rastanurah	11,266,284
53	Lahore	2/10/2023	Rastanurah	11,253,641
54	Lahore	1/6/2023	Rastanurah	11,244,427
55	Quetta	1/17/2023	Rastanurah	11,165,553
56	Bolan	9/22/2022	AIN SUKHNA	11,126,889
57	Lahore	5/11/2023	Das Island	11,120,907
58	Quetta	1/17/2023	Rastanurah	11,099,184
59	Shalamar	3/11/2023	Zirku	10,719,386
60	Karachi	7/1/2022	Rastanurah	10,396,617
61	Mardan	1/12/2023	Das Island	10,308,264
62	Mardan	1/31/2023	Das Island	10,308,264
63	Karachi	7/21/2022	Rastanurah	10,296,298
64	Shalamar	7/6/2022	Rastanurah	10,229,950
65	Sargodha	3/6/2023	ZOUSHAN	10,221,349
66	Shalamar	7/18/2022	Rastanurah	10,177,784
Total (Rs.)				850,205,657

Annex-64

S. No.	Description	Agreement dated	Name of Vendor	Rate (Rs)	Qty. (Nos.)	Amount of Purchase Order (Rs)	Stamp Duty @ 0.25% of Purchase Order (Rs)
1	Purchase of 18,343 Jutes bales containing 300 bags	03.03.2023	Sargodha Jute Mills Ltd	498	5,502,900	2,740,444,200	6,851,111
2	Purchase of 5,156 Jutes bales containing 300 bags	03.03.2023	Madina Jute Mills Ltd	498	1,546,800	770,306,400	1,925,766
3	Purchase of 20,326 Jutes bales containing 300 bags	03.03.2023	Thal Limited	498	6,097,800	3,036,704,400	7,591,761
4	Purchase of 1200 liters Deltamethrine	05.03.2024	Target Agro Chemicals	1,795	1,200	2,154,000	5,385
5	Purchase of 2275 Jutes bales containing 300	22.02.2024	Thal Limited	523	682,500	357,261,450	893,154

	bags						
6	Purchase of 1487 Jutes bales containing 300 bags	22.02.2024	White Pearls Jute Mills	523	446,100	233,515,506	583,789
7	Purchase of 1925 Jutes bales containing 300 bags	22.02.2024	Sargodha Jute Mills	523	577,500	302,298,150	755,745
8	Purchase of 1313 Jutes bales containing 300 bags	22.02.2024	Madina Jute Mills	523	393,900	206,190,894	515,477
9	Purchase of 268,550 KG Polythene Sheet	22.02.2024	Texo Poly Industries	1,055	268,550	283,320,250	708,301
10	Purchase of 1487 Jutes bales containing 300 bags	22.02.2024	White Pearls Jute Mills	523	446,100	233,515,506	583,789
11	Purchase of 1925 Jutes bales containing 300 bags	22.02.2024	Sargodha Jute Mills	523	577,500	302,298,150	755,745
12	Purchase of 1313 Jutes bales containing 300 bags	22.02.2024	Madina Jute Mills	523	393,900	206,190,894	515,477
13	Transportation of 800,000 M.tons imported wheat from Gwadar to Zones	30.01.2023	NLC			13,166,000,000	46,081,000
14	Purchase of 43220 KG AP Tablets	06.03.2023	ZR Engineering	3,819	43,220	165,057,180	412,643
15	Purchase of 12890 KG AP Tablets	05.03.2023	ZR Engineering	3,925	12,890	50,593,250	126,483
16	Purchase of 1690 Jutes bales containing 300 bags	29.03.2024	Madina Jute Mills	523	487,800	255,246,228	638,116
17	Purchase of 2207 Jutes bales containing 300 bags	29.03.2024	White Pearls Jute Mills	523	662,100	346,582,866	866,457
18	Purchase of 4976 Jutes bales containing 300 bags	29.03.2024	Sargodha Jute Mills	523	1,492,800	781,421,088	1,953,553
19	Purchase of 5727 Jutes bales containing 300 bags	29.03.2024	Thal Limited	523	1,718,100	899,356,626	2,248,392
20	Purchase of 6490 Jutes bales containing 300 bags	13.07.2022	Madina Jute Mills	417	1,947,000	811,899,000	2,029,748
21	Purchase of 6660 Jutes bales containing 300 bags	13.07.2022	White Pearls Jute Mills	417	1,998,000	833,166,000	2,082,915
22	Purchase of 12720 Jutes bales containing 300 bags	13.07.2022	Sargodha Jute Mills	417	3,816,000	1,591,272,000	3,978,180
23	Purchase of 14630 Jutes	22.02.2024	Thal Limited	417	4,389,000	1,830,213,000	4,575,533

	bales containing 300 bags						
						Total	86,678,518

Annex-65

Detail of the expenditure incurred by the HMT contractors during the year 2023-24	
STATUS	(All)
	Expenses
Row Labels	Sum of Total Invoice Value (Rs)
DRY	6,757,922,893
LIQUID	6,092,819,305
TOTAL:-	12,850,742,198

Annex-66**(Rs in million)**

S. #	Name of Work and Location	Name of Contractor	Cost of Work	Mobili- zation	Performance Guarantee @ 5%
1	Renovation of 03x Warehouse Sheds at NLC Off Dock Terminal Sultanabad	M/s SJ Interiors	33.580	10.07	1.68
2	Lighting Towers at NLC Off Dock Terminal Sultanabad	M/s SJ Interiors	12.269	3.68	0.61
3	Raising of 3 feet wall and fixing of barbed wire on wall at warehouse sheds NLC off dock terminal Sultanabad	M/s SJ Interiors	2.908	0.87	0.15
4	Dismantling/Installation of open Iron Shed at NLC off Dock Terminal Sultanabad	M/s SJ Interiors	1.674	0.50	0.08
5	Renovation/Repair/Maintenance of offices living accommodation & Washrooms at NLC off Dock Terminal Sultanabad	M/s SJ Interiors	10.430	3.129	0.52
6	Purchase of furniture/split ACs and Misc. items for NLC off Dock Terminal Sultanabad	M/s SJ Interiors	5.112	1.53	0.26
7	Installation of security fence on boundary wall with razer/concertina wire a/w lighting	M/s SJ Interiors	7.863	2.3589	0.39
8	Racking at 2x Warehouse Sheds	Habib Sons	33.60	16.80	1.68
9	Renovation of Marketing TIR, Corporate Sales offices and construction of new Washrooms at NLC HQ Log Services Sultanabad	M/s Nowa Enterprises	5.049	1.51	0.25
10	Renovation work of marketing Block/ Barracks at Sultanabad	M/s Nowa Enterprises	6.833	2.0499	0.34
	Grand Total		119.318	76.115	9.326

Annex-67

S. No.	Date of advertisement	Designation	Total candidates as per as PIDE record	Short listed candidates	Date of interview	Name of selected candidate	Per month salary (Rs)	Nos. of months up till August 2024	Total Payment (Rs) up till August 2024
1	31.05.2023 (Daily Jang Rawalpindi)	Video Editor	32	17	11.07.23	Usman Ali,	60,000	14	840,000
2	do	Research Fellow	100	07	10.07.23	Muneeb Sikandar,	125,000	14	1,750,000
3	do	Lawyer for Research	113	10	10.07.23	Saher Saqib	150,000	14	2,100,000
4	do	Research Associates	113	10	10.07.23	1. Ambreen Saqib 2. Syeda Um Ul Baneen 3. Abbas Murtaza Maken	60,000 x 3 = 180,000	14	2,520,000
5	do	Staff officer to Vice Chancellor	121	07	10.07.23	Mr. Kelash,	110,000	14	1,540,000
6	Not in press media	IT Support Assistant	08	05	11.05.23	Muhammad Aqib	50,000	16	800,000
7	Seat not advertisement	Associate Professor	11	09	-	Dr. Iftikhar Ahmad	-	16	-
8	18.06.2023 Express	Chief of Research	11	09		Dr. Shujaat Farooq	357,226	16	5,715,616
10	Jang Rawalpindi 22.01.2023	Deputy Chief Policy	152	04		Mr. Muhammad Adnan	-	-	-
11	-do	Assistant Chief Policy	255	04	11.04.23	1. Ms. Amina Qureshi 2. Mr. Qaiser Hamayun 3. Mr. Saddam Hussain	175,000 - 185,000	17	2,975,000
12	Not advertised in press media	Network Administrator	107	07		Muhammad Kamaran Siddiqui	115,000	17	1,955,000
13	02.12.2023 Jang Rawalpindi	Registrar	144	18	03.01.23	Dr. Arshad Hussain Hashmi	350,000	20	7,000,000
14	18.06.2023 Express	Treasure			19.07.22	Syed Atif Ayub	-	26	-
	Total								39,024,480

Annex-68

Project:- Development, of internal infrastructure of CBD Walton Phase-1 and 2 Lahore										
Project	Contractor	Contract Cost (Rs in million)	Date of com.	Date of completion	Period in months	Last RAR	Date	Amount	Delay in comp as on 21.12.24 (days)	Penalty @0.1% per day subject to maximum of 10% of the contract (Rs in million)
Const. of flyover connecting Babe-E Pakistan to Walton Super Structure Concrete, special shuttering, steel, reinforcement & HT Wire Part-D	M/S Habib Const. Services Ltd	991.278	22.01.2024	21.04.2024	03 months	8	24.06.24	322.939	240	99.128
Const. of infrastructure of CBD Walton (Phase-2 & 3) & flyover connecting Babe-E Pakistan to Walton)	M/S Habib Const. Services Ltd	945.259	26.01.2024	25.04.2024	3	6	18.03.24	544.671	236	94.526
Const. of infrastructure of CBD Walton (Phase-2 & 3) & flyover connecting Babe-E Pakistan to Walton) Less asphalt work paret C	M/S Habib Const. Services Ltd	993.058	10.11.2023	09.06.2024	7	12	09.06.24	1196.727	192	99.305
Const. of infrastructure of CBD Walton (Phase-2 & 3) & flyover connecting Babe-E Pakistan to Walton) Less asphalt work paret C	M/S Habib Const. Services Ltd	2,413.113	15.09.2023	14.04.2024	7	22	26.06.24	1864.302	246	241.311
Grand Total										534.27

Annex-69

Detail of Items procured for 10th Avenue Project Islamabad				
PV #	Date	Name of Supplier	Name of Material	Amount (Rs)
97		M/s Paragon Interior	Curb Stone and Binding Wire	1,123,773
201	22.05.2024	M/s Himmel Tek International	Supply of fabricated Steel	3,433,674
202	22.05.2024	M/s Malik & Baqir & Co	Supply of Crush	4,917,133
204	22.05.2024	M/s Kazmi Enterprises	ABC, Sub-Bas , Lawrence Gravel and Filling Sand	6,588,919
133	14.02.2024	M/s Sahara & Co	Project Store and Tools	1,109,175
134	14.02.2024	M/s Zeeshan Minral	Crush, Gravel etc.	799,472
153	08.04.2024	M/s Himmel Tek International	PVC pipes	3,294,123
156	08.04.2024	M/s Kazmi Enterprises	Sub Base, ABC and Crush	4,024,314
157	08.04.2024	M/s Paragon Interior	Curb Stone and batteries	1,376,883
225	08.04.2024	M/s Malik & Baqir & Co	Crush	2,397,874
142	17.05.2024	M/s Kazmi Enterprises	ABC, Sub-Bas , Lawrence Gravel, Crush and Filling Sand	4,154,413
144	17.05.2024	M/s Paragon Interior	Shuttering Plywood	999,401
193	21.02.2024	M/s Paragon Interior	Shuttering Plywood, Popular Battay, Wood Battens etc.	4,983,671
7	03.06.2024	M/s Himmel Tek. Int	Supply of fabricated Steel	4,286,392
246	27.05.2024	M/s Himmel Tek International	Supply of fabricated Steel	2,053,921
		Total A		45,543,138
		M/s Waseem Abbas	Crane	2,710,965
		M/s Noor Goods Transport	Shahzore	1,086,398
		M/s Waheed	Tractor with Trailer	775,833
		Total B		4,573,196
		Grand Total:-		50,116,334

Detail of Items procured for 11th Avenue Project Islamabad				
PV No.	Date	Name of Supplier	Name of Material	Amount of Voucher
248	24.08.2023	M/s Noor Enterprises	Sub Base and Aggregate Base	4,109,868
249	24.08.2023	M/s Shahbaz & Co	Aggregate Base	2,386,848
250	24.08.2023	M/s MMS Traders	Sub Base	6,905,060
4	01.09.2023	M/s ZA Kazmi Brothers	Sub Base and Aggregate Base	2,971,668
5	01.09.2023	M/s Sahara & Co	Ply Sheets and Wooden Batten	4,631,250

9	01.09.2023	M/s Chattha Builders & Stone Supplier	Sub Base and Aggregate Base	3,835,152
10	01.09.2023	M/s Shahbaz & Co	Sub Base and Aggregate Base	10,951,900
11	01.09.2023	M/s MMS Traders	Aggregate Base	10,386,986
156	14.09.2023	M/s Al Ahmad Associates	Aggregate Base	2,273,954
158	14.09.2023	M/s Chattha Builders & Stone Supplier	Aggregate Base	1,959,312
159	14.09.2023	M/s MMS Traders	Sub Base	6,938,513
137	12.10.2023	M/s Noor Enterprises	Sub Base and Aggregate Base	1,509,910
138	12.10.2023	M/s Shahbaz & Co	Sub Base and Aggregate Base	3,648,562
139	12.10.2023	M/s Chattha Builders & Stone Supplier	Sub Base and Aggregate Base	2,788,831
140	12.10.2023	M/s ZA Kazmi Brothers	Sub Base and Aggregate Base	3,620,208
169	13.10.2023	M/s Al Ahmad Associates	Sub Base and Aggregate Base	2,436,532
171	13.10.2023	M/s MMS Traders	Sub Base and Aggregate Base	77,591,462
172	13.10.2023	M/s Shahbaz & Co	Sub Base and Aggregate Base	3,540,731
254	24.10.2023	M/s Shahbaz & Co	Sub Base and Aggregate Base	2,254,276
386	27.10.2023	M/s MMS Traders	Sub Base and Aggregate Base	4,619,085
387	27.10.2023	M/s Chattha Builders & Stone Supplier	Sub Base and Aggregate Base	2,614,372
388	27.10.2023	M/s Noor Enterprises	Sub Base and Aggregate Base	2,389,642
389	27.10.2023	M/s ZA Kazmi Brothers	Sub Base and Aggregate Base	4,721,035
390	29.10.2023	M/s Al Ahmad Associates	Sub Base and Aggregate Base	3,612,389
		Total (A)		172,697,546

Statement showing procurement of the plant & machineries at 11th Avenue project			
PV No.	Supplier	Cheque Date	Cheque Amount (Rs)
PV-33	Tariq Zulqarnain Heavy Machinery	6-Jul-23	432,000
PV-34	Amir Mercedes Goods Transport service	6-Jul-23	450,000
PV-37	Raza Auto Crane	6-Jul-23	279,000
PV-39	Tariq Zulqarnain Heavy Machinery	6-Jul-23	265,844
PV-25	Khalid Enterprises	5/Sep/23	173,076.00
PV-287	Khalid Enterprises	26-Sep-3	372,596
PV-263	Khalid Enterprises	24-Oct-23	242,787
PV-324	Khalid Enterprises	25-Oct-23	221,153
PV-283	Khalid Enterprises	24-Nov23	500,000
PV-261	Huzaiifa Earth Moving Machinery	17-Jan-24	178,200.00
PV-262	Haider Ali	17-Jan-24	92,942.00
PV-319	Haider Ali	22-Jan-24	128,768
PV-320	Hakeem khan contractor	22-Jan-24	290,097.00
PV-322	Khalid Enterprises	22-Jan-24	612,498
PV-437	Mir & Sons Trader	31-Jan-24	565,665
PV-440	Huzaiifa Earth Moving Machinery	31-Jan-24	220,179
PV-195	Hakeem khan contractor	21-Feb24	271,488.00

PV-196	Huzaifa Earth Moving Machinery	21-Feb24	428,649.00
PV-197	Khalid Enterprises	21-Feb24	332,091.00
PV-141	Ishtiaq Muneer Heavy	8/Apr/24	214,960.00
PV-142	Karachi Diesel Autos WorkShop	8/Apr/24	411,230.00
PV-143	Khalid Enterprises	8/Apr/24	894,049.00
PV-144	Waheed Tractor Trailer Services	8/Apr/24	186,918.00
PV-145	Huzaifa Earth Moving Machinery	8/Apr/24	183,340.00
PV-148	Hakeem khan contractor	8/Apr/24	243,025.00
PV-149	Haider Ali	8/Apr/24	246,634.00
PV-159	Mir & Sons Trader	8/Apr/24	177,229.00
PV-287	Huzaifa Earth Moving Machinery	18/Apr/24	381,245.00
PV-291	Hakeem khan contractor	18/Apr/24	295,573.00
PV-292	Haider Ali	18/Apr/24	54,519.00
PV-293	Waheed Tractor Trailer Services	18/Apr/24	112,497.00
PV-294	Khalid Enterprises	18/Apr/24	606,970.00
PV-295	Ishtiaq Muneer Heavy	18/Apr/24	516,112.00
PV-296	Karachi Diesel Autos WorkShop	18/Apr/24	211,707.00
PV-305	Mir & Sons Trader	18/Apr/24	95,261.00
PV-70	Malik & Sons	15-May 4	282,652
PV-206	Waseem Abbas	22-May-24	311,665
PV-208	Hakeem Khan Contractor	22-May-24	308,708
PV-209	Rehman Enterprises	22-May-24	633,104
PV-242	Waheed Tractor Trailer Services	27-May-24	59,277
PV-247	Mir & Sons Trader	27-May-24	84,184
PV-06	Malik & Sons	3-Jun-24	287,652
PV-92	Hakeem Khan Contractor	13-Jun-24	177,342
PV-93	Khalid Enterprises	13-Jun-24	217,548
PV-94	Huzaifa Earth Moving Machinery	13-Jun-24	99,380
PV-95	Ishtiaq Muneer Heavy	13-Jun-24	134,999
PV-96	Muhammad Akmal	13-Jun-24	858,023
PV-98	Saif Ullah	13-Jun-24	785,331
PV-100	Waheed Tractor Trailer Services	13-Jun-24	125,478
PV-101	Waseem Abbas	13-Jun-24	279,863
PV-249	SK Rental	14-Jun-24	247,500
PV-261	Haider Ali	14-Jun-24	155,249
	Total (B)		15,974,036
	Grand Total (A + B)		188,671,582

S. No.	Name of Vendor	Description	Amount (Rs)	Remarks	Project
1	M/s Shani Travels	Motor Vehicles	6,590,400	Hiring of Transport	Chaharbagh(Rudda)
2	M/s Pakistan Lifemed Traders	Tractors	1,215,192	Hiring of Transport	-do-
4	M/s Allied Rental	Road Rollers	2,565,461	Hiring of	-do-

	Modoraba			Transport	
5	M/s Khalid Shareef	Excavator	2,261,386	Hiring of Transport	-do-
6	M/s Abudllah Contractor	Wheel Loader	2,041,524	Hiring of Transport	-do-
7	M/s Muhammad shahbaz	Excavator	2,673,605	Hiring of Transport	-do-
8	M/s Global Conctruction (Pvt.) Ltd	Excavator	7,236,321	Hiring of Transport	-do-
9	M/s Plasco PVC Pipes Industries	PIPE	41,619,890	Procurement of Pipe	-do-
10	M/s Professional Sealers	Water Stopper	5,528,000	Proc of Water Stopper	-do-
11	M/s Charisma Engineers & Builders	Soil & Ghassu	5,020,670	Procurement of Soil & Ghassu	-do-
12	M/s Al-Hafiz Management works	Soil (Mitti)	5,550,000	Procurement of Soil	-do-
13	M/s Naizi Stone Crushing Company	Water Bound	12,734,000	Procurement of Water Bound	-do-
14	M/s Naizi Stone Crushing Co.	Stone Dust for WBC	9,928,000	Proc. of Stone Dust	-do-
15	M/s Al-Imran Stone Commission	Stone Dust	4,316,500	Stone Dust	-do-
16	M/s Al-Imran Stone Com.Agency	WBC plus sub base	10,467,500	Proc. of WBC and Sub-Base	-do-
17	M/s Qasar & Brothers	Sand	4,160,100	Procurement of Sand	-do-
18	Al-Imran Stone Com. Agency	Crush	4,079,100	Procurement of Crush	-do-
19	Al-Hafiz Management Works	Soil (Loose)	9,710,000	Proc. of Soil (Loose)	-do-
20	M/s The Muhandis	Soil (Loose)	9,710,000	Proc. of Soil (Loose)	-do-
21	M/s Naddeem Faisal 777	Sand Lawrancepur	9,604,500	Procurement of Sand	-do-
22	M/s Chaudhry Sons	Transit Mixure	9,213,895	Hiring of Transport	ADA Nulla
23	M/s D.S. Malik Mechanical Enginr	Transit Mixure	1,155,876	Hiring of Transport	-do-
24	M/s M. Arshad Machinery	Wheel Load	1,157,174	Hiring of Transport	-do-
25	M/s Saad Tour & Rent A Car	Toyota Hilux	1,230,006	Hiring of Transport	Baba-e-Pakistan
26	M/s Momin Khan	Excavator	1,366,948	Hiring of Transport	-do-
27	T.S. Trader	Sand	6,305,974	Procurement of Sand	-do-
28	M/s Saddaqt Builders	RCC Pipes	43,978,900	Procurement of Pipes	ADA Nulla
29	M/s Nadeem Faisal	Sand	1,944,352	Procurement of Sand	Baba-e-Pakistan

30	M/s Chaudhry Sons	RCC Pipes	34,171,015	Procurement of Pipes	ADA Nulla
31	M/s Inzi Ali Enterprises	RCC Pipes	54,499,828	Procurement of Pipes	-do-
32	M/s Jamal PVC Pipe Pvt. Ltd	PVC Pipe	6,550,116	Proc. of PVC Pipe	Baba-e-Pakistan
33	M/s Shahid Brothers	Ghassu	2,160,127	Proc.of Ghassu	-do-
34	M/s Baba Building Const. Co.	Sand	2,113,434	Procurement of Sand	-do-
35	M/s Safdar Stone Com. Agent	Crush	1,017,376	Procurement of Crush	-do-
36	M/s Awais Brothers	Ghassu	2,736,735	Procurement of Ghassu	-do-
37	M/s Qasar Brothers	Ghassu	1,366,751	Procurement of Ghassu	-do-
38	M/s Awais Brothers	Sand	4,129,130	Procurement of Sand	-do-
39	M/s Baba Building Const. Co.	Ghassu	2,854,693	Procurement of Ghassu	-do-
40	M/s Awais Brothers	Gh 0assu	2,881,455	Procurement of Ghassu	-do-
Total			337,845,934		