AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
GOVERNMENT OF PAKISTAN
AUDIT YEAR 2023-24
Vol-I

AUDITOR-GENERAL 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 2022-23. The Audit Report also contains audit observations of the previous financial years. The Directorate General of Commercial Audit & Evaluation, Islamabad conducted audit during the Audit Year 2023-24 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-18. It is an attempt to improve organization's performance through critically reviewing its business processes to identify those risks which are hindering from achieving its intended objectives.

Impact Audit **-** has been adopted as a novel approach in auditing by evaluating final outcomes of a specific intervention and results have been incorporated at Chapter-19.

Audit findings indicate the need for adherence to the regulatory frame work besides instituting and strengthening internal control 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 to December 2023 and after seeking written responses of the Department/offices.

There are certain audit paras which were also reported in last years' Audit Report for the 2021-22 and 2022-23. Recurrence of such irregularities is matter of concern and needs to be addressed.

The Audit Report is submitted to 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

AAR	Annual Assessment Report
A/CFO	Acting Chief Financial Officer
ADBP	Agricultural Development Bank of Pakistan
AGP	Auditor-General of Pakistan
AGPR	Accountant General Pakistan Revenues
AJK	Azad Jammu Kashmir
API	Application Programming Interface / Assistant Purchase Inspector
ATL	Active Taxpayer List
AVP	Assistant Vice President
B.Sc.	Bachelor of Science
BBA	Bachelor of Business Administration
BCF	Border Crossing Facility
BoG	Board of Governors
BISP	Benazir Income Support Program
BoD	Board of Directors
BOQ	Bill of Quantity
BPJ	Bullet Proof Jacket
BPS	Basic Pay Scale
CA	Chartered Accountant / Contract Agreement
CAD	Cash Against Document Financing
CALMIS	Computerized Arm License Management Information System
CBA	Collective Bargaining Agent / Cost Benefit Analysis
CBAS	Centralized Branch Automation System
CCI	Council of Common Interest
CDA	Capital Development Authority
CDMS	Cash Deposit Machine
CDR	Cash Deposit Receipt
CDWP	Central Development Working Party
CEO	Chief Executive Officer
CFC	Citizen Facilitation Center
CFO	Chief Financial Officer
CFR	Cost and Freight
CFTC	Community Facilitation & Training Centre / Common Facility Training Centre
CGPA	Cumulative Grade Point Average
CGR	Corporate Governance Rules
CHRO	Chief Human Resources Officer
CIA	Chief Internal Auditor
CMA	Controller Military Accounts
CNIC	Computerized National Identity Card
Co.	Company
COO	Chief Operating Officer
Covid-19	Corona Virus Disease of 2019

CP Fund	Contributory Provident Fund
CPEC	China-Pakistan Economic Corridor
CPF	Contributory Provident Fund
CRP	Competitive Research Program
CSB	Central Selection Board
CV	Curriculum Vitae
DAC	Departmental Accounts Committee
DAGP	Department of the Auditor-General of Pakistan
DDWP	Departmental Development Working Party
DG	Director General
DG CA&E	Director General Commercial Audit & Evaluation
DGM	Deputy General Manager
DGR	Directorate General of Registration
DICR	Director Industrial & Commercial Relations
DNA	Deoxyribo Nucleic Acid
DPC	Departmental Promotion Committee
DSC	Departmental Selection Committee
ECC	Economic Coordination Committee
ECSP	Engineering Consultancy Services Punjab
EOBI	Employees Old age Benefit Institution
EPC	Escalation Payment Certificate / Engineering, Procurement and Construction
ERP	Enterprise Resource Planning
ECS	Engineering Support Centers
F.Sc	Faculty of Science
FAOF	Financial Advisor Ordinance Factories
FAP	Foreign-Aided Projects
FATA	Federally Administrated Tribal Area
FBR	Federal Board of Revenue
FCD	Footwear Cluster Development
FGEHA	Federal Government Employees Housing Authority
FIA	Federal Investigation Agency
FIR	First Information Report
FIS	Financial Information System
FOR	Freight On Road
FPSC	Federal Public Service Commission
FY	Financial Year
GB	Governing Body / Gilgit-Baltistan / Giga Byte
GFR	General Financial Rules
GIL	Ghandhara Industries Limited
GM	General Manager
GoP	Government of Pakistan
GSM	Grams per Square Meter
GST	General Sales Tax
HBL	Habib Bank Limited
HEC	Higher Education Commission / Heavy Electrical Complex (Pvt.) Limited
HMC	Heavy Mechanical Complex
HMT	Hired Mechanical Transport

HO	Head Office
HP	Horse Power / Hewlett Packard
HQ	Head Quarter
HR	Human Resource
HSSC	Higher Secondary School Certificate
HVAC	Heating, Venting and Air Conditioning
I&B	Information & Broadcasting
i.e.	That is
IAS	International Auditing Standard
IBCC	Inter Board Committee of Chairman
ICC	International Cricket Council
ICT	Islamabad Capital Territory
IDAC	Industrial Designing and Automation Centers
IDAP	Infrastructure Development Authority of Punjab
IESCO	Islamabad Electricity Supply Company
IFDs	Inter Factory Demands
IFRS	International Financial Reporting Standards
IMS	Inventory Management System
IPC	Interim Payment Certificate
IST	Institute of Space Technology
IT	Information Technology
JV	Joint Venture / Journal Voucher
Kg	Kilogram
KP	Khyber Pakhtunkhwa
KSSL	Kissan Support Services (Pvt.) Ltd.
KVA	Kilovolt-Ampere
KW	Kilo Watt
KYC	Know Your Customer
LC	Letter of Credit
LD	Liquidated Damages
LEAs	Law Enforcement Agencies
LFA	Leave Fare Assistance
LME	London Metal Exchange
SLA	Service Level Agreement
LOI	Letter of Intent
Ltd.	Limited
M.A	Master of Arts
M.Sc.	Master of Science
M.Ton	Metric Ton
M/s	Messer
MBA	Master of Business Administration
MCO	Mobile Credit Officer
MD	Managing Director
MES	Military Engineering Services
MFDAC	Memorandum for Departmental Accounts Committee
MoDP	Ministry of Defence Production
MOE	Ministry of Education

MOI&P	Ministry of Industries & Production
MoIB	Ministry of Information & Broadcasting
MoITT	Ministry of Information Technology and Telecommunication
MoST / MOST	Ministry of Science & Technology
MOU	Memorandum of Understanding
MPC	Member Production Co-ordination
MSc	Master of Science
MT	Metric Ton
MW	Mega Watt
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NAVTTC	National Vocational & Technical Training Commission
NBP	National Bank of Pakistan
NDO	National Database Organization
NEPRA	National Electric Power Regulatory Authority
NESPAK	National Engineering Services Pakistan (Pvt.) Ltd.
NEST	National Endowment Scholarships for Talent
NFC	National Fertilizer Corporation of Pakistan (Pvt.) Limited
NFML	National Fertilizer Marketing Limited
NFS&R	Ministry of National Food Security & Research
NHA	National Highway Authority
NIH	National Institute of Health
NLB	National Logistics Board
NLC	National Logistic Cell
No.	Number
NOC	No Objection Certificate
NPA	Non-practicing allowance
NPL	Non-Performing Loans
NSPAIT	National Strategic Program for Acquisition of Industrial Technology
NTC	National Telecommunication Corporation
NTL	NADRA Technologies Limited
NTU	National Textile University
NUST	National University of Science & Technology
O.M / OM	Office Memorandum
OEM	Original Equipment Manufacture
OIC	Officer in Command / officer incharge
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PASDEC	Pakistan Stone Development Company
PASSCO	Pakistan Agricultural Storage and Services Corporation Limited
PASTIC	Pakistan Scientific, Technological information Centre
PCB	Pakistan Cricket Board
PC-I	Planning Commission Form-1
PCP	Printing Corporation of Pakistan
PD	Project Director
PEC	Pakistan Engineering Council / Pakistan Expo Centre
PEPAC	Pakistan Environmental Planning & Architectural Consultant

PHAF	Pakistan Housing Authority Foundation
PhD	Doctor of Philosophy
PHDEC	Pakistan Horticulture Development and Export Company
PHEDB	Pakistan Horticulture Development and Export Board
PHSADC	Pakistan Hunting & Sporting Arms Development Company
PI	Principal Investigator
PIA /PIAC	Pakistan International Airlines Corporation
PIDC	Pakistan Industrial Development Corporation
PIDE	Pakistan Institute of Development Economics
PIMS	Pakistan Institute of Medical Sciences
PKR	Pak Rupees
PM	Prime Minister / Program Manager / Prime Mover / Per Month
PMNH	Pakistan Museum of Natural History
PMT	Proxy Means Test
PMU	Project Management Unit
POF	Pakistan Ordnance Factories
POFIT	Pakistan Ordnance Factories Institute of Technology
POFs	Pakistan Ordnance Factories
POL	Petroleum, Oil and Lubricants
POS	Point of Sale
PPRA	Public Procurement Regulatory Authority
PSDP	Public Sector Development Programme
PSEB	Pakistan Software Export Board
PSEs	Public Sector Enterprises
PSF	Pakistan Science Foundation
PSL	Pakistan Super League
PTB	Pakistan Tobacco Board
PTC	Pakistan Tobacco Company / Plastic Technology Center
PTCL	Pakistan Telecommunication Corporation Limited
PTDC	Pakistan Tourism Development Corporation
PTV	Pakistan Television
PTVC	Pakistan Television Corporation
Pvt.	Private
PWD	Public Works Department
QA	Quality Assurance
Qty.	Quantity
RAR	Running Account Receipt
RBS	Re-Broadcasting Station
RCC	Reinforced Cement Concrete
RD&R	Revenue, Debt & Remittance Fund
Retd.	Retired
RFP	Request for Proposal
Rs	Rupees
SAM	Special Asset Management
SAP	Systems, Applications & Products
SAR	Special Assessment Report
SBP	State Bank of Pakistan

SCM	Supply Chain Management
SCO	Special Communication Organization
SDF	Special Deposit Fund
SDMS	Security Document Management System
SEC	State Engineering Corporation
SECP	Securities and Exchange Commission of Pakistan
Sft.	Square foot
SGA	Shot Gun Ammunition
SIE	Small Industrial Estate
SLA	Service Level Agreement
SLIC	State Life Insurance Corporation of Pakistan
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprise Development Authority
SOP / SOPs	Standard Operating Procedure / Standard Operating Procedures
SRO	Statutory Regulatory Order
SST	Sindh Sales Tax
STEDEC	Scientific & Technological Developmental Corporation of Pakistan
STEM	Science, Technology, Engineering and Mathematics
STFS	Science Talent Farming Scheme
STP	Software Technology Park
SVP	Senior Vice President
TA/DA	Travelling Allowance and Dearness Allowance
TB	Tuberculosis
T-Bill	Treasury Bill
TC	Typhoid Cholera
TCP	Trading Corporation of Pakistan
TDR	Terms Deposits Receipts
TF	Telecommunication Foundation
TIR	Transports Internationaux Routiers, International Road Transport
TORs	Terms of reference
TPH	Ton per hour
U.O	Unofficial
UBL	United Bank Limited
UET	University of Engineering & Technology
UHI	Universal Health Insurance
US	United States
USC	Utility Stores Corporation
USF	Universal Service Fund
VO	Variation Order
Vol	Volume
VP	Vice President
WAPDA	Water and Power Development Authority
WBM	Wah Brass Mill
WEC	Wah Engineering College
WIL	Wah Industries Limited
ZM	Zonal Manager
ZTBL	Zarai Taraqiati Bank Limited

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 164 officers and staff equivalent to 39,017 man-days for audit. Out of which 17,533 man-days were allocated for undertaking field audit activities. Out of these, 10,483 man-days were utilized for conducting audit of Federal Public Sector Enterprises by DG CA&E. The annual budget of the Directorate General for the year 2022-23 amounted to Rs 78.750 million. This report contains results of audit inspection and evaluation of financial performance of public sector entities for the financial year 2022-23.

This report also contains comments on the audited annual accounts of 34 public sector enterprises. However, comments on 48 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, 2023. Moreover, 11 organizations **(Annex-3)** ceased their operational activities during the period 1990 to 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 the Inventory Management System (IMS) of Pakistan Ordnance Factories (POFs). The Inventory Management System was thoroughly examined to ascertain effectiveness of Inventory Management System in POFs and to examine the accuracy of the inventory counting system. 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 89 entities working under 24 PAOs / Ministries. Total expenditure and receipts of these entities were Rs 1,168.301 billion and Rs 1,256.078 billion respectively for the financial year 2022-23.

Audit coverage relating to expenditure for the current year comprises 45 entities of 24 PAOs/Ministries having a total expenditure of Rs 1,129.102 billion for the financial year. In terms of percentage, the audit coverage for expenditure is 96% of auditable expenditure.

Audit coverage relating to receipts for the current year comprises 45 entities of 24 PAOs/Ministries having a total receipt of Rs 1,217.385 billion for the financial year. In terms of percentage, the audit coverage for auditable receipts is 89%.

In addition to this audit report, DG, CA&E (North) conducted 2 Financial Attest Audit, 1 Performance Audit, 1 Foreign Aided Project Audit, 1 Thematic Audit and DG, CA&E (South) conducted 1 Impact Audit. Reports of these audits (except thematic & impact audit) are being published separately.

b. Recoveries at the instance of Audit

As a result of audit, recovery of Rs 315,673.011 million was pointed out in this report. Recovery effected from Jan. to Dec. 2023 is Rs 37,860.761 million which has been verified by Audit. **(Annex-4).**

c. Audit Methodology

Audit methodology for conducting audit of the accounts for the year 2022-23 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. Audit Impact

Audit has contributed towards adding value to the control mechanism of organizations which complied with audit recommendations. As a result of audit, management's awareness about internal controls and overall financial discipline has improved. An example of better audit impact was witnessed in improved compliance of PPRA Rules 2004. The importance of management's adherence to competitive procurement processes, transparent recruitments and effective fund utilization was reinforced.

e. 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.

f. Key Audit Findings

i. Seventeen cases of embezzlement/misappropriation of funds were identified - Rs 41,733.518 million[1].
ii. Irregularities in one hundred and forty seven HR/ employees related issues were identified - Rs 30,009.813 million[2].

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[1] Para-1.1.4.32, 3.1.4.12, 3.3.4.19, 5.2.4.7, 8.2.4.3, 8.2.4.9, 8.2.4.13, 8.2.4.18, 8.2.4.43, 8.7.4.6, 9.9.4.13, 9.1.4.14, 9.9.4.15, 9.9.4.16, 9.9.4.21, 9.9.4.7, 14.2.4.8

[2] Para-1.1.4.38, 1.1.4.46, 1.2.4.8, 1.2.4.13, 2.1.4.3, 2.1.4.4, 2.2.4.7, 2.2.4.8, 2.2.4.16, 3.1.4.9, 3.2.4.12, 3.2.4.14, 3.2.4.15, 3.2.4.16, 3.3.4.8, 3.3.4.13, 3.3.4.15, 3.3.4.16, 3.3.4.20, 3.4.4.16, 3.4.4.17, 4.1.4.11, 4.2.4.1, 4.2.4.9, 5.1.4.32, 5.1.4.35, 5.1.4.37, 5.1.4.38, 5.4.4.2, 6.1.4.13, 7.3.4.4, 7.3.4.7, 8.1.4.4, 8.1.4.8, 8.2.4.6, 8.2.4.11, 8.2.4.25, 8.2.4.26, 8.2.4.29, 8.2.4.33, 8.2.4.34, 8.2.4.35, 8.2.4.36, 8.2.4.37, 8.2.4.39, 8.2.4.42, 8.2.4.45, 8.2.4.46, 8.2.4.47, 8.2.4.48, 8.2.4.49, 8.2.4.50, 8.3.4.10, 8.4.4.11, 8.5.4.14, 8.5.4.16, 8.5.4.28, 8.5.4.31, 9.7.4.9, 9.7.4.11, 9.7.4.12, 9.7.4.13, 9.9.4.20, 9.2.4.35, 9.2.4.39, 9.2.4.41, 9.2.4.43, 9.9.4.44, 9.2.4.45, 9.2.4.46, 9.2.4.47, 9.2.4.48, 9.9.4.49, 9.9.4.5, 9.9.4.7, 9.9.4.22, 9.5.4.24, 9.5.4.30, 9.5.4.31, 9.9.4.34, 9.9.4.37, 9.5.4.38, 9.9.4.40, 9.9.2.8, 9.9.2.9, 9.10.4.5, 9.10.4.10, 9.10.4.11, 9.11.4.8, 9.11.4.9, 9.11.4.10, 10.1.4.2, 10.1.4.6, 9.9.4.11, 10.1.4.12, 9.9.4.14, 9.9.4.15, 9.9.4.23, 9.9.4.24, 10.1.4.25, 10.1.4.27, 9.9.4.29, 10.1.4.30, 10.1.4.31, 11.1.4.6, 11.1.4.7, 11.1.4.8, 11.1.4.10, 11.1.4.11, 11.1.4.12, 11.1.4.13, 11.1.4.14, 12.1.4.8, 12.1.4.9, 12.1.4.10, 12.1.4.14, 12.1.4.15, 12.1.4.17, 12.1.4.22, 12.1.4.26, 12.1.4.27, 12.1.4.28, 12.1.4.29, 12.2.4.5, 13.1.4.6, 13.1.4.10, 13.1.4.11, 13.1.4.13, 13.1.4.15, 13.1.4.16, 14.3.4.22, 14.3.4.24, 14.3.4.25, 14.3.4.27, 14.4.4.24, 14.4.4.35, 14.4.4.45, 14.4.4.53, 14.4.4.54, 14.4.4.55, 14.4.4.58, 15.1.4.7, 15.1.4.9, 15.1.4.10, 15.1.4.12, 16.1.4.6, 17.1.4.14

iii. One hundred seventy seven cases of mis-procurement due to violation of rules, procedures & regulations were identified – Rs 280,217.890 million[3].
iv. Seventeen cases of imprudent investments leading to loss - Rs 87,323.206 million[4].
v. One hundred forty cases of non-recovery were identified – Rs 315,650.273 million[5].
vi. In one case, management did not produce auditable record[6].
vii. Value for money was compromised in one hundred twenty eight cases - Rs 273,766.550 million[7]

g. 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.

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[3] Para-1.1.4.8, 1.1.4.12, 1.1.4.14, 1.1.4.16, 1.1.4.17, 1.1.4.19, 1.1.4.20, 1.1.4.21, 1.1.4.27, 1.1.4.31, 1.1.4.33, 1.1.4.34, 1.1.4.40, 1.1.4.44, 1.1.4.47, 1.2.4.7, 1.2.4.9, 1.2.4.12, 1.2.4.14, 2.1.4.1, 2.2.4.4, 2.2.4.6, 2.2.4.9, 2.2.4.10, 2.2.4.11, 2.2.4.14, 3.1.4.8, 3.1.4.13, 3.2.4.9, 3.3.4.18, 3.4.4.6, 3.4.4.8, 3.4.4.11, 3.4.4.15, 4.1.4.5, 4.1.4.6, 4.1.4.8, 4.1.4.9, 4.1.4.14, 4.1.4.15, 4.1.4.16, 4.2.4.2, 4.2.4.5, 4.2.4.6, 4.2.4.10, 5.1.4.2, 5.1.4.12, 5.1.4.15, 5.1.4.17, 5.1.4.18, 5.1.4.21, 5.1.4.23, 5.1.4.24, 5.1.4.26, 5.1.4.28, 5.1.4.29, 5.1.4.30, 5.1.4.33, 5.1.4.34, 5.2.4.6, 5.2.4.8, 5.4.4.1, 5.4.4.3, 5.4.4.4, 6.1.4.6, 7.3.4.3, 7.3.4.5, 7.3.4.9, 8.2.4.28, 8.2.4.32, 8.2.4.41, 8.3.4.5, 8.3.4.6, 8.3.4.9, 8.3.4.14, 8.3.4.15, 8.4.4.5, 8.4.4.8, 8.4.4.9, 8.4.4.10, 8.5.4.18, 8.5.4.19, 8.5.4.20, 8.5.4.24, 8.5.4.26, 9.7.4.8, 9.9.4.18, 9.9.4.19, 9.9.4.3, 9.9.4.5, 9.9.4.6, 9.9.4.9, 9.9.4.10, 9.2.4.11, 9.2.4.12, 9.2.4.13, 9.2.4.14, 9.9.4.16, 9.9.4.20, 9.9.4.22, 9.9.4.23, 9.9.4.25, 9.9.4.26, 9.9.4.27, 9.2.4.29, 9.2.4.30, 9.9.4.31, 9.9.4.32, 9.9.4.34, 9.9.4.37, 9.2.4.38, 9.9.4.40, 9.9.4.2, 9.9.4.8, 9.9.4.25, 9.9.4.27, 9.9.4.28, 9.9.4.29, 9.9.2.6, 9.9.2.9, 9.9.4.2, 9.9.4.3, 9.10.4.9, 9.11.4.6, 9.15.4.8, 9.15.4.11, 9.15.4.13, 9.15.4.19, 9.15.4.20, 9.9.4.9, 9.9.4.17, 12.1.4.2, 12.1.4.6, 12.1.4.13, 12.1.4.23, 12.1.4.24, 12.1.4.25, 13.1.4.7, 14.1.4.6, 14.2.4.11, 14.3.4.2, 14.3.4.6, 14.3.4.7, 14.3.4.8, 14.3.4.10, 14.3.4.12, 14.3.4.13, 14.3.4.14, 14.3.4.15, 14.3.4.17, 14.3.4.19, 14.3.4.28, 14.4.4.1, 14.4.4.4, 14.4.4.15, 14.4.4.16, 14.4.4.19, 14.4.4.22, 14.4.4.29, 14.4.4.36, 14.4.4.37, 14.4.4.38, 14.4.4.39, 14.4.4.46, 14.4.4.48, 15.1.4.3, 15.1.4.6, 16.1.4.3, 16.1.4.10, 16.1.4.11, 16.1.4.12, 16.1.4.13, 17.1.4.1, 17.1.4.3, 17.1.4.11, 17.1.4.13, 17.1.4.18

[4] Para-3.4.4.14, 7.3.4.1, 9.10.4.2, 11.1.4.2, 11.1.4.5, 12.1.4.1, 12.2.4.1, 12.2.4.3, 14.1.4.7, 14.2.4.2, 14.2.4.9, 14.2.4.10, 14.2.4.12, 14.4.4.2, 14.4.4.3, 14.4.4.30, 16.1.4.15

[5] Para-1.1.4.3, 1.2.4.6, 2.1.4.2, 2.2.4.7, 3.1.4.3, 3.1.4.6, 3.1.4.17, 3.2.4.2, 3.3.4.1, 3.3.4.3, 3.3.4.5, 3.3.4.9, 3.3.4.14, 3.3.4.22, 3.4.4.2, 3.4.4.4, 3.4.4.9, 4.2.4.1, 4.2.4.8, 5.1.4.1, 5.1.4.5, 5.1.4.10, 5.1.4.11, 5.2.4.1, 5.2.4.3, 5.2.4.4, 5.2.4.7, 5.4.4.4, 6.1.4.1, 6.1.4.4, 6.1.4.5, 6.1.4.7, 6.1.4.9, 6.1.4.10, 6.1.4.11, 7.3.4.6, 8.1.4.3, 8.2.4.5, 8.2.4.8, 8.2.4.14, 8.2.4.22, 8.2.4.31, 8.2.4.40, 8.3.4.2, 8.4.4.2, 8.5.4.10, 8.5.4.22, 8.5.4.25, 8.5.4.27, 8.5.4.30, 8.7.4.6, 9.7.4.13, 9.9.4.8, 9.2.4.33, 9.9.4.6, 9.5.4.3, 9.9.4.4, 9.9.4.7, 9.9.4.8, 9.5.4.15, 9.5.4.17, 9.9.2.1, 9.9.2.4, 9.9.2.3, 9.9.4.4, 9.9.4.5, 9.9.4.7, 9.9.4.10, 9.10.4.1, 9.10.4.5, 9.10.4.8, 9.11.4.9, 9.15.4.1, 9.15.4.3, 9.15.4.4, 9.15.4.6, 9.15.4.7, 9.15.4.8, 9.15.4.12, 9.15.4.14, 9.15.4.15, 9.15.4.16, 9.15.4.18, 9.15.4.19, 10.1.4.1, 10.1.4.4, 10.1.4.5, 10.1.4.10, 9.9.4.11, 10.1.4.13, 9.9.4.15, 9.9.4.16, 10.1.4.19, 9.9.4.21, 9.9.4.29, 10.1.4.30, 10.1.4.31, 10.1.4.32, 10.1.4.33, 10.1.4.34, 11.1.4.7, 11.1.4.12, 11.1.4.13, 11.1.4.14, 12.1.4.4, 12.1.4.7, 12.1.4.11, 12.1.4.16, 12.1.4.18, 12.1.4.21, 12.1.4.25, 12.1.4.29, 13.1.4.3, 13.1.4.12, 13.1.4.14, 13.1.4.15, 14.1.4.3, 14.1.4.4, 14.1.4.8, 14.2.4.6, 14.3.4.3, 14.3.4.11, 14.3.4.21, 14.4.4.5, 14.4.4.17, 15.1.4.1, 15.1.4.2, 15.1.4.5, 15.1.4.8, 15.1.4.10, 15.1.4.11, 15.1.4.12, 15.1.4.15, 16.1.4.6, 16.1.4.8, 17.1.4.5, 17.1.4.6, 17.1.4.8, 17.1.4.9, 17.1.4.12

[6] Para-9.9.4.11

[7] Para-1.1.4.25, 1.1.4.26, 1.1.4.29, 1.1.4.30, 1.1.4.35, 1.1.4.36, 1.1.4.39, 1.1.4.42, 1.1.4.43, 1.2.4.2, 1.2.4.3, 1.2.4.15, 2.2.4.1, 2.2.4.2, 2.2.4.3, 2.2.4.5, 2.2.4.12, 2.2.4.15, 3.1.4.4, 3.1.4.5, 3.2.4.7, 3.3.4.6, 3.3.4.7, 3.3.4.12, 3.4.4.3, 3.4.4.5, 3.4.4.13, 4.1.4.1, 4.1.4.2, 4.1.4.3, 4.1.4.4, 4.1.4.7, 4.1.4.10, 4.1.4.17, 4.2.4.3, 4.2.4.4, 4.2.4.7, 5.1.4.4, 5.1.4.8, 5.1.4.13, 5.1.4.14, 5.1.4.16, 5.1.4.19, 5.1.4.36, 5.2.4.4, 5.2.4.5, 5.3.4.1, 6.1.4.2, 6.1.4.9, 7.3.4.8, 8.1.4.1, 8.1.4.7, 8.4.4.3, 8.4.4.6, 8.4.4.12, 8.5.4.4, 8.5.4.11, 8.5.4.13, 8.5.4.15, 8.5.4.17, 8.5.4.23, 8.5.4.29, 8.7.4.3, 8.7.4.5, 9.1.4.1, 9.1.4.3, 9.1.4.4, 9.9.4.10, 9.9.4.11, 9.9.4.12, 9.2.4.17, 9.9.4.19, 9.9.4.36, 9.3.4.5, 9.4.4.1, 9.4.4.3, 9.9.4.4, 9.9.4.10, 9.9.4.19, 9.9.4.26, 9.9.4.35, 9.9.2.2, 9.9.2.3, 9.9.2.7, 9.6.4.11, 9.9.2.2, 9.9.2.6, 9.9.4.5, 9.9.4.8, 9.9.4.10, 9.9.4.11, 9.11.4.1, 9.11.4.5, 9.15.4.4, 9.15.4.6, 10.1.4.4, 9.9.4.8, 10.1.4.18, 10.1.4.28, 12.2.4.2, 13.1.4.2, 14.1.4.5, 14.2.4.1, 14.3.4.4, 14.3.4.5, 14.3.4.9, 14.3.4.16, 14.3.4.18, 14.3.4.20, 14.3.4.23, 14.3.4.26, 14.4.4.8, 14.4.4.12, 14.4.4.20, 14.4.4.21, 14.4.4.23, 14.4.4.25, 14.4.4.26, 14.4.4.27, 14.4.4.31, 14.4.4.41, 14.4.4.42, 14.4.4.49, 14.4.4.51, 14.4.4.52, 15.1.4.15, 17.1.4.2, 17.1.4.7

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.
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.

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 & Objectives

1. To improve governance and oversight for the compliance of ICAO standards of aviation safety, security and efficiency.
2. To provide level-playing field for national airlines and liberalize aviation sector in the country by allowing market forces to determine the price, quality, frequency and range of air services options.
3. To follow suitable Public-Private Partnership (PPP) models for the operations, management and development of airports.
4. To develop a state-of-the-art infrastructure for the provision of safe and efficient air transportation.
5. To incentivize aviation sector for socio-economic growth.
6. To create conditions conducive for affordable general aviation activities, i.e. sports flying and inter-city air travel by private aircraft /air-taxi service/charters, etc.

Governing Laws and Policies

- Aircraft (removal of danger to safety) Ordinance, 1965
- Pakistan Civil Aviation Authority Ordinance, 1982
- Airport Security Force Act, 1975
- Civil Aviation Ordinance, 1960
- Carriage by Air Act, 2012

					(Rs in million)
S#	**Description**	**Total**	**Audited**	**Expenditure audited FY 2021-22**	**Revenue/ Receipts audited FY 2021-22**
1	Formations	2	2	188,780.553	172,068.435

Classified Summary of Audit Observations

Audit observations of Rs 238,622.25 million were raised as a result of this audit. This amount also includes recoverable of Rs 10,356.641 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	16.245
3.	Irregularities	
A.	HR / employees related irregularities	62.704
B.	Procurement related irregularities	12,124.065
C.	Management of accounts with commercial banks	-
4.	Value for money and service delivery issues	772.916
5.	Others	208,322.486

1.1 Pakistan International Airlines Corporation

1.1.1 Introduction

Pakistan International Airlines Corporation (PIAC) was incorporated on 18 April, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act, 1956). With effect from April 19, 2016, the Company has been 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 conversion, its shares are quoted in Pakistan Stock Exchange. The principal activity of the corporation is to provide air transport services. In addition, 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 working results of the Corporation for the period ended December 31, 2022 compared with December 31, 2021 are reflected hereunder:

					(Rs in million)
	2022	**% Inc /(Dec)**	**2021**	**% Inc / (Dec)**	**2020**
Revenue - net	172,038.13	99.61	86,185.39	(9.27)	94,989.39
Other operating income	6,275.63	(4.17)	6,548.79	(41.71)	11,235.15
Operating expenses	189,629.87	75.97	107,761.22	0.80	106,904.85
Operating loss	(11,316.11)	(24.69)	(15,027.03)	2108.85	(680.31)
Exchange Loss-Net	(25,229.81)	243.43	(7,346.43)	48.45	(4,948.84)
Loss before interest & tax	(36,545.92)	63.34	(22,373.47)	297.46	(5,629.16)
Financial charges	49,971.13	82.44	27,390.28	(7.85)	29,724.51
Loss before taxation	(86,517.06)	73.86	(49,763.75)	40.76	(35,353.67)
tax expenses	1,491.36	341.57	337.74	(147.51)	(710.86)
Loss after taxation	(88,008.42)	75.66	(50,101)	44.62	(34,642.81)

(Source: Audited Accounts 2021 & 2022)

Operating expenses increased by 75.97% as compared with previous year (2022: Rs 189,629.870 million 2021: Rs 107,761.220 million), registering increase of Rs 81,868.650 million in 2022 due to increase in aircraft fuel cost, maintenance & overhaul, flight equipment rental and landing & handling charges.

1.1.2.2 PIACL fleet was increased by 17.24% as compared with previous year

(2022: 34 aircrafts, 2021:29 aircrafts), registering an increase of 5 aircrafts due to induction of A-320 aircrafts.

1.1.2.3 PIACL Human Resource was decreased by 4.53% as compared with previous year (2022: 8,162, 2021: 8,550) due to induction of Voluntary Separation Scheme (VSS).

1.1.2.4 Exchange loss increased by 243.43% as compared with previous year (2022: Rs 25,229.810 million 2021: Rs 7,346.430 million), registering increase of Rs 17,883.380 million in 2022 due to fluctuation in rupee dollar parity on regular basis.

1.1.2.5 Finance cost increased by 82.44 % as compared with previous year (2022: Rs 49,971.130 million 2021: Rs 27,390.280 million), registering increase of Rs 22,580.850 million in 2022 due to non-payment of previous loans (principal and markup) and acquiring of new finance at higher rates.

1.1.2.6 The working capital of corporation stood at negative standing of Rs 331,227.530 million which reflects deficiency of working capital to support business needs.

1.1.2.7 Net loss to asset ratio deteriorated to 56.79% in the year 2022 as compared to 34.23% in the year 2022 due to heavy operating cost along with exchange losses and finance cost.

1.1.2.8 The Corporation's current assets as on December 31, 2022 stood at Rs 49,366.09 million, and its current liabilities Rs 380,593.62 million, which casts doubts regarding the corporation's ability to meet its short-term debt obligations and therefore, continue as a going concern. The financial structure of the corporation was highly leveraged and its current ratio was 0.12% which showed that the corporation's current assets were not enough to cover its current liabilities.

1.1.2.9 Debt to asset ratio was 4.79:1 showing that business operations rely on borrowings which leads to risk of bankruptcy. The long-term debt of the corporation stood at Rs 362,054.670 million and total shareholder's equity of Rs (587,673.88) million as on December 31, 2022 which depicted heavily indebted financial structure.

1.1.2.10 Acid test ratio (Quick ratio) was 0.04:01 which reflected non-availability of sufficient quick assets to meet their current financial obligations.

1.1.2.11 Foreign and local stations did not achieve the revenue target and growth of the tonnage was also recorded at lower side in the year 2021 which resulted in non-realization of revenue amounting to Rs 609.639 million.

1.1.2.12 Actual revenue realized amounting to Rs 591.223 million against export based targets of Rs 1,002.072 million resulted in non-realization of cargo revenue of Rs 410.849 million at Sialkot station.

1.1.2.13 The management incurred an expenditure of Rs 2,045.990 million on closed stations during the year 2022 due to non-authorization by European Union Aviation Safety Agency (EASA) at Europe and UK which requires rationalization in terms of revenue earned.

1.1.2.14 The Board of Directors did not lay annual audited accounts in Annual General Meeting (AGM) on the scheduled date. Furthermore, it also did not approve the quarterly financial statements with the specified time despite obtaining the extension period for thirty (30) days as detailed below:

Year	**Name of Report**	**Dates of lay in AGM**			**Delay in days**	**Expected loss due to penalty (Rs)**
		Due Date	**Laid on**	**Extension**		
2022	Annual Audited Accounts	30.04.2023	17.06.2023	30 days	18 days	Rs 9,000,000 (Rs 500,000*18 days)
					Total	**Rs 9,000,000**

Year	**Financial statement**	**Due Date**	**Approved by the Board**	**Extension**	**Delay in days**	**Expected loss due to penalty (Rs)**
2022	1st quarter	30.04.22	26.06.22	30 days	25 days	Rs 12,250,000 (Rs 500,000*25 days)

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	11.4.1,1.1.4.8, 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%**

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

1.1.4 Audit Paras

1.1.4.1 Non-payment of taxes, duties and other obligations – Rs 131,579.930 million

According to Federal Excise Duty Act 2005, federal excise duty and advance tax collected from passengers under was required to be deposited into government treasury within 45 days from the date of deduction.

During audit of Pakistan International Airlines Corporation Limited (PIAC), finance department for the year 2022, it was observed that the management was not honoring its liabilities timely in respect of taxes and duties payable to the government organizations. The non-payment raised the obligations substantially and also affected its current liquidity position. The details of outstanding liabilities as on December 31, 2022 are as under:

		(Rs in million)
S#	**Particulars**	**2022**
1.	Collection on behalf of others	64,891.21
2.	FED-International Travel	11,344.25
3.	Income tax deductible at source	2,088.27
4.	Custom, federal Excise duty and sale tax	2,354.44
5.	Civil Aviation Authority	50,684.77
6.	PIA Investment Ltd	216.99
	Total	**131,579.93**

Audit is of the view that due to poor fund management and weak internal controls, the management failed to honor the liabilities on time, which was damaging to the financial, operational, and reputational standing of the Corporation.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed that the outstanding balances owed to both Pakistan Civil Aviation Authority (PCAA) and the Federal Board of Revenue (FBR). The Privatization Commission is currently considering these amounts as part of PIACL's ongoing financial restructuring and PIA will follow the decision of GoP on the outstanding liabilities. DAC directed to get resolved the matter at Ministry level and details of outstanding taxes and duties get verified by Audit.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Year(s) 2022-23 vide para(s) number 1.1.4.22 having financial impact of Rs. 573.586 million and for Audit Year 2021-22 vide para(s) number 1.1.4.1 having financial impact of Rs 39,771.480 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 624 & 626)

1.1.4.2 Loss due to prolonged grounding of aircrafts – Rs 21,815.290 million

Clause 2.10.3.1 of Engineering and Maintenance Manual of PIAC states that PIA Engineering and Maintenance shall respect minimum maintenance requirements and ensure that all maintenance is carried out in conformance with the manufacturer's documentation / instructions.

During audit of Pakistan International Airlines Corporation Limited (PIAC), finance department for the year 2022, it was observed that PIAC aircrafts took an extended time in routine maintenance ranging from 44 to 239 days which resulted in substantial loss, as summarized below (Annex-5).

					(Rs in million)
Reg. No.	**Delay x per day revnue loss**	**Grounding Loss**	**Lease exp**	**Total**	**Status**
BMG	239 x 19.99	4,777.61	-	4,777.61	Owned
BGK	199 x 19.99	3,978.01	-	3,978.01	Owned
BMG	71 x 19.99	1,419.29	-	1,419.29	Owned
BHV	46 x 19.99	919.54	-	919.54	Owned
BGK	44 x 19.99	879.56	-	879.56	Owned
BLC	652 x 12.21	7,960.92	702.37	8,663.29	Leased
BMX	37 x 12.21	451.77	113.99	565.76	Leased
BLB	43 x 12.21	525.03	87.2	612.23	Leased
	Total	**20,911.73**	**903.56**	**21,815.29**	

Audit is of the view that due to negligence of the management, extended delay occurred which resulted in operational and financial losses amounting to Rs 21,815.29 million which was unjustified.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed that the delays in these aircraft roll-outs were caused by a combination of unforeseen structural repairs, financial constraints, and payment issues affecting the ability to conduct timely maintenance and repairs. DAC directed to provide documentary evidence in support of financial constraint for repair abroad expenditures along with other relevant issues of prolong grounding of aircraft.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2022-23 vide para(s) number 1.1.4.1 having financial impact of Rs. 38,404.440 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 619 & 620)

1.1.4.3 Non-recovery of various outstanding dues – Rs 10,260.084 million

Clause 2.02 of Credit Policy of Pakistan International Airlines Corporation (PIAC) 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 (PIAC), Finance Department for the year 2022, it was observed that an amount of Rs 10,260.084 million (Annex-6) was outstanding against various parties as detailed below:

			(Rs in million)
S#	**Account Head**	**Amount**	**Remarks**
01	PAX Sale	6,774.720	Outstanding dues includes pending since last three (03) years or more.
02	Cargo Sale	698.140	
03	PEC	836.660	
04	Government	550.490	
05	PM General Receivable	55.240	
06	BSA-Cargo	734.270	
07	Others	132.800	
08	Speedex	157.990	Outstanding since 2020
09	M/o Religious Affairs	166.680	Outstanding since 2010-2022
10	M/s Oasis Travels	3.260	Penalty recoverable since 2020
11.	Air China	149.834	Non-billing of ground handling charges.
	Total	**10,260.084**	
(Source: General Ledger of PIAC)			

Audit is of the view that the management was unable to recover a huge amount of Rs 10,260.084 million from various parties from various parties, which showed negligence and weak recovery mechanism.

The matter was reported to the management on September 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024.

a. The management informed that Pax outstanding amount is a result of the sale proceeds which are realized at the end of a sales period. Since, none of the agents have declared default in the last year; therefore, it will not be wrong to presume that the subject outstanding amount has been recovered.

b. The management informed that the Cross Functional Team (CFT) has recommended that the matter be referred to HR for a formal investigation against the balance sum pending recovery/reconciliation mentioned in the para and determined by the team as Rs 84.85 million or 46.02 % of the total outstanding amount i.e.Rs 184.448 millon.

c. The management informed that the subject outstanding amount is a result of disputed figures between MORA and PIA. These figures have been contested and a recent reminder for payment has also been sent to them. Further, it has been escalated to the ministry level for settlement.

d. The management informed that in this regard the enclosed management approval was routed through all stakeholders and the same was approved in line with the Corporation Policy governed under Schedule of Powers. However, the case is still in litigation for pending claim whereby PIA had requested the previous amount.

e. DAC directed the management to pursue the recovery.

f. The management informed that as a result of closure of GSA agreement with the agent concerned, reconciliation was carried out by Finance and advised to station. The advised amounts were settled from the Commercial end.

g. DAC directed the management to get verify the record with Audit.

Audit recommends implementation of the DAC directives.

(DP No.500, 501, 502, 503, 606, 607, 609, 618, 798 & 800)

1.1.4.4 Non-depositing of provident fund & markup – Rs 9,867.370 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 (PIAC), finance department for the year 2022, it was observed that the management failed to fulfill their contractual obligation by non-depositing the employee's provident fund in a separate bank account on monthly basis. The said amount was not deposited within the stipulated time of fifteen (15) days to the provident fund account as required under the law. The details of deposit and interest are as under:

	(Rs in million)
Particulars	**December 31,2022**
Provident Fund	1,213.530
Accrued Mark up	8,653.840
Total	**9,867.370**

Audit is of the view that the management failed to formulate a strategy to pay off their provident fund liabilities and to protect the interests of their employees. This shows inefficiency, weak policymaking and poor financial management.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed that Audit has rightly pointed out that obligation on account of PF and Mark-up were not being paid regularly during past w.e.f year 2020, not only the obligations for the period were paid within stipulated time period but also the excess payments in lieu of past obligations were made to lessen the burden on corporation. DAC directed to share details of deposit made against the principal and interest in relation to provident fund and clear outstanding liabilities.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2022-23 vide para(s) number 1.1.4.8 having financial impact of Rs. 11,342.290 million and for Audit Year 2021-22 vide para(s) number 1.1.4.4 having financial impact of Rs.15,772.249 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.5 Non-disposal of spare parts of retired aircrafts – Rs 8,566.720 million

Board Audit Committee (BAC) in its 70th meeting held on September 22, 2014 regarding the sale / obsolete inventory in the active stock rooms directed that the Board Audit Committee desired that management should take appropriate measures for disposal of surplus inventory.

According to principles of procurement enunciated in the PIAC's Procurement Manual, one of the five basic concerns that govern PIAC's procurement policies is to ensure that the funds are used to buy only those Products/Goods, Services, Works, Plant & Equipment and Information Systems which are needed to operate and maintain PIAC.

During audit of Pakistan International Airlines Corporation Limited (PIACL) supply chain management (SCM) for the year 2022, it was observed that the management had an inventory of spare parts of retired aircrafts valuing Rs 8,566.000 million since 2015 to 2021 which had not been disposed off in violation of BAC directives. The details are as under:

			(Rs in million)
S#	**Aircraft**	**Retirement year**	**Amount**
1.	B-747-300	2015	1,239
2.	C 707	-	199
3.	J747-200	2003	1,798
4.	CESSNA	-	8
5.	SA-310	2015	3,873
6.	WB-737	2013	1,449
		Total	**8,566.72**

Audit is of the view that the management failed to dispose off spare parts of the retired aircraft valuing Rs 8,566.720 million showed negligence and inefficiency.

The matter was reported to the management on September 26, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed that out of total inventory management disposed off inventory of Rs 3.85 billion. DAC directed the management to prepare a comprehensive plan to dispose off inventory and conduct a fact finding inquiry within 45 days ascertain the reasons behind inventory and availability of stock.

Audit recommends implementation of the DAC directives.

1.1.4.6 Non-adjustment of huge advances against suppliers – Rs 8,413.030 million

PIAC's Schedule of Powers state that, in order to cover anticipated financial losses, advances made against purchases, whenever allowed, must be backed by either a bank guarantee or suppliers' bank, letter of intent/undertaking to make good all financial losses in case of default.

During audit of Pakistan International Airlines Corporation Limited (PIAC), finance department for the year 2022, it was observed that the management did not recover / adjust advances provided to local and foreign suppliers as on December 31, 2022 as detailed below:

		(Rs in million)
S#	**Description**	**Amount**
1	**Advances**	
i.	Leased Rentals	4,431.37
ii.	Supplier	871.69
iii.	Others	189.77
	Total	**5,492.83**
2	Total Trade Deposits	2,920.20
	Grand Total	**8,413.03**

Audit is of the view that non-adjustment / recovery of advances and trade deposits for a longer time reflects weak internal controls and poor financial management.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. Management informed that adjustment and settlement of advance payment to suppliers for the purchase of various goods and services by the company is an ongoing process. The Lease and fuel suppliers which usually have a contract of minimum of 02 years therefore under the continuing agreement terms the ongoing settlement/issuance of advance is being followed as a normal course of action. DAC directed get the adjustments made and outstanding verified from audit.

Audit recommends prompt action for adjustments / recovery of the outstanding amount.

1.1.4.7 Un-reconciled balances with customers and banks – Rs 6,335.920 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 audit of Pakistan International Airlines Corporation Limited (PIACL), finance department for the year 2022, it was observed that an amount of Rs 6,335.920 million (Annex-7) was not timely reconciled by the management specially the issue of PSO receivables were major concern for PIA management as PSO time and again stopped the supply of fuel to PIA and the dispute between PSO & PIA was raised to the ECC, as detailed below:

		(Rs in million)
S#	**Description**	**Un-reconciled Balances**
1.	TGS-related Receivables	2.610
2.	PSO Receivables	6,258.990
3.	Bank Balances	94.320
	Total	**6,355.920**

Audit is of the view that the management failed to perform due reconciliation along with full recovery of outstanding dues from relevant parties. This reflected poor credit control, which may potentially lead to credit losses.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024.

a. The management informed the DAC that three invoices amounting to USD 18,000 pertaining to M/s Evelope Airline were outstanding since 2018/19 and further informed that adjustment equivalent to PKR Rs 2.61 million has been made in the books of PIA accounts. DAC directed to get the facts reconciled and share with audit.

b. The management informed the DAC that the non-reconciliation of Rs 6,258.99 million is the difference due to the reason that PSO started adjustment of Late Payment Interest (LPI) out of Principal Payments made by PIA. PIA is making current payments to PSO.The ECC also directed to resolve the issue but no result has been achieved. DAC directed to get the reconciliation made with PSO at the earliest and share detail with Audit.

c. The management informed the DAC that six bank accounts have been reconciled having material differences. DAC directed to share with audit, reconciliation report along with bank statement of reported bank balances.

Audit recommends implementation of the DAC directives.

(DP No. 610, 625 & 635)

1.1.4.8 Loss due to non-completion of aircrafts re-delivery – Rs 6,208.447 million

Clause 19.4 of lease between PIAC and M/s Asia Aviation Capital Limited states that (a) if lessor determines that Lessee has not fully complied with any of its obligations under this Agreement, Lessee will, at Lessor's option either:(i) immediately rectify such non-compliance and all Lessee’s obligations under this Agreement will remain in force until such non-compliance has been rectified and in particular (without limitation) Lessee shall (A)continue to pay Basic Rent to Lessor (A) within 14 days of the Expiration Date, at 100%, (B) after 14 days of the Expiration Date but within 28 days of the Expiration Date, at 150% and (C) after 28 days of the Expiration Date, at 200%, of the daily equivalent of the Basic Rent then payable until the date such non-compliance shall have been rectified and Redelivery of the Aircraft shall have taken place and (B)not operate the Aircraft in flight operations unless such operations are consented to by Lessor and directly related to the Redelivery.

During audit of Pakistan International Airlines Corporation Limited (PIAC), finance department for the year 2022, it was observed that PIAC inducted two A-320 aircraft, AP-BLY and AP-BLZ, from Asia Aviation Capital Limited on dry lease in 2015. In September / October 2021, on completion of the lease period, both aircrafts were positioned at an EASA/FAA-approved maintenance facility in Jakarta. As per the lease agreement, the work scope of redelivery was maintenance and inspection of the aircrafts. However, redelivery of both aircrafts was still awaited due to non-maintenance and inspection on the part of management. It was also observed that the management incurred an amount of Rs 16.458 million on account of OCS to 21 aircraft engineers for the inspection of aircrafts. Non-completion of the redelivery arrangement on time resulted in heavy expenditure on account of rent and maintenance reserves as detailed below:

S#	Particulars	Period	USD	Rate	Rs in million
1	Maintenance Reserve Payments	Dec-2021 to June 2023	841,938	288	242.41
2	Maintenance Reserve Provision (Liabilities to Lessor)	Feb-2023 to July 2023	9,640,000	288	2,775.55
3	Double Rent	-	11,024,000	288	3,174.03
Total			**21,505,938**	**288**	**6,191.99**

Audit is of the view that the non-delivery of aircrafts and subsequent visits of the engineers were unjustified causing huge loss of the resources and denting the image of airline which reflected weak internal controls and poor financial management.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed the DAC that one aircraft has been delivered to PIACL and efforts were being made for delivery of another aircraft. DAC directed the management to verify the record from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 564 & 636)

1.1.4.9 Non-implementation of BoD directives against properties – Rs 2,613.379 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, in accordance with the Ordinance and these rules.

During audit of Pakistan International Airlines Corporation Limited (PIAC), works department for the year 2022, it was observed that PIACL Board in its meeting dated April, 2021 decided that the matter of two disputed properties (i) PIA Football Ground, Karachi & (ii) Sambara Inn Hotel, Larkana were to be taken up with federal government through Aviation Division and Finance Division. BoD further directed that PIA should seek compensation equivalent to the present market value of both properties from the share of Sindh government's divisible pool of revenues awarded through National Finance Commission. However, the management failed to take any action as per BoD directives. The market value of the properties is as under:

S#	Name of Property	Area (Square Yard)	Market Value (Rs)
1	Football Ground Plot No.ST-4, KDA Scheme No.1	38,340	1,462,500,000
2	Sambara Inn Hotel Larkana	23,367	1,150,879,200
	Total	61,707	**2,613,379,200**

Audit is of the view that the management was unable to secure the possession of the properties nor received any compensation which reflected gross violation of BoD's directives.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024. The management informed that both properties i.e., Football ground at Karachi & Sambara Inn at Larkana were disputed. Further, the case was presented in 56th BoD dated 29.4.2021 to take up the matter with Govt. of Pakistan through Aviation Division & Finance Division since, the matter is still under process. DAC directed the management to share the latest status of the disputed cases along with court orders etc. with Audit.

Audit recommends implementation of the DAC directives.

1.1.4.10 Non-transfer of shares to government in violation of Supreme Court of Pakistan – Rs 2,318.554 million

Honorable Supreme Court of Pakistan's judgment dated October 22, 2020 on Benazir Employees Stock Option Scheme (BESOS) states that that the Federal Cabinet was not competent to take decision dated 05-08-2009 approving the Scheme and the same is declared to be in violation of Article 154 of the Constitution thus, the total Shares 231,855,493 held in the name of PIA Employees Empowerment Trust (PEET) may be transferred back to the

Government of Pakistan (GoP) and the Trust may be closed. Furthermore, Para-16 the judgment of Supreme Court also states that irrespective of the objective of the Scheme, we are of the considered view that the matter of transfer of 12% shares of Government of Pakistan in dozens of SOEs and Government of Pakistan Shareholdings without any policy input by CCI, definitely fell outside the ambit of the authority.

During audit of Pakistan International Airlines Corporation Limited (PIACL), corporate secretariat for the year 2022, it was observed that Government of Pakistan (GoP) launched the Benazir Employee Stock Option Scheme (BESOS) for employees capable of permanent and contractual employees who were in employment of this entity on its launch date, completion of five years' vesting period on August 14, 2009. Under the scheme, PIAC Employees Empowerment Trust (PEET) was formed and 12% of the shares held by the Ministry of Defence were transferred to the trust and 231,855,493 shares @ Rs 10.00 amounting to Rs 2,318.554 million were allotted to 16786 employees of PIACL. However, as per judgment of the Supreme Court of Pakistan, the management failed to transfer BESOS shares to GoP.

Audit is of the view that non-transfer of BESOS shares to GoP reflects violation of Supreme Court of Pakistan's directives.

The matter was reported to the management on September 13, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed the DAC that a total of 231,855,493 shares previously held in the name of PEET were transferred back to the Government of Pakistan, in the name of Secretary Aviation Division w.e.f. October 13, 2023. DAC directed that management to share the detail with Audit alongwith accounting adjustment.

Audit recommends implementation of the DAC directives.

1.1.4.11 Revenue loss due to flights flown with zero load factors – Rs 1,680.744 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 audit of Pakistan International Airlines Company Limited (PIACL), cargo division for the years 2020-2022, it was observed from the outbound cargo load factor and revenue data for the months of January, June, July, August and December, 2022 that the flights had flown with zero and below 50% load factors as against the pay load available resulting in a revenue loss of Rs 1,680.744 million (Annex-8).

Audit is of the view that the management failed to sale the available load factor due to poor planning and marketing which reflected weak financial management and inefficiency on the part of management.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024. The management informed that PIA was a passenger focused airline in which flights were mounted based on passenger traffic market. DAC directed the management to take necessary measures for improvement of the load factor and avoid zero load factors on outbound flights and share results with audit.

Audit recommends implementation of the DAC directives.

1.1.4.12 Irregular payment without validation of user department – Rs 1,669.860 million

Section 3.2.2 of Station Disbursement Manual, 2001 states that each invoice / bill / cash memo/cash receipt / statement / claim must be certified by the concerned officer and approved by Station Head.

During audit of Pakistan International Airlines Corporation Limited (PIAC), finance department for the year 2022, it was observed that the services of M/s HITIT are used by multiple departments and divisions. However, the finance department released payments against the services rendered amounting to Rs 1,669.863 million (US$ 7,364,336 @ Rs 226.750) to M/s HITIT without getting due validation from the concerned user department.

Audit is of the view that payment against invoices without confirming the validity of services received and claimed charges was held irregular and unjustified.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. Management informed that on war footing, a committee has been formulated by CEO, PIA to determine facts, constraints and recommended a way-forward. This Fact-Finding Committee has been given 30 days to thoroughly review the process and submit their finding/way-forward. DAC directed to share report of fact-finding investigation on disbursement of payment to M/s HITIT with Audit.

Audit recommends implementation of the DAC directives.

1.1.4.13 Loss due to default by sales agents – Rs 1,356.459 million

Article 27 of Passenger Sales Agency Agreement (PSAA) states that Agents 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 encashed to cover the amounts in default.

Article 09 of Passenger Sales Agency Agreement (PSAA) states that the Agents shall be under obligation to submit sales reports and remittances on fortnightly basis in the following manner: - (1) Sales from 1st to 15th day of the month will be settled on 30th of the same month; Sales from 16th to the last day of the month will be settled on 15th of the following month.

During audit of Pakistan International Airlines Corporation Limited (PIAC), finance department for the year 2022, it was observed that various agents defaulted for not depositing the sales amount, which was required to be deposited fortnightly with PIAC. In default cases, the agents were allowed to sell the tickets beyond their prescribed limits or caps, due to which they defaulted. The details of defaults from 2014–2022 are given under:

(Rs in million)		
S#	**Default Period**	**Amount**
1.	Year 2014	278.553
2.	Year 2015	144.073
3.	Year 2016	20.618
4.	Year 2017-2022	913.215
	Total	**1,356.459**

Audit is of the view that the management failed to recover the amount against defaulting agents despite the lapse of considerable time, which shows weak internal controls and poor financial management.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. Management informed that the amount will be reconciled with Audit. DAC directed to get the defaulted figures reconciled with Audit along with recovery made since 2014.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 1.1.4.48 having financial impact of Rs.25.014 million. Recurrence of same irregularity is a matter of serious concern.

1.1.4.14 Non-recovery from lessor and irregular award of contract without tendering – Rs 1,279.560 million

Article 17.4 of charter agreement signed between PIAC and M/s Hi-Fly on 14th April 2021 states that in case of a delay of more than 4 hours which is solely attributable to the carrier, the carrier shall bear related passenger compensations and/or welfare costs assumed by the charterer as a result of the delay (if any) up to a limit of 50% of the price of the affected flight.

Rule 12(1) of PPRA Rules, 2004 states that procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During audit of Pakistan International Airlines Corporation Limited (PIACL), corporate planning for the year 2022, it was observed that the management entered into Air Charter Agreement (Wet Lease) with M/s Hi-Fly (Lessor) to perform charter flights at cost of USD 170,000 per rotation for a period of six months on 14th April 2021. Subsequently, M/s Hi-Fly Ltd operated 52 flights / rotations till September 17, 2021 and suspended its flights on 31st October, 2021 before time in violation of terms and conditions of the contract. As per charter agreement, in case of early termination of the agreement by lessor, M/s Hi-Fly was obliged to pay Rs 125.160 million (US$ 240,000 & GBP 133,024) to PIACL which was not recovered till date.

Subsequently, in order to continue operations, management awarded contract for charter operation to M/s Jordan Aviation amounting to Rs 1,154.400 million (USD 7.215 million) without advertisement and obtaining competitive bidding. The management awarded the contract during the period from 22.09.2021 to 01.12.2021 (02 months 09 days) on number of rotation basis and paid USD 185,000 per rotation for 39 rotations.

Audit is of the view that non-recovery due to breach of contract by M/s Hi-Fly and award of direct contract to M/s Jordan Aviation in violation of PPRA Rules, reflected poor planning and weak financial management.

The matter was reported to the management in September, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024.

a. The management apprised that litigation in foreign courts would cost GBP 150,000 with minimum chances of success. DAC directed the management to expedite the recovery case through PIAC Legal Team besides exploring other possible options to recover the amount.

b. The management apprised that after discussion with PPRA officials on the issue, PIA declared emergency through their forum and the tender was made after necessary approvals. DAC directed the management to provide the copies of approvals of tenders along with approvals of formation of Fora by the concerned Authority i.e. Principle Accounting Officer (PAO) to audit for the further scrutiny.

Audit recommends implementation of the DAC directives.

1.1.4.15 Non-receipt & in-ordinate delay in aircraft engines, auxiliary power units & aircraft parts – Rs 1,205.986 million

According to Repair Agreement, Appendix C (Warranty and Turn Around Time), Warranty GTCP 131-9A:

Work Scope	Turn Around Time (TAT)
Medium / Heavy Repair	30 Calendar Days
Minor Repair	20 Calendar Days

According to Article 6.1 (Turn Around Time) of Repair Agreement between Air France Industries (AFI) and PIAC, the service provider shall carry out and complete the engine shop visit required by each work order within a shop Turn Around Time (TAT) of eighty-five (85) days (in bare configuration + 5 days with QEC).

According to Chapter 3(1) of Purchase Manual of PIAC, Technical Acquisition is of two distinct categories viz. aircraft components and spares, and vehicles / machinery and other ground support equipment and their spares. The purchase order system for both is mechanized and is in accordance with the broad structure of ATA – 200 specifications.

Further, Chapter 7 states that most of items to be procured indigenously are for non-standard type of stores. Every requirement is, therefore, examined very closely before it is processed for procurement. C- Delivery Schedule Delivery requirements are specified. Delivery should not be much earlier than the actual requirements and sufficient time should be allowed in. keeping with the lead time required for procurement and production of items by the manufacturers. The delivery schedules should be such which can reason.

During audit of Pakistan International Airlines Corporation Limited (PIAC), finance department for the year 2022, it was observed that the management sent seven (07) aircraft engines and 03 Auxiliary Power Units (APU’s) for repair abroad during the years 2019-2022, but their return was still awaited despite the lapse of more than three years. The summarized detail is as follows (Annex-9).

(Rs in million)				
S#	**Description**	**No. of units**	**Sending period**	**Cost**
1	Aircraft Engines	05	2019–2022	25.736
2	Aircraft Auxiliary Power units	03	2022	680.250
	Total			**705.986**

Furthermore, it was also observed that there was in-ordinate delay in receiving of the aircraft spare parts despite full advance payments to the foreign vendors. The details of total number of purchase order issued in 2017 to 2021 and delivered in 2022 are tabulated below:

S #	Total Number of purchase orders issued	Year of Purchase orders	Delivery period	Actual delivered	Late delivery periods
1.	11	2017	01 month	2022	05 years
2.	30	2018	01 month	2022	04 years
3.	190	2019	01 month	2022	03 years
4.	804	2020	01 month	2022	02 year
5.	3,806	2021	01 month	2022	01 year

Audit is of the view that non-receipt of aircraft engines and in-ordinate delay in receiving of the spare parts on time despite making 100% advance payments to the foreign vendors the delivery was received after many years was failure on the part of management which reflected poor internal controls.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024.

a. The management informed that PIA was unable to release payments to Engine Service Providers and for APU's due to scarcity of funds. DAC directed to provide documentary evidence in support of financial constraint for repair abroad expenditures along with other relevant issues of non-receipt of engine and Auxiliary power unit.

b. The management informed that orders were placed in different years but the supplier supplied parts within due dates and after receiving payments. DAC directed the management to provide relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

1.1.4.16 Irregular award and extensions of cafeteria services – Rs 821.149 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.

During audit of Pakistan International Airlines Corporation (PIAC) Supply Chain Management (SCM) for the year 2022, it was observed that the management awarded contract of cafeterias to M/s. Mujahid Brothers for PIA employees at Karachi at a total cost of Rs 78.670 million extendable for 01 year in 2021 by disqulifying 02 bidders on the basis of technical grounds i.e. lack of relevant experience and non-registration with EOBI and SECP. However, the rejected bidders had provided the required documents.

It was further observed that initially management had awarded the contract to M/s. Mujahid Brothers in 2013-14 which was being continuously extended on one or other reason and paid total amount of Rs 821.149 million for the years 2013 to 2020 in violation of rules.

Audit is of the view that the management extended undue favor to M/s. Mujahid Brothers by disqualifying other contractors on technical grounds and irregularly awarding contract for long period in violation of rules which was unjustified.

The matter was reported to the management on August 16, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. DAC directed the management to conduct fact finding inquiry within 20 days and share with audit.

Audit recommends implementation of the DAC directives.

1.1.4.17 Irregular procurement on direct contract basis - Rs 772.123 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.

During audit of Pakistan International Airlines Corporation Limited (PIACL) supply chain management (SCM) for the year 2022, it was observed that the management in violation of the PPRA rule directly contacted a supplier namely M/s. Eastman Chemical Europe S.A.R.L. (Branch), Dubai for procurement of BP Turbo Oil No.2,380 at total quantity of 15,480 US Gallon at a unit price of US$42.9 per gallon. Furthermore, M/S BP Middle East Dubai-UAE and M/S Solutia Chemicals India Pvt. Limited, two separate corporate companies which later merged/consolidated into Eastman Chemical Company, an American Company and during 2013, M/s BP Middle East Dubai-UAE was awarded the contract declaring Turbo Oil 2380 purchased from this company as a Propriety Item. However, in 2015, Solutia Inc. was awarded the contract of Turbo Oil 2380, and keeping in line with the previous trend, PIAC declared it as a propriety item.

Furthermore, it was also observed that the management awarded various contracts pertaining to TGS and Brand Department valuing Rs 40.036 million and Rs 52.551 million respectively without tender in violation of PPRA Rules.

Audit is of the view that award of contracts amounting to Rs 772.123 million without competitive process is a gross violation of rules.

The matter was reported to the management on September 26, 202. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024.

a. The management informed the DAC that the Turbo-2380 oil was procured as Propriety item base and from authorized distributor. DAC directed the management that declaration of propriety item by committee along with certificate of authorized distributor provided to audit for verification.

b. The management informed that all the contracts of TGS & Brand were awarded through prequalification basis. DAC directed the management to share the pre-qualification process with Audit for verification.

Audit recommends implementation of the DAC directives.

(DP No. 528 & 534)

1.1.4.18 Loss due to charging late payment interest by lessors - Rs 510.658 million (USD 2.042 million)

Article 5.7 of Aircraft Lease Agreement signed between PIAC (LESSEE) and LESSORS states that if LESSEE fails to pay any amount payable under the operative documents when due, LESSEE will pay to LESSOR, as supplemental rent (by way of liquidated damages as compensation for loss and increased risk and not as a penalty), interest calculated at the default interest rate on that amount, until and including the date of payment in full by LESSEE to LESSOR based upon actual days elapsed in an assumed year of 360 days and twelve months of 30 days each. Default interest will accrue at the default interest rate (as set forth on Schedule I) on a day-to-day basis and will be compounded monthly at the end f each calendar month. Default interest will accrue (a) in respect of amounts payable by way of indemnity in respect of expenses, taxes or other amounts arise, (b) in respect of damages arising due to the occurrence of an event of default from the date on which the loss to which such damages arise, and (c) in respect of all other amounts, from the applicable due date.

During audit of Pakistan International Airlines Corporation Limited (PIACL), corporate planning for the year 2022, it was observed that the management did not pay an outstanding amount of USD 7.76 million to lessors on time on account of lease rental charges of aircrafts. Resultantly, lessors charged late payment interest of USD 2.042 million. The detail of the same is as under;

(Amount in million)

S#	Lessor	Aircraft Type	Outstanding Amount (USD)	Amount (PKR)	Late payment Interest (USD)	Amount (PKR)
1	Shikra	B777-200ER	4.90	1,225	2.006	501.636
2	ALAFCO	A320	2.86	715	0.036	9.022
Total			**7.76**	**1,940**	**2.042**	**510.658**

Audit is of the view that non-payment of outstanding amount on time by the management resulted in charging late payment interest by lessors of Rs 510.658 million which shows poor financial management.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management apprised the DAC that due to cash flow shortage and current financial position of the PIAC, delays in payments of rentals were incurred. DAC directed the management to expedite the payments of outstanding rental amount of lessors to avoid further imposition of interest payments.

Audit recommends implementation of the DAC directives.

1.1.4.19 Irregular award of contract to a technically disqualified bidder - Rs 452.373 million

Rule 38 B (1) & (2) of PPRA, 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: The procuring agency shall make a decision with due diligence and incompliance with general principles of procurement like economy, efficiency and value for money.

During audit of Pakistan International Airlines Corporation (PIAC) supply chain management (SCM) for the year 2022, it was observed that the management awarded contract for outsourcing of PIA Call Centre to M/s Pak Telecom Mobile Ltd at a total cost of Rs 452.373 million for three years w.e.f. 01.01.2021 to 31.12.2023 without financial conformance in terms of rate reasonability and without experience of providing services to aviation industry in violation of PPRA Rules.

Moreover, management issued letter of intent (LoI) to above bidder on 03.03.2021 stating that contractual period was three years commencing from 01.01.2021 to 31.12.2023. Accordingly, contract agreement was executed with retrospective effect i.e. 01.01.2021 after lapse of 03 months from the date of LoI.

Audit is of the view that awarding of contract to single bidder without confirmation of marketable rate and without having requisite experience was held irregular and unjustified.

The matter was reported to the management in October, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed the DAC that contract was awarded to M/s. Pak Telecom Mobile Ltd as per PPRA rule 38(b) and in due process. DAC directed the management to provide the record of tender process along with LoI issued to Audit for verification.

Audit recommends implementation of the DAC directives.

1.1.4.20 Irregular purchase of property without obtaining NOC - Rs 391.431 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 International Airlines Corporation Limited (PIACL), corporate secretariat for the year 2022, it was observed that the management purchased property at Delhi (India) in the year 2005 at a cost of Indian Rupees (INR) 38,944,990 for Booking office. Later on, Reserve Bank of India filed a law suit in the year 2015 by taking a plea that the property was purchased without obtaining NOC from the Government of India. The matter has not yet resolved and the management closed its operations at the station in the year 2019. The current market price of the property was Rs 391.431 million (equivalent to INR 105,664,000).

Audit is of the view that the management failed to obtain NOC from the Government of India which reflects gross negligence.

The matter was reported to management on September 13, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed the DAC that no NoC was required at the time of purchase of property. The DAC directed the management to share the record with Audit pertaining to legal status/ lawyer's petition with the reason(s) that no NOC was required.

Audit recommends implementation of the DAC directives.

1.1.4.21 Irregular procurement of medicines - Rs 268.853 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 10 (1) of PPRA Rules, 2004 states 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.

During audit of Pakistan International Airlines Corporation Limited (PIACL) supply chain management (SCM) for the year 2022, it was observed that the management procured medicines through brand names instead of formula based from all 33 participating bidders. Furthermore, un-registered wholesalers / distributors having less experience were also awarded the major contracts for supply of medicines (Annex-10).

Audit is of the view that the management extended undue favor to all suppliers which shows negligence and slackness. Thus, award of contracts amounting to Rs 268.853 stands irregular and unjustified.

The matter was reported to the management on September 26, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed that the procurement was made as per PPRA rules and process of awarding contract was made through technical plus financial offers. DAC directed the management to provide the relevant documents along with justification and process for contract awarded as per PPRA to Audit for verification.

Audit recommends implementation of the DAC directives.

1.1.4.22 Unjustified write-off of receivables - Rs 260.670 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 audit of Pakistan International Airlines Corporation Limited (PIAC), finance department for the year 2022, it was observed that the management written off receivables amounting to Rs 260.670 million without providing any justification that on what account, these receivables were written off as no party-wise break up along with approval of the Board was provided to Audit. The detail is as under:

			(Rs in million)
S#	**Description**	**Year**	**Amount**
01	Write off	2021	252.080
02	Write off	2022	8.590
		Total	**260.670**

Audit is of the view that written off against receivables in absence of relevant record and approval is held irregular and unjustified.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed that the matter pertains to PIAC Commercial department. DAC directed the management to share details of party-wise written-off along with approval of relevant authority.

Audit recommends implementation of the DAC directives.

1.1.4.23 Blockage of funds due to holding fund in dormant accounts – Rs 253.641 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 International Airlines Corporation Limited (PIAC), finance department for the year 2022, it was observed that funds were blocked in different banks at various international stations. These amounts remained un-utilized in dormant accounts since long with no return to the corporation. The details are as follows:

Bank Branch	Bank Account Number	Description (CURR.)	Closing Balance	Rate	Rs in million
Colombo	0010-000017808	LKR	360,273,766	0.65	234.177
Panjgur	1149-00143278-03	PKR	6,454,062	1	6.454
Dhaka	2622030494617	BDT	2,563,433	2.19	5.613
Dhaka	2622021001160	BDT	461,256	2.19	1.010
Speedex	0048-00373924-03	PKR	429,800	1	0.429
Bahrain	010-2660-7	BHD	10,981	542.6	5.958
				Total	**253.641**

Audit is of the view that the amount lying idle in various bank accounts without realizing any return reflected gross negligence on the part of management.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed that they were in liaison with the HBL and UBL for the activation of accounts. DAC directed to activate the dormant accounts and share details with audit.

Audit recommends implementation of the DAC directives.

1.1.4.24 Un-authorized extension of credit facility to defaulting agents - Rs 202.66 million

Clause 2.02 of Credit Policy of Pakistan International Airlines Corporation (PIAC) 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), finance department for the year 2022, it was observed that the management extended undue favor by allowing credit facilities to cargo agents beyond their capping limits which resulted in default and subsequent non-recovery of dues as detailed below:

(Rs in million)				
S #	**Name**	**Delay in payment days**	**Transactions after due date**	**Outstanding amount**
01	M/s Leisure Cargo	899-1,051	12	181.2401
02	M/s Air Cargo Traders	214-883	17	19.53022
03	M/s Al Tayyar Travel	641-668	03	1.88567
	Total			**202.656**

Audit is of the view that un-authorized extension in credit limits beyond capping and subsequent non-recovery of dues from agents reflected weak internal controls and poor financial management which was unjustified.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed that all options were excercised to recover dues including litigation against M/s Leisure Cargo including arbitration in ICC (International Court of Arbitration) and US$ 5 Million have been recovered this exceeds the approval granted by the board of US$ 500,000 for an out of court settlement. Further, an amount of Rs 21.46 million has been recovered from clients at serial no 2 & 3. DAC directed to get the full recovery verified from Audit.

Audit recommends implementation of the DAC directives.

1.1.4.25 Loss due to non-billing of ground handling service charges from other carrier – Rs 149.834 million

Agreement clause between PIAC and M/s Air China Limited stipulates that the handling company (PIAC) shall charge the carrier US $ 2,420 for a single ground handling consisting of arrival and subsequent departure of aircraft A330-300 at agreed timing.

During audit of Pakistan International Airlines Company Limited (PIACL), cargo division for the years 2020-2022, it was observed that the management entered into ground handling agreement with M/s Air China Limited in the year 2008 and was renewed time and again. However, the management did not charge / bill of ground handling charges for the services rendered to M/s Air China Limited amounting to Rs 149.834 million.

Audit is of the view that non-billing of the ground handling service charges from M/s Air China Limited was a serious negligence on the part of management.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024. The management informed the DAC that from 2020 till August 2023, an amount of US$ 623,198 was billed and settled by PIA. DAC directed the management to submit comprehensive reply within 15 days to Audit.

Audit recommends implementation of the DAC directives.

1.1.4.26 Under-utilization of cargo space – Rs 131.101 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 audit of Pakistan International Airlines Company Limited (PIACL), Cargo Division for the years 2020-2022, it was observed that the cargo agents booked cargo spaces on outbound flights in advance and later on canceled the bookings or utilized less cargo space against the allocation at various sectors thus causing loss of Rs 24.681 million to the corporation.

It was further observed that total cargo space available in the year 2022 was 278,585.5 freight ton kilometers and space utilized / booked was only 95,958.7 freight ton kilometers causing a loss of Rs 83.552 million with only 31% space utilization

It was also observed that the management approved adhoc rate / short deal at various stations for utilization of cargo space. This resulted in loss of revenue amounting to Rs 22.868 million.

Audit is of the view that the management failed to utilize maximum cargo space and approved adhoc rates / short deal to the agents unjustifiably which reflected poor planning and weak financial management causing losses to the corporation.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024.

a. The management informed the DAC that non-availability of stock / supply from market as well less availability of pay load on flights due to passenger baggage & fuel uplift were the reasons, and there was no mechanism of penalties against cancellations; however, warnings were issued to the concerned agent(s).

b. The management informed the DAC that passenger focused airline like PIA Cargo AFTK are not calculated on the basis of regions cargo market but rather calculated on the basis of available capacities of the aircrafts, moreover, directional imbalances in air cargo industry also severely effects the RFTKs or load factors.

c. The management informed the DAC that the subject case is one of incident wherein very productive customer was compensated through ad-hoc rate. In considered case PIA was at fault and indemnity does not mean that airline exempted from claim. Adhoc rate was given to station as per their request based on their market requirement and with ad-hoc rates they divert other airlines business into PIA.

DAC directed the management to devise a policy / SoPs in the light of the audit observation. Further, CRC rate may be issued / approved on monthly basis and discouraged the adhoc rate practice in future.

Audit recommends implementation of the DAC directives.

(DP No. 490, 495 498 & 499)

1.1.4.27 Irregular procurement of store and spares – Rs 112.666 million

Rule 8 of PPRA Rules, 2004 states that within one year of commencement of these rules, 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.

Rule 12 (1) of PPRA Rules, 2004 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 audit of Pakistan International Airlines Corporation (PIAC), for the year 2022, it was observed that the management procured various items amounting to Rs 112.666 million without observing the following PPRA requirements:

S#	Description	Rs in million	Remarks
1.	Outside party (Repair) procurement	10.914	Procurement without planning
2.	Reactive parts procurement	16.547	
3.	SCM procurement	77.983	
4.	Store & spare parts	7.222	Procurement from non-pre-qualified vendors
	Total	**112.666**	

Audit is of the view that the procurement was made in violation of PPRA rules which reflected negligence and slackness of the management.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management apprised that the stores and parts were procured by TGS due to delay in procurement through SCM to meet operational requirement. DAC directed the management that procuring stores and spares without adopting PPRA was violation and therefore could not be justified. Further, DAC directed to probe the matter.

Audit recommends implementation of the DAC directives.

(DP No. 566 & 567)

1.1.4.28 Recurring loss due to vacant properties abroad – Rs 59.821 million

Rule 5 (1) of the 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 International Airlines Corporation Limited (PIAC), works department for the year 2022, it was observed that the PIA owned (Pagri) a commercial property in Tehran, Iran as Booking Office which was idle for the last two decades. However, PIACL was incurring cost of US$ 34,646 annually for its rent plus additional cost of maintenance as detailed below:

S#	Description	US$ per year
1.	Rent plus additional cost of maintenance and upkeep	12,000
2.	Salary to local staff	18,000
3.	Rent of property	4,646
	Sub Total	**34,646**
Total (34,646*Rs 250)		**8,661,500**

Furthermore, it was also observed that PIACL has two commercial properties in Amsterdam which were lying vacant since September 2013 due to offline status of the station. The management could not rent out / dispose off the properties and was sustaining losses as follows:

S#	Description	Expected Rental income per month	Total amount in 02 years (Rs)
1	PIA Town Office 17, Leidsetraat 1017 NT , Amsterdam	4,500	108,000
2	109 AbcoudeKoningVarem, Amsterdam	1,275	30,600
			138,600
		Total (138,600*Rs 300)	**41,580,000**

It was also observed that a property at New York remained vacant for a period of 09 months and subsequently rented out at US$ 5,700 per month which was below than the market rate of US$ 7,000, causing a loss of Rs 9.580 million.

Period	Rent as per market rate (USD)	Actual Rent charged (USD)	Total Rental Loss (USD)	Total Rental Loss (Rs)
March, 2020 to June, 2021	7,000	5,700	20,800 (USD1,300*16 months)	Rs 3,640,000/- (USD20,800*Rs 175)
July, 2021 to December, 2022	7,000	5,500	27,000 (USD1,500*18 months)	Rs 5,940,000/- (USD27,000*Rs 220)
			Total	**9,580,000**

Audit is of the view that due to non-renting / disposal of properties resulted in loss of Rs 59.821 million which reflected poor financial management and weak internal controls.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024.

a) The management informed that the efforts to sell out the property were made in 2019 and advertisements were placed in newspaper but, no offer was received. DAC directed the management to share the record / documents with Audit and make efforts for renting / disposal of properties.

b) The management informed that PIA owned total three (3) properties in Amsterdam and were vacant since 2013 due to closure of station. However, management rented out single property/ apartment at Van Neijienrodeweg Amsterdam, and was earning US$ 1,700 per month during the year 2022. DAC directed the management to share the record/documents with Audit and make efforts for renting/ disposal of properties.

c) The management informed that renovation work on NYC property was completed on July 2019 & rented out at USD 5,700 per month in March, 2020. Later on, reduced by USD 5,500 per month which is below market rent of USD 7,000 per month due to Covid 19. DAC directed the management to submit the revised reply and verify the facts to Audit.

Audit recommends implementation of the DAC directives.

(DP No. 543, 544 & 546)

1.1.4.29 Loss due to imposition of immigration fines / penalties - Rs 33.947 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 2022, it was observed that the management paid an amount of Rs 33.947 million on account of immigration penalties and fines (Annex-11), but recovery against the responsible person(s) was still awaited.

Audit is of the view that due to weak internal controls, the management failed to recover immigration fines from the travel agents, which reflected undue favor to the agents.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. Management informed that the data is meaningless unless specific details with reference to time period and station it pertains to are provided. Audit contended that the details were shared in annexure. DAC directed to get the figure reconciled and recovery made be shared with Audit.

Audit recommends implementation of the DAC directives.

1.1.4.30 Unjustified payment of incentives to cargo agents - Rs 22.956 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 audit of Pakistan International Airlines Company Limited (PIACL), cargo division for the years 2020-2022, it was observed that the management approved adhoc rate / short deal at various stations for utilization of cargo space (Annex-12). This resulted in loss of revenue amounting to Rs 22.868 million.

Audit is of the view that the approval of adhoc rate / short deal reflected undue favor to the agents.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024. The management informed that due to intense competition from other airlines in cargo business and to retain and attract customers/ agents, PIAC provided incentives to the agents. DAC directed the management to devise a policy / SoPs in the light of the audit observation. Further, CRC rate may be issued / approved on monthly basis and discouraged the adhoc rate practice in future.

Audit recommends implementation of the DAC directives.

1.1.4.31 Irregular award of contract to a blacklisted supplier– Rs 18.511 million

Rule 19 (a) of PPRA Rules, 2004 states that 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; (b) blacklisted and henceforth cross debarred for participation in respective category of public procurement or disposal proceedings for a period of not more than three years, if the bidder fails to perform his contractual obligations during the execution of contract or breaches the contract due to his capacity and capability to perform or otherwise.

During audit of Pakistan International Airlines Corporation Limited (PIACL) supply chain management (SCM) for the year 2022, it was observed that the management awarded various contracts to M/s. Iqbal Shoe Company for supply of safety shoes who was already a blacklisted supplier as per PPRA on the basis for providing fake / forged documents. The details of purchased items are as under:

<table>
<tr><th>S#</th><th>PO#</th><th>Description</th><th>Quantity</th><th>Rate</th><th>Total (Rs)</th></tr>
<tr><td>1.</td><td>22041443</td><td rowspan="3">Safety Shoe</td><td>528</td><td>3,989</td><td>2,106,192</td></tr>
<tr><td>2.</td><td>22040687</td><td>570</td><td>2,495</td><td>1,422,150</td></tr>
<tr><td>3.</td><td>22041443</td><td>103</td><td>3,989</td><td>410,867</td></tr>
<tr><td>4.</td><td>21041834</td><td>Cabin Shoes</td><td>1300</td><td>3,748</td><td>4,872,400</td></tr>
<tr><td colspan="5">Total cost plus GST @17% (Rs 15,821,871*17%=Rs 2,689,718.07)</td><td>18,511,589</td></tr>
</table>

Audit is of the view that the award of contracts to a blacklisted supplier reflected negligence and gross violation of PPRA Rules, 2004. Thus, contracts amounting to Rs 18.511 million stand irregular and unjustified.

The matter was reported to the management on September 20, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed that process for awarding of the contracts were made as per PPRA rules and all relevant documents were verified by the tender committee. Moreover, the supplier was a distributor of Bata Shoe Company for last 20 years and the contracts were awarded before the supplier was blacklisted by PSO as per PPRA Rules. DAC directed the management to get the process for awarding of contract verified from audit.

Audit recommends implementation of the DAC directives.

1.1.4.32 Loss due to theft of copper wire - Rs 16.245 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.

According to PIA, Major Works Committee (MWC) meeting no. 153 held on 21-12-2022, PIACL lights were connected through copper conductors which township committee dismantled and submitted in store section for auction, and as per that approximately (7 tons) equal to 7,000 Kgs and cost millions of rupees.

During audit of Pakistan International Airlines Corporation Limited (PIACL) supply chain management (SCM) for the year 2022, it was observed that copper wire valuing Rs 16.245 million was missing from the store of PIA. Furthermore, Township management of PIAC dismantled all PIA old electric network and replaced copper wire approximately 07 tons (7,000 Kgs) and out of total wire, 06 tons (6,000 kg) was submitted in the presence of Security and Vigilance Department on 19-12-2022 (as per Store receipt) but the same was missing. Later on, wire having weight of 752 kgs was sold at Rs 2,065 per kg through auction and remaining quantity of 6,248 kgs (7,000 kgs-752 kgs=6,248 kgs * Rs 2,600 per kg) valuing Rs 16.245 million were missing / stolen from store.

Audit is of the view that missing / theft of wire caused a loss of Rs 16.245 million to the corporation which reflected negligence and slackness.

The matter was reported to the management on September 26, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed the DAC that the copper wire was dismantled by PIA, township and sent to main store on approximate basis of 06 tons but the same was actually disposed off was only 01 Ton. DAC directed the management to conduct fact finding inquiry within 20 days and share with audit.

Audit recommends implementation of the DAC directives.

1.1.4.33 Irregular award of contract of rice due to alteration in financial bid - Rs 15.642 million

Rule 31 of PPRA, 2004 states that (1) 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. (2) Any request for clarification in the bid, made by the procuring agency shall invariably be in writing. The response to such request shall also be in writing.

During audit of Pakistan International Airlines Corporation Limited (PIACL) supply chain management (SCM) for the year 2022, it was observed that the management awarded contract to M/s. Haneef Traders for procurement of rice (basmati & sella) at a rate of Rs 158 per kg amounting to Rs 15.642 million. The initial rate of M/s. Haneef Traders was Rs 182 per kg of basmati rice, however, after opening of financial bids, the rates were revised to Rs 158 per kg in violation of PPRA, rules.

Audit is of the view that acceptance of alteration in financial bid against already submitted financial bid was held irregular and unjustified. Hence, contract amounting to Rs 15.642 million stands irregular.

The matter was reported to the management on August 15, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024.

The management informed the DAC that contract was awarded to M/s. Haneef Trader as per PPRA rule-38(A)-bid discount. However, the one supplier offered bid discount before opening of the financial offer and the same was qualified as lowest evaluated bid thereon management awarded the contract. DAC directed the management to conduct fact finding inquiry within 20 days and report of the same may be share with audit.

Audit recommends implementation of the DAC directives.

1.1.4.34 Extension of contract without getting bank guarantee - Rs 11.181 million

Clause 8.1 of contract agreement between PIAC and M/s Airport Limousine Services (Pvt) Ltd states that the Contractor Shall deposit in shape of Bank Guarantee/Pay Order a sum Rs 11, 181,808 (Eleven Million one thousand and eight hundred eight only) equivalent to 05% of the total contract value as interest free security deposit 15 days before the execution of this Agreement with Finance Manager head office payment PIACL. This agreement shall not enforce if the contractor failed to pay the security deposit within the time stipulated hereof.

During audit of Pakistan International Airlines Corporation (PIAC) supply chain management (SCM) for the year 2022, it was observed that the management awarded contract to M/s Airport Limousine Services (Pvt) Ltd for provision of transport services to cabin crew at Karachi, Lahore & Islamabad stations. However, extension of same was approved by the management without getting the bank guarantee in time and against expired bank guarantee amounting to Rs 11.181 million.

Audit is of the view that the management extended an undue favor to the service provider by extending contract without getting the revised bank guarantee.

The matter was reported to the management on August 15, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed the DAC that the bank guarantee was received during the initial period of contract and subsequently the extension was made but the bank guarantee was not renewed. DAC directed the management to conduct a fact finding inquiry to find out the reasons for not renewing the bank guarantee and fix responsibility.

Audit recommends implementation of the DAC directives.

1.1.4.35 Loss due to poor handling of baggage of passengers – Rs 8.459 million

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

During audit of Pakistan International Airlines Corporation Limited (PIACL), finance department for the year 2022, it was observed that the management incurred expenditure on account of mishandling of baggage Rs 8.459 million due to inefficient and ineffective monitoring and baggage control system and frequency of mishandling cases was on rising trend. The details are given below:

			(Rs in million)
S#	**Description**	**Account code**	**Amount**
1	Mishandling baggage claims	83102002	2.812
2	Carton Lost-Cargo (03 units)	83102002	0.667
3	Miscellaneous claims	83102002	4.980
		Total	**8.459**

Audit is of the view that due to poor handling of baggage the organization was sustaining huge losses which resulted in financial and reputational damage to corporation.

The matter was reported to the management on September, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed the DAC that baggage mishandling is an unfortunate event that occurs frequently in the aviation industry, despite the airline's best efforts to prevent it. Airlines typically set aside a specific amount of money to reimburse passengers for any expenses or damages caused by the mishandling of their luggage. This practice is followed across the industry to reduce the impact of such incidents on passengers and to ensure that a high level of service quality is maintained. DAC directed to submit revise reply in 15 days along with documentary support for steps taken for improving baggage system.

Audit recommends implementation of the DAC directives.

1.1.4.36 Loss of revenue due to short collection of cargo rate – Rs 6.382 million

According to Commercial Rebated Cargo Rate 2022, ex Pakistan cargo rates for Toronto i.e. YYZ sector rates had been proposed / approved at USD 6.50 per KG.

During audit of Pakistan International Airlines Company Limited (PIACL), cargo division for the years 2020-2022, it was observed that the management approved ex-Pakistan Commercial Rebate Rate for Toronto i.e. YYZ Sector at USD 6.5 Per Kg for the year 2022. However, during June, July & August 2022, cargo rates charged per kilograms were less than the approved rates from the shippers / agents during the peak travelling season. Consequently, the management received short collection amounting to Rs 6.382 million from YYZ sector (Annex-13). The brief summary is as under:

S#	Origin	Destination	Revenue loss (US$)	Revenue Loss (Rs in million)
1	LHE	YYZ	13,989	3.022
2	ISB-KHI	YYZ	432.90	0.085
3	KHI	YYZ	12,427.50	2.635
4	ISB	YYZ	3,633.15	0.638
			Total	**6.382**

Audit is of the view that the management failed to observe approved rates from agents which resulted in short collection of Rs 6.382 million. This reflects weak monitoring and control.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024. The management informed that approved CRC rate as quoted was USD 6.50 which was the 5% commissionable rate. The net commission rate stands at USD 6.18 (6.5 X 95%). DAC directed the management to devise a policy / SoPs in the light of the audit observation. Further, CRC rate may be issued / approved on monthly basis and discouraged the adhoc rate practice in future.

Audit recommends implementation of the DAC directives.

1.1.4.37 Irregular consumption of fuel – Rs 6.243 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 International Airlines Corporation (PIAC), technical ground handling services (TGS) for the year 2022, it was observed that the management entered into contract with PSO for provision of petrol & diesel at an in-house fueling point ground support equipment (GSEs). It was observed from the reports generated for fuel system and TGS online system discrepancies were noticed that fuel was issued for unserviceable / grounded equipment as detailed below:

S#	Fuel Type	Procured (Ltrs)	Consumed (Ltrs)	Difference (Ltrs)	Average Rate per Ltr (Rs)	Amount (Rs)
1	Diesel	280,000	252,346	27,654	197.39	5,458,623
2	Petrol	24,000	19,673	4,327	181.35	784,701
					Total	**6,243,324**

Audit is of the view that management did not establish control over issuance of fuel causing losses of Rs 6.243 million that reflected weak internal controls over supply of fuel.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management apprised the DAC that due to provision of required record by another department, certain discrepancies were observed which were not correct. DAC directed the management to reconcile the data and share with Audit.

Audit recommends implementation of the DAC directives.

1.1.4.38 Irregular payment of endorsement allowance to aircraft engineers – Rs 5.896 million

According to Pakistan International Airlines Corporation (PIAC) Admin Order No.104/2006 and Admin 0rder No. 49/ 2009, payment of Endorsement Allowance shall be applicable for acquiring licenses of such aircraft which exists in PIA fleet, subject to the condition that, the aircraft engineer performs the duty on that particular aircraft for which the payment is made.

During audit of Pakistan International Airlines Corporation Limited (PIACL) supply chain management (SCM) for the year 2022, it was observed that five (05) aircraft engineers were posted on the administrative posts who were drawing endorsement allowance in violation of above rule as detailed below:

Rs in million

S #	Name	P. No	Period	No. of months	Amount per month (Rs)	Total (Rs)
1.	Mr. Iftiqar Muhammad	44918	August, 2014 to December, 22	100	28,000	2.800
2.	Mr. Muhammad Shahid Saleem	44986	November, 21 to December, 22	13	24,000	0.312
3.	Mr. Usman Akhter	53017	January,17 to December,22	72	28,000	2.016
4.	Mr. Tahir Mehmood	54855	January,21 to August, 23	32	24,000	0.768
					Total	**5.896**

Audit is of the view that the payment of endorsement allowance amounting to Rs 5.896 million without performing duties on particular aircrafts was irregular and unjustified.

The matter was reported to the management on September 26, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed the DAC that the endorsement allowance was allowed as per latest notification issued by the PIA. DAC directed the management to provide latest notification for allowing endorsement allowance to aircraft engineers during administration postings to Audit for verification.

Audit recommends implementation of the DAC directives.

1.1.4.39 Irregular payment of fuel charges and non-deduction of tax – Rs 5.505 million

Clause 6.4 of agreement between PIACL and M/s Filly Transport Services states that the purchase of fuel, lubricants, spares and payment of wages to the drivers and other staff, maintenance and overhauling and ensuring validity of the insurance in respect of the vehicles provided by the contractor shall be the sole responsibility of the contractor.

Sindh Sales Tax Special Procedure (withholding) Rules, 2014 of section 2 stipulates that Public Sector Organization, including public corporations, state owned enterprises and regulatory bodies and authorities hereby specified as “withholding agents” for the purpose of deduction and deposit of tax.

During audit of Pakistan International Airlines Company Limited (PIACL), cargo division for the years 2020-2022, it was observed that the management awarded the contract to M/s Filly Transport Services for transport services. However, the management had been paying monthly fuel charges of Rs 137,936 against the services in violation of above agreement. The details are as under:

				(Rs in million)
S#	**Contract Period**	**Months**	**per month Rs**	**Amount paid**
1	01.12.2019- 30.11.2022	36	111,571	4.004
2	01.12.2022- 30.04.2023	5	111,247	0.556
3	01.05.2023-30.04.2026	4	137,936	0.551
			Total	**5.111**

Furthermore, the management made payments to the contractor without deduction of sales tax amounting to Rs 0.393 million (Rs 7.861 million x 5%)

Audit is of the view that the management extended undue favor to the contractor by making payments of fuel charges and non-deduction of taxes which reflected negligence and slackness.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024. DAC directed the management to justify the matter and submit revised reply to Audit.

Audit recommends implementation of the DAC directives.

1.1.4.40 Loss on procurement of crockery items - Rs 3.411 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.

During audit of Pakistan International Airlines Corporation (PIAC) supply chain management (SCM) for the year 2022, it was observed that the management procured various items in four (04) tenders instead of awarding the same in the first time tender which resulted in excess expenditure amounting to Rs 3.411 million (Annex-14).

Audit is of the view that management extended undue favor to the suppliers in awarding contracts which reflects poor procurement planning.

The matter was reported to the management on August 15, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed the DAC that due to covid-19 periods, the bids were re-tendered more than twice due to restriction of food items in flight. Moreover, CAA wrote a letter to PIA to ban the food items in the flights. DAC directed the management to share the letter to audit and to re-submit the revised reply with justification for re-tendering process.

Audit recommends implementation of the DAC directives.

1.1.4.41 Non-deposit of unclaimed dividend into treasury - Rs 3.297 million

According to Section (244) (ii) of the Companies Act, 2017, where dividend has been declared by a company or Modaraba; which remain unclaimed or unpaid for a period of three years from the date it is due and payable. Further, Sub-section (2) If no claim is made before the company by the shareholder, certificate holder or the owner, as the case may be, the company shall after ninety days from the date of publication of notice under clause (b) of sub-section (1) shall— (a) in case of sum of money, deposit any unclaimed or unpaid amount to the credit of the Federal Government.

During audit of Pakistan International Airlines Corporation Limited (PIACL), corporate secretariat for the year 2022, it was observed that the management did not deposit the unclaimed dividend amounting to Rs 3,297,000 into the Federal Government treasury in violation of above rules. Furthermore, the management issued final notices to the approximately 16,200 shareholders for the settlement of unclaimed dividends on February 01 2018 but no response was received from the shareholders in compliance of the final notice.

Audit is of the view that the management failed to deposit the unclaimed dividend amounting to Rs 3.297 million with the Federal Government which reflects gross violation.

The matter was reported to management on September 13, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. The management informed the DAC that in compliance of sub-section 2 of Section 244 of the Companies Act, 2017 a letter was also sent to the Joint Registrar of Company Registration Office, Karachi requesting them to provide Bank Account details to deposit unclaimed amount and CDC Account number for transfer of physical shares. Response of which is yet to be received. DAC directed the management to pursue the matter vigorously.

Audit recommends implementation of the DAC directives.

1.1.4.42 Loss due to expired oil - Rs 2.835 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 audit of Pakistan International Airlines Corporation Limited (PIACL) supply chain management (SCM) for the year 2022, it was observed that the management unnecessarily procured oil AVGAS 100LL for operation of training aircraft AP-BBN for the PIA’s Shaheed Benazir Bhutto’s flying academy (SBBFA) during the year 2020 which was not utilized and expired in 2021 and disposed-off after getting approval from EPA Sindh.

Audit is of the view that due to poor planning and negligence the oil was expired causing losses of Rs 2.835 million.

The matter was reported to the management on September 20, 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed the DAC that request the process of sale the procured oil was made with CAA but they refused the same. DAC directed the management to provide the relevant record i.e. refusal letter of CAA for sale of oil along with revised reply with justification to Audit for verification.

Audit recommends implementation of the DAC directives.

1.1.4.43 Loss due to non-collection of airway bill charges– Rs 2.062 million

Clause 1.7 of the agreement between M/s Air China (Carrier) and PIAC (Ground Handling Company) states that Handler will send all Final Flight Manifest (FFM) & Full Airway Bill (FWB), Airway Bill (AWB) information of all AIR China Flight from Karachi. The Service shall be rendered by Handler (PIAC) at USD 5.00 Per Airway Bills (AWB).

During audit of Pakistan International Airlines Company Limited (PIACL), cargo division for the years 2020-2022, it was observed that as per above agreement, the management was required to charge US$ 5.000 on each airway bill. However, the management charged screening charges @ Rs 2.500 per Kg of the item shipped instead of airway bill charges. The detail is as under:

S#	Year	Total No. of Airway bills A	Rate per Airways Bill in US$ B	Amount to billed in US$ C (A*B)	Amount in Rs D (C*Rs 305)
1	2023	398	5	1,990	606,950
2	2022	231	5	1,155	352,275
3	2021	723	5	3,615	1,102,575
				Total	**2,061,800**

Audit is of the view that management failed to observe the agreement terms and condition which reflected weak internal controls caused a loss of Rs 2.062 million.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024. The management informed the DAC that we taking only Rs 2.50 per kg screening charges from Airline as per handling agreement. Further, USD 5.00 per airway bill is as advance / cargo sport charges and the PIA not providing any facility to Air China. DAC directed the management to revise the rate as per competitive rate of the other airline and revised the agreement of the clause 1.7 and working share with the Audit.

Audit recommends implementation of the DAC directives.

1.1.4.44 Non-blacklisting of prequalified contractors - Rs 2.000 million

Rule 19 of PPRA Rules, 2004 provides that, the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority.

During audit of Pakistan International Airlines Corporation Limited (PIAC), works department for the year 2022, it was observed that financial irregularity of over Rs 24.000 million was committed by manager works and works officer Lahore in April, 2016. Inquiry Committee recommended to blacklist the contractors involved. However, the management did not blacklist the contractors who were still enlisted in facilities management division as detailed below:

S#	Name of Contractor
1	M/s Malik Ismail & Co.
2	M/s Amjad Electronics
3	M/s Abdul Khaliq
4	M/s Al Rauf
5	M/s International Traders

Audit is of the view that the management failed to blacklist the above contractors which reflected gross violation and negligence.

The matter was reported to the management in November, 2023. The irregularity was discussed in DAC meeting held on January 03 & 04, 2024. The management informed that on April, 2016 financial irregularity of Rs 24.00 million committed by manager works and works officer at Lahore. During investigation both accused were proven guilty on February, 2019. Further, inquiry committee blacklisted the following contractors in the subject case. Malik

Ismail & Co, Amjad Electronics, Abdul Khaliq, Abdul Rauf & International Traders. Moreover, prequalification of above contractors was held in 2021 and were enlisted contractors in facilities management instead of blacklisting them. The management also informed that 01 contractor has filed case in the court of law.

The DAC directed the management to share inquiry committee report and take immediate action against the accused as per inquiry report and fix responsibly against the person(s) for non-blacklisting and further prequalifying. The progress report thereof may also be shared within (45) days to Audit and concerned Ministry.

Audit recommends implementation of the DAC directives.

1.1.4.45 Non-renewal of European Union Aviation Safety Agency (EASA) license

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 International Airlines Corporation Limited (PIACL), corporate secretariat for the year 2022, it was observed that PIACL Board did not take strenuous effort for renewal of license with regards to the lifting of ban on PIA aircraft for UK and Europe. Moreover, on requirement of European Union Aviation Safety Agency (EASA), PIA submitted deliverables mentioning therein the steps taken for the improvement of PIAs safety system. The same were accepted by EASA but, pointed out two primary issues: (i) safety management system & (ii) pilot licensing. The matter was still pending as neither any issuance of pilot licensing by Civil Aviation Authority (CAA) nor any safety management audit was conducted by the management.

Audit is of the view that the matter to resolve significant issue for renewal of license with regards to lifting of ban on PIA aircraft for UK and Europe was still pending on the part of management.

The matter was reported to the management on September 13, 2023. The management replied that PIACL Board has been attaching and giving utmost attention to the issue of license renewals and lifting of ban on PIACL flights to UK and Europe. The reply was not tenable because, PIACL Board could not resolve the significant issue for renewal of license with regards to lifting of ban on PIA aircraft for UK and Europe. The irregularity was discussed in the DAC meeting held on January 19, 2024. The DAC directed the management to share the deliverables and relevant record with Audit.

Audit recommends implementation of the DAC directives.

1.1.4.46 Irregular appointment of company secretary

According to Section 14 (4) of Public Sector Companies (Corporate Governance) Rules, 2013 states that, no person shall be appointed as the Company Secretary of a Public Sector Company unless he is a (c) Person holding a master degree in business administration or commerce or being a law graduate from a university recognized by the Higher Education Commission with at least five years relevant experience.

During audit of Pakistan International Airlines Corporation Limited (PIACL), corporate secretariat for the year 2022, it was observed that the management promoted Mr. Muhammad Imran (assistant company secretary) as Company Secretary w.e.f. January 08, 2023 on probation for a period of three months subject to satisfactory performance of his service shall be confirmed as Company Secretary. The incumbent is Masters in (marketing) while, requirement of the said post was Master's degree in business administration or commerce with at least five years relevant experience.

Audit is of the view that the management extended an undue favor on the appointment on the post of Company Secretary without required qualification and relevant experience in violation of the rule and procedures.

The matter was reported to management on September 13, 2023. The irregularity was discussed in the DAC meeting held on January 19, 2024. Management informed that at the time of his appointment as Company Secretary, Mr Muhammad Imran was already working in the capacity of Assistant Company Secretary since 2019. Moreover, due to a ban imposed on external recruitment by the Supreme Court of Pakistan on PIA, no external hiring could be done in this case. The DAC directed the management to share the working papers for promotion of incumbent with Audit.

Audit recommends implementation of the DAC directives.

1.1.4.47 Undue favor to the supplier

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 International Airlines Corporation (PIAC) supply chain management for the year 2022, it was observed that management awarded contracts of natural yogurt, instant dairy whitener, cooking oil, rice, fresh cream, mayonnaise and other food items to M/s Haneef traders at Karachi, Lahore, Islamabad, Peshawar and other stations. It was observed that management irregularly awarded contract of 80gm yogurt cup to M/s Haneef traders with total quantity of 1,105,000 at Rs 26,063,365. However, after lapse of three months he refused to supply same quantity on same rates and management again awarded the contract to M/s Haneef traders at higher rates. Similarly, management irregularly awarded contract of instant dairy whitener to same supplier at Rs 33.475 million by disqualifying M/s MAQ corporation on past complaints without evaluating provided samples. The management awarded contract of Mayonnaise to M/s Haneef Traders of Rs 53.276 million after re-tender as well as change of specification of mayonnaise with extra cost.

Audit is of the view that the management extended undue favor to M/s Haneef Traders and awarded contracts without merit in violation of rules.

The matter was reported to the management on September 26, 2023. The management informed that process for market survey was usually made before procurement of the all contracts. Moreover, contracts were usually made as per scrutiny of documents and relevant specifications. DAC directed the management to conduct fact finding inquiry within 30 days.

Audit recommends implementation of the DAC directives.

1.2 Skyrooms (Pvt.) Limited

1.2.1 Introduction

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

1.2.2 Comments on audited accounts

1.2.2.1 The 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*).**

1.2.2.2 The working results of Skyrooms (Pvt.) Limited for the year 2019 as compared with those of previous years are given as below:

							(Rs in million)
	2019	**%Inc / (Dec)**	**2018**	**%Inc /(Dec)**	**2017**	**%Inc / (Dec)**	**2016**
Net Revenue	201.65	(36.24)	316.28	(4.62)	352.10	9.11	266.60
Cost of Sales	(184.63)	(21.15)	(234.15)	(4.84)	(300.38)	8.50	(241.70)
Gross Profit/Loss	17.21	(79.05)	82.13	(20.33)	62.72	36.82	24.90
Administration Exp.	(41.10)	(28.92)	(57.82)	(5.56)	(61.12)	7.15	(55.94)
Other income.	14.46	(9.96)	16.06	(66.73)	(20.18)	3,005.08	(4.08)
Financial Charges	(14.08)	8700.00	(0.16)	9,130.77	(0.003)	(80.50)	(0.18)
Profit before Taxation	(23.51)	(41.51)	40.20	(86.13)	(17.37)	68.27	13.52
Taxation	(2.01)	(83.24)	(11.99)	968.87	(3.63)	467.19	(21.79)
Net profit after Taxation	(25.53)	(9.46)	28.20	96.27	(21.00)	91.39	(20.11)
Accumulated Loss	(259.19)	10.93	(233.65)	23.86	(172.73)	13.84	(41.90)

(Source: Annual Audited Accounts)

1.2.2.3 Gross profit ratio deteriorated from 25.97% in the year 2018 to 8.53% in the year 2019, registering a decrease by 17.44%. This decline in gross profit ratio is due to higher decline in sale.

1.2.2.4 Net profit ratio was 8.92 % in the year 2018 which deteriorated to net loss ratio of 12.65%, registering fall by 21.57% in the year 2019. The decrease in net profit ratio was contributed due to heavy increase in finance cost.

1.2.2.5 Current ratio is 0.47:1 in the year 2019, showing weak liquidity position. The company current liability exceeds its current asset by Rs 179.120 million.

1.2.2.6 Debt ratio is 166.45% in the year 2019 which reflects heavy obligations on account of current as well as non-current liabilities.

1.2.2.7 The lease liabilities were increased by 100% amounting to Rs 108.071 in the year 2019. The liability is increased on account of application of IFRS 16 in the year 2019.

1.2.2.8 The company has accumulated loss of Rs 259.193 million and negative equity of Rs 215.556 million as on December 31, 2019. The reason for heavy accumulated loss is due to consistent business loss and re-measurement of defined benefit plan.

1.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% age 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 (remainig to be discussed in PAC)	10%
2019-20	1		1	1.2.4.1	0%
Total	**11**	**1**	**9**		**9%**

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 Expenditure without approval of the Board - Rs 625.034 million

Rule 7(1) of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall establish appropriate arrangements to ensure it has access to all relevant information, advice and resources necessary to enable it to carry out its role effectively. Significant issues shall be placed before the Board for its information and consideration, in order to formalize and strengthen the corporate decision making process.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the management submitted the post facto approval of the expenditure for the years 2020 and 2021 and budget for the year 2022 in Board of Director (BoD) meeting dated December 31, 2021. However, BoD deferred the above agenda items and directed to get a fresh approval after scrutiny and endorsement by the new Finance Manager. Therefore, total expenditure of Rs 625.034 million incurred by the management was done without getting formal approval from the Board. (Annex-15)

Audit is of the view that the expenditure of Rs 625.034 million was held irregular / unauthorized as it was without BoD's approval.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC that appointment of Finance Manager was made by PIA (Holding company) as Senior Accounts Officer and approval of estimate budget and expenditure for the year 2020, 2021 and 2022 would be placed in upcoming Board meeting. The DAC directed the management that appointment of Finance Manager and BoD approval may be provided to Audit for verification.

Audit recommends implementation of the DAC directives.

1.2.4.2 Loss of revenue due to vacant rooms - Rs 245.639 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 Producers in Financial and other matters, subject to the oversight and directions of the Board, in accordance with the ordinance and these rules.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the management failed to rent out its available rooms to its maximum capacity and suffered a potential loss of Rs 245.082 million on account of rent. This reflects inefficiency and poor marketing management. (Annex-16)

Audit is of the view that management failed to harness the potential revenue of Rs 245.082 million due to its inefficiency.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management informed the DAC that total 310 rooms exits in hotel out of which 106 rooms are operational and 108 rooms are non-operational and 109 rooms going to be on operational in the year 2024. The DAC directed the management expedite the position to fully operational of hotel rooms.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2022-23 vide para(s) number 1.2.4.1 having financial impact of Rs. 176.600 million. Recurrence of same irregularity is a matter of serious concern.

1.2.4.3 Loss of revenue by charging lesser rates - Rs 162.441 million

Board of Directors (BoD) in its 78th meeting held on 18th July 2022 approved rates of Rs 50,000 per month per single occupancy room and Rs 80,000 per month for double occupancy room (PIAC Employees).

Board of Directors (BoD) in its 78th meeting held on 18th July 2022 approved rates of Rs 6,000 per room per night excluding taxes (Transit Passengers).

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the management provided hotel accommodation (including meals) to PIAC employees and transit passengers at lower rates which even did not cover its operational cost. The hotel accommodation provided to PIAC employees was even without any agreement. The detail is under:

(Amount in Rs)					
Cost per month **A**	**Room Rent/Pm** **B**	**Difference** **C (A-B)**	**No of Employees & Passengers** **D**	**Loss P.M** **E (C*D)**	**Total Loss** **F (E*12)**
PIAC Employees					
5,157x30 = 154,710	25,000	154,710-25,000= 129,710	43	5,577,530	66,930,360
Transit Passengers					
5,258	4,000	1,258	17,841	-	22,443,978
PIAC officials, OCS and Cabin Crew					
5,258	4,000	1,258	10,297	-	51,814,504
5,258	5,000	258	10,297	-	21,253,008
				Total	**162,441,850**

Audit is of the view that by providing accommodation at lower rates, the management suffered a revenue loss of Rs 162.441 million which was great burden on the organization.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024.

a) The management informed the DAC that Airport Hotel facilitates those employees of PIA who are transfer from other stations to PIA head office Karachi and do not have residency in Karachi. SRL management notified the guest residing the guest in hotel but increase in price and high inflation across the country PIACL employees showed inability to pay the rent increase in monthly occupancy rates resultantly. SRL management hold the above mention rate till further order. The DAC directed the management that matter should be placed before BoD for further appropriate decision.

b) The management informed the DAC that on completion of agreement in the year 2023 SRL management increase the rate of PIA for transit passenger 6,500 (excluding tax) in new agreement and implement Board Decision in true letter and spirit. The DAC directed the management to produce the relevant record to audit for verification.

c) The management informed the DAC that SRL was in agreement with PIA effective from April 21ST, 2021 till April 20th, 2024 at a fixed rate of PKR 5,000 excluding SST. In compliance of agreement clause, SRL Management bound to continue it services on the same rates agreed upon. The DAC directed the management to submit revised reply and further directed to reasonable rate should be charged.

Audit recommends implementation of the DAC directives.

(DP No. 333, 334 & 341)

1.2.4.4 Non deduction / deposit of Sindh Sales Tax – Rs 142.704 million

Section 3(1), Schedule II of Sindh Sales Tax on Services Act, 2011 provides that the Services provided or rendered by persons authorized to transact business on behalf of others, is taxable @ 13%.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the management did not deduct / deposit the applicable Sindh Sales Tax @ 13% on following items:

(Rs in million)

S #	Name of Service provider	Services	Amount	SST @ 13%
1.	Civil Aviation Authority	Rent	137.814	17.915
2.	HBL	Rent	82.405	10.712
3.	M/s Health Factory International[	Mineral water	1.231	0.160
4.	M/S Ghulam Nabi	Sweet Water	3.456	0.449
5.	M/s Universal Transport Services & Deals	Shuttle Service	5.752	0.744
5.	M/s Grant Thornton Anjum Rahman	Tax Consultant	3.651	0.474
6.	Various Suppliers	Scrap Material	13.214	3.038
7.	Hotel Services	Sales Tax Pax	-	108.029
8.	Hotel Services	Bed Tax Payable	-	1.181
			Total	**142.704**

Audit is of the view that non-deposit of Sindh Sales Tax is a gross violation and loss to the national exchequer. The lapse indicated improper financial management & weak internal controls.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024.

a) The management informed the DAC that the SCP dated September 05, 2022 upheld judgment of the Sindh High Court whereby it was held that the renting of immovable property is not defined in the Sindh Sales Tax on Services Act as taxable service regarding taxable services of renting of immoveable property and many petitioners are moved to High Court against that levy as well.

b) The management informed the DAC that the Honorable Supreme Court of Pakistan vide its judgment in dated September 05, 2022 upheld judgment of the Sindh High Court whereby it was held that the renting of immovable property is not defined in the Sindh Sales Tax on Services Act as taxable service. However, the Sindh Provincial Assembly has made certain amendments in the Act with retrospective effect regarding taxable services of renting of immoveable property and many petitioners are moved to High Court against that levy as well. The DAC directed the management as per Sindh Sales Tax Rule should be deposited into government treasury and in future may be included in HBL billing.

c) The management informed the DAC that as per rule SST/GST has been deducted from the supplier's bill. The DAC directed the management to produce the relevant record to audit for verification.

d) The management informed the DAC that the external audit for the year 2021 is still in process and the adjustments for the said year are yet to be proposed by the auditors. The DAC directed the management to provide the trail of the tax to audit in detail and deposited in to government treasury.

e) The management informed the DAC that SRL sold its own goods under auction which is not a 'Service' rather it is sale of goods under auction which is subject to sales tax under federal sales tax law and not under Sindh sales tax law. The DAC directed the management to produce the relevant record to Audit for verification

Audit recommends implementation of the DAC directives.

(DP No. 325, 329, 331, 342 & 344)

1.2.4.5 Non-adjustment / refund against tax authorities - Rs 142.626 million

Rule 5 (1) of the 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 Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that an amount of Rs 142.626 million was refundable / adjustable from tax authorities as on December 31, 2022.

Audit is of the view that the management failed to refund / adjust the amount from tax authorities which showed inefficiency and poor financial management.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC that as per our Tax consultant, income tax could only be refundable / adjustable after the return of income filed on the basis of Audited Accounts after the finalization of audited accounts for the year 2020, 2021 & 2022. The DAC directed the management matter should be resolved within two months and share with audit.

Audit recommends implementation of the DAC directives.

1.2.4.6 Non-recovery from various parties - Rs 75.068 million

Clause 2.01 of the credit policy of Skyrooms (Pvt.) Limited states that the authority extending the credit is also responsible for its timely recovery whilst the finance department function is to ensure timely/proper accounting, reconciliation and providing an updated status of outstanding dues. Further; clause 2.03 states that credit period may up to a maximum of 30 days and financing cost @ 1.50% per month is to be added to all overdue credit for such additional period (s) till recovery.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the management failed to recover an amount of Rs 75.068 million from various parties (Annex-17).

Audit is of the view that non-recovery of dues on time reflects inefficiency and poor financial management.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC that an amount of Rs 17,339,669 has already been recovered from different debtors and amount of Rs 8,109,340 is still outstanding because Shops (tenants) are in court cases Further management informed that an amount of Rs 12,622,419 has been recovered against Rs 49,608,823 and remaining amount is declared as doubtful debt and court cases. The DAC directed the management to provide relevant record to audit for verification as the recovery already made and pursue the remaining amounts vigorously.

Audit recommends implementation of the DAC directives.

1.2.4.7 Irregular procurement and withdrawal of cash – Rs 56.518 million

According to FBR notification no. F.4 (1) TP/2004-EC dated July 17th 2004, expenditure incurred under single account was inadmissible if it exceeds Rs 5,000 and not paid through cross cheque. Clause(1) of section 21 of the Income Tax Ordinance, 2001 has been amended to raise the limit to Rs 10,000 for the purpose of making payment through crossed cheque under a single account head.

Rule 9 of PPRA, 2004 states that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the 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 Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that management purchased various items amounting to Rs 19.598 million on cash basis and through open cheques and also withdrew cash / open cheques amounting to Rs 36.920 million for payment of salary and others without approval and supporting documents instead of issuing crossed cheques to the vendors in violation of above rules. The detail is as under:

S#	Year	Description	Amount (Rs)
01	2018	Cash withdrawal	13,654,827
02	2019	Cash withdrawal	23,265,904
		Total	**36,920,731**

Audit is of the view that procurement on cash basis and through open cheques instead of crossed cheques amounting to Rs 56.518 was held irregular and might lead to embezzlement of resources.

The matter was reported to the management in September 2023.

a) The management explained the DAC that as per SRL ledger total procurement value on cash basis amount of Rs 979,174 in the year 2022. Average rate of purchasing on per day amount of Rs 2,682 per day and maintenance and food items purchase from local market is allowed up to amount Rs 5,000. The DAC directed the management to produce relevant record in detail with justification to audit for verification.

b) The management explained the DAC that Skyrooms (Private) Limited started business of manpower provided to PIACL because M/s Fulcrum Pvt. Ltd left the tender of manpower services. All bank account numbers of PIACL Daily wages staff not handover to M/s Skyroom Private Limited. Mostly open cheques with names related to M/s Skyrooms Private Limited Manpower business and huge amount of open cheques are withdrawal cash from bank due to last date of Government Taxes and SESSI payment. The DAC directed the management to produce relevant record in detail with justification to audit for verification.

Audit recommends implementation of the DAC directives.

(DP No. 326 & 343)

1.2.4.8 Non-deposit of employee's provident fund - Rs 52.915 million

According to Section 218 (1) of Companies Act, 2017, Employees' provident funds and securities, 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 for the purpose in a scheduled bank or in the National Saving Schemes, and no portion thereof shall be utilized by the company except for the breach of the contract of service on the part of the employee as provided in the contract and after notice to the employee concerned.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the management did not deposit the employees' contribution of provident fund amounting to Rs 52.915 million in Provident Fund Account in violation of above rule despite deducting the amount from salaries of the employees regularly.

Audit is of the view that the management failed to deposit the compulsory provident fund amount which might lead to embezzlement of the provident fund.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC that skyroom contributing Employees Provident Fund on monthly basis and trying to reduce outstanding contributions by paying one current and one old balance to clear previous year's outstanding balances. The DAC directed the management to deposit the employee's provident fund current and old amount within six months and share with audit.

Audit recommends implementation of the DAC directives.

1.2.4.9 Irregular / un-justified re-tendering of contracts - Rs 33.050 million

As per terms and condition of SRL's instruction to bidders, if the firm withdrawn its offers or backs out from providing items won by the firm within validity period at any stage of contract finalization, the competent authority may place such firm under embargo for a period of six months, which may extend up to one year / forfeit the bid security.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the management awarded contracts to various suppliers / bidders for procurement of different items amounting to Rs 33.050 million through competitive bidding process (Annex-18). However, contractors / suppliers failed to complete their contracts as per agreements and provided partial items. The management did not take action against the defaulting contractors and instead refunded the security deposit to the contractors and issued revised tenders.

Audit is of the view that the management failed to safeguard the interest of the company and did not take action against the defaulting suppliers / contractors. This reflects poor financial management and weak internal controls.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC that SRL Management has awarded a contract of different items in 2022 and due various uncontrollable circumstances, external factors beyond control of Management these vendors / contractors / suppliers were unable to continue their contacts. Furthermore, as per agreement termination of the Agreement each party shall have the right to terminate the agreement at any time at it option upon given 60 days written notice to the other party with assigning any reason or cause thereof. The DAC directed the management to conduct fact-finding inquiry in the matter to ascertain the factual position.

Audit recommends implementation of the DAC directives.

1.2.4.10 Non-recovery of services charges - Rs 20.733 million

As per agreement dated 2nd December 2020 executed between PIAC and SRL for out source of manpower services, of qualified and experienced employees, managing their wages, hiring and replacement of the employees at Karachi and such other locations. The PIA shall reimburse the wages along with service charges to the service provider by 10th of each month. The agreement shall be valid for one year, term of agreement extendable for further two years subject to PIACL requirement and satisfactory performance of the service provider.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that in light of above agreement, management provided services of experienced staff to PIAC, managing their wages, hiring and replacement of the employee. Subsequently, SRL raised bill/invoice amounting to Rs 20.733 million which were not recovered from PIAC. The detail is as under:

Rs in million					
S#	**Year**	**No of hired staff**	**Average pay Per staff (Rs)**	**Total salaries**	**Service charges @ 1.40%**
01	2022	33,819	25,161	850.951	11.913
02	2021	36,000	17,500	630.000	8.820
				Total	**20.733**

Audit is of the view that the management failed to recover the amount which indicates weak internal controls and poor financial management.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. Management explained the DAC that an amount of Rs 1,24,91,589 has been received by M/s Skyrooms Pvt. Ltd (Outsourcing Unit) from PIACL, on account of 1.4% commission as manpower provisioning service charges, during the year Jan-Dec 2022. Regarding FY 2021, details of 1.4% commission as manpower provisioning service charges, will be submitted in due course of time. The DAC directed the management to provide relevant record to Audit for verification as the recovery already made and pursue the remaining amounts vigorously.

Audit recommends implementation of the DAC directives.

1.2.4.11 Manual cash / revenue collection from clients - Rs 5.829 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 Producers in Financial and other matters, subject to the oversight and directions of the Board, in accordance with the ordinance and these rules.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that management provided various services to different clients without maintaining proper record and partial payments were manually recorded without any reconciliation. It was also observed that bookings rates charged were not in accordance with the standard hotel rates. The details of manual receipts are as under:

Description	Rs in million
Party space charges (Lawn)	0.220
Banquet Hall	0.570
Swimming Pool	1.175
Dining Hall – Cash	3.864
Total	**5.829**

Audit is of the view that manual and partial recording of cash without reconciliation might lead to misappropriation.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC did not have any manual receipt of cash. SRL management collection from cash counter as per Cash Receipt (CR) it was system generated CR also this CR provided to our customer at the time of advance booking and at the time of payment of rooms rent, food from café fly and dining hall. Furthermore, all party booking advance payment cash or cheque received as per system generated CR. The DAC directed the management to produce the relevant record in detail to audit for verification.

Audit recommends implementation of the DAC directives.

1.2.4.12 Irregular award of contract without competitive bidding – Rs 4.187 million

Rule 12(1) of PPRA, 2004 states that procurement over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the management awarded contract for procurement of 95mm cable PVC 400 meters 4 core electric wire to M/s Hashim Traders amounting to Rs 4.187 million without competitive bidding.

Audit is of the view that award of contract without calling tender is a gross violation of PPRA Rules, 2004 and stands irregular and unjustified.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC that user department recommended procuring of cable electric wire on emergent basis as per PPRA rule 42 (c) 5 and (D) 3 Therefore, management obtained a quotation direct from recommended dealer and local dealer vendor's. The Central Purchase committee (CPC) decided that M/s Hashim Distributor is first lowest vendor, therefore procurement from the same vendor was allowed/approved on urgent basis and also approved by CEO PIA. The DAC directed the management establishment of fora and also approval from principal accounting officer (PAO) for procurement of cable wire and the same share with audit for verification.

Audit recommends implementation of the DAC directives.

1.2.4.13 Irregular / unjustified payment of festival allowance – Rs 3.893 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, in accordance with the Ordinance and these rules.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the festival allowance was discontinued by the BoD in 2020 due to huge losses suffered by the organization. However, the same was paid to the permanent employees of Skyrooms on the occasion of Eid-ul-Fitr and Eid-ul Azha @ 33.33% of the current basic pay amounting to Rs 3.893 million during the year 2023.

Audit is of the view that payment of allowances without approval of BoD was held irregular as this was also highlighted by the external auditor in their qualified opinion.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC that SRL is in profit in the year 2023. Festival allowance was paid for only this year as per approval by CEO and incentive allowance was paid as per 78th BOD approval. The DAC directed the management to produce the relevant record to audit for verification.

Audit recommends implementation of the DAC directives.

1.2.4.14 Non-obtaining of performance guarantee - Rs 3.103 million

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 percent of the contract amount.

As per letter of intent, Security Deposit is equivalent to 5% of the total contract value in the shape of "Pay Order" in the name of Sky room (Private) Limited.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that the management awarded contracts for various procurements without obtaining 5% performance guarantee amounting to Rs 3.103 million. (Annex-19)

Audit is of the view that the awarding of contract without obtaining performance guarantee is a gross violation of the provisions of PPRA Rules, 2004.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. Management explained the DAC that SRL received total amount of security deposit against the tender of Rs 3,103,469. But management received only 2% security deposit above each tenders. The DAC directed the management to conduct fact finding inquiry in the matter to ascertain the factual position.

Audit recommends implementation of the DAC directives.

1.2.4.15 Non-deduction of tax - Rs 1.755 million

According to Para 2 of Revenue Division SRO 660(1)/2007 dated June 30, 2007, the withholding agent shall deduct an amount equal to one fifth of the total Sales Tax shown in the Sales Tax invoice issued by the supplier and deposit the withheld amount in treasury.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that management did not deduct the one fifth of the general sales tax amounting to Rs 1.775 million at the rate of 17% on contracts awarded to various suppliers of Rs 48.036 million. (Annex-20)

Audit is of the view that the management failed to deduct the requisite tax in violation of above rules.

The matter was reported to the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC that all suppliers are registered in FBR as tax payers and also deposited GST in Government treasury. The DAC directed the management to produce the relevant record to audit for verification and mechanism should be made to deduct SST/GST in future.

Audit recommends implementation of the DAC directives.

1.2.4.16 Non-preparation / finalization of annual accounts

Rule 10 of Public Sector Companies (Corporate Governance) Rules, 2013, states that every Public Sector shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of that quarter, whether audited or otherwise, for the Board's approval.

During audit of Skyrooms (Pvt.) Limited (SRL) for the year 2022, it was observed that management did not finalize the annual audited accounts for the years 2020 onwards, which was in violation of statutory requirements.

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 the management in September 2023. The irregularity was discussed in the DAC meeting held on January 03 & 04, 2024. The management explained the DAC that annual audit accounts, management made efforts on this matter and finalization of Audit accounts on Fast track. In the month of February, 2024 will be completed all the previous year accounts.

The DAC directed the management up to February 2024 accounts for the year 2020, 2021 and 2022 should be finalized and share with audit.

Audit recommends implementation of the DAC directives.

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

- Rule of Business 1973
- Establishment Rules 1973
- General Financial Rules

Audit Profile of Cabinet Division

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2022-23	Revenue /Receipts audited FY 20221-23
1	Formations	6	2	1,675.522	1,854.82
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	6	2	1,675.522	1,854.82
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations of Rs 2,520.193 million were raised as a result of this audit. This amount also includes recoverable of Rs 20.726 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	30.629
B	Procurement related irregularities	85.588
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	2,394.900
5	Others	9.076

2.1 Pakistan Tourism Development Corporation (Head Office) Rawalpindi

2.1.1 Introduction

Pakistan Tourism Development Corporation (Pvt.) Limited (the Company) was incorporated in Pakistan on March 19, 1977 under the Companies Act, 1913 (now Companies Ordinance 1984) as a public corporation limited by shares. Federal Government holds 99.75% of the paid up share capital of the Company. The Company also has deposited for shares of Rs 623.15 Million representing the grants received from the Federal Government for capital expenditure on specified capital project. The core objective of the Corporation is the promotion and development of tourism industry in Pakistan and to carry on business connected therewith in Pakistan and elsewhere.

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 attaching tourists.
- To create awareness of tourist through private sector, missions abroad, PIA offices, tour operators, travel agents and hoteliers.

The Head Office of the Company is situated at Ground Floor of Kohsar Block, Pak Secretariat Islamabad.

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.

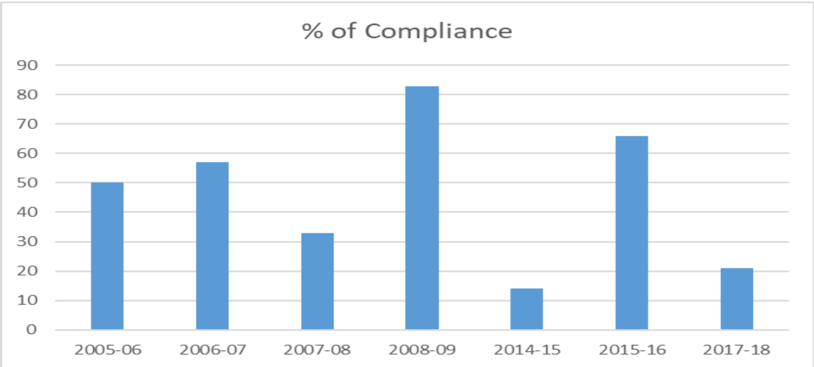
2.1.2 Comments on Audited Accounts

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 year 2021-22 and 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the years 2020-21 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).***

2.1.3 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.

2.1.4 Audit Paras

2.1.4.1 Wasteful expenditure due to accepting incomplete project namely Brand Pakistan - Rs 28.988 million

As per PC-1 of project, the following 04 components of the project were required to be completed:

1. Development of lyrics, melody, composition music etc. which should convey the essence of the theme and represent Pakistan culture and heritage.
2. Song must be with video background containing tourist attractions of Pakistan
3. Length of the song should be 3 to 4 minutes
4. Vocalist must be one of the famous national singers of Pakistan.

During audit of PTDC Islamabad for the years 2018-23, it was observed that the management awarded a contract for development of video film and musical score namely Brand Pakistan to M/s White Rice Communication valuing Rs 28.988 million vide agreement dated 03.02.2022 and the work was required to be completed within 60 days. The company delivered video film on 30.06.2021 and management paid Rs 28.988 million in March & June 2021.

Record revealed that the production company ignored components mentioned at Sr. No. 02, 03 & 04 as per PC-I. Thus, due to non-inclusion of main components in the Brand for Pakistan, incomplete product was delivered which was accepted by the management.

Audit is of the view that management should not have paid full amount due to delivery of incomplete / deficient product. Thus, the core objective i.e. promotion and development of tourism industry could not be achieved.

The matter was reported to the management on December 04, 2023. The management in its reply dated January 20, 2024 stated that all the deliverables were completed by the firm and payment of Rs 26.089 million was made to the firm after deduction of 10% LD charges i.e. Rs 2.898 million.

Reply of the management is not convincing as the deliverables were not as per required components of the project as mentioned in PC-1 which showed that management failed to achieve the objectives of the project.

DAC meeting was held on 25.01.2024 but the minutes of the meeting were awaited.

Audit recommends investigating the matter besides fixing responsibility thereof.

Para-7 (PTDC –2018-23)

2.1.4.2 Non deposit of income tax and irregular utilization of tax amount - Rs 7.506 million

According to Section-160 of Income Tax Ordinance, 2001 any tax that has been deducted under this ordinance shall be paid to the Commissioner by the person making the collection or deduction within the time and in the manner as maybe prescribed. Further in terms of provisions of Section-161 where the person having deducted tax under this ordinance fails to pay the tax to the Commissioner as required under Section-160 of the Ordinance, the person shall be personally liable to pay the amount of tax to the Commissioner. Section-191 further clarifies that any person whom without reasonable excuse, fails to comply with the obligation under Part-V of this chapter i.e. to collect or deduct tax and pay the tax to the commissioner shall commit an offense punishable on conviction with a fine or imprisonment for a term not exceeding one year or both.

During audit of PTDC Islamabad for the years 2018-23, it was observed that income Tax amounting to Rs 7.506 million for the financial year 2021-22 was deducted but the same was not deposited into government treasury despite lapse of two years. As per rules, the deducted amount was required to be deposited within seven days otherwise additional tax @ 24 % would be paid for the delayed period.

Audit is of the view that non-payment of tax to the tax authorities was an offense which deprived the public exchequer from Rs 7.506 million.

The matter was reported to the management on December 04, 2023. The management in its reply dated January 20, 2024 stated that objected payable tax had been adjusted against the amount forcefully taken by the FBR from the bank account of PTDC.

The reply is not convincing as the deducted amount was required to be deposited within seven days as per rules.

DAC meeting was held on 25.01.2024 but the minutes of the meeting were awaited.

Audit recommends investigating the matter besides fixing responsibility thereof; and the tax liability be cleared immediately.

Para-15 (PTDC –2018-23)

2.1.4.3 Irregular appointment during ban period - Rs 3.390 million

According to Finance Division (Expenditure Wing) Office Memorandum No. 7(1) Exp. IV/ 2016-340 dated July 07, 2022 regarding Austerity Measures for Financial year 20222-23, there was complete ban on appointment of contingent paid/daily wagers staff except for development projects.

During audit of PTDC Islamabad for the years 2018-23, it was observed, that the management made the following appointments on daily wage basis during 2022-23 by paying an amount of Rs 3.390 million as per detail given below:

Sr. #	Name of employee	Designation	Date of appointment on daily wage	Per day remuneration (Rs)	Amount paid up to 30.09.23 (Rs)
1	Mr. Muhammad Asim	IT Officer	01.08.2022	4,000	1,068,649
2	Mr. Ikram Fareed	Cloud Engineer	01.08.2022	4,000	969,550
3	Ms. Nimra Shariq	Program officer	01.08.2022	4,000	1,351,962
					3,390,161

It was noticed that initially the services of said officers were hired against project, thereafter, they were hired on daily wage basis in violation of Govt. austerity measures.

Audit is of the view that the appointments made during ban period were irregular.

The matter was reported to the management on December 04, 2023. The management in its reply dated January 20, 2024 stated that the employees were appointed for a PSDP project. After expiry of said project, operation of E-portal and Mobile App; developed under the project, was required to be run for which the said three employees were re-hired on daily wages with the approval of Executive Committee and Governing body of Endowment Fund.

Reply of the management is not convincing as appointments were made during ban period in violation of Finance Division instructions.

DAC meeting was held on 25.01.2024 but the minutes of the meeting were awaited.

Audit recommends investigating the matter besides fixing responsibility thereof.

Para- 4 (PTDC –2018-23)

2.1.4.4 Irregular payment on account of additional increment - Rs 2.029 million

According to Finance Division O.M No.F.1(6) Imp/2000-392 dated June 18,2011, the advance increments for acquiring/possessing higher qualification will be admissible to those officials who have been promoted to higher posts on the basis of seniority cum fitness but were not allowed advance increments to those who possess the qualification prescribed for the said promotional post.

During audit of PTDC Islamabad for the years 2018-23, it was observed that management granted two advance increments to Mr. Asif Zaman Tourism officer vide letter dated 12.01.2023 w.e.f. 05.07.2007. The officer concerned requested for grant of two advance increment in consideration of his M.A degree from Karachi university in 2007 and accordingly management accepted his request and paid an amount of Rs 2.029 million to him. Payment of two advance increments after 17 years to the aforesaid officer was not covered under the rules, thus, held irregular.

Audit is of the view that undue favor was granted to the officer at the cost of Govt. exchequer and in violation of Govt. orders.

The matter was reported to the management on December 04, 2023. The management in its reply dated January 20, 2024 stated that two additional increments were paid under Union Agreement dated 31.3.1990 (duly approved by PTDC Board in its 46th meeting) according to which every employee who improved his qualification during service was entitle for this benefit.

Reply of the management is not convincing as the Corporation adopted Govt. pay scale for employees of BPS-1 to 16 and the scheme of advance increments was discontinued w.e.f 1.12.2001 vide Finance Division OM dated September 04, 2001.

DAC meeting was held on 25.01.2024 but the minutes of the meeting were awaited.

Audit recommends investigating the matter besides fixing responsibility thereof and effecting recovery.

Para-9 (PTDC –2018-23)

2.2 Printing Corporation of Pakistan (Pvt.) Limited

2.2.1 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.

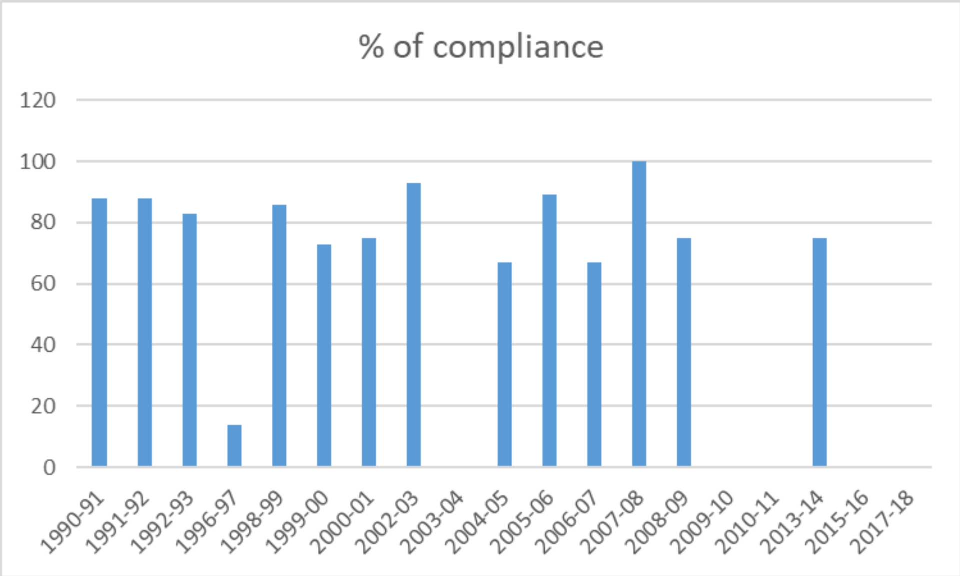
2.2.2 Comments on Audited Accounts

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 years2020-21 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the years 2020-21 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)***.

2.2.3 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	08	0	8	3.1,3.2,3.3,3.4., 3.5,3.6,3.7,3.8	0
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	0	3	2.1.4.1,2.1.4.2, 2.1.4.3	0
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		**146**	**85**	**61**		**58**



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

2.2.4 Audit Paras

2.2.4.1 Loss due to weak operational activities - Rs 621.61 million

According to Rule 4(3) of the Public Sector Companies (Corporate Governance Rules 2013), the chief executive of the Public Sector Company manages the organization, following the Board's oversight. Their duties involve implementing approved strategies and policies, ensuring proper safeguarding of funds and resources, and overseeing their economical and efficient utilization in accordance with statutory obligations.

During audit of Printing Corporation of Pakistan for FY 2020-23, it was observed that Corporation had been sustaining huge losses of Rs 621.61 million for last three years. Main reasons for such increase in the accumulated losses were increased in operational / sales / admin related expenditure. The printing was reduced and receivables were increased resulting in adverse liquidity position. Therefore, it is clear that due to non-existence of business plan / marketing strategy to increase sales and control the expenditure, the accumulated losses kept increasing. No steps were taken by the management to ensure commercial viability of the Corporation, showing financial management.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends investigating the reasons for heavy accumulation of losses and fixing responsibility on persons at fault.

Para 12 (PCP –2020-23)

2.2.4.2 Loss due to unsatisfactory job pendency reports – Rs 440.22 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."

During audit of Printing Press Lahore of PCP for FY 2020-23, it was observed a huge amount on account of 75% advance was received against 564 jobs upto 2023 which was still outstanding despite lapse of more than 5 years. The management informed that the relevant material regarding pendency of jobs was not available for printing the outstanding orders/demands of various departments. The matter was taken up with the Head office for provision of printing paper but no reply was received.

Audit is of the view that due to pendency of jobs, the cost of jobs was increasing day by day which would ultimately result in conversion of profits into losses.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends explanation for the unsatisfactory performance. Further, a detailed inquiry may be conducted at appropriate level with a view to dig out reasons for such huge pendency and its contributing factors. Steps may also be taken to strengthen the business plan.

Para 25 (PCP –2020-23)

2.2.4.3 Non-recovery of outstanding dues from various clients - Rs 129.29 million

According to Rule 38(1) of General Financial Rules, Vol-1, it is primarily the responsibility of the departmental authorities to see that all revenue or other debts due to government, which have to be brought to account, are correctly and promptly assessed, realized and credited to Public Account.

During audit of PCP, Islamabad for FY 2020-23, it was observed that an amount of Rs 129.29 million was outstanding against various departments since 2019-20. The management failed to recover the amount which showed negligence towards recovery of outstanding dues.

Audit is of the view that due to lack of financial control of the management and imprudent approach specifically to outstanding dues, PCP sustained loss of Rs 129.29 million.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends immediate recovery of the amount involved from the respective departments.

Para 8(PCP –2020-23)

2.2.4.4 Irregular purchase of machinery – Rs 19.10 million

According to Delegation of Powers of PCP, the Managing Director is empowered to sanction purchase of machinery up to the extent of One million.

During audit of PCP, Islamabad for FY 2020-23, it was observed that the management purchased three machines of Rs 19.10 million vide Purchase Order No. dated 12.07.2023.

Audit is of the view that as the Managing Director's powers to purchase fixed assets and machinery was restricted upto one million while the subject purchase case was of Rs 19.10 million, hence the purchase was held irregular in Audit.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends explanation of the reasons for irregular procurement and fixing responsibility thereof.

Para 5 (PCP –2020-23)

2.2.4.5 Wasteful expenditure on procurement of 109.500 metric ton (dark green) offset paper - Rs 14.44 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 etc.

During audit of Printing Press Karachi of PCP for FY 2020-23, it was observed that the management incurred an amount of Rs 14.44 million on procurement of 109,500 Metric Ton (Dark Green) Offset Paper (20x30) 68 grams from M/s Arsam Puple & Paper Board Industries (Pvt.) Ltd. Sheikhupura. The price of one metric ton paper was Rs 131,900 and purchase order was issued on 17.12.2013.

Audit is of the view that the management incurred wasteful expenditure without proper planning, resulting into loss of Government revenue amounting to Rs 14.44 million. The material was still lying unused in the store.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends corrective action in this regard may be taken. An inquiry may be conducted at appropriate level for recovery of wasteful expenditure incurred and fix responsibility thereof.

Para 15(PCP –2020-23)

2.2.4.6 Illegal occupation and loss due to non-recovery of house rent - Rs 13.22 million

According to Rule 5(5) of the Public Sector 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 Printing Press Karachi of PCP (Prescribed Companies and Corporate Securities) for FY 2020-23, it was found that retired employees retained allotted accommodations without paying rent. The audit suggests that if the management had timely vacated these accommodations after retirement and reassigned them to working employees, a recurring loss of Rs 13.224 million to the government exchequer could have been avoided.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends corrective action in this regard may be taken. Also, conduct an inquiry at appropriate level to dig out reason for not taking proper timely action and fix responsibility thereof.

Para 18 (PCP –2020-23)

2.2.4.7 Wasteful expenditure on purchase of offset paper 68 gsm - Rs 10.16 million

According to Rule 38 B (2) of PPRA, “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 Lahore Press of PCP for FY 2020-23, it was observed that a huge quantity of paper reams; Green Offset Paper 68 GSM (20″x30″) 78.250 M. Ton amounting to Rs 10.165 million were purchased by the management ten years back vide letter dated 17.12.2013.

The audit identified shortcomings in the organization, including the absence of a need assessment before a purchase, disregard for economic factors, and neglect of unused paper for ten years. This resulted in blocked government funds, and the matter was not reported to the Head Office, leading to the wasteful expenditure of Rs 10.165 million.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends justification for violation of governmental instructions may be sought and fix responsibility thereof. The loss may be made good by affecting necessary recovery or otherwise.

Para 23(PCP –2020-23)

2.2.4.8 Irregular procurement of services for binding/printing work - Rs 6.60 million

According to Rule 4 of PPRA, 2014, "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."

According to PPRA Rules revised in 2023, "Open tendering for purchases more than Rs 500,000 will be conducted". Further according to Rule-2(2) of Public Procurement Rules-2004, "all procurement opportunities over three million 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 audit of Karachi Press Office for FY 2020-23 revealed irregularities in the procurement process for printing books for Allama Iqbal Open University. The management did not follow competitive bidding procedures, and the absence of open tendering led to a single quotation exceeding Rs 0.500 million in value. The procurement of services for binding and printing work amounting to Rs 6.60 million was deemed irregular by audit.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends to explain the reasons for irregular award of contract. Justify the reason/s besides fixing responsibility thereof.

Para 14 (PCP –2020-23)

2.2.4.9 Irregular expenditure by splitting the purchase orders - Rs 5.02 million

According to Rule 38 B (2) of PPRA, "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."

According to PPRA 42 (b), "A procuring agency shall engage in this method of procurement only if the following conditions exist, namely: - (i) Where the value of procurement is more than one hundred thousand Pakistani Rupee but does not exceed five hundred thousand Pakistani Rupee, the procuring agency may engage in procurement through request for three quotations from GST registered firms, original equipment manufacturers or authorized dealers, without resorting to bidding. (ii) the object of the procurement has standard specifications; (iii) minimum of three quotations have been obtained; and (iv) the object of the procurement is purchased from the supplier offering the lowest price: Provided that procuring agencies are convinced of the inadequacy of the financial limit prescribed for request of quotations in undertaking their respective operations, they may approach the Federal Government for enhancement of the same with full and proper justifications."

During audit of Lahore Press of PCP for FY 2020-23, it was observed that the management purchased certain stock items from different vendors by splitting the purchase orders.

Audit is of the view that as the management made purchases from different vendors in the years as specified above just to avoid open tendering by splitting the orders. Thus, an expenditure totaling Rs 5.02 million was held irregular in audit.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends violation of Government instructions regarding purchases need justification and fixation of responsibility thereof.

Para 27 (PCP –2020-23)

2.2.4.10 Wasteful expenditure on acquisition of land measuring 12 kanal - Rs 1.60 million

According to Rule 5(5) of the 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.

During the audit of Printing Press Lahore of PCP for FY 2020-23, it was found that three industrial plots allotted in 1984 remained unutilized for 30 years. The management deposited Rs 1.600 million at the time of allotment, and in 2014, the land was valued at Rs 187.47 million by a private consultant. According to the audit assessment, the management's acquisition of the land resulted in substantial expenditures. However, due to poor planning and the failure to utilize the land, the corporation is facing continuous losses of millions of rupees each day.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends that violation of government instructions regarding acquisition of assets and their maintenance be justified; fix responsibility thereof and the loss may be made good by using the land for a useful purpose.

Para 26(PCP –2020-23)

2.2.4.11 Unnecessary issuing of NOC for printing work outside printing press resulting into loss of revenue - Rs 1.57 million

According to Rule 10 of the General Financial Rules, Vol-I, "in incurring and sanctioning expenditure from the revenue, the disbursing officers and sanctioning authorities should exercise the same vigilance in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of the expenditure of his own money."

During the audit of PCP in Islamabad for FY 2020-23, it was observed that the management issued 53 No Objection Certificates (NOCs) to various government offices and autonomous bodies under the Federal Government's jurisdiction. These NOCs were issued on blank requisitions without specifying the quantity of printing, resulting in a loss of Rs 1.574 million. The audit recommends an explanation for the frequent issuance of NOCs, proposing that instead of issuing 53 NOCs, the management could have forwarded the cases to the Cabinet Division.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends that the reasons for frequent issuance of NOCs may be explained and fix the responsibility of revenue loss.

Para 13 (PCP –2020-23)

2.2.4.12 Loss due procurement at higher rates - Rs 1.28 million

According to Rule-5 (5) of Public Sector 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 PCP Islamabad for FY 2020-23, it was observed that the management issued a purchase order (No. PCP.1-2/2023-P&D/742, dated 17.03.2023) to M/s Z.A. Corporation, Lahore, for the purchase of 6,500 reams of White offset paper at Rs 4,967/ream. A sanction of Rs 9.78 million was granted for the delivery of 1,970 reams out of the total. However, it was noted that another firm, M/s Premier Paper Mills, Lahore, offered a lower rate of Rs 4,315.59 per ream. The reasons for not placing the order with the lowest bidder were not disclosed by the management. The audit asserts that due to an improper procurement process, the government incurred a loss of Rs 1.283 million.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends explanation of the reasons of procurement at higher rates and fixation of responsibility thereof. Preparation of improper procurement plan also needs justification.

Para 4 (PCP –2020-23)

2.2.4.13 Loss due to non-achievement of revenue targets - Rs 1,184.18 million

According to Clause 2A (3), "The Public Sector Company shall not be regarded as conducting its business in a sound and prudent manner if it fails to conduct its business with due regard to the legitimate policy objectives and development targets of the Government."

During audit of PCP, Islamabad for FY 2020-23, it was observed that the management failed to achieve its own annual set target of sales. Audit is of the view that the non-achievement of revenue targets due to ill planned management, improper utilization of available resources and non-existence of any market/sales plan is a failure on the part of the management which resulted in a loss of Rs 1,184.18 million.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends to reasons may be explained for failure of achievement of fixed revenue/sales target and fix responsibility thereof.

Para 7 (PCP –2020-23)

2.2.4.14 Improper management leading to non-appointment of CFO and CIA

According to Rule 13 of the Public Sector Corporate Governance Rules, 2013, (1) The Board shall appoint a chief financial officer, a company secretary and a chief internal auditor by whatever name called. (2) The appointment, remuneration and terms and conditions of employment of the chief financial officer, the company secretary and the chief internal auditor of Public Sector Company shall be determined with the approval of the Board. (3) The chief financial officer, the company secretary, or the chief internal auditor of Public Sector Company shall not be removed except with the approval of the Board.

According to Rule 22 (1) (4), there shall be an internal audit function in every Public Sector Company. The chief internal auditor, who is the head of the internal audit function in the Public Sector Company, shall be accountable to the audit committee and have unrestricted access to the audit committee. (4) The internal audit function shall have an audit charter, duly approved by the audit committee and shall work, as far as practicable, in accordance with the standards for the professional practice of internal auditors issued by the Institute of Internal Auditors Inc., (the global professional organization of internal audit profession)

During the audit of PCP, Islamabad for FY 2020-23, it was observed that the positions of Chief Financial Officer (CFO) and Chief Internal Auditor (CIA) have remained vacant for an extended period. The management of the Corporation during this time was characterized by a lack of formality. The audit asserts that the failure to appoint a CIA and CFO is in violation of Government instructions, casting doubt on the transparency of all transactions and associated expenditures.

The matter was reported to the management on October 23, 2023 but no reply was received.

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

Audit recommends to investigate reasons for non-appointment of CFO and CIA and fix responsibility thereof. Also, devise measures that ensure similar situation may be avoided in future.

Para 11 (PCP –2020-23)

Chapter-3

Ministry of Commerce & Textile

Overview

Ministry of Commerce is contributing to the national economy through trade liberalization and facilitation, improving export competiveness 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)

(Rs. in million)				
Description	**Total**	**Total**	**Expenditure audited FY 2021-22**	**Revenue /Receipts audited FY 2021-22**
Formations	4	4	369,010.492	441,234.783
Assignment Accounts (excluding FAP)	-	-	-	-
Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations of Rs 451,389.90 million were raised as a result of this audit. This amount also includes recoverable of Rs 196,506.044 million as pointed out by the 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	30.791
3.	Irregularities	
A.	HR / Employees related irregularities	301.526
B.	Procurement related irregularities	2,054.756
C.	Management of Accounts with Commercial Banks	13.74
4.	Value for Money and service delivery issues	87,596.600
5.	Others	361,392.49

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 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 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 2018 to 2022 despite a number of reminders.

3.1.2.2 Audit requires that the annual audited accounts of the years 2018 to 2022 be provided immediately and timely finalization be ensured in future, besides, fixing responsibility for non-finalization of annual audited accounts ***(Annex-2)***.

3.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2004-05	3	2	1	4	67%
2010-11	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,	57%

				4.1.4.3	
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%

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 27,651.768 million

Section 118 (1) of Insurance Ordinance, 2000 states that it shall be an implied term of every contract of insurance that where payment on a policy issued by an insurer becomes due and the person entitled thereto has complied with all the requirements, including the filing of complete papers, for claiming the payment, the insurer shall, if he fails to make the payment within period of ninety days from the date from which the payment becomes due or the date on which the claimant complies with the requirements, whichever, is later, pay as liquidated damages a sum calculated in the manner as specified on sub-section. (2) on the amount so payable unless he proves that such failure was due to circumstances beyond his 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), North Zone, Islamabad for the year 2022, it was observed that the management recorded number of outstanding estimated losses amounting to Rs 27,218.377 million in the subsequent years. Further record revealed that the date of loss belonged to the years between 2010 to 2022, but the surveyor's reports of mentioned period were still awaited. The detail of such cases is as under:

		(Rs in million)
S #	**Description**	**Outstanding Claims**
1	Fire Claims	2.320
2	Engineering Claims	27,107.234
3	Motor Claims	9.520
4	Marine Claims	58.900
5	Miscellaneous Claim	40.4030
	Total	**27,218.377**

Furthermore, during the audit of NICL, Karachi for the year 2022, it was observed that various insurance claims amounting to Rs 433.391 million were lodged by the insured entities. However, the surveyors made noticeable delay in completing surveys. Subsequently, the claims could not be settled (Annex-21).

Audit is of the view that the management did not have any criteria for assessing the performance of the surveyors due to which inordinate delays were causing loss of business.

The matter was reported to the management on March 10, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that delays are attributed to clients who have not yet provided the relevant documents for claim settlement. The Claim department has been monitoring and pursuing the insured as well as the surveyors through every plausible means. Policy for assessing the performance of the surveyors is under progress and will be brought into consideration of concerned quarters for deliberations and after approval by the competent authority, the same will be brought into force. DAC directed the management to share the policy and take the action against the surveyors who failed to fulfill the obligatory responsibilities.

Audit recommends implementation of the DAC directives.

<u>Note:</u> The issue was also reported earlier in the Audit Report(s) 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.

(DP No. 32 &788)

3.1.4.2 Direct payment of premium to international underwriter and brokers – Rs 1,065.280 million (US$ 6.658 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 National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that Pakistan International Air Lines Corporation (PIAC) got the fleet insurance policy for the period of 2019-20 through NICL. Later on, the international underwriter and broker were issued notices of cancellation of fleet insurance policy due to non-payment of due premium to the insured i.e. PIAC. Therefore, to avoid any unpleasant situation, PIAC released US$ 3.279 million directly to the insurance broker M/s Marsh Limited with the consent of NICL.

Furthermore, PIACL pursued PRCL/NICL in July, 2020 for releasing the 3rd installment which was duly released by PIACL on July 23, 2020. Due to non-payment of 3rd installment, the broker again issued cancellation notices of the insurance coverage of the fleet. By considering the facts, NICL did not act as required under these circumstances and PIAC had to pay installments directly to the international broker.

Audit is of the view that the management failed to manage the payment of premium in professional manner, which reflects weak internal controls.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that to prevent the disruption of normal operations caused by the Notice of Cancellation, PIACL urgently arranged funds with the intention of remitting them directly to the reinsurer. The standard process involving PRCL would have entailed a potential delay of at least 30 days. Recognizing the time sensitivity and the risk of aircraft grounding, PIACL sought NICL's permission to remit the premium directly. NICL did not incur any adverse consequences from allowing PIACL to remit the premium directly to the Broker or the reinsurer. NICL received its retention premium along with the 1%

Reinsurance commission directly into the NICL account. The DAC directed the management to place the matter before BoD for their concurrence.

Audit recommends implementation of the DAC directives.

3.1.4.3 Non-recovery of outstanding dues - Rs 165.000 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 National Insurance Company Limited (NICL) North Zone, Islamabad for the year 2022, it was observed that the management issued different policies to M/s Oil and Gas Development Company Limited (OGDCL) in subsequent periods and booked premium as receivable amounting to Rs 165.000 million which is still receivable. The details are as under:

(Rs in million)

S.#	Policy No.		Period		Premium Booked	Outstanding Premium
			From	To		
1.	Cow	32/14	01.03.14	28.02.15	165.000	165.000
				Total	**165.000**	**165.000**

Audit is of the view that non-recovery of the outstanding premium amount reflects ineffectiveness and weak recovery mechanism existing within the organization.

The matter was reported to the management on March 10, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that the Debit Notes were raised and forwarded to M/s OGDCL on September 21, 2023 for early release of outstanding payment. The DAC directed the management to expedite the recovery process.

Audit recommends implementation of the DAC directives.

3.1.4.4 Loss of premium due to insurance of public properties from the private insurance companies – Rs 94.595 million

Section 166 of Insurance Ordinance, 2000 stipulates 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 National Insurance Company only and shall not be placed with any other insurer.

During audit of National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that various private insurance companies had underwritten the insurance business of the public properties. However, as per Insurance Ordinance 2000, all public property or any risk or liability pertaining to any public property should be placed with NICL only whereas some of public companies were getting insurance risk from the private insurance companies.

Audit is of the view that the management failed to fetch the insurance business amounting to Rs 94.595 million from Public Sector Companies which reflected negligence and slackness.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that that Potential and existing clients of NICL have been sensitized about the Insurance Ordinance, 2000 and consequences of non-compliance. Most of the entities take shelter behind Public Procurement Regulatory Authority (PPRA) and award insurance to lowest bidder ignoring the Insurance Ordinance, 2000. The DAC directed the management to place the matter before PAC.

Audit recommends implementation of the DAC directives.

3.1.4.5 Excess payment of claims – Rs 80.000 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 National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that a claim was lodged by M/s. Sui Southern Gas Company Limited against the policy No.01-0170-5/2010 for the flood damages at 04 locations. Loss was assessed by the surveyor at Rs 375,496,096 and net claim was paid Rs 355, 496,096 after adjusting deductibles and others. Similarly, another claim of loss for flood damages at 4 locations was lodged, loss was assessed at Rs 256, 762,730 and net claim was paid Rs 119, 206,224 after adjusting deductibles and others. However, separate deductibles were not applied for each location; rather, claim losses of multiple locations were clubbed into single claim loss. The detail is as under:

				(Rs in million)
S#	**Location**	**Deductable applicable**	**Deductable applied**	**Loss of deductibles**
Claim No.K/F-065/2011				
1	Garhi Khairu	20		
2	Usta Mohammad	20		
3	Dera Allah Yar	20		
4	Suhbat pur	20		
	Total deductable to be applied	**80**	**20**	**60**
Claim No.K/F-023/2011				
1	Dadu	20		
2	Jacobabad	20		
3	Shikarpur	20		
4	Thatta	20		
	Total deductable to be applied	**80**	**60**	**20**
			Total loss of deductibles	**80**

Audit is of the view that the management extended undue favor to the client by deducting less deductible from claims and caused loss to the company. Thus, excess payment of Rs 80.000 million was paid to insured.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that policy excess in both the claims have been applied as per insurance policy guidelines and no undue favor was extended. DAC directed the management to provide the relevant record in the light of management’s reply for verification.

Audit recommends implementation of the DAC directives.

3.1.4.6 Non-recovery of outstanding rent from tenants – Rs 77.438 million

Section 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, in accordance with the Ordinance.

During audit of National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that an amount of Rs 63.448 million was lying outstanding against the tenants. Moreover, an amount of Rs 13.990 million (AED 251,089) was also lying outstanding against the overseas tenants, of Liberty House, DIFC, Dubai (Annex-22).

Audit is of the view that non-recovery of outstanding amount reflects weak financial management and poor recovery mechanism.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that entire amount of Rs 77.438 million have recovered. DAC directed the management to get the recovered amount verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 787 & 790)

3.1.4.7 Unjustified settlement of claim - Rs 42.987 million

According to insurance policy No.2018/KB/FN/R/D/P0129 for Property damage and Business Interruption section 1(a) (i) all the property of as described in the policy schedule, interests or the property of other held in trust, for which the insured may have assumed responsibility.

According to policy schedule Sui, Kandhkot, Adhi, Gambat South and all other fields and locations across Pakistan.

Property excluded under sub section 1(a). Following properties are excluded from coverage;

(b) property in course of construction of erection or dismantling or undergoing testing or commissioning other than as provided elsewhere under the section 1; however, this exclusion shall not apply in respect of routine maintenance, overhaul, repair works or similar which may require testing and commissioning prior to restarting the plant; it is also understood that bringing up from shutdown shall not be construed as testing.

During audit of National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that a claim dated 05.03.2019 was lodged by

M/s. Pakistan Petroleum Limited (PPL) for loss of work in process at Bela West-X-1, Baluchistan, due to heavy rain in the region. As per survey report, the rain damaged the access road, causeway, culverts and all sorts of supplies and movement to the well site were stopped, thus, unable drilling operation at site. The claim was lodged against the policy issued for the period 01.10.2018 to 30.09.2019. The management appointed two surveyor M/s Joseph Lobo (Pvt.) Limited and M/s Ocean Surveyors (Pvt.) Limited on 19.03.2019 and 02.12.2019 respectively, for the assessment of loss. The surveyors submitted their report on 18.03.2021 with the loss assessment of Rs 42, 987,000 and the claim was settled for the same amount.

The insurance policy was issued in favour of PPL for Property damage and Business Interruption only and not for covering capital work in progress. Further, policy was issued for properties at Sui, Kandhkot, Adhi, Gambat South and all other fields and locations across Pakistan. However, the break-up of other fields and locations across Pakistan and break-up of the assets available there was not obtained from PPL (insured) at the time of issuance of policy. The same was obtained by the surveyors at the time of claim processing.

Audit is of the view that policy clearly indicated that property under construction was not covered. Further, in absence of break-up, accuracy of the sum insured was also doubtful as the company would have to rely on the client to provide item wise sum insured.

The matter was reported to the management in October, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that the insured (PPL) was issued insurance policy covering Property Damage and Business Interruption showing values of major locations, total of various small locations and total of various CWIP & Spares & Stores locations which are part of insurance policy. The DAC directed the management to provide the relevant record for verification from Audit showing the construction work either was covered under policy or not.

Audit recommends implementation of the DAC directives.

3.1.4.8 Procurement on splitting basis – Rs 32.838 million

Rule 9 of PPRA Rules, 2004 states that save as otherwise provided and 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. 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 National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that the management purchased following items amounting to Rs 32.838 million on splitting basis:

(Rs in million)		
S#	**Items**	**Amount**
01	I.T Equipments and Hardware	4.863
02	Computer Peripherals & Toners	5.905
03	Furniture and Fixture	3.749
04	Misc Building Items	18.321
	Total	**32.838**

Audit is of the view that procurement of items on splitting basis reflects serious violation of PPRA Rules, 2004. Thus, procurements amounting to Rs 32.838 million was held irregular and justified.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that tender published but could not be materialized and no procurement plan was prepared. The items were procured on need basis as and when requisitioned. The DAC directed the management to provide the related record in support of their contention for verification.

Audit recommends implementation of the DAC directives.

3.1.4.9 Irregular enhancement in allowances – Rs 28.829 million

Rule 5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses

During audit of National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that the management enhanced house rent allowance from 40% to 45% and utility allowance from 10% to 12.5% on running basic pay without the approval of the Board of Directors (BoD) amounting to Rs 28.829 million (Rs 20.880 million on house rent and Rs 7.9484 million on utility allowance).

Audit is of the view that the payment of allowances without the approval of BoD reflects gross violation. Thus, allowances amounting to Rs 28.829 million stands irregular and unjustified.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that NICL was running without BoD since May 2021. Now the Board of Directors are in place same will be placed before the BOD for the ratification and necessary approval. The DAC decided that para will stand till the approval of BoD of NICL.

Audit recommends implementation of the DAC directives.

3.1.4.10 Settlement of claim in violation of policy – Rs 28.155 million

Section 5 of Insurance policy No. 2018/KB/B/SB/P/D/P0003 states that as per precedent to their right to be indemnified under this Policy, the assured shall, as soon as possible and in any event within 30 days after discovery by assured of any loss here under, give written notice thereof to the underwriters.

Section (c) of conditions precedent to liability of insurance policy No. 2017/KB/B/SB/P/D/P0003 dated; 11-05-2017 states that Joint Custody shall be established and maintained for the safeguarding of :- (i) Property while in safes or vaults(Property means cash and all other securities), (ii) All keys to safes and vaults and (iii) Codes, ciphers and test keys.

During audit of National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that a claim dated 14.06.2018 was lodged by M/s. National Bank of Pakistan (NBP) due to fraud at NBP Serai Naurung, Bannu Branch. The Surveyors assessed the loss for Rs 16, 611,000 and the claim was settled for Rs 15.000 million. Furthermore, as per survey report, the incident of fraud was happened on 19-03-2018, while the insured intimated the loss on 14-06-2018 after a lapse of three (03) months.

Similarly an infidelity / fraud claim No. K/FG-30-02/2017 was lodged by M/s National Bank of Pakistan (NBP) due to cash embezzlement / misappropriation by the cashier for Rs 13.155 million at NBP remount depot branch, Sargodha region. M/s. Ocean surveyors private limited was appointed on 02.06.2017 which submitted the report on 04.04.2022 and assessed the loss for Rs 13.155 million. The internal inquiry conducted by NBP stated that the internal controls of the branch were weak and dual control over cash & vault activities was not observed, as the keys of cash and strong room were in the custody of head cashier.

Audit is of the view that the management settled the claim amounting to Rs 28.155 million in violation of agreements as the losses were not intimated within the specified time period and insured failed to maintain required internal controls.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024.

a. The management informed the DAC that upon enquiry, the insured informed that case was reported to FIA on 20/03/2018 and FIR was being awaited to be registered, as it was pre-requisite document to be submitted for insurance claim. FIA took longer than expected and FIR was registered later on 01/01/2020.

b. The management informed the DAC that in the instant case head cashier committed fraud in collusion with operation manager, head cashier was terminated and operation manager was two steps downgraded and branch manager was also reprimanded.

The DAC directed the management to get verify the claim settlement process from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 762 & 782)

3.1.4.11 Non-inclusion of EOBI contribution clause in contracts – Rs 26.813 million

Section 11(1) of EOBI Act, 1976 related to registration of Establishment states that Every employer shall, before the expiration of thirty days from the day on which this Act becomes applicable to the industry or establishment in respect of which he is the employer, communicate to the Institution the name and other prescribed particulars of the industry or establishment.

During audit of National Insurance Company Limited (North Zone), Islamabad for the year 2022, it was observed that the management awarded various contracts like Operation & Maintenance HVAC System, House Keeping & Janitorial Services, Guarding, Security & Fire Fighting Services, Maintenance & Services of Elevators etc. to different contractoRs However, clause (s) regarding EOBI contribution on behalf of their workers / labors / employees by the service providers was excluded by the management in the contract agreement. The service providers remained non-compliant in fulfilling obligatory responsibility of depositing EOBI contribution on behalf of their workers / labors /employees. The detail of such contracts is as follows:

S #	Contract Description	Name of Service provider	Rs in million
1.	Operation & Maintenance HVAC System	M/s Protech Solutions (Pvt) Ltd	7.952
2.	House Keeping & Janitorial Services	M/s United Human Resource Services	6.119
3.	Gaurding, Security & Fire Fighting Services	M/s Bahria Security Services	11.502
4.	Maintenance & Services of Elevators	M/s Ziafco Engineering & Contractor	1.239
		Total	**26.813**

Audit is of the view that exclusion of relevant clauses of EOBI and other contribution(s) and non-deposition of deducted amount was a gross violation of Government instructions / orders. The management was bound to check that all the mandatory deductions have been complied by the service provider against all the employees deployed. Therefore, contracts awarded amounting to Rs 26.813 million stands irregular and un-justified.

The matter was reported to the management on March 10, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that most of the service providers / contractors registered with EOBI and also maintained their own employees Contribution record. Further, EOBI clause in contracts has been noted for future compliance. The DAC directed the management to take action against the contractors / suppliers who failed to deposit EOBI contribution on behalf of employees / workers and share the status with Audit.

Audit recommends implementation of the DAC directives.

3.1.4.12 Fraudulent payment of explosion claim - Rs 19.119 million.

Condition 5(a) of Insurance Policy No. KF-01-0093-1/2014 states that the insurance policy does not cover loss or damage occasioned by or through or in consequences of explosion.

Section 47(4) of Insurance Rule, 2017, 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), Karachi for the year 2022, it was observed that a claim was lodged by M/s. Pakistan Petroleum Limited for loss / damage due to explosion of Pipeline at Bank, No.6 of Sui Gas Plant at Sui Gas Field, Baluchistan on 01-08-2014. According to Surveyor, the loss or damage in consequences of explosion was not covered in the subject policy; therefore, the loss was not payable. Upon refusal from Surveyor, the management informed the surveyor that explosion damage risk was covered under the schedule of policy. The Surveyor revised the survey report on 11.08.2018 and the insured was paid Rs 16, 878,116 as final payment.

Later on, the insured (PPL) on 07-01-2021 submitted that the loss was short assessed. Finally, surveyor recommended the cost of chemical valuing Rs 2,240,728. The claim file was reopened and additional claim of Rs 19,118,844

(Rs 16,878,116 + Rs 2,240,728) was paid to insured on 02.09.2022. Further, it was revealed that schedule of the policy (covering explosion damage) was allowed and signed between the parties on 03.10.2014 and policy was issued on 31.12.2014, five months after claim intimation.

Audit is of the view that inclusion of explosion damages clause in the policy schedule after intimation of loss reflects undue favor to the insured. Thus, payment of claim amounting to Rs 19.119 million stands irregular and unjustified.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that NICL usually issue Hold Cover to its clients for continuance of insurance period and clause of explosion damage was already part of insurance coverage. Further, the survey report was delayed due to late submission of claim record by insured. The DAC directed the management that black list the surveyor and conduct internal inquiry regarding claim settlement and share with audit.

Audit recommends implementation of the DAC directives.

3.1.4.13 Irregular award of civil works in piecemeal – Rs 18.454 million

Rule 09 of PPRA Rules, 2004 states that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the 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 National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that the management hired the services of thirty-five (35) contractors for the civil work carried out on different floors and parking area of NICL Building, Karachi. The management incurred expenditure of Rs 18.454 million (Annex-23) through petty transactions during 2022. No tender process was adopted and the whole work was executed by splitting the same to avoid tender process.

Audit is of the view that the award of contracts without tender valuing Rs 18.454 million is a gross violation of PPRA Rules, 2004.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that all work was initiated after completing the formalities/compliance with PPRA, Rules 2004. The civil works were initiated on need/requirement basis on different locations of NICL Building. The DAC directed the management to provide the relevant record to Audit for verification along with justification for execution of work on splitting basis.

Audit recommends implementation of the DAC directives.

3.1.4.14 Un-justified settlement of non-insurance period claim – Rs 15.000 million

As per conditions precedent to liability of insurance policy No. 2013/KB/B/SB/P/D/P0003 dated; 27.08.2013 section (c) Joint Custody shall be established and maintained for the safeguarding of Property while in safes or vaults. (Property means cash and all other securities).

(f) in addition to the normal audit of the books and accounts of the business by the assureds' independent outside auditor, the assured shall conduct a thorough internal audit, examination and review of internal controls at least once in a year at all premises and shall retained the record and working papers relating to such audit.

Section 47 (4) of Insurance Rule, 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 of Pakistan (NICL), Karachi for the year 2022, it was observed that an infidelity / fraud claim was lodged by M/s. National Bank of Pakistan for loss of Rs 353,245,800 due to fraud at NBP Airport Branch, Karachi during 2009-2013. The fraud was revealed on 14.03.2013 and reported to NICL on 09.04.2013. Surveyors assessed the loss for Rs 666.167 million during 2011 to 2013, out of which Rs 92.923 million pertained to policy period i.e. 2013 vide report dated 15.01.2021. According to report, accused collected the duties and taxes on behalf of Collector of Customs and did not deposit the amount in relevant bank accounts. The claim was settled for Rs 15.000 million. Following discrepancies were observed in settlement of claim:

i. Insurance policy No.2013/KB/B/SB/P/D/P0003 was issued on 27.08.2013 while loss was intimated on 09.04.2013, almost four months before the issuance of policy, means, claim of NBP was entertained for non-insurance period.

ii. Instances of unauthorized transactions in the said branch of NBP seems regular feature as evident from enquiry report.

iii. Survey report was issued by the surveyors after a noticeable delay of seven years in violation of Rule.

iv. Important documents like FIR, Final investigation report of FIA, Final copy of Challan, audited statement of loss, copy of court decision and proceeding made by the NAB authority so far in this case was not obtained from insured.

Audit is of the view that the policy was issued after four months of occurrence of fraud which reflected weak internal controls.

The matter was reported to the management in October, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that claim was paid taken into consideration all the facts. NBP have dismissed various employees found guilty in fraudulent act in collusion with others. Further the requirement of the documents i.e. final investigation report of FIA, final copy of challan, copy of court decision and proceeding made by the NAB have been dropped after legal opinion of Legal Counsel The DAC directed the management to get verify the continuity of the policy and claim settlement process from Audit.

Audit recommends implementation of the DAC directives.

3.1.4.15 Unjustified settlement of PSO claim – Rs 13.340 million

Section 55(1) of Insurance Rule, 2017 states that a proposal form provided to a prospective policyholder shall carry or contain a notice of his duty of disclosure stating the consequences of non-disclosure.

During audit of National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that a claim was lodged by M/s. Pakistan State Oil Company Limited for loss due to damage of pipelines at PSO Sihala Depot, Rawalpindi. The claim was lodged against the policy dated 07.09.2017 issued for the period of 01.07.2017 to 30.06.2018. The management appointed joint surveyors M/s. Malcolm Gaskill Services and M/s. Dusam & Co (Pvt) Limited for assessment of loss. The surveyors submitted their report on 28.02.2019 which stated that PSO pipeline was punctured by the shovel machine of NHA contractor during excavation near PSO pipelines. The hit of excavation machine not only damaged the pipeline but also caused loss of 165,000 liters PMG (Premier Motor Gasoline) spilled away from the pipeline. Initially, the surveyors assessed the loss for Rs 1,130,600 for damage of pipeline only as the policy cover HSD and did not cover loss of PMG product in pipeline. The insured refused to accept the claim and argued that pipeline connecting Attock Refinery Limited to Sihala depot is used for transportation of both the product. Keeping in view the insured argument, the surveyors allowed claim to the extent of Rs 12,076,703 on 03.07.2020 after inclusion of loss of product. The insured (PSO) again disagreed with the surveyors due to lower rate applied for PMG. Later on, the surveyors revised his assessment on 22.03.2022 and increase the loss amount up to Rs 13,340,603 as full and final settlement of the claim. Following discrepancies were observed in the settlement of case required justifications:

i) The loss of product (PMG) was not included in policy then why the same was allowed.

ii) The insurance policy did not include such provision allowed damages caused by third party.

iii) Despite knowing the fact that construction of bridge is in progress by NHA, PSO did not adopt security for the safety of pipeline.

Audit is of the view that claim department solely depend the surveyors for the genuineness and reasonableness of the claims without cross verification of the same from other sources.

The matter was reported to the management in October, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management explained that the product in pipelines insurance policy covers are used for transportation of same category of petroleum products. The product mentioned in the policy schedule was used for calculation of the sum insured, while the underlying product transported varies based on the requirements. The DAC directed the management to submit the revised reply along with a copy of letter of subrogation from NHA and policy coverage of product i.e. PMG (Premier Motor Gasoline) for verification.

Audit recommends implementation of the DAC directives.

3.1.4.16 Unjustified settlement of claim before issuing policy - Rs 7.946 million

Section 58(2) of Insurance Rule, 2017 states that an insurer may issue a cover note prior to the receipt of premium, in order to enable the intending policyholder to review the details and scope of coverage being offered. Provided that the cover note should not be for a period exceeding seven days in the case of motor business and beyond thirty days in all other cases and must be replaced with an insurance policy before expiry of such cover note, subject to receipt of premium by the insurer.

During the audit of National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that a claim dated 16.07.2021 was lodged by M/s. Pakistan State Oil Company Limited (PSOCL) for loss for damage of 09 PSO retail outlets due to windstorm at Lakki Marwat. The Surveyors (M/s. Josheph Lobo (Pvt.) Limited and M/s. Dusam & Co (Pvt.) Limited) assessed the loss for Rs 7,946,623 for damage of 09 outlets. Further, premium was collected on 25.08.2021 and policy was issued on 16.08.2021, while, loss was intimated on 16.07.2021 which clearly indicated that the policy issued before receiving premium and after intimation of loss.

Audit is of the view that the management failed to act prudently in the settlement of claim which reflects negligence.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that loss intimated during hold cover which was admissible under insurance policy. The DAC directed the management to verify the continuity of policy under hold cover from Audit.

Audit recommends implementation of the DAC directives.

3.1.4.17 Non-recovery of decreed amount – Rs 5.733 million

According the Section 19 (1) of the Financial Institutions (Recovery of Finances) Ordinance 2001, upon pronouncement of judgment and decree by Banking Court, the suit shall automatically stand converted into execution proceedings without the need to file a separate application and no fresh notice need to be issued to the judgment-debtor in this regard. Particulars of the mortgaged, pledged, or hypothecated property and other assets of the judgment debtor shall be filed by the decree-holder for consideration of the Banking Court and the case will be heard by the Banking Court for execution of its decree on the expiry of 30 days from the date of pronouncement of judgment.

During audit of National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that M/s Searle Pakistan Limited was a tenant of NICL during the period from 1994 to 2020. The tenant was allowed 25% rebate until the vacation of the rented premises due to non-availability of HVAC facility from 01.02.2010 to 15.08.2015. Thereafter, a civil suit was filed by the management in October, 2021 against the tenant for the recovery of outstanding rent arrears of Rs 6.882 million. The case was decreed in favor of NICL on May 21, 2023 with the judgment that defendant (M/s Searle Group) was liable to pay the amount of Rs 4.097 million to Plaintiff with 10 % interest per annum from March 2020 till its realization with deduction of 25% rent from 15.08.2015 to 15.03.2020 and Plantiff was not entitled for recovery of an amount of Rs 2.780 million for the closure period of HVAC. The payment of interest @ 10% per annum, the cumulative total of which was Rs 1.636 million (Rs 0.409 per annum interest *4 years w.e.f March 2020 to October, 2023 was not recovered.

Audit is of the view that due to laxity, the management failed to recover the decreed amount of Rs 5.730 million (Rs 4.506 million rent and Rs 1.636 million interest) despite the lapse of considerable period.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that since the Execution Application was filed timely and same is pending for final adjudication. Further M/s. Searle Pakistan Limited (defendant/judgment-debtor) has filed an appeal against the judgment and decree dated 31.05.2023, therefore, the proceeding on Execution No. 7 of 2023 was stopped till the final decision in the appeal. The DAC directed the management to pursue the case vigorously.

Audit recommends implementation of the DAC directives.

3.1.4.18 Unjustified payment of burglary / theft claim - Rs 4.322 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 National Insurance Company Limited (NICL) North Zone, Islamabad for the year 2022, it was observed that M/s Utility Stores Corporation (USC), Islamabad submitted a claim amounting to Rs 5.042 million on account of theft/ burglary accident at USC Warehouse (Daska) Sialkot Region on 07-05-2010. The management appointed joint surveyors, M/s S.U Malik & Co. and M/s Saifullah Sarim Engg. Services Pvt. Ltd. on 11.05.2010 to assess the loss. The joint surveyors submitted detailed /comprehensive survey report on 14.05.2012 and assessed a net loss amounting to Rs 1.963 million. Later on, the management appointed another joint surveyor M/s MSK Enterprises and M/s Haseeb Associates Pvt. Ltd on 02.11.2017 without any justification/ reasoning. The second surveyor assessed the net loss of Rs 4.322 million. On the basis of second survey report, management settled / paid the claim amounting to Rs 4.322 million.

Audit is of the view that the management extended undue favor to the client by appointing another surveyor without any justification and payment was made on the basis of second surveyor instead of 1st surveyor which resulted in excess payment of Rs 2.359 million on account settlements of burglary claim.

The matter was reported to the management on March 10, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that first joint surveyors applied under insurance rate and assessed the net loss Rs 1.963 million. However, M/s USC insured under declaration policy in which under insurance rate was not applicable. The surveyor failed to submit revised survey report till May, 2015. Subsequently, on the basis of second joint surveyor report, the management paid a claim of Rs 4.322 million. The DAC directed the management to get the facts verified from Audit. Further, delay was observed on the part of management and also observed that surveyor was not competent and directed the management to remove / blacklist the surveyor.

Audit recommends implementation of the DAC directives.

3.1.4.19 Unjustified settlement of marine claim – Rs 3.359 million

Section 58(2) of Insurance Rule, 2017 states that an insurer may issue a cover note prior to the receipt of premium, in order to enable the intending policyholder to review the details and scope of coverage being offered. Provided that the cover note should not be for a period exceeding seven days in the case of motor business and beyond thirty days in all other cases and must be replaced with an insurance policy before expiry of such cover note, subject to receipt of premium by the insurer.

During audit of National Insurance Company Limited (NICL), Karachi for the year 2022, it was observed that a marine claim No.10/ 003-PC-21 dated 21.0.2020 was lodged by M/s. Peoples Steel Mills Limited for loss due to damage of consignment of 45 packages of CCM Revamping Project Machinery & Equipment imported from Tianjin (China) to Karachi. The ship arrived at KPT berth on 08.10.2020. However, debit note was issued on 16.10.2020 after the arrival of consignment from China, and policy No. 2021/KB/B/MI/D/PO190 was issued on 27.01.2021. After examination of claim, the Surveyors adjusted the loss for Rs 3,359,956. Further, open cover was issued on 27.02.1990 for only one year instead of 30 days as required under the above rule.

Audit is of the view that issuance of policy after intimation of loss on the basis of expired cover note is a violation of rule.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management informed the DAC that marine open cover / open policy was issued to the insured to provide continuous insurance of shipments / cargo coverage. Open cover was issued on 27.02.1990 wherein all the terms and conditions were agreed between the insurer and the insured. The DAC directed the management to revise the policy of open cover 1990 and discontinue the same.

Audit recommends implementation of the DAC directives.

3.1.4.20 Non-finalization of annual audited accounts since 2018

Rule (xxviii) (c) of Code of Corporate Governance for Insurers, 2016, states that the insurer shall insure 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), Karachi for the year 2022, it was observed that the annual audited from 2018 to 2022 were not prepared as per stipulated time period, provided by the Code of Corporate Governance Rules, 2016.

Audit is of the view that non-compliance of rules may affect true and fair picture of the company's financial statement for the stake holder(s).

The matter was reported to the management on October 23, 2023. The irregularity was discussed in DAC meeting held on January 12, 2024. The management explained in DAC meeting that BoD of the Company has been recently constituted in the month of Aug 2023 after the gap of almost 2.5 years. Resultantly, the Financial Statements could not be finalized since 2018 However, the Management is keen to address the subject issue and has taken number of initiatives in this regard which includes but not limited to. DAC directed the management to expedite the matter.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report for Audit Year(s) 2022-23 vide para(s) number 3.1.4.22 and for Audit Year 2021-22 vide para(s) number 3.1.4.20. Recurrence of same irregularity is a matter of serious concern.

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, 2022 as compared to previous years is given below:

					(Rs in million)
Description	**2022**	**%Inc/Dec)**	**2021**	**% Inc / (Dec)**	**2020**
Gross premium	24,271	17.05	20,994	24.25	16,896
Net premium	7,929	5.60	7,226	7.72	6,708
Net Insurance claim	(4,312)	(14.13)	(3,778)	-3.72	(3,924)
Management expense	(1,528)	(109)	(729)	9.33	(666.78)
Commission paid	(1,026)	(5.99)	(968)	4.63	(925.195)
Underwriting profit/(loss)	1,652.02	(3.446)	1,682.81	119.77	765.719
Investment income	1,338.39	36.33	981.71	-5.91	1043.379
Rental income	126.643	21.33	104.38	25.13	83.419
Profit Before Tax	3,556	(1.605)	3,614	83.36	1,971
Taxation	(932)	(9.073)	(1,025)	76.72	(580)
Profit after tax	2,625	1.35	2,590	86.20	1,391

(Source: Annual Audited Accounts-2021)

Management expenses increased from Rs 729.000 million in the year 2021 to Rs 1,528.000 million in the year 2022, registering an increase by 109% due to increase in employees benefits cost, security service expense, travelling & conveyance expense and entertainment.

3.2.2.2 The insurance /reinsurance receivables stood Rs 13,686.203 million as on December, 2021 and Rs 17,393.375 million as on 31st December 2022, registering an increase of 27.08 % due to lesser recoveries.

3.2.2.3 The external auditors issued a qualified opinion that receivable and payable balances from various respective parties / insurance companies on account of the treaty business and facultative business, which includes a gross amount of Rs 16,792 million and a net amount of Rs 16,626 million. An amount due to other insurance companies includes an amount of Rs 40.11 million, which remained un-reconciled as of 31st December 2022. Due to pending reconciliations relating to the above balances, resultant adjustments, and consequential impact thereon, if any, on these financial statements remain uncertain.

3.2.2.4 The external auditors issued a qualified opinion. They noted a significant amount due from re-takaful participants on account of treaty and facultative re-takaful business, including a gross amount of Rs 423.435 million and a net amount of Rs 410.660 million, which remained un-reconciled as of 31st December 2022. Due to pending reconciliations relating to the above balances, resultant adjustments, and consequential impacts thereon, if any, on these financial statements remain unascertained.

3.2.2.5 Current ratio deteriorates from 3.5:1 in the FY year 2021 to 4.07:1 in the FY 2022 due to increase in short-term debt and decrease in current assets.

Formula	**2022 (Rs)**	**2021 (Rs)**
Current assets	63,315,332,437	46,348,937,649
Current Liability	15,525,015,227	12,916,703,382
Ratio	4.07:1	3.5:1

3.2.2.6 Equity ratio shift in deteriorating position to 22.61% in the FY 2022 from a preceding standing of 27.93% FY 2021.

Formula	**2022(Rs)**	**2021 (Rs)**
Shareholder Equity	14,321,407,662	13,072,194,616
Total assets	63,315,332,437	46,805,551,289
Percentage (%)	22.61	27.93

3.2.2.7 Debt ratio shift in deteriorating position to 77.57% in the FY 2022 from a preceding standing of 72.07% FY 2021 reflecting heavy obligation trend to asset.

Formula	2022 (Rs)	2021 (Rs)
Total Liabilities	49,533,537,615	33,733,356,673
Total assets	63,854,945,278	46,805,551,289
Percentage	77.57%	72.07%

3.2.2.8 Return to asset shift in deteriorating position to 12.41% in the FY 2022 from a preceding standing of 15.44 % in the FY 2021.

Formula	2022 (Rs)	2021 (Rs)
Net Insurance Premium	7,929,369,976	7,225,623,532
Total assets	63,854,945,278	46,805,551,289
Percentage	12.41%	15.44%

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%

The overall compliance of PAC directives needs improvement.

3.2.4 Audit Paras

3.2.4.1 Revenue loss by excessive retrocession in foreign insurance companies – Rs 29,952.780 million (US$ 203.110 million)

One of the main objectives of the Company is “To enhance Domestic retention capacity in the country in order to save valuable foreign exchange."

Section (X) of the Code of Corporate Governance for Insurers, 2016 regarding Responsibilities, Powers and Functions of Board of Directors 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 special study of the Pakistan Re-insurance Company Limited (PRCL) for the years 2017 to 2021, it was observed that the management re-insured the business in foreign reinsurance companies without keeping in view the main objectives of the organization through which the outflow of dollar was to reduce from the country. The detail of foreign exchange outflow from country during last 07 years is at (Annex-24).

Thus, in last 06 years the average figure of net claim has not gone over 3.5 billion per year, even then the management paid major portion of the premium for retrocession to the foreign insurance companies through agents. As in 2021 gross premium of Rs 20,993.56 million, out of which an amount of Rs 13,767 million was paid to the foreign insurance companies, which is 65%, leaving retention of premium of Rs 7,225.62 million i.e. 35% of the total premium received by PRCL. This shows a major portion of the premium is paid to the reinsured companies. In some cases, the company is retaining as low as only 10% of the insurance as for instance in one insurance case of PIAC aviation & hull insurance, the share of PRCL was 10%, NICL 7.5% and rest 82.50% of the reinsurer (M/s Marsh broker).

Thus, the management has not appointed a Risk Assessing Manager due to which no proper decision for managing insurance risk is made nor the amount of foreign exchange is saved within the country, which caused deprived off revenue of more than Rs 29,952.780 million to PRCL in just 07 years. Had the company retained at least 60% of premium of Rs 54,753.600 million out of total premium of Rs 91,256.560 million, the Company could have saved an amount of Rs 29,952.78 million (Rs 54,753.600 million – Rs 24,801.160 million).

Audit is of the view that the management was not focusing on the main objectives of the company to save valuable foreign exchange after increasing equity of the organization, which shows not only slackness on the part of the management but also found involved in draining out of dollars from the country.

The irregularity was discussed in the DAC meeting held on August 21, 2023. The management informed the DAC that only retain such portion of risk which falls within its capacity determined as per the regulatory guidelines which is about 5 % of equity per risk. The risks which are beyond PRCL capacity are retroceded international market and keeping in consideration the basic principles of reinsurance i.e. 'risk management' and 'diversification'. The DAC directed that the management to satisfy the audit that the quantum of business retroceded in the case of PIA was a consequence of PIA's lease agreements for foreign air crafts and its own retention capacity as per SECP guidelines and make efforts to retain more risk.

Audit recommends implementation of the DAC directives.

3.2.4.2 Non recovery from various parties – Rs 11,845.043 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 2022, it was observed that an amount of Rs 11,845.043 million was outstanding against following parities as on 31.12.2022.

(Rs in million)

S#	Description	Amount	Annex
1	Ceding companies	10,353.770	**Annex-B5**
2	Foreign non-resident companies	721.718	
3	Takaful participant holders	503.635	
4	Ceding companies under litigation (premium)	265.920	
Total		**11,845.043**	

Audit is of the view that non-recovery of from various parties amounting to Rs 11,845.043 million reflected weak financial management and poor recovery mechanism.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024.

a. The management explained that their dues from 01.01.2023 to 110.01.2024 for Rs 4,142 million, which is 82% of the total receivables of Rs 5,032 million were recovered, leaving a balance of Rs 901 million from companies carrying insurance business. The DAC noted efforts of the company to effect of 100% recovery of balances from NICL. However, it raised concern over the long outstanding dues from insurance companies specially those over 03 years and those with the delay of more than 01 to 02 years. DAC directed the management to get the recovery from NICL verified by the Audit. Further it might present to the Board a paper for making a representation to the SECP on improving recovery of dues receivables from private insurance companies. DAC further directed the management to regularly submit the recovery status to its Board indicating aging-wise the total amount recoverable at each Board meeting.

b. The management informed that it has recovered an amount of Rs 498.77 million out of Rs 721.718 million in short period of nine months. It was further informed that PRCL recovered almost70% of its outstanding balances from foreign non-resident companies. The DAC directed the management to provide evidence of recovered amount to Audit for verification.

c. The management explained that PRCL had a net receivable from Insurance Companies amounting to Rs 516.457 million. Out of this receivable, PRCL has recovered Rs 464 million (89%). The DAC directed prepare a position on the subject to place before the Board and would take-up the matter with SECP for putting in place to affect a mechanism of recovery and further directed the management to proof the evidence of recovery of the outstanding amount of Rs 464 million to be verified by Audit.

d. The management explained that insurance companies failed to perform its statutory duty to settle/pay PRCL dues/premium, resultantly suit was filed against these companies for the recovery of PRCL dues. The DAC noted that almost all cases were pending in the court of law. It was directed that the cases of stuck up recovery to be presented to the Board of Directors for its comprehensive review and strategy for recovery of receivables in such cases and pursue court cases with objectively.

Audit recommends implementation of the DAC directives.

(DP No.682, 695,696,691& 683)

3.2.4.3 Loss of revenue due to excessive retrocession – Rs 3,540.195 million (US$ 17.700 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).

The main objective of the Company states that to enhance Domestic retention capacity in the country in order to save valuable foreign exchange.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2022, it was observed that the management renewed the policy for retrocession against the reinsured business of aviation (PIA) with foreign reinsurance companies without aligning with the organization's main objectives (Annex-26). Moreover, the management was only retaining a premium of 5% to 6%, whereas NICL is retaining more than 10%, and the remaining premium is usually transferred to retrocession. Out of the total premium, only US$ 1.507 million was calculated, with retrocession premium transferred to M/s. AGJ through an agent, valuing US$17.700 million, which was more than 85%. Furthermore, the management had not appointed a Risk Assessing Manager, leading to the absence of proper decisions for managing insurance risk and saving foreign exchange. Due to such imprudent decisions, PRCL was deprived of revenue exceeding Rs 3,540.195 million (US$17.700 million *Rs 200) against the renewal of existing policies.

Audit is of the view that the management failed to focus on the main objectives of the company to save valuable foreign exchange, even after increasing the equity of the organization which reflects slackness on the part of the management.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management explained that only retain such portion of risk which falls within its capacity determined as per the regulatory guidelines which is about 5 % of equity per risk. The risks which were beyond PRCL capacity are retroceded international market and keeping in consideration the basic principles of reinsurance i.e. 'risk management' and 'diversification'. The DAC directed that the PRCL management to satisfy the audit that the quantum of business retroceded in the case of PIA was a consequence of PIA’s lease agreements for foreign air crafts and its own retention capacity as per SECP guidelines and make efforts to retain more risk.

Audit recommends implementation of the DAC directives.

3.2.4.4 Non-payment of income tax – Rs 1,728.66 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 special study on the accounts of Pakistan Reinsurance Company Limited (PRCL) for the years 2017 to 2021, it was observed that the management did not pay the income tax from 2010 to 2018. The detail is given as under:

S#	Year	(Rs in million)
1)	2018	353.612
2)	2017	0
3)	2016	223.912
4)	2015	0.772
5)	2014	412.724
6)	2013	9.342
7)	2012	127.326
8)	2011	97.770
9)	2010	20.748
	Total	**1246.206**

The company also did not deduct and paid the income tax on commission paid to the ceding companies. The detail is given as under:

S.No	Year	Rs in million
1)	2016	182.699
2)	2015	39.541
3)	2014	260.214
	Total	**482.454**

Hence, the management did not deduct and pay the amount of income tax on commission to the ceding companies.

The matter was reported to the management on November 19, 2022. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management contended that payment was not made as the case was subjudice. DAC directed to pursue the case vigorously.

Audit recommends implementation of the DAC directives.

3.2.4.5 Irregular payment of insurance claim to third party instead of PIAC against settlement of PIAC crashed airplane- Rs 1,128.000 million (US$ 7.050 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 special study of Pakistan Re-Insurance Company Limited (PRCL) for the years 2017 to 2021, it was observed that the Aircraft, ATR 42 AP-BHP of

Pakistan International Airline Corporation was skidded off runway at Gilgit Airport on July 20, 2019. The cause of accident as per report dated October 10, 2019 was over speeding due to which aircraft touched down beyond the normal landing point. The surveyor conducted the survey and management settled the claim of US$ 7,800,000 less salvage offer of US$ 650,000 and policy deductible US$ 100,000 net settlement at US$ 7,050,000. The share of PRCL was 10%, NICL 7.5% and rest 82.50% of the reinsurer (M/s Marsh broker).

As per procedure, PRCL had to receive 82.5%, US$ 5,816,250 from M/s Marsh, to add his 10%, US$ 705,000 and to pay to NICL for further payment to PIAC, but the management adopted procedure against the normal practice and paid the share to foreign broker directly instead of receiving its share thus restricted the dollar inflow of US$ 5.80 million in Pakistan.

Audit is of the view that the management extended undue favour to the foreign broker, M/s March for allowing him to pay to third party M/s Clyde & Co instead of receiving amount from Lead Insurers and to onward payment to NICL and then to PIAC.

The matter was reported to the management on November 19, 2022. The irregularity was discussed in the DAC meeting held on August 21, 2023. The management informed the DAC that the policy holder (PIACL) had advised to remit PRCL share to legal counsel of re-insurance brokers i.e. M/s Clyde & Co. further, actual amount paid by PRCL was US$ 715,000 (being 10%) to M/s NICL as advised by the insured i.e. PIACL. The DAC directed the management to provide the relevant documentary evidence showing transfer of funds/ flow chart to the accounts of PIACL.

Audit recommends implementation of the DAC directives.

3.2.4.6 Loss due to payment of tax penalty – Rs 880.000 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 2022, it was observed that the management failed to file Sindh Sales Tax returns on services provided to insurance Companies for the years 2011 & 2012. Resultantly, Sindh Revenue Board (SRB) issued various notices for submission of tax amounting to Rs 3,242 million. The management filed an appeal with the Commissioner of Appeals, Sindh Revenue Board, and the Appellate Tribunal, which was rejected in February 2016. Subsequently, the management deposited an amount of Rs 2,573 million and additionally, an amount of Rs 880.000 million as tax penalty.

Audit is of the view that the management failed to submit tax returns on time which resulted in payment of tax penalty of Rs 880.000 million. This reflected weak financial management and negligence.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management explained that the court case is being actively pursued in Sindh High Court and last hearing was held on 21.11.2023. Furthermore, the notices for payment for 03 years included the penalty for earlier years for which payment notices were not received by PRCL. The DAC directed that management to follow up the case in the Sindh High Court.

Audit recommends implementation of the DAC directives.

3.2.4.7 Loss on investment in mutual funds and shares – Rs 399.865 million

Section 15 of Investment Policy 2021-22 of PRCL states that Fixed income instruments; the decision in investment in fixed income securities shall be based on fundamental credit analysis of securities;(c) attempt shall be made to invest in those securities that offer competitive returns vis-à-vis other similar investments in the market.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2022, it was observed that the management invested a sum of Rs 1,484.589 million in the mutual funds and Rs 147.073 million in shares. However, a loss of Rs 391.023 million and Rs 8.842 million respectively was sustained (Annex-27).

Audit is of the view that the management has been suffering losses from investments in mutual funds and equity due to non- divestment of funds from the pool of mutual neither funds nor invested them in other fixed-income securities which reflected poor financial management.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management explained that no loss was incurred in the investment as this was a diminution in the value of investment. The DAC directed that PRCL management would submit a report to the Audit explaining the compliance of current investments with the SECP regulations on investment of funds by insurance companies. Further the dividend received from the 03 banks to be get verified from the Audit.

Audit recommends implementation of the DAC directives.

(DP No. 700 & 701)

3.2.4.8 Irregular settlement of insurance claims without valid insurance policy - Rs 380.186 million

Section 58 (1) of Insurance Rules, 2017 states that Insurance policy not to be issued without receipt of premium, save as provided under sub-rule (2), (3) and (4) below, no insurance policy shall be issued where premium has not been received by the insurer.

Clause 01 of the acceptance Note stipulates "Submission of Premium closing particular (along with policy number) within 45 days and PPW (Premium payment warranty) within 30 days. and Clause 2 of the Acceptance Note mentions that " OGR (Original Gross Rate)/Leader's terms and original terms and conditions, failing which claim if any shall not be entertained."

During special study of Pakistan Re-Insurance Company Limited (PRCL) for the years 2017 to 2021, it was observed that the management settled the claim of the insured companies without insurance policy, which is violation of above Insurance Rules, 2017.

1. **M/s Soorty Enterprises:** An amount of Rs 128.098 million being 25% share of PRCL out of Rs 512.394 million was paid to M/s Soorty Enterprises without valid insurance policy with the PRCL, which is evident from the facts mentioned in the table below:

S #	Description	Date
1.	Date of Loss	26.07.2020
2.	Request Note by the EFU for policy	03.08.2020
3.	Policy Acceptance Note	04.08.2020
4.	Fire Brigade Department Report	05.08.2020
5.	**Premium Payment Cheque (50001859) date**	**30.09.2021**

2. M/s Naveena Exports: The management settled the claim of M/s Naveena Exports amounting to Rs 136.324 million being 25% facultative share of PRCL out of Rs 545.296 million without valid insurance policy. 1st premium was paid after 1 and half year from the date of loss i.e. date of loss was 26 April, 2020 and date of premium payment was 30 September, 2021.

3. Further, the management settled the claims of M/s Masood Textile Mills Ltd, M/s Interloop, M/s Kohinoor energy and M/s Denim International for Rs 115.764 million without valid insurance policy. Detail is annexed:

								(Rs in million)
S#.	**Ceding company**	**Insured company**	**Date of Loss**	**Premium received by PRC**		**Claim paid/ settled by PRC**		**Date of Survey Report**
				Cheque No.	**Date**	**Amount**	Date	
1.	Jubilee General Insurance Company	Masood Textile Mills ltd.	26.05.18	1639187	1st check as on 04.09.2018	1.615	24.6.19	19.01.19
2.	Adamjee Insurance Company ltd.	Interloop.pvt. ltd.	19.06.17	1003553170	05.09.18	25.701	17.7.19	21.07.17
3.	Adamjee Insurance Company ltd	Kohinoor energy ltd.	26.09.17	1003553170	05.09.18	3.031	17.7.19	08.04.19
4.	Habib Insurance Company	Denim International	15.6.14	8591280	20.12.14	85.415	21.08.17	26.12.16
					Total claims settled	**115.764**		

Audit is of the view that the management extended undue favor for settlement of claim without insurance policy. Hence, the payment of Rs 380.186 million to the above companies is irregular and in violation of Insurance Rules.

The matter was reported to the management on November 19, 2022. The irregularity was discussed in the DAC meeting was held on August 21, 2023. The DAC directed the management to inquire the matter at Ministry level.

Audit recommends implementation of the DAC directives.

3.2.4.9 Top of FormIrregular award of contract on hiring of security guards – Rs 14.647 million

Rule 12 (2) 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.

Rule 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.

During audit of Pakistan Re-Insurance Company Limited (PRCL) for the year 2022, it was observed that the management awarded a contract to M/s Frontier Constabulary (FC) Security Services amounting to Rs 14,647,632 per annum directly without inviting tender against the single quotation. The management hired the services of 22 security guards, 02 supervisors, 04 firefighting & 02 Lady searchers irregularly for the period from 01-07-2022 to 30.06.2023.

It was further observed that the NOC issued from the Home Department, Government of Sindh, the license of M/s. Frontier Constabulary Security Services (FCSS), Pvt. Limited was suspended and not renewed for the period of 2023 due to non-submission of relevant documents.

Audit is of the view that the management extended undue favor to the above security agency without observing the PPRA Rules, 2004.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management informed that only one (01) bidder, M/s Frontier Constabulary

Security Services, submitted a bid, which was subsequently opened on 26.07.2022. It was apparent that the quoted rates were reasonable. The DAC directed that PRCL management shall seek opinion of Interior Division on the status of Frontier Constabulary, Security Services as a Public Sector Entity. However, Audit is of the view that management should have followed open competitive bidding rather than direct contracting which was irregular and action be taken as per rules.

Audit recommends implementation of the DAC directives.

3.2.4.10 Irregular settlement of insurance claims of insurers - Rs 9.969 million

Section 58 of the Insurance Rules, 2017 states that Insurance policy not to be issued without receipt of premium.- (1) Save as provided under sub-rule (2), (3) and (4) below, no insurance policy shall be issued where premium has not been received by the insurer.

According to Policy Rules/ Acceptance- Premium of Policy is not adjustable against the claim, if any. As per the most basic principle of insurance-utmost Good Faith-you have the duty of full and timely disclosure of all the material information, so if the provided information is not accurate or differs from the leader term (if any), then this acceptance stands void hence claim, if any, arising out of this acceptance shall not be entertained.

According to Clause 5 of policy rules Submission of Premium closing particular (along with policy number) within 45 days PPW (Premium payment warranty) within 30 days (after issuance Debit notes, falling which claim if any arising out against this acceptance shall not be entertained).

During audit of Pakistan Re-Insurance Company Limited (PRCL) for the year 2022, it was observed that the management did not receive the premium in some cases or received the premium late, however, these claims were admitted and paid in violation of the policies. The details of the same are tabulated below:

							(Rs in million)
S#	**Details of insurer**	**Details of claim**	**Policy Period of claim**	**Date of premium received**	**Date of loss**	**Date of claim**	**Claim amount**
1.	M/s UBL Insurer	claim No. 20154 against Policy No.ACC-0589/2020	01.07.2020 to 30.06.2021	01.07.2020 to 30.06.2021	22.08.2019	22.08.2019	2.109
2.		claim No. 19662 against Policy No.ACC-0239/2020		29.06.2021	26.03.2020	26.03.2020	2.458
3.		claim No. 2022-05-000008.	01.01.2019 to 31.12.2019.	01.10.2019	26.03.2020	22.08.2019	3.962
4.	M/s. Adamjee Insurance	Insurance policy FC-0868/2020	08.10.2019 to 07.10.2020	Not received	22.08.2020	03.02.2021	1.44
						Total	**9.969**

Audit is of the view that the management extended undue favor to M/s UBL Insurer and M/s. Adamjee Insurance without having a valid policy and receiving the premium on time.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management explained that the claims were only booked and no payment was made in this regards. The DAC recommended that delayed payment and submission of claims without payments by insurance companies shall be taken up by PRCL under intimation to the Ministry of Commerce with the regulator (SECP) for devising an effective and transparent mechanism under intimation to Audit.

Audit recommends implementation of the DAC directives.

(DP No. 694 & 699)

3.2.4.11 Loss on account of delayed settlement of claims – Rs 4.773 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 2022, it was observed that the management booked claims valuing

US $ 42,126.31 (Rs 3.857 million @ Rs 91.481 per $) on various dates between 2010 to 2018. However, at the time of settlement of claims, the management paid Rs 8.630 million (US$ 42,126.31 @ Rs 200.950) and sustained an exchange loss of Rs 4.773 million due to late reconciliation / settlement.

Audit is of the view that due to slow processing in the acceptance of retrocession on the part of management, an exchange loss of Rs 4.773 million was sustained.

The matter was reported to the management on November 24, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management stated that in overall business which recording exchange rate of Rs 138.239 million under other income whereas the loss of Rs 8.63 million was realized in 04 cases. Audit was of the view that exchange loss of Rs 8.63 million occurred due to management's negligence. The DAC directed the PRCL management to get record verified of overall exchange gain of Rs 138.239 million against the all policies issued and reason of loss of Rs 8.630 million with Audit.

Audit recommends implementation of the DAC directives.

3.2.4.12 Appointment on fake degree – Rs 3.361 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.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2022, it was observed that the management referred the degrees of 04 employees for verification on 20-10-2019 to Karachi University. Three (03) degrees were found genuine, whereas the degree of Ms. Shagufta Zubair

(Assistant Claim) was declared as forged. Subsequently, a show-cause notice dated 25.11.2019 was issued to her on submission of fake degree of B.Com. Subsequently, a petition was filed in the NIRC court against the show-cause notice by the incumbent on whom a stay was granted on 24.03.2021. The case was still pending for recording evidence.

Audit is of the view that the management failed to verify the degree at the time of appointment which reflects negligence and undue favor. Resultantly, an amount of Rs 3.361 million on account of salary and other allowances was held irregular and unjustified.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management informed that the Court was granted stay in the case of Mrs. Shagufta Zubair, therefore, PRCL could not take any action. The last date of hearing was 12th December, 2023, (adjourned) the next date of hearing is 26.02.2024. After receipt of the decision in respect of the said case, PRCL will take up the matter for further necessary action. The DAC expressed its displeasure on status of court case and directed PRCL management to proactively defend the case in the court in view of the significant delay in its finalization. Further it was directed that PRCL remain vigilant in respect of its employee's related matters and take timely action, before employees can resolve to courts for obtaining stay of proceedings. Furthermore, legal options be sought for early vacation of stay order.

Audit recommends implementation of the DAC directives.

3.2.4.13 Non-recovery of liquidated damages & surrender performance security – Rs 2.456 million

Clause 6 of contract agreement between PRCL and M/s GCS (Pvt), Limited states that if the supplier fails to complete the delivery on the agreed timelines the Purchaser shall deduct from the invoice payable for the one-time cost of the project as liquidated damages, a sum equivalent to 0.05 percent of the Contract Price for each week of delay until actual delivery is made, up to a maximum deduction of 10% of the Contract Price. After which the purchaser may consider termination of the contract pursuant to GCC24.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2022, it was observed that the management awarded a contract to M/s GCS (Pvt), Limited for Data Centre Co-Location and Dr. Site Co-Location with Migration Services at PRCL at a total cost of Rs 23,919,160 on July 06, 2022. However, the supplier did not complete the contract in due time as per contract. Therefore, total amount of Rs 2,456,839 (Rs 64,923 LD and Rs 2,391,916 performance security) was not deducted by the management.

Audit is of the view that the management failed to deduct liquidated damages and encash performance security as per contract terms which reflects undue favour and negligence.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management explained that the cumulative amounting to Rs 2,456,839, comprising both the penalty and the performance security, has been duly approved by the competent authority to be confiscated/recovered. Further informed that contract in question was cancelled. DAC directed the management to get the record verified by the Audit.

Audit recommends implementation of the DAC directives.

3.2.4.14 Bottom of FormIrregular appointment of tax consultant – Rs 2.083 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.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2022, it was observed that the management hired the services of a Tax Consultant M/s. Yousuf Adil, Chartered Accountant on retainer ship for a period of 03 years (September 2019 to September 2022) and paid an amount of Rs 1.106 million. Later on, the management hired the services of M/s. Grand Thornton for tax consultancy through a fresh tender at a total cost of Rs 1.067 million.

Audit is of the view that the management hired the services of the Consultants to perform routine functions amounting to Rs 2.083 million in violation of the rules. Despite the presence of the Chief Financial Officer (CFO) who could easily look after such affairs, hiring of Consultants was unjustified.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management explained that it was a common and established practice to enlist the services of tax consultants. The intricacies of tax regulations, which are subject to frequent changes, demand a specialized understanding that may not always be available within a company's internal resources and consultant in question was engaged since 2010. The DAC recommended that the management will place the audit observation in front of the Board which may reconfirm the justification for engaging an external Tax Consultant or otherwise.

Audit recommends implementation of the DAC directives.

3.2.4.15 Bottom of Form Irregular appointment of Consultant – Rs 1.800 million

According to advertisement dated 21st October, 2022 Consultancy for Business Development Strategy Services wherein Master’s in Business Administration from HEC recognized University/Institute in Finance, Economics, Business Development, Marketing or other related field of study as per provided job description. Foreign Qualification will be preferred and experience i.e. at least 05 years’ experience in areas of finance/analytics, and business development in insurance or reinsurance related sectors. Out of 05 years’ experience at least 2.5 years must be international markets other than Pakistan. Candidate possessing extensive international experience including Chinese reinsurance market will be given preference and age maximum 45 years of age on closing date of the application.

During audit of Pakistan Reinsurance Company Limited (PRCL) for the year 2022, it was observed that the management appointed Mr. Ali Zain Hirji as a Consultant (Business Development Strategy) by rejecting suitable candidate as detailed below:

S#	Name	Age (years)	Experience	Qualification	Year of Experience	Remarks
1.	Mr. Ali Zain Hirji	33	• Head of International in Brilliance Reinsurance from 2017 to 2021. • Broker in NDI insurance & Reinsurance from 2013 to 2017	B.com 2012 MBA 2019	09	Appointed
2.	Ms. Naheeda Nawaz	45	• Manager underwriting in Salama Takaful Ins. UAE from February, 2016 to October, 2017. Head of operation in Optima Ins. Broker UAE form January, 2015 to January, 2016. • Insurance Business Development Consultant in Dual Matrix Corporation London from August, 2013 to December, 2014. • Country Manager in Al-Futtain Willis UAE from February, 2012 to July, 2013. • Manager Underwriting NICL Lahore from July, 2001 to April, 2010.	MSC 1999 ACCI 2005	15.6	Rejected

Audit is of the view that the management hired a consultant on favoritism basis having less experience than the rejected candidate. Thus, an amount of Rs 1.800 million (Rs 150,000 * 12 months) was irregular and unjustified.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management explained that the hiring of consultant for business development strategy was approved in 62nd meeting of HR Committee and the advertisement regarding Business Consultant was published in leading newspapers on 21st October, 2021. The DAC directed that PRCL management to produce relevant documents related to the experience of the successful candidates in relation to recruitment for the scrutiny of the Audit and get verify that the minimum required experience was met.

Audit recommends implementation of the DAC directives.

3.2.4.16 Irregular appointment of company secretary without advertisement and relevant experience - Rs 1.630 million

As per Section 14 (4) of Public Sector Companies (Corporate Governance) Rules, 2013 states that, no person shall be appointed as the company secretary of a Public Sector Company unless he is a

(a) member of a recognized body of professional accountants; or
(b) member of a recognized body of corporate or chartered secretaries; or
(c) person holding a master degree in business administration or commerce or being a law graduate from a university recognized by the Higher Education Commission with at least five years' relevant experience.

Further as per section 14 (5) of Public Sector Companies (Corporate Governance) Rules, 2013 states that, no person shall be appointed to the positions of the chief financial officer and company secretary unless he is fit and proper for the position.

Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) stipulates that vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees / Board.

During the audit of Pakistan Reinsurance Company Limited's accounts for the year 2022, it was observed management appointed Mr. Sumeet Kumar as Company Secretary in June 2023 under the Monetized Salary Policy (MSP), Scheme 2021 on a 01-year probationary period basis without advertisement and competitive process. Furthermore, the post of Company Secretary does not fall under the MSP Scheme, and the incumbent did not have the relevant experience i.e. five years of relevant experience as a Company Secretary.

Audit is of the view that the management appointed the incumbent as Company Secretary in violation of rules which reflected undue favor. Hence, payment on account of Pay & allowances amounting to Rs 1.630 million (04 months @ Rs 407,500 P.M pay) to the incumbent is irregular and unjustified.

The matter was reported to the management on November, 2023. The irregularity was discussed in the DAC meeting held on January 17, 2024. The management explained that combined the position of Company Secretary with an existing employee who was the senior most in Board Secretariat Department of PRCL and possessed the requisite qualification and experience as specified in the fit and proper criteria with approval of the competent authority i.e. the Board of PRCL. The DAC directed that the PRCL management to prove credential of the Company Secretary, and get verify by the Audit to ensure that the SECP fit and proper criteria was met in case of his appointment.

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 2022 as compared to those of the previous years are tabulated below:

Description	2022	% inc/ (dec)	2021	% inc/(dec)	2020
Premium revenue	244,392	50	162,623	36	119,519
Investment Income (net)	114,752	19	96,160	10	87,267
Net realized fair value gain/(loss) on financial assets	440	646	59	(72)	208
Net fair value gain on financial assets at fair value through profit or loss	(13,563)	58	(8,566)	-	603
Net rental income	713	72	415	(26)	560
Other income	37,772	75	21,560	27	17,019
Insurance benefits	175,695	79	98,364	51	64,938
Recoveries from re-insurers	(283)	190	(314)	43	(219)
Claim related expense	25	79	14	5	14
Net change in insurance liabilities (other than outstanding claims)	149,856	14	130,887	4	129,039
Acquisition expenses	22,709	13	20,021	20	16,617
Marketing and administration expenses	14,095	11	12,729	24	8,042
Total expenses	187,429	14	164070	6	154,131
Finance cost	(997)	(37)	(1,582)	(27)	(2)
Profit before tax	20,641	120	9,380	60	5,921
Profit after tax	13,702	106	6,665	60	4,203

(Source: - Annual Audited Accounts-2021)

Administration expenses / net premium rate is 6.07% in the year 2022 registering decrease by 2.01 % as compared to previous year 2021 i.e. 8.08%. The increase in administration expense is due to increase in expenses including legal and professional charges, travelling expense and utility charges.

3.3.2.2 Acquisition expenses increased from Rs 19,995.160 million in the year 2021 to Rs 22,668.775 million in the year 2022 registering an increase 13.37%. The increase is due to rise in stamp duty cost in the year 2022.

3.3.2.3 Dividend pay-out ratio decreased from 24.77 % in the year 2021 to 11.55% in the year 2022, registering decreased by 13.22% which reflects lower tendency of paying dividend to shareholders.

3.3.2.4 Insurance/re-insurance receivables increased from Rs 37,430 million in the year 2021 to Rs 78,092 million in the year 2022 registering an increase of Rs 40,662 million i.e.108.63 %. This increase is due to rise in receivables from insurance contract holders.

3.3.2.5 Other loans and receivables increase from Rs 56,221.789 million in the year 2021 to Rs 65,281.569 million in the year 2022 registering an increase of 16.11%. The increase is due to rise in accrued investment income along with other receivables in the year 2022.

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 ,3.3.4.1, 3.3.4.2	83%
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,	25%

				3.3.4.1, 3.3.4.2, 3.3.4.4	
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%

The overall compliance of PAC directives needs improvement.

3.3.4 Audit Paras

3.3.4.1 Non-recovery & non-payment under Sehat Sahulat Programs – Rs 69,933.313 million

Clause 21.2 (a) of the Contract between 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.

Clause 4.8 of agreement between SLIC & Health Department-Government of KPK on 01-07-2020 states that the Organization (SLIC) shall reimburse the health provider (hospital, nursing/maternity home) based on an agreed invoicing and payment system, which shall ensure timely payment to the providers as per the schedule agreed with the service provider. Further, clause 9.5 states that the organization (SLIC) shall ensure that healthcare providers under this agreement shall provide the health insurance services specified in this agreement to beneficiaries and policyholders on a cashless basis.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management made insurance agreements for Sehat Sahulat Programs with Federal, Punjab and KPK Governments. According to agreements SLIC performed the direct services and be fully responsible and accountable to the clients for procurement and implementation of the health services. However, an amount of Rs 69,933.313 million was still outstanding as detailed below:

						(Rs in million)
Sehat Sahulat Program (Federal)						
SSP Phase-II			**SSP Phase-III**			**Total Amount**
Billed	**Received**	**Outstanding**	**Billed**	**Received**	**Outstanding**	
10,710.306	10,709.291	1.015	8,107.9847	-	8,107.984	8,108.999
Sehat Sahulat Program (Punjab)						
29,932.313	27,564.220	2,368.093	120,963.721	71,060.785	49,902.936	52,271.029
SSP Phase-III(KPK)						
			47,780.818	38,227.533	9,553.285	9,553.285
					Total	**69,933.313**

Similarly, the management also entered into an agreement with Government of KPK on July 01, 2020 and Government of Punjab on December 29, 2021 for providing health insurance services to all NADRA registered families having permanent address of KPK and Punjab. The Health Department, KPK and Punjab should pay premium to the SLIC on an annual basis. However, an amount of Rs 24,771.308 million of claims of service providers were still pending as detailed below:

				(Amount in Rs)
Position as at 31-12-2022				
Project	**No. of Patients**	**Claim Amount of Hospitals**	**Paid Amount to Hospitals**	**Un-paid Amount to Hospitals**
KP100	1,685,014	42,347,470,780	32,764,906,671	9,582,564,109
SSP (Phase II)	1,246,700	29,181,123,274	26,357,469,621	2,823,653,653
SSP (Phase III)	2,004,939	43,922,451,820	31,557,360,725	12,365,091,095
			Total	**24,771,308,857**

Audit is of the view that non-recovery of outstanding amount under Sehat Sahulat program from Federal & Provincial Governments and non-payment of claim to service providers (Rs 69,933.313 million – Rs 24,771.308 million = Rs 45,162.005 million) reflected weak financial management and poor recovery mechanism.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024.

a. The management explained that the health division had diligently adhered to this contractual obligation by raising invoices in a timely manner upon the due date of premium payment. However, an amount of Rs 63,102 million has been collected.

b. The management explained that the core issue of pending health claims from the previous year remains due to non-receipt of claim documents from hospitals.

The DAC directed the management to verify the documents from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 581 & 582)

3.3.4.2 Non-deduction of sales tax – Rs 5,985.720 million

According to the Sindh Sales Tax on Services Act 2011, sales tax is payable on premium of life and health insurance policies.

Khyber Pakhtunkhwa Revenue Authority (KPRA) vide letter No.F.No. 7(10)/KPRA/ADC(HQ)/2021/12114M dated 29-07-2021 states that services of life insurance are taxable at the rate of 15% while health insurance services are taxable at a reduced rate of 1% vide Serial No.26 of the Second Schedule to the Khyber Pakhtunkhwa Finance Act, 2013 with effect from 01.07.2021.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management did not deduct sales tax amounting to Rs 5,985.720 million from insurer on their premium of life and health insurance policies.

Audit is of the view that non-deduction of sales tax reflects gross violation of rules.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management informed that SLIC along with other life insurance companies has filed petitions before Sindh high Court and Lahore High Court against levy of sales tax on life insurance premium in Sindh and Punjab respectively. The DAC directed that management to expedite the case.

Audit recommends implementation of the DAC directives.

3.3.4.3 Non-recovery of premium (group & pension division) – Rs 3,218.567 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 State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that an amount of Rs 3,218.567 million was outstanding against premium from different clients of Group & Pension Division as on 31.12.2022 as detailed below:

S#	Zone	1 to 6 months	7 to 12 months	1 to 2 years	2 to 3 years	Above 3 years	Outstanding amount (Rs)
1	Rawalpindi	16,425,191	20,966,653	11,387,312	541,194	426,345	49,746,685
2	Lahore	1,292,386,131	69,607,188	411,563	-	-	1,362,404,882
3	Karachi	1,524,799,029	91,258,857	83,241,459	73,524,620	26,605	1,772,850,569
4	Peshawar	928,106	7,594,404	-	25,043,294	-	33,565,804
	Total	**2,834,538,457**	**189,427,102**	**95,040,334**	**99,109,108**	452,950	**3,218,567,940**

Audit is of the view that non-recovery of outstanding premium reflected weak internal control and poor recovery mechanism.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management explained that Rs 2,963.627 million has been recovered. The DAC directed that management to verify the documents from Audit.

Audit recommends implementation of the DAC directives.

3.3.4.4 Encroachment of plots – Rs 1,172.380 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 State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management had three (03) plots at various locations which had been encroached by the land grabbers as detailed below:

			(Rs in million)
S #	**Location**	**Area**	**Market Value**
1.	Dullah Khurd, Ferozabad, Lahore	299 Marlas	394.680
2.	Plot Yuhanabad, Lahore	27.5 Kanals	550.000
3.	Deh Thano, Memon Goth, Malir, Karachi	191,129 Sq.Yards	227.700
		Total	**1,172.380**

Audit is of the view that the management failed to keep the effective control and possession over its properties and no legal action was taken against the encroached persons.

The matter was reported to the management on September 25, 2023. The management in its reply dated 22.11.2023 stated that the Chairman State Life by involving some high ups of christian community approached Chief Secretary Punjab for the amicable solution of the issue. Further, the suit No.143/2023 was filed against the land grabber name Mr. Zulfiqar Ali and another suit No. 113/2002 was filed against Haji Muhammad Akhtar and others. The reply of the management was not tenable because land/plot was still under the possession of land grabbers. Further, management still failed to demarcate the land to construct the boundary wall at Plot Yuhanabad, Lahore.

Audit recommends to probe the matter.

3.3.4.5 Non-recovery of rent from active tenants – Rs 384.730 million

According to deed of lease made between State Life Insurance Corporation (SLIC) and tenants that payment of rent and all other charges what so ever nature which the lessee (tenant) is obliged to pay under this deed of lease without any delay, deduction or set off what so ever.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that an amount of Rs 384.730 million (Annex-28) was lying outstanding on account of rent and utilities as summarized below:

(Rs in million)					
Description	**Opening Balance**	**Charged**	**Total**	**Received**	**Outstanding**
Parking	31.66	13.71	45.37	10.65	34.72
Electric-206AA	56.64	271.70	328.34	251.82	76.53
Water	30.06	15.29	45.35	12.22	33.12
Rent from tenants	190.90	316.85	507.76	267.39	240.37
Total					**384.73**

Audit is of the view that non-recovery of dues shows negligence and poor recovery mechanism.

The matter was reported to the management on September 25, 2023. The management in its reply dated 22.11.2023 stated that the management recovered amounting Rs 186.350 million leaving outstanding balances of Rs 198.383 million. The reply of the management was not tenable because no documentary proof was provided to Audit for verification.

Audit recommends prompt recovery of outstanding amount.

(DP No. 587 & 588)

3.3.4.6 Loss of revenue due to non-renting out of vacant buildings – Rs 234.858 million

Policy Statement of draft Tenancy Policy 2020 of SLIC states that maximization rental income by effective recoveries, lease renewals and active follow-up of court cases. Renting of vacant spaces at reasonable / approved rates to reputable entities and to retain them by avoiding disputes of excessive rent increase over and above the market rates. Providing all such facilities as agreed in the lease agreement as a bona fide land lord.

According to Tenancy Policy (Real Estate Division) of State Life Insurance Corporation of Pakistan (SLIC), the spaces available for renting shall be rented out by advertising in national and local dailies for available spaces, display of banners / notices in particular building, through real estate agents / companies and through public relation of Tenancy officers & building in-charge.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that an area of 543,652 sq.ft i.e. 36% of total available area of 1,513,363 sq.ft. was lying vacant at various buildings in

Karachi which reflects that occupancy rate is very low. Resultantly, Corporation was deprived of rental income of Rs 234.858 million (Average Rs 36 per sq.ft x 543,652 sq.ft x 12 months) per annum.

Audit is of the view that the management failed to take efforts to rent out the vacated buildings, which deprived the Corporation from due monetary benefits.

The matter was reported to the management on September 25, 2023. The management in its reply dated 22-11-2023 stated that as a result of efforts, present position of the renting of spaces in Karachi as at 30-09-2023 was that the vacancy position has reduced from 36 % to 14.89%. The reply of the management was not tenable because management acknowledged the audit stances that 36% of total available area of 1,513,363 sq.ft. was lying vacant.

Audit recommends taking concrete efforts for renting out vacant spaces in line with tenancy policy.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 3.3.4.13 having financial impact of Rs.32.580 million. Recurrence of same irregularity is a matter of serious concern.

3.3.4.7 Imprudent investment in shares of companies - Rs 161.042 million

As per SLIC Investment policy 2017, Buy and hold share of fundamentally strong companies trading at 30% deep discount to their fair value, especially in depressed market subject to condition that total return on stock, dividend yield plus appreciation in price is at least equal to 3 years average of 6 months' treasury bills.

During audit of State Life Insurance Corporation of Pakistan (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management held an investment of 8.711 million shares of 23 companies valuing Rs 161.042 million which were defaulted / suspended. Pakistan Stock Exchange (PSX) published a list of companies / securities in which trading was suspended under clauses 5.11 & 5B.14 of PSX Regulations along with reasons for suspension in which these companies were included. Furthermore, SECP had also passed orders for winding-up of these companies which depicts that there were very remote chances of recovery of invested amount (Annex-29).

Audit is of the view that the management failed to monitor the performance of the companies as per investment policy. Resultantly, corporation suffered a loss of Rs 161.042 million.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management explained that Investment Division proposes to sell non-performing stocks once their market price exceeds or equivalent to its average holding cost. The DAC directed the management to take up the matter in Board by reviewing the investment policy.

Audit recommends implementation of the DAC directives.

3.3.4.8 Recurring loss due to excess deployment of officers / staff – Rs 153.720 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 (SLIC) Principal Office, Karachi for the year 2022, it was observed that total of 183 employees were posted excess against the approved sanctioned strength which resulted in a recurring loss of Rs 153.720 million (Rs 70,000 approx. p.m. salary x 183 employee x 12 months) on account of pay and allowances (Annex-30).

Audit is of the view that the management did not follow the approved sanctioned strength of officers and officials at different stations which shows negligence and weak internal controls.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management informed that in view of the decision of BoD in its 291st meeting held on 12.09.2022, the excess staff strength has been rationalized / rectified. The DAC directed the management to rationalized the staff strength at different stations/zones.

Audit recommends implementation of the DAC directives.

3.3.4.9 Non-recovery from various parties – Rs 123.851 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.

Article 20 of Life Reassurance Treaty between State Life Insurance Corporation of Pakistan and Swiss Reinsurance Company, Zurich, Switzerland states that (2) Statement of the balance due as shown in the statement of account shall be made in accordance with the provisions set out in this Treaty. Alternatively, the balance may be set off against any other outstanding balances between the "Ceding Company (SLIC)" and the "Re-assurer (Swiss Reinsurance Company). (3) when the balance is due to the "Re-assurer" the "Ceding Company" shall apply to the exchange control authorities for remittance within 30 days of confirmation of the accounts by the "Re-assurer".

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that an amount of Rs 123.851 million was outstanding against various heads (Annex-31). The brief summary is as under:

		(Rs in million)
S#	**Account Head**	**Outstanding Amount**
1	Others (CPF VRSS)	77.643
2	Re-insurance Company (Swiss Re)	46.208
	Total	**123.851**

Audit is of the view that the due to in-effective financial management, the management failed to safeguard its assets and their subsequent adjustments / recoveries. This shows weak internal controls and poor recovery mechanism.

The matter was reported to the management on September 25, 2023. The management in its reply dated 22-11-2023 stated that inadvertently the electrical charges recoverable from tenants was incorporated in the code of 206AA CPF VRSS having Rs 77.643 million. The fresh code has been allotted and rectified as 206ER through necessary code correction is incorporated accordingly in the year 2023. Further, an amount of Rs 34.958 million has already been recovered and Rs 29.143 million had also been adjusted from M/s. Swiss Re. The reply of the management was not tenable as no documentary evidences regarding rectification of code and recovered amount had been provided.

Audit recommends prompt recovery of dues besides provision of documentary evidence of the recovery made.

3.3.4.10 Non-mutation of property – Rs 110.308 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 State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management did not have the title documents / mutation of the following property in the name of SLIC. The detail is as under:

Description / Name	Land Area	Market value as on 13.12.2021 (Rs in million)	Remarks
SLIC Building No.10 12, Bank Square, Sharahe Quaid e Azam, Lahore	25.07 Marlas	110.308	Title disputed

Audit is of the view that the land without the title mutation documents in the name of corporation reflected serious negligence and poor monitoring of assets.

The matter was reported to the management on September 25, 2023. The management in its reply dated 22-11-2023 stated that State Life took possession of SLIC No.10 bank square, Lahore and rented it out. The reply of the management was not tenable because legal title documents i.e. mutation was not provided.

Audit recommends to justify the matter.

3.3.4.11 Non-possession of the re-allocated plot – Rs 84.805 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 State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that a plot was allotted to SLIC on 08-03-1987 from Estate Officer, Mirpur Development Authority (MDA). The building plan was submitted by the management to MDA which was not approved. The management filed a writ petition on 21-06-2000 in High Court of AJK for approval of building plan. The Court in its decision on 14-04-2021 admitted SLIC as lawful allottee and directed MDA for approval of plan. The management however, withdrawn its petition without any undertaking by the MDA or any directives from the High Court of AJK. In the meantime, a petition was filed by AJK Govt. by stating that the said plot had already been cancelled. In response, SLIC filed a writ petition challenging the cancellation orders. Later on High Court, AJK dismissed the petition on 13-02-2013 on the ground of laches. Later on, Supreme Court of AJK through Civil Appeal dated 23-06-2022 announces its decision that the appellant is at liberty to choose any of the offered plots and MDA shall make arrangements for allotment of the selected plots. The MDA issued allotment letter to Zonal Chief, Mirpur Zone, SLIC in compliance of Supreme Court Judgment. However, the management failed to take the possession of the said plot to date.

Audit is of the view that despite the favorable decision of Supreme Court, AJK, the management failed to take possession of the offered plot for the last many years. Thus, there are chances of encroachment or financial loss of Rs 84.805 million.

The matter was reported to the management on September 25, 2023. The management in its reply dated 22-11-2023 stated that at presently, the contempt petition of SLIC was pending for adjudication before the Supreme Court of AJK. The reply of the management was not tenable because SLIC failed to take the possession of the said plot as yet.

Audit recommends the management to follow the decision in the light of Supreme Court, AJK and occupy the offered plot without further loss of time.

3.3.4.12 Loss due to investment of funds at lower rates – Rs 71.950 million

Clause (3) of Investment Policy, 2017 of SLIC states that to minimize idle funds and undertake timely steps to optimize the investment return from the available funds.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management participated in Treasury Bills auction on 12.01.2022 & 18-5-2022 and offered the bid at lump-sum amount of Rs 6.000 billion instead of breaking it into 4 to 6 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 71.950 million as detailed below:

(Amount in Rs)

S#	Surplus funds A	Auction date B	Issue date C	Bids offered by SLIC (%) D	SBP weighted Average (%) E	Funds invested in Banks (rates) F	Difference of Profit G (A*E-F*3/12)
1	6,000,000,000	12.01.22	13.01.22	10.45	10.37	9.5	13,050,000
2	2,000,000,000	18.05.22	19.05.22	15.00	14.42	13	7,100,000
3	2,000,000,000	18.05.22	19.05.22	15.10	14.70	13	17,000,000
4	5,000,000,000	18.05.22	19.05.22	15.15	14.74	13	34,800,000
						Total	**71,950,000**

Audit is of the view that the management failed to act prudently and invested at higher rates offered by SBP causing loss of Rs 71.950 million due to parking of funds at lower rates.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management explained that there could be a minor difference/margin existed between yield and price of T-Bills. It was not necessary to quote accurate bid price and bid yield because these were judgmental calls. The DAC directed the management to verify the documents from Audit.

Audit recommends implementation of the DAC directives.

3.3.4.13 Irregular appointment in violation of quota – Rs 43.680 million

Para 1 clause (X) of Cabinet Secretariat Establishment Division letter No.F.53/I/2008-SP dated 22nd October, 2014 states that Recruitment Policy for the Federal Services / Autonomous Bodies/ Corporation 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.

Following quotas have been specified by the Federal Government for strict observance in direct recruitment:

i. Provincial & Regional Quota

Merit	**Punjab**	**Sindh**		**Khyber PK**	**Baluchistan**	**Northern Areas/ FATA**	**Azad Kashmir**
7.50 %	50%	Rural	Urban	11.5%	6%	4%	2%
		11.4%	7.6%				

ii. 10% women, 5% minorities and 2% disabled person quotas have also been prescribed.

iii. The Provincial /Regional quota if not filled will be carry forward till suitable candidates are available from the Province/Region concerned.

iv. No “substitute” recruitment will be made.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management directly appointed 05 officers at different posts on contract basis without observing provincial quota. Details of salaries paid is as under:

(Amount in Rs)

S#	**No. of officers A**	**Amount per month (Rs) B**	**Total Amount (Rs) C (A*B*12)**
1.	4	800,000	38,400,000
2.	1	440,000	5,280,000
		Total	**43,680,000**

Audit is of the view that the management failed to observe the Provincial / Regional quota in organization in violation of federal government rules. Thus, expenditure incurred on salaries amounting to Rs 43.680 million was held irregular and unjustified.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management explained that there was one post against each position and advertisements were separately published, under the circumstances, selection was made against open merit quota. However, they would be adjusted against the respective provincial quota. The DAC directed the management to consider the Provincial / Regional quota organization vise.

Audit recommends implementation of the DAC directives.

3.3.4.14 Non-pursuance / recovery of decreed amount - Rs 40.761 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 State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management filed a suit for recovery of rent of Rs 40.761 million against M/s. System Innovations (Pvt.) Ltd. in the High Court of Sindh, Karachi. In the year 2015, judgment was passed by the Court in favor of SLIC and issued decree against M/s. System Innovations (Pvt.) Ltd. However, after lapse of considerable time, no action was taken by the management to recover the decree amount of Rs 40.761 million.

Audit is of the view that non-pursuance / recovery of decreed amount was negligence and weak internal controls.

The matter was reported to the management on September 25, 2023. The management in its reply dated 22-11-2023 stated that SLIC filed Suit No.169/2015 for recovery of rent arrears amounting to Rs 40.761 million against the tenant which was pending in High Court of Sindh at Karachi for recording of ex-parte evidence of SLIC’s witness. The reply of the management was not tenable because no strenuous efforts were made to recover the decree amount.

Audit recommends the management to pursue the matter.

3.3.4.15 Irregular appointments after the age of superannuation - Rs 27.981 million

Para 04 of Establishment Secretary's D.O. letter No.7/3/ 89-OMG-II dated 28.01.1989 entitled as 'Employment after Retirement- Policy and Procedure – Re-employment after Superannuation' states that re-employment beyond the age of superannuation in all cases requires the approval of the Prime Minister.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that Mr. Mahmood Alam retired on 20.09.2022 serving as Divisional Head (Legal Affairs Division). He was re-employed on 21.09.2022 as AGM/DH-LAD on contract basis for the period of two years after next day of his retirement. Furthermore, Mr. Abdul Nasir retired on 16.10.2019 serving as Assistant General Manager (AGM), IT was also re-employed on 22.12.2019 to 22.06.2020 after 68 days of his retirement and again appointed on contract basis for a further period of one-year w.e.f 28.09.2022.

Audit is of the view that the incumbents were re-appointed without obtaining the approval of the Prime Minister of Pakistan. Hence, expenditure in respect of pay and allowances amounting to Rs 27.981 million (Salary Rs 718,120 per month *14 months = Rs 10.054 million and Rs 746,989 per month salary *24 months = Rs 17.927 million respectively) was held irregular and unjustified.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management explained that Ministry of Law & Justice vide letter dated 03.03.2017 clarified that the Board of Directors quite rightly approved the appointment of the unit head operations as it was within the purview of and power of the Board. The DAC directed the management to verify its rules regarding re-appointment after age of superannuation to Audit.

Audit recommends implementation of the DAC directives.

3.3.4.16 Irregular award of incentives and bonuses - Rs 20.181 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 State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that the Window Takaful Operations were started from February, 2021 and sustained losses of Rs 26.373 million and Rs 86.328 million during the years 2021 and 2022 respectively. Despite this poor performance, the management paid Rs 20.181 million as incentives and bonuses to its employees.

Audit is of the view that payment of incentives and bonuses despite making losses reflects poor financial management.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management explained that it was in principally decided by the Board that since the existing bonus policy is based on the revenue, therefore, the divisions established after 2015 shall be given the bonus on the rating obtained by the non-revenue generating divisions. The DAC directed the management to verify the documents from Audit.

Audit recommends implementation of the DAC directives.

3.3.4.17 Non-formulation of Corporate Social Responsibility Policy - Rs 14.775 million

Clause 2 (1) & (2) of S.R.O.983(1)/2009, The Gazette of Pakistan Extraordinary Part II Securities and Exchange Commission of Pakistan, Islamabad dated 16-11-2009 states that every company shall provide descriptive as well as monetary disclosures of Corporate Social Responsibility activities undertaken by it during each financial year. Such disclosures shall be made in the directors’ report to the shareholders annexed to the annual audited accounts.

Clause 3 of Corporate Social Responsibility (CSR) Voluntary Guidelines, 2013 by Securities and Exchange Commission of Pakistan states that Companies are encouraged to have a CSR Policy endorsed by the Board of Directors (BoD).

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management expensed out Rs 14.775 million under the head of CSR which was approved by BoD in its 291st meeting dated September 12, 2022 on the basis of its 182nd meeting dated May 24, 2005, which approved the Social Responsibility Fund and its mechanism. However, minutes of 182nd meeting of the BoD resolved that a Committee was required to be constituted to make suggestions regarding CSR related issues. Contrary to that, neither any Committee was constituted nor any disclosure was made in the directors' report to the shareholders.

Audit is of the view that expenditure incurred under CSR policy was irregular due to non-formulation of CSR policy.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024.The management explained that CSR policy is in process. The DAC directed the management to formulate the CSR policy.

Audit recommends implementation of the DAC directives.

3.3.4.18 Irregular procurements of medicines & equipment – Rs 14.775 million

Rule 42 (c) (v) of PPRA Rules, 2004 states that a procuring agency shall only engage in direct contracting in case of emergency, provided that the procuring agencies shall specify appropriate fora vested with necessary authority to declare an emergency.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that the Chairman, SLIC approved Medical Relief Camps of State Life for flood affected areas on 02.09.2022. In this regard, the management procured medicines and other equipment amounting to Rs 14.775 million without calling competitive rates. The procurements were made under emergency basis without specifying the appropriate fora.

Audit is of the view that the management procured the items in violation of PPRA Rules, 2004. Thus, procurements amounting to Rs 14.775 million was held irregular and unjustified.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024.The management informed that reference was invited to PPRA Rule No. 42 c (direct contracting) (v) and in case of an emergency. The DAC directed the management to take ex-post facto approval from its Board.

Audit recommends implementation of the DAC directives.

3.3.4.19 Loss due to mis-appropriation of funds – Rs 11.672 million

Section 30 (1) (g) (v) of State Life Employees (Service) Regulations, 1973 states that an employee who is guilty of any other mis-conduct shall be liable to one or more of the following punishment; recovery from the employee of the whole or part of the amount of loss, if any sustained by the Corporation as a result of his misconduct or any other act.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that an amount of Rs 11.672 million had been mis-appropriated and no action was taken against the responsible(s) as detailed below:

S#	Zones	Amount (Rs)
1	Sukkur Zone	7,224,895
2	Multan Zone	4,447,100
	Total	**11,671,995**

Audit is of the view that the management failed to safeguard the assets of the corporation due to lack of effective monitoring system, resulted in mis-appropriation of fund of Rs 11.672 million.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024.The management explained that from Sukkur Zone 100% amount has already been recovered through NAB. However, in Multan Zone, tried to trance out the concerned agents. The DAC directed the management to take action against the responsible(s) and verify the status to Audit.

Audit recommends implementation of the DAC directives.

3.3.4.20 Irregular appointment of officers on bogus degrees – Rs 11.617 million

The Secretary, Government of Pakistan, Establishment Division vide his DO letter dated March 08, 2011 communicated the instructions of the Prime Minister states that measures should be taken to authenticate degrees/certificates of all federal Govt. employees of respective Ministries / Divisions, their subordinate offices and autonomous bodies under their administrative control.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that degrees / certificates of the following officers were found fake / bogus during verification:

S#	Name of Officer & Designation	Name of Zone	Degree / Certificate	Remarks
1.	Mr. Fayyaz Mustafa (Assistant Manager)	Larkana Zone	M.A (Economics)	Bogus Degree
2.	Mr. Muzammil Ghafir Qureshi (Area Manager)	Lahore Western Zone	F.A.	Bogus Certificate
3.	Farhat Hussain (Area Manager)	Lahore Western Zone	M.A	Bogus Degree

Audit is of the view that the management failed to verify the degrees / certificate of the incumbents at the time of appointment which were found fake/bogus later on which reflects inefficiency, slackness and favoritism. Hence, expenditure in respect of salaries and allowances amounting to Rs 11.617 million is held irregular.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024.The management explained that Mr. Fayyaz Mustafa obtained stay order from Sindh High Court dated 19.07.2014. Mr. Muzammil Ghafir and Mr. Farhat Hussain punishments were reduced from dismissal down gradation. The DAC directed the management to take action against the officers/ officials and share the status to Audit.

Audit recommends implementation of the DAC directives.

3.3.4.21 Irregular / unjustified payment of commission – Rs 5.000 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 State Life Insurance Corporation of Pakistan (SLIC) Principal Office, Karachi for the year 2022, it was observed that the management issued various life policies to the policy holders having sum assured of Rs 70.904 million and paid commission of Rs 5.000 million against these policies. Later on, upon receipt of claims, it was discovered that the policies issued have serious shortcoming / deviations. The Zonal & Regional Committees repudiated the claim and recommended the recovery of commission from the entire field channel which was not recovered.

Audit is of the view that the management failed to act proactively during issuance of policies by ignoring the pre-defined guidelines which resulted in unjustified payment of commission of Rs 5.000 million.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management explained that Zone pointed out that the commission to recover was Rs 3.757 million out of this Rs 2.586 million has been recovered. The DAC directed the management to verify the documents from Audit.

Audit recommends implementation of the DAC directives.

3.3.4.22 Non-recovery / adjustment of defalcated premium – Rs 3.424 million

State Life Insurance Corporation (SLIC) Chairman's circular No. PHS/PO/CIR/35/ 1999 dated: July 29, 1999 read with the circular dated: August 04, 2017 states that maximum time span for recovery of defalcated premium will be twelve (12) months, by all means.

During audit of State Life Insurance Corporation (SLIC) Principal Office, Karachi for the year 2022, it was observed that a policy holder Mr. Sohail Maqbool having policy No. 634007143 lodged a complaint of defalcated premium amounting to Rs 3.424 million (USD 11,412 @ Rs 300) pertaining to

SLIC, Gulf Zone in the year 2022. However, defalcated premium has not been recovered / adjusted till date.

Audit is of the view that the management failed to implement the directives of Chairman, SLIC which resulted in non-recovery / adjustment of defalcated premium. This position reflects negligence and weak recovery mechanism existing within the organization.

The matter was reported to the management on September 25, 2023. The irregularity was discussed in the DAC meeting held on January 26, 2024. The management explained that an amount of Rs 1.774 million (USD 5,913.82 @ Rs 300) has been recovered within four months and the remaining amount USD 5,498.18 (Balance SAR 20,177) will be recovered from the concerned area commission in the due course. The DAC directed the management to blacklist the responsible and verify the documents from Audit.

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 2022-23 as compared to previous years are given below:

(Rs in million)

Particulars	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21
Long term investment	10,439.41	2.33	10,201.41	2.10	9,991.495
Due from Govt. of Pakistan	159,230.36	96.29	81,116.98	11.48	72,766.063
Trade Debts	81,542.80	23.02	66,285.74	49.82	44,244.461
Prepayments & other receivables	17,746.17	11.59	15,902.89	6.01	15,001.459
Taxation – net	1,579.12	14.07	1,384.30	9.08	1,269.084
Commission Income	3,102.77	108.27	1,489.76	137.20	628.049
Administrative expenses	(1,590.38)	51.96	(1,046.92)	8.52	(964.699)
Other income	4,571.79	53.43	2,979.63	23.36	2,415.294
Profit before taxation	6,081.85	77.70	3,422.47	64.65	2,078.644
Taxation	(2,081.39)	94.07	(1,072.45)	84.65	(580.788)
Profit after taxation	4,000.65	69.09	2,365.99	57.96	1,497.856

(Source: Annual Audited Accounts 2022-23)

Due from Government of Pakistan (GoP) increased by 96.29% from Rs 81,116.98 million in 2021-22 to Rs 159,230.36 million in 2022-23 due to non-recovery and commodity imports.

3.4.2.2 Account receivable turnover in the year 2022-23 showed 0.012 times whereas last year 2021-22 the same was 0.009 times mainly due to increase the receivable from the Government of Pakistan (GoP) from Rs 81,116.98 million in 2021-22 to Rs 159,230.36 million in 2022-23.

3.4.2.3 Administration expenses increased by 51.96% from Rs 1,046.92 million in 2021-22 to Rs 1,590.38 million in 2022-23. The reason is that staff gratuity, provided fund and staff compensated expenses had been booked much higher side as compare to last year.

3.4.2.4 Commodity Finance under markup arrangements increased by 46.42% from Rs 172,374.240 million in 2021-22 to Rs 252,393.479 million in 2022-23. The government had accorded approval of credit limits or financing for import of commodity.

3.4.2.5 As disclosed in note Nos. 10.4 & 11.2 of financial statements, trade debts include receivables of Rs 10,601.176 million from various government institutions. The Company, as a result of the compilation and verification exercise by a third-party audit firm, has compiled the accounting records pertaining to receivables, however, the completeness of the underlying records could not be ensured. Further, responses from the debtors to the confirmation requests were not received by External Auditors and no movement / recoveries for more than six years (except an amount of Rs 166.300 million from Government of AJK), therefore, it’s ageing and recoverability cannot be ascertained.

3.4.2.6 As disclosed in Note 13.1 to the financial statements, other receivables include Rs 13,141.24 million (including accrued mark-up and other charges of Rs 10,761.62 million till June 30,2023) from sugar mills on account of sugar not supplied by them. The Company had initiated legal action and also referred the matter to National Accountability Bureau (NAB). However, in the absence of management objective evaluation of probable outcome of the said legal action, recoverability of receivables from sugar mills cannot be ascertained.

3.4.2.7 The management invested Rs 9,000.003 million in Pakistan Investment Bonds (PIBs) for 10 years @ 8.75% annually. However, management maintained the position of the PIBs at lower rate rather than to swap the investment at higher rate. Detail of PIBs is tabulated below:

										(Rs in million)
S #	**Instru-ment**	**Amount invested**	**Rate of Profit P.A**	**Period of invest-ment (yrs)**	**Date of invest-ment**	**Date of maturity as per given sheet**	**PIB rate 26.10.2023 as per SBP websites for same tenure**	**Diff. of rate**	**No. of months involved**	**Loss of interest income**
1	PIB	3919.539	8.75%	10	28.12.18	12.07.28	15.25%	6.5%	58	1,231.39
2	PIB	5080.464	8.75%	10	21.03.19	12.07.28	15.25%	6.5%	43	1,183.32
								Grand Total		**2,414.71**

3.4.2.8 The decision of the management to retain the funds in the PIB was not prudent and also did not consider the option of floating PIB rate at the time of investment. Thus, the corporation had to sustain a loss of Rs 2,414.71 million.

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%**

The overall compliance of PAC directives needs improvement.

3.4.4 Audit Paras

3.4.4.1 Non-settlement of borrowed funds and abnormal increase of markup – Rs 89,727.188 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 audit of Trading Corporation of Pakistan (TCP) HO for the year 2022-23, it was observed that the management obtained approval of the credit limit / commodity financing from the Ministry of Finance (MoF) and State Bank of Pakistan (SBP) against the commodity import. During the year, the management obtained credit facility of Rs 252,393.479 million for commodity operations. In every quarter, a significant amount of markup was accumulated as a liability to government. Detail is as under:

(Amount in Rs)

Description(s)	**2020-21**	**2021-22**	**2022-23**
Amount utilized against the credit	141,263,048,000	172,374,248,000	252,393,479,000
Total markup year wise	9,697,876,000	20,639,564,000	59,389,748,000
Total markup (last three years)	**89,727,188,000**		

Audit is of the view that non-payment of its liabilities on time resulted in accumulation of huge liabilities risking the credibility of the organization.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management informed the DAC that for early recoveries of previous receivables from various agencies, three categories had been envisioned. For fresh procurements respective procuring agencies i.e. USC, NFML, etc. would establish / obtain their own Cash Credit Limits (CCL) as per the approval of the MoF. The DAC directed that TCP take up the matter of speedy payment of outstanding amount with Finance Division and provide the assurance / confirmation of the outstanding balances i.e. (markup & principle) from the parties / customers.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2022-23 vide para(s) number 3.4.4.5 having financial impact of Rs. 14,916.00 million. Recurrence of same irregularity is a matter of serious concern.

3.4.4.2 Non-recovery of dues from various parties – Rs 81,568.058 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 Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that an amount of Rs 81,568.058 million was lying outstanding against various parties for a considerable period of time as on June 30, 2023. The detail is as under:

Name of Party	(Rs in million)
Utility Stores Corporation	29,729.993
National Fertilizer Marketing Limited (NFML)	12,281.303
Sindh Food Department	2,884.616
Punjab Food Department	5,429.019
Baluchistan Food Department	1,814.715
KPK Food Department	1,950.040
Pakistan (PASSCO)	25,726.960
Government of Gilgit Baltistan	1,252.029
Directorate General Procurement Army	185.404
Pakistan Navy	79.075
TCP Employees	0.064
Others	3.418
AJK Food Dept	231.422
Total	**81,568.058**

Audit is of the view that the management failed to recover dues of Rs 81,568.058 million which reflected weak financial controls and poor recovery mechanism.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The DAC appreciated the management on recovery made of Rs 22.700 billion from PASSCO which was subsequently verified by Audit and directed the management to pursue the remaining recoveries of Rs 58,568.058 million from various entities vigorously and efforts might be shared with Audit.

Audit recommends implementation of the DAC directives.

3.4.4.3 Operational loss due to higher cost of sales than sales revenue – Rs 80,348.076 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2017 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 Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that the management incurred an operational loss of Rs 80,348.076 million due to higher cost of sales than sales revenue. The detail of loss is as under:

		(Rs in million)
S#	**Description**	**Amount (as on 30.06.2023)**
1.	Local sales on behalf of GoP	285,930.563
2.	Cost and expenses incurred on behalf of GoP	(366,278.639)
	Excess Cost than Sales	(80,348.076)
	% of Excess Cost than Sales	(28 %)

Audit is of the view that the management had not applied an efficient and economical process which resulted in loss of Rs 80,348.076 million.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The DAC noted that the para resulted due to a definitional issue. TCP does not sell the commodities itself rather supplies it to the concerned Ministry or agency. The commodities procured at the direction of ECC of the Cabinet. However, the Audit observation highlights the need to deal with the rising subsidy bill of the Federal Government on a war footing. DAC recommended that timely action might be taken up by TCP for settlement of its accounts.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 3.4.4.6 having financial impact of Rs 12,113.000 million. Recurrence of same irregularity is a matter of serious concern.

3.4.4.4 Non-recovery / adjustments of pre-payments and other receivables – Rs 29, 082.469 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 Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that an amount of Rs 29,082.469 million on account of pre-payments and other receivables have not been either adjusted or recovered by the management as detailed below:

S #	Description	Amount (Rs in million)
1.	Prepaid Expenses	1,505
2.	Receivable from Sugar Mills	13,141
3.	Receivable from Allied Bank	3,850
4.	Others	9,817
5.	Receivable from Export Agents	437.700
6.	Insurance Claim Receivable	120.245
7.	Due from Privatization Commission	110.386

8.	TCP Sports Club	0.199
9.	Refundable against various receivables	20.706
10.	Due from Custodian & others	10.870
11.	Receivable from Handling Agents	8.435
12.	Demurrage Charges	2.100
13.	Receivable on rice procured	2.899
14.	Others	1.929
	Total	**29,028.469**

Audit is of the view that the management failed to recover / adjust an outstanding amount of Rs 29,042.469 million which reflects inefficiency and weak recovery mechanism.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The DAC directed the management should place the matter of writing off dues from Privatization Commission before the Finance / Audit Committee as per accounting principles. DAC further directed the management to pursue the court cases for recovery of outstanding amounts.

Audit recommends implementation of the DAC directives.

3.4.4.5 Import of urea having poor / inferior quality – Rs 6,187.912 million

As per contract between Trading Corporation of Pakistan and M/s Sinochem Fertilizer Co. Ltd, the physical condition of urea would be white, Free Flowing Granular.

During audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that the management signed an agreement with M/s Sinochem Fertilizer Co. Ltd for import of 100,000 Mt Granular Urea (two lots of 50,000 each) at USD 500 per M.T on July 13, 2022. Second Lot having total Quantity 50,525 MT was loaded at TIANJIN Port, China with bill of lading dated 21.09.2022. The management appointed M/s COTECNA China, as Pre-Shipment Inspection Agency (PSIA) which in its report dated 21.09.2022 resolved that foreign material like steel scrap/ string of bags / bags fibers on the surface of cargo pile was found. The vessel arrived on 14.10.2022 at Karachi Port. The management appointed M/s. Joeph Lobo Pvt. Ltd as first Surveyor and then carried out the Joint Cargo Condition Survey as well. Both Surveyors gave remarks that the cargo was hard and lumpy and cargo was found with exceptionally compressed condition and with foreign material (cloths, PP bags & threads etc. mixed with cargo).

The PNSC vide email dated 15.09.2023 also intimated that most of cargo was caked / poor in quality, in order to Issue Clean Mate Receipt & B/L, TCP/ shipper to discharge all poor quality urea and to stop loading due to poor quality cargo. Further, the supplier vide email dated 17.09.2022 informed that all their cargo at Tianjin Port was railed in and stored in the warehouse in August. The shipper also unloaded some caked cargo at the load port and loading remained suspended on 15.09.2022 and 16.09.2022 which was resumed on September 17, 2022. The vessel of 22 days long voyage period from the Chinese Port to Karachi and the hygroscopic nature of cargo, it became lumpier and turned into stony. The matter was taken up with the supplier and supplier agreed to bear Rs 300 PMT as extra stevedore cost at loading port due to non-free flowing condition of the urea. Subsequently, the Stevedore i.e. M/s Ocean Maritime Pvt. Ltd claimed agreed charges i.e. 49,987.880 M/Tons @ Rs 300 M.T = Rs 14,996,364 through invoice dated November 04, 2022, an extra cost of Stevedoring & Handling Charges of Hard, lumpy & stony cargo.

The M/s. National Fertilizer Marketing Limited (NFML) who was a recipient party for receiving consignment informed the management vide letter dated October 18, 2022 that their monitoring Team at KPT also found out that the urea was in very hard, stone-like lumpy and in dirty condition and urea was not in free flow condition and contains other materials like cloth, iron, torn out bags etc which is not admissible to NFML since such urea is not preferred by farmers and could defy the objective of provision of subsidized Urea to the farmers.

Audit is of the view that the management imported urea in lumpy and stony condition which was against the tender specifications and no action was taken against the supplier. Thus, the payment of Rs 6,187.912 million on import of urea being poor in quality stands irregular / unjustified.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management informed that PSQCA eventually certified that cargo was found free flowing and inconformity of standards and the same was also confirmed by M/s NFML which received the shipment. TCP also got internal inquiry conducted which verifies that the extra charges by the stevedore was not accepted by the TCP. DAC directed the management to submit documentary proof of no extra payment / adjustment being made to supplier on account of dispatch money, dispatch money statement vessel vise, complete status of the L/C retired and payable and receivable status of the supplier i.e. M/s Sinochem, to Audit.

Audit recommends implementation of the DAC directives.

3.4.4.6 Loss due to procurement of half quantity of wheat at higher price – Rs 1,270.530 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 audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that the Economic Coordination Committee (ECC) 09.05.2022 directed to tender for procurement of 3.000 MMT wheat. The Ministry of National Food Security and Research (MNFS&R) mentioned the modalities that import of wheat by adopting the option of G2G (2.00 MMT) and through international tendering process (1.00 MMT). Subsequently, the management, awarded the 1st international tender for 500,000 MT on CFR basis @ US$ 515.40 PMT on May 28, 2022 with shipment period from June 15, 2022 to July 30, 2022. The management published 2nd International tender having 500,000 MT quantity of wheat on 21.06.2022 and received the bid of US$ 439.40 PMT which was scrapped. The management published 3rd international tender for import of wheat 300,000 MT and the contract was awarded on 28-07-2022 at US$ 404.86 PMT. It clearly reflected that that the wheat of 500,000 MT was procured when price was very high.

Further, the management vide letter dated May 25, 2022 requested the Ministry for a decision on the first tender quoted price i.e. USD 515.49 PMT, whereas, the Ministry recommended blanket approval of 3.00 MMT of wheat on need basis, depending upon the demand of the M/s PASCO and Provincial

Government to build up strategic reserves and to stabilize wheat prices. The Ministry recommended the blanket approval of wheat import of 3.00 MMT which doesn't mean that the half of the total requirement i.e. 1.00 MMT under the international tender may be awarded in one go. It is pertinent to mention that the import was for the whole year requirement and not for urgent emergency situation.

Audit is of the view that the management without any urgency imported wheat at higher price which reflected negligence and weak planning. Thus, payment of wheat at a higher price, the national exchequer had to sustain a loss of Rs 1,270.253 million {500,000 MT @ (US$ 515.49 PMT – US$ 404.86 PMT) @ Rs 229.64 per US$)}.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The DAC noted that TCP fulfilled its responsibility by pointed out Ministry of National Food Security & Research (MNFS&R) that the market was bullish and that only urgent quantities may be procured. However, it's proceeded on the basis of clear directions by MNFS&R to procure the maximum quantity of 500 KMT. DAC recommends that the para may be placed before the PAC.

Audit recommends implementation of the DAC directives.

3.4.4.7 Irregular / unjustified commission charged on import of wheat – Rs 703.711 million

ECC of the Cabinet vide letter dated September 30, 2020 approved reduction of commission charges of TCP to 0.75% of the C&F value of imported wheat and sugar.

During audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that the management charged commission @ 2% of Cost & Freight (C&F) of the landed cost of wheat in place of approved rate of 0.75% in violation of ECC decision thus, received excess commission of 1.25% causing a loss of Rs 703.711 million as detailed below:

S #	Tender date / open date	Qty. of Commodity (MT)	Price PMT in USD	Dollar rate as landed cost sheet	C&F price for insurance in Rs	@ 2% TCP Commission charged in the landed cost Rs	Excess Commission charged by TCP in Rs
1	07.07.2022	300,000	404.86	211	25,627,638,000	512,552,760	320,345,475
2	26.10.2022	120,000	373.00	230	10,294,800,000	205,896,000	128,685,000
3	25.07.2022	200,000	407.49	250	20,374,500,000	407,490,000	254,681,250
						Total	**703,711,725**

Audit is of the view that the management charged commission in violation of EEC decision which stands irregular / unjustified.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The DAC directed the management to seek clarity for future rate of commission. A summary in this regard may be moved to ECC. Further, ECC reduced the commission rate @ 0.75 % of the C&F value of imported wheat and sugar without any condition.

Audit recommends implementation of the DAC directives.

3.4.4.8 Loss on procurement of urea at higher rates – Rs 590.625 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2017 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 Trading Corporation of Pakistan (TCP) HO for the year 2022-23, it was observed that ECC directed TCP on 24.11.2022 to explore other cheaper options for December as an alternative to the G2G offer made by M/s. SOCAR, for procurement of 35,000 MT of urea @ USD 685/MT (CFR) within the next twenty four hours, and "if that cheaper option becomes available, the same will be availed." otherwise, the already available option by M/s. SOCAR at the rate of US$ 685 (CFR) for procurement of 35,000 MT urea on G2G basis, as already approved by the ECC stands ratified. However, TCP made a correspondence on 14th November, 2022 with the ministry in which they mentioned that TCP approached the 2nd lowest bidder in the tender, M/s Pacific International Trading who interested to supply urea to Pakistan from Muscat and could provide 90 KMT @ USD 610 /MT CFR in the 2nd and 4th week of December, 2022. The management did not consider the offer of M/s Pacific International and procured the urea from M/s Socar at higher rates. Thus, resulted in loss of Rs 590.625 million (US$ 685-US$ 610 = US$ 75 PMT * 35,000 MT * Rs 225).

Audit is of the view that due to non-availing of lower rates offered by M/s Pacific International resulted in a loss to the corporation.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management in its reply stated that the decision was taken to ensure availability of urea for the crop in December, 2022. however, in case there was no supply of fertilizer in December, the production of wheat – an essential food item, was to suffer. Furthermore, had the ECC decided in favor of the option no. 2 in total, the arrival of urea was to be made in January, 2023 (instead of December, 2022) which could cause immeasurable loss for the national economy on account of delayed Rabi Crop. The DAC directed the management to get the factual position verified from Audit.

Audit recommends implementation of the DAC directives.

3.4.4.9 Non-renting of godowns & non-recovery from tenants – Rs 345.770 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 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 and these rules.

Clause No.7 of Tenancy Agreement between TCP and tenants states that the monthly rent is payable, inclusive of all applicable taxes on rent. The rent shall be payable in advance by 5th day of each calendar month.

During audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that the management did not rent out the vacant godowns at various locations. Out of total area of 6,366,859 sq.ft, only an area of 1,564,962 sq.ft (24.58%) was rented out which resulted in rental loss of Rs 288.113 million. It was further observed that an amount of Rs 57.657 million was outstanding against various godown tenants on account of rent and various taxes as on June 30, 2023 (Annex-32).

Audit is of the view that the non-renting of godowns and non-recovery against tenants reflected weak financial controls and poor recovery mechanism.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024.

a. The management informed the DAC that in pursuance of BOD decision, three renting out notices have been hoisted on TCP's website as well published in national print media. As a result, TCP rented out space measuring 43,278 sq.ft at Pipri and Landhi Godowns. The DAC directed that TCP should make efforts for renting out of the three facilities.

b. The management informed the DAC that an amount of Rs 8.830 million was recovered and TCP was pursuing the recovery vigorously in the court of law. The DAC directed the management to get verify the recovered amount of Rs 11.361 million from Audit and efforts be made to recover the remaining balance amount.

Audit recommends implementation of the DAC directives.

(DP No. 817 & 819)

3.4.4.10 Un-reconciled receivables / payables – Rs 289.066 million

Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2017 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) (HO) for the year 2022-23, it was observed that the management performs commodity operations i.e. (import/local procurement and export / local sale of urea, wheat, and sugar) on the directives of the Federal Government which provides subsidy on these procurements. However, the amount receivables / payables from various agencies remained un-reconciled to the tune of Rs 289.066 million since 2004 as detailed below:

		(Rs in million)
S #	**Name of party**	**Amount**
01.	USC	18.735
02.	NFML	(517.502)
03.	Sindh Food	86.405
04.	Punjab Food	19.586
06.	KPK Food	22.676
07.	AJK Food	22.675
09.	Army	43.396
10.	Navy	14.963
	Total	**289.066**

Audit is of the view that non-reconciliation casts doubts on the financial statements of the organization.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management in its reply stated that TCP was pursuing respective agencies for reconciliation and payments of the outstanding amounts. It was pertinent to mention that TCP on the advice of MOF appointed independent audit firm for subsidy audit assignment. Furthermore, most recently a draft summary has been shared with MoC regarding recovery of full amount outstanding against various governments / agencies. The DAC directed the management for early reconciliation of receivables / payables from different entities and update would be shared with Audit on regular basis.

Audit recommends implementation of the DAC directives.

3.4.4.11 Loss due to import of wheat at higher rate – Rs 103.787 million

Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2017 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) (HO) for the year 2022-23, it was observed that the management invited tender for wheat procurement having quantity of 300,000 Metric Tons (M.T). The management awarded the tender @ USD 404.86 per M.T on July 21, 2022. However, just after 11 days, the management awarded another tender @ USD 407.49 Per M.T for 186,000 M. Ton 28.07.2022. Resultantly, the management sustained a loss of USD 2.63 per Metric Ton (USD 404.86 per M.T - USD 407.49 per M.T) as detailed below:

S#	Tender issued date	Tender opening date	Awarded Quantity (MT)	Quoted Rate in USD by bidders	Tender awarded date
1.	07.07.2022	18.07.2022	300,000	404.86	21.07.2022
2.	19.07.2022	25.07.2022	186,000	407.49	28.07.2022
	Difference of Rate in USD			2.63	
3.	Loss due to import at higher rate (186,000 MT X USD 2.63 PMT)			469,180	
4.	**Loss in PKR (469,180 @ Rs 221.21 per USD) Rate based on average price of USD on the retirement date of LC**			**103,787,307.800**	

Due to lack of planning by TCP, wheat was imported in the second tender at the higher rate as against the first tender.

Audit is of the view that due to imprudent planning, management suffered a loss Rs 103.787 million which reflected poor financial management.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management informed the DAC that ECC directed to procure wheat in staggered manner. Further, TCP decided upon quantity based on availability of berthing, lifting capacity of M/s PASSCO and response of bidders in terms of quantity available in the market. Price volatility of commodity is difficult to predict. There was only difference of USD 2.6 per metric ton between two different tenders. Audit is of the view that the management had the privilege of exemption by the PPRA Rules (5,13, 35, 38 & 40) to negotiate the quantity with the supplier and act accordingly on timely manner. DAC directed the management to provide relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

3.4.4.12 Loss on charging lower rent – Rs 19.392 million

As per practice, existing rate of rent of godowns being charged from the private parties was Rs 5.00 per square feet per month.

During audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that TCP was handed over six (6) German and Japanese plants in Pipri godown along with one other godown at Landhi, Karachi by RECP in 1976. TCP advertised the tender and sold the six (06) Rice Mill Plants to three parties namely M/s Chappal Traders, M/s Conwill Pakistan and M/s Abu Bilal Trading. However, the customers did not lift their machinery and instead they were desirous of obtaining lease of the buildings wherein the rice mills were installed and purchased by them. TCP agreed to rent out the buildings with installed machinery at the rate of Rs 2.000 per square feet (per month) for a period of 12 years against the market rate of Rs 5.000 per sq.ft along with annual increment of 10% (Annex-33).The brief summary is as under:

S #	Customer	Area (Sq.ft) (A)	Difference of rent (Rs)
1.	M/s Chappal Traders	85,370.88	6,276,461
2.	M/s Conwill Pakistan	85,370.88	6,276,461
3.	M/s Abu Bilal Trading	93,025.48	6,839,227
	Total	**263,767.24**	**19,392,149**

Audit is of the view that the management extended an undue favor to the tenants by charging lesser rates as compared to existing rates which reflected negligence and poor financial management. Thus, resulted in loss of Rs 19.392 million on account of rent.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management informed the DAC that since the tenants / traders/ Rice exporters have to rehabilitate the rented godowns/ buildings at their own expenses therefore it was not justified to rent out the premises at the prevalent market rate of Rs 5 per sq. ft and were offered by the then management at a rental rate of Rs .2 per sq. ft with 10% increase annually. The DAC directed to hold fact-finding inquiry at Ministry level to ascertain the renting of godowns at discounted rates and sale of rice mill machinery at low prices, as asserted by the Audit.

Audit recommends implementation of the DAC directives.

3.4.4.13 Unjustified sale of rice mills without valuation & market survey – Rs 18.306 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 Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that the management handed over six (6) German and Japanese (Rice Cleaning Plant (RCP) in Pipri Godown along with Rice Grading Plant at Landhi, Karachi installed by RECP in 1976. However, the sales were made without any revaluation for their prices from Valuators or Estate Agents, or comparative analysis of similar rice Plants, or price sought from original buyers or International / local market, to assess the value / price or knowledge about depreciation or gain on disposal. The details are as under:

S #	Party / Customer	Plant No.	Sale Price (Rs)	Sales Tax @ 16 & Income Tax @ 3.5% (Rs)
1	M/s Chappal Traders	RCP-1/1 & RCP ½	5,024,000	1,007,814
2	M/s Conwill Pakistan	RCP 1/3 & RCP ¼	5,000,022	1,003,004
3	M/s Abu Bilal Trading	RCP 1/5 & RCP 1/6	5,224,000	1,047,934
		Total	**15,248,022**	**3,058,752**
			Grand Total	**18,306,774**

Audit is of the view that sales activity without any valuation and formulation of Reserve Committee to assess the true / fair price of rice mills reflected negligence and undue favor. Thus, resulted in a loss of Rs 18.306 million to the entity.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management in its reply stated that the TCP management not only disposed off the 40 years old machinery effectively through open tenders and rates offered by the bidders and sold out through proper transparent manner but also earned significant rental income accordingly. The DAC directed to hold fact-finding inquiry at Ministry level to ascertain the sale of rice mills without valuation & market survey, as asserted by the Audit.

Audit recommends implementation of the DAC directives.

3.4.4.14 Loss of interest income – Rs 13.740 million

Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2017 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) (HO) for the year 2022-23, it was observed that the management placed funds at various banks on account of Term Deposit Certificate for three (03) months. The management placed funds on split basis into the banks in TDRs on the same date with varied interest rates with each bank despite investment activity at the highest interest rate offered by the bank. Detail is as under:

Description(s)	Bank's Name							
	JS Bank	Samba Bank	Soneri Bank Limited	Soneri Bank	Bank Al-Habib	U-Microfinance Bank	JS Bank	Samba Bank Limited
Amount invested (Rs in millions)	2,150	123.00	500	500	2,330	815	2,375	1,100
Interest Rate (%)	17.15	15.82	15.76	16.00	15.75	17.25	16.11	16.03
Date of investment	29.06.22	29.06.22	29.06.22	29.09.22	29.09.22	29.12.22	29.12.22	29.12.22
Difference from the higher (%)	-	1.33	1.39	-	0.25	-	1.14	1.22
Loss of income due to lower rate (Rs 13.74 million)	-	0.41	1.74	-	1.46	-	6.77	3.36

Audit is of the view that the management placed the funds in the banks without quotation basis which reflected weak financial management and lack of expertise in the investment activity. Thus, the management failed to earn a profit of Rs 13.740 million on account of interest income by investing at lower interest rate.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management informed the DAC that TCP's placement of funds was as per approved investment policy criteria. DAC directed that management shall present all documents (Minutes of the meeting of where sealed quotations was opened and decided to the successful bidder, Bank statement of the last maturing investment and copy of roll over letters in terms of TDR issued in favor of banks) to the Audit for verification.

Audit recommends implementation of the DAC directives.

3.4.4.15 Irregular award of consultancy contract – Rs 9.100 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 10 (1) of PPRA Rules, 2004 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 of PPRA Rules, 2004 states that save as otherwise provided, no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty.

During audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that the management awarded the contract of consultancy service for Human Resource Development to M/s A.F Ferguson amounting to Rs 9.100 million. Following irregularities were observed:

- The bids of two firms i.e. M/s A.F. Ferguson and M/s KPMG were found technically responsive. M/s A.F. Ferguson offered Rs 9.100 million and M/s KPMG Rs 8.305 million. However, M/s KPMG (lowest bidder) was rejected as it stated that they will include in the bill any changes in Federal and Provincial Government levy and taxes on services in addition to our professional fees. Such clause is explicitly included in all bids, contracts and agreements to amplify changes in the tax structure.

- During technical evaluation, the bid of M/s Yousaf Adil was rejected due to not having registration with International Body. It was evident that the Accounting Body, ICAP has allowed auditing from its QCR ratings. The Professional Body’s regulations cannot be overruled by TCP and is also discouraged by PPRA too. It is pertinent to mention that the same company i.e. M/s Yousaf Adil had been hired for tax consultancy services by the management. The requirement of registration with the International Body was discriminatory criteria in the tender.

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 A.F Ferguson (2nd lowest bidder) amounting to Rs 9.100 million stands irregular and unjustified.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management informed the DAC that the bid of M/s KPMG was rejected as it was a conditional bid and M/s. Yousuf Adil did not possess the required qualification with an internal legal body/forum/society and was accordingly disqualified by the Bid Evaluation Committee (BEC). The DAC directed the management to submit the record (approval of contract extension, reason of LC clause not included in the contract agreement, directives of the Federal government regarding to alter the MoA & AOA) from Audit.

Audit recommends implementation of the DAC directives.

3.4.4.16 Irregular appointment of Chief Internal Auditor – Rs 4.000 million

As per Cabinet Secretariat (Establishment Division) letter dated May 06, 2000, the contract appointment where justified, may be made for a period of two years initially, on standard terms including termination clause of one month’s notice or one month’s pay in lieu thereof. Extension may be made on two yearly basis.

During audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that the management appointed Mr. Salimullah Khan, Chief Internal Auditor on contract basis for the period of five (05) years at a lump-sum monthly salary of Rs 400,000. Following irregularities were observed:

- The contractual appointment was made for five (05) years in contrast to a period of two (02) years initially and further extension of two (02) years mentioned above.

- As per offer letter, the incumbent was not entitled to draw any allowances, benefits and other facilities etc. However, he availed the facility of encashment of Rs 26,666 during his contract period.
- He was nominated for multiple trainings in contradiction of the offer letter terms and conditions.
- The management neither verified the credentials of the incumbent i.e. academic & experience certificates.
- Further, the incumbent had a six years' experience in M/s Hands (NGO) which was not relevant as per TCP working / operational functions.

Audit is of the view that the management extended an undue favor to the incumbent in its appointment. Thus, payment of Rs 4.000 million on account of pay & perks stands irregular and unjustified.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management informed the DAC that appointment was made in accordance with requisite criteria. DAC directed the management to get the record verified from the Audit.

Audit recommends implementation of the DAC directives.

3.4.4.17 Irregular / unjustified appointment on deputation and absorption as Deputy Manager – Rs 2.644 million

As per TCP Recruitment Rules, 2003 (amended in 2021),

- By deputation of serving officers and staff from the Ministries / Departments of Federal or Provincial Governments, in case a Post cannot be filled in either through Promotion or direct recruitment.
- Recruitment / Promotion to all posts in TCP shall be made by the Chairman on recommendation of a Selection Board / Selection Committee.
- The seniority in the case of those employees who are on deputation but subsequently become the employees of the corporations and in the case of

those deputations who are absorbed in the corporation after they are declared surplus in their parent office, shall be determined from the date they are absorbed in the corporation as direct recruit.

- All the newly appointed officers Grade VI to IX shall be placed on the probation for a period of two years which shall be extended for a further period of one year at the sole discretion of the competent authority.

During audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2022-23, it was observed that, Mr. Taimur Khan, (Public relation officer) was posted as deputy manager on deputation in TCP on June 21, 2022 from NICL. The incumbent was absorbed as DM (Grade VII) on permanent basis on June 08, 2023. The incumbent stood at Serial no.18 in the seniority list. His salary was fixed Rs 166,485 per month. Audit observed following irregularities:

1. The management did not attempt to fill the post by promotion or through direct requirement and he was absorbed in TCP in 06 months without the recommendation of selection committee.
2. The incumbent should have been posted as Assistant as per TCP's hierarchy. After three (03) years of length of service; he may be eligible for next cadre i.e. Assistant Manager. However, the management posted him as Executive Officer i.e. equal to Assistant to Deputy Manager.
3. The incumbent was absorbed in TCP without being declared surplus by NICL.
4. He served the probation period for 06 months as against two (02) years, as per rules for newly appointed officers (Grade VI to IX).

Audit is of the view that the management extended undue favors to the incumbent during the whole process of deputation and subsequent absorption in TCP was irregular.

The matter was reported to the management on November 28, 2023. The irregularity was discussed in the DAC meeting held on January 16, 2024. The management in its reply stated that the deputation / absorption were made as per rules. The DAC directed the management to approach NICL to declare employee as surplus. Further, TCP share promotion / direct recruitment process initiated before deputation of incumbent in the TCP with Audit.

Audit recommends implementation of the DAC directives.

3.5 Pakistan Horticulture Development and Export Company

3.5.1 Introduction

Pakistan Horticulture Development and Export Board (PHEDB) was established under a notification dated August 05, 2002 issued by the Ministry of Commerce, which was subsequently incorporated on July 15, 2009 under Section 42 of the Companies Ordinance 1984, (now Companies Act, 2017) namely Pakistan Horticulture Development and Export Company (PHDEC). The main objectives of the company included economic welfare of all the stakeholders in the horticulture value chain and introduction of Pakistan to the high end international markets through strategic initiatives.

3.5.2 Comments on audited accounts

3.5.2.1 The working results of the Company for the years 2022-23 are given below:

(Rs in million)

	2022-23	**% Inc /(Dec)**	**2021-22**	**% Inc /(Dec)**	**2020-21**
Income					
Grant from Govt. of Pakistan	-		-		
Other income	248.639	105.21	121.162	8.34	111.838
Total income	**248.639**	105.21	**121.162**	8.34	**111.838**
Expenditure					
Salaries, wages and other benefits	19.276	24.35	15.502	(8.19)	16.884
Travelling and conveyance	7.535	2,183.33	0.330	28.40	0.257
Board meeting expenses	2.565	55.55	1.649	(17.63)	2.002
Vehicles running expenses	0.966	(64.81)	2.745	275.51	0.731
Utilities	1.661	(4.27)	1.735	39.92	1.24
Audit fee	0.081	0	0.081	0	0.081
Office rent	7.047	(21.32)	8.957	20.00	7.464
Legal and professional charges	0.156	(20.00)	0.195	(66.89)	0.589
Printing and stationery	0.052	(81.43)	0.280	101.44	0.139
Repair and maintenance	3.895	100	0	(100.00)	0.345
Depreciation	0.331	(56.04)	0.753	2.73	0.733
Outsourcing	1.356	(17.92)	1.652	110.98	0.783
Postage & Courier	0.013	100	**0**		**0**

Bank charges	0.008	100	**0**		**0**
Trade promotional expenses	**2.392**	**2,178.10**	**0.105**	(96.14)	2.718
Newspaper, books and periodicals	0.012	(29.41)	0.017	(10.53)	0.019
Fee & Subscription	0.019	(94.28)	0.332	-	**0**
Miscellaneous	0.515	(34.89)	0.791	(24.38)	1.046
Total Expenditure	**47.878**	**36.29**	**35.129**	(2.52)	**36.036**
Surplus /(deficit) before taxation	**200.761**	133.35	**86.033**	12.02	**76.801**
Taxation	-		-		-
Surplus /(deficit) after taxation	**200.761**	**133.35**	**86.033**	**12.02**	**76.801**

(Source: Annual Audited Accounts)

The company's income, derived from a Government grant, amounted to Rs 103.959 million in the financial year 2017-18. However, no grants were received in the subsequent years, namely 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23. It is worth mention here that no expenditures were allocated under the project and programs head. It is imperative to furnish comprehensive details on the utilization of the grant, including releases, project deliverables, and associated achievements, to audit. Additionally, explicitly justify the reasons why grant utilization was not presented in the financial statements for the year 2017-18.

3.5.2.2 Other income of the company increased from Rs 30 million during the year 2017-18 to Rs 248.639 million in years 2022-23. Other income comprises profits from T-bills, TDRs and Profit from cash balance kept in banks accounts. Moreover, an investment in Treasury bill stood at Rs 1,638.509 million as on 30th June 2023 and Rs 950.758 million as on 30th June 2022. To ensure a thorough evaluation of the prudence in treasury management complete record pertaining to investments in T-bills and TDRs, along with a year-wise determination of working balance limits, be provided to Audit.

3.5.2.3 The company maintained bank account No. 13006-8 at NBP Lahore, specifically designated for the Agri Business and Development and Diversification project, funded by the Asian Development Bank and the Ministry of Food, Agriculture, and Livestock, under the company's supervision. It is worthy to mention here that the Chartered Accountant firm qualified the accounts due to the inability to obtain any evidence regarding the details of transactions conducted through this account. Complete record related to the project, encompassing the cashbook, bank statement, and a detailed account of expenditures incurred from the aforementioned account be provided. Furthermore, justify the reasons for not integrating the said bank account with the financial statements for the year ending on June 30, 2018.

3.5.2.4 The Company throughout the past six years, from 2017-18 to 2022-23, consistently maintained an average workforce of 13 employees. Notably, during this period, the company expended an average monthly rent of Rs 472,041 for office accommodation, accumulating a total rent payment of Rs 33.987 million over last six years. The hiring of costly rented accommodation with small number of employees needs justification.

3.5.2.5 The Chartered Accountant qualified the financial statements for the years 2017-18 to 2022-23 based on long-term loans and advances, which remained long outstanding with non-confirmation from the third party. The amounts carried are Rs 4.499 million for the year 2022-23, Rs 4.499 million for the year 2021-22, Rs 4.749 million for the year 2020-21, Rs 4.749 million for the year 2019-20, Rs 4.749 million for the year 2018-19, and Rs 9.207 million for the year 2017-18 respectively. Justify the reasons for non-recovery of these long term loans and advances, elucidating the efforts undertaken for recovery. Additionally, provide a comprehensive aging analysis of the advances.

3.5.2.6 The company sold property &equipment through auction during the financial year 2017-18 for Rs 7.066 million. Complete procedure adopted for auction of assets be furnished to Audit to ascertain the transparency in process.

3.5.2.7 The company has joint venture arrangements with M/s Durrani Associates, namely Pakistan Hortifresh Processing Private Limited, with a 50% profit-sharing ratio. According to the financial statements for the year 2016-17, the company provided an interest-free loan to the joint arrangement amounting to Rs 3.776 million. Since then, said loan has not been recovered until 2022-23. It is worth mentioning here that since the establishment of the JV arrangement, the company has not received any revenue share from the JV. This position needs to be justified, and strenuous efforts should be made to recover the loan amount. Furthermore, complete records regarding the establishment of JV arrangements should be provided to the Audit to ascertain the viability of the decision.

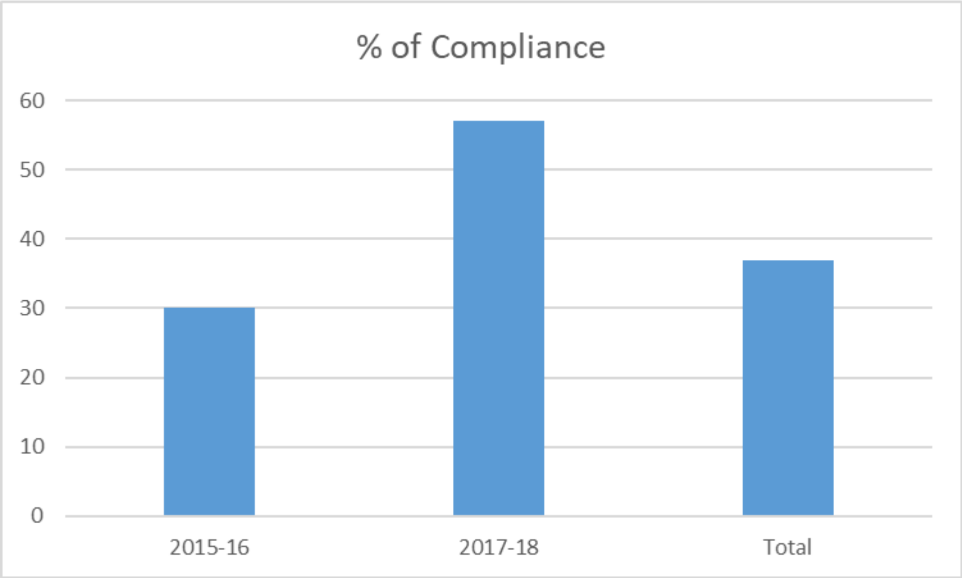
3.5.2.8 The company incurred an expenditure of Rs 11.797 million over the last six years (Rs 2,565,425 in the year 2022-23, Rs 1,648,697 in the year 2021-22, Rs 2,002,502 in the year 2020-21, Rs 1,312,345 in the year 2019-20, Rs 2,388,617 in the year 2018-19, and Rs 1,879,023 in the year 2017-18) under the head of Board Meeting Expenses. The annual performance evaluation of board members, as required by the Corporate Governance Rules, 2013, and the compliance report regarding the implementation of board's decisions, may be shared with the Audit to ascertain performance as well as the effective implementation of BoD's policies.

3.5.2.9 Total expenditure of the company increased by 36.29% to Rs 47.878 million in 2022-23 from Rs 35.130 million in the previous year. The major increase was under the heads salaries, wages and other benefits, travelling and conveyance, repair & maintenance and trade promotional expenses by 24.35%, 2,183%, 100% and 2,178% respectively to Rs 19.276 million, Rs 7.735 million, Rs 3.895 million and Rs 2.392 million. The abnormal increase under the said heads needs to be justified.

3.5.2.10 The company has enlisted the services of M/s Riaz Ahmad, Saqib, Gohar & Co. Chartered Accountants for the past six years, spanning from 2017-18 to 2023. It is worth mentioning that, according to Corporate Governance Rules, every Public Sector Company, excluding those in the financial sector, is required to rotate the engagement partner at least once every five years. However, this rotation has not been carried out by the management. The position needs to be justified.

3.5.3 Compliance of PAC Directives

S. #	Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1	2015-16	20	06	14	4.5.4.1, 4.5.4.2, 4.5.4.3, 4.5.4.5, 4.5.4.7, 4.5.4.8, 4.5.4.9, 4.5.4.11, 4.5.4.12, 4.5.4.13, 4.5.4.14, 4.5.4.15, 4.5.4.16, 4.5.4.17	30
2	2017-18	07	04	03	4.7.2.4, 4.7.2.5, 4.7.2.6	57
Total		**27**	**10**	**17**		**37**



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

Chapter-4

Ministry of Defence

Overview:

The Ministry of Defence is an executive ministry of the Government of Pakistan, tasked to defend country's national interests.

Functions of MOD under Rules of Business 1973

The following main business have been assigned to the Defence Division amongst the other functions:

Defense of the Federation or any part thereof in peace or war including Army, Naval and Air Force of the Federation and any other armed forces raised or maintained by the Federation; and armed forces which are not the forces of the Federation but are attached to or operating with any of the armed forces of the Federation;

1- Civilian employees paid from defense services.
2- International Red Cross and Geneva Conventions in so far as they effect belligerents.
3- Pardons, reprieves and respites, etc. of all personnel belonging to the Armed Forces.
4- Administration of Military Lands and Cantonments Group.
5- National Maritime Policy.
6- Marine surveys and elimination of dangers to navigation.

Audit Profile of Ministry of Defence

(Rs in million)

Description	Total	Audited	Expenditure audited FY 2022-23	Revenue / Receipts audited FY 2022-23
Formations	2	2	6,998.55	2,048.55
Assignment Accounts (excluding FAP)	-			
Authorities /Autonomous Bodies etc. under the PAO	2	2	6,998.55	2,048.55
Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 3,063.516 million were raised in this audit. This amount also includes recoverable of Rs 184.431 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

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	202.365
B	Procurement related irregularities	561.239
C	Management of accounts with Commercial Banks	0
4	Value for money and services delivery issues	2,260.594
5	Others	39.318

4.1 Heavy Mechanical Complex (Pvt.) Limited

4.1.1 Introduction

Heavy Mechanical Complex (Pvt.) Limited was incorporated in Pakistan under the Companies Act, 1913 (now Companies Ordinance 1984) in Jul, 1975. It is a wholly owned subsidiary of State Engineering Corporation.

Corporate Information

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.

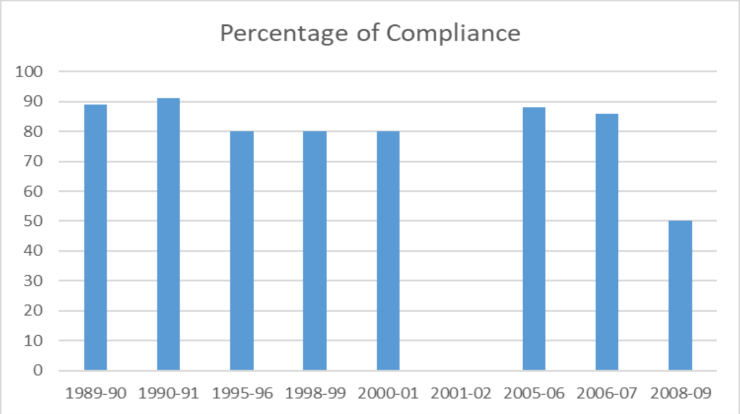
4.1.2 Comments on Audited Accounts

4.1.2.1 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 2015-16 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the years 2015-16 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).***

4.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Paras No.	Percentage of Compliance
1989-90	09	08	01	998	89
1990-91	11	10	01	787	91
1995-96	05	04	01	193	80
1998-99	05	04	01	268	80
2000-01	05	04	01	303	80
2001-02	03	0	03	298,299,300	0
2005-06	08	07	01	133.2	88
2006-07	07	06	01	108.3	86
2008-09	04	02	02	125.1,126	50
Total	**57**	**45**	**12**		**79**



The overall compliance with PAC directives was not fully satisfactory and needs improvement.

4.1.4 Audit Paras

4.1.4.1 Loss due to sale of products at cost lower than the actual cost of production – Rs 1,009.973 million

As per HMC policy the profit margin is fixed @ 10% of the cost price of product.

During audit of HMC for 2016-17 to 2021-22, a sample analysis of sale price vs. actual cost revealed that in 31 cases, the formation sustained a loss by selling products below the cost price in violation of policy which resulted in a total loss of Rs 1,009.973 million.

Audit is of the view that management should have maintained required profit margin.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends inquiring the matter besides fixing responsibility.

Para-2 (HMC – 2016-17 to 2021-22)

4.1.4.2 Wasteful expenditure due to non-completion of a PSDP funded projects – Rs 377.59 million

According to Planning Commission's Guidelines issued for implementation of projects under PSDP grants, the project is approved with a specific period completion. Efforts should be made to complete the project within the stipulated period to ensure flow of benefits well in time.

During audit of HMC Taxila from 2016-17 to 2020-21, it was observed that the PC-I of the projects titled "Establishment of Design Institute" and "Establishment of Turbine & Power Plant Equipment Manufacturing Facilities" were approved by the Planning Commission in January & May 2011 respectively with an original implementation period until 2014, later extended to February 2018. The Design Institute project had a PC-I cost of Rs 687.332 million, whereas, Rs 672.770 million was allocated by the Planning Commission out of which Rs 262.964 million was expended by June 2016. Moreover, the Turbine &Power Plant project, with a PC-I cost of Rs 21,543.10 million, had Rs 215.292 million allocated, and Rs 114.63 million was expended by June 2016. However, both projects were stopped, leading to a waste of Rs 377.59 million due to non-completion. The ECC approved the transfer of HMC to SPD/PAEC in June 2016, subject to the condition of self-financing without seeking support from the Federal Government.

Audit is of the view that management was required to complete the projects by utilizing its own resources.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends inquiring the matter besides fixing responsibility.

Para-1 & 5 (HMC – 2016-17 to 2021-22)

4.1.4.3 Loss due to non-recovery of dues from clients - Rs 504.098 million

According to Rule – 05 of the SECP Corporate Governance Rules, 2013 (Amended 2017), the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety.

During audit of HMC Taxila 2016-17 to 2021-22, it was observed that an outstanding amount of Rs 504.098 million remained uncollected from various clients for periods spanning one to over 20 years. The management failed to recover this amount, resulting in a provision of Rs 174.081 million for doubtful debts.

Audit is of view that the management should initiate legal actions to recover the outstanding amount from clients.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends inquiring the matter besides fixing responsibility.

Para-26 (HMC – 2016-17 to 2021-22)

4.1.4.4 Loss due to less recovery of electricity & gas charges from the consumers – Rs 248.850 million

According to Rule – 05 of the SECP Corporate Governance Rules, 2013 (Amended 2017), the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety.

During audit of HMC Taxila for the years 2016-17 to 2021-22 it was observed that electricity and gas were purchased at an industrial rate for supply to the HMC and its residential colony. However, the colony was not billed at the same rate, leading to a loss of Rs 128.776 million on electricity from January 2020 to June 2023 and Rs 120.074 million on gas, due to utilities being charged at domestic rates.

Audit is of the view that the management should install separate meters on quarters to avoid additional burdens on HMC and ensure accurate billing for electricity and gas consumption.

The matter was reported to management on 26.06.2023 but no reply was received.

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

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

Para-4 (HMC – 2016-17 to 2021-22)

4.1.4.5 Irregular award of consultancy service on single source basis – Rs 174.00 million and un-justified increase in rates – Rs 21.28 million

According to Rule – 12(2) of the Public Procurement 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 HMC Taxila for the year 2016-17-2021-22 it was observed that the Water & Power Department, Gilgit Baltistan awarded an EPC/Turnkey contract to HMC included design, construction, designing of electromechanical works, manufacturing, testing, delivering, installing and commissioning of Naltar–III Hydro Power Project of 16 MW. Further it was observed that HMC awarded the consultancy services including design work and construction work to NESPAK at a cost of Rs 174.00 million on single source basis vide agreement dated 02.04.2016. The contract amount was also revised to Rs 195.28 million, reflecting an increase of Rs 21.28 million.

Thus, award on contract on single source basis was the cause of weak internal control.

Audit is of the view that management was required to award the contract in accordance with Public Procurement (PP) rules.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends inquiring the matter besides fixing responsibility.

Para-13 (HMC – 2016-17 to 2021-22)

4.1.4.6 Irregular award of contracts in violation of PPRA - Rs 220.985 million

According to the Rule-38 of PPRA Rules 2004, 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 HMC Taxila for the years 2016-17 to 2021-22, it was observed that various tenders were called for through advertisement for award of Electrical & Instrumentation Works to firms, following deficiencies were found;

1. M/s Green Industrial Solution, Lahore, quoted the lowest rates of Rs 40.95 million, Rs 22.125 million, and Rs 16.648 million (including GST) against three tenders. However, the purchase orders for these packages were issued to M/s ABB, who was 4th lowest with Rs 54.99 million in first tender, 2nd lowest with Rs 30.42 million in 2nd tender and 3rd lowest with Rs 16.648 million in 3rd tenders in violation of Public procurement rules.
2. Similarly, various store items were purchased from the 2nd lowest bidder, disregarding the 1st lowest rate which resulted in a loss of Rs 7.828 million.
3. In response of tender for award of work of Electrical & Instrumentation Works of 100 TPH Boiler in April, 2022, M/s Solution Engineering, Lahore, declared 1st lowest bidder at cost of Rs 68.54 million, was ignored on the plea that country of origin was not intimated. The work was awarded to 2nd lowest bidder M/s ABB Power Automation, Lahore, with an initial quote of Rs 77.10 million, later reduced to Rs 72.54 million.
4. In response of tenders for purchase of Steel Plates for project 100 TPH SM (Mirpur Khas) in December,2020. Work order was awarded to 3rd lowest bidder namely M/s Loha Corporation at a cost of Rs 26.841 million within delivery period of 2 to 3 weeks by ignoring Ist and 2nd lowest bidders who quoted rate @ Rs 22.015 million and Rs 24.483 million respectively within delivery period of 8-10 weeks. However, the firm actually delivered the store in 5 weeks.

Non observance of Public Procurement rules was the cause of weak internal control.

Audit is of the view that the management was obligated to award the contract to the lowest bidders to ensure savings, in accordance with public procurement rules.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends inquiring the matter besides fixing responsibility.

Paras- 16,19, 23, 29, 35 and 36 (HMC – 2016-17 to 2021-22)

4.1.4.7 Irregular write off of loan along with markup - Rs 23.10 million

As per terms & conditions of loan sanctioned by the Federal Govt. to HMC, the loan carried interest @ 16% p.a. and is repayable in 10 yearly equal installments.

During audit of HMC Taxila from 2016-17 to 2021-22, it was observed that the Federal Government granted a loan of Rs 21.300 million to HMC in 1999, carrying an interest rate of 16% p.a. The loan, repayable in 10 equal installments of Rs 2.31 million each starting from June 2001, remained unpaid. In June 2016, the ECC of the Cabinet decided to transfer HMC to SPD/PAEC, along with its assets and liabilities, including the outstanding loan. Despite this, the Board of Directors, in its 120th meeting on June 12, 2018, decided to write off the loan, mentioning its longstanding status since 1999 and never claimed by Ministry.

Audit is of the view that the HMC Board's decision to write off the loan liability along with markup without consent of Federal Government is irregular.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends inquiring the matter besides fixing responsibility.

Para-17 (HMC – 2016-17 to 2021-22)

4.1.4.8 Irregular award of contract for procurement of store – US$ 124,542 (Rs 21.919 million)

According to advertisement dated 12-09-2021 the tender was published for purchase of 32 M. Tons of Steel Profiles (A572 22.656 M. Tons + A36 9,157 M. Tons). Further, according to PPRA Rules – 42 (c) (iv) Repeat orders not exceeding fifteen per cent of the original procurement. In PPRA Rules, the repeat order means procurement of the same commodity from the same source without competition and includes enhancement of contracts.

During audit of HMC Taxila for the years 2016-17 to 2021-22 it was observed that tenders were issued on 12.09.2021 for the purchase of two items of steel profiles i.e. (Material A572 Gr. 50 - 22,656 kgs and Material A-36 - 9,157 kgs). In response, M/s Roots, the local agent of AGE Steel Limited Dubai UAE, quoted the lowest rates at US $ 44,398 (A572 US $ 1,412/M. ton and A36 US $ 1,355/M. ton). It was further observed that management increased the quantity of both items significantly (195% and 133% increase, respectively) and placed an order for the enhanced quantity at US $124,542, equivalent to Pak. Rs 21.919 million.

Audit is of the view that management's decision to award order for enhanced quantity exceeding 15% beyond the limit of repeat order was in violation of PPRA, hence was irregular.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends inquiring the matter besides fixing responsibility.

Para-15 (HMC – 2016-17 to 2021-22)

4.1.4.9 Irregular enhancement of rate after award of contract by Rs 9.350 million and loss due to supply of faulty store – Rs 11.055 million

As per the tender documents issued for the purchase of Seamless Tubes in various sizes, the bid format included third-party inspection charges.

During the audit of HMC Taxila for the years 2016-17 to 2021-22, it was observed that four contracts for the purchase of Seamless Tubes of different sizes were awarded to M/s Engineering Equipment, Islamabad at US $35,824 (including inspection charges of US $800) on 19.02.2021. The contract was on a CFR basis with a delivery period of 50 days, initially scheduled for 15.05.2021, and later extended to 04.08.2021. However, the supplier requested an increase of US $55,000 at a rate of US $13,500 in each case. Subsequently, revised purchase orders with the increased rates (without included inspection cost) were issued through a letter dated 25.05.2021. The store was dispatched by the supplier without a 3rd party inspection, leading to rejection by the inspection authority of HMC. The management requested the firm either to replace the store or pay the store's cost of US $64,458, but neither the store was replaced by the firm nor the cost was returned.

Audit is of the view that management should have obtained store inspections from a third party, but this was not executed as required and received faulty store. hence held irregular. Furthermore, enhancement of rate @ 37% of the original value was unjustified.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends inquiring the matter besides fixing responsibility.

Para-12 (HMC – 2016-17 to 2021-22)

4.1.4.10 Loss due to auction of store below reserve/assessed price - Rs 30.379 million

According to Rule 05 of the SECP Corporate Governance Rules, 2013 (Amended 2017), the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety.

During the audit of HMC Taxila from 2016-17 to 2021-22, it was noted that store items auctioned in two lots through M/s Mohmand Brothers, Haripur, with an initial highest bid of Rs 23.558 million, were later enhanced to Rs 32.054 million. Despite an initial assessed value of Rs 62.497 million for Lot No. 01 and Lot No. 02, incorporating factors like obsolescence and wear & tear, a second assessment, without clear reasons, reduced the values to Rs 45.739 million. The subsequent sale at Rs 32.10 million resulted in a substantial loss of Rs 30.379 million.

Audit is of the view that management should have sold the store at the initial assessed value of Rs 62.497 million rather than the second assessed value, hence, held irregular.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends investigating the matter besides fixing responsibility.

Para-8 (HMC – 2016-17 to 2021-22)

4.1.4.11 Irregular contract appointment and payment - Rs 18.138 million

According to HMC Employment Policy & Procedure given in HMC Employees Service Regulation 2020, all posts must be advertised in the national press and fully cover the terms and conditions regarding age, educational qualification and experience etc. specific to each post.

During audit of HMC for the years 2016-17 to 2021-22, it was observed that Brig. ® Hamid Mahmood as GM (Admn & HR) was directly appointed on contract basis for three years at HMC through a letter dated 19.02.2019, bypassing established procedures/rules. Later on, he was re-designated as Director (HR & Admin) w.e.f. 19.02.2019. Upon contract expiry in February 2022, SITECH extended it for an additional three years at a lump sum pay of Rs 370,000 (increased more than 42% without justification) vide letter dated 18.05.2022.

Audit is of the view that the officer's appointment, in violation of company policy, and the payment of Rs 18.138 million with an unjustified 42% increase in pay and allowance, held irregular.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends investigating the matter besides fixing responsibility.

Para-33 (HMC – 2016-17 to 2021-22)

4.1.4.12 Loss due to imposition of LD charges by the clients – Rs 18.093 million

According to Clause – 5 & 9 of the agreement signed with the clients "in case of failure to deliver the consignment within specified delivery period, as agreed in the contract, the purchaser shall be entitled at his own option to recover liquidated damages levied at the rate specified in the contract agreement".

During audit of HMC Taxila for the years 2016-17 to 2021-22 it was observed that in nine cases the management entered into agreement with the private parties for some specific jobs. In agreement, signed with the client, the delivery period was specifically mentioned and agreed that in case of late delivery beyond said period the client has right to recover the liquidated damages from the suppliers. In said cases the management failed to complete and deliver the job within scheduled time, due to which the client imposed penalty clause and deducted liquidated damages of Rs 18.093 million from the billed amount.

Audit is of the view that the HMC is running its business on commercial lines and the timely completion and delivery of job is the essence of business. But in so many cases the management failed to deliver the jobs within scheduled time due to which the client imposed late deliver charges upon HMC and accordingly deducted the amount from the billed amount which is a loss to the formation.

The matter was reported to management on 26.06.2023 but no reply was received till finalization of report.

The DAC meeting was not convened till finalization of this report despite request dated 29.11.2023.

Audit recommends that matter be probed at appropriate level to find the reasons of delay which caused loss to the formation; fix responsibility thereof; and make the loss good by affecting recovery from the person(s) at fault.

Para-22 (HMC – 2016-17 to 2021-22)

4.1.4.13 Non provision of auditable record – Rs 15.718 million

In Accounting "a voucher is a document normally issued by the accounts payable department to authorize payments. It can also be termed as a memorandum of liability to any organization. An accounting voucher can be seen as a written backup document for the payments done to the suppliers or creditors in any organization for the business conducted with the party".

When a voucher is issued for payment, it implies that all these prerequisites of the control mechanism process are fulfilled, and the payment towards the supplier is good to go.

During audit of HMC for the years 2016-17 to 2021-22 it was noted that a sum of Rs 11.894 million was spent on stationery and printing charges, along with Rs 3.823 million on the purchase of fixed assets at the school of HMC from 2018 to 2020. Payment vouchers of assets and stationery/printing material was demanded by audit which was not provided. Furthermore, Chartered Firm, while certifying the accounts for the mentioned period, issued a qualified opinion on these expenditures due to the absence of relevant documents and evidence.

Audit is of the view that due to the absence of proper records and supporting evidence for the payments of Rs 15.718 million, the expenditure is considered not authentic.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends investigating the matter besides fixing responsibility on non-provision of record.

Para-24 (HMC – 2016-17 to 2021-22)

4.1.4.14 Irregular award of contract on higher rate - Rs 11.705 million

According to Rule – 4 of the Public Procurement 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 HMC Taxila for the years 2016-17 to 2021-22 it was observed that tenders were issued in February 2021 for award of work of unloading & safe storage of material, erection/installation of Penstock, Steep liners for 48 MW Jagran-II Hydel Power Project. M/s Nimra & Co., Taxila, initially quoted the lowest rate of Rs 149.907 million, while M/s Akhtar Engineering Services, Islamabad, was the second lowest at Rs 156.693 million. Later, M/s Akhtar Engineering Services reduced their rate to Rs 148.907 million, and the lowest bidder also decreased to Rs 137.201 million on 20.04.2021. The SCM department proposed awarding the contract to the second lowest bidder at Rs 148.906 million, claiming the first lowest bidder failed to submit the required bid money. However, the A/CFO, HMC vide letter dated 03.06.2021confirmed M/s Nimra & Co. had the lowest offered rate and submitted the bid money. Despite the Managing Director not approving the contract summary, the contract was awarded to 2nd lowest bidder M/s Akhtar Engineering Services, at their quoted rate of Rs 148.906 million, disregarding the lowest offer in the contract dated 23.07.2021.

Audit is of the view that management should award contract to lowest bidder which was not done. Hence, the company sustained loss of Rs 11.705 million (Rs 148.906 million – Rs 137.201 million).

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends investigating the matter besides fixing responsibility.

Para-48 (HMC – 2016-17 to 2021-22)

4.1.4.15 Non provision of record of renovation work - Rs 8.103 million and loss due to non-deduction of withholding tax - Rs 486,190

As per Rules – 12(2) of the Public Procurement 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."

As per Income Tax rules, a 6% withholding tax on maintenance services should be deducted.

During audit of HMC Taxila for the years 2016-17 to 2021-22 it was observed that HMC runs three schools in its colony. A sum of Rs 8.103 million was expended on renovation of school buildings without advertisement. However, the management provided bills of only Rs 2.251 million showing adjusting advances for renovation. Bills for the remaining amount were not provided. Furthermore, some bills were unsigned or blank accompanied only by handwritten receipts without supporting documents. Additionally, Income Tax at a 6% withholding rate on maintenance services was not deducted from bills, resulting in a loss of Rs 486,190 to the treasury.

Consequently, the payment of Rs 8.103 million is deemed irregular, raising concerns about the potential for bogus claims. Additionally, the failure to deduct income tax resulted in a loss of Rs 486,190 to the treasury.

Audit is of the view that the management's procedure for renovation work did not comply with the rules and the non-provision of complete records is a serious lapse.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends investigating the matter besides fixing responsibility.

Para-11 (HMC – 2016-17 to 2021-22)

4.1.4.16 Loss due to purchase of used steam turbine - US $ 46,463 (Rs 7.434 million)

As per agreement signed with M/s Technoexponent for supply of Steam Turbine, the supplier was bound to supply brand new Steam Turbine.

During the audit of HMC Taxila from 2016-17 to 2021-22, it was observed that a Steam Turbine for a 140 TH Boiler was purchased from M/s Techno via a purchase order dated 30.09.2019. Subsequently, during the commissioning/installation, it was exposed that the turbine was used or second-hand. The QA Deptt. rejected the turbine due to visible cracks, significant porosity, and repairs at various points. Inspection documents provided by the supplier after four months were found to be tampered with. An inquiry committee constituted in September 2020, recommended disciplinary action against the Manager SCM and Head of QA Deptt., proposing a major punishment of "Removal from Service" for the concerned officers. However, no action was initiated. Thus, company sustained a loss of Rs 7.434 million.

Audit is of the view that management should have taken disciplinary action against concerned along with pursuing efforts to recover the losses incurred.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends investigating the matter besides fixing responsibility and initiating actions to recover the incurred losses.

Para-30 (HMC – 2016-17 to 2021-22)

4.1.4.17 Non-recovery of rental charges from postal authorities – Rs 4.349 million

The HMC management vide letter dated 02.06.1971 allotted a shop No. 26 to Postal Authorities for establishment of Post Office. As per terms of said letter the shop was allotted for post office on rent free basis for one year i.e. up

31.05.1972 and thereafter the Postal Authorities were required to pay rent at agreed rate.

During audit of HMC Taxila from 2016-17 to 2021-22, it was observed that management had allotted Shop No. 26 (covering an area of 660 sq. ft.) to Postal Authorities for opening a Post Office via a letter dated 02.06.1971on rent free basis for one year, ending on 31.05.1972. However, after the expiration, there was no proper rental agreement in place, and the Postal Authorities continued to use the shop without paying rent. The management officially notified rental charges at Rs 20/sq. ft. from December 2020 without formal agreement.

Thus, the audit calculated rental charges from 01.06.1972 to November 2020 on an approximate, conservative basis, resulting in loss of Rs 4.349 million to company.

Audit is of the view that the management was obligated to establish a formal agreement to determine the rent for the shop, rather than allowing it to be provided free of cost for an extended period.

The matter was reported to management on 26.06.2023 but no reply was received.

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

Audit recommends that recovery of the outstanding rent may be made besides fix responsibility on the person(s) at fault.

Para-40 (HMC – 2016-17 to 2021-22

4.2 Institute of Space Technology

4.2.1 Introduction

Institute of Space Technology 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 inforce until it has been withdrawn under Rules 217 of Income Tax, 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.

4.2.2 Comments on Audited Accounts

4.2.2.1 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 years 2021-22 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the years 2016-17 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)***.

4.2.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

4.2.4 Audit Paras

4.2.4.1 Loss due to non-recovery from unsuccessful employees in PhD studies - Rs 178.924 million

According to clause 5 of statutes and regulations of the Institute of Space Technology (IST) Islamabad every controlling officer is expected to exercise the same vigilance in respect of expenditure incurred from IST funds as a person of ordinary prudence would exercise in respect of expenditure of his own. As per clause 5(b), the expenditure should not be prima facie more than the occasion demands.

During audit of IST Islamabad for FY 2014-23, the management provided the detail of court cases filed by IST for recovery of Rs 178.924 million from different employees. Detail is attached as under:

Court Cases filed by IST for Recoveries				
Sr. No.	**Reference**	**Amount (Rs)**	**Currency**	**Amount (Rs)**
1	Dr. Faidad	277,835	PKR	277,835
2	Dr. Muhammad Umari Shahid	120,000	PKR	120,000
3	Mr. Sikandar Nawaz	198,514	PKR	198,514
4	Mr. Hamza Ghazanfar Toor	135,375	PKR	135,375
		51,552	USD @ (Rs 284.08 as on 29.11.2023)	14,640,768
		103,065	Aus Doller @ (Rs 188 as on 29.11.2023)	19,376,220
5	Mr. Wajid Minhas	611,731	PKR	611,731
		60,919	USD @ (Rs 284.08 as on 29.11.2023)	17,300,996
6	Mr. Hassan Abbas Khawaja	1,563,823	PKR	1,563,823
		70,564	GBP@ (Rs 360 as on 29.11.2023)	25,403,040
		47,409	USD @ (Rs 284.08 as on 29.11.2023)	13,464,156
7	Mr. Saad Ali Malik	81,376	PKR	81,376
		52,291	GBP @ (Rs 284.08 as on 29.11.2023)	18,824,760
		65,334	USD(Rs 284.08 as on 29.11.2023)	18,554,856
8	Mr. Bilal Aslam Ranjha	980,845	PKR	980,845
		153,263	USD @ (Rs 284.08 as on 29.11.2023)	43,526,692
9	Mr. Husnain Riz (2016)	3,863,341	PKR	3,863,341
				178,924,328

Audit observed that the employees concerned did not return to Pakistan to resume duties in the University, hence they were liable to deposit the amount of surety bond as per laid down conditions. The management failed to take appropriate action against defaulter employees which resulted into non-recovery of Rs 178.924 million.

Audit is of the view the aforementioned employees neither resumed duty nor deposited the amount against them due to which management sustained a loss of Rs 178.924 million.

The matter was reported to the management but no reply was received till finalization of report.

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

Audit recommends recovery of the amount from the employees or the surety as per conditions of surety bonds and also initiate disciplinary proceedings against the defaulter employees as per rules.

Para-08 (IST-2014-23)

4.2.4.2 Irregular purchase of vehicles during ban period - Rs 37.680 million

According to Finance Division (Expenditure Wing) OM No.7(1) Exp-IV/2016-540 dated 26.07.2017 and O.M No.7(1) Exp-IV/2016-430 dated 06.08.2020, there shall be complete ban on purchase of all types of vehicles both for current and development expenditure excluding motor cycles.

During audit of IST Islamabad for FY 2014-23, it was observed that the management procured fifteen (15) vehicles amounting to Rs 37.680 million. Detail of purchased vehicles is as under:

Sr. No.	Bill	Date	Description	Amount (Rs)
1	GIL/963	21.04.2020	30-Seater No Air Condition (02)	14,000,000
2	PS15/AOR/PRB/IST	30.06.2015	Suzuki Bolan VX Euro-II (01) Suzuki Ravi Pickup Euro-II (01) Suzuki Cultus Euro-II (05)	6,502,000
3	TGTM/IST-421-A/2020	20.05.2020	Toyota Corolla Altis at 1.6 (01)	3,338,000
4	24977	05.04.2017	HINO SkylinerDlx Coach with 63+1 Seats (01)	5,900,000
5	PRB/IST-01/RM/20/06-09	28.05.2020	Suzuki Cultus AGS (04)	7,940,000
		Total		**37,680,000**

Audit observed that the vehicles were procured during the period of ban 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 but no reply was received till finalization of report.

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

Audit recommends that responsibility may be fixed for the irregularity besides regularization from the Finance Division / competent authority.

Para-09 (IST-2014-23)

4.2.4.3 Wasteful expenditure on hiring of consultants and vendors - Rs 34.055 million and non-utilization of HEC grant for the procurement of SAP system - Rs 22.500 million

According to clause 13 of bidding documents, the supplier will provide performance bank guarantee equivalent to 10% of total order value within 14 days of signing of contract from scheduled bank of Pakistan. The performance bond shall be valid till the Guarantee / warranty period of particular supply. According to chapter 2 of Statutes & Regulations of Institute of Space Technology under clause 2 of accounting system and records, the institute will preferably use a computerized accounting system either from market or developed as per their needs.

During audit of IST Islamabad for FY 2014-23, it was observed that the management hired consultants / advisors and made payments of Rs 10.392 million on account of SAP implementation. The management also made payment of Rs 23.664 million to three vendors on account of cloud services and hard ware, SAP licenses and annual maintenance support and ERP implementation cost agreement. However, the management did not obtain performance guarantee from a vendor (M/s Excellence Delivered).

The management received grants of Rs 22.500 million from HEC for SAP implementation which were deposited into bank. Record revealed that SAP project was closed by competent authority but the amount of Rs 22.793 million was still lying in bank account as on 02.08.2021.

The audit observed significant problems with the implementation of the SAP Infrastructure Hardware System and the use of funds. The system remained unimplemented even after 11 years. Complete financial records were absent, hindering the assessment of fund utilization. The expenses of Rs. 8.993 million were incurred after the closure of project.

Audit is of the view that the payment to the consultants and vendors without any achievement of the project was wasteful and loss to the public exchequer. Further, money was left unutilized over the years, alongside the failure to install the SAP system.

The matter was reported to the management but no reply was received till finalization of report.

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

Audit recommends investigating the reasons for payments to consultants and vendors without any achievement and delays in SAP system procurement despite availability of funds. Additionally, any unauthorized expenditures from the HEC grant should be rectified through proper channels and approval.

Para-3, 4 & 5 (IST-2014-23)

4.2.4.4 Irregular award of Cafeteria contracts by direct contracting - Rs 19.800 million

According to Rule 12 (1) of PPRA 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:

During audit of IST Islamabad for FY2014-23, the management awarded contracts for Cafeteria Services by direct contracting to the following firms at fixed rate for the covered area of 27,400 sq. ft. The detail is as under:

Sr. No.	Firm	Contract period	Tenure Period	Rate per month (Rs)	Payment (Rs)
1	M/s Impression Event Management	13.11.2019 to 31.03.2022	28 months	600,000 (Lump sum) (28 Months *600,000)	16,800,000
2	M/s Daata Sweets	03.04.2022 to 30.06.2022	03 Months	Contract was awarded on trial basis.	0
3	M/s Abbasi & Co.	01.09.2022 to 30.06.2027	60 Months	300,000 (10 Months *300,000)	3,000,000
	Total				**19,800,000**

The audit revealed shortcomings in procurement and contract management, including direct contracting without competition for cafeteria services, violations of procurement regulations in payments to certain firms, and the re-awarding of a contract to a previously terminated vendor. These findings underscore deficiencies in transparency, compliance, and accountability within the organization's procurement practices, highlighting the need for corrective action to ensure fairness and efficiency in future processes.

Audit is of the view that the management awarded contract for cafeteria in violation of PPRA Rules, and undue favor was extended to the contractors which was irregular.

The matter was reported to the management but no reply was received till finalization of report.

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

Audit recommends to explain the reasons for award of contract on lump sum rates. Responsibility may be fixed on the person/s at fault for irregular award of contract.

Para-16 (IST-2014-23)

4.2.4.5 Irregular engagement of legal firm - Rs 14.571 million

According to Honorable Supreme Court vide PLD 2017 Supreme Court 121 (Para 24), where Government departments are strictly prohibited to engage Private Council and directed to utilize the service of Attorney General Office.

Supreme Court also held that payment to Private Advocate would constitute financial impropriety by person who does on the behalf of Govt.

According to Law, Justice and Human Rights Division vide its letter F. No. 20 (1)87-LA dated 13.01.2010 clarified in its earlier instructions issued vide letter No. F.20(1) 87-LA dated 22.11.2004 that no Legal Advisor, Advocate or Consultant shall be appointed or engaged by any department, in future, without prior approval of the Ministry of Law, Justice and Human Rights.

During audit of IST Islamabad for FY 2014-23, the management hired M/s International Legal Consultant (ILC) for a period of one year on 05.05.2012. The agreement was further extended for one year from 04.05.2013 to 03.05.2014. IST floated tender for appointment of legal firms on 23.04.2014 and selected M/s International Legal consultant again. The contracts were renewed till 20 November, 2023 and made payments on accounts of Legal and Professional charges Rs 14,571,187 during 2014-15 to 2022-23.

Audit observed that the engagement of M/s International Legal Consultant (ILC) was in violation of Supreme Court decision and without prior approval of Ministry of Law, Justice and Human Rights.

Audit is of the view that the hiring of the firm without fulfilling the codal requirements was irregular.

The matter was reported to the management but no reply was received till finalization of report.

No DAC meeting could be arranged by the PAO 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-07 (IST-2014-23)

4.2.4.6 Loss due to non-functionality of Financial Information System (FIS) - Rs 5.7 million

Rule 38B (1) (d) of Public Procurement 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 provided that except unsolicited proposal, in case of pre-qualification proceedings single bid shall not be entertained. 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 IST Islamabad for FY 2014-23, it was observed that the management floated tender Notice on 01.11.2020 (Single stage – Two envelope bidding process) for the procurement of Financial Information System (FIS). In response to tender only one firm participated i.e. M/s Soft Consults with financial bid of Rs 5.736 million and work order issued on 12.02.2021.

The Audit observed that contracts was awarded without rate reasonability assessment, Financial Information System was non-functional, and approval of additional modules and establishment of a Service Level Agreement (SLA) lacked thorough evaluation, indicating potential inefficiencies and financial risks. These findings underscore the necessity for enhanced transparency, efficiency, and risk management practices within the organization.

Audit is of the view that due to non-functional of the FIS system, non-installation of the modules and payment made to the vendor without any achievement with regard to the project was wasteful and loss to the university.

Audit is also of the view that had the SLA and additional modules been added in the bidding documents, management would have fetched more competitive offers for the said procurement.

The matter was reported to the management but no reply was received till finalization of report.

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

Audit recommends that responsibility should be fixed on the person(s) for non-functional of FIS system and wasting of public money.

Para-06 (IST-2014-23)

4.2.4.7 Non-recovery of outstanding receivables from students – Rs 5.507 million

According to clause 5 of statutes and regulations of the Institute of Space Technology (IST), Islamabad every controlling officer is expected to exercise the same vigilance in respect of expenditure incurred from IST funds as a person of ordinary prudence would exercise in respect of expenditure of his own.

During audit of IST Islamabad for FY 2014-23, it was observed that an amount of Rs 5.508 million was receivable from students on account of fee and other charges as on June, 2022. The management created a provision for doubtful receivable of Rs 707,713 in their annual accounts for the year 2021-22. The annual accounts for the year 2022-23 along with aging were not provide to Audit to ascertain the actual position of receivable from students.

Audit is of the view that the management failed to recover the outstanding dues from students which reflected weak internal controls in the organization.

The matter was reported to the management but no reply was received till finalization of report.

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

Audit recommends to streamline the system of fee collection to minimize the chances of becoming bad debts besides effecting recovery.

Para-13 (IST-2014-23)

4.2.4.8 Irregular appointment of employees without verification of degrees - Rs 5.303 million

Government of Pakistan Cabinet Secretariat Establishment Division, (Management Services Wing) letter dated March 08 2011 describes 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 department’s subordinate offices and autonomous bodies under their administrative control.

During audit of IST Islamabad for FY 2014-23, the management appointed 384 employees against various posts during 2014-15 to 2022-23.

Audit observed during sample based scrutiny of the personal files that degrees of the following employees had not been verified from the concerned issuing authority/ Higher Education Commission:

Sr.	Name of Employee	Designation	Date of Joining	Basic Salary	No. of Months upto Nov, 2023	Total Tentative Amount of Basic Pay (Excluding Allowances)
1	Tufail Sajjad Shah Hashmi	Lecturer (BPS-18)	01.09.2021	38,350	27	1,035,450
2	Amir Rahim	Lecturer (BPS-18)	19.02.2021	38,350	33	1,265,550
3	Muhammad Nadeem Yousaf	Lecturer (BPS-18)	27.08.2021	38,350	27	1,035,450
4	Farooq Ahmed	Additional Director (BPS-19	31.12.2021	59,210	22	1,302,620
5	Abu Bakar Talal	Lab Engineer (BPS-17)	28.03.2022	30370	20	607,400
6	Saad Akram	Lecturer (BPS-18)	16.10.2023	56,880	1	56,880
		Total				**5,303,350**

Audit is of the view that non-verification / attestation of degrees of the said employees from respective Boards/ Universities/ HEC was in violation of Government instructions. Thus, payment of Rs 5.303 million on account of pay & allowances was held irregular.

The matter was reported to the management but no reply was received till finalization of report.

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

Audit recommends to ensure verification of degrees of all employees and responsibility be fixed on the person(s) at fault for violating the Government policy.

Para-22 (IST-2014-23)

4.2.4.9 Loss due to award of contract to second lowest firm - Rs 2.871 million

According to Rule 23 (1) of Public Procurement 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 IST Islamabad for FY 2014-23, the management published tender notice for Janitorial services on 27.07.2012. In response ten firms participated in the tendering process out of which 03 firms were technically and financially qualified on 10.08.2012. Consequently, the contract was awarded to M/s National Cleaning Services being lowest bidder and the contract was executed for the period from 15.05.2013 to 14.05.2014 and further extended till 14.05.2016.

The audit identified flaws in the procurement of janitorial services, such as the absence of security verification in bidding documents. Despite the lowest bidder's refusal to undergo security clearance, the contract was awarded to the next lowest bidder, leading to additional expenses and a significant financial loss. Payments were made for services not outlined in the bidding documents, and documentation regarding security clearance was missing. These findings underscore the importance of enhancing transparency, compliance, and efficiency in future procurement practices to mitigate such risks and losses.

Audit is of the view that management sustained loss due to improper bidding documents and award of contract to the firm without the security clearance.

The matter was reported to the management but no reply was received till finalization of report.

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

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

Para-02 (IST-2014-23)

4.2.4.10 Non finalization of annual accounts / financial statements for the years 2021-23

According to Section 29 (6) of IST Act 2010, the audit of the Institute is to be carried out by a reputed chartered accountant firm and audited financial statements should be submitted to the Auditor General of Pakistan every year.

During audit of Institute of Space Technology (IST), Islamabad for the years 2014-23, the management provided approved annual audited accounts till 2020-21.

Audit observed that the management failed to finalize its annual accounts for the years2021-22 and 2022-23 which is clear violation of IST Act.

Audit is of the view that management was required to finalize its accounts timely to get the true and fair picture of the financial statements of the university accounts.

The matter was reported to the management but no reply was received till finalization of report.

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

Audit recommends investigating the reasons regarding non-finalization of account and fixing responsibility on the person at fault.

Para-01 (IST-2014-23)

Chapter-5

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 FY2022-23	Revenue / Receipts audited FY 2022-23
Formations	6	3	51,880.88	10,218.900
Assignment Accounts (excluding FAP)	-			
Authorities /Autonomous Bodies etc. under the PAO	6	3		
Foreign Aided Projects (FAP)	-			

Classified Summary of Audit Observations

Audit observations amounting to Rs 16,106.986 million were raised in this audit. This amount also includes recoverable of Rs 9,161.92 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

Sr. No.	Classification	Amount (Rs in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	4.132
3	Irregularities:	
A	HR/Employees related irregularities	48.601
B	Procurement related irregularities	2,163.396
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	1,975.129
5	Others	11,915.728

5.1 Karachi Shipyard and Engineering Works Limited

5.1.1 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.

5.1.2 Comments on Audited Accounts

5.1.2.1 The working results of the Company for the financial year 2021-22 as compared with the preceding years are given below:

(Rs in million)

	2021-22	**% Inc/ (Dec)**	**2020-21**	**% Inc/ (Dec)**	**2019-20**	**% Inc/ (Dec)**	**2018-19**
Net contract revenue	8,191.93	32.62	6,176.83	31.48	4,697.86	17.41	4,001.20
Contract Costs	(6,201.00)	28.50	(4,825.82)	29.64	(3,722.57)	17.93	(3,156.54)
Gross profit/(loss)	1,990.93	47.37	1,351.01	39.55	975.29	15.46	844.67
Administrative expenses	(1,024.46)	19.12	(860.04)	19.15	(721.82)	(8.39)	(787.96)
Other Expenses	(132.96)	83.37	(72.51)	60.74	45.11	(237.85)	(32.72)
Profit from operations	833.516	99.19	418.46	100.84	208.36	768.52	23.99
Other income	1,493.99	159.32	576.12	(4.92)	605.95	1.55	596.73
Finance costs	(35.71)	1,317.06	(2.52)	17.76	(2.14)	31.85	(1.62)
Profit before taxation	2,291.80	131.01	992.07	22.15	812.18	31.19	619.10
Taxation	(1,285.49)	291.17	(328.63)	56.48	(210.02)	40.85	(149.11)
Profit/(loss) after taxation as audit	1,006.31	51.68	663.44	10.18	602.16	28.12	439.56
(Accumulated losses) closing/Un-appropriated profit	3,555.43	39.63	2,546.40	31.53	1,936.03	52.42	1,270.16
Income tax paid	(678.24)	14.79	(590.86)	69.50	(348.60)	10.78	(314.67)
Capital expenditure incurred	(3,298.25)	(16.76)	(3,962.57)	50.98	(2,624.63)	(32.93)	(3,913.01)
Govt. Grant received as per cash flow	625.34	(60.95)	1,601.34	(6.00)	1,703.48	(21.45)	2,168.75
Cash & cash	7,007.41	63.08	4,296.93	7.48	3,997.89	(10.68)	4,475.91

equivalent at beginning of the year							
Amount due from customers Ship Repair	976.11	114.93	454.16				
Amount due from customers General Engineering	416.49	244.26	120.98				
Contract receivables	2,250.26	713.72	276.54	(83.58)	1,684.03	108.96	805.91
Other receivables	51.70	3,846.56	1.31	-	-	-	-
Trade deposits & short-term prepayments	76.55	(19.91)	95.58	42.23	67.20	27.29	52.79
Sales tax receivable	538.07	29.97	414.01	24.45	332.68	(24.63)	441.42
Taxation-net	1,003.23	34.27	747.19	81.66	411.31	55.15	265.11
Cash generated from operations	1,798.37	(63.67)	4,950.32	289.11	1,272.21	(29.77)	1,811.42

(Source: Annual Audited Accounts 2021-22)

Financial cost increased by 1,317% to Rs 35.71 million in the year 2021-22 as compared to Rs 2.520 million in the year 2020-21, due to interest of government loan.

5.1.2.2 An amount due from customers (Ship Repair) increased by 14.93% to Rs 976.11 million in the year 2021-22 as compared to Rs 454.16 million in the year 2020-21. As it is an amount due from customers (General Engineering) increased by 244.26% to Rs 416.49 million in the year 2021-22 as compared to Rs 120.980 million in the year 2020-21.

5.1.2.3 Contract receivables 713.72% to Rs 2,250.26 million in the year 2021-22 as compared to Rs 276.54 million in the year 2020-21 due to non-recovery / non-adjustment from various contractors.

5.1.2.4 Sales Tax receivables increased by 29.97% to Rs 538.07 million in the year 2021-22 as compared to Rs 414.01 million in the year 2020-21 due non-recovery / non-adjustment from tax authorities.

5.1.2.5 Restricted accounts decreased by 59.41 % to Rs 475.38 million in the year 2021-22 as compared to Rs 1,171.12 million in the year 2020-21. This amount represents the grant received by the Company in relation to Ship Lift and Transfer System (SLTS) and civil work from the GoP representing an allocation of Public Sector Development Program (PSDP).

5.1.2.6 Company received Cash Development Loan (CDL) of Rs 820.00 million during 2021-22 from the GoP under the PSDP fund. The terms and conditions of the loans were not finalized, which have been proposed by Ministry of Defence Production, but have not been endorsed by Ministry of Finance as yet. Under the proposed terms and conditions, the loan will be interest free and is repayable in four equal installments amounting to Rs 205.000 million per year. Contrary to above, the Company short term investment is Rs 1,421.580 million during the year 2021-22 as compared to Rs 1,050.000 million in the year 2020-21.

5.1.2.7 Advertisement and publicity expenses increased by 459.43% to Rs 33.51 million in the year 2021-22 as compared to Rs 5.99 million in the year 2020-21, due to substantial increase in relevant expenditures.

5.1.3 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%**

The overall compliance of PAC directives needs improvement.

5.1.4 Audit Paras

5.1.4.1 Non-recovery of outstanding dues from different customers – Rs 6,385.179 million

Rule 7 of Public Sector Companies (Corporate Governance) Rules, 2017 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 2021-22, it was observed that an amount of Rs 6,385.179 million was lying outstanding against different customers.

Audit is of the view that the management failed to recover an amount of Rs 6,385.179 million from the above customers which reflects poor recovery mechanism.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management informed that after due verification by audit, outstanding amount was reduced to Rs.920.000 million. DAC directed to reduce the amount of para accordingly. DAC further directed the management that remaining amount may be recovered and verified by Audit on 'priority.

Audit recommends implementation of the DAC directives.

5.1.4.2 Irregular procurement of Luffing Crane – Rs 1,595.601 million equivalent to USD $7.980 million

Rule 04 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.

Rule 11 of PPRA, 2004 states that 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.

Rule 31(1) of PPRA, 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 Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2021-22, it was observed that the management awarded a contract to M/s Shanghai Zhenhua Heavy Industries Company Limited, ZPMC (local representative M/s KARSAZ), valuing USD $7,980,000 on May 30, 2022, for the procurement of two 60-ton Double Boom Level Luffing Cranes. This procurement did not align with the approved technical specifications, as per the Planning Commission's letter dated November 03, 2020, which clearly authorized the procurement of two 80-ton Luffing Cranes.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

5.1.4.3 Non-receiving of significant stores in transit – Rs 1,110.574 million

Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2017 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 Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that huge number of stores amounting to Rs 1,110.574 million was lying in transit up to 30.06.2022.

Audit is of the view that the items of significant value should have been transported at KS&EW in time.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management confirmed that verification amount of Rs 23.399 million was pending and remaining amount was verified by the audit. DAC directed to reduce the amount of para accordingly and pursue the matter on priority basis.

Audit recommends implementation of the DAC directives.

5.1.4.4 Non-completion of construction work – Rs 1,046.680 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 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 Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management awarded a civil works contract to M/s. ZKB & ZCL in October 2018, worth Rs 1,046.680 million. The contractor began some construction activities, with a completion deadline set for 2019. However, by that time, only 25% progress had been achieved. In December 2019, M/s. ZKB-ZCL requested an extension, which was granted until April 17, 2020. Despite the extension, the contractor's progress remained very slow until March 2020. The project was part of a National Level Program, and for the past two years, no progress has been made on the remaining construction, and the remaining work has not been assigned to another contractor. This suggests that management did not prioritize completing the project.

Audit is of the view that management did not take appropriate action against the contractor to ensure the completion of the assigned work and granted an unjustified extension until March 2020 and that LD charges should have been recovered.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that the work would be completed up to 30th June, 2024. DAC directed the management to submit revised reply w.r.t timeline of payment schedule. DAC further directed the management to get the record verified from Audit upon completion of the work.

Audit recommends implementation of the DAC directives.

5.1.4.5 Non-recovery of refundable sales tax – Rs 538.073 million

Section 10 of Sales Tax Act, 1990 states that 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) Karachi for the year 2021-22, it was observed that management has not recovered the refundable sales tax amount of Rs 538.073 million from the tax authorities as mentioned under section 10 of the Sales Tax Act, 1990. KS&EW is allowed under the Sales Tax Act 1990 as a Zero-Rated Sales Tax entity. For the shipbuilding and repairing ships KS&EW procures supplies / material / equipment from the suppliers for which they charged sales tax to KS&EW. Whereas KS&EW does not charge sales tax to its clients due to Zero-rating taxation. Therefore, the sales tax paid by the KS&EW is refundable under section 10 of the Sales Tax Act, which has not been refunded by tax authorities. This refundable sales tax amounting to Rs 538.073 million was outstanding as on June 30, 2022.

Audit is of the view that management failed to take serious efforts to recover its refundable sales tax. The management has not filed claims for the refund of sales tax in the due time.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management stated that after due verification by Audit, the amount of para was reduced to Rs 292.476 million. DAC further directed the management to get the record of remaining amount verified by Audit on priority.

Audit recommends implementation of the DAC directives.

5.1.4.6 Non-utilization of government grant – Rs 401.878 million

Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2017 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 Karachi Shipyard & Engineering Works (KS&EW), for the year 2021-22, it was observed that PSDP funds were released by the government during last many years on quarterly basis, but the funds amounting to Rs 401.878 million were neither utilized nor surrendered by the management. The detail of PSDP funds along with relevant files were called for from the management, but the management provided incomplete detail of funds and its utilization.

Audit is of the view that the management did not utilize the huge amount of PSDP Funds of Rs 401.878 million during the year 2021-22 which resulted in blockage of PSDP funds due to non-utilization.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management clarified that for opening of LC, there was a requirement of NBP to mark lien. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

5.1.4.7 Loss of income due to deduction of miscellaneous charges - Rs 306.991 million

Rule 7 of Public Sector Companies (Corporate Governance) Rules, 2017 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 2021-22, it was observed form the contracts that the different invoices have been raised by KS&EW. The Director Munitions Production (Navy) has deducted as miscellaneous charges Rs 306.991 million from the invoices without any reasons. Hence, the management sustained a loss of Rs 306.991 million on the account of miscellaneous deduction.

Audit is of the view that the management sustained a loss on account of miscellaneous deduction amounting to Rs 306.991 million, without any apparent reason.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed the management to pursue the matter on priority basis.

Audit recommends implementation of the DAC directives.

5.1.4.8 Non-collection of price variation claim – Rs 239.433 million

Clause 3.2 of contract agreement entails that Basic Contract Price (BCP) is calculated at current exchange of NBP i.e. 1 US$ = PKR 151.40. The exchange rate of US$ shall be ascertained on the day of release of each milestone payment and recorded. Any deviation from current exchange rate i.e. 1 US$ = PKR 151.40 as recorded for foreign exchange portion of every milestone shall be compensated to either side with the last milestone payment. Any additional provision of funds in allocated Head shall be recouped by NHQ. Clause 4.2 entails that purchaser will make payments within 30 days of receiving respective invoice of the contractor. If payment is delayed more than 45 days, the excessive period beyond 45 days shall be added in grace period for delivery of the respective tug.

During audit of Karachi Shipyard & Engineering Works (KS&EW), for the year 2021-22, it was observed form the file of contract No. 1262/129/DMP (Navy) dated June 30, 2020 (SB-289) that the management executed a contract agreement with a Pakistan Navy for construction, trials and delivery of 02 x Pusher Tugs along with other deliverables at Rs 1,553.700 million (US$ 10.260 million @ Rs 151.40) including taxes as per prevailing rates. However, management's letter to the Director Munitions Production (Navy) on February 01, 2023 reflected price variation claim payable after successful delivery of 03 x tugs for amounting to Rs 239.433 million. The variation claim of Rs 239.433 million was lying outstanding.

Audit is of the view that non-collection of price variation claim reflected weak follow up of recoveries.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management intimated that the price variation claim was under process. DAC directed the management to pursue the matter on priority basis.

Audit recommends implementation of the DAC directives.

5.1.4.9 Non-encashment of performance bank guarantee – Rs 207.250 million

Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2017 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. 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 Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management awarded contracts and hired various contractors and consultants for different projects. However, despite a considerable amount of time passing, more than two years, the assigned work was not completed as per the agreed timelines. The contractors and consultants failed to finish the work within the specified period. Surprisingly, the management did not take action to encash the performance bank guarantee, which amounts to Rs 207.250 million, despite this being a violation of the contract agreement. Further a payment schedule is as under:

(Rs in million)				
S. No.	**Name of Contractor / Consultant**	**Schedule date of completion**	**Status of work**	**PBG value**
1	IFS Research & Development Pvt. Ltd.	December 2019	Work in process	23.991
2	ZKB & ZCL	January 2020	Work stopped. Tasks not completed.	104.668
3	Ziauddin Ahmed & Company (Pvt) Ltd. (ZCL)	July 2020	Work stopped. Tasks not completed.	78.591
			Total	**207.250**

Audit is of the view that the management did not promptly encash a substantial performance bank guarantee worth Rs 207.250 million from the mentioned contractors.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management confirmed that bank guarantee in respect of M/s ZCL was encashed. Other two projects were still ongoing and their BGs were intact. Based on the above justification, DAC directed to conduct fact-finding inquiry.

Audit recommends implementation of the DAC directives.

5.1.4.10 Loss due to non-recovery of late delivery charges – Rs 191.378 million

According to clause 8.1.1 of contract agreement 26th March 2021, 15% of the basic contract price (BCP) will be released through Letter of Credit against shipping documents of 1st material package (steel, aluminum & pipes), bill of lading, packing list and commercial invoice, 05% of this payment will be retained as retention money.

According to clause 27 of KS&EW's Store Department procedure, if an item is rejected after inspection, the supplier has three weeks to retrieve it. Failure to do so results in the DGM (Stores) notifying the supplier, with copies to Purchase and Account Department, about storage charges (at KS&EW rates) for uncollected rejected items.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management awarded a contract to

M/s Swiftships LLC, USA, on March 26, 2021, for supply of a complete Kit of Material (KoM) for the construction of one Gun Boat at US $ 8,231,315 equivalent to Rs 1,275.854 million (calculated at an exchange rate of US $ 8,231,315 x Rs 155 per dollar). However, it was observed that during second shipment, the consignee (KS&EW) received a total of 181 steel plate materials (DH36) for the Gun Boat project, of which 163 plates were rejected by the inspection officer on April 7, 2022. Rejected materials were left unattended for over two months after rejection. The detail of the same is as under:

Date for Inspection	**Description**	**Total quantity material**	**Rejected quantity material**	**Accepted quantity material**	**Remarks**
07.04.2022	Shipment No.2 SB-293 (Gun Boat) steel plates	181 (steel plates)	163 (steel plates)	18 (steel plates)	Steel material (DH36) of gun boat has been tested however, steel plates do not meet the acceptance criteria.

Audit requested specific records and information through requisitions No. 43, 45 & 46 dated April 6th and 7th, 2023, which included the complete contract file with payment invoices, Material Inspection Reports for rejected steel materials related to the Gun Boat Project, the total amount released to Company for the first material package, and details of 5% retention money deduction. However, the management did not provide auditable records.

Audit is of the view that management did not impose the penalty of late delivery and non-recovery of LD & storage charges against defective materials which caused loss of Rs 191.378 million (15% of Rs 1,275,853,825).

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management intimated that the project was still ongoing and LD if any would be imposed on completion of the project. DAC directed the management to get the relevant record verified from the audit upon completion of the project.

Audit recommends implementation of the DAC directives.

5.1.4.11 Non-recovery of advances and liquidated damages from the defaulting contractor – Rs 167.491 million

Section 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 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 Karachi Shipyard & Engineering Works (KS&EW), for the year 2021-22, it was observed that an agreement was executed on June 26, 2019 between KS&EW & M/s. Ziauddin Ahmed & Company (Pvt) Limited (ZCL) for project infrastructure up gradation of KS&EW, Package-I, repair / replacement of work shop steel valuing Rs 785.910 million. The completion time of the work was twelve months i.e. July 07, 2020. However, the work was not completed and the contractor defaulted. It was further observed that the management had already granted an advance amounting to Rs 167.491 million in June, 2019, which was not recovered / adjusted.

Audit is of the view that non-recovery of liquidated damages and adjustment of amount reflected inaction and resulted into compromised intended objectives of the project.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that relevant documents regarding recovered amount was provided to the audit for verification. Audit confirmed that an amount of Rs 36.148 million was outstanding. DAC directed to reduce the amount of para accordingly and to get the remaining amount verified by the audit on priority basis.

Audit recommends implementation of the DAC directives.

5.1.4.12 Irregular award of ERP work & non-completion within specified period - Rs 152.332 million

Clause 5.1 of contract agreement dated September 07, 2018, the Basic Contract Price (BCP) is US$ 1,689,546 for the provision of software, implementation and Service Level Agreement. Further, clause 16.1 failure to deliver software / consultancy services according to the provision of this contract within prescribed delivery period or non-fulfillment of any other condition given in the contract will constitute default / failure on the part of the contractor.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the fiscal year 2021-22, it was observed that the management hired M/s Industrial & Financial System (IFS) Research & Development Pvt. Limited directly to implement ERP (Enterprise Resource Planning) software at KS&EW. The project was initially approved on July 26, 2016, and the contract was signed after a delay of two years, on September 07, 2018, with a total cost of US$ 1.689 million. The project was required to be completed by December 2019, but it has not been completed yet.

The management has already paid an amount of US$ 528,922, and upon payment of the remaining balance of US$ 1,160,624, an exchange loss of Rs 152.332 million will be incurred. The detail is hereunder:

Dollar conversion rate in February 2020	Rs 154.20
Dollar conversion rate in May 16, 2023	Rs 285.45
Difference in (285.45 – 154.20)	Rs 131.25
Exchange loss (1,160,624 x 131.25)	**Rs 152,331,893**

Audit is of the view that non-completion of works resulted into loss of exchange in conversion rate of Rs 152.332 million was held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management confirmed that the said work would be completed up to 30th June, 2024. DAC directed the management to complete the work by 31.01.2024 and get the relevant documents verified by audit.

Audit recommends implementation of the DAC directives.

5.1.4.13 Exchange loss due to collection in previous conversion rate – Rs 125.552 million

Clause 3.1 of contract No. 1262/58 dated 20.04.2015 between KSEW and Pakistan Navy states that the payment of Foreign Exchange (FE) portion of Basic

Contract Price (BCP) shall also be made in equivalent at Pak Rupees at the prevailing conversion rate on the day of release of each payment.

Clause 16.4.1 of contract No. 1262/114/DMP(Navy) dated September 06, 2018 between KSEW and Pakistan Navy stated that Milestone payment for "start of Steel Cutting" will be released to KS&EW within 30 days upon submission of these documents (i) Original invoice (in triplicates) of KS&EW for related milestone. (ii) Milestone certificate for start of steel cutting.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management incurred a loss of Rs 125.552 million due to a delay in collecting the Foreign Exchange portion of the Basic Contract Price, which amounted to US$ 57.016 million and Euro 2,687,500 million. According to the contract agreement, the Basic Contract Price should have been collected in Pakistani Rupees at the prevailing exchange rate on the day of each payment release.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that the case was under process. Pak Navy has confirmed availability of funds. The payment would be released. Based on the above justification, DAC directed the management to verify the relevant record by audit.

Audit recommends implementation of the DAC directives.

5.1.4.14 Loss of income due to payment of liquidated damages – Rs 90.345 million

Clause 16.1 of contract No. 1262/91/B/DMP (Navy) states that the total amount of Liquidated Damages on account of such delay shall not exceed 10% of the basic contract price provided delay is not more than 12 months of delivery of Tug. Incase delay exceeds 12 months, then purchaser reserves the right to either cancel the contract on risk and expenses of the contractor or may adopt further course of action with mutual consent of Contractor.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the Director Munitions Production (Navy) awarded a shipbuilding construction project to KS&EW. However, an amount of

Rs 90.345 million was deducted from various KS&EW invoices as liquidated damages (LD) charges due to delays attributed to KS&EW's management. The detail is hereunder;

Contract No.	Invoice No. & dated	LD Amount (Rs in million)
1262/136/DMP(Navy)/602	4650 dt. 25.11.2022	16.403
1262/91/B/DMP (Navy)	P2021120004 dated 30.03.22 (USD 0.175 million equivalent to Rs 35.757 million (@ Rs 204.56)	35.757
1262/91/B/DMP (Navy)	P2021120004 dated 27.04.2022	38.185
	Total	**90.345**

Audit is of the view that the management sustained a loss of Rs 90.345 million as liquidated damages due to delay in construction of ships.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed the management to carry out fact finding inquiry and submit the report for the perusal of PAO within one month before its sharing with audit.

Audit recommends implementation of the DAC directives.

5.1.4.15 Irregular procurement of services contract – Rs 85.756 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 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 audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management awarded a contract to M/s. Amcrop Gasco Joint Venture (AG-JV) for mechanical and electrical services, along with related civil works for the Ship Lift & Transfer System, valued at Rs 85.756 million through an agreement on August 08, 2021. However, the management did not comply the rule and award the contract without competitive process of bidding.

Audit is of the view that the management failed to employ the standard bidding process for competitive rates.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management confirmed that fora approval has been obtained and shared with audit for verification. DAC directed for verification of record.

Audit recommends implementation of the DAC directives.

5.1.4.16 Non-imposition of liquidated damages – Rs 56.714 million

According to contract agreement between KS&EW and (M/s. IFS clause 15.1 dated September 07, 2018 (Para 5 of M/s. Continental Enterprises) (Para -6 of M/s WARTSILA) and (Appendix-A of M/s. ECR Tech) stated that any delay in service3s beyond the schedule will render the vender liable for damages @ 2% per week of the subject job not exceeding 10% of basic contract price.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management engaged various suppliers, contractors, and consultants for different services and projects. However, despite significant delays in completing the assigned work beyond the agreed-upon timelines, the management did not enforce the liquidated damages, amounting to Rs 56.714 million. Detail is as under:

S.#	Contractor / consultant	Contract Value	Date of completion	Actual date of completion	LD (Rs in million)
1.	IFS Research & Development	USD 1.689 million (168,955/- x 280)	December 2019	Under process till 31.05.2023	47.983
2.	Continental Enterprises	Rs 41.302	26.11.2021	03.01.22 (Delay 36 days) 41,301,770 x 2% x 5 weeks	4.130
3.	Wartsila	Rs 13.628	31.03.2019 (30 days)	29.11.2020 (13.628*8%)	1.090
4.	M/s. ECR Tech.	Rs 43.874	04.05.22	25.07.22 (Delay 80 days)	3.511
				Total	**56.714**

Audit is of the view that non-imposition of liquidated charges reflected favoritism to the defaulting companies.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that the said para involved 4x contracts, (i) IFS Research and Development (h) Continental Enterprises, (iii) M/s Wartsila and (iv) M/s Esr tech and contracts at serial (i) & (ii) are duplicate which have already addressed, contract at serial (iii) & (iv) concerned force majeure was invoked due to Covid-19 therefore, LD was waived off. DAC directed the management for verification of the relevant record by audit.

Audit recommends implementation of the DAC directives.

5.1.4.17 Irregular award of contract to non-registered sales tax contractors – Rs 48.441 million

According to Para 2(1)(3) of Sales Tax S.R.O. No.660(I)/2007 dated June 30, 2007, "All withholding agents shall make purchases of taxable goods from a person duly registered under the Sales Tax Act, 1990. Further, Rule-42 (c) (iv) of PPRA, 2004 states that repeat orders not exceeding fifteen per cent of the original procurement provided that the procuring agencies shall specify appropriate for a vested with necessary authority to declare an emergency.

During audit of Karachi Shipyard & Engineering Works, Karachi for the year 2021-22, it was observed that the management entered into various contracts for disposal / sale of scrap material with the non-registered sales tax contractors valuing to Rs 48.441 million. These contractors were awarded the contracts on different dates as tabulated below:

S#	Contract No.	Name of contractor	Amount (Rs)
1	SBST-6/DT-938/CA-1095	M/s Sami Brothers	45,581,760
2	SBST-6/DT-929/CA-1056	M/s Ahsan Aziz	1,975,000
3	SBST-6/957-967-972 & 950	Al-Mustafa Trading & M/s Muzaffar	884,786
		TOTAL	**48,441,546**

Keeping in view of above, the management extended undue favour by awarding the contracts for disposal of scrap items to the non-registered sales tax contractors.

Audit is of the view that the awarding of contracts to non-registered sales tax contractors Rs 48.441 million is held irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed for verification of relevant record by audit.

Audit recommends implementation of the DAC directives.

5.1.4.18 Irregular procurement of spare parts and non-recovery of penalty charges for late delivery – Rs 41.301 million

Rule 04 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.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that management procured spare parts of vessel from supplier M/s Continental amounting to Rs 41.301 million on November 01, 2021 with 26-day delivery time for supply. However, procurement was made with delay of more than 65 days.

Audit is of the view that the procurement was made without competitive bidding and circumstances did not warrant for direct contracting as there was no any emergency. Resultantly, the benefit of competitive rates and fair competition was compromised.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management informed that emergency requirement was communicated to audit. DAC directed for verification of relevant record by audit.

Audit recommends implementation of the DAC directives.

5.1.4.19 Granting of un-secured advance to the contractor – Rs 39.803 million

According to Clause-60.11(a), the contractor shall be entitled to receive from the Employer Secured Advance against an indemnity bond acceptable to the Employer of such sum as the Engineer may consider proper in respect of non-perishable materials brought at the Site Works.

During audit of Karachi Shipyard & Engineering Works (KS&EW), for the year 2021-22, it was observed that the management awarded a contract of civil works to M/s ZKB & ZCL in October 2018 valuing Rs 1,046.680 million and contrary to above clause paid an amount of Rs 39.803 million as un-secured advance to the contractor.

It was also observed that neither the amount was recovered nor the management initiated the legal action against the contractor.

Audit is of the view that management made unjustified advance to the contractor.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that said work will be completed upto 30m June, 2024. DAC directed for verification of relevant record by audit. DAC further directed to streamline the procedure for further purpose.

Audit recommends implementation of the DAC directives.

5.1.4.20 Loss due to non-transferring of title of properties – Rs 31.791 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 and these rules.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2021-22, it was observed that the management did not transfer the title deed in favour of the KS&EW despite lapse of significant time. Moreover, KPT directly deduct the Annual Ground Rent (AGR) of more than 30% of the total bill payment against work. KS&EW on completion of job receive the payment after deduction of AGR without any contract agreement. The management paid Rs 31.791 million during the year to KPT on account of AGR irregularly.

Audit is of the view that non-transferring of title of land indicates that the management failed to safeguard company's interest. Hence, the payment of Rs 31.791 million and deduction the Annual Ground Rent (AGR) from the invoice bill against work without any agreement resulting loss to the company.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed the management to pursue the matter on priority basis.

Audit recommends implementation of the DAC directives.

5.1.4.21 Irregular award of contract of hiring of mobile cranes and fork lifters – Rs 31.629 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 20 of PPRA Rules, 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 Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2021-22, it was observed that the management directly selected M/s Crescent Carriers Pakistan and M/s Crescent Syndicates for hiring of mobile cranes and fork lifters on monthly rental basis. The contract was signed on November 01, 2021 for a period of six months (extendable). The contractors submitted to following quotations:

S #	Equipment Name	Monthly Rental charges (Rs)
1	80 Ton mobile cranes	840,000
2	40 Ton mobile cranes	440,000
3	20 Ton mobile cranes	250,000
4	10 Ton fork lifter	290,000
5	05 Ton fork lifter	200,000
Total		**2,020,000**

It was further observed that:

1. There was a lack of a docking plan for SLTS awarding of the contract to M/s. crescent syndicate for hiring an 80-ton hydraulic mobile crane.
2. The GM (SR) mentioned that the crane requirement was initiated by SLTS, with limited knowledge within ship repair (SR) regarding its usage and the docking plan.
3. Despite KSEW's own cranes, SLTS currently lacked crane facilities.

Audit is of the view that awarding of contracts without competitive bidding and other requisites were in violation of Public Procurement Rules. Thus, payment of Rs 31.629 million was held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management informed that in order to fulfill/complete the work, there was an extreme emergency duly approved by the Managing Director for hiring of mobile cranes and fork lifters. DAC directed the management to get the relevant record verified by Audit and adopt remedial measures in future.

Audit recommends implementation of the DAC directives.

5.1.4.22 Provision for doubtful trade debts – Rs 31.312 million

Section 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 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 Karachi Shipyard & Engineering Works (KS&EW), for the year 2021-22, it was observed that management created a provision for doubtful debts (Account No. 391) amounting to Rs 31.312 million as on 30.06.2022.

Audit is of the view that due to non-initiating timely action for recovery, provision for doubtful advances was made. This reflected slackness of management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that International Financial Reporting Standard-09 (IFRS-09) for the preparation of financial statements was applied as on 30th June, 2022 and accordingly recorded a provisional. Expected credit loss (ECL) amounting to Rs 31.312 million. The management further intimated that due to prompt realization of outstanding debts, substantial amount received in subsequent period resulting in to the reduction in ECL provision to Rs 21.02 million till to date. DAC directed the management to get the whole amount verified by the audit.

Audit recommends implementation of the DAC directives.

5.1.4.23 Irregular award of consultancy work – Rs 25.983 million

Rule 04 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.

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 Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management directly selected a foreign consultant, M/s Inros Lackner, for consultancy services related to the rehabilitation of Dry Docks 1 & 2. The consultant provided a quotation for reviewing the design and engineering services of the Dry Dock at a cost of Rs 25.983 million. The Managing Director approved this on November 30, 2017, and the services began on June 13, 2018. The management did not follow the proper procurement procedure.

Audit is of the view that awarding contracts without inviting a competitive tender process is irregular and unjustified. This matter needs to be clarified with supporting documents.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed the management to submit revised reply and place the case before fora and to obtain the ex-post facto approval by the relevant authority and get the same verified by the audit.

Audit recommends implementation of the DAC directives.

5.1.4.24 Award of consultancy work in excess of PC-1 – Rs 24.720 million

According to revised PC-1 dated 03.11.2020 approved and proposed consultancy work capital cost in revised PC-1 was given @ 2.5% of Rs 7,017.724 million, which is Rs 175.28 million.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management awarded three (03) contracts for services and supervision of works to M/s. NESPAK amounting to Rs 200.00 million without calling tenders as required under the rules. The excess amount of consultancy work of Rs 24.720 million is a violation of aforesaid rule. The agreement of this work was executed in December 2021. The contract work and price are as under:

			(Rs in million)
Description of services	**Amount as per PC-1**	**Actual contract amount**	**Payment of excess amount**
Consultancy @ 2.5%	175.280	200.000	24.720

Audit is of the view that the excess amount of consultancy work from the approved PC-I was held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that approval granted by Ministry was provided to audit. DAC directed the management to get the record verified by audit.

Audit recommends implementation of the DAC directives.

5.1.4.25 Irregular cash withdrawal instead of cross cheques – Rs 22.752 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 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 Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management withdrew an amount of Rs 22.752 million in cash from NBP (PN Dockyard branch Karachi Account No. 3075346718) over a span of 6 months instead of cross cheques.

Audit is of the view that payments should have been made using cross cheques and the cash was withdrawn without any justification.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management intimated that tax has been deposited into revenue department and relevant treasury receipts were shared with Audit for verification. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

5.1.4.26 Loss due to payment of escalation to the contractor for barrage project – Rs 20.370 million

As per clause 7.1 of contract agreement dated June 2021, the total contractual cost is Rs 13,221,000/- however, the activities and value of work conducted from activity (1 to 4) is being projected for performance in nine months w.e.f. June 2021 to February 2021. Clause 7.2. Amount payable to contractor may vary i-a-w. the actual duration of performance on same rates. 7.3. 100% payment will be paid on pro-rata basis i.e. amount of work being performed according to contracted work. 7.4. The invoice(s) submitted should be verified by the employer site representative.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2021-22, it was observed that an agreement was signed between KS&EW and M/s Bahria Dredging Company limited for "services of operations / handling of tug boat, caisson and bunder wall works at SB site for Sukkur barrage project valuing Rs 13.221 million with the nine months' completion time from June 2021 to February 2022. The subsidiary ledger mentioned the payment to M/s. Bahria dredging company was made a sum of

Rs 33.591 million during the whole year 2021-22. Further, the management paid escalation charges Rs 20.370 million to the contractor.

Audit is of the view that the management extended undue favour to the contractor and allowed escalation to M/s Bahria dredging company limited amounting to Rs 20.370 million i.e., 40% escalation than the original contract amount of Rs 13.221 million. Hence, the payment of escalation is considered loss to the company.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that the relevant record was provided to audit for verification. DAC directed for verification of relevant record by audit.

Audit recommends implementation of the DAC directives.

5.1.4.27 Loss due to unauthorized trade debts write off – Rs 16.224 million

Rule 7 of Public Sector Companies (Corporate Governance Rules), 2017 stipulates that the Board shall establish appropriate arrangements to ensure it has access to all relevant information necessary to enable it to carry out its role effectively. Significant issues shall be placed before the Board for its information and for corporate decision-making process. Significant issues shall include failure to recover material amounts of load, 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 2021-22, it was observed that an amount of Rs16.224 million was outstanding against customers for last few years which the management had written off from the books of accounts. It was further observed that the matter was not intimated to the Board for authorization.

Audit is of the view that the amount could not be recovered due to weak internal controls and company sustained loss of Rs 16.224 million due to write off.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that as per recommendations of the inquiry committee, action have been taken. LD charges have also been regularized. Based on the above justification. DAC directed for verification of relevant record by audit.

Audit recommends implementation of the DAC directives.

5.1.4.28 Award of work without competitive bidding – Rs 16.037 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.

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 Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management awarded a contract to M/s Orion Maritime Pvt. Limited on April 12, 2022 for the washing, grit blasting, sweeping, and painting work of PN FD-III without competitive bidding at Rs 14.192 million, excluding a 13% SRB Tax of Rs 1.845 million, amounting to Rs 16.037 million as stated in the minutes of approval. It was further observed that there was delay of 03 months from December 2021 to March 2022 in awarding the work, which was ultimately completed in May 2022.

Audit is of the view that award of work without competitive bidding reflected provision to the contractors.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management intimated that the client (Pak Navy) has reduced the time frame from 180 to 120 days for completion of work therefore, the emergency requirement was emerged and relevant document have been provided to audit for verification. DAC directed the management to get the record re-verified by the audit.

Audit recommends implementation of the DAC directives.

5.1.4.29 Award of contract of dredging without tender – Rs 13.221 million

Rule 4 of PPRA, 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. Further, 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 audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2021-22, it was observed that the management entered into contract agreement with M/s Bahria dredging company limited (BDCL) for "services of operations / handling of tug boat, caisson and bunder wall works at SB site for Sukkur barrage project without open tendering process. The contract agreement valuing Rs 13.221 million for period of nine months w.e.f. June 2021 to February 2022. The management obtained quotation on April 19, 2021 from M/s Bahria dredging for the services of work. In response, BDCL submitted quotation without original letter head and mentioning the date. Similarly, contract was awarded to after issuing the quotation period of (more than one month) i.e., on June 2021. However, it did not justify the emergency. The management had sufficient time period to obtain the open competitive bid instead of negotiated tendering. In addition, no documentary evidence showing employer (KS&EW) about their working schedule and completion thereon.

Audit is of the view that the management extended undue favour to the contractor by awarding amounting to Rs 13.221 million was held irregular / unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that the emergency requirement duly approved by the MD has been provided to the audit for verification. DAC directed for verification of relevant record by audit.

Audit recommends implementation of the DAC directives.

5.1.4.30 Un-justified award of work to the contractors on negotiated tendering – Rs 13.023 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 20 of PPRA Rules, 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 Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that contracts were awarded to following companies for various works amounting to Rs 13.023 million without competitive bidding:

S. #	Contractor's Name	Nature of works	Works awarded on	Contracts (Rs in million)
1.	M/s. ESA Engineers	For arrangement of local labor services for OEM assistance etc.	18.11.21	7.853
2.	M/s. Logic Unit	For uplift of offices, conference rooms comprising of paint etc.	20.10.21	5.170
			Total	**13.023**

It was further observed that these works were awarded with a delay of more than 2 months and the work was also completed in more than 2 months against stipulated 18-days' deadline.

Audit is of the view that award of work without competitive bidding and non-imposition of LD against significant delay reflected favoritism to the contractors.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The Management clarified that an immediate docking of ship was requested by the client as the seal of ASD Thruster was broken and oil was being continuously leaking OEM also recommended for urgent docking of the vessel, therefore, extreme emergency was involved in the matter. The management also intimated that due to emergent visit of Chinese team, emergency was created to complete the work and documentary proof was provided to the audit for verification. DAC directed for verification of relevant record by audit.

Audit recommends implementation of the DAC directives.

5.1.4.31 Provision for loss on incomplete jobs – Rs 5.937 million

Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2017 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. 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 Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that there was a provision for a loss on incomplete jobs amounting to Rs 5.937 million in the general ledger (under code 392) as of June 30, 2022. The audit requested Schedules of Accounts from the management through requisition No. 01 dated March 22, 2023, but despite four reminders, no records were provided.

Audit is of the view that these jobs should have been completed within the specified timeframe as non-compliance in time may entail liquidated damage charges.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management intimated that an amount of Rs 3.845 million had been got verified from the audit. DAC directed to get the remaining amount of Rs 2.092 million verified from the audit.

Audit recommends implementation of the DAC directives.

5.1.4.32 Irregular promotion of MTOs to Assistant Manager(s) – Rs 5.759 million

As per KSEW Service Rules for employees 2019: 1. Officers in technical cadre grade - ii 1.2. Assistant Manager (technical) including Assistant Manager drawing testing and Assistant Programmer and programmer shall be in this grade. Minimum of 50% of posts to be filled by direct recruitment of persons with BE or MSc or relevant equivalent qualification.

1.2.1. Minimum 20% to be filled-in by promotion of selected KS&EW employees with 3 (three) years diploma or equivalent qualification (B.Sc. in Mathematics, Physics, Chemistry or equivalent) and having not less than 6 (six) years' experience after diploma or equivalent qualification. The avenues for selection hall be all major business units of KS&EW.

2. Officers in non-technical cadre 2.1. Grade-i (a) Assistant Manager minimum 50% by promotion of selected persons from the grade of Senior Supervisor (SG)-cum-P.A. rest by direct recruitment (the above-mentioned percentage will not be applicable if sufficient persons do not qualify the test).

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the selection committee promoted Management Trainee Officers (MTOs) to Assistant Managers (AMs) by granting waivers for candidates with less experience.

It was further observed that some positions were filled in different departments despite the fact that these departments had excess staff.

Audit is of the view that the promotions and appointments were made contrary to the established selection criteria. Hence, the payment of salary Rs 5.759 million was held irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed the management to obtain the approval of Board of Directors and get the same verified by the audit.

Audit recommends implementation of the DAC directives.

5.1.4.33 Irregular award of contract – Rs 5.684 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, 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 audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2021-22, it was observed that the management invited tender for services of cranes dismantling of level luffing crane without press advertisement. The offers were invited through negotiated tendering by displaying on KS&EW notice board and the quotations were obtained through telephone. Two subcontractors submitted their quotations. The management assigned mentioned job to M/s. Crescent Transport Syndicate being the lowest bidder an amount of Rs 6.00 million. The management paid Rs 5.684 million to the contractor during the year 2021-22 against work job. Further, no documentary evidence of work completion certificate was found in the record file. However, the job was awarded to selective party without any urgency and benefit of competitive rates was not obtained. Thus, the process for services of cranes - dismantling of level luffing crane was made in non-transparent manners. The circumstances did not warrant invoking Rule 42(d), as there was not emergency or reasonable pretext. Resultantly, the benefit of competitive rates could not be properly ascertained due to negotiated tendering instead of advertisement.

Audit is of the view that the services of cranes-dismantling of luffing crane by the management through negotiated tendering and payment of Rs 5.684 million is held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that work completion certificate and other relevant record has been provided to audit for verification. DAC directed for verification of relevant record by audit.

Audit recommends implementation of the DAC directives.

5.1.4.34 Award of work to a firm without any relevant experience – Rs 5.170 million

Clause 2.1 of tender documents dated November 04, 2021, objective of the tender - proposal and sealed quotations are invited for hiring of services to renovation of offices (comprising of paint / white wash / office furniture /- false ceiling / bathroom fitting / electric socket / LAN / Telecommunication equipment ACs for control environment) at KS&EW from well reputed suppliers / firms, which have the experience of subject work.

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2021-22, it was observed that the management entered into agreement on December 24, 2021 with M/s. Logic Unit for renovating offices, conference rooms, and related areas for Rs 5.170 million and signed the agreement on December 24, 2021. However, it was observed that this Company had no prior experience in this type of work. According to online verification, this company was categorized as a software and IT system development consultant, which didn't match the requirements stated in the tender document.

Audit is of the view that awarding the contract to an inexperienced contractor indicates non-transparent award of work without proper evaluation.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed the management carry out fact finding inquiry and submit the report for the perusal of PAO within one month before its sharing with audit.

Audit recommends implementation of the DAC directives.

5.1.4.35 Irregular appointment of external auditors – Rs 4.484 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).

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 Karachi Shipyard & Engineering Works (KS&EW), for the year 2021-22, it was observed that the management appointed a Chartered Accountant firm M/s BDO Ebrahim & Company for the audit of financial statements for the year 2020-21 & 2021-22 without competitive process and concurrence of Auditor General of Pakistan. The management paid an amount of Rs 4.484 million to the Chartered Accountant firm. During audit, file for appointment of Chartered Accountant (Audit Firm) was called for from the management, but no detailed record was produced to audit, despite four reminders.

Audit is of the view that hiring of services without competitive bidding and concurrence of AGP office is held irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management apprised that the said appointment was made with the approval of the Board of Directors in 53rd Annual General Meeting. DAC directed to compliance the instruction of Auditor General Office.

Audit recommends implementation of the DAC directives.

5.1.4.36 Irregular expenditure on advertisement – Rs 4.278 million

According to Press Information Department (PID) letter No.18 (47)/2014-Advt dated October 13, 2014 some Ministries / Divisions / Department / Corporations / Autonomous and Semi-Autonomous bodies have been releasing their advertisement to newspapers through advertising agencies, by passing PID. The competent authority i.e. DG/PIO has taken serious notices of such gross violation of GOP rules and deviation from the approved policy.

During audit of Karachi Shipyard & Engineering Works (KS&EW), for the year 2021-22, it was observed that the management spent Rs 4.278 million on advertising through private agencies, specifically M/s. HAWK Advertising & Communication and M/s National Advertisers Pvt. Limited. However, contrary to above guidelines, the advertisements were directly released to the Companies.

Audit is of the view that since prescribed procedure was not followed, the payment of Rs 4.278 million was held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. The management clarified that being a self-resourced SECP approved company;

therefore, the guidelines for advertisement through RID are not applicable on KS & EVV. DAC directed the management to submit revised reply and get the record verified from the audit.

Audit recommends implementation of the DAC directives.

5.1.4.37 Irregular promotion of manager without requisite service experience – Rs 3.538 million

As per rule 2.5 (b) of KSEW Service Rules for employees 2019, Deputy General Managers (Grade-V), Upon promotion from Manager with minimum of 06 years of service but with the recommendation of the concerned GM or when suitable persons are not available for promotion, upon direct recruitment of those possessing professional experience and qualification.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2021-22, it was observed that management promoted Mr. Shoaib Ali from Manager to Deputy General Manager (Grade-V) before attaining the minimum of service experience of six (06) years as Manager. Further, the officer was promoted without observing the seniority list/merit & having deficient experience. The promotion within the officers' class was not strictly governed on merit basis in instant case i.e., seniority and length of service.

Audit is of the view that promotion 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 3.538 million is held irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed the management to get the matter regularized by the Board and relevant record be verified by the audit. DAC further directed that such practice may not be repeated again in future.

Audit recommends implementation of the DAC directives.

5.1.4.38 Irregular promotion of Manager (Admn) without requisite service experience – Rs 2.337 million

As per rule 2.5 (a) of KS&EW Service Rules for employees 2019, Manager - selected (grade-v) by promotion from manager having 03 years of service. Further, (3.2) No Employee will have a claim to be promoted to any particular post by virtue of seniority; Promotion shall only be made in accordance with the guidelines for promotion as per Annexure A. (3.3). The term 'merit', wherever prescribed in the criteria for promotion, includes professional (technical) qualification, efficiency, experience, previous record of service and general behavior.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2021-22, it was observed that the management promoted Lt. Cdr. (retired) Saeed Ashraf from grade-IV to grade-V before attaining the service experience of three (03) years as required for promotion to next grade. Further, the incumbent got accelerated promotion despite having deficient experience. The promotion within the officers' class was not strictly governed on merit basis in instant case i.e. seniority and length of service.

Audit is of the view that promotion without meeting criteria reflected favoritism to the individual. It reflects weak internal controls and HR management. Hence, expenditure on account of pay and allowance Rs 2.337 million is held irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 20, 2023. DAC directed the management to get the relaxation and the matter be regularized from the Board of Directors during next Board Meeting.

Audit recommends implementation of the DAC directives.

5.2 Pakistan Ordnance Factories (POFs)

5.2.1 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 2022-23

(Rs in million)

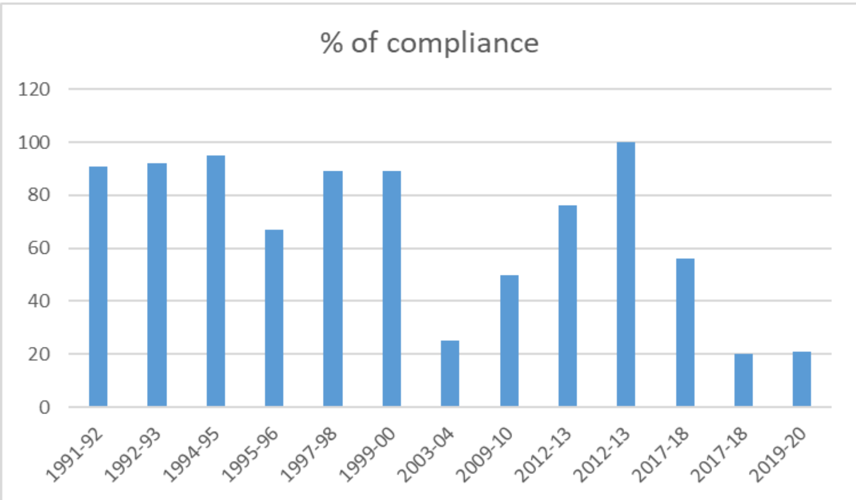
S. No	Head of Account	Budget allocation	Prog. Expenditure	Excess/less
1.	Pay and Allowances	18,051.228	18,663.976	(612.748)
2.	TPT &Misc.(Normal)	1,250.938	1,332.861	(81.923)
3.	**Revenue Works**			
	(Maintenance) Civil	470.462	412.330	58.132
	Utilities	5,147.725	5,316.645	(168.92)
	Total Revenue Works	**5,618.187**	**5,728.975**	**(110.788)**
4.	**Capital Works**			
	Capital Works	679.454	63.114	616.34
5.	**Common user items**			
	Ration	119.960	112.543	7.417
	POL	356.236	337.635	18.601
	Medical Store	593.500	173.707	419.793
	Total common user item	**1,069.696**	**623.885**	**445.811**
6.	Assistance Package	450.000	578.017	(128.017)
7.	Indigenous purchase	6,422.987	6,043.065	379.922
8.	Fresh Import	2,890.000	3,284.023	394.023
9.	Carry over	5,450.450	4,333.194	1117.256
10.	Custom Surcharge	366.622	549.933	(183.311)
11.	Sales Tax	477.832	716.748	(238.916)
Total:-		**42,727.39**	**41,917.79**	**809.6**

5.2.2 Comments on Audited Accounts

5.2.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation Accounts of the Defence Services for the year 2022-23.

5.2.3 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 in recent years is not satisfactory which needs immediate attention of the PAO.

5.2.4 Audit Paras

5.2.4.1 Loss due to sale of electricity at self-generation cost/rates - Rs 232.675 million and non-recovery of WAPDA bills amount from consumers - Rs 1,488.434 million

Rule 10 of GFR provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Further rule-26 of GFR provides that it is the primary responsibility of the departmental authorities to see that all revenues or debts due to governments which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of POFs Director Services for the years 2019-20 to 2021-22, it was observed that the management generated electricity through own Power House to meet the electricity requirement POFs, allied departments, private companies and residential areas of Wah Cantt. The self-generated electricity was sufficient to meet almost 95% requirement of POFs. However, to cater for the electricity need of other private industries, colonies/houses, the management purchased electricity from WAPDA. During this period, total available electricity was 404,994,570 units (Self-generated 304,189,521 units + purchased from WAPDA 100,805,094 units) out of which 377,016,238 units were consumed (i.e. POF 289,832,387 units + private area 87,183,851 units) while the rest units were declared as line losses.

Audit holds that the POF’s own production was sufficient to meet its requirement. Thus, units provided to private users had to be charged on WAPDA rate. POFs charged WAPDA rate from private colonies/residents but private companies were provided electricity at self-generated rates which resulted into loss of Rs 232.675 million (Annex-34). Audit, further observed that management procured 100,805,049 units from WAPDA valuing Rs 2,866.401 million against which POFs recovered only Rs 1,377.967 million from the private colonies and commercial areas for utilization of 58,421,465 units. Thus the POFs sustained further loss of Rs 1,488.434 million.

Audit is of the view that electricity provided to private industries, be charged at WAPDA rates to avoid loss.

The matter was reported to the management on 15.08.2023, the management in its reply dated 15.12.2023 stated that the synchronizations of gas Gen sets with IESCO is a technical requirement to meet the abrupt requirements of factories and also to safe guard the gen sets during faults in the network.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to get the relevant documents verified from the Audit. DAC further directed the management to streamline the procedure, work out the amount in consultation with Audit and due payment (WAPDA Rate) be obtained from the subsidiaries/consumers.

Audit recommends compliance of DAC directives.

Para-2 (Dir. Services – 2019-22)

5.2.4.2 Loss due to non-reporting / billing of excess units consumed - Rs 693.249 million

Rule-26 of GFR provides that it is the primary responsibility of the departmental authorities to see that all revenues or debts due to governments which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of POFs Director Services for the years 2019-20 to 2021-22, it was observed that POF Electrical Department (ED) submitted quarterly consumption report of electricity vs total available KWH/units (self-generation + Import from WAPDA) to CMA. The said reports revealed that the electrical department reported wrong figures of line losses by considering two percent (2%) of available units as allowable limit only. While, other surplus consumed units worked out after adjustment of actual consumption in different factories/departments was not considered as loss rather the same were adjusted against Estate Area. The record revealed that the actual loss on account of surplus units consumed was Rs 693.249 million against which the ED department reported loss of Rs 201.13 million. Thus, loss of Rs 492.12 million remained un-reported. The loss was due to utilization of electricity without installation of meters. Detail of actual loss sustained by the POF and reported is given as under:

Year	Reported million units consumed in Estate Area	Actual million units consumed in Estate Area	Loss (million units)	Loss on account of electricity reported to CMA (million units)	Actual Loss Million units	Average Composite Unit Rate (Self + WAPDA)	Loss Amount (Rs in million)
2019-20	53.181	47.164	6.017	2.582	8.599	22.180	190.726
2020-21	48.778	40.857	7.921	2.778	10.699	23.295	249.233
2021-22	57.757	47.383	6.374	2.945	9.319	27.18	253.290
Total	**155.716**	**135.404**	**20.312**	**8.305**	**28.617**	**24.218**	**693.249**

Audit is of the view that the concerned department concealed actual loss and only reported loss to the extent of allowable limit. Thus, due to consumption of extra units, the POF sustained loss of Rs 492.12 million.

The matter was reported to the management on 15.08.2023. The management in its reply dated 15.12.2023 was of the point that loss (units) was actual units consumed by official buildings/ barracks/flood lights of Golf clubs & Oval stadium/pumps/tube wells/filtration plants.

Plea of the management is merely a statement. The management was required to install meter at each location to arrive at loss amount.

The issue was also discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to install meter at all locations, streamline the accounting procedures and get the relevant record verified from Audit.

Audit recommends to implement the recommendations of the DAC. Besides, investigate the reasons of non-reporting of actual losses, their reflection in Annual Accounts and write off from competent authority at Ministry level besides fixing responsibility and corrective measures be taken.

Para-4 (Dir. Services – 2019-22)

5.2.4.3 Non-recovery against export sales – Rs 84.44 million

According to Rule-26 of GFR "it is the primary responsibility of the departmental authorities to see that all revenues or debts due to governments which have to be brought to account are correctly and promptly assessed, realized and credited to the public account".

During audit of POF Export Division for the years 2020-21 & 2021-22, it was observed that balance of Rs 84.442 million was lying outstanding on account of export sale proceeds against different parties since long.

Audit is of the view that the management failed to safeguard the entity's interest to recover the long outstanding amount due against different export orders since long. Thus, non-recovery of Rs 84.44 million led to loss to the POF on this account.

The matter was reported to the management on August 26, 2023; the management in its reply dated 15.12.2023 agreed with Audit and stated that efforts were being made for the recovery of outstanding amount.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to pursue the recovery.

Audit recommends compliance of DAC directives.

Para- 4 (Export Div. – 2020-22)

5.2.4.4 Loss due to less charging of rent by Wah Engineering College - Rs 55.651 million and non-deposit of government share into treasury - Rs 11.375 million

According to Policy guidelines on use of A-I land issued vide Ministry of Defense Production Division letter No. F-2/5/D-12/ML&C/99 dated 2nd April, 2008; the rent shall be charged in the light of 1980 Policy Guidelines i.e. @ 6% per annum of the existing revenue rate of the said land, notwithstanding the tenancy/rent agreements of the military authorities with users. 25% of the calculated rent will be deposited into Government treasury and 75% balance will be utilized by the respective Formation/establishment as per policy to be laid down by the respective Services Chief.

During audit of POF Institute of Technology (POFIT) for the years 2016-17 to 2021-22, it was observed that the management entered into an agreement with POF Welfare Trust dated 01.09.2004 for construction, establishment, running and maintaining an Engineering College with in the premises of POFIT Wah Cantt. Accordingly, management rented out their buildings having covered area of 54,591 Sft. for a period of 33 years at the rate of Rs 6.50 per Sft. with 6% annual increase. The management also leased out its new building for Civil Lab measuring 11,523 Sft. at annual rent Rs 12.33 per Sft. with 6% increase annually w.e.f July, 2021.

However, it was observed that the management did not calculate the rent according to the policy guidelines on use of A-I land issued by the Ministry of Defence Production vide letter referred above which states that the rent shall be charged @ 6% per annum of the existing revenue rate of the said land. Audit observed that the rates being charged from the client was/is very low as compared to DC rates which caused loss of Rs 55.651 million to the formation.

Further, during the period from 2016-17 to 2021-22 rental charges of Rs 45.499 million were received by the POFIT but the management failed to deposit the government share @ 25% amounting to Rs 11.375 million of the rental charges into government treasury.

The matter was reported to the management on September 26, 2023; the management in its reply dated 15.12.2023 stated that Wah Engineering College (WEC) was working under the umbrella of POF Welfare Trust i.e. a Non-Profitable.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to follow the A-1 land policy in letter & spirit and get the documents verified from Audit.

Audit recommends compliance of DAC directives.

Para-2 & 3 (POFIT – 2016-22)

5.2.4.5 Loss due to non-recovery of risk purchase cost from the defaulting firm – Rs 22.002 million

As per Clause - 4.3 of Purchase Manual of POFs and Clause 6.4 of Tender Enquiry, in case of failure of supplier to supply the store within original or extended delivery period, the un-supplied store will be purchased from elsewhere at the risk and cost of the supplier.

During audit of POFs SCM for the years 2018-19 to 2021-22 it was observed that the management awarded contract for procurement of four items of Ferrous Material to a firm with delivery period up to 31.12.2018 or earlier. The firm could not supply the said store even after final notice. The management took the action of risk and cost against the said defaulter firm and procured the requisite store from another firm at a higher price. After forfeiture of CDR, Rs 22.002 million were still recoverable from first contractor.

Audit is of the view that due to non-recovery of risk & cost amount from the defaulting firm, the formation was likely to sustain loss on this account.

The matter was reported to the management on 11.09.2023; the management in its reply dated 15.12.2023 was agreed with the facts highlighted by Audit and stated that case had been referred to the Legal Department and was under process.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to pursue the case vigorously in the Court of Law.

Audit recommends compliance of DAC directives.

Para-8 (SCM – 2017-22)

5.2.4.6 Loss due to procurement of store at higher rates – Rs 18.049 million

As per Rules – 4 of the Public Procurement 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 8 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.

During audit of POF SCM for the years 2017-18 to 2021-22, it was observed that the management did not devised a plan / mechanism for all proposed procurement by determining its annual requirement. Due to non-planning/ determining annual requirement, POF purchased store at higher rates by floating subsequent contracts and sustained a loss of Rs 18.049 million.

Audit is of the view that the management was required to assess its annual requirement at year start and accordingly purchase the store by adopting proper purchase procedure through open tendering but in this specific case, the purchases were made in piece meal which caused loss to the formation. Further store was of routine nature for which sufficient funds were available but the management did not devise/plan a mechanism for all proposed procurement by determining its annual requirement under rule 4 & 8 of PPRA, due to purchase of store in piecemeal at higher rate, the POF sustained a loss of Rs 18.049 million.

The matter was reported to the management on 11.09.2023; the management in its reply dated 15.12.2023 stated that due to fluctuations in production targets/timelines, supplementary indents against the demand of different factories have to be raised. Purchase department is bound to materialize these supplementary demands as and when received.

The issue was also discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to conduct a Fact Finding and submit its report for the perusal of PAO through administrative wing of MoDP within one month before sharing with the audit.

Audit recommends compliance of DAC directives.

Para-4 (SCM – 2017-22)

5.2.4.7 Loss due to theft of store (copper) - Rs 4.132 million

As per rule-23 of GFR, "Every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence".

During the Audit of a POFs Factory for the year 2019-20 to 2023, it was observed that a case of theft of copper occurred in March, 2022. As per record a Govt. vehicle driven by an employee was searched at main gate of the factory and found that the vehicle was carrying three bundles of copper (68 kg). The theft attempt was made by the driver with the help of another employee. Both officials were suspended on 09.03.2022. The copper was procured from abroad during

1982-1987. The store was not entered in ledger/bin card even not taken on charge by the factory management.

A fact-finding inquiry was conducted which proved that the copper was placed in 96 x Packed wooden boxes out of which 56 x were found empty and probable net weight of missing material was 2,262.13 kg the value of which comes to Rs 4.132 million (approx.).

The Fact finding Inquiry Committee recommended a court of inquiry. The Court of inquiry committee mentioned that 35 x wooden boxes with 43.5 kg each, were found missing from the building and calculated that they had stolen 1,522.5 kg copper amounting to Rs 2.709 million. The findings of the Inquiry Committee were contrary to the findings of Fact Finding Committee who pointed out 56 missing wooden boxes with 2262.13 kg. On 09, March, 2023 Chairman, POF Board directed that criminal proceedings and disciplinary action be initiated against besides recovery of Rs 2.709 million from both the culprits.

Audit is of the view that the theft of the precious store was a serious incident and raised concerns about the security of the organization's assets and effectiveness of internal controls.

The irregularity was reported to the management on November 22, 2023. The management in its reply dated December 15, 2023 stated that recovery was under process and would be affected in due course of time.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to complete the process immediately and get the relevant documents verified from the Audit.

Audit recommends compliance of DAC directives.

Para-3 (Sanjwal Fy–2019-23)

5.2.4.8 Loss due to in-efficient procurement of store – Rs 3.159 million

As per Rules – 4 of the Public Procurement 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 POF SCM for the years 2017-18 to 2021-22, it was observed that the management called tender for purchase of 8511 kg. steel tool vide dated 29.3.2019. As a result of open tendering M/s People Steel stood lowest with Rs 500 per Kg. accordingly, contract dated 7.11.2019 was awarded to the firm at his quoted rate.

In the meantime, the user department raised another Tender Enquiry dated 1.7.2019 for procurement of 15,000 Kg same Steel Tool. This time again M/s People Steel submitted its bid offering Rs 680 per Kg. The contract dated 7.11.2019 was awarded to the firm at his quoted rate.

Audit is of the view that rate of Rs 500 per Kg offered by the firm against TE dated 29.3.2019 was lowest as compare to rate of Rs 680 per Kg offered against TE dated 1.7.2019. The management was required to include the quantity of later indent in 1st tender but two separate contracts were issued on same date due to which POF sustained loss of Rs 3.159 million (15,000 Kg x Rs 680 per Kg – Rs 500 = Rs 2,700,000 + GST Rs 459,000).

The matter was reported to the management on 11.09.2023; the management in its reply dated 15.12.2023 stated that procurements were made against two separate indents.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to get the relevant record verified from Audit authorities within 3 x days but no record was provided for verification till finalization of report.

Audit recommends compliance of DAC directives.

Para-3 (SCM – 2017-22)

5.3 Pakistan Ordnance Clothing Factory

5.3.1 Introduction

Pakistan Ordnance Clothing Factory was established under the POFs Board Ordinance 1961 to meet the clothing requirements of Pakistan Armed Forces.

Receipts and expenditure (variance analysis) for the year 2022-23

(Rs in million)

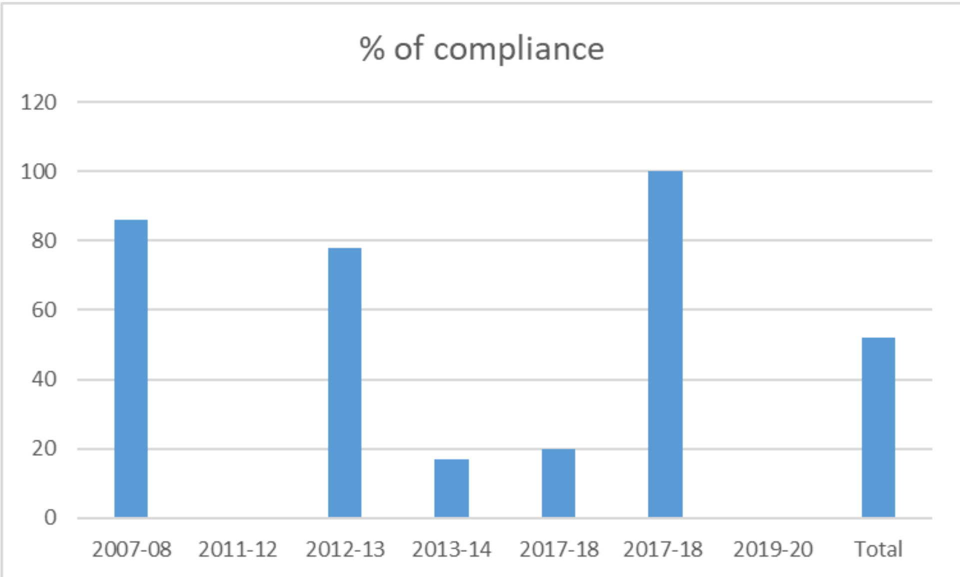
Sr. #	Head of Account	Budget Allocation	Expenditure	Excess/Less
1	Pay & Allowances	140.00	152.128	(12.28)
2	TPT & Misc. (Normal)	5.30	5.03	0.27
	Revenue Works			
3	Civil Works	3.14	3.14	0
	Common use items			
4	Indigenous Purchases	70.03	70.03	0
5	Salaries of casual manpower	194.00	18.21	175.79
6	Overtime	4.00	0.03	3.97
7	Store	115.73	85.72	30.01
8	Assistance package	6.08	6.08	0
	Total	**538.28**	**340.52**	**197.76**

5.3.2 Comments on Audited Accounts

5.3.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation Accounts of the Defence Services for the year 2022-23.

5.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Outstanding Paras	% of compliance
2007-08	07	06	01	2.2.6	86
2011-12	02	0	02	5.3.2.1, 5.3.3	0
2012-13 (POCF CADS)	09	07	02	2.2.2, 2.2.5	78
2013-14	06	01	05	5.3.1, 5.3.2 & 5.3.2.1, 5.3.3,5.3.4.1,5.3.4.2	17
2017-18	05	01	04	7.3.1, 7.3.2, 7.3.3, 7.3.4.2	20
2017-18 (CADS)	08	08	00	-	100
2019-20	07	0	07	4.3.1, 4.3.2.1, 4.3.3, 4.3.4.1, 4.3.4.2, 4.3.4.3, 4.3.4.4,	0
Total	**44**	**23**	**21**		**52**



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

5.3.4 Audit Paras

5.3.4.1 Un-justified execution of supply contract - Rs 283.296 million

According to Clause-III(1) of Memorandum of Association of M/s Wah Industries Ltd. (WIL) Wah Cantt, the objects for which the Company was established are "to enter into an agreement with Pakistan Ordnance Factories, Wah Cantonment, Pakistan, to secure appointments of the Company as sole selling agents for the period and upon the terms and conditions as may be agreed upon and for sale and distribution of the products, which are presently in production or are capable of production by the Pakistan Ordnance Factories in Pakistan or elsewhere".

During audit of Pakistan Ordnance Clothing Factory (POCF) Wah Cantt for the years 2021-22 and 2022-23, it was observed that since 2019-20 POCF had not contributed in export earnings of POF and there was also decreasing trend in civil production/sales. WIL management received order for supply of 1,752 Nos. Bullet Proof Jackets (BPJs) from Police departments. Instead of placing the order on POCF, after getting approval of Chairman POF Board, 2,300 BPJs were procured from a private from Lahore at Rs 283.296 million.

Main objective to establish the Pakistan Ordnance Clothing Factory (POCF) was to meet the garment requirements of Pakistan Defence Forces, LEAs (Law Enforcement Agencies) and IFDs (Inter Factory Demands) during war and peace alongwith utilization of the surplus capacity for commercial and export orders. The POCF was established with government investment and was running in losses due to the reasons of non-getting of production orders from Govt. departments / organizations. POCF had ultimate production capacity and work environment with professional work force to cope with each and every garment related production order.

Audit is of the view that the management of POCF was required to make efforts for getting orders at least from the subsidiary companies of POF. While, being a subsidiary company of POF, WIL management should approach POCF management to fulfill the supply order of Bullet Proof Jackets, as the factory was established to manufacture garments related items for Defense Forces and LEAs.

So, negligence on the part of POCF / WIL management resulted in failure of getting order from WIL worth Rs 283.296 million.

Matter was reported to the management on September 10, 2023; the management in its reply dated December 15, 2023 admitted the facts highlighted by Audit and stated that due to urgent requirement, the order could not be placed on POCF.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to get the relevant record showing time frame demanded by the client along with other documents, verified from Audit.

Audit recommends compliance of DAC directives.

Para-10 (POCF – 2021-23)

5.4 Wah Brass Mills (Private) Limited

5.4.1 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.

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 for the year 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the year 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(Annex-2)***.

5.4.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

5.4.4 Audit Paras

5.4.4.1 Irregular award of work at higher rates - Rs 48.389 million

According to ruling of E-in-C Branch GHQ Rawalpindi vide letter No. 2005/22A/Ruling %age/E2 dated 05.09.2014, revised ruling percentage for building works, external services and furniture has been approved by E-in-C provisionally without Schedule-B stores 49% and with Schedule-B stores 33% for Taxila station. According to ruling of E-in-C Branch GHQ Rawalpindi vide letter No. 2005/22A/Ruling %age/DP&W/E2 dated 110.09.2015, revised ruling percentage for year 2015-16 for building works, external services and furniture has been approved by E-in-C provisionally without Schedule-B stores 2% and with Schedule-B stores (1) % for Taxila station.

During audit of Wah Brass Mill for the year 2021-22, it was noted that the management awarded civil work to M/s Architectural & Civil Engineering Related Services through four different contract agreements in 2014-15 on item based rate (MES CSR) valuing Rs 248.672 million.

Audit observed that the management awarded all four contract agreements at 85% above on MES schedule of Rate 2009 and 25% above for non-schedule items. As per above mentioned ruling the management should have awarded contract agreements at 49% above the MES schedule of rates instead of 85% resultantly management sustained loss of Rs 48.389 million.

It is pertinent to mention here that the MES schedule of rates was revised on 28.08.2014 and management awarded the contract agreement mentioned at Serial No. 2, 3 & 4 at the MES schedule of rates 2009 plus 85% premium. It is worth mentioning here that the nomenclature of items of work used in the bill of quantities of all four above-mentioned contract agreements were changed, therefore, Audit was unable to trace and verify rates from the MES Composite Schedule of Rates 2009 & 2014.

Audit is of the view that the award of work in excess of the percentage in above mentioned ruling was irregular and the management sustained a loss of Rs 48.389 million by awarding contracts agreement over and above the definite ruling. It is further added that the management was required to award contract agreements mentioned at serial No. 2, 3 & 4 at PAR rates of CSR 2014 instead of 2009 with 85% premium, which showed undue favor was extended to the contractor.

The irregularity was reported to the management on August 21, 2023. The management in its reply dated December 15, 2023 stated that the civil work was done as per requirement of OEM which was duly supervised by foreign experts. BOQ/Items rates didn’t fall in the ambit of MES schedule.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to get the relevant record, complete in all respect, verified from Audit within 3 x days.

Audit recommends compliance of DAC directives.

Para-22 (WBM – 2021-22)

5.4.4.2 Irregular provision of gratuity in addition to provident fund scheme - Rs 32.483 million

In accordance with Finance Division (Regulation Wing) Memo No: F.15 (8) R-84 dated October 16, 1984 “it has come to notice of this division that in number of autonomous/semi-autonomous bodies and corporation etc. under the Administrative Control of the Federal Government, where pension scheme does not exist, the payment of Gratuity is allowed in addition to Contributory Provident Fund. The payment of gratuity cannot therefore be made part of the CPF Scheme, and as such should not be paid in addition to CPF contribution”.

During audit of Wah Brass Mill (Pvt.) limited for the year 2021-22, it was observed that Wah Brass Mill (Private) Limited, a subsidiary of WIL, was established under Company Act 1984 on February, 2017. The company extended gratuity scheme to its employees in addition to payment of contributory provident fund. A provision of Rs 32.483 million was made against payment of gratuity (Rs 13.617 million as on 30.6.2021 & Rs 18.866 million as on 30.06.2022). The benefit of provision of gratuity scheme in addition to the Contributory Provident Fund was clear violation of the Finance Division’s instructions, referred above, thus, held irregular.

The irregularity was reported to the management on August 21, 2023. The management in its reply dated December 15, 2023 stated that the benefit was granted with the approval of Board.

The issue was also discussed in DAC meeting held on January 02, 2024 wherein the Committee settled the proposed draft para subject to verification of the Board’s approval from the Audit within 3 x days, however, no record was provided to Audit for verification till finalization of this report.

Audit recommends compliance of DAC directives.

Para-3 (WBM – 2021-22)

5.4.4.3 Irregular award of contract to 2^{nd} lowest bidder - Rs 11.440 million

According to PPRA rules 38 A "the procuring agencies may seek unconditional discount by incorporating the same in bid solicitation documents. The bidder may offer unconditional discount in percentage of their quoted price or bids, before opening of the financial proposal. The discounted bid price shall be considered as original bid for evaluation being an integral part of the bid. No offer of discount shall be considered after these bids are opened".

During audit of WBM for the year 2021-22 it was noted that in response to the tender inquiry dated 27.09.2021 for procurement of Diesel Generator capacity 400 KVA, three (03) firms participated out of which two were technically qualified. Accordingly, financial bids of technically qualified bidders were opened on 09.11.2021 and M/s Greves Pakistan Ltd. Islamabad offered Rs 13.030 million while, M/s Synergy Corporation Karachi offered Rs 12.666 million and stood lowest. Afterwards the firms were approached to offer maximum discount, as a result the firms reduced their prices to Rs 11.440 million and Rs 11.260 million respectively.

The record revealed that the management did not consider the lowest offer and awarded the contract to 2^{nd} lowest vide order dated 22.12.2021. Therefore, the procurement of Rs 11.440 million was termed as irregular which resulted in loss of Rs 180,000 to the Company.

Audit is of the view that rejection of 1^{st} lowest bid and award of contract at higher rate after negotiations was against the norms of PPRA Rules as it defeated the element of economy and transparency.

The irregularity was reported to the management on August 21, 2023. The management in its reply dated December 15, 2023 stated that the supplier offered higher rate offered foreign assembled generator set (CBU) thus, the procurement was made from the bidder.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to get the relevant record verified from Audit. The Committee further directed to take decision in future by clearly spelling out the requirements in relevant documents.

Audit recommends compliance of DAC directives.

Para-8 (WBM – 2021-22)

5.4.4.4 Loss due to inordinate delay in finalization of sale agreement – Rs 3.091 million

According to 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 Wah Brass Mills for 2021-22, a tender for selling 100 Metric Ton Copper ingots attracted M/s Zurich Metal UAE and M/s Al-Qammar Alabyad UAE with initial rates of USD $10,058 and USD $9,760 per M. Ton respectively. Despite negotiations, both firms refused to adjust their prices, prompting management to cancel and obtain rates from previous participants, ultimately awarding the contract to M/s Zurich Metal at USD $9,890 per M. Ton.

The audit is of the view that failure to consider the highest bid in an open tender resulted in a loss of Rs 3.091 million (i.e. Last offer USD $ 10,058 - current offer USD $ 9,890 = USD $ 168 x 100 M Ton conversion rate Rs 184/ USD $), which could have been avoided with timely management decision-making.

The irregularity was reported to the management on August 21, 2023. The management in its reply dated December 15, 2023 admitted the facts highlighted by Audit and stated that LME prices of Copper and Zinc crashed.

The issue was discussed in DAC meeting held on January 02, 2024 wherein the Committee directed the management to get the relevant record verified from Audit and review the market conditions while determining the rates in future.

Audit recommends compliance of DAC directives.

Para-13 (WBM – 2021-22)

Chapter-6

Ministry of Energy (Power Division)

Overview

The Ministry of Energy, Power Division is a Government's Federal level ministry created on August 4, 2017, after the merger of the Ministry of Petroleum and Natural Resources with the Power Division of the Ministry of Water and Power (now renamed Ministry of Water Resources), respectively. The ministry has two divisions - Petroleum and Power. The Petroleum Division is headed by the Petroleum Secretary and the Power Division is headed by the Power Secretary.

Aims & Objectives

To ensure availability and security of sustainable supply of power for economic development and strategic requirements of Pakistan, and to coordinate the development of natural resources.

Governing Laws and Policies

- Power Policy 2002
- National Policy for Power Co-Generation by Sugar Industry
- Guidelines for setting up private power projects
- Guidelines for determination of tariff for independent power producers.
- NEPRA Mechanism for Determination of Tariff for Hydro Power Projects
- National Power Policy 1994
- National Power Policy 1995
- National Power Policy 1998
- RE Policy for Development of Power Generation 2006

Audit Profile of Ministry of Energy (Power Division)

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2022-23	/Receipts audited FY 2022-23
1	Formations	1	1	8,822.00	11,011.00
2	Assignment Accounts (excluding FAP)			-	-
3	Authorities /Autonomous Bodies etc. under the PAO	1	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 8259.314 million were raised because of this audit. This amount also includes recoverable of Rs 5,774.148 million as pointed out by the audit. Summary of the audit observations 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	2.040
B	Procurement related irregularities	127.796
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	1,741.521
5	Others	6,387.957

6.1 National Engineering Services Pakistan (Pvt.) Ltd.

6.1.1 Introduction

The Company was incorporated in 1973 under the Companies Act 1913 (now Companies Ord. 1984). The Government of Pakistan owns it and is engaged in providing engineering consultancy services through its Divisional Offices at Lahore, Islamabad, Karachi, Peshawar and Quetta in Pakistan and Masqat, Oman, Riyadh, Qatar and Kabul abroad.

6.1.2 Comments on Audited Accounts

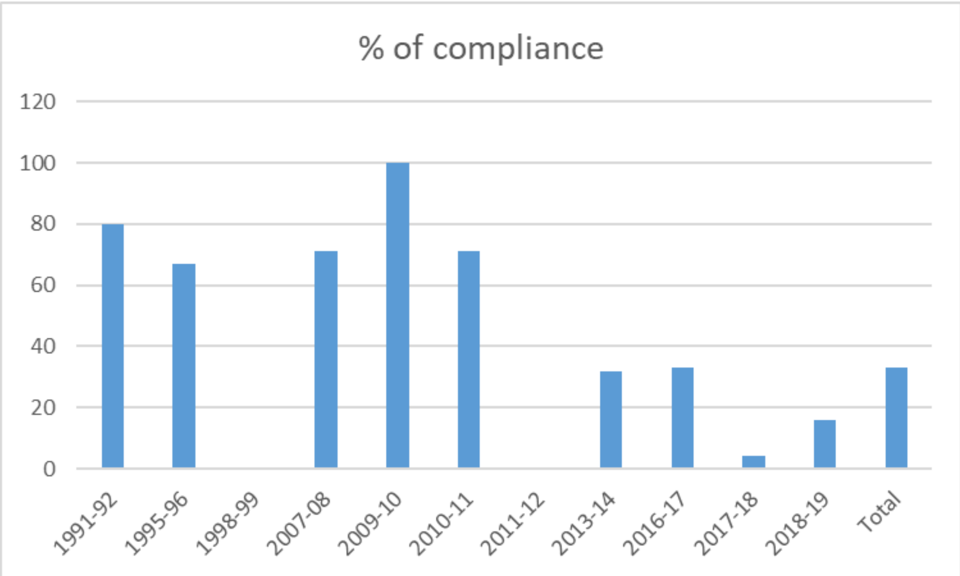
6.1.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the year 2019-20 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the years 2019-20 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)***.

6.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1991-92	05	04	1	754	80
1995-96	06	04	2	252, 254	67
1998-99	01	0	01	295	-
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.

6.1.4 Audit Paras

6.1.4.1 Loss due to poor performance and non-recovery of consultancy fee from subsidiary companies - Rs 5,139.516 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 2022-23, it was observed that the management established three subsidiary companies in Musqat-Oman, Doha-Qatar and Riyadh-Saudi Arabia. The management was submitting bills to said companies against the work done and was bearing salary cost of NESPAK staff posted. These companies were not paying to NESPAK against the billing due to which these receivables were increasing year by year. Resultantly, the receivable from these subsidiaries had increased to Rs 4,502.971 million on June, 30, 2023. Further, audit observed that the performance of these subsidiaries was poor and all of them were generating losses which accumulated to Rs 636.545 million as on June 30, 2022.

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 PAO and the management on October 09, 2023. The management in its reply stated that the entire matter pertaining to overseas companies including performance, receivables is currently under review by the sub-committee of BoD and Board of Directors of NESPAK.

DAC in its meeting held on January 05, 2024, recommended that the directives of Board of Directors pertaining to overseas offices should be shared with DAC and Audit.

Audit recommends compliance of DAC's directives.

Para-15 & 24 (Nespak-2022-23)

6.1.4.2 Loss due to incurring of extra expenditure on miscellaneous jobs – Rs 1,707.716 million

According to Project Control Estimates, profit @ 10% of the salary cost of the project was to be ensured.

During audit of NESPAK for the year 2022-23, it was observed that the management executed 56-jobs but did not focus to earn profit. Due to posting of unnecessary staff by management in these jobs, NESPAK sustained loss of Rs 1,707.716 million.

Due to weak HR management, the staff was posted in excess of actual requirement.

Audit is of the view that the management was required to deploy human resources keeping in view the requirements of jobs.

The matter was reported to PAO and the management on October 09, 2023. The management in its reply stated that an internal due diligence exercise is under process at organizational level to ascertain reasons for losses and avoid such instances in the future.

DAC in its meeting held on January 05, 2024 directed the management to place the matter before the appropriate forum for necessary action.

Audit recommends compliance of DAC's directives.

Para-4 (Nespak-2022-23)

6.1.4.3 Loss due to hiring of human resources without determining actual requirement - Rs 607.886 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 for the year 2022-23, it was observed that the management deployed technical and non-technical human resources in excess of actual requirement of the projects which resulted into burden of 240,954 idle man hours on the company. This indicated that excessive human resources were charged to overheads which was additional financial burden and caused loss of Rs 547.665 million to the company. Further, the management posted twenty-five employees in office just from one day to maximum three months in a year. Thus, the payment of salaries to these employees valuing Rs 60.221 million was held unjustified.

Due to weak HR management, the company had to sustain loss.

Audit is of the view that the management was required to hire and post the employees on projects by determining actual requirement to avoid loss.

The matter was reported to PAO and the management on October 09, 2023. The management in its reply acknowledged idle hours in consultancy as necessary for maintaining a specialized pool of expertise and asserted that the demand of professionals having specific expertise could be generated in future on new projects. The management had been taking all necessary measures to reduce the idle hours by acquiring new projects.

DAC in its meeting held on January 05, 2024 directed the management that a policy pertaining to idle hours may be formulated and approved from the Board of Directors.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2018-19, and 2022-23 vide para numbers 7.1.4.23, 7.1.4.12, 7.1.4.16 and 7.1.4.38 having financial impact of Rs 395.410 million, Rs 237.813 million, Rs 53.860 and Rs 721.755 million respectively. Recurrence of same irregularity is a matter of serious concern.

Para-8 & 14 (Nespak-2022-23)

6.1.4.4 Non recovery of consultancy fee due to non-reconciliation - Rs 354.255 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 for the year 2022-23, it was observed that the management provided consultancy services to M/s Rawalpindi Development Authority against the project namely Rawalpindi-Islamabad Metro Bus. The NESPAK raised invoices to client of Rs 1,138.939 million from time to time against the consultancy services out of which an amount of Rs 354.255 million was not paid by client due to non-reconciliation of billing submitted by NESPAK. The client constituted a committee for reconciliation of outstanding amount. The committee in its meeting held on January 19, 2022 reconciled that an amount of Rs 118.010 million was payable to NESPAK. Thus, management failed to recover the billing amount as well as reconciled amount from the client.

Due to week internal controls, the management could not provide evidence for reconciliation of recovery.

Audit is of the view that the management failed to provide the relevant record to committee for reconciliation of billing amount.

The matter was reported to the management and PAO on October 09, 2023.The management in its reply stated that the delay is due to non-reconciliation with the client. However, the project management team is working diligently to resolve the issue.

DAC in its meeting held on January 05, 2024 directed the management to pursue recovery vigorously.

Audit recommends compliance of DAC’s directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2013-14, 2015-16, 2016-17, 2017-18 and 2019-20 to 2022-23 vide Para numbers 18.1.4.14, 20.1.4.5, 20.1.4.7, 18.1.4.1, 8.13.4.7, 5.1.4.2, 6.1.4.3, 5.1.4.14 and 7.1.4.8 having financial impact of Rs. 61.290 million, Rs. 12.990 million, Rs. 574.460 million, Rs. 451.264 million, Rs. 8.238 million, Rs. 223.048 million, Rs. 550.297 million, Rs. 1,077.022 million and Rs. 260.905 million respectively. Recurrence of same irregularity is a matter of serious concern.

Para-16 (Nespak-2022-23)

6.1.4.5 Non receipt of outstanding consultancy fee from Foreign Regional Offices - Rs 149.725 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 for the year 2022-23, it was observed that the Regional Offices Saudi Arabia, Afghanistan, Iran and Abu Dhabi completed various projects. All these Regional Offices except Afghanistan were closed but the outstanding amount of Rs 149.734 million was not recovered till date. An amount of Rs 118.540 million out of total recoverable amount pertained to Regional Office Afghanistan.

Due to weak internal controls, the management could not recover outstanding amount.

Audit is of the view that the management was required to take up the matter with clients for receipt of outstanding amount.

The matter was reported to the management and PAO on October 09, 2023.The management in its reply stated that the mentioned outstanding receivables pertain to overseas branch offices and are very old in nature. Thus, chances of their recovery is remote. Moreover, provision for doubtful debts has already been made in the books of accounts of NESPAK.

DAC in its meeting held on January 05, 2024 directed the management to place the matter before the appropriate forum for necessary action.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2016-17, 2018-19, 2020-21 and 2022-23 vide para numbers 18.1.4.2, 7.1.4.26, 6.1.4.5 and 7.1.4.3 having financial impact of Rs. 286.963 million, Rs. 53.210 million, Rs. 120.005 and Rs. 576.249 million respectively. Recurrence of same irregularity is a matter of serious concern.

Para-7 (Nespak-2022-23)

6.1.4.6 Irregular expenditure on hiring of vehicles without obtaining competitive bids - Rs 127.796 million

According to rule 12(2) of the Public Procurement Regularity Authority 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 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 NESPAK for the year 2022-23, it was observed that the management incurred expenditure of Rs 127.796 million on account of hiring of the vehicles from 42 vendors. Hiring of vehicles was made without proper planning and by splitting the cost of hiring in order to keep cost of each hiring below the NESPAK prescribed financial limit of Rs 0.500 million to avoid tendering. Thus, the expenditure of Rs 127.796 million was considered irregular.

Due to weak procurement planning, PPRA Rules were not followed.

Audit is of the view that said services were hired on splitting basis without keeping in view the actual annual requirements in violation of procurement rules.

The matter was reported to the management and PAO on October 09, 2023. The management in its reply stated that hiring of vehicles on rental basis is practically very difficult to predict due to the nature of operations/materialization of projects in both urban and rural areas of Pakistan. Thus, the management pre-qualified vendors through quotations at competitive rates which are lower than open market rates. Moreover, the benchmark rates for hiring of vehicles were acquired through advertisement in 2019-20.

DAC in its meeting held on January 05, 2024 directed the management to advertise the requirement to obtain current market rates. The analysis of the same should be shared with audit and DAC in its next meeting for further direction.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2013-14, 2015-16, 2016-17, 2018-19, 2021-22 and 2022-23 vide Para numbers 18.1.4.9, 20.1.4.3, 18.1.4.5, 18.1.4.7, 18.1.4.9, 18.1.4.10, 7.1.4.10, 5.1.4.10, 7.1.4.4, 7.1.4.22, and 7.1.4.30 having financial impact of Rs 1.780 million, Rs 34.785 million, Rs. 369.377 million, Rs. 43.806 million, Rs. 9.736 million, Rs. 1.996 million, Rs. 13.710 million, Rs. 5.907 million, Rs. 8.132 million, Rs. 6.654 million and Rs. 30.070 million. Recurrence of same irregularity is a matter of serious concern.

Para-10 (Nespak-2022-23)

6.1.4.7 Non-recovery from clients due to inactive status of NESPAK in sales tax payer list - Rs 64.321 million

According to clause-35(1) of Punjab Sales Tax on Services Act 2012, every registered person (individual, Association of Persons, Company, Federal/Provincial/Local Government) shall furnish to the authority, not later than the due date, a true, correct and properly filled-up return in the form notified by the authority, indicating the tax due and paid during a tax period and such other information or particulars as may be notified by the Authority.

During audit of NESPAK for the year 2022-23, it was observed that the management provided consultancy services to two clients namely M/s National Power Parks Company and M/s Quaid-e-Azam Thermal Power Limited from 2015 to 2020. These clients withheld an amount of Rs 64.321 million from invoices of NESPAK on the plea that the Punjab Revenue Authority refused to adjust input sales tax against the payments already made to NESPAK. The matter was probed and found that the NESPAK was registered with Punjab Revenue

Authority since 2012, but did not exist in Active Sales Tax Payer List of Punjab Revenue Authority due to non-filing of sales tax returns. Thus, due to non-submission of sales tax return, the NESPAK failed to recover the input sales tax against the payments.

Due to weak financial management, the company was deprived of input sales tax.

Audit is of the view that the management did not submit sales tax return in time resulting into deduction on account of sales tax.

The matter was reported to the management and PAO on October 09, 2023.The management in its reply stated that the Federal Board of Revenue (FBR) had condoned the same and the issuance of refund voucher is in process. As soon as it is completed, the amount withheld by the companies will be disbursed to NESPAK.

DAC in its meeting held on January 05, 2024 directed the management to pursue recovery vigorously.

Audit recommends compliance of DAC's directives.

Para-6 (Nespak-2022-23)

6.1.4.8 Loss due to non-recovery of consultancy fee from IDAP - Rs 36.936 million

According to clause 6.4 (b) of the contract, any amount due to the consultant shall be paid the client within 28 days in case of local currency and 56 days in case of foreign currency after consultant invoice has been delivered to the client.

During audit of NESPAK for the year 2022-23, it was observed that a consultancy agreement was signed between NESPAK and Infrastructure Development Authority of Punjab (IDAP) for construction supervision services of Lahore Knowledge Park with remuneration of Rs 36.936 million. The contract was signed on January 16, 2018 and the same had been completed since September, 2022. The management issued total fifteen number of invoices amounting to Rs 36.936 million but despite completion of all supervision work, the client failed to pay even a single invoice raised by NESPAK uptill September 2022.

Due to weak internal controls, the management could not ensure timely recovery.

Audit is of the view that no recovery even after completion of construction supervision services indicated poor financial management.

The matter was reported to the management and PAO on October 09, 2023. The management in its reply stated that an amount of Rs 15.664 million was pending in the book of accounts pertaining to the mentioned Job and efforts for recovery of the outstanding amount were underway.

DAC in its meeting held on January 05, 2024, directed the management to verify the record and to pursue the remaining amount vigorously.

Audit recommends compliance of DAC's directives.

Para-25 (Nespak-2022-23)

6.1.4.9 Loss due to inadequate consultancy services - Rs 33.805 million

According to Clause 3.1.1 of Consultancy Agreement, the consultants shall perform the services and carry out their obligations with all due diligence, efficiency and economy, in accordance with generally accepted professional techniques and practices, and shall observe sound management practices, and employ appropriate advanced technology and safe methods.

During audit of NESPAK for the year 2022-23, it was observed that the management provided consultancy services to client namely M/s Federal Government Employees Housing Authority (Bara Kahu Housing Scheme). The client raised deep concerns many times i.e. to study and purpose suitable solution, demobilization of machinery and sharing of confidential observations with contractor with the request to resolve the matter but the same was not expedited by the consultant. Thus, due to provision of inadequate/sub-standard consultancy services, the client withheld an amount of Rs 33.805 million.

Due to poor contract management, company failed to discharge its duties satisfactorily.

Audit is of the view that had the management provided consultancy services in professional manners, the NESPAK could avoid loss.

The matter was reported to the management and PAO on October 09, 2023.The management in its reply stated that the current project is still under process. Moreover, the delay in the project was due to the contractors' shortcomings which were pointed out to the client by NESPAK. The client is satisfied with the consultancy services provided by NESPAK and consultancy payments are also received on regular basis.

DAC in its meeting held on January 05, 2024 directed the management to pursue recovery vigorously.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2015-16, 2017-18, 2018-19, 2019-20 and 2021-22 vide para numbers 20.1.4.6, 8.13.4.10, 8.13.4.11, 7.1.4.19, 5.1.4.5 and 5.1.4.13 having financial impact of Rs. 10.712 million, Rs. 40.680 million, Rs. 4.504 million, Rs. 17.300 million, Rs. 26.956 million and Rs. 19.601 million respectively. Recurrence of same irregularity is a matter of serious concern.

Para-2 (Nespak-2022-23)

6.1.4.10 Loss due to non-revision of consultancy agreement - Rs 22.143 million

According to clause 6.6 of General Conditions of Contract, if, in the opinion of the Client, it is necessary to perform additional services during the currency of the contract for the purpose of the project, the Consultants, with the prior written authorization of the Client, shall carry out such additional services on the basis of the billing rates set out in the Contract. In case for any reasons these rates and prices are determined by both the Parties to be not applicable for said additional services, then suitable billing rates and the additional time, shall be agreed upon between the Client and the Consultant.

During audit of NESPAK Islamabad Office for the year 2022-23, it was observed that the management provided consultancy services to client namely PWD for projects under Access to Justice Program. The construction work was awarded to M/s Progressive Engineers & Contractor for valuing Rs 155.456 million by client. Later on, the client cancelled the construction agreement due to change in scope of work and awarded new contract with extended scope of work valuing Rs 2,185.762 million. Due to cancellation of construction agreement, the consultancy agreement was also required to be canceled and fresh consultancy agreement be signed as per scope of work along with revised rates of consultancy services. Contrary to that, the NESPAK did not revise contact with client despite enhancement in scope of work and continuously rendered the consultancy services. Thus, due to non-revision of consultancy agreement, the client refused to make payment of Rs 22.143 million against the service provided by the NESPAK.

Audit is of the view that if the management had taken up the matter with client immediately after revision of scope of work, the cost of consultancy services would have been received.

The matter was reported to the management and PAO on October 09, 2023. The management in its reply stated that the client has not refused to pay the additional design remunerations to the consultant (NESPAK), rather, the client had requested for negotiation of revised design fee which had been increased manifold from the original one. Accordingly, it is expected that all pending payments would be received from the client after approval of revised PC-1.

DAC in its meeting held on January 05, 2024, directed management to pursue recovery vigorously.

Audit recommends compliance of DAC's directives.

Para-1 (Nespak-2022-23)

6.1.4.11 Loss due to deduction of sales tax by client in violation of agreement - Rs 10.383 million

According to clause 5.3of general conditions of contract, after the date of this contract, there is any change in the applicable law which increases or decreases the cost of the services rendered by the consultants under this contract shall be increased or decreased accordingly.

During audit of NESPAK for the year 2022-23, it was observed that management made an agreement with Central Design Office, Azad Jammu & Kashmir having value of Rs 61.341 million for provision of consultancy services. The contract was signed on June 15, 2015.At the time of signing of agreement, the sales tax on services in AJK was not applicable. The AJK Government imposed sales tax on services w.e.f July 01, 2015. As per clause 5.3, the contract value was to be increased accordingly. However, the same was not allowed by client and made payments to NESPAK after deducting sales tax of Rs 10.383 million.

Due to non-revision of contract, the NESPAK sustained loss.

Audit is of the view that management was required to take up the matter with client immediately after imposition of sales tax by AJK Government.

The matter was reported to the management and PAO on October 09, 2023. The management in its reply stated that at the time of signing of agreement, the sales tax on service in AJK was not applicable and accordingly the value of sales tax was not included in cost of services by NESPAK. However, after a month the AJK Government imposed Sales tax on Services. The client did not amend the contract by incorporating a provision of Sales Tax in the agreement but rather made payments to NESPAK after deducted the value of sales tax. Despite the same, the project management team has been pursuing the client to resolve the issue and release NESPAK's unlawfully deducted amount.

DAC in its meeting held on January 05, 2024, directed the management to pursue recovery vigorously.

Audit recommends compliance of DAC's directives.

Para-11 (Nespak-2022-23)

6.1.4.12 Loss due to deduction of income tax at higher rates by the client-Rs 2.792 million

The assistant commissioner Inland Revenue E&C Unit-6 LTU Lahore has issued clarification vide letter dated November 21, 2019 to NESPAK that withholding tax rate on engineering services U/S 153(1)(b) of the income tax ordinance 2001 is 3% w.e.f July 01, 2019 the same circulated by NESPAK to all the concerned to ensure that the withholding of income tax from payments made by the clients in accordance with revised/reduced rate from 8% to 3% with effect from July 1, 2019.

During audit of NESPAK Karachi Office for the year 2022-23, it was observed that a consultancy agreement was signed between NESPAK & Karachi Port Trust. The management issued various invoices from December 2020 to April 2023 for collection of services fee as per agreement amounting to Rs 55.837 million inclusive of all applicable taxes. As per FBR clarification circulated above, the client was required to make payment after deduction of 3% income tax rates applicable on engineering services. But contrary to that the client made payment to NESPAK after deduction of income tax at higher rate of 8% instead of 3% which resulted into loss of Rs 2.792 (Rs 55.837 million x 5%).

Due to non-following of FBR rules, the excess tax was deducted.

Audit is of the view that deduction of income tax at higher rate despite clear instruction of FBR caused financial loss.

The matter was reported to the management and PAO on October 09, 2023.The management in its reply stated that the client (Karachi Port Trust) deducted Income Tax from NESPAK's Consultancy Services invoices at the rate of 8% instead of 3%. The management requested the client multiple times to provide reasons/justifications of deduction of income tax at higher rates which was violation of FBR, however the client did not give any reason for the same.

DAC in its meeting held on January 05, 2024 directed the management to place the matter before the client to ensure application of current law and get the refund from client.

Audit recommends compliance of DAC's directives.

Para-13 (Nespak-2022-23)

6.1.4.13 Irregular appointment of Health & Safety Expert Cum Social Development Officer - Rs 2.040 million

According to advertisement dated July 24, 2022 for the post of Health & Safety Expert Cum Social Development Officer, MSc/M. Phil in Environmental Engineering / Environmental Sciences / Social Sciences having verifiable experience from six to ten years after graduation in the field of occupational health, safety & environment (HSE) and social safeguard studies of infrastructural development projects and knowledge about relevant legislations and guidelines pertinent to Pakistan and international funding agencies. Proficiency in report writing and use of relevant computer software will also be required.

During audit of NESPAK for the year 2022-23, it was observed that the management hired a Health & Safety Expert Cum Social Development Officer (Grade-09) with a monthly salary of Rs 0.170 million during December, 2022. It was noted that the MSc/M. Phil in Environmental Engineering/ Environmental Sciences/Social Sciences was required for said appointment. However, the appointed officer had foreign degrees in Biology and MSc. Degree in Agricultural Extension rendering him ineligible for the position, and thus his salary payment of Rs 2.040 million (Rs 0.170 million x 12 months) was deemed irregular.

Audit is of the view that the management should have made appointments in fair and transparent manner but the same was not done.

The matter was reported to the management and PAO on October 09, 2023.The management in its reply stated that the officer was hired on the basis of his M.Sc. agriculture degree which is a branch of Social Sciences as confirmed by the Director, Institute of Agriculture Extension, Education & Rural Development, University of Agriculture Faisalabad, which is an institute of Faculty of Social Science.

DAC in its meeting held on January 05, 2024, directed the management to get clarification from HEC regarding M.Sc. Agriculture degree being a branch of Social Sciences.

Audit recommends compliance of DAC's directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2013-14 and 2016-17 to 2022-23, vide Para numbers 18.1.4.1, 18.1.4.7, 18.1.4.8, 18.1.4.11, 18.1.4.13, 18.1.4.11, 8.13.4.2, 8.13.4.8, 7.1.4.1, 7.1.4.2, 7.1.4.4, 7.1.4.5, 7.1.4.9, 7.1.4.11, 5.1.4.9, 6.1.4.9, 5.1.4.15, 7.1.4.6 and 7.1.4.9 having financial impact of Rs. 9.880 million, Rs. 1.280 million, Rs. 7.200 million, Rs. 1.040 million, Rs. 5.270 million, Rs. 1.473 million, Rs. 147.180 million, Rs. 69.379 million, Rs. 10.700 million, Rs. 4.270 million, Rs. 14.520 million, Rs. 5.040 million, Rs. 3.900 million, Rs. 2.210 million, Rs. 5.188 million, Rs. 151.564 million, Rs. 157.260 million, Rs. 9.448 million and Rs. 10.050 million respectively. Recurrence of same irregularity is a matter of serious concern.

Para-17 (Nespak-2022-23)

Chapter-7

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 June19, 2014, Ministry has now renamed as Ministry of Federal Education and Professional Training vide Cabinet Division's notification No. 4-10/2011-Min-I dated19thJune, 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

- Rule of Business 1973

Audit Profile of Ministry of Federal Education and Professional Training

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	5	01		
2	Assignment Accounts (excluding FAP)				
3	Authorities /Autonomous Bodies etc. under the PAO		01		
4	Foreign Aided Projects (FAP)				

Audit observations amounting to Rs 481.594 million were raised as a result of this audit. This amount also includes recoverable of Rs 4.325 million as pointed out by the audit. Summary of the audit observation 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	20.698
B	Procurement related irregularities	45.222
C	Management of accounts with Commercial Banks	213.900
4	Value for money and services delivery issues	3.234
5	Others	198.54

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

7.1.1 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.

7.1.2 Comments on Audited Accounts

7.1.2.1 The working results of the Institute for the year 2022-23 as compared to the previous years is given below:

(Rs in million)

Particulars	2022-23	% Inc./ (Dec)	2021-22	% Inc./ (Dec)	2020-21
Income					
Tuition & training fee and other income	602.068	2.95	584.819	(2.57)	600.217
Expenditure					
Teaching	446.036	7.44	415.136	(0.89)	418.859
Training	7.262	8.71	6.680	(15.45)	7.901
Admin & general	117.600	9.38	107.512	(4.48)	112.56
Bank charges	0.340	(3.41)	0.352	35.38	0.26
Total Expenditure:-	**571.238**	7.85	**529.680**	(1.83)	**539.58**
Excess of income over expenditure	30.829	(44.09)	55.139	(9.07)	60.637

(Source: Annual Audited Accounts)

7.1.2.2 The income of the Institute increased by 2.95% from 584.819 million during 2021-22 to Rs 602.068 million during 2022-23. Whereas, the profit of the institute was decreased by 44.09% from 55.139 million during 2021-22 to Rs 30.829 million during 2022-23 which indicates that the institute failed to control its expenses. The decrease in profit despite increase in income may be explained.

7.1.2.3 Tuition fee under engineering head was decreased from 269.636 million during 2021-22 to Rs 237.022 million during 2022-23 registering a decrease of 12.10%. The decrease in Engineering Income indicates that the Institute is not focusing on its core operations i.e. engineering education. The decrease of engineering income needs justification.

7.1.2.4 Capital work in process under head Building were increased from Rs 24.788 million during 2021-22 to Rs 257.675 million during 2022-23 registering an increase of 939.52%. The detail of contract awarded, execution status and completion schedule may be shared with audit.

7.1.2.5 Plant & Equipment valuing Rs 39.484 million was shown in asset schedule during 2022-23. The detail of Plant & Equipment purchased along with purchase procedure may be shared with audit.

7.1.2.6 The deferred liability under head Government Grant was stood at Rs 13.267 million as on June 30, 2023. Two years earlier i.e. as on June 30, 2021, the said grant was stood at Rs 28.898 million. The purpose of grant and reasons for non-utilization of said grant during the year when it was received may be explained.

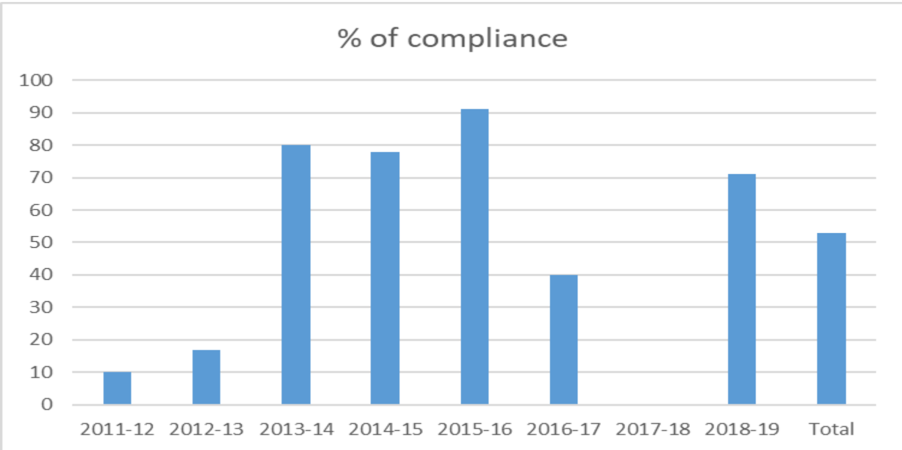
7.1.2.7 The accrued liabilities and other liabilities were stood at Rs 11.597 million and Rs 48.502 million as on June 30, 2023 respectively. There was no explanatory note in the accounts against these liabilities. The detail of said liabilities along with current status may be explained to audit.

7.1.2.8 As per Balance Sheet income tax valuing Rs 23.514 million was recoverable during 2021-22 and the almost same stood at Rs 23.980 million during 2022-23 which indicates that the management was not pursuing the matter with FBR for early recovery of tax resulted blockage of funds. The matter may be pursued with FBR vigorously.

7.1.2.9 Current ratio of the company stood at 11.06: 01 times against a standard of 2:1 which means company failed to utilize its assets efficiently and blocked its funds in short term deposits. Management needs to revisit its current ratio and meet the standard of 2:1 by diversification of its portfolio to earn good return on its assets.

7.1.3 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.

7.2 NFC Institute of Engineering and Fertilizer Research, Faisalabad

7.2.1 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.

7.2.2 Comments on Audited Accounts:

7.2.2.1 The working results of the Institute 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					
Tuition fee	287.672	2.13	281.678	(19.82)	351.314
Research income	2.559	(45.70)	4.713	21.00	3.895
Other income	45.122	30.65	34.537	(24.19)	45.555
Total Income	**335.353**	4.49	**320.928**	(19.92)	**400.764**
Expenses					
Teaching expenses	271.989	2.95	264.206	(0.06)	264.369
Research and development	12.815	(1.90)	13.063	2.56	12.737
Total Cost of Services	**284.804**	**2.718**	**277.269**	**0.059**	**277.106**
Administrative expenses	134.99	7.10	126.04	7.18	117.597
Total Expense	**419.794**	4.09	**403.309**	2.18	**394.703**
Profit before taxation/(loss)	**(84.44)**	2.50	**(82.381)**	(1,459.20)	**6.061**

(Source: Annual Audited Accounts)

The 'Research Income' of the Institute decreased by 45.70% from 4.713 million (2021-22) to 2.559 million in 2022-23. Whereas, teaching expenditure increased by 2.95% from 264.20 million (2021-22) to Rs 271.989 million in 2022-23 and

Administrative expenses increased by 7.10% from Rs 126.04 million (2021-22) to Rs 134.99 million in 2022-23 including vehicle running and maintenance cost increased by 165% from Rs 1.423 million (2021-22) to Rs 3.773 million in 2022-23, heating &lighting expense increased by 27% from Rs 29.947 million (2021-22 to Rs 38.089 million in 2022-23 and repair & maintenance increased by 147% from Rs 0.487 million (2021-22) to Rs 1.204 million in 2022-23. The disproportionate increase in expenditure as compared to income resulted increase in loss before taxation from Rs 82.381 million (2021-22) to Rs 84.44 million in 2022-23. The expenses of the Institute particularly the administrative expenses, need to be justified.

7.2.2.2 Short term investments made of Rs 180.00 million including 155.00 million in First Women Bank Ltd. and Rs 25.00million in The Bank of Punjab during 2022-23. Profit from this investment earned of Rs 24.424 million. Complete record of investment alongwith determination of working balance limit be provided to audit to ascertain the prudency of treasury management and transparency of investment process.

7.2.2.3 There is a negative cash generation of Rs 41.726 million from operating activities during 2022-23 which shows that operations of the institute are not generating enough cash and management is using investment income to meet its operational expenditure. Management is stressed upon to increase its cash flow from operations.

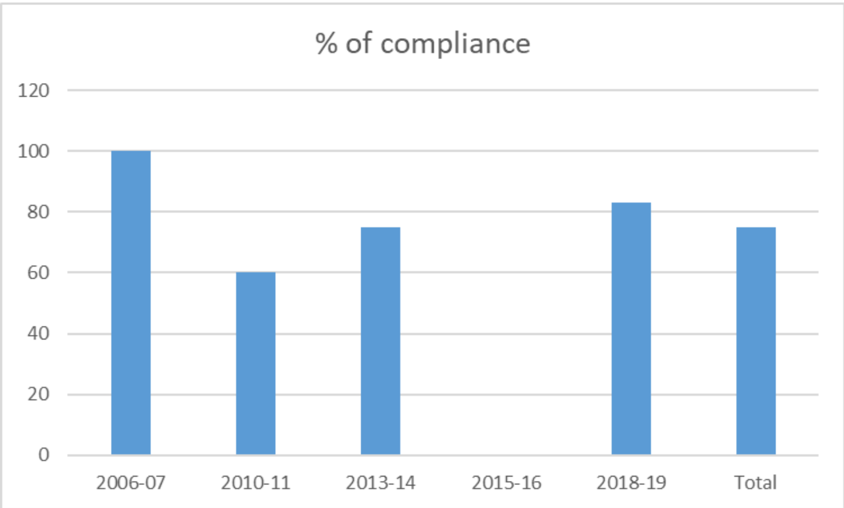
7.2.2.4 The management written off receivable loan of Rs 1.784 million from National Fertilizer Marketing Limited (NFML), Lahore during 2022-23. Detailed justification of write off the loan be provided to audit.

7.2.2.5 The Institute had established specific purpose funds namely Endowment Fund and Development Fund amounting to Rs 95.00 million and Rs 817.580 million respectively in order to commence Chemical Degree Classes in 1996. Institute had been investing these funds over the years. Detail of utilization of these funds may be provided to Audit to ascertain the prudency and transparency of investment process.

7.2.2.6 The Institute had been maintaining ‘employees provident fund’ trust having total balance of Rs 194.792 million. The accounts of said trust have not been audited since its establishment. Further, no actuarial valuation was carried out as required under International Accounting Standards-19 which needs to be justified. Complete breakup of expenditure and investments made out of trust funds along with annual audited accounts may be provided to audit.

7.2.3 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.

7.3 National Textile University Faisalabad

7.3.1 Introduction

The Government of Punjab with the help of leading textile industrialists formed an Institute of Textile Technology at Faisalabad in 1954. It was affiliated with University of Engineering and Technology, Lahore in 1965. Federal Government took over the administrative control of Pakistan Institute of Textile Technology, Faisalabad on July 01, 1976. It was renamed as "National College of Textile Engineering" in 1983. The management of the College was transferred to All Pakistan Textile Mills Association (APTMA) in September 1993. The College was upgraded as National Textile University (NTU) under National Textile University Ordinance, 2002 on November 15, 2002. It is controlled by the Board of Governors consisting of 17 members, 7 from APTMA, Vice-Chancellors LUMS and UET, Secretary Ministry of Textile Industry, Textile Commissioner, a representative from Government of Punjab, Khyber Pakhtunkhwa (KP) and Higher Education Commission.

The main purpose of the University is the promotion and dissemination of knowledge and technology in the textile sector, and to provide for instruction, training, research, demonstration and service in the said areas of learning. The Faisalabad Campus of the university is situated at Main Sheikhupura Road Manawala, Faisalabad and the Karachi Campus is situated at Street 2/1, Sector 30, Korangi Industrial Area Karachi.

7.3.2 Comments on Audited Accounts

7.3.2.1 The working results of the University 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 from grants:					
The grant from the Higher Education Commission (HEC) for recurring	343.256	28	267.663	(3)	274.791
Grant from HEC for Tenure Track Faculty	0	(100)	69.991	194	23.791
Textile Cess for recurring	3.665	(39)	6.006	(14)	6.955
Total grants	**346.921**	**1**	**343.661**	12	**305.537**
Income from own sources:					
Fee from students	536.89	16	464.697	32	352.811
Income from sample testing and research projects	38.44	40	27.374	64	16.684
ORIC Performance overhead	3.964	(39)	6.501		0
Other income	97.098	56	62.235	65	37.724
Total income from own Sources	**686.391**	**22**	**560.808**	38	**407.22**
Grants amortized during the year	206.252	(5)	217.932	(14)	253.195
Total income	**1239.565**	**10**	**1,122.40**	16	**965.953**
Expenditure:					
Salaries, wages and other benefits	671.391	19	561.949	39	404.554
Employees retirement benefits	246.305	37	180.08	23	146.453
Repair and maintenance	22.808	(20)	28.684	14	25.18
Communication	27.426	25	21.996	(16)	17.674
Utilities	48.442	(7)	52.369	(35)	33.755
Travelling and transportation	28.382	86	15.278	128	6.708
Printing and stationery	4.24	19	3.551	(17)	4.277
Remuneration to part-time / visiting teachers	13.834	9	12.673	3	12.326
Merit scholarships and gold medals	15.599	6	14.759	19	12.451
HEC need based financial assistance	11.575	(2)	11.785	(8)	12.836
Others	0	-100	77.34	137	32.629
Amortization of Development Grant	**206.252**	**(5)**	**217.932**	(14)	**253.195**
Total Expenditure	**1340.729**	**15**	**1,160.87**	21	**962.038**
Surplus / (deficit) before depreciation	**(101.163)**	**163**	**(38.463)**	(1083)	**3.914**
Depreciation	43.281	16	37.408	4	35.981

Surplus / (deficit) after depreciation	**(145.318)**	**89**	**(76.744)**	134	**(32.794)**
Other comprehensive income/(loss)					
Total Surplus/(deficit) for the year	**(156.709)**	**45**	**(108.184)**	62	**(66.766)**

(Source: Annual Audited Accounts)

7.3.2.2 Textile cess decreased by 39% from Rs 6.007 million (2021-22) to Rs 3.665 million in 2022-23. Furthermore, income from Research, Innovation and Commercialization had also decreased by 39% from Rs 6.502 million (2021-22) to Rs 3.963 million in 2022-23. The abnormal decrease in textile cess and income from Research, Innovation and Commercialization be justified.

7.3.2.3 Revenue of the University has increased by 10% from Rs 1,122.404 million (2021-22) to Rs 12.39.565 in 2022-23. Whereas total expenditure increased by 15% from Rs 1160.867 million (2021-22) to Rs 1,340.729 million in 2022-23. The substantial increase of 5% in total expenditure as compared to revenue be justified to audit.

7.3.2.4 The total operating expenses increased by 20% from Rs 942.934 million (2021-22) to Rs 1,134.476 million in 2022-23. The major increase includes in Research & Survey by 17%, Communication by 25%, Traveling and transportation by 86%, Contribution, subscriptions and accreditation fee by 165%, Students expenses by 54% and Security Service Charges by 113% during 2022-23 as compared to previous year 2021-22. Provide justification alongwith supporting documents for such a huge increase in the operating expenditure.

7.3.2.5 Short term investments increased by 4% from Rs 213.900 million (2021-22) to Rs 221.900 million in 2022-23. Profit from this investment increased by 100% from Rs 34.466 million (2021-22) to Rs 69.045 million in 2022-23. Complete record of investment alongwith determination of working balance limit be provided to audit to ascertain the prudency of treasury management and transparency of investment process.

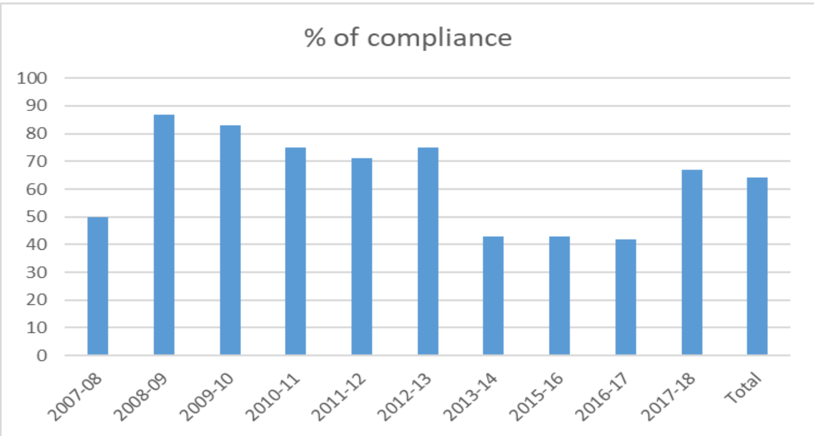
7.3.2.6 The University had received grant from HEC of Rs 11.419 million for procurement of equipment for research projects and PSDP grant for Karachi Campus of Rs 22.00 million in 2022-23. Complete Utilization of grant, releases alongwith terms and conditions be provided to audit.

7.3.2.7 The University had Rs 56.579 million under the head 'retention' and 'tender money' as on 30.06.2023. Complete record alongwith aging related to the retention money from contractors be provided to audit.

7.3.2.8 The University is in deficit since last 3 years. The deficit increased by 89% from Rs 76.744 million (2021-22) to Rs 145.318 million in 2022-23. The abnormal increased needs to be explained.

7.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of compliance
2007-08	02	01	01	172.2	50
2008-09	08	07	01	221.5	87
2009-10	06	05	01	233.5	83
2010-11	08	06	02	23.1.2.4, 23.1.3	75
2011-12	17	12	05	24.1.2.5, 24.1.2.6, 24.1.3, 24.1.4.1, 24.1.4.2	71
2012-13	04	03	01	24.1.3	75
2013-14	07	03	04	17.1.2.1, 17.1.2.3, 17.1.2.4, 17.1.3	43
2015-16	07	03	04	18.1.2.1, 18.1.2.2, 18.1.2.5, 18.1.3	43
2016-17	12	05	07	17.1.2, 17.1.2.1, 17.1.2.2, 17.1.2.3, 17.1.3, 17.1.4.1, 17.1.4.4	42
2017-18	18	12	06	4.6.3, 4.6.4.2, 4.6.4.3, 4.6.4.5, 4.6.4.6, 4.6.4.8	67
Total	**89**	**57**	**32**		**64**



The compliance of the PAC directives was not satisfactory which needs immediate attention of the PAO.

7.3.4 Audit Paras

7.3.4.1 Irregular investment of funds – Rs 213.900 million

According to Finance Division O.M. No. F.4(1)/2002-BR-11 dated 02.07.2003, 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 NTU, Faisalabad for the year 2019-22, it was observed that the management made investment in Short Terms Investment (TDRs) during the year 2019-20 to 2021-22 in different banks. Detail is as under:

Invested In	2019-20	2020-21	2021-22
TDR	80,000,000	60,000,000	213,900,000

Audit observed significant deficiencies in the organization's financial management practices, including the absence of approved working balance limits, non-compliance with competitive bidding processes, and the lack of an Investment Committee. These shortcomings highlight gaps in authorization, transparency, and risk management. Addressing these issues is essential to bolstering governance, transparency, and financial accountability, ultimately ensuring sound and responsible financial management within the organization.

Audit is of the view that investment in violation of the instructions of the Finance Division was irregular and unauthorized. The matter was reported to the management on December 05, 2023 the management replied that on the directive of DAC in its meeting held as on 10.03.2022, The BoG in its 42nd meeting held on 28.06.2022 Constituted investment Committee.

The reply is not cogent as the investment committee was composed on 26.07.2022. Hence investment was made in violation of Finance Division instructions.

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

Audit recommends that Government instructions regarding investment should be followed in letter and spirit.

Para-02 (NTU – 2019-22)

7.3.4.2 Irregular Construction work by NTU – Rs 194.215 million

According to clause 2(aa) of PEC Consulting By-Laws statutory notification S.R.O.809(I)/86 dated August 24, 1986,"consulting engineer" means any person, partnership, corporate body or any other legal entity which independently performs study, prepares reports, makes design, supervises construction or similar advisory activities in the engineering disciplines and is registered or licensed as such by the Council; further, as per clause 3(7), the individual consulting engineer or the sole proprietor of a partnership firm of consulting engineers shall give an undertaking to the Council that he is an independent consulting engineer and has no interest in construction and conflicting commercial, industrial and business activities which are likely to influence his professional independence and neutrality.

During audit of NTU, Faisalabad for the year 2019-22, the management of NTU executed civil works projects worth Rs 194.215 million.

The audit exposed significant shortcomings in the civil department and construction projects, revealing a lack of technical expertise in the Works Committee, insufficient staff to execute projects, and breaches in procurement and financial regulations. The absence of proper oversight and quality checks led to delays, cost escalations, and compromised project integrity. Urgent corrective measures are imperative to rectify these deficiencies, ensuring effective project management and regulatory compliance to safeguard NTU's reputation and resources.

Audit is of the view that in the absence of technical staff /engineers/ technical expertise and without supervision of consultant for execution and monitoring of civil works the expenditure incurred on civil works is irregular and unjustified.

The matter was reported to management on December 05, 2023 the management replied that the University hired the services of Engineering Consulting Firms for detailed planning, designing of the projects worth Rs 166.96 million out of the total projects amount of Rs 194.215 million as mentioned in the original para by the audit. Further, NTU had hired full time technical staff on a regular payroll.

Reply is not cogent in the absence of technical staff/engineering management hired consultant for planning and designing for few projects instead of supervision, execution and monitoring.

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

Audit recommends fixing of responsibility against persons concerned for the lapses. Besides, strengthen the civil department of the NTU for better quality of the work.

Para-01 (NTU – 2019-22)

7.3.4.3 Irregular procurement of vehicles in violation of PPRA - Rs 26.500 million

According to Finance Division (Expenditure Wing) OM No.7(1) Exp-IV/2016-440 dated July 15, 2020, 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. According to rule 42 (c) (vii), the procuring agency shall only engage in direct contracting if the purchase of motor vehicle is from local original manufacturers or their authorized agents at manufacturer’s price.

During audit of NTU, Faisalabad for the year 2019-22, it was observed that the management purchased 01 Bus (63 Seater) and 02 Coasters (32 Seater) from the PC-I titled “Upgradation of Synthetic Fiber Development and application Center (SFDAC) and Plastic Technology Center (PTC) as sub Campus of National Textile University Karachi” amounting to Rs 26.500 million.

Audit observed that procurement was made in violation of Finance Division instruction dated 15.07.2020. Audit further observed that procurement was made by direct contracting with M/s Ghandara Industries Limited (GIL) in clear violation of prescribed procedure as defined in rule 42(c)(vii). As M/s Ghandara Industries Limited (GIL) were neither the local original manufacturer nor the authorized agent of a local original manufacturer but were a dealer of M/s Isuzu of Japan (a foreign manufacturer). No LD charges were deducted as the buses were delivered after two months of delivery date.

The matter was reported to the management on December 05, 2023 the management replied that the procurement of the Bus/Coasters was conducted under rule 42-C (VII) of PPRA Rules. According to Finance Division (Expenditure Wing) OM No.7(l) Exp-IV/2016-440 dated July 15, 2021, the purchase of student buses had been excluded as mentioned in the above said letter, hence the question of regularization for purchase of buses from austerity committee does not arise.

The reply is not convincing as the case for purchase of buses was initiated on 30.07.2020 and delivery period was extended to M/s GIL as ISUZU buses were delayed from Japan.

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

Audit recommends investigating the reasons for the purchase of vehicles during ban period, fixing responsibility on the person (s) at fault besides, regularizing expenditure from the Finance Division.

Para-03 (NTU – 2019-22)

7.3.4.4 Irregular hiring/appointments of officers after superannuation and payment thereof - Rs 18.010 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 the re-employment after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During audit of NTU, Faisalabad for the year 2019-22, it was observed that the management hired the services of Dr. Tahir Hussain Shah, Professor (Consultant) and Mr. Ata Muhammad, Internal Auditor after attaining the age of superannuation and paid Rs 18.010 million on account of pay and allowances. Detail is as under:

Sr. No.	Name / Designation	Grade	D.O.B	D.O.A	Pay Package (Rs)	Total Amount (Rs)
1.	Dr. Tahir Hussain Shah, Professor	21	21.12.1951	18.12.2017	292,500	3,510,000
			Extension	18.12.2018 to 17.12.2019	350,000	4,200,000
			Extension	18.12.2019 to 17.12.2020	350,000	4,200,000
			Extension	18.12.2020 to 17.12.2021	350,000	4,200,000
2.	Mr. Atta Muhammad, Internal Auditor	18	14.09.1960	(02.11.2020 to 30.06.2022 @ 100,000 per month)	100,000	1,900,000
Total						**18,010,000**

Audit observed irregularities in hiring superannuated officers, such as rule violations, absence of Prime Minister's approval, and non-advertisement of posts. Consequently, hiring officers beyond 60 years was deemed irregular and unauthorized. These findings underscore the necessity for corrective actions to uphold regulatory compliance and fairness in future hiring practices.

The matter was reported to the management on December 05, 2023, the management replied that as per clause 11(1) of the University Ordinance, The general supervision and control of the affairs of the University and the power to lay down the policies of the University, shall vest in a Board. As per clause 11(6)(h) of the University Ordinance, the Board has power to select and appoint all administrative and academic staff of the University. As per clause 32(2)(b) of NTU Service Statutes-2017, re- employment beyond the superannuation in all cases shall be subject to approval of the Board.

The reply is not plausible as 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.

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

Audit recommends to intimate the reasons regarding appointment of officers against the rules. Fix the responsibility on the person (s) at fault. Approval of Prime Minister for such appointments required to be obtained.

Para-13 (NTU – 2019-22)

7.3.4.5 Irregular procurement of IT/Misc. items - Rs 17.627 million

According to Rule 38B of Public Procurement Rules, 2004 states that Single responsive bid in goods, works and services.- (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. 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 NTU, Faisalabad for the year 2019-22, it was observed that the management floated tenders for procurement of different items and incurred expenditure of amounting to Rs 19.866 million for the year 2019-22 (Annex-35).

Audit observed that management procured these items without obtaining rate reasonability from the market as required under rule 38(B). Audit also observed that routine practice of management was to place a certificate of rate reasonability singed only by a single person of the concerned department. The subject certificate does not fulfill the requirement of rate reasonability, proper proof of the same should be obtained from the market and certificate be signed by all the members of procurement committee. Further, the items procured were not included in annual procurement plan.

Audit is of the view that non-adherence to PPRA Rules, and entertaining the single bidder, without assessing the rate reasonability was irregular.

The management's response to the audit's concerns regarding procurement emphasized wide advertisement and market-competitive rates, asserting fair and transparent processes. However, the audit found shortcomings in adherence to PPRA rules, particularly in accepting a single bidder without rate reasonability assessment. Moreover, the explanation provided for the non-uploading of the procurement plan during the COVID-19 pandemic was considered inadequate in justifying the deviation from procurement regulations. These findings underscore the need for improved compliance and transparency in procurement practices within the organization.

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

Audit recommends investigating the reasons for procurement without obtaining rate reasonability from the market and fixing responsibility.

Para-08 (NTU – 2019-22)

7.3.4.6 Loss due to non-recovery from unsuccessful employees in PhD studies - Rs 4.325 million

Board of Governors (BoG) in its 36th meeting held on 15.11.2019, approved to follow the conditions of the surety bonds. As per clause-3(vi) of the Surety Bonds submitted for study leave, in the event of breach of any terms & conditions on their part, not arising from their illness certified to the satisfaction of the university, the scholars bind themselves firmly to pay on demand a sum of Rs 1,000,000 (Rupees Ten Lacs) as liquidated damages and not as penalty to the university.

During the audit of NTU, it was found that management granted study leave for employees pursuing PhD degrees abroad. The leave, initially for 3 to 4 years, was extended upon request. However, after completing their studies, these employees neither returned to work nor submitted progress reports. Consequently, they faced potential liquidated damages of Rs 1.00 million each for breach of bond terms or failure to complete their studies as per detail given below:

Sr. No.	Name of Student	Designation	Date of Start of Program	Date of Completion of Program	Air Ticket & Insurance (Rs)	Amount of Surety Bond (Rs)	Total (Rs)
1	Maqsood Ahmed	Lecturer	05.09.2016	04.09.2021	0	1,000,000	1,000,000
2	Mubeen Aslam	Asstt. Professor	01.11.2016	31.10.2021	0	1,000,000	1,000,000
3	Shoaib Iqbal	Lecturer	23.09.2014	22.09.2018	325,094	1,000,000	1,325,094
4	Adeel Zulfiqar Rao	Lecturer	01.07.2015	-		1,000,000	1,000,000
Total					325,094	4,000,000	4,325,094

The employees concerned did not return Pakistan and resumed duties to serve the University, hence they were liable to deposit the amount of surety bond as per laid down conditions. The management also failed to take appropriate action against un-successful employees which resulted in non-recovery of surety bond amount.

Audit is of the view that the chances of recovery were remote as a considerable period had elapsed but neither the employees resumed duty nor management made concrete efforts for recovery of bonds amount.

The matter was reported to the management on December 05, 2023, the management replied that Mr. Adeel Zulfiqar Rao, Lecturer deposited whole liquidated damages. A letter had been addressed to Maqsood Ahmed, Lecturer. In response, he was agreed to pay liquidated damages. Further, the case of Mubeen Aslam had already been referred to the Inquiry Committee and proceedings were in process.

The reply is not persuasive as management failed to recover liquidated damages from candidates.

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

Audit recommends recovery of the amount in question from the employees or the surety as per conditions of surety bonds and also initiate disciplinary proceedings against the defaulter employees as per rules.

Para-14 (NTU – 2019-22)

7.3.4.7 Irregular appointment of Senior System Analyst – Rs 2.688 million

Establishment Division vide its O.M. No. F.53/1/2008-SP dated 22.10.2014 circulated the Recruitment Policy for the Federal Services/ Autonomous Bodies/ Corporations. As per S. No. (i) and (ii) of the policy, the recruitment to posts in BPS-16 and above shall be made through the FPSC. As per S. No. (v), initial appointment shall be made strictly in accordance with the provisions contained in the Recruitment Rules of the post concerned. In the absence of Recruitment rules, Ministries / Divisions / Attached Departments / Subordinate Offices / Autonomous Bodies / Semi-Autonomous Bodies / Corporations/ Companies / Authorities etc. are first required to frame the Recruitment Rules and lay down the eligibility conditions for such appointments. No recruitment shall be made in the absence of approved Recruitment Rules. As per S. No. (xvii), draft advertisement to be published for recruitment may be submitted to Establishment Division for routing of same to Ministry of Information, Broadcasting and National Heritage. No direct advertisement would be place by any organization.

During audit of NTU, Faisalabad for the year 2019-22, it was observed that the management advertised the post of Senior System Analyst dated 22.01.2017. Total 05 applications were received, out of 05 applicants, 03 were shortlisted for interview. Mr. Abdul Fawad was selected for the post and was issued offer of appointment on contract at a consolidated salary of Rs 45,000 (Lump sum) per month vide letter dated 30.05.2017 for a period of one year. The officer joined his duties w.e.f. 02.06.2017. The contract period was extended from 02.06.2018 to 01.06.2019 and 02.06.2019 to 01.06.2020 at a consolidated salary of Rs 49,532 per month and Rs 55,000 per month respectively. Later on, the services of the officer were converted on BPS contract retrospectively w.e.f. 02.06.2018 vide notification dated 10.12.2019 after approval by the BOG in its 36th meeting held on 15.11.2019.

The audit observed several irregularities in the appointment process, including violations of Establishment Division orders, lack of clarity in job advertisements regarding contract terms, absence of testing, deviation from prescribed criteria in score allocation, retrospective award of contracts, and incomplete experience certificates. These findings underscore significant deficiencies in recruitment practices, highlighting the need for corrective action to ensure compliance with regulations, transparency, and integrity in future appointments.

The matter was reported to the management on December 05, 2023, the management replied that the appointment was made as per the then in vogue policy of the University and duly approved by BOG. The Establishment Division OM referred by the Audit had not been adopted by the University through BOG hence, not applicable in the rule book of the University.

The reply is not tenable because NTU rules and regulation were contradictory to Establishment Division OMs. Besides NTU rules were not vetted by the Establishment Division.

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

Audit recommends that irregular appointment in violation of Govt. orders and award of BPS contract retrospectively should be investigated for fixing responsibility.

Para-15 (NTU – 2019-22)

7.3.4.8 Non forfeiture of earnest money form the supplier - Rs 0.712 million and non-obtaining of Performance Guarantee - Rs 2.522 million

According to tender documents, eligible firms should submit their bids along with 2% earnest money of the total quoted price in sealed envelope of financial bid in the shape of CDR/ Bank Draft in favor of NTU, Faisalabad drawn on Faisalabad. A per Tender document clause 7, an amount of 6% will be deducted as a performance guarantee from the bill and shall be retained for the period of two years. Two years will start from the date of installation (commissioning certificate issued by the technical committee of NTU) or Bank Guarantee (from the scheduled bank of Pakistan) will also be accepted but it should be valid for two years.

During audit of NTU, Faisalabad for the year 2019-22, it was observed that the management of NTU floated tender for purchase and installation of Solar system (Turnkey Solution) having capacity of 495 KW, On-grid (Net Metering) of Rs 42.044 million with the approval of BoG in its 36th meeting held on

15.11.2019. In response to tender, 05 firms participated and all were technically qualified for financial bid opening.

Audit observed several irregularities in the contract award process. M/s Energy Solution, the lowest bidder, submitted a fake CDR of Rs 712,599 but faced no consequences from the management. The work awarded to 2nd lowest bidder i.e. M/s Creative was completed late without LD charges, and the contract lacked a performance security clause. Moreover, M/s Creative's registration with AEDB was not documented.

Audit is of the view that contracts were awarded in violation of rules/ criteria which was held irregular.

The management responded that M/s Energy Solution, the bidder with the fake CDR, was disqualified from the competition. The blacklisting committee recommended forfeiting the bid security of Rs 114,471.00 but the same couldn't be forfeited due to the fake CDR of Rs 712,599. The successful bidder, M/s Creative Electronics Pvt. Ltd., requested a time extension, which was approved and project completed within timelines i.e. 17.06.2022. The performance security was obtained as per the tender terms & conditions.

The reply is not convincing as management failed to forfeit the bid security and blacklist the firm despite irregularities. Moreover, the performance security should have been obtained before awarding the work.

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

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

Para-10 (NTU – 2019-22)

7.3.4.9 Loss due to delay in procurement - Rs 1.095 million

According to rule 2(A) of 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 NTU, Faisalabad for the year 2019-22, it was observed that the management prepared cost estimates of Rs 700,000 for procurement of "Membrane Filtration Assembly" on 26.12.2019. A tender was floated on 29.12.2019 for purchase of subject item. Resultantly single bidder participated in the tender. Technical Committee evaluated technical requirements of the Membrane Filtration Assembly and revised the specification. However, vendor had not participated in revised technical and financial bid. Subsequently, the management floated fresh tender dated 23.05.2020 and procured the same items in Rs 1.795 million instead of Rs 0.700 million.

Audit is of the view that due to mis-management in finalizing the specification of the item, loss of Rs 1.095 million was sustained by NTU.

The matter was reported to the management on December 05, 2023. The management replied that the tender was published on 26.12.2019 initially as per PPRA Rule 36(d). Single bidder participated in the tender with initial technical specification. While he did not participate in revised technical bid. The tender was canceled and re-tendered on 28.05.2021. The two bidders participated in the tender, and both qualified in initial, but one M/s Marjan Polymer qualified in the revised technical bid and the other bidder was disqualified technically. The initial specification was very generic, and the revised specifications were more wide range and specific to project.

The reply is not convincing as management filed to finalize the specification in time and sustained loss.

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

Audit recommends investigating the matter and fix responsibility on the person(s) at fault for making procurement on higher rates.

Para-11 (NTU – 2019-22)

Chapter-8

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

- Rule of Business 1973
- General Financial Rules

Audit Profile of Finance Division

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	8	6	128,691.786	174,528.476
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	8		-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 651,499.673 million were raised as a result of this audit. This amount also includes recoverable of Rs 51,877.51 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	41,387.603
3	Irregularities:	
A	HR/Employees related irregularities	28,172.357
B	Procurement related irregularities	1,197.187
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	23,291.663
5	Others	557,450.863

8.1 House Building Finance Company Limited

8.1.1 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.

8.1.2 Comments on Audited Accounts

8.1.2.1 The working results of the Corporation for the year ended December 31, 2022 as compared with the preceding years are given below:

(Rs in million)

Description	2022	% Inc / (Dec)	2021	% Inc / (Dec)	2020
Net markup / interest income	3,193	39	2,302	(29)	3,249
Markup / interest expensed	(688)	244	(200)	1	(198)
Total non-markup / interest income	89	16	76	(44)	136
Total income	3,282	38	2,378	(30)	3,385
Total non-markup / interest expense	(1,636)	8	(1,520)	(190)	1,686
Operating expenses	(1,594)	7	(1,492)	(190)	1,658
Various reversal / (provision) made (net)	277	(35)	426	(240)	(304)
Profit/(loss)before taxation	1,908	49	1,282	(8)	1,390
Taxation	(430)	26	(342)	(195)	361
Profit/(loss) after taxation	1,478	57	940	(9)	1,029
(Source: Annual Audited Accounts)					

8.1.2.2 Markup / interest expenses were 244%, increased from Rs 200.063 million in 2021 to Rs 688.000 million in 2022 due to repurchase agreement of borrowing (Repo).

8.1.2.3 Dividend income decreased by 35% from Rs 1.217 million in 2021 to Rs 0.797 million in 2022 due to poor earnings of invested companies.

8.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1994-95	14	9	5	37, 38, 39, 41, 42	64%
1998-99	2	1	1	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%
2010-11	10	6	4	7.1.2.1, 7.1.2.3, 7.1.4.1, 7.1.4.4	60%
2013-14	12	1	11	6.1.2, 6.1.3.1, 6.1.3.2, 6.13.3, 6.1.3.4, 6.1.3.5, 6.1.3.6, 6.1.3.7, 6.1.3.8, 6.1.3.9, 6.1.3.10	8%
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, 6.1.4.6, 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%

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

8.1.4 Audit Paras

8.1.4.1 Non-achievement of disbursement & non-performing loan reduction targets – Rs 4,117.000 million

Section 15(4) of Financial Institutions (Recovery of Finance) Ordinance, 2001, states that where a mortgager fails to pay the amount and after the due date given in the final notice has expired, the financial institution may, without the intervention of any Court, sell the mortgaged property or any part thereof by public auction and appropriate' the proceeds thereof towards total or partial satisfaction of the outstanding mortgage money.

During audit of House Building Finance Company Ltd (HBFCL) Head Office, Karachi for the year 2022, it was observed that the management failed to achieve disbursements and non-performing loan reduction targets amounting to Rs 4,117.000 million (Annex-36).

Audit is of the view that non-achievement of disbursement targets and non-performing loan reduction targets reflected negligence and poor financial management.

The matter was reported to the management in December 2023. The irregularity was discussed in DAC meeting held on January, 25, 2024.

a. The management informed the DAC that the target set for CY’22 was the highest target ever set in history of HBFC, also the performance achieved during tenure was the highest of all performance of business in history of HBFC.

b. The management informed the DAC the NPL reduction target (budget) for 2022 set by the management was 506 Million. Actual reduction at the end of 2022 was 393.5 Million. The increased target of 700 Million was internally set by the recovery department to get the maximum out of the recovery team and achieve results exceeding expectations.

DAC directed the management to provide aging and get verified the recovered amount.

Audit recommends implementation of the DAC directives.

(DP No. 712, 715 & 721)

8.1.4.2 Borrowing beyond approved limit – Rs 3,963.000 million

As per HBFCL Treasury Policy 2022 states that these limits may be restricted to PKR 200 million in unsecured limits and PKR 2 billion in repurchase or reverse repurchase transactions for financial institutions rated not below A minus by a SBP approved rating agency.

During audit of House Building Finance Company Ltd (HBFCL) Head Office, Karachi for the year 2022, it was observed that the management borrowed Rs 13,034 million from State Bank of Pakistan (SBP) on account of Repo through Open Market Operations (OMO) against the approved limit of Rs 2,000.000 million as detailed below:

Rs in million

S#	Date of Borrowing	Borrowing Amount	Approved limit	Excess
1	19-Aug-22	1,889	2,000	111
2	19-Aug-22	927		
3	16-Sep-22	500	2,000	1500
4	16-Sep-22	2,000		
5	16-Sep-22	2,000		
6	23-Sep-22	3,100	2,000	1,100
7	21-Oct-22	748	2,000	1,252
8	21-Oct-22	934		
9	21-Oct-22	936		
			Total	**3,963**

Audit is of the view that management made excess borrowing of Rs 3,963.000 million in violation of rules which is irregular and unjustified.

The matter was reported to the management in December 2023. The irregularity was discussed in DAC meeting held on January, 25, 2024. The management informed that these transactions were executed under the treasury policy prior to the one approved on October 28, 2022. DAC directed the management to get the investment data verified in connection to SBP circular.

Audit recommends implementation of the DAC directives.

8.1.4.3 Non-recovery of loans & outstanding penalties - Rs 3,734.054 million

Section 15(4) of Financial Institutions (Recovery of Finance) Ordinance, 2001, states that where a mortgager fails to pay the amount and after the due date given in the final notice has expired, the financial institution may, without the intervention of any Court, sell the mortgaged property or any part thereof by public auction and appropriate' the proceeds thereof towards total or partial satisfaction of the outstanding mortgage money.

During audit of House Building Finance Company Ltd (HBFCL) Head Office, Karachi for the year 2022, it was observed that a number of loans were sanctioned to various customers for purchase & construction of houses which were not recovered. Furthermore, penalties on late payment of loans were also not recovered (Annex-37). The details are as under:

S #	Description	Rs in million
1.	Defaulting customer of various regions	3,081.000
2.	Less recovery against the assigned targets	307.000
3.	Non-recovery from penalties	346.054
	Total	**3,734.054**

Audit is of the view that the management failed to recover outstanding amount of Rs 3,734.054 million which reflected inefficiency and negligence.

The matter was reported to the management in December 2023. The irregularity was discussed in DAC meeting held on January, 25, 2024.

a. The management informed that the observation is incorrect as the complete portfolio was reported as non-performing without analyzing the classification of the portfolio. The non-performing portfolio was 2.82 billion instead of 16.8 Billion.

b. The management informed the DAC that accounts auction under Section 15 of FIO were properly mortgaged and the company did not have to face prolonged court proceedings in this regard, secondary collateral was a credit decision and the matter might be taken up with credit for decision. The NPL reduction target (budget) for 2022 set by the management was 506 Million. Actual reduction at the end of 2022 was 393.5 million.

c. The management informed the DAC that Rs 23.000 million were recovered.

The DAC directed the management to provide the aging of the receivables and get recovered amount verified by Audit and pursue the recovery vigorously.

Audit recommends implementation of the DAC directives.

(DP No. 706, 713 & 728)

8.1.4.4 Irregular borrowing by using employees' funds – Rs 1,084.000 million

According to Section 218 (1) of Companies Act, 2017 Employees' provident funds, contributory retirement funds and securities, 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 for the purpose in a scheduled bank or in the national saving schemes, and no portion thereof shall be utilized by the company except for the breach of the contract of service on the part of the employee as provided in the contract and after notice to the employee concerned.

During audit of House Building Finance Company Ltd (HBFCL) Head Office, Karachi for the year 2022, it was observed that the management made borrowings from invested securities by using Employees Gratuity, Contributory Provident & Pension funds in violation of above rules. The detail is as under:

						Rs in million
S#	**Borrowed From**	**Borrowing Date**	**Maturity Date**	**Borrowing Amount**	**Rate (%)**	**Borrowing Settlement**
1	G.F	08-Dec-22	09-Dec-22	185,059	17	185,144
2	C.P.F	08-Dec-22	09-Dec-22	633,924	17	634,215
3	E.P.F	08-Dec-22	09-Dec-22	182,763,099	17	182,847,057
4	E.P.F	08-Dec-22	09-Dec-22	33,133,367	17	33,148,588
5	C.P.F	09-Dec-22	12-Dec-22	634,215	16	635,073
6	G.F	09-Dec-22	12-Dec-22	185,144	16	185,395
7	E.P.F	09-Dec-22	12-Dec-22	33,148,588	16	33,193,454
8	E.P.F	09-Dec-22	12-Dec-22	182,847,057	16	183,094,539
9	E.P.F	12-Dec-22	13-Dec-22	183,094,539	17	183,177,809
10	C.P.F	12-Dec-22	13-Dec-22	635,073	17	635,362
11	G.F	12-Dec-22	13-Dec-22	185,395	17	185,479
12	E.P.F	12-Dec-22	13-Dec-22	33,193,454	17	33,208,550
13	E.P.F	13-Dec-22	14-Dec-22	33,208,550	16	33,223,107
14	E.P.F	13-Dec-22	14-Dec-22	183,177,809	16	183,258,106
15	E.P.F	14-Dec-22	15-Dec-22	33,223,107	16	33,237,898
16	E.P.F	14-Dec-22	15-Dec-22	183,258,106	16	183,339,694
			Total	**1,083,506,486**		**1,084,189,470**

Audit is of the view that the management made borrowing settlement of Rs 1,084.000 million which reflects negligence and stands irregular and unjustified.

The matter was reported to the management in December 2023. The irregularity was discussed in DAC meeting held on January, 25, 2024. The management informed the DAC that HBFC was the custodian of all employees' fund and hold fixed income bonds of PKR 5.504 billion as of 8th Dec 2022 on behalf of all employees' funds. In our responsibility, we received funds of PKR 216.7 million resulting from coupon maturity on 8th Dec 2023 from GoP via SBP. Out of PKR 216.7 million, PKR 182.76 million resulted from securities held by Employees' Pension funds. HBFC treasury has been given a mandate by employees' fund trustee to manage its fund at the best possible return. Employees' fund accounts with schedule banks were paying 14.50% in the month of Dec 2022.

DAC directed the management to get verified the charter of demand and approval of trust.

Audit recommends implementation of the DAC directives.

8.1.4.5 Loss due to encroachment of land – Rs 121.121 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, in accordance with the Ordinance and these rules.

During audit of House Building Finance Company Ltd (HBFCL) Head Office, Karachi for the year 2022, it was observed that actual covered area of Faisal Town Commercial, Lahore was 9.86 kanals but the same was reported as 7 kanals due to encroachment 2.86 kanals equal to 1,730.3 sq. yd @ of Rs 70,000 per sq. yd amounting to Rs 121.121 million.

Audit is of the view that the management sustained a loss of Rs 121.121 million due to encroachment of land which reflects negligence and inefficiency.

The matter was reported to the management in December 2023. The irregularity was discussed in DAC meeting held on January, 25, 2024. The management informed the DAC that HBFC was allotted 200 kanal land for construction of houses in faisal town scheme out of which 09 kanals 17 marlas 47 sq ft. amenity plot was earmarked for a bus stop, mosque and shops. However, mosque was constructed by the area residents themselves, therefore; the available area of the plot as per physical is approximately 07 Kanals. The DAC directed the management to again take up the matter with LDA for removal of encroachment.

Audit recommends implementation of the DAC directives.

8.1.4.6 Increase in non-performing loans and cost – Rs 117.000 million

Duties and responsibilities of Group Head- Business & Operations include among others, monitoring the disbursements of loans of the branches in South, Central and North regions and monitoring key factors and drivers that influence business operational performance and develop strategies and recommend improvements to enhance the financial performance of the company.

Regional Head is mainly responsible to manage overall business, administrative and financial affairs of the region and achieve organization's objectives.

During audit of House Building Finance Company Ltd (HBFCL) Head Office, Karachi for the year 2022, it was observed that the management failed to achieve the assigned reduction of Non-Performing Loans (NPLs) targets in various branches despite incurring an expenditure of Rs 107.000 million. This also resulted in increase of NPLs amounting to Rs 41.000 million. The detail is as under:

Rs in million

Region	S#	Branch	Target	Achieved	% Achieved	Required NPLs	Total Cost
South	1	Karachi	147	(106)	(72)	41	11
Central	2	Multan	29	(14)	(50)	14	9
South	3	Khairpur	18	(8)	(47)	9	5
North	4	Islamabad	10	(7)	(67)	3	50
Central	5	Rahim Yar Khan	8	(5)	(61)	3	7
Central	6	Faisalabad	33	(30)	(92)	3	9
Central	7	Bahawalpur	4	(1)	(38)	2	7
Sub-total			**248**	**(172)**	**(426)**	**76**	**98**
Region	**S#**	**Branch**	**Target**	**Increased**	**% increased**	**Required NPLs**	
North	1	Peshawar Branch	-7	-2.7	-40	**10**	9
Central	2	Gujranwala Branch	31	-0.1	(0.4)	32	-
Sub-total			**25**	**(3)**	**(40)**	**41**	**9**
		Grand Total	**272**	**(174)**	**(467)**	**117**	**107**

Audit is of the view that due to poor performance, not only the cost was increased but NPLs have also been increased which reflected negligence and weak financial management.

The matter was reported to the management in December 2023. The irregularity was discussed in DAC meeting held on January, 25, 2024.

a. The management informed the DAC that expenses were incurred to refurbish and relocate branches for business potential in different locations, this expenditure was incurred for renovation and relocation project where branches were located in residential areas with extremely poor working conditions.

b. The management informed the DAC that NPLs in Gujranwala branch reduced by Rs 15.59 million and in Peshawar branch reduced by Rs 4.32 million as of November, 2023. Audit contented that the cost was 61% of the reduced NPLs 174 million and management should find the reasons of loss making branches.

The DAC directed the management to rationalize the expenditure and efforts might be made to reduce the NPLs.

Audit recommends implementation of the DAC directives.

(DP No. 707 & 714)

8.1.4.7 Payment of dual rent for branches – Rs 0.909 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, in accordance with the ordinance and these rules.

During audit of House Building Finance Company Ltd (HBFCL), Karachi for the year 2022, it was observed that after the instructions of relocation of branches, rent was paid for more than one location in Khairpur city. The detail of rental payment is as under:

Name of Branch	Name of Property Owner	Date of Contract Execution	Renewal Due Date	Rent Per Month (Rs)	Payment already made till	Amount (Rs)
Khairpur (Old)	Mr. Ghulam Murtaza Suhag	September 1, 2022	July 31, 2023	28,118	July 31, 2023	309,298
Khairpur (New)	Mr. Amanullah Shaikh	December 29, 2022	December 28, 2032	50,000	December 28, 2023	600,000
					Total	**909,298**

Audit is of the view that the management paid dual rental charges to branches which reflects negligence and slackness. Thus, expenditure incurred amounting to Rs 0.909 million was held irregular and unjustified.

The matter was reported to the management in December 2023. The irregularity was discussed in DAC meeting held on January, 25, 2024. The management informed the DAC that due to the prevailing economic conditions; the relocation and subsequent Renovation of Branch Office, Khairpur was put on hold by the Management as conditions were not favorable for business. The DAC directed the management to conduct fact-finding inquiry.

Audit recommends implementation of the DAC directives.

8.1.4.8 Irregular promotions of employees on fast track basis

Rule 5 (1) of the 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.

According to HBFC Promotion Policy, 2019 dated 08-09-2020, (14) Promotion on Fast Track Basis up-to EVP (OG-7): 14.1 the mode of promotion on fast track will be used on exceptional basis for high potential officers and to retain the talent. Following criteria will be observed while recommending promotions on fast track basis: (a) the minimum service period in the current grade should be at least two yearly PMS/ PER reports. (b) The concerned group head shall submit a detailed report on the achievements of the officer to be considered for fast track promotion stating his/her key performance indicators (KPIs), contribution in achievement of departmental/ organizational objectives.

During audit of House Building Finance Company Ltd (HBFCL) head office, Karachi for the year 2022, it was observed that various officers were promoted on fast track basis despite being junior in the seniority list. The KPIs of all employees were incomplete as no grading was mentioned to reflect them as exceptional performers to justify their promotions on fast track. In fact, it was revealed that the assigned targets were not achieved by promoted employees. The detail of promoted employees on fast track basis is as under:

S#	Name of Employee	Promotion date	Promoted to Designation	Number in seniority list
1	Mr. Kazim Raza Bhayani	15.3.2023	SVP	7th
2	Ms. Samina Naveed	15.3.2023	VP	16th
3	Mr. Fakhar Abbass	15.3.2023	AVP	68th
4	Mr. Hammad Hassan	15.3.2023	Manager	30th

It was also observed that Mr. Kazim Raza Bhayani SVP was promoted on fast track basis despite his appointment and previous promotions were objectionable.

Audit is of the view that the management extended undue favor to the officers in their promotions which undermined the rights of other deserving employees.

The matter was reported to the management in December 2023. The irregularity was discussed in DAC meeting held on January, 25, 2024. The management informed the DAC that promotions of above mentioned officers were made in accordance with relevant rules & laws. Further, the appointment and promotion of Mr. Kazim Raza were made in accordance with policy. The DAC directed the management to provide the annual grading reports along with achievement of targets to Audit for verification. Further, matter regarding appointment and promotion of Mr. Kazim Raza place before the PAC.

Audit recommends implementation of the DAC directives.

(DP No.730, 727 & 731)

8.1.4.9 Unjustified revision of promotion policy

Rule 7 of Public Sector Companies (Corporate Governance) Rules, 2013, states that the Board shall also formulate significant policies of the Public Sector

Company, which may include the following, namely: - Human resource policy including succession planning.

Rule 12 (c) of Public Sector Companies (Corporate Governance) Rules, 2013, Human Resource Committee, to deal with all employee related matters including recruitment, training, remuneration, performance evaluation, succession planning, and measures for effective utilization of the employees of the Public Sector Company;

During audit of House Building Finance Company Ltd (HBFCL) Head Office, Karachi for the year 2022, it was observed that the management formulated a new policy titled as fast track promotion policy on 08-09-2020 in parallel with existing HR promotion policy issued on 16-11-2018. The comparison of both policies is as under:

<table>
<tr><th colspan="5">Old promotion policy as on 16.11.2018</th><th colspan="2">Revised promotion policy as on 08.09.2020</th></tr>
<tr><th rowspan="4">No. of minimum & maximum years</th><th rowspan="4">3 to 5 years</th><th rowspan="4">Improve-ment in qualification (%)</th><th rowspan="4">Seniority (%)</th><th rowspan="4">Interview (%)</th><th>Designation</th><th>No. of minimum & maximum years</th></tr>
<tr><td>Up to Manager</td><td>3 to 5 years</td></tr>
<tr><td>AVP to EVP</td><td>4 to 6 years</td></tr>
<tr><td>SEVP</td><td>On the recommendation of MD & approval from BoD</td></tr>
<tr><td></td><td>PMS / PERs grading</td><td></td><td></td><td></td><td>On fast track up to EVP OG- 7</td><td>2 yearly PMS/ PERs reports</td></tr>
<tr><td>JOs OG-1</td><td>60</td><td>10</td><td>10</td><td>20</td><td colspan="2" rowspan="8">Same as Previous</td></tr>
<tr><td>AM OG-2</td><td>60</td><td>10</td><td>10</td><td>20</td></tr>
<tr><td>MGR OG 3</td><td>50</td><td>10</td><td>10</td><td>30</td></tr>
<tr><td>AVP OG-4</td><td>50</td><td>10</td><td>10</td><td>30</td></tr>
<tr><td>VP OG-5</td><td>50</td><td>-</td><td>10</td><td>40</td></tr>
<tr><td>SVP OG-6</td><td>50</td><td>-</td><td>10</td><td>40</td></tr>
<tr><td>EVP OG-7</td><td>40</td><td>-</td><td>10</td><td>50</td></tr>
<tr><td>SEVP OG-8</td><td>40</td><td>-</td><td>10</td><td>50</td></tr>
</table>

It is evident from the above table that in fast track promotion policy, two yearly service period PMS/PER reports were needed. These reports were prepared and submitted by concerned group heads on unidentified standards without establishment of sound SOPs. In addition to that, promotional parameters were vague. Only 10% weightage was given to improvement in qualification for OG 1 to OG 4. However, there was no percentage required for VP, SVP, and AVP to improve their qualifications and get certain weightage. Moreover, no regular promotions were made during last four years, only selected employees were being promoted on fast track irrespective of their true performance.

Audit is of the view that the fast track promotion policy was unequal and detrimental to the organization as it was favoring few employees.

The matter was reported to the management in December 2023. The irregularity was discussed in DAC meeting held on January, 25, 2024. The management informed the DAC that BoD was authorized to create or approve policies and the HR policy did not benefit particular employees. The DAC directed the management to place the policy before BoD for reassessment.

Audit recommends implementation of the DAC directives.

8.2 National Bank of Pakistan

8.2.1 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's 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 years, 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.

8.2.2 Comments on Audited Accounts

8.2.2.1 The working results of bank for the year ended December 31, 2022 as compared to previous years are given below:

(Rs in million)

	2022	**% Inc /Dec**	**2021**	**% Inc /Dec**	**2020**
Markup/Return /Interest earned	503,310	117.05	231,883	-10.06	257,811
Markup expense	386,474	187.80	134,285	-12.60	153,652
Capital gain & dividend income	6,193	-42.22	10,718	9.95	9,748
Profit after tax	30,410	8.58	28,008	-8.35	30,559
Bills payable	55,268	152.97	21,848	30.09	16,795
Borrowings	1,940,486	520.11	312,925	125.88	138,539
Deposits & other accounts	2,666,184	-11.69	3,019,155	37.36	2,198,049
Non-performing loans	205,300	3.72	197,938	15.55	171,294
Return on equity	12.68%	-6.07	13.50%	-21.51	17.20%

The markup/Return/interest earned by the Bank increased by 117.05%, from Rs 231,883 million in 2021 to Rs 503,310 million in 2022 due to high interest rates. Markup expense/payments has seen a drastic increase of 187.80% during 2022, from Rs 134,285 million in 2021 to Rs 386,474 million in 2022. This higher increase has overshadowed the interest earned, which is mainly due to payments to depositors at higher interest rates prevailing during 2022 and securities sold under repurchase agreements (Repo & Reverse Repo).

8.2.2.2 Capital gain & dividend income declined by 42.22%, from Rs 10,718 million in 2021 to Rs 6,193 million in 2021. This change is mainly due to weak economic conditions in the country, investments in non-dividend paying companies and less diversification of investment portfolio.

8.2.2.3 Bills payable of the bank reflected an increase of 152.97%, from Rs 21,848 million in 2021 to Rs 55,268 million in 2022, which shows NBP’s liability on account of import LCs.

8.2.2.4 Borrowings of NBP increased by 520.11%, from Rs 312,925 million to Rs 1,940,486 million in 2022, this increase shows that NBP has entered into short term agreements and purchase securities from market for investment purpose.

8.2.2.5 Deposits & other accounts witnessed a decline of 11.69% during 2022, from Rs 3,019,155 million in 2021 to Rs 2,666,184 million in 2022; this major decrease is due to decline in deposits of financial institutions.

8.2.2.6 Non-performing loans of NBP has been increased by 3.72%, from Rs 197,938 million in 2021 to Rs 205,300 million in 2022. This is an indicator of slow or poor loan & recovery management.

8.2.2.7 Return on equity, a key performance indicator seen a decline of 6.07% in 2022, from 13.50% in 2021 to 12.68% in 2022, this decline is mainly due to decrease in surplus on revaluation of assets.

8.2.2.8 Debt to equity ratio has seen an increase of 1.70% in 2022; debt is 94.26% of equity in 2022 as compared to 92.56% in 2021, this is due to increase in overall debts of the bank.

8.2.2.9 Current ratio of the bank is 1.0493 times in 2022 as compared to 1.0802 in 2021. Decline of 0.03 times is due to increase in liabilities of the bank.

8.2.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

8.2.4 Audit Paras

8.2.4.1 Loss due to defaulted loans against in-adequate guarantees – Rs 190,710.790 million

Section 15(4) of Financial Institutions (Recovery of Finance) Ordinance, 2001, states that where a mortgager fails to pay the amount and after the due date given in the final notice has expired, the financial institution may, without the intervention of any Court, sell the mortgaged property or any part thereof by public auction and appropriate' the proceeds thereof towards total or partial satisfaction of the outstanding mortgage money.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management granted various types of loans to different borrowers, but failed to safeguard and recover advances/ loans of Rs 190,710.790 million (Annex-38) from the concerned parties. Resultantly, the management considered it as a loss and accordingly made its provision and might convert into write off.

Audit is of the view that the non-recovery of loans on time was poor financial management and violation of recovery policy causing huge losses to the organization.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that properties were mortgaged of all borrowers with NBP, some cases were under litigation. However, an amount of Rs 12,439.30 million has been recovered. The DAC directed to make efforts for early recovery, pursue the legal cases and auction the mortgaged property as per Ordinance.

Audit recommends implementation of the DAC directives.

8.2.4.2 Non-recording of contingencies / provisioning in respect of pensionary benefits to retired employees - Rs 89,700.000 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.

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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that employees of the Bank were getting pension in compliance with Federal Government instructions letter No.17(9) 17 XI/ 177 dated November 30, 1977. However, the management vide Circular No.371/1999, revised the formula for monthly gross pension of Bank employees, effective from January 01, 1999. After attaining the age of superannuation, the employees filed Writ Petitions before the Lahore High Court and the Peshawar

High Court, praying for re-calculation of their pensionary benefits and increases and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees in the year 2010 & 2011. The Lahore High Court decided the matter in favour of employees and also dismissed the Intra Court Appeals filed by Bank. The Honorable Supreme Court of Pakistan vide its judgement dated September 25, 2017 upheld the decision of the Lahore High Court. Later on, the Bank filed review petitions against the aforesaid judgment which was still pending.

Further, the management did not record the contingent liability / make provisioning in respect of pensionary benefits to retired employees amounting to Rs 89,700.000 million in Annual Report 2022.

Audit is of the view that non-recording of the contingent liability/ provisioning of pensionary benefits resulted into overestimation of assets and underestimation of liabilities which reflected poor financial management.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that based on opinion of the legal counsel, the bank believes that outcome of the case would be favourable. Accordingly, no provisioning was made. The DAC directed the management to pursue the case vigorously and clarification regarding recording of contingent liabilities may also be sought from SECP. Further, share the total legal and professional expenses incurred in respect of subject case since inception to Audit.

Audit recommends implementation of the DAC directives.

8.2.4.3 Loss due to granting financing / credit facilities to the company involved in fraudulent activities – Rs 23,866.381 million

Clause 9.12.5 of Chapter 9 of Credit Management Policy of NBP requires that an important component to be assessed in Credit investigation process. It involves determining respectability, reputation and commercial integrity of the borrower i.e. Borrower's relationship with the suppliers/ customer and commitment towards satisfying the trade related obligations and debt repayment" and CPB clause 14.72 requires to discuss Major suppliers and Major Customers (buyers) in Credit Proposals.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management extended various financing / credit facilities without keeping in view the relevant prudential regulations while granting such facilities to M/s Hascol Petroleum Limited, without assessing its financial worth. The details of financing facilities extended by the Bank are given as under:

				(Rs in million)
S #	**Finance Facility**	**Date of finance**	**Amount Principal**	**Total outstanding with mark up as on 31.08.2022**
1.	Term loan	09.03.2016	500.00	115.989
2.	Term loan	22.05.2018	1,050.00	853.261
3.	Term Loan	21.05.2018	600.00	422.811
4.	FPAD (forced payment against documents	2016 to 2020	35,645.71	12,465.43
5.	Running Finance facility	18.10.2018	15,356.19	1,206.15
6.	Restructured term loan	22.06.2020	7,100.55	8,605.47
7.	Diminishing Musharakah		500.00	197.27
			Total	**23,866.381**

Following irregularities were observed:

1. Personal and corporate guarantees held by NBP as security were removed and un-tagged without clearance/adjustment of loans in credit committee 613th meeting dated November 21, 2017.

2. SEVP, corporate banking group recommended and allowed routing of credit proposal through his own group instead of routing it through investment banking group.

3. Group chief CIBG recommended and allowed additional running finance facility of Rs 1,000 million vide credit committee meeting 613th dated November 21, 2017 HPL against the security of stocks and receivables that were already encumbered against LC lines.

4. Instead of reducing exposure, aggressive exposure was allowed to the company despite oil industry was facing many challenges in 2018 and decline in profitability of most of oil refineries and OMCs at that time including HPL, increased letter of credit facility from Rs 12,000 million to Rs 18,000 million on October 01, 2018.

5. Allowed charge up-gradation deferrals and opening of LC in presence of overdue FATR/FPADs (forced payment against documents).
6. Allowed restricting facilities i.e. conversion of short term facilities into long term facilities.
7. Allowed and converted defaulted LCs of Rs 8,000 million to long term loan and LC line was reduced to Rs 10,000 million from Rs 18,000 million.
8. Again allowed opening of LCs in presence of overdue to utilize full LC limit of Rs 18,000 million just lapse of about one month.
9. Condition of maintaining FPADs at the level of Rs 8,000 million for restricting was also relaxed.
10. Subsequently management filed a law suit No. B-47 of 2022 against the defaulter in the High Court of Sindh.

The FIA has submitted challan against 11 officers in the law Court, whereas 08 officers resigned from NBP before the case surfaced and received all end service benefits (Annex-39).

Audit is of the view that the management unjustifiably granted financing facilities and extended undue favor to the involved officers which needed to be probed at highest level.

The matter was reported to the management on October 23, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that disciplinary action against the concerned employees were under process and legal proceedings against the company were started. DAC directed to take action against the involved employees of NBP and pursue the legal case properly for recovery of amount and share inquiry report with Audit.

Audit recommends implementation of the DAC directives.

(DP No. 832 & 835)

8.2.4.4 Default of loan by sugar mills - Rs 23,348.040 million

Section 15(4) of Financial Institutions (Recovery of Finance) Ordinance, 2001, states that where a mortgager fails to pay the amount and after the due date given in the final notice has expired, the financial institution may, without the intervention of any Court, sell the mortgaged property or any part thereof by public auction and appropriate' the proceeds thereof towards total or partial satisfaction of the outstanding mortgage money.

During audit of National Bank of Pakistan (NBP) for the year 2022, it was observed that the management granted advances / loans of Rs 15,283.000 million to various sugar mills (Annex-40). However, management failed to recover the amount of loan from the above parties and the amount was shown as a loss. This indicated that the loans/advances were not properly secured as per prevailing policies of SBP which resulted in non-repayment of loan of Rs 23,348.040 million (principal Rs 15,283.000 million & interest Rs 8,065.040 million).

Audit is of the view that non-recovery of loans tantamount to gross negligence and weak financial management by the NBP authorities which resulted in massive loss to the bank.

The matter was reported to the management on November 06, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that efforts were being made to recover the amount from defaulted sugar mills. The DAC directed the management for early recovery of defaulted amount and pursue the case vigorously and also directed to place the para before PAC.

Audit recommends implementation of DAC directives.

8.2.4.5 Non-recovery of loan from the borrowers at NBP Hyderabad Region - Rs 18,079.65 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), Hyderabad Region for the year 2022, it was observed that management granted/renewed/enhanced financing facilities to the borrowers under various categories at NBP Hyderabad region, who defaulted in repayment of their loans of Rs 18,079.65 million. The detail is given as under:

S#	No of Borrowers	Category	Rs in million
1.	1940	Irregular	17,661.78
2.	145	Substandard	168.21
3.	504	Watch list	249.66
Total	**2589**		**18,079.65**

It was further observed that in some defaulted cases, the borrowers were near to default or defaulted and to the same borrower was granted another loan as enhancement / restructuring of the previous loan with opening of a new bank account in the same branch. This restructuring was done without recovery of previous loans in violation of rules.

Audit is of the view that non-recovery and subsequent restructuring of loans was irregular and against the rules to give undue favor to the selected borrowers.

The matter was reported to the management on November 06, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that enhancement in loan were made after recovery of previous loans and bank authorities were making efforts for recovery of outstanding loans. DAC directed the management to provide relevant record for verification and make efforts for early recovery of remaining amount.

Audit recommends implementation of DAC directives.

8.2.4.6 Loss due to allowing excess salary to the MTOs - Rs 17,500.000 million

Rule 5(1) 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 National Bank of Pakistan (NBP) for the year 2022, it was observed that the management allowed salary to the Management Trainee Officers in excess of salary paid to the regular employees. The regular employees challenged the decision of management in in High Court of Sindh, Sukkur which was decided in their favor. The management challenged the decision in the Supreme Court of Pakistan, which was also decided in the favor of regular employees. Subsequently, management opted for out of court settlement with the regular employees and had to pay an amount of Rs 17.5000 billion to the employees as difference of pay and allowances.

Audit is of the view that the management extend undue favor to the newly recruited officer, while fixation of salary beyond the minimum approved salary, which caused continuous burden on the Bank.

The matter was reported to the management on December 21, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the enhanced salary was allowed as per advertisement and new structured posts. DAC directed to share the relevant documents with Audit.

Audit recommends implementation of DAC directives.

8.2.4.7 Loss to national exchequer due to loan default– Rs 17,200.570 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 2022, it was observed that the management granted two advances/ loans of Rs 10,302.350 million and Rs 6,898.210 million to M/s Tuwairqi Steel Mills Limited without observing the financial position of company and obtaining proper security against loans. In September, 2014 company defaulted in repayment of loan amounting to Rs 17,200.570 million.

Audit is of the view that the management failed to follow the policy of securing the advances and extended undue favor by non-recovering and non-filing of suit in the Court against the party. Thus, national exchequer sustained a loss of Rs 17,200.570 million excluding interest.

The matter was reported to the management on October 31, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC about the latest status of defaulted loans. The DAC directed to place the para before the PAC.

Audit recommends implementation of DAC directives.

8.2.4.8 Non-recovery of loan from borrowers of various categories – Rs 17,120.710 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) for the year 2022, it was observed that the management granted/renewed/enhanced financing facilities to the borrowers amounting to Rs 17,120.710 million (Annex-41) under various categories, the borrowers defaulted and repaying their loan not in time, due to which the same has been categorized as irregular and on watch list.

Audit is of the view that the management failed to pursue the cases of repayment of loans by the borrowers which reflects negligence and poor recovery mechanism.

The matter was reported to the management on December 06, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024.

The management informed the DAC that this is regular portfolio and varies from time to time. DAC directed the management to recover the amount at earliest.

Audit recommends implementation of DAC directives.

8.2.4.9 Posting of suspicious entries in blocked head of account – Rs 9,338.050 million

Clause 2(a) of the agency agreement between State Bank of Pakistan and National Bank of Pakistan made on this day of 2022 states that:

(a) To collect taxes, duties. fees, levies and receipts of whatever description or nomenclature [hereinafter referred to as "receipts"], of the Federal Government, Provincial Governments and District Governments;

(b) To effect payments of Federal Government, Provincial Governments and District Governments;

(c) To maintain separate counters at the designated branches dealing with Government receipts and payments wherever prescribed by the Bank and agreed by the National Bank.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi and special study of Role of NBP as agent of SBP for the years up to 2022, it was observed that the management at Shikarpur Branch collected government receipts and posted an amount of Rs 9,338.050 million from July 2021 to June, 2022 in the blocked head of chart of account. The detail is given as under:

Branch Name	BRCD	ZAHEAD	ZPROV	Prov	Category	CAN	Total (Rs)
MB Shikarpur	61	B02105	FED	F	B AND C	11646205	**9,388,054,241**

As per Chart of accounts, the above head of account ‘B02105’ pertaining to “Sea Custom” was marked as blocked and non-functional. However, the management entered the collection and posted the amount into blocked head of account.

Audit is of the view that the chances of deliberate posting of entries of revenue collection in the blocked head of account reflects negligence and slackness.

The matter was reported to the management on October 24, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that blocked Head of account was not in the knowledge of branch, however the amount was transferred to the Federal Government account. DAC directed the management to provide relevant record for verification.

Audit recommends implementation of DAC directives.

8.2.4.10 Default of loan regarding import financing and investment – Rs 9,055.680 million

Rule5(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 year2022, it was observed that the management granted advances/loans amounting to Rs 5, 771.230 million to M/s ASG Metals for the purpose of import financing and investment during the years 2012 to 2021(Annex-42). However, the management failed to recover the amount of loan and the amount had been shown as loss which indicated that the loans/advances were not properly secured. Further, the party continued default in repayment of loan and additional loans were granted without receiving the previous payments and party defaulted in repayment of loan Rs 9,055.68 million (Rs 5,771.230 million principal and Rs 3,284.290 million interest).

Audit is of the view that the management extended undue favor to the defaulted party by granting continuous loans against the SOPs thus causing massive losses to the bank.

The matter was reported to the management on November 01, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC about the latest status of defaulted on import financings. DAC maintained the para to be decided by PAC.

Audit recommends implementation of DAC directives.

8.2.4.11 Unjustified enhancement of HBF advance to employees - Rs 8,687.700 million

Rule 5 (5) of the 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 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 due economy is exercised so as to reduce wastage."

During audit of National Bank of Pakistan (NBP) for the years 2022, it was observed that management of NBP granted House Building Finance advance at nominal markup rate to its employees and allowed frequent enhancement after every three years. Following irregularities were observed in HBF loan to the employees (Regular/contract):

1. House Building Advance was granted to the employees on nominal interest rate of just 3% against the SBP approved rate of 18%. In 2022 an amount Rs 57,918.000 million of HBA was outstanding against NBP employees on which NBP was charging less interest amount of Rs 8,687.700 million (18% - 3% = 15%).
2. HBA policy of government allows advance equal to 36 basic salaries of the employees, whereas the bank allowed 180 basic salaries of NBP employees.
3. The government of Pakistan has allowed maximum three times house building advance subject to clearance of previous HBF loan, whereas the bank is frequently allowing enhancement/revision of HBA after every three years/ on promotion without clearing previous HBF loan.
4. On enhancement of HBA, the property is revalued by the NBP evaluators and the evaluators mostly evaluate the value of property more than its revised enhancement entitlement. This indicates that the valuation of property is not properly made as per actual market value, as in one case while review, the value of property was Rs 500,000 in

small town of Sindh in 2003 and it was revalued in 2022 for more than Rs 60,000,000, which seems illogical.

Audit is of the view that the management was providing undue favor to its employees which needed to be reconsidered.

The matter was reported to the management on December 13, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that follows the industry practice and HR policies in HBF loan. DAC maintained the para to be decided by PAC.

Audit recommends implementation of DAC directives.

8.2.4.12 Loss due to poor performance of groups -Rs 7,507.000 million

Section 4(3) of Public Sector Companies (Corporate Governance), 2013 Rules 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. 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management changed the organizational structure and introduced various new groups but the performance of following groups in terms of profit / (loss) was declining. The collective loss of the 04 groups was Rs 7,507.000 million as detailed below:

Rs in million (As of 31.12.2022)

Group name	No. of Employees	Profit/(Loss) before Tax		
		2020	2021	2022
Inclusive Development Group **(IDG)**	633	(1,226)	(1,559)	(5,331)
Corporate and Investment Banking Group **(CIBG)**	161	(18,690)	(2,713)	1,926
International, Financial Institution and Remittance **(IFRG)**	82	(975)	(1,168)	(1,366)
Special Asset Management Group **(SAMG)** / Head Office	86	(9,418)	(6,744)	(2,736)
Total		**(30,309)**	**(12,184)**	**(7,507)**

Audit is of the view that due to poor financial management and weak administrative controls the above groups were making huge losses which needed to be justified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC about the reasoning of losses in each group. DAC pended the para to be decided by PAC.

Audit recommends implementation of DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 6.2.4.1 having financial impact of Rs 70,087.670 million. Recurrence of same irregularity is a matter of serious concern.

8.2.4.13 Mismanagement of bank funds - Rs 5,793.000 million

As per the NBP document Finances/Bills General Instructions (Operation)

i) The commodities pledged with the bank should be of current season and readily saleable.
ii) Stocks pledged for more than six months is a symptom of watch list
iii) The stocks pledged with the bank must tally with mucaddum / godown keeper's register, branch stock register and party stock register.
iv) No withdrawal from stocks should be allowed without delivery order.

During audit of National Bank of Pakistan (NBP) for the year 2022, it was observed that M/s Omni group started acquiring financings from NBP since 2008 and a sharp rise in financings was seen during 2012 to 2017. The borrower made shortages of stocks, late repayments of principal / markups, and reported incidents of fraudulent activities. NBP financed cash finance pledge to the extent of Rs 5,793.000 million. It was noted that 90% of bank's funds were utilized in other businesses and only 10% of the financing was available for stocks. The total NBP financed cash pledge was Rs 5,793.000 million against the security of Rs 565.000 million.

Audit is of the view that despite negative reports of mucaddums and non-payment of loans management continued to extend undue favor to the defaulted party against the interest of bank which was irregular and unjustified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC about the latest status of OMNI group defaulted loans. DAC maintained the para to be decided by PAC.

Audit recommends implementation of DAC directives.

8.2.4.14 Irregular restructuring and non-recovery of loan – Rs 4,212.810 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) for the years 2022, it was observed that the management restructured the loan of M/s JK Sugur Mill without prior approval of the Board of Directors of NBP. The detail of outstanding loans are as under:

S#	Name of Party	Type of finance	Principal Amount (Rs in million)
1.	JDW Sugar Mills	Demand Finance II	1,068.444
2.	JK Sugar Mill (Formerly AKT)	Demand Finance	1,360.227
3.	JK Sugar Mills	Cash Finance Pledge	691.168
4.	JK Sugar Mills	Demand Finance	1,092.975
Total			**4,212.814**

Audit is of the view that instead of taking legal action against the defaulter, the management restructured the loans irregularly thus causing losses to the bank.

The matter was reported to the management on December 12, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that Out of Rs 4,212.810 million, Rs 1,199.99 million was recovered as provided in bank statement of JK Sugar. DAC directed the management to get the recoveries verified from audit.

Audit recommends implementation of DAC directives.

8.2.4.15 Loss due to default in repayment of salary advances – Rs 1,827.05 million

Clause 6.1.3 of Credit Policy Manual of NBP defines clear exposure as Financing facility granted without securities including those granted against personal guarantees shall be deemed as 'clean' for the purpose of this regulation.

The employer undertaking while granting advance salary states that "we irrevocably undertake that the salary and all other employment related remuneration and payments, including settlements, retirement or end service benefits relating to this employee will only be paid through above stated NBP bank account till the employee has repaid all amounts outstanding and would not be transferred to any other bank/branch unless prior NOC/written confirmation is obtained from NBP Branch Manager/ authorized signatory at the above noted branch."

During audit of National Bank of Pakistan (NBP) for the year2022, it was observed that the management granted salary advances to the government/private employees from 2002 to 2022, out of which 9,632 employees defaulted in repayment of salary advances amounting to Rs 1,616.700 million. As per above undertaking, employer in addition to the borrower (employee) was bound to repay the loan granted to the employee of his department, as the loan was granted as 'Clean' i.e. on the personal guarantees as defined above. The borrowers were freely transferred and retired without settlement of dues, and the management failed to recover the amount of Rs 1,616.700 million from concerned employee/ department and no action was taken to recover despite undertaking from the employee as well as concerned Department (Annex-43).

It was also observed that the management granted salary advances to the government/private employees from 2012 to 2022 in different regions, out of which 572 employees were not repaying their installment of loan regularly against whom an amount of Rs 210.350 million was outstanding as on December 31, 2022.

Audit is of the view that the management failed to pursue the case of outstanding dues of salary advances properly, due to which the cases of such category ‘sub-standard’ turn into default/loss.

Audit is of the view that non-recovery of loans and advances was poor financial management and weak internal controls of the management which was unjustified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that efforts were being made to recover the amount. DAC directed the management to recover the amount at the earliest.

Audit recommends implementation of DAC directives.

(DP No. 849 & 858)

8.2.4.16 Non-closure of branches on time caused outflow of foreign exchange - Rs 1,386.671 million

According to condition No.II of SBP letter No. SBPHOK-EPD-INVTCR-NBP-204866 dated 24-04-2022, (II)The bank (NBP) shall immediately initiate the branch closure procedure, as approved by their BoD, and gather necessary approvals to finalize the closure of the Paris Branch with minimum possible time but before the end of September 2022.

According to Rule No.33 of Governance Framework for Bank Overseas Operations issued by SBP the bank shall conduct a cost benefit analysis of its overseas Representative Offices on periodic basis and shall consider closing those offices that do not provide any net financial benefit to bank. In cases where bank wants to continue those offices despite the fact that they do not provide any net financial benefit to bank, proper reasons & justifications should be recorded for such a decision at board level.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management operated various foreign branches in different regions which were loss making as detailed below:

(Rs in million)				
Particulars	**Chittagong Branch**	**Baku Branch**	**Paris Branch**	**Total Loss**
Total Assets	749.876	1,182.751	1,645.595	**647.471**
Total Liabilities	839.113	30.452	598.472	
Loss for the period	89.672	40.606	517.193	

It was also observed that in April 2022 due to continuous operational losses and stagnant operational status, management decided to close its Paris branch. SBP approved closure of Paris branch with the timelines of September 2022, but the same was not closed till December 2022. During this time, compliance requirements of Paris Central Bank were changed which required further injection of Euro 3.08 million equivalent to Rs 739.20 million (EURO 3,008,000 * Rs 240).

Audit is of the view that non-closure of bank branch on time caused additional outflow of foreign exchange which reflected negligence and poor planning.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024.

a) The management informed the DAC that operational losses were incurred due to Covid-19 and penalties by regulators. DAC pended the para to be decided by PAC.

b) The management informed the DAC that due to change in regulatory requirements in France, injection of EURO 3.08 million was inevitable. DAC directed the management to justify the delay in closure of Paris branch.

Audit recommends implementation of DAC directives.

(DP No. 853, 854 & 859)

8.2.4.17 Irregular grant of enhanced loan to the defaulter – Rs 1,327.360 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.

Sr. No. 14 of the sanction advice dated 10.07.2023 mentions that repayment of loan would be made from own sources in lump-sum.

During audit of National Bank of Pakistan, Hyderabad Region for the year 2022, it was observed that management granted/renewed/enhanced financing facilities to 3,673 borrowers under various categories at NBP Hyderabad region, who defaulted in repayment of their loans amounting to Rs 1,327.36 million during 2022. In most of defaulted cases, the management facilitated the defaulter by granting another enhanced loan with opening of new bank account while hiding its previous default account history.

Audit is of the view that non-recovery and subsequent enhancement of loans was irregular and against the rules to give undue favor to the selected borrowers.

The matter was reported to the management on December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that enhancement in loan were made after recovery of previous loans and bank authorities were making efforts for recovery of outstanding loans. DAC directed the management to provide relevant record for verification and make efforts for early recovery of remaining amount.

Audit recommends implementation of DAC directives.

8.2.4.18 Misappropriation by bank staff – Rs 1,125.870 million

According to clause 40 (b) of the National Bank of Pakistan Staff Service Rules, 2021, the act of Misconduct includes “theft, fraud, dishonesty, misappropriation, or embezzlement in connection with employer’s business or property”.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the employees of NBP committed frauds at various branches as detailed below”

i. Following employees of Phulelli Branch Hyderabad, were found involved in fraud and parallel banking by issuing Term Deposit Receipts (TDR) and Call deposit Receipts (CDR) without recording in books of accounts, utilizing bogus check books with fictitious account numbers, Government payments. An amount of Rs 1,026.470 million was found misappropriated during the year 2020 to 2022.

S#	Name of Official	Description
1.	Mr. Noor Ahmed Chandio	OG-1/Head Cashier (Criminal negligence)
2.	Mr. Muneer Hussain	OG-I/Head Cashier (Criminal negligence)
3.	Mr. Altaf Hussain Gopang	OG-III/Operation Manager (Criminal negligence)
4.	Mr. Aftab Hussain Shaikh	OG-III/Operation Manager(Criminal negligence)
5.	Mr. Muhammad Ismail,	OG-1/Remittance Officer(Criminal negligence)
6.	Mr. Muhammad Asim	VP/Regional compliance & Control head (negligence)
7.	Mr. Muhammad Imran	AVP/Regional Manager Operation (Negligence)

ii. Mr. Samiullah Memon & others embezzled /pocketed Rs 69.964 million of demand finance gold loan accounts of NBP Qasimabad Branch, RO Hyderabad. However, no recovery was made.

iii. Mr. Umar Asghar Qureshi, VP and Mr. Usman Arshad, OG-II were involved in fraudulent activities at NBP Jinnah Colony branch and Peoples Colony branch, RO Faisalabad markup on demand finance gold through various fraudulent entries which caused loss of Rs 22.456 million to the bank.

iv. Mr. Safdar Lashari (OG-II) withdraw Rs 6,978,297 fraudulently at Gulistan-e-Johar Branch Karachi. He managed to transfer the amount mostly to his brother’s account from different account holders. The officer was dismissed/terminated from service on 25-05-2022 on the charge of unauthorized absence with advice to adjust all direct/indirect liabilities against him, his guarantor is liable to pay the same, failing which recovery suit will be filed against the employee as well as his guarantor. He was promoted from typist to OGIII & OG-II officer without fulfilling the criteria.

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 on December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the incumbent were involved in misappropriation of funds and action was taken in light of investigations. DAC directed the management to provide relevant record and efforts be made to recover of fraudulent amount.

Audit recommends implementation of DAC directives.

(DP No. 851, 862, 870 & 877)

8.2.4.19 Irregular expenditure on various head of accounts - Rs 901.009 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 audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that Finance Control Group failed to provide GLs / Subsidiary GLs of following operating expenditures amounting to Rs 901.009 million along with supporting documents/ vouchers etc. despite issuance of reminders.

(Rs in million)		
S#	**Description**	**Amount**
1.	Advertisement	204.311
2.	Furniture & fixture	6.290
3.	Janitorial services	98.00
4.	Retainer-ship fee	6.00
5.	Repair & maintenance other than HO	50.00
6.	Motor car fuel	25.00
7.	Repair & maintenance of vehicles	9.784
8.	Motor car taxes	66.504
9.	Outsource charges	112.480
10.	Professional & consultancy charges	82.00
11.	Rent paid on office premises	16.00
12.	Cafeteria	48.00
13.	Water tanker charges	11.00
14.	Sponsorships	22.640
15.	Security services	143.00
Total		**901.009**

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Audit is of the view that non-provision of record was a serious lapse as audit could not examine the expenses and payments amounting to Rs 901.009 million.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the GLs were provided to audit through email whereas physical voucher / record were available and could be inspected by audit. The DAC directed the management to provide all record to Audit without further delay.

Audit recommends implementation of the DAC directives.

8.2.4.20 Loss due to waiver/written off loan of sugar mill – Rs 742.88 million

Rule 5(1) 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 National Bank of Pakistan (NBP) Head Office, Karachi for the year2022, it was observed that the management written off an outstanding amount of Rs 742.880 million of M/s Ansari Sugar Mills Limited (ASML). M/s ASML availed loan in 1990 and defaulted in September 1997. The recovery suit was filed for Rs 535.472 million, which was decreed in favour of NBP against guarantors/sponsoring directors of ASML. Later, sponsoring directors offered for out of court settlement of Rs 326.000 million against the principal outstanding of Rs 308.00 million, which was accepted and accordingly decree was set-aside in 2008 an additional finance facility of Rs 150.000 million and Rs 200.000 million was approved by the Credit Committee in its 192nd and 198th meeting held on 10-11-2008 and 30-12-2008, respectively.

The Special Assets Management Group (SAMG) submitted on January 29, 2009 for approval of settlement of total liabilities of Rs 956.437 million of ASML at Rs 213.551 million with waiver of Rs 192.532 million and reversal of Rs 550.354 million, which was approved by BoD in its 179th meeting dated March 18, 2009 and Rs 213.551 million to be settled by the client in cash after 10 years i.e. by January 31st, 2019 on terms specially, ASML to pledge DSC of Rs 72.000 million as additional security till the recovery of settlement amount and NBP to retain the 1st charge but release the pledge shares in lieu of additional security of DSC of Rs 72.000 million, to be kept under lien with NBP till recovery of entire settlement. However, an amount of Rs 742.880 million was written off despite decree in favor of NBP.

Audit is of the view that the management extended undue favor to the defaulter and waived of huge amount against the interest of the bank which was irregular and unjustified, which needed to be probed.

The matter was reported to the management on December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that recovery of Rs 213 million has been made in this regard. The DAC directed the management to provide the relevant record regarding write off and get the recovery verified from Audit.

Audit recommends implementation of DAC directives.

8.2.4.21 Payment of mandatory deductions to service provider without due diligence - Rs 708.798 million

According to clause 6 of service level agreement (SLA) executed between NBP and M/s Icon consulates private limited, service provider shall be liable/ responsible for all its liabilities on account of any regulatory or non-regulatory payments including but not limited to taxes, duties, charges, minimum wages gratuity, EOBI, social security, group life insurance, health insurance, indemnity & fidelity insurance, miscellaneous charges, uniforms, training or any other expenses / cost borne by the company. Record of all such paid taxes/ charges/ EOBI/ social security, etc. shall be providing by service provider to the concerned NBP representatives if and when required.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management awarded outsource services contract to M/s. Icon Consultants (Pvt.) Ltd in 2022, before award to this contract M/s Icon was providing outsource services to NBP since 2012. In compliance of rules management was paying monthly charges on account of EOBI, SESSI, group life insurance, and gratuity & indemnity & fidelity insurance to the contractor on monthly basis. However, proof regarding deposition of deductions and registration of workers with authorities was not available with management. Detail of payment made to contractor is tabulated below:

					Monthly contribution (Rs)
No of HR deployed	**Cost of Gratuity**	**GL Insurance Cost**	**EOBI Cost**	**SESSI/ PESSI Cost**	**Insurance Cost**
1,211	2,500	100	1,250	1,800	125
Total of deductions of last one year = (Monthly deduction per resource Rs 5,775*1,211 No. of Resource*12 months=**Rs 83.922 million**)					
Estimated cost of Social Security contribution paid by the NBP since 2012(Amount in Rs)					
Monthly deduction per resource Rs 1,800*1,211 No. of Resource*12 months*10 years=Rs 261.576 million					

It was also observed that the management paid Rs 363.300 million gratuity to M/s Icon for third party employees. However, the contractor did not pay gratuity to the employees on expiry of service level agreement as detailed below:

Estimated cost of gratuity paid by the NBP since 2012(Amount in Rs)
Monthly deduction per resource Rs 2,500*1211 No. of Resource*12 months*10 years=Rs 363.300 million

Audit is of the view that non-transferring of benefits to the third party employees was a serious negligence on the part of contractor which bank authorities need to monitor strictly.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that NBP diligently follows and pays regulatory payments/ charges to service provider as per SLA. The service provider also assured that employees were also registered with EOBI/ SESSI etc. As far as gratuity is concerned, it is part of end service benefits and according to the OSP they have released the gratuity to those resources who have separated from the services. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

8.2.4.22 Inordinate delay in recovery of outstanding house building finance loan - Rs 449.662 million

Clause 6.0 of Staff Loan Policy of NBP states that if an employee resigns from the Bank's service or his/ her service is terminated/ dismissed for any reason whatsoever before complete recovery of the finance, the amount outstanding against him/ her shall be recovered in lump sum with mark-up before release of his end service benefits.

The branch manager/ operation manager of loan disbursing branch will initiate the process of loan recovery along with markup through legal action in case of default and, if needed, the assets recovery group will also take necessary action for recovery process.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management provided house building finance loan facility to its employees. The entitlement amount of loan was ranging from 150 to 180 basic pays at the rate of 3% markup per annum against the mortgaged properties. It was also observed that amount of Rs 449.662 million was outstanding / recoverable from ex- / suspended/ terminated etc employees since many years. However, neither the management takes any action against the defaulters nor tried to recover the loan through disposal of mortgaged properties. (Annex-44).

Audit is of the view that non-recovery of outstanding loan from ex-employees reflected weak internal controls & poor financial management.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that most of the highlighted cases pertain to the staff who were dismissed from bank service and the bank has not released their end service benefits. Bank is making efforts for recovery / settlement of the loans. The DAC directed the management share the efforts/action taken for recovery of loan and expedite the recovery process under intimation to Audit.

Audit recommends implementation of the DAC directives.

8.2.4.23 Irregular payment made to the service provider - Rs 377.671 million

According to agreement executed between NBP and M/s Icon (outsource service provider), the service provider was liable to provide all such record to the concerned NBP representatives if and when required.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that management awarded a contract to M/s Icon for deployment of employees/ resources required by NBP at its various offices/ premises, etc. Audit requisitioned the record for examination which was not provided by the management as follows:

i. Premises wise monthly attendance record of all outsourced employees for the last 2 years (soft/ hard) and performance/ evaluation report of contractor.
ii. Total amount paid on account of service wages plus additional services.
iii. Detail of advance payments made to the contractor and onsite visit reports.
iv. Original performance guarantee, equivalent to two percent (02%) of the gross payments along-with verification report.
v. Rating of commercial bank who provided the performance guarantee.

vi. Proof regarding deposition of taxes and other mandatory deductions.

Audit is of the view that non-provision of record was a serious lapse as audit could not examine the genuineness and actual deployment of resources.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that most of the record was provided to audit through emails. However, some record could not be provided as the requisitioned record was available at regional offices/ branches/ other wings. The DAC directed the management to provide all relevant record to Audit for scrutiny/ examination.

Audit recommends implementation of the DAC directives.

8.2.4.24 Loss due to settlement with the defaulter – Rs 307.199 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) Head Office, Karachi for the year 2022, it was observed the management filed the case against M/s Cast-N-Link for recovery of defaulted amount Rs 272.675 million. The High Court of Sindh vide decision dated July 2015 decided the decree in favour of NBP. However, the management made out of court settlement with defaulter at Rs 80.000 million against total amount of Rs 272.675 million worked as on 30.04.2019. Balance amount of Rs 192.676 million was waived by the management. Resultantly, bank sustained a loss of Rs 307.199 million (Rs 192.676 million plus additional interest of Rs 114.523 million=Rs 272.675 million *14% * 3 years from 2019 to 2022).

Audit is of the view that sale of property at nominal rates on the discretion of defaulted buyer and waiver of huge amount reflects poor financial management and weak internal controls.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that due to long court proceedings, out of court settlement was done. DAC directed to place the para before PAC.

Audit recommends implementation of DAC directives.

8.2.4.25 Un-justified payment to employees / ex-employees for coverage of legal cost, bail security, TA/DA etc. for inquiries - Rs 109.130 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 2022, it was observed that the management allowed the payment of legal fee surety and other related incidental expenses in advance to the employees of NBP (up to Rs 5.000 million and above) whose names were included in FIA inquires to defend the cases. In case the employee was acquitted, the advance was not required to be returned. This was specially approved to favor the accused employees facing FIA inquiry in M/s Hascol Petroleum Limited case and Rs 109.130 million (Annex-45) was provided to the serving and ex-employees. The legal counsel had also concluded that based on clause 65(1) of NBP bye-laws, there was currently no obligation on the bank to indemnify ex-President NBP, for any legal costs / expenses. Despite this, Board allowed the legal costs / expenses for investigation / court cases etc.

Audit is of the view that the provision of bank resources to the accused involved in frauds / forgeries was unjustified which needed to be stopped.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the amount was paid to serving/ ex-employees on account of reimbursement of legal expenses related to the HASCOL matter and also obtained indemnity bond. The DAC directed to place the matter before PAC.

Audit recommends implementation of the DAC directives.

8.2.4.26 Irrational increase in remuneration of board members for attending board/committee meetings - Rs 104.000 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 2022, it was observed that the Board of Directors (BoD) in its 344th meeting held on February 28, 2023 enhanced the Directors meeting fee from Rs 150,000 to Rs 400,000 for attending board / committee meetings. Besides, additional remunerations were also allowed to Chairman, Board such as seprate office facility with 5 secretarial staff (max. expenses up to Rs 2.0 million per month) and 2 security guards at residence. Conversely, board members of SBP and other state owned enterprises / corporations / companies allowed remuneration / package to its members for attending meetings, was lower in comparison to NBP as follows:

S#	Name of Organization	Board Meeting Fee (Rs)
1.	State Bank of Pakistan (Regulator of NBP)	80,000
2.	Pakistan Industrial Development Corporation	75,000
3.	Pakistan Re-insurance Co. Ltd	50,000
4.	Trading Corporation of Pakistan	50,000

Audit is of the view that enhancement of remuneration of BoD members was not rationalized which needed to be reconsidered.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the State Bank of Pakistan, vide Regulation G-14 of the Corporate Governance Regulatory Framework (CGRF) has directed the banks to "pay reasonable and appropriate remuneration to their board members". Moreover, the Board Remuneration Policy, approved by the shareholders in EOGM held on July 27, 2020. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

8.2.4.27 Irregular grant of loan to the defaulting parties – Rs 77.378 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.

Sr. No. 14 of the sanction advice dated 10.07.2023 mentions that repayment of loan would be made from own sources in lump-sum.

During audit of National Bank of Pakistan (NBP), Hyderabad Region for the year 2022, it was observed that management granted enhanced Cash Finance (hypothecation) of Rs 75.00 million to M/s Kiran Fertilizer Shop in 2023. The borrower defaulted in repayment of previous advance of Rs 45 million granted in 2022 which was adjusted from new loan/advance.

It was also observed that management renewed/enhanced financing facilities under seasonal rice policy for the season 2022-23 & 2023-24 to M/s Badin cotton ginning pressing factory and oil mills amounting to Rs 34.105 million. The above borrower defaulted in repayment of running finance loan and other advance unjustifiably.

Audit is of the view that management extended undue favor to defaulting parties by allowing new loans which showed poor financial management.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that previous loans were cleared before sanctioned of next loans. The DAC directed the management to provide the relevant record for verification.

Audit recommends implementation of DAC directives.

(DP No. 867 & 869)

8.2.4.28 Delay in completion of project - Rs 76.212 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 2022, it was observed that SBP issued guidelines on compliance risk management vide circular dated August 09, 2017. The management advertised on August 31, 2019 and two firms participated in bidding process and found responsive, submitted financial proposals as below:

			(Rs in million)
Name	**Bid amount**	**Standing**	**Remarks**
M/s PWC	64.000	Lowest	Did not mention bid validity period
M/s EY	123.463	2nd lowest	06 months bid validity period

Later on, the management scrapped the tender with the reason that bid validity period of six months was expired. However, the lowest evaluated bidder did not mention bid validity period. The management retendered the project on April 15, 2021 which was also scrapped with a view that audited financial statements were not submitted by the bidders as the statements were not required in EOI. The management retendered the project 3rd time on August 22, 2021. In response two responsive firms submitted bids as follows:

			Rs in million
Name	**Technical Score**	**Financial Score**	**Financial Proposal**
M/s KPMG	69.8	100	76.212
M/s EY	77.8	53	143.811

Finally, the management awarded the contract to M/s KPMG amounting to Rs 76.212 million and agreement was signed in July, 2022. The project was divided into 4 stages and the expected completion timelines of work were around 16 months i.e. December 2023. However, even not a single phase was completed till close of audit.

Audit is of the view that non-completion of important task on time resulted in escalation of cost and violation of SBP guidelines might result in penalties.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the reasons to scrap the tender was well documented and completely based on the facts and entire task was anticipated to be finished by Q2 2024. The DAC directed to conduct fact finding inquiry at Ministry level.

Audit recommends implementation of the DAC directives.

8.2.4.29 Irregular payment of end benefits & non-recovery of loan / dead stock items from ex-employees – Rs 75.494 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 audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that following officers were found involved in fraud case of Hascol. However, the management paid end service benefits to the following employees instead of taking disciplinary action.

			Rs in million
S#	**Name**	**SAP ID**	**Amount**
1.	Mehwish Hyder	5237	2.224
2.	Akbar Hassan Khan`	15266	4.529
3.	Syed Misbah Hussain	5241	1.850
4.	Hidayat Ali Shar	5116	13.101
5.	Azra Naila	21112	0.838
6.	Aneela Nokhaiz	19149	3.703
Total			**26.245**

It was also observed that Mr. Saeed Habib Ex- Executive Vice President (EVP) relived from Bank vide letter dated December16, 2020. He was advised to hand-over bank's assets. However, loan / liability & fixed assets amounting to

Rs 37.849 million were recoverable from him till date and no action was taken against him.

It was further observed that Ms. Rima Athar was appointed as Senior Vice President-Corporate & Investment Banking in November, 2014 without advertisement, qualification, age and relevant experience. Officer was found involved in the fraudulent activity of Hascol. A complaint was lodged against her leveling various allegations in the Senate of Pakistan, which was forwarded to NBP on 25th January, 2018 for taking necessary action till 9th February, 2018. However, she resigned on 29.01.2018 which was accepted by the President w.e.f 27.02.2018 and no action was taken against her. Thus appointment and pay & allowances of Rs 11.400 million were held irregular.

Audit is of the view that management failed to recover the assets and loan & liabilities from incumbents despite lapse of considerable time. Further, the management paid end service benefits despite the fact that incumbents were involved in fraud case. This showed weak internal controls and poor financial management.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that as per the bank's policy, end service benefits of mentioned 6 employees were released after getting necessary approval and clearance. Further, there is no loan outstanding against the subject ex-officials. As far as end service benefits of Mr. Saeed Habib, Ex-EVP is concerned, HR has not yet released the same, however bank has received back the bank vehicle from Mr. Saeed Habib on 1.01.2024. The DAC directed the management to share the internal inquiry report on account of irregular disbursement of loan to M/s Hascol Ltd to ascertain whether the incumbents were involved or not. Further, the DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 875 & 893)

8.2.4.30 Loss due to default in repayment of loan – Rs 63.622 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), Hyderabad Region for the year 2022, it was observed that management granted demand finance-I of Rs 50.00 million on 11.11.2011 and demand finance-II of Rs 50.00 million on 29.11.2012 at markup 6 months KIBOR+5.25% to M/s S.S builders & developers for the period of 03 years and grace period of 03 months for the purpose of 'development work of the project' against the mortgage of 12 acres of property. It was also observed that the management granted advance for construction of housing societies to the Builders in contravention of CPM as there was no provision in the policy and builder had no any HDA License.

The borrower failed to repay its dues to the bank, nor did the bank take any action against the defaulter according to above provision of Ordinance, 2001. It is important to mention here that the Credit Officer visited the site on various dates in 2014, 2015 and 2016 and reported that "from the 1st day no any progress was found, hence the Bank's funds go in vain".

Audit is of the view that the management disbursed the loan to borrower irregularly and did not pursue the case vigorously. Thus, the Bank sustained a loss of Rs 63.622 million (principal amount + markup).

The matter was reported to the management on December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that some amount has been recovered and efforts are being made for remaining amount. DAC directed the management to provide the record for verification and efforts be made for remaining amount.

Audit recommends implementation of DAC directives.

8.2.4.31 Non-recovery of commission - Rs 45.103 million

As per Organizational Circular No. 05/2018) of NBP, 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) Regional Office, Hyderabad for the years 2021 & 2022, it was observed that an amount of Rs 45.103 million was outstanding on account of commission receivable against various parties as on 31.12.2022 (Annex-46).

Audit is of the view that the management failed to recover the outstanding amount of Rs 45.103 million which indicates inefficiency, weak financial management and poor internal controls.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that majority of amount pertains to Pakistan Railway. DAC directed the management to submit revised reply along with recovery details.

Audit recommends implementation of DAC directives.

8.2.4.32 Delay in completion of renovation work - Rs 38.280 million

According to letter of award / agreement executed between contractor and bank the renovation work of main branch, Karachi was required to be completed before 03-12-2022 or within 180 days.

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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management awarded a contract for renovation and refurbishment work of NBP main branch, Karachi to M/s Khan traders amounting to Rs 38.280 million on May 30, 2022. According to letter of award of work, the work was required to be completed before 03-12-2022 (180 days). However, the contractor did not complete the work till 5-12-2023 but the management did not impose the liquidated damages. Further, following record was also not provided to Audit.

- Fixed asset register of NBP-main branch before execution of repair & renovation work.
- Detail of assets / dead stock scrapped / sold out during 2021 & 2022 along with amount recovered at NBP-main branch.
- Detail of furniture & fixture available before repair work and its sales / scrap.
- Detail of marble available before repair work and its sales / scrap.
- Detail of advances made to suppliers/contractors and its adjustments.
- Schedule of payments and current status / progress (%) of repair & renovation work.

Audit is of the view that non-imposition of liquidated damages despite significant delays and non-provision of record was a serious lapse on part of management which needed to be justified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that since commencement of the project work was delayed, due to various reasons beyond the control of management / contractor. The renovation work was completed during the month of January 2024 with no escalation of cost. The record regarding fixed asset register and scrap details were available in main branch Karachi. The DAC directed the management to provide relevant record for examination and verification.

Audit recommends implementation of the DAC directives.

8.2.4.33 Irregular fixation of pay & allowances of newly appointed officers - Rs 38.044 million

According to revision in Basic Pay in the 337th Board meeting and Circular No.07/2022 dated 23rd August, 2022 of the National Bank of Pakistan, the basic salary of EVP and SVP were as under;

Grade	Regular		Contract	
	Minimum (Rs)	**Maximum (Rs)**	**Minimum (Rs)**	**Maximum v**
Executive Vice President	185,000	687,000	219,000	1,041,000
Senior Vice President	110,000	462,000	142,000	685,000

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management appointed various executives on contract basis at the pay & allowances of Rs 38.044 million in excess of approved initial pay & allowances, which was unjustified (Annex-47).

Audit is of the view that the management extended undue favour to above officers while fixation of pay & allowances.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that pay was fixed within the pay range approved by the Board. The Audit contented that some specific stages/increments should be added in initial basic pay on basis of additional qualification and experience. The DAC directed the management to place the matter before BoD for review of pay & allowance to new appointees.

Audit recommends implementation of DAC directives.

8.2.4.34 Irregular disbursement of loan to employee without obtaining required documents - Rs 34.493 million

According to National Bank of Pakistan Staff Loans Policy, the property must be mortgaged in Bank's favor within a period of one month after registration of sale deed / transfer / lease / sub-lease with the concerned revenue record of rights / society. Bank’s interest until mortgage of the property in favour of the bank, is covered through a guarantee of an Official of equal status or above. Mutation Certificate in the name of the borrower will also be obtained. The funds are disbursed after the completion of following formalities: 1. Creation of mortgage / Bank's charge over the property, 2. Submission of Approved Building Plan; and 3. Mutation Certificate/Sale Deed/Transfer of property in the name of the borrower. All original documents of the property will be kept in the Bank's custody at the relevant branch.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management disbursed house building finance loan to Mr. Raza ur Rehman (SVP), amounting to Rs 34.493 million without obtaining required documents such as creation of mortgage / bank's charge over the property and without execution of mortgaged deed and obtaining of sale deed in violation of Staff Loan Policy.

It was also observed that lien in the record of rights against the properties was not marked in favor of National Bank of Pakistan / respective branch in RO Hyderabad (Annex-48).

Audit is of the view that disbursement of loan without obtaining required documents and non-marking of lien against the mortgaged properties reflected undue favor to the incumbents. Hence, disbursement of loan amounting to Rs 34.493 million stands irregular and unjustified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that missing documents for employee having SAP IDs 5055, 26255, 5061 (Sr. No. 1, 2 & 4 in the table) have been collected, whereas as mortgaged deed of employee at serial No. 3 will be executed in due course as transfer deed is now collected. Further, out of 21 HBF Staff Loans, 15 have been marked with a lien and letters for confirmation of lien has been submitted for remaining 6 cases. The DAC directed the management to get the record verified from Audit and revised the para accordingly.

Audit recommends implementation of the DAC directives.

8.2.4.35 Irregular extension of contracts of secretary, board beyond 60 years - Rs 34.095 million

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. & 12.3 1 of HR Policy Booklet of NBP states succession planning will be an ongoing, continually readjusting process, a process that is woven into overall strategic plan. It focuses more broadly on ensuring that the right talent meets long-term organizational challenges, such as handling planned product and/or service changes, preparing for anticipating market changes, and so on. Furthermore, identification of Key Positions to achieve maximum benefits from a systematic succession planning program, the key management positions needs to identified, as defined by SBP and other potentially vulnerable positions i.e. the positions that are likely to be impacted the most by imminent employee retirements and departures, and are to be filled immediately or in the near future.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that management appointed Syed Muhammad Ali Zamin EVP / Secretary, Board retired on 30-07-2017 after attaining the age of 60 years. The management continuously extended his employment contract for last six years in violation of above policy. It was also observed that the BoD meeting held on June 15, 2017, emphasized to identify suitable person(s) as his replacement and succession planning, which was not done at yet. The management did not fill the vacancy either through advertisement or another candidate was appointed internally.

Audit is of the view that the multiple extensions given after superannuation were unjustified and irregular.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that, BoD, from time to time, renewed/extended contract, keeping in mind, his experience and institutional knowledge which make him a critical resource. With regards to appointment/placement of internally available candidates for the said position Mr. Asad Saleem, EVP and Mr. Saleem Saleemi, SVP were placed in BoD office for continuity and succession planning. The DAC directed the management to provide the record for verification and avoid further extension in his contract.

Audit recommends implementation of the DAC directives.

8.2.4.36 Irregular conversion of termination into resignation and non-taking of disciplinary action - Rs 29.823 million

Clause 5.2 (a) of letter of appointment states that in the event that you are found guilty of misconduct after show cause notice and inquiry, the Bank may terminate this Contract. In the event of termination of the Contract under this clause, you shall not be entitled to receive any compensation or any other benefits as provided under this Contract.

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 National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that an FIR was registered by FIA in inquiry pertaining to disbursement of loans to M/s Hascol petroleum limited against Syed Jamal Baquar, group chief and Syed Hasan Irtiza Kazmi EVP (CIBG). Subsequently, management terminated the services of both officers which were converted into resignations and were issued non-involvement certificate to them and they were paid end service benefits. (Annex-49).

Audit is of the view that the provision of end service benefits to the accused was serious negligence and favor to the incumbents which was irregular and against the law.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The decision of termination of contract into resignation of Mr. JB was approved by the BoD. Based on decision, management released his end service benefits, after getting legal opinion from the bank's legal division. The President terminated the employment contract of Mr. Kazmi on 24.05.2021. Later, on recommendations of GC-CIBG dated 27.05.2021, the President converted his termination into resignation. Further, disciplinary action could not be initiated against incumbents as they left the Bank. The DAC directed the management to share inquiry report and place the matter before PAC.

Audit recommends implementation of the DAC directives.

8.2.4.37 Unjustified termination of legal head and non-recovery of advances - Rs 27.853 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), Karachi for the year 2022, it was observed that the management appointed Mr. Aamir Zareef Khan, Executive Vice President (EVP) head of legal division on 22-02-2016 for period of three (03) years contract extendable for further three years. He was transferred and posted to corporate investment group (HO) on 26-12-2019 but he was directed to report to his junior officer in legal division. In July 2020, the management terminated his employment before completion of his contract without any reason. His termination was not as a result of any misconduct or unsatisfactory performance but was aimed to accommodate a junior officer in legal division. It was also observed that loan / liability & fixed assets amounting to R.27.853 million were recoverable from him till date.

Audit is of the view that the termination of the officer without any justification was irregular which might result in lengthy legal proceedings.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that transfer/ posting of Mr. Aamir Zareef to CIB Group was an administrative decision taken by the management in view of business needs of the Group and later on, his services were terminated simplicitor with immediate effect as per Clause 5.3 of his Employment Contract. With regards to two Legal Heads at same time in the Bank, it is submitted that the process of hiring another legal Head was started in May-2019 paving way for replacement of existing Legal Head. Upon joining in October-2019 and after getting familiar with the Bank’s Legal Cases, AZ was transferred out to CIBG. Further, matter is also subjudice. The DAC directed the management to get the record verified from Audit and pursue the case vigorously.

Audit recommends implementation of the DAC directives.

8.2.4.38 Unauthorized lifting of pledged stock - Rs 19.990 million

As per CPM chapter No. 15 (15.3.1.5) Pledge/Hypothecated/Mortgages etc. will be inspected by CAD on surprise basis. However, periodic mandatory visits will be conducted by Branch Manager or Relationship Manager or delegates at least monthly /preferably fortnightly. Moreover, inspection on 'as & when needed' basis may also be carried out.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that an incident of lifting of pledged stock was reported, wherein the borrower lifted the stock without adjustment/repayment of cash finance loan of Rs 14.990 million.

Audit is of the view that lifting stocks without payment and loan adjustment was irregular and unjustified which reflected poor monitoring on part of branch manager and mucaddum.

The matter was reported to the management in December 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC about the legal and disciplinary action taken in this regard. DAC maintained the para to be decided by PAC.

Audit recommends implementation of DAC directives.

8.2.4.39 Unjustified increase in basic pay as special increase - Rs 18.088 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 2022, it was observed that the management unjustifiably increased the basic pay of few selected officers as a special case during the year 2022. This was in addition to yearly increase in pay (Annex-50).

Audit is of the view that provision of benefits to the selected officers was undue favor which resulted in discrimination with other employees. Thus, increase in pay as special case held irregular and unjustified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the subject employees were equipped with experience/ institutional knowledge which make them critical resource. In case of non-increase in the pay, they could have left the bank. Hence, on the basis of legal opinion and on recommendations of the concerned Group Chief with proper justification and after analyzing the existing salary ranges of the employees the pay was increased. Further, contract of employment also allowed negotiation of pay at the time of renewal of contract. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

8.2.4.40 Loss due to cash shortage & non-recovery of loan from cashier – Rs 17.660 million

As per 1.20 section of Code of Conduct of NBP, 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.

According to clause 7.5 (vi) Chapter 7, Staff Finances of HR Policy Booklet, 2018 of NBP, if an employee concerned resigns from bank`s service or his/her service is terminated/dismissed for any reason whatsoever before complete recovery of the finance, the amount outstanding against him/her shall be recovered in lump sum with interest before release of his end service benefits.

During the audit of National Bank of Pakistan(NBP) Head Office, Karachi for the year 2022, it was observed that Mr. Nadeem Haroon Jameel, OG-III / Universal Teller was placed under suspension on 08-09-2020 on account of unauthorized absence & cash shortage Rs 12.302 million at NBP Khewra Branch, RO Jhelum. Furthermore, loans were also not recovered from him or his guarantor as detailed below;

(Rs in million)					
S#	**Nature of Account**	**Date of loan**	**Advance**	**Recovered**	**Outstanding**
1	House Building Finance	11.09.2020	4,885,898	534,026	4.351
2	Motor Car Finance	06.06.2017	1,300,000	293,327	1.006
Total					**5.357**

Audit is of the view that the management failed to implement effective internal controls, which resulted in non-recovery of Rs 17.660 million.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that an amount of Rs 12.301 million has been recovered. DAC directed the management to provide the relevant record for verification and efforts be made for recovery of remaining amount.

Audit recommends implementation of DAC directives.

8.2.4.41 Irregular award of contract by short and late receipt of performance guarantee - Rs 15.106 million

Clause 2 of Service Level Agreement for Miscellaneous & Engineering Support Services between National Bank of Pakistan and M/s ICON Consultants Private Limited (service provider) executed on 16th day of August 2022, states that the term of this Agreement is initially for a period of 36 months commencing from September 16, 2022 and expire on September 15, 2025.

Further, Clause 40 (a), (d) and (e) states that service provider shall be required to submit Performance Guarantee for which the Bid has been accepted, equivalent to two percent (02%) of the Gross Payments to be made over the contract period. Failure to comply and submission of Performance Guarantee constitute sufficient grounds for the annulment of the award and forfeiture of the Bid Security. In case of non-submission of Performance Guarantee within sixty (60) days after signing of the contract, the contract may be awarded to the next lowest bidder.

During audit of National Bank of Pakistan (NBP) Head Office Karachi for the year 2022, it was observed that the management awarded a contract amounting to Rs 1,133,014,032 to M/s ICON consultants private limited (outside service provider) for providing human resource for the period of 36 months (September 16, 2022 to September 15, 2025). The applicable performance guarantee (2%) of total gross amount was Rs 22,660,281. However, the management obtained performance guarantee of Rs 7,553,427 after delay of 300 days which required to be paid in 60 days.

Audit is of the view that less receipt of performance guarantee with delays showed weak financial management and poor internal controls which needed to be justified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that Rule 40 of PPRA Rules 2004 allowed the procuring agency to negotiate special conditions with the successful bidder with a view to streamline work processes and smooth completion/execution of the task. Hence, the management obtained the guarantee amounting to Rs 7.553 million on negotiation basis. The DAC directed the management to get recover the remaining amount from contractor without further delay and take action against the person(s).

Audit recommends implementation of the DAC directives.

8.2.4.42 Irregular appointment of relationship manager (corporate banking) - Rs 14.502 million

As per advertisement, the requirement for the post of Manager-Corporate Banking was:

Academic / Professional Qualification	Age Limit
MBA (Finance) / CA from a reputed Institute/ University recognized by HEC	Up to 30 years, also mention the place of domicile

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management appointed Syed Shamim Bukhari as Manager (Corporate Banking). He joined the bank on June 26, 2009 on contractual basis for a period of three (03) years at Rs 60,000 per month along with other benefits. Following irregularities were observed in his appointment:

- He was granted a waiver in age and qualification.

- His M.Sc degree from European Business School London neither was verified nor equivalency certificate was obtained from HEC and no domicile/ PRC was provided at the time of appointment.
- He was appointed by rejecting suitable candidates meeting the eligibility criteria.

It was also observed that his basic salary was increased from Rs 29,760 to Rs 59,000 as special case and management did not take disciplinary action on account of 61 days un-authorized absent from duty and regularized the same. Further, against the NBP rotation policy he was posted in financial control division since November 2015 and was frequently promoted as AVP, VP & SVP.

Audit is of the view that the management extended undue favours to the incumbent which was unjustified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that relaxation in age and qualification of Mr. Shamim Bukhari, was approved by the President, in exercise of powers conferred upon by the BoD. At the time of appointment his MA degree was considered and his MSc Degree is being sent for verification. Moreover, he submitted Domicile after his appointment and as a special case, salary adjustment was given to him which was approved by the then President. The DAC directed to place the matter before the PAC.

Audit recommends implementation of the DAC directives.

8.2.4.43 Payment of pension funds to the unauthorized persons - Rs 14.090 million

Clause 28 of the National Bank of Pakistan Staff Service Rules-2021 regarding obligations of employees states that every employee shall serve the bank honestly and faithfully and shall maintain strict secrecy regarding the Bank's affairs of its constituents. He/ She shall use his utmost endeavors to promote the interest of the Bank, shall show courtesy, vigilance and attention in all that he comes across in performance of his official duties. Failure to maintain confidentiality will be a cause for dismissal.

During audit of National Bank of Pakistan for the year 2022, it was observed that the pension funds of Rs 14.09 million were transferred in the accounts of the persons, who were not authorized pensioners in Hyderabad region. The CNIC numbers of these persons were not available in the list of pensioners provided to audit. The above position indicates that there is no strong internal control system in the National Bank of Pakistan due to which the payment of pensioners is transferred to the accounts of irrelevant persons without any hindrance.

Audit is of the view that the management failed to enhance internal control to stop unauthorized pension payments.

The matter was reported to the management on December 19, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that NBP had taken up the matter with concerned office for provision of CNIC of pensioners. DAC directed the management to provide relevant record for verification.

Audit recommends implementation of DAC directives.

8.2.4.44 Fresh loan categorized as loss - Rs 13.063 million

According to SBP circular on Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns, part 7. Period of Financing and its Repayment stated that "In case the borrower fails to make repayment of the amount of installment as per the original repayment schedule, the PFI (Participating Financial Institution) will be entitled to charge normal rate of mark up on such overdue principal amount besides taking other actions to recover the same as are incidental to such defaults. In no case, the liability of PFI to repay to SBP BSC (Bank) the principal amount of refinance, or mark-up or any other charges or penalty thereon shall be dependent upon the recovery from the borrowers nor shall such liability be affected by any default on part of the borrowers."

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that State Bank of Pakistan (SBP) sanctioned various loans under SBP refinance schemes through NBP to support employment and prevent layoff of workers in the wake of Covid-19. Six (06) customers of

NBP were allowed loan of Rs.160.000 million, out of which one loan has been categorized as loss. These loans were disbursed during 2020 to 2021, out of which loan amounting to Rs 13.063 million was categorized as loss.

Audit is of the view that categorization of any loan as loss in early stages on financings creates doubts that the said loan was irregularly disbursed, compliance requirements were not fulfilled while scrutinizing loan and customer modalities.

The matter was reported to the management in December 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the loss has been recovered from SBP and recovery efforts are underway. DAC directed the management to provide evidence of recovery from SBP and pursue the outstanding more vigorously.

Audit recommends implementation of DAC directives.

8.2.4.45 Irregular payment of pay & allowances without rendering services - Rs 10.800 million

According to Clause 12.2 of NBP Deputation Policy approved by BoD dated 26.12.2013, all staff cost pertaining to deputationist i.e. salary, allowances, bonuses, benefits and perks including deputation allowance will be borne by the borrowing organization. Further, as per Clause 12.4 states that, the deputationist will draw pay in his/her own pay scale/pay range from his/her parent organization. The reimbursement claim will be lodge by the Bank within 15 days.

During the audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the service of Mr. Junaid Shafqat Sheikh, VP was required by National Counter Terrorism Authority, Islamabad (NACTA) on deputation basis as Director (BS-19) for a period of two (02) years. Following irregularities were observed in his deputation case:

1. The management paid an amount of Rs 10.800 million to the incumbent during deputation period which was in contradiction to Federal Government deputation policy.
2. Risk & deputation allowance of Rs 71,480 + Rs 39,570 p.m admissible at NACTA was continuously paid after repatriation to NBP.

Audit is of the view that payment of pay and allowance by the bank to the deputationist and allowance after repatriation held irregular and unjustified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that that NBP's board has approved the deputation policy and payments on account of salary and other benefits is reclaimed from NACTA. DAC directed the management to get this fact verified from audit.

Audit recommends implementation of DAC directives.

8.2.4.46 Irregular appointment / up-gradation to the next higher grade on negotiated terms & conditions - Rs 9.333 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.

Cabinet Secretariat (Establishment Division) letter dated May 06, 2000 stated that vacancies should be advertised in the leading national and regional newspapers.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management appointed / upgraded the following IT personals to the next higher grade on negotiated terms & conditions without observing codal formalities and competitive process.

S #	Name	Date of Joining	Grade	Appointed as	Monthly Salary (Rs)
1.	Raheel Iqbal	30.06.2017	VP	Senior Vice President	710,485
2.	Faheem Haider Naqvi	30.06.2017	OG-I	Assistant Vice President	343,983
3.	Muhammad Umair	30.06.2017	OG-I	Assistant Vice President	501,105
				Total	1,555,573
					Rs 1,555,573*6 months= Rs 9,333,438

Audit is of the view that the appointment and upgradation of IT officers was unjustified and against the merit.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC, to retain the existing and experienced resources or to curtail the employee's turnaround, the Board of Directors' approved a policy for resources associated with core banking application upgrade specifically for the resources involved in the core banking application upgrade which entails renegotiation of contracts upon the renewal of contract of existing IT employees. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

8.2.4.47 Irregular appointment of litigation officers - Rs 9.250 million

The basic eligibility criteria for the position of Litigation Officer were minimum Bachelor's degree, preferably LLB/ LLM from a reputable HEC recognized University and minimum 04 years of relevant experience in handling recovery and litigation.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management floated an advertisement in March 2020 for the post of litigation officer for Karachi (OG-II / OG-I). After screening, management shortlisted 10 candidates against the 05 positions for final selection. Out of which, management appointed the following candidates without having relevant qualification of LLB/LLM:

S#	Name	Grade	Qualification	Total Experience	Expected Salary (Rs)	Salary per month (Rs)
1	Aijaz Ali	OG-II	MA & BA	13.3	140,000	82,000
2	Sheikh Zeesah Ali	OG-I	B.Com	14.6	130,000	78,000
3	Masood Zaman Khan	-	MA (IR) and BA	14.11	140,000	78,000
						238,000
Rs 238,000 *40 No of months (from September 2018 to December 2023=Rs 9.520 million						

It was further observed that management rejected other suitable candidates with relevant qualification i.e. LLB/ LLM and extensive experience, demanding less salary.

Audit is of the view that the management ignored the suitable candidates and appointed the incumbent having irrelevant qualification and less experience than the rejected candidates was irregular and un-justified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that eligibility criteria was set by the concerned Group, keeping in view the dynamics of the advertised position within the Bank. The selected candidates fulfill the minimum eligibility criteria and were found suitable by the interview panel. The DAC directed to place the matter before the PAC.

Audit recommends implementation of the DAC directives.

8.2.4.48 Irregular appointment as general manager and award of corporate grade to local based employee - Rs 6.392 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.

According to Overseas Posting Policy, all local based employees are assigned functional titles only and not Corporate Grade i.e. VP/SVP/ EVP etc.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that the management advertised the position of General Manager (NBP Frankfurt Branch-Germany) internally vide circular dated 21-09-2021 and initiated the selection process whereby interviews were conducted by Overseas Posting, Selection & Review Committee (OPS&RC). However, no candidate was found suitable. Later on, the management appointed Mr. Qamar Hameed Khan (German National) as General Manager Frankfurt, Germany who was serving as Deputy General Manager, NBP Frankfurt, Germany on the basis of his association with the branch and on the recommendation of group chief (IFRG) & President NBP instead of competitive process i.e. advertisement and Selection Committee. Furthermore, upon his appointment as GM, 20% salary was also increased (US$ 7,135 to 8,562). It was further observed that incumbent was serving as DGM, NBP Frankfurt, Germany (functional title). According to overseas posting policy, all local based (other than Pakistan) employees are assigned functional titles only and not corporate grade i.e. VP/SVP/ EVP etc. However, the board assigned him corporate grade of vice president / general manager by exempting to the existing policy, in order to exercise financial powers associated with the position Frankfurt, Germany.

Audit is of the view that the appointment of foreign national without competitive process was irregular and violation of laid-down criteria.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that position was advertised internally, however, no suitable candidate was found. Resultantly, on the recommendation of BHRRC, Board appointed him General Manager, Frankfurt, Germany. The Board also approved/ allowed corporate grade of Vice President to Mr. Qamar Hameed Khan to authorize him to exercise financial power. The DAC directed to place the matter before the PAC.

Audit recommends implementation of the DAC directives.

8.2.4.49 Unjustified placement of outsource employees - Rs 5.718 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 audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that following outsourced employees of NBP were deployed at different offices of NAB and FIA since their appointment in 2012 and NBP were paying their salaries.

S#	Employee Name	CNIC	Designation	Location	Monthly Salary (Rs)
1.	Imtiaz Ahmed	45202-0689144-1	Office Attendant	FIA	34,036
2.	Mehreen Asim	42101-3820128-6	Data Entry Operator	NAB	34,036
3.	Muhammad Usman	42301-4716259-5	Data Entry Operator	NAB	34,036
4.	Naveed Ghouri	41304-2292384-1	Data Entry Operator	NAB	34,036
5.	Sikandar	42501-2074419-7	Data Entry Operator	NAB	34,036
6.	Syed Muhammad Waqas Jawed	42101-0295937-5	Data Entry Operator	NAB	34,036
7.	Mansoor Ahmed	45202-3230322-1	Processor	NAB	34,036
				Total	**238,254**
				Grand Total (Rs 238,254*24 months	**5,718,096**

Audit is of the view that placement of services of outsourced employees at FIA & NAB offices at Banks cost reflected weak internal controls. Thus, payments of Rs 5.718 million on account of outsource employees held irregular & un-justified.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the outsourced resources were placed at the disposal of NAB and FIA as per their request since 2012. The DAC directed the management to provide justification and SoPs for deployment of outsource staff and take up the matter with FIA / NAB.

Audit recommends implementation of the DAC directives.

8.2.4.50 Overstay of employees at foreign branches

Clause 1.8 of Overseas Posting Policy, 2022 of National Bank of Pakistan (NBP) states that for all overseas postings, the period of overseas postings of any Pakistan based employee shall be for a maximum period of three (03) years from the date of joining at Bank's overseas branch/office. The performance of the employee will be monitored after three years for extending the tenure of posting for another two years. The president / CEO will approve the recommendations for extending the tenure from 3 to 5 years. After completion of five years, employee will be repatriated except in retirement cases and after completion of three (03) years, the employee will be repatriated.

During audit of National Bank of Pakistan (NBP) Head Office, Karachi for the year 2022, it was observed that officers were posted at various foreign branches for initial period of three (03) years. Later on, the management extended the tenure of posting for another two years. However, following ten (10) officers were not repatriated after the completion of specified tenure (i.e. five years).

S #	Name	Grade	Present Place of Posting	Date of Posting
1.	Muhammad Rafiq	SVP	NBP JSC, Almaty, Kazakhstan	2-Dec-2016
2.	Muhammad Amin	VP	NBP Bishkek, Kyrgyzstan	26-Oct-2015
3.	Shaikh Ahtsham Ahmed	AVP	NBP Baku Branch, Azerbaijan	2-Nov-2017
4.	Muhammad Ismail	AVP	NBP Paris, France	20-Sep-2016
5.	Shaikh Muhammad Shariq	VP	NBP Beijing RO, China	3-Jan-2017
6.	Arif Hussain	AVP	NBP Osaka, Japan	13-Nov-2017
7.	Hafeez Ullah Memon	AVP	NBP EPZ, Karachi	28-Jun-2016
8.	Adnan	AVP	NBP Kabul, Afghanistan	5-Mar-2011
9.	Hyder Abbas	OG-I	NBP EPZ, Karachi	6-Jan-2018
10.	Syed Alim Hussain	OG-I	NBP EPZ, Karachi	9-Dec-2012

Audit is of the view that non-repatriation of officers after completion of time period was irregular and unjustified which reflected favouritism and weak internal controls.

The matter was reported to the management in December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that selection process has been started and up to 1st quarter of 2024 all employees will be repatriated. The DAC directed the management to discontinue the overstay practice in future and action may also be taken for immediate repatriation of employees under intimation to Audit.

Audit recommends implementation of the DAC directives.

8.2.4.51 Non-maintenance of proper record of performing loans

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 for the years 2022, it was observed that total amount of performing loan was Rs 1,230,521.800 million as per annual accounts 2022. Audit requested the management to provide the party wise breakup of performing loans. However, management did not provide the requisite record despite issuance of requisitions, reminders and verbal requests.

Audit is of the view that the non-provision of record showed negligence on part of management.

The matter was reported to the management on December, 2023. The irregularity was discussed in the DAC meeting held on January 23 & 24, 2024. The management informed the DAC that the record was divided among different groups. DAC directed the management to provide relevant record for verification.

Audit recommends implementation of DAC directives.

8.3 National Security Printing Corporation (Pvt.) Limited

8.3.1 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.

8.3.2 Comments on Audited Accounts

8.3.2.1 The working results of the Company for the year ended June 30, 2021 as compared with the preceding years are given below:

						(Rs in million)
	2020-21	**% Inc/ (Dec)**	**2019-20**	**2018-19**	**% Inc / (Dec)**	**2017-18**
Sales	3623.109	1.06	3584.789	4,827.37	51.80	3179.986
Cost of Sales	(2,547.090)	16.16	(2192.723)	(2,927.21)	73.89	(1,683.341)
Gross Profit	1076.019	(22.70)	1392.066	1,900.16	26.95	1,496.645
Administrative Expenses	(436.386)	24.67	(350.017)	(272.29)	(38.50)	(442.789)
Other Expenses	(64.928)	(40.89)	(109.856)	(260.18)	57.16	(165.547)
Other income	740.795	(12.90)	850.546	707.124	188.15	245.399
Operating Profit	1315.500	(26.20)	1782.739	2,074.80	83.01	1133.708
Finance Cost	(672)	484	(115)	(209)	7578.18	(2.722)
Profit before Taxation	1314.828	(26.24)	1782.624	2,074.59	83.43	1130.986
Taxation	(352.227)	(39.79)	(585.002)	(547.699)	11.72	(490.247)
Profit after Taxation	962.601	(19.62)	1197.622	1,526.89	138.30	640.739

(Source: Annual Audited Accounts 2020-21)

Gross Profit rate decreased from 38.83% in the year 2020 to 29.70% in the year 2021, registering decrease of 9.13%. The decrease in gross profit ratio is contributed by relatively higher increase in cost of sale.

8.3.2.2 Operating Profit rate decreased from 49.73% in the year 2020 to 36.31% in the year 2021, registering decrease of 13.42%. The decrease in operating profit is due to increase in expected credit losses, administrative services expenditure along with salary and wages etc.

8.3.2.3 Net Profit rate decreased from 49.73 % in the year 2020 to 36.29 % in the year 2021, registering decrease of 13.44 %. The decrease in net profit is due to increase in expected credit losses, administrative services expenditure along with salary and wages etc.

8.3.2.4 Return on Asset Rate decreased from 12.94 % in the year 2020 to 8.83 % in the year 2021, registering decrease of 4.11 %. The decrease in return on asset is due to decline in Net profit in the year 2021.

8.3.2.5 Return on Equity Rate decreased from 16.94 % in the year 2020 to 11.35 % in the year 2021, registering decrease of 5.58 %. The decrease in return on equity is due to decline in Net profit in the year 2021.

8.3.3 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%**

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

8.3.4 Audit Paras

8.3.4.1 Irregular placement of funds – Rs 4,000.000 million

According to Finance Division office memorandum No.F.4 (1)/2002-BR.II dated 02.07.2003, the process of selection of Bank(s) for investment purpose should be transparent. Therefore, prior to placing deposits into a banks, under this new policy, and in case the total working balances exceeds Rs 10 million, the selection of the bank(s) as well as the terms of deposits would be approved by the concerned Board of Directors / Governing body on the basis of competitive bids from at least three independent banks / investment companies.

During audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that the management re-invested / rollovered its funds of Rs 4,000.000 million in various banks without obtaining competitive rates as per rules. Details are as under:

S#	Name of Bank / investment institution	Investment made in the year 2021-22 (06 months)	Rollover for the 12 month) wef 03-02-2022
1	Bank Alfalah Limited	1,500,000,000	1,500,000,000
2	Bank Al-Habib Limited	1,500,000,000	1,500,000,000
3	Habib Bank Ltd	1,000,000,000	1,000,000,000
		Total	**4,000,000,000**

Audit is of the view that roll over of funds without obtaining competitive rates were irregular and against the rules.

The matter was reported to the management in July 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that BoD had approved an investment policy whereby investment of surplus funds were made in accordance with its stipulations. Further, the management informed that it had compiled with all relevant sections prior to investment in TDRs with respective banks and rates quoted by the banks were the maximum offered for investment in fixed term deposit. The DAC directed the management to provide relevant documents to Audit for examination.

Audit recommends implementation of the DAC directives.

8.3.4.2 Non-recovery of trade receivables – Rs 3,540.452 million

Rule 5 (1) of the 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 National Security Printing Company (NSPC) for the year 2021-22, it was observed that an amount of Rs 3,540.452 million was lying outstanding against various organizations on account of trade receivables as on May 31, 2023. Details as given below:

(Rs in million)	
Customer Name	**Amount**
Directorate General Immigration & Passport	2,472.948
Director General Pakistan Post	1,015.722
Election commission of Pakistan	51.782
Total	**3,540.452**

Audit is of the view that non-recovery reflected weak recovery mechanism within the organization.

The matter was reported to the management in July, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that an amount of Rs 2,847.398 million has been recovered and verified by the Audit. The DAC directed the management to provide relevant documents to Audit for verification and pursue the remaining amounts vigorously.

Audit recommends implementation of the DAC directives.

8.3.4.3 Irregular investment in Term Deposit Receipts - Rs 2,500.000 million

Section 3 (b) of Finance Division letter No.F.4 (1)/2002-BR.II Islamabad, dated: 02.07.2003 the process of selections of banks should be transparent. Therefore, prior to placing deposits with a bank under this new policy, and in case working balances exceed Rs 10 million, the selection of the bank 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 National Security Printing Company (NSPC) for the year 2021-22, it was observed that the management invested an amount of Rs 2,500.000 million in TDRs in various banks without the approval of Board of Directors (BoD) as detailed below:

						(Rs in million)
S#	**Bank Name**	**Amount**	**Rate @**	**Tenure**	**Investment date**	**Premature date**
1.	Bank Al-Habib Limited	1,500.00	10.75	06 months	31-01-2022	30-07-2022
2.	Habib Bank Limited	1,000.00	12.70	01 years	30-03-2022	30-03-2023
	Total	**2,500.00**				

Furthermore, funds invested were more than Rs 10.000 million which required diversification to minimize risk.

Audit is of the view that management made investment without the approval of BoD and Finance Division, which was held irregular.

The matter was reported to the management in July 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that BoD approved an investment policy whereby investment of surplus funds was made in accordance with its stipulations. The DAC directed the management to share BoD approved investment policy with relevant documents reflecting management stance that the investment was made in accordance with investment policy.

Audit recommends implementation of the DAC directives.

8.3.4.4 Irregular sale of postal / non-postal stamps – Rs 1,123.770 million

According to instructions of Finance Division No.700/CCAO/91 dated 26.10.1991 under the existing formula vide para (8) sub para (vii) PPO representative were informed that CAO independently verifies the cost of 'Postal Work' and it should be acceptable to PPO.

The Board of Directors in its meeting held on October 13, 2021 directed the management to take up the matter for fixation of prices of postal/non-postal stamps with the mutual consent between NSPC and Pakistan post office and also directed to get approval from Chief Cost and Accounts officer (CCAO) of Finance Division Government of Pakistan.

During audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that in contravention to above Finance Division and BoD's directives, the management sold postal and non-postal stamps to Director General Pakistan Post Office (DGPPO) amounting to Rs 1,123.770 million without getting approval of the Finance Division and without seeking verification of cost and fixation of price from Chief Cost and Accounts officer (CCAO) and this practice was followed since 2017-18.

Audit is of the view that sale of postal and non-postal stamps without determining / authentication of its cost was held irregular.

The matter was reported to the management in August, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The DAC directed the management to place the matter before BoD.

Audit recommends implementation of the DAC directives.

8.3.4.5 Non-installation of machines – Rs 310.940 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 audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that a smart card manufacturing system for manufacturing E-DATA page for E-passports, was procured at a cost of Rs 1, 100.00 million in the year 2018 which was not installed till close of Audit. Due to non-installation of machine, the management acquired the services for personalization of ATM cards amounting to Rs 95.940 million from out source.

It was also observed that the management procured a screen printing machine including cost of Rs 31.220 million from M/s. Sacurai graphic systems corporation. The machine was delivered in March, 2019 and same was not installed till close of Audit.

Audit is of the view that the management failed to install machines despite lapse of considerable time which reflected negligence and poor financial management.

The matter was reported to the management in July 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that the matter was under process for installation of machines. The DAC directed the management to place the matter before PAC and BoD for appropriate decision.

Audit recommends implementation of the DAC directives.

(DP No. 82 & 85)

8.3.4.6 Irregular / unjustified payment to the suppliers – Rs 217.437 million (equivalent to Euro 1,105,419)

According to clause 15.1 of the agreement between M/s Muhlbauer GMBH & Co for the procurement of Smart Card Manufacturing System for Manufacturing of E-DATA page for E-Passports;

c) 10% (Euro 5, 64,012) of total amount to be paid after successful completion of training of NSPC team.

d) 10% (Euro 5, 64,012) of total amount to be paid upon the site acceptance certificate (SAT) signed duly by both parties.

As per clause 15.1 of the agreement between M/s Muhlbauer GMBH & Co for the procurement of laser perforator machine and inkjet printer for barcoding;

c) 30% (Euro 420,364.725) of total amount to be paid after issuance of site acceptance test certificate (SAT).

During audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that the management procured the following machines and paid an amount of Rs 217.437 million in violation of payment terms and conditions of the agreement:

S#	Name of Machine	Contract Value	Payment	Remarks
1.	Smart Card Manufacturing System for Manufacturing of E-DATA page for E-Passports	Euro 5,640,129 equivalent to Rs 1,100.000 million	Euro. 874,219 (Euro 564,013 + 310,207) equivalent to Rs,172.153 million	10% payment without training & 50% of 10% part payment without Site Acceptance Certificate (SAT)
2.	Laser Perforator Machine and Inkjet Printer for Barcoding	Euro 1,401,215.75 equivalent to Rs 247.975 million	Euro. 231,200.60 equivalent to Rs 45.824 million	16.50% payment without Site Acceptance Certificate (SAT)
		Total	**Rs 217.437 million**	

Audit is of the view that the payment of Rs 217.437 million to the supplier without obtaining training and without issuance of SAT certificate was held irregular and unjustified.

The matter was reported to the management in August 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The DAC directed the management to place the matter before PAC and BoD for appropriate decision.

Audit recommends implementation of the DAC directives.

(DP No. 83 & 95)

8.3.4.7 Non-payment of Sindh Workers Welfare Fund - Rs 159.991 million

According to section 5 (1) of the Sindh Worker's Welfare Fund Act 2014 (Sindh Act No xxxiii of 2015), every industrial establishment located in the Province of Sindh and the total income of which in any year of account commencing on or after the date of closing of account on or after 31st December 2013, in this behalf is not less than five hundred thousand rupees, shall pay to the fund in respect of that year.

Further, Section 5 (2) states that every industrial establishment, which is liable shall pay the amount due from it to the Sindh Revenue Board for the purpose of this Act.

During audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that an amount of Rs 159.991 million was payable to Sind Board of Revenue on account of Sindh Worker Welfare Fund as on 30.06.2022. The management was making provisions on yearly basis instead of paying the fund regularly.

Audit is of the view that the management failed to deposit the amount of fund timely in order to avoid any penalties by the Sind Board of Revenue.

The matter was reported to the management in July 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that workers welfare fund @ 2% of the taxable amount was duly incorporated in the financial statements and payment would be cleared after seeking tax advice from tax consultant. The DAC directed that the matter be pend till final decision.

Audit recommends implementation of the DAC directives.

8.3.4.8 Exchange loss due to delay in installation of machines - Rs 131.200 million

Rule 04 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.

During audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that the management procured two machines i.e. smart card manufacturing system and laser perforation machine from M/s. Muehlbauer Id Services Gmbh. at a contract price of Euro.5, 640,129 and Euro.1, 401,215 respectively including an installation cost of Euro.778, 686. The machines were received in September and October, 2019. However, even after the lapse of 4.5 years, the machines could not be installed. The installation cost of machines would increase with the passage of time asd detailed below:

Contract price in Euro	Exchange rate in Sept-2018 (Rs)	Existing Exchange Rate (Rs)	Difference in Exchange Rate (Rs)	Amount (Rs)
778,686	143.00	311.49	168.49	**131,200,804**

Audit is of the view that the machines were procured without proper planning and due diligence which showed poor financial management, resultantly corporation would sustain loss in shape of higher currency exchange rate.

The matter was reported to the management in July 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The DAC directed the management to conduct an internal inquiry in the matter and share the report with Audit.

Audit recommends implementation of the DAC directives.

8.3.4.9 Wasteful expenditure on purchase of stores and spares - Rs 81.651 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.

During audit of National Security Printing Corporation (NSPC) for the years 2021-22, it was observed that the management procured spares & stores items of Rs 63.003 million and paper & ink valuing Rs 18.648 million. The said inventory remained unutilized as on 30.06.2022 and declared as obsolete which was also being showed as work in process.

Audit is of the view that due to ill-planning and lack of due diligence on part of the management, wasteful expenditure of Rs 81.651 million was incurred.

The matter was reported to the management in July 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that engineering stores was procured to keep machinery operational. These spare parts have been kept very carefully and are useful for a period of 20 years. The provision of General store having value Rs 14.000 million becomes obsolete due to change of design of product. The provision of stock in trade regarding paper, ink and other raw material only used on need basis. The DAC directed the management to share the policy / SOP regarding purchase of stores, spare parts from manufacturer and declare obsolete for verification.

Audit recommends implementation of the DAC directives.

8.3.4.10 Irregular payment of additional duty allowances - Rs 42.864 million

Section 2.4 of common facilities and cost sharing agreement between PSPC and NSPC dated 18-05-2017 states that no rental, service fee or any other amount by whatever name called shall be charge by PSPC to NSPC for sharing the Facilities of Common and Administrative Nature with NSPC other than the recharge as mentioned in clause 2.3.

Section 2.3 states that PSPC shall recharge the common costs of running the facilities of common and administrative nature to NSPC on annual basis based on the common costs report.

During audit of National Security Printing Company (NSPC) for the year 21-22, it was observed that the management had been paying service fee for additional duty allowance @ 5% for officer, staff and workers and 10% to deputations on NSPC to M/s Pakistan Security Printing Corporation (PSPC) in violation of above mentioned agreement. The details of amount paid is hereunder:

					(Amount in Rs)
S#	**Year**	**Officer @ 5%**	**Staff @ 5%**	**Deputatonist @ 10%**	**Total**
1	2021-22	8,626,263	5,442,786	2,451,522	16,520,571
2	2020-21	8,662,367	5,530,769	-	14,193,136
3	2019-20	7,223,329	4,927,868	-	12,151,197
				Total	**42,864,904**

Audit is of the view that payment of service fee against additional allowance for PSPC employees in violation of agreement stands irregular and unjustified.

The matter was reported to the management in July 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that additional allowance was being paid to its employees for the additional duties performing for NSPC and subsequently charged to NSPC in accordance with CFCS agreement. The DAC directed the management to provide relevant documents to Audit for examination.

Audit recommends implementation of the DAC directives.

8.3.4.11 Non-imposition of liquidated damages - Rs 21.960 million

According to terms and conditions 17 of the agreement between NSPC and M/s Muhlbauer GMBH & Co, the supplier shall pay to the buyer at the rate 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 purchase contract.

During audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that the management awarded a contract for supply of electronic data page for electronic passport contract price of Euro 1, 031,000 equivalent to Rs 183.780 million to M/s. Muhlbauer GMBH & Co on May 04, 2020. The supplier was required to supply goods within 08 to 20 weeks from the issuance of Letter of Credit (LC) dated 26-06-2020. However, the supplier provided consignment (300,000 sheets) in three shipments and final shipment was shipped on 10.09.2022 i.e. after delay of twenty-two weeks. The management did not impose penalty @10% per month on the supplier i.e. Euro 103,100 (equivalent to Rs 21,960,300).

Audit is of the view that the management granted undue favor to the supplier by not imposing the penalty despite making delay in delivery of consignment.

The matter was reported to the management in July, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that Purchase Committee had the authority to extend the delivery period on request of user department. The DAC directed the management to provide relevant documents to Audit for examination.

Audit recommends implementation of the DAC directives.

8.3.4.12 Dual payment of employer's contribution - Rs 21.441 million

According to Finance Division letter No. F.2 (14) IF. IV/91/Vo;II/151 dated 27.11.1993, Finance Division allow pensionary benefits to the employees of PSPC as per Government Pension Scheme with effect from 01.11.1993 in replacement of GPF, Gratuity and EOBI, subject to condition that the Labour Division have also no objection to the replacement of Employees Old Age Benefits Scheme by the Government Pension Scheme.

During audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that the management had been paying pension contribution to Pension Fund (established in PSPC) for NSPC employees. This pension fund is maintained in PSPC to pay pensions of NSPC / PSPC employees after retirement. The management paid an amount of Rs 18.562 million in employees' pension fund during the year. Furthermore, the management also paid an amount of Rs 2.879 million as EOBI contribution for permanent and 3rd party employees. The details are hereunder:

S#	Employers Contribution	Amount (Rs in million)
1.	Employer's contribution for pension fund	18.562
2.	Employer's EOBI contribution for permanent employees	01. 015
3.	Employer's EOBI contribution for 3rd party employees	01.864
Total		**21.441**

Audit is of the view that the payment of two pension benefits to the employees at the same time is a violation of Finance Division instructions which is held irregular and unjustified.

The matter was reported to the management in July 2023, but no reply was received. The irregularity was discussed in the DAC meeting held on December 06, 2023. The DAC directed the management that the matter may be referred to Finance Division for further clarification.

Audit recommends implementation of the DAC directives.

8.3.4.13 Non-payment of stamp duty - Rs 9.552 million

According to Section 15 of the Sindh Revenue Board (Amendment) Act, 2020 any instrument in the nature of memorandum of agreement made or entered into by contractor with Government, a Corporation, local body, local authority, commercial or industrial concern, whether singly owned or run through partnership, body registered under the Company Law, a cooperative society or any other organization to execute any work or to supply or to undertake cartage of stores and materials and to provide engineering consultancy services or any other services covered under above documents including a purchase order, work order, cargo bill, a railway ticket of ACC, a running rate contract and other levies and taxes pertaining to local bodies shall pay twenty paisa for every hundred rupees or part thereof of the amount of the contract.

During audit of National Security Printing Corporation (NSPC) for the year 2020-21, it was observed that an amount of Rs 9.552 million was payable to Sindh Revenue Board (SRB) on account of Stamp Duty as on 30-06-2022. The management had been making provisions on yearly basis instead of paying the stamp duty regularly.

Audit is of the view that management failed to pay the duties and taxes in violation of above rules.

The matter was reported to the management in August 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that it compels all suppliers to pay the stamp duty through contract on non- judicial paper and accordingly pays stamp duty at applicable rates. Further management informed that stamp duty on purchase of paper has to be paid by M/s Security Papers Limited. The DAC directed the management to provide relevant documents to Audit for examination.

Audit recommends implementation of the DAC directives.

8.3.4.14 Irregular award of contract to 2nd lowest bidder - Rs 7.956 million

Rule 38 of PPRA Rules, 2004 states that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that the management invited a tender for purchase of Fork Lifter. In response, two (02) bidders participated. The bid of first lowest bidder M/s. Akber Ali & Sons was rejected during technical evaluation having less speed. However, its offered speed was higher than the speed of M/s AL Majid Int Co as per catalogue specification. Despite that, the contract was awarded to the 2nd lowest M/s Al Majid International Co amounting to Rs 7.956 million. The detail is as under:

S#	Name of Bidders	Position	Offered (Rs)
1	M/s Akber Ali & Sons	1st Lowest	7,056,210.00
2	M/s Al Majid Int. Co	2nd Lowest	7,956,000.00

Audit is of the view that contract was awarded to the 2nd lowest bidder, which reflects favoritism and violation of PPRA, 2004. Thus, award of contract amounting to Rs 7.956 million is held irregular and unjustified.

The matter was reported to the management in August 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The DAC directed the management to provide relevant documents to Audit for examination.

Audit recommends implementation of the DAC directives.

8.3.4.15 Irregular award of contract on single stage one envelope procedure - Rs 5.406 million

Rule 37 (a) of PPRA Rules, 2004 states that single stage two envelope bidding procedure shall be used where the bids are to be evaluated on technical and financial grounds and price is taken into account after technical evaluation.

During audit of National Security Printing Company (NSPC) for the year 2021-22, it was observed that following tenders were awarded on the basis of single stage one envelope procedure despite the fact that technical evaluation for accepting the bids were carried out in these cases and where bids were to be evaluated on technical ground, single stage two envelope procedure had to be adopted:

S #	Bidder	Description	Date of technical evaluation	Bid price	Quantity	Contract price (Rs)
1.	M/s. Naveed Chemicals.	ISO Propyle Alcohol	14-06-2021	240.85 per ltr.	3,990 ltrs	1,124,361
2	M/s. Marium & Co.	MICR red bleed Ribbon	02-06-2021	6,100 per unit	600 units	4,282,200
					Total	**5,406,561**

Audit is of the view that the management failed to adopt single stage two envelope procedure where bids were been evaluated on the basis of technical evaluation in violation of PPRA Rules, 2004.

The matter was reported to the management in August 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The DAC directed the management to provide reasons for contracts awarded to suppliers on the basis of single stage one envelope. DAC further directed the management to provide relevant documents i.e. sample rejected or not by laboratory to Audit for examination.

Audit recommends implementation of the DAC directives.

8.4 Pakistan Security Printing Corporation (Pvt.) Limited

8.4.1 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.

8.4.2 Comments on Audited Accounts

8.4.2.1 The working results of the Corporation 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**
Sales	21,836.38	11.71	19,548.095	(0.66)	19,678.11
Cost of Sales	(17,775.09)	14.86	(15,475.543)	(1.82)	(15,762.849)
Gross Profit	4,061.30	(0.28)	4,072.552	4.02	3,915.263
Administrative Expenses	(857.23)	8.39	(790.864)	(6.32)	(743.85)
Other expenses	(502.11)	2.17	(491.426)	1,335.32	(34.238)
Other Income	1,527.48	58.91	961.207	41.04	681.50
Financial Cost	(3.28)	144	(1.343)	(27.52)	(1.853)
Share of profit from associates excluding dividend	725.96	(4.81)	762.677	(42.99)	1,337.861
Profit before taxation	4,952.12	9.73	4,512.803	(12.46)	5,155.403
Profit after taxation	3,073.97	(0.26)	3,081.888	(19.76)	3,840.679
Current Ratio	5.99	0.28	5.716	8.257	5.280
Debt Ratio	0.11	(9.80)	9.913	(3.682)	10.292
Equity Ratio	0.89	(0.01)	0.90	0.004	0.897
(Source: Annual audited Accounts)					

8.4.2.2 Other expenses increased by 2.17% to Rs 502.11 million in 2022-23 from Rs 491.426 million in 2021-22 may be justified.

8.4.2.3 Finance cost increased by 144% to Rs 3.280 million in the year 2022-23 from Rs 1.343.000 million in 2021-22.

8.4.2.4 Share of profit from associated has decreased by 4.81% to Rs 725.96 million in year 2022-23 as compared to previous year 2021-22 Rs 762.677 million which may be justified.

8.4.2.5 Administrative expenses & cost of sales increased by 8.39% & 14.86% respectively which needed to be justified.

8.4.2.6 Profit after taxation has decreased by 0.26% to Rs 3,073.97 million inspite of increase in sales in the year 2022-23 as compared to previous year 2021-22 Rs 3,081.88 million which may be justified.

8.4.2.7 Equity Ratio in the year 2022-23 stands at 0.89 showing slight declined position against preceding year value of 0.90.

8.4.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% age of compliance
2002-03	4	3	1	67.2	75%
2007-08	5	2	3	49.2, 50	40%
2010-11	13	-	13	7.3.1, 7.3.2, 7.3.2.1, 7.3.2.2, 7.3.2.3, 7.3.2.4, 7.3.3, 7.3.4.1, 7.3.4.2, 7.3.4.3, 7.3.4.4, 7.3.4.5, 7.3.4.6	-
2013-14	7	4	3	6.2.2.1, 6.2.2.3, 6.2.2.5, 6.3.3	57%
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%

The overall compliance of PAC directives needs to be improved.

8.4.4 Audit Paras

8.4.4.1 Non deduction of sales tax – Rs 3,930.500 million

As per section 3(1) of Sales Tax Act 1990, subject to the provision of this Act, there shall be charged, levied and paid on tax known as sales tax at the rate of 18% of the value of (a) taxable supplies made by a registered person in the course or further of any taxable activities carried on by him (b) goods imported in to Pakistan. According to eleventh schedule sub-suction of (7) of section (3): whole of the tax involved or as applicable to supplies on the basis of gross value of supplies shall be withheld by withholding agent.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2022-23, it was observed that the management printed bank notes & prize bonds having quantity of 3,753.700 million pieces valuing at Rs 21,836.382 million. However, the management did not deposit the applicable sales tax @18% amounting to Rs 3,930.500 million.

Audit is of the view that the non-deduction of sales tax was a serious lapse on the part of management which needed to be justified.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to probe the matter.

8.4.4.2 Non-recovery of outstanding dues – Rs 2,892.840 million

Rule 23 of GFR, provides that every government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part 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 Pakistan Security Printing Corporation (PSPC) for the year 2022-23, it was observed that an amount of Rs 2,892.84 million was outstanding balance against the trade debtors and associates as on June 30, 2023 are as under:

S#	Description(s)	(Rs in million)
1	Trade debtors (SBP)	2,843.26
2	Other Receivables Associated, SICPA	6.189
3	Other Receivables Associated, SPL	43.392
	Total	**2,892.84**

Audit is of the view that non-recovery of outstanding amount reflects weak financial management.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends early recovery of the outstanding amount.

(DP No. 915 & 927)

8.4.4.3 Non-maintenance of super orlof intaglio machine -Rs 1,438.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, states that 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, 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 Security Printing Corporation (PSPC) for the year 2022-23, it was observed that the management has two (2) super orlof intaglio machines for more than 15 years. Machine’s production capacity has decreased from 10,000 sheets/hr to 7,000 sheets/hr due to wear and tear. It was observed that Board approved capital budget of Rs 1,438.000 million for complete overhauling of machine for the year 2022-23. However, no overhauling of the machine was carried out by the management despite allocation of huge amount.

Audit is of the view that due to non-maintenance of machine by the Corporation has decreased its production substantially which is causing losses to the organization.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to justify the matter.

8.4.4.4 Non-settlement of sales tax - Rs 292.000 million

Section 3(1) of Sales Tax Act 1990, subject to the provision of this Act, there shall be charged, levied and paid on tax known as sales tax at the rate of 18% of the value of – (a) taxable supplies made by a registered person in the course or further of any taxable activities carried on by him (b) goods imported in to Pakistan. According to eleventh schedule sub-suction of (7) of section (3): whole of the tax involved or as applicable to supplies on the basis of gross value of supplies shall be withheld by withholding agent.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2022-23, it was observed that an amount of Rs 292.000 million of sales tax was recoverable as on June 30, 2023.

Audit is of the view that non-recovery / adjustment of sales tax reflected weak financial management.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to justify the matter.

8.4.4.5 Irregular procurement of various items - Rs 137.506 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 Security Printing Corporation (PSPC) for the year 2022-23, it was observed that the management purchased various items from suppliers without open competitive bidding on splitting basis during the year. The detail is as under:

(Rs in million)			
S#	**Agency**	**Item**	**Amount**
1	M/s Metro stores	Various items	95.727
2	M/s Al- Majid Co.		24.448
3	M/s H2O	Water	17.331
		Total	**137.506**

Audit is of the view that the direct purchases without competitive bidding were irregular and unjustified.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to probe the matter.

(DP No. 924, 930 & 934)

8.4.4.6 Un-justified expenditure on gardening & poly culture forest - Rs 27.822 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 Security Printing Corporation (PSPC) for the year 2022-23, it was observed that the management incurred an expenditure of Rs 27.822 million on account of gardening & poly culture forest against its core business. The main purpose of PSPC was to achieve production targets of finished goods as per law & SoPs and not to promote the culture of forestry. Further, the expenditure was incurred without competitive bidding. The detail is as under:

S#	Description	Rs in million
01	Gardening	20.828
02	Poly culture forest	6.994
	Total	**27.822**

Audit is of the view that an expenditure on gardening & poly culture forest was against its core business and in violation of rules.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to justify the matter.

8.4.4.7 Non-adjustment of advances – Rs 24.800 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.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2022-23, it was observed that management did not adjust advance payments of Rs 24.800 million outstanding against various parties up to 30th June 2023.

Audit is of the view that no-adjustment of advance payment reflects weak financial management.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends early adjustment of the advance payments.

8.4.4.8 Loss due to purchase of spare parts at higher rates – Rs 13.473 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 audit of Pakistan Security Printing Corporation (PSPC) for the year 2022-23, it was observed that the management procured spare parts (technical items) from M/s UNO seisakusho Ltd. amounting to Rs 43.000 million and paid higher amount being proprietary item. However, the inventory record indicated that these items were not urgently required and sufficient stock of similar 720 items was available at PSPC store which was not utilized in time. It was further observed that the unit price quoted by the same supplier in 2023 was 43% (Rs 13.473 million) higher than the previously supplied items in year 2021.

Audit is of the view that procurement of such items which were already available in stock at higher rates was irregular and wastage of resources, which reflects weak inventory and financial management.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to investigate the matter.

8.4.4.9 Irregular payment of extra charges to contractor – Rs 8.651 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 audit of Pakistan Security Printing Corporation (PSPC) for the year 2022-23, it was observed that the management issued work order to M/s Aneel for renovation of office building valuing Rs 29.600 million including extra charges on March, 2021. However, management again revised work order and paid another extra charges amounting to Rs 8.651 million. The details are as under:

Description	**Work order dated 29.3.2021**		**Amended / revised work order**		**Remarks**
Services of a construction for the renovation of office building	Total (Rs)	25,388,699	**?**	25,388,699	No justification for extra charges and amend in work order.
	Extra charges (Rs)	4,211,300		8,651,300	
	Grand total (Rs)	29,600,000		34,040,000	

Moreover, contractor failed to complete the job within stipulated period i.e. 29.8.2021 and was granted extension up to 30.11.2021. However, no job completion certificate was provided to Audit.

Audit is of the view that payment of extra charges to the contractor was irregular and un-justified.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to justify the matter.

8.4.4.10 Irregular award of consultancy work – Rs 7.061 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 Security Printing Corporation (PSPC) for the year 2022-23, it was observed that the management selected consultant M/s. National electronics complex of Pakistan (NECOP) for consultancy services for Integrated Security System (ISS) directly at cost of Rs 6.248 million exclusive of tax. Further, boarding / lodging and transport services shall be rendered to NECOP team by PSPC. Audit further, observed the following:

- The management negotiated with bidder and accepted the cost effective option for PSPC which incurred extra expenditure.
- Purchase committee on 29.05.2023 granted waiver of bank guarantee to M/s NECOM by extending undue favor.
- The management issued PO.No.25110 dated 30.05.2023, & completion schedule date was 20.09.2023.
- The management released 50% advance payment Rs 2.625 million on 15.06.2023.

Audit is of the view that the award of contract without invitation of tender was irregular and unjustified.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to justify the matter.

8.4.4.11 Irregular appointment without advertisement - Rs 5.709 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.

As per guidelines / letter dated January 02, 2002 issued by the Auditor General of Pakistan in accordance with the provisions of section 15(1) of the Auditor General's (Functions, powers and terms and conditions of Service) Ordinance, 2001, the auditors should be appointed in consultation with Auditor General of Pakistan and rotated after every 5 years. Instructions were issued in compliance of Finance Division's letter dated March 25, 1981.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2022-23, it was observed that management appointed external auditor M/s KPMG & Co. and tax consultant, M/s A.F. Ferguson & Co. without advertisement. Further, concurrence of the Auditor General of Pakistan was also not obtained for appointment of external auditor.

Audit is of the view that appointment of external auditor and tax consultant without tender was held irregular.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to justify the matter.

(DP No.958 & 959)

8.4.4.12 Loss due to stolen / shortage of currency notes – Rs 5.000 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2022-23, it was observed that an incident for theft of currency was occurred at Samar Satta. The stolen amount was Rs 5.000 million The management lodged Police case FIR No. 02/21 Police Station Sama Satta Bahawalpur, Punjab. Moreover, the management did not provide the inquiry report despite several verbal requests. However, the matter was still unresolved, which needs justification.

Audit is of the view that stolen / shortage of currency notes reflects negligence and slackness on the part of management.

The matter was reported to the management on December 08, 2023, but no reply was received.

Audit recommends to justify the matter.

8.5 State Bank of Pakistan

8.5.1 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.

8.5.2 Comments on Audited Accounts

8.5.2.1 The working results of bank for the year ended June 30, 2023 as compared to previous years are given below:

					(Rs in million)
Particulars	**2022-23**	**% Inc /(Dec)**	**2021-22**	**% Inc /(Dec)**	**2020-21**
Interest expense	147,668.48	143.7	60,596.15	15.0	52,695.37
Exchange (Loss) / Gain	(875,024.85)	1,310.8	(62,023.08)	(145.8)	135,327.77
Operating expenses - Bank note & Prize bond printing charges	17,775.05	14.9	15,475.54	(1.8)	15,762.13
Provision / (reversal) against other doubtful debts	896.12	138.1	376.38	(1,628.7)	(24.62)
Charge of credit loss allowance on financial instruments	213.33	11,211.1	1.89	(102.9)	(63.95)
General administrative and other expenses	42,741.50	13.9	37,535.47	28.0	29,320.54
Foreign Currency accounts and investments	1,590,147.39	(27.0)	2,178,557.20	(23.8)	2,858,844.8 1
Special Drawing Rights (SDRs) of IMF	5,380.67	(87.6)	43,460.78	(28.5)	60,771.01
Other Assets	35,029.91	(19.6)	43,563.28	20.1	36,275.43

(Source: Annual Audited Accounts)

8.5.2.2 Interest expense has significantly increased by143.7% from Rs 60,596.15 million in year FY-2022 to Rs 147,668.48 million in FY-2023, mainly due to increase in interest expense on bilateral currency swap and SDRs, securities sold under agreement to repurchase and charges on allocation of SDRs of IMF.

8.5.2.3 Exchange loss has considerably increased by 1,310.8% from Rs 62,023.080 million in year FY-2022 to Rs 875,024.85 million in FY-2023, on account of loss on foreign currency placements, securities, IMF fund facilities and SDRs of IMF.

8.5.2.4 Operating expenses under bank note & prize bond printing charges has increased by 14.9% from Rs 15,475.54 million in FY 2022 to Rs 17,775.05 million in FY 2023 owing to increase in manufacturing cost

8.5.2.5 General administrative and other expenses have increased by 13.9% during year under review to Rs 42,741.50 million from Rs 37,535.47 million in previous year mainly due to increase in salaries and retirement benefits and employees compensated absences.

8.5.2.6 Foreign Currency accounts and investments have significantly declined by 27% from Rs 2,178,557.200 million in year 2022 to Rs 1,590,147.39 million in FY 2023 due to withdrawal of funds / investments from international fund managers by the management.

8.5.2.7 Other assets of the bank have significantly decreased by 19.6% to Rs 35,029.91 million during the FY 2023 from Rs 43,563.28 million in year 2022, mainly due to decrease in advances and deposits.

8.5.2.8 Provision for credit loss ratio has deteriorated slightly during the year representing an increase in credit risk of loans of the bank.

8.5.2.9 Return on equity has declined from 45.9% to 41.6% during the year representing a relative decrease on equity.

8.5.3 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, 6.3.2.2, 6.3.2.3, 6.3.2.4, 6.3.2.5, 6.3.2.6, 6.3.2.7, 6.3.2.8, 6.3.2.9, 6.3.2.10, 6.3.3, 6.3.4.1, 6.3.4.2, 6.3.4.3, 6.3.4.4, 6.3.4.5, 6.3.4.6, 6.3.4.7, 6.3.4.8, 6.3.4.9, 6.3.4.10,	4%

				6.3.4.11, 6.3.4.12	
2015-16	15	1	14	6.4.4.3, 6.4.4.8, 6.4.2.1, 6.4.2.2, 6.4.2.3, 6.4.2.4, 6.4.3, 6.4.4.1, 6.4.4.2, 6.4.4.4, 6.4.4.5, 6.4.4.6, 6.4.4.7, 6.4.4.9	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%

The overall compliance of PAC directives needs improvement.

8.5.4 Audit Paras

8.5.4.1 Disbursements of loan beyond validity period - Rs 90,310.706 million

According to SBP circular No. IH&SMEFD Circular No. 3 of 2020 dated 17.03.2020 to combat the impact of COVID-19, State Bank of Pakistan (SBP) introduced a time bound emergency support for hospitals & medical centers by providing refinance facility to develop capacity for treatment of infected patients of COVID 19, and the validity of this scheme was up to September 30,2020.

According to SBP circular No. IH&SMEFD Circular No. 1 of 2020 dated 17.03.2020 In order to support sustainable economic growth especially in the backdrop of challenges being faced by the industry in post-pandemic scenario, State Bank of Pakistan (SBP) has introduced Temporary Economic Refinance Facility (TERF). The facility will provide concessionary refinance for setting up of new industrial units. Validity period was 31.03.2021.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that State Bank of Pakistan allowed disbursements under two schemes, Refinance Facility for Combating COVID-19 (RFCC) and Temporary Economic Refinance Facility (TERF), beyond validity period. The detail is hereunder:

(Rs in million)			
Scheme	**Amount Disbursed beyond validity**	**Validity Period**	**Period of Disbursements**
RFCC	2,484.706	30.09.2020	2022
TERF	87,826.000	31.03.2021	
Total	**90,310.706**		

Case-wise data was requisitioned for above schemes to ascertain the grounds of these disbursements and reason for delay in disbursements (if any), but record was not provided.

Audit is of the view that the schemes which were marked by timelines and validity period should have been disbursed in the due course. Delayed disbursements and the same beyond validity period compromised objectives of schemes.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that the disbursement under TERF continued after March 31, 2021, for cases approved till deadline. In this regard, disbursements of Rs 398.000 billion has been made till June end, 2023 which may increase in future. DAC directed the management to re-verify the data to Audit.

Audit recommends implementation of the DAC directives.

8.5.4.2 Non-detection of irregular transactions in time - Rs 19,552.203 million

As per SBP Act section 4C (h), the functions of the Bank to achieve the objectives set forth in section 4B and as further described in this Act, shall be to license, regulate and supervise scheduled banks and financial institutions that fall under the domain of the Bank as further specified in this Act or any other Act;

During audit of State Bank of Pakistan H.O (SBP) for the year 2021-22, it was observed that M/s Energy Global International FZE (EGI) for promoting investments under the umbrella of BIT (Bilateral Investment Treaty) between the Government of Pakistan and Iran opened an account with defunct KASB and started its operations. The accounts were initially opened in EURO and Yen currencies, then on 14.12.2012, it was converted into Special Convertible Rupee Account (SCRA). It was further revealed from the records that beneficial owner and authorized owner of EGI is on OFAC (Office of Foreign Assets Control), USA list since 26.11.2008 on account of involvement in alleged illegal transactions as defined by OFAC (USA) and warned defunct KASB on the affairs of EGI. This illegal company continued its operations from 2008 up-till 14.12.2012, when SBP finally froze their accounts. Here it is worth mentioning that the illegal transaction continued for 4 years and remained unidentified till December 2012, the volume of transactions/investment in those fake/illegal accounts was up to Rs 19,552.203 million.

Audit is of the view that non-detection of irregular transaction in time reflected weak internal controls.

The matter was reported to the management in June, 2023. The management in its reply stated that the observation is beyond the scope of AGP audit. The reply is not tenable as specific reply was not provided.

Audit recommends for such a strong control system and fixing of responsibility on the person(s) at fault.

8.5.4.3 Shortfall of financing to women under Kamyab Jawan Youth Entrepreneurship Scheme - Rs 9,190.500 million

According to para 2(6) of IH&SMEFD Circular No. 21 of 2020 dated July 10, 2020, Government of Pakistan has taken measures to provide self-employed opportunities to unemployed youth. Among the key features of the program as approved by the Prime Minister, 25% of the loans under this scheme will go to the women borrowers.

During audit of State Bank of Pakistan (SBP) (HO) and BSC for the year 2021-22, it was observed that management did not take any action against the banks violating conditions of Kamyab Jawan SME lending program. Record reflected share of disbursed loans to women entrepreneurs was only 7% as against requirement of 25%. As a regulator, SBP did not take any action against those banks violating the rules. Detail of disbursed loans by commercial banks is as under:

Banks	Total amount disbursed	Amount disbursed to male	Amount disbursed to female	Amount disbursed to female (%)	Difference (Rs in million)	
					Less than 25%	Remaining amount
Commercial Banks	47,181	43,839	3,342	7	25-7=18	8,453.25
Islamic Banks	4,609	4,194	415	9%	25-9=16	737.25
Total	**51,790**	**48,033**	**3,757**	**100**		**9,190.5**

Audit is of the view that non-disbursement of the loans to women entrepreneur upto required share of 25% reflected negligence on part of commercial banks in promoting women entrepreneurship and SBP should have taken action against those banks.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed the management to submit revised reply containing all facts and figures to Audit.

Audit recommends implementation of the DAC directives.

8.5.4.4 Loss of funds due to poor performance by fund managers - Rs 6,198.048 million

According to Section 23 (2) SBP Act, 1956, the Bank may appoint managers, custodians, and any other professional advisors for the effective management of foreign exchange reserves of the country.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2021-22, it was observed that management hired services of two fund managers on 01.07.2021 to invest public money/funds on its behalf. However, M/s. BNY Mellon as custodian of SBP submitted monthly statements of change in net assets to SBP and intimated that the fund was not managed in a profitable manner by both of the fund managers and net assets invested in the funds had decreased significantly. This resulted into loss of Rs 6,198.048 million approx. (Rs 2,362.602 million + Rs 3,835.446 million) (Annex-51).

Audit is of the view that fund managers failed to secure the interest of SBP and caused loss of Rs 6,198.048 million.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that M/s UBS reported realized gain of $ 16.679 million (eq. PKR 2,969 million) in contrary to $ 10.272 million (PKR 2,362.602 million) realized loss and M/s PIMCO reported realized gain of $ 6.567 million (eq. PKR 1,169 million) in contrary to $ 18.709 million (PKR 3,835.446 million) realized loss. DAC directed the management to re-verify the documents to Audit and place the matter to Board of Directors (BoD) for their decision and share the directives with Audit.

Audit recommends implementation of the DAC directives.

8.5.4.5 Loss due to allowing delayed concessionary loans ignoring real interest rates - Rs 1,038.730 million

According to SBP circular No. IH&SMEFD Circular No. 1 of 2020 dated 17.03.2020, in order to support sustainable economic growth especially in the backdrop of challenges being faced by the industry in post-pandemic scenario, State Bank of Pakistan (SBP) has introduced Temporary Economic Refinance Facility (TERF). The facility will provide concessionary refinance for setting up of new industrial units.

According to SBP circular No. IH&SMEFD Circular No. 03 of 2020 dated 17.03.2020, to combat the impact of COVID-19, State Bank of Pakistan (SBP) has introduced a time bound emergency support for hospitals & medical centers by providing refinance facility to develop capacity for treatment of infected patients of Covid-19 (valid upto 30th September, 2020).

During audit of State Bank of Pakistan H.O (SBP) & SBP BSC for the year 2021-22, it was observed that several concessionary loans were introduced to cater the impact of Covid-19 on the economy. In this regard SBP on the instructions of Govt. of Pakistan launched Temporary Economic Refinance Facility & Loans and Advances under Covid-19. The data regarding the disbursements during 2021-22 was called upon and analysis revealed that SBP kept on disbursing on the said schemes till June 2022. On the other hand, upon the normalization of world economy post Covid-19, significant upward movement in the interest rates was seen. Audit made a sample comparison in the interest rates that were allowed as per the schemes and interest rates at the time of disbursements of said loans which revealed that a huge benefit was transferred in the shape of discounted interest rates tabulated below:

Scheme Name	Loan Disbursed during June 2022 (Rs)	Interest rate on inception of scheme	Interest rate at the time of disbursement	Loss of interest income (Rs)
Covid-19 loans	700,183,511	3%	13.80%	75,619,819
TERF	10,944,434,550	5%	13.80%	963,110,240
Loss (3%-13.8) & (5%-13.8%) due to allowing low interest rates				**1,038,730,059**

Audit is of the view that the management should have devised a policy so that the loans disbursed after the normalization of economy could have adjusted as per the real interest rates prevailing at that time. Hence, the discounted rates not only benefitted the borrowers, the same constituted a loss, if taken at real terms. Ultimately the cost burden was taken by SBP.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that the deadlines were only for the approvals of TERF and RFCC, actual disbursements took place later and these facilities are fixed in terms of interest rates. DAC directed the management to re-verify the data to Audit.

Audit recommends implementation of the DAC directives.

8.5.4.6 Non-adjustment of advances of different dealers – Rs 975.615 million

Para 10 (iv) of Code of Corporate Governance Regulations, 2019 states that a system of sound internal control is established, which is effectively implemented and maintained at all levels within the company.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that approved dealers (AD) deposited a sum of Rs 975.615 million to SBP-BSC in respect of import advance payment /FE-25 export loan/advance payments of Hajj & Umrah organizers. However, such amount was not adjusted since long. Details are as under:

Accounts Statement Period 01-07-2021 to 30-06-2022			
Account No.	**Title of Accounts**	**Description**	**Balance at period end (Rs)**
020139999990057	RTGS CLR processing fee-refund-ads	Import Advance Payment\FE-25 Export loan/advance payments of Hajj & Umrah organizers	975,615,534

Audit is of the view that non-adjustment of advances of different banks since long caused increase in liability of SBP.

The matter was reported to the management on 21.06.2023. The management in its reply stated that after discussion with all internal stakeholders, SoP was devised for transfer of amount from this account to relevant income head. Accordingly, deposited amount was adjusted and stands regularized. However, the management did not provide any documentary evidence to audit for examination.

Audit recommends management may adjust the amount of advances as per SBP policy.

8.5.4.7 Loss due to allowing export refinance schemes without due diligence - Rs 615.000 million

Section (4) (3) of Public Sector Companies (Corporate Governance) Rules, 2017 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.

As per the objectives of SBP Export Refinance Schemes, this initiative will help exporters meet their working capital needs and incentivize them to bring in their export proceeds in a timely manner to help improve foreign exchange inflows in the interbank market.

During audit of State Bank of Pakistan H.O (SBP) & SBP BSC for the year 2021-22, it was observed that during 2015-16, management allowed M/s AFN Enterprises, a Yemen & Ethiopia - based exporter, loan facility under Export Refinance Facility (ERF) amounting to Rs 615.000 million without taking into account the fact that at the time of availing loan facility, both the countries were in state of war. Subsequently, export contracts were cancelled and the exporter was unable to adjust/repay the loan already availed.

Audit is of the view that being a regulator and final authority of the ERF schemes, SBP should have devised a policy taking into account the ground realities and regional circumstances before allowing loans on such risky export contracts. The exporter did not execute export orders due to ongoing war in the region. Thus, allowing refinance scheme by SBP was not justified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that EFS is a performance based facility where exporters have to show export performance for financing availed and in case of failure, fine at prescribed rate was charged to exporters. It may be noted that no shipment had been made; there was no question of foreign exchange loss. DAC directed the management to re-verify the record / data to Audit.

Audit recommends implementation of the DAC directives.

8.5.4.8 Unjustified payment of property tax – Rs.558.309 million

According to section 99 of Cantonment Act 1924, exemption in the case of buildings (2) the following buildings and lands shall be exempt from any tax on property (f) any building or lands, used or acquired for the public service or for any public purpose, which are the property of [the Government], or in the occupation of [the [Federal] or any Provincial Government].

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that SBP BSC possessed buildings in Rawalpindi, Hyderabad and Peshawar cantonment areas and paid property tax amounting to Rs 558.309 million despite the fact that government buildings were exempted off any tax on property.

Audit is of the view that payment of property tax was in violation of Cantonment Act 1924. Thus, payment of property tax was held irregular in audit.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that since Bank procured properties in Cantonment areas under lease agreements, the bank was obligated to fulfill and comply with all the terms and conditions of the lease including property tax obligations. Later on, SBP filed appeals before the Cantonment Board Authorities for consideration of property tax and upon their refusal, the SBP approached Court of Law. Three High Courts have ruled in favor of SBP except Sindh High Court (SHC). SBP had thus filed an appeal with Supreme Court of Pakistan against SHC. DAC directed the management to provide latest progress of the matter to Audit for examination.

Audit recommends implementation of the DAC directives.

8.5.4.9 Loss due to non-achievement of benchmark return by fund managers - Rs 503.114 million equivalent to USD 2.456 million

According to para (1.1) & (1.2) of investment agreement, the manager shall seek to achieve excess return relative to the Benchmark Index while seeking to protect principal. (1.2) The manager's performance in the management of portfolio will be assessed at regular intervals by comparing the returns earned on the portfolio, both before and after fees, with notional returns on the benchmark index.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2021-22, it was observed that the following fund managers failed to achieve benchmark rate of return during the year. Detail is hereunder:

Fund Manager	Portfolio (USD)	Rate of return (%)	Benchmark Return (%)	Non-achievement of Benchmark return (%)	Loss (USD)
JPM	536,564,659	(3.07)	(2.73)	(0.34)	1,824,320
Black Rock	485,916,036	(2.86)	(2.73)	(0.13)	631,691
Total	**1,022,480,695**				**2,456,011**

It was further observed that SBP invested funds through fund managers at negative rate of return which further deteriorated and caused losses.

Audit is of the view that fund manager's failure to achieve at least benchmark rate of return resulted in loss of USD 2.456 million equivalent to Rs 503.114 million (1USD as on 30.06.2022=Rs 204.85).

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed the management to place the matter to Board of Directors (BoD) for their decision and share the directives with Audit.

Audit recommends implementation of the DAC directives.

8.5.4.10 Non-recovery of loans against rozgar scheme - Rs 496.000 million

According to Refinance Scheme for payment of wages & salaries to the workers and employees of business concerns popularly known as SBP rozgar scheme. The financing was available for maximum of two years with a grace period of 06 months.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that SBP launched rozgar scheme on April 10, 2020, preventing layoff by financing wages and salaries of employees (permanent, contractual, daily wagers as well as outsourced) for a period of six months (April 2020-Sep 2020). Financing was available for maximum of two years with a grace period of 06 months. However, an amount of Rs 496.000 million was still outstanding from the debtors as the validity period of recovery under the scheme was 10th March, 2023. Details are as under:

(Rs in million)

Validity of scheme	**Tenor of scheme**	**Maturity date**	**Amount outstanding**
April 2020-Sep 2020	Maximum 02 years and 06 month grace period	March 10,2023	**496.0**

Audit is of the view that non-recovery from the defaulters showed weak internal controls.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that full amount was recovered. DAC directed the management to verify the recovered amount to Audit.

Audit recommends implementation of the DAC directives.

8.5.4.11 Unjustified payment of income continuation plan – Rs 423.000 million

As per section 5(1) of Public Sector Companies (Corporate Governance) Rules, 2017, 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 State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2021-22, it was observed that the management approved income continuation plan (ICP) for deceased employees of the Bank unjustifiably. In order to get the ICP approved by Board, management initially explained to the Board by drawing comparison with benefits provided to the deceased employee by the Federal Government. Management approved last drawn monetized salary of the deceased employee to their dependents on monthly basis for a period of 5 years or till the age of superannuation, whichever is earlier with a reduction of 10% every year. Pension to the dependents were already being provided by the bank under old monetized structure (OMS). A consultant hired to develop a comprehensive mechanism recommended the ICP on prospective basis, whereas management approved the same retrospectively with effect from January 2020, resulting in cash outlay of Rs 423.000 million.

Audit is of the view that approval of monthly income continuation plan by the bank is unjustified as no such facility is being provided by any Public Sector Entity (PSE).

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed the management to verify Audit that on what date the proposal was send and no back date benefits were given and further, directed to place the matter to Board of Directors for their decision and share directives with Audit.

Audit recommends implementation of the DAC directives.

8.5.4.12 Loss on investments by external fund manager – Rs 263.996 million

As per Guiding Principles of Reserve Investment, subject to capital preservation and liquidity constraints, the reserves shall be invested with objective of maximizing risk adjusted returns.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2021-22, it was observed that management allocated US$ 488.638 million to M/s. BlackRock. However, said fund manager incurred loss of Rs 263.996 million. The detail is hereunder:

S #	Booking Date	Amount (Rs)
1	8-Sep-21	3,527,052
2	23-Sep-21	(16,643,168)
3	28-Oct-21	(101,424,622)
4	26-Nov-21	(76,622,309)
5	27-Dec-21	(21,695,544)
6	27-Jan-22	116,934,895
7	23-Feb-22	(12,106,089)
8	21-Mar-22	(80,520,525)
9	25-Apr-22	53,735,829
10	30-May-22	(121,423,854)
11	23-Jun-22	(7,757,704)
	Total	**(263,996,043)**

Audit is of the view that the losses on investment portfolio made by fund manager reflected that the investments were made without any due diligence on maximizing risk adjusted return.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed the management to re-verify the documents to Audit and place the matter to Board of Directors (BoD) for their decision and share the directives with Audit.

Audit recommends implementation of the DAC directives.

8.5.4.13 Loss due to short sale by fund manager – Rs 261.263 million

According to para 6.4 of Investment Policy guidelines, 2020 for externally managed reserves, short selling of fixed income securities in the portfolio is not permitted.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that the bank allocated foreign reserves amounting to USD 488.638 million to fund manager, M/s. Black Rock, in July, 2021 to be invested in accordance with Investment guidelines. However, the said fund manager invested in securities through short sale. Resultantly, fund manager, incurred losses as detailed below:

Month	Loss (in USD)	Month	Loss (in USD)
June-22	44,092	Jan-22	36,975
May-22	218,866	Dec-21	41,854
Apr-22	178,583	Nov-21	107,049
Mar-22	304,863	Oct-21	117,221
Feb-22	92,206	Sep-21	133,632
Total			**1,275,341**

Audit is of the view that short sale by fund manager, being in violation of the investment guidelines resulted in losses amounting to US$ 1.275 million equivalent to Rs 261.263 million (1US$ = Rs 204.85).

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed the management to re-verify the documents to Audit and place the matter to Board of Directors (BoD) for their decision and share the directives with Audit.

Audit recommends implementation of the DAC directives.

8.5.4.14 Unjustified grant of additional financial assistance package – Rs 150.670 million

As per section 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. 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 State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that management unjustifiably granted financial assistance package to the dependents of employees in case of death in service. Such ex-gratia payments were equal to last drawn gross salary by deceased employee for each year of the remaining years of his service till superannuation or 10 years and monthly grant equal to 1/4th of last monetized salary of deceased till superannuation or 15 years. Monthly grant was to be revised annually to compensate for inflation as well. Thus, management paid an amount of ex-gratia payments (Rs 124.480 million) and monthly grants (Rs 26.190 million).

This was in addition to the benefits the bank was already providing to the dependents of deceased employee including monthly income continuation plan (ICP) at rate of last drawn monetized salary for a period of five years or till the age of superannuation, funeral grant, encashment of unutilized leaves, full medical facility for dependents, full waiver of house building advance and other advances, benevolent fund grant, payment of utility bills, petrol ceiling, rent ceiling for iddat period, education and marriage grant (for children), group term assurance / life insurance up to Rs 11.000 million, gratuity & provident fund.

Audit is of the view that management's decision to grant additional financial assistance package to the dependents of deceased employees is unjustified considering numerous financial assistance benefits already being provided by the bank.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed the management to re-verify the documents to Audit and place the matter to Board of Directors (BoD) for their decision and share the directives with Audit.

Audit recommends implementation of the DAC directives.

8.5.4.15 Loss of rental income due to charging of nominal rent and non-vacation / non-renovation of flats – Rs 133.203 million

According to clause 6 of Residential Accommodation Policy, 2016 of SBP Banking Services Corporation, the rent for residential facility / accommodation owned by SBP/SBP BSC will be determined on market-cum need basis by a Committee consisting of officials from SBP and BSC and approved by the MD, SBP BSc. The rent so fixed shall be reviewed every third year, coinciding with the asset revaluation cycle. Further, an employee on allotment of accommodation will be required to pay the monthly rent @ Rs 8,000 for type C and Rs 4,000 for type D flats which may be revised from time to time.

Following are the year wise market rental rate (per sq. ft) of residential colony of State Bank of Pakistan situated at G-7/1 Islamabad.

	Rate (per sq. ft) (Rs)					
Floors	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Ground	21.7	25.36	30.4	32	36	44
1st Floor	18.11	23.1	26.2	29.1	33.2	39.8
2nd Floor	14.49	20.2	21.7	26	28.9	36.2
3rd Floor	13.0	18.11	20.2	25	27.5	32.6

According to clause 8.2 of Residential Accommodation Policy, 2016 of SBP Banking Services Corporation, officers separating from the service of bank will be required to vacate the housing facilities within three months from date of retirement. In case of non-compliance, the bank will not release title documents of their properties mortgaged with the bank and withheld payment of Retirement Benefits, in accordance with the rules. The bank will also charge market rent from concerned on occupation of residential property beyond three months, in case the residential facility is not vacated within six months, the bank will initiate legal proceedings against the concerned.

During audit of State Bank of Pakistan, Banking Services Corporation (SBP-BSC), Islamabad for the years 2020-21 & 2021-22, it was observed that the management had been charging nominal rent of Rs 4,000 to 8,000 per month (per flat) from the allottees far below than the market rates which resulted in a loss of rental income amounting to Rs 120.840 million. It was also observed that the following retired employees did not vacate the residential accommodation till close of Audit and management failed to recover the market based rent from the occupants as per above mentioned policy which resulted in rental loss of Rs 3.531 million (Annex-52).

It was also observed that 77 flats were vacant out of 192, due to deteriorated condition of flats which resulted in loss of rental income against vacant flats amounting to Rs 8.832 million.

Audit is of the view that the management failed to recover the market based rent, get the flats vacated from the retired employees and failed to take concrete efforts to get the flats repaired and loss of rental income which showed favoritism and weak internal controls.

The matter was reported to the management on March 20, 2023. The irregularity was discussed in DAC meeting held on December 06, 2023.

a. The management informed the DAC that Rent Review Committee was constituted by the MD-BSC. The committee already convened multiple meetings to identify basic factors pertaining to revision of rents. The DAC directed the management for revision of rates within one month.
b. The management informed that Bank is looking into the option of initiating legal proceeding against the ex-employees residing illegally. DAC directed the management to recover the rent as per market prevailing rates, vacate the property and take legal action. Further, verify that retirement benefits and title documents of their properties mortgaged with the bank withheld or not.
c. The management informed the DAC that no allotment requests are pending to date. The DAC directed the management to prepare policy for renovation / repair & maintenance and utilization of vacant flats.

Audit recommends implementation of the DAC directives.

(DP No. 35, 40, 43 & 51)

8.5.4.16 Unjustified benefits on account of waiver of leave preparatory to retirement - Rs 54.000 million

As per clause No. 7 of SBP Leave Policy, officers due for normal retirement on attainting superannuation age shall be required to compulsorily proceed on Leave Preparatory to Retirement (LPR) for period not exceeding 180 days (subject to available balance in a RLA/SLA). The management shall have the prerogative to decline or curtail the request for LPR due to exigencies of service in which case the officer will be entitled to encashment of LPR of the leave so declined/curtailed.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that LPR application of some Executive Directives have been declined on the grounds of exigencies of services despite the fact that the post of Executive Director carries huge perks & benefits and after allowing the waiver of LPR, employee receives monthly gross salary along with monthly LPR, this makes two monthly salaries. It was also being noticed that the no other employee was allowed this kind of facility/exemption in near past except E.Ds. Three cases of waiver on a sample basis are summarized as under:

		(Amount in Rs)
Name of Employee	**Avg. Salary**	**Total impact of benefits**
Mr. Qasim Nawaz	3,500,000	21,000,000
Mr. Muhammed Ashraf	3,000,000	18,000,000
Mr. Amjad Manzoor	2,500,000	15,000,000
Total		**54,000,000**

Audit is of the view that apparently the waiver of LPR look like providing benefits to some individuals, especially in recent times. This practice will only create financial burden on the bank and its exchequer.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that the Bank has the prerogative to decline or curtail the request for LPR due to exigencies of service in which case the officer will be entitled to encashment of the leave so declined / curtailed. DAC directed the management to place the matter to Board of Directors.

Audit recommends implementation of the DAC directives.

8.5.4.17 Loss of funds on account of imprudent forex swap transactions - Rs 51.549 million

Section 17 and 23 of the SBP Act 1956, states that State Bank of Pakistan, being the central bank of the country, is entrusted with the responsibility of managing the country's foreign exchange reserves. The Bank may appoint managers, custodians, and any other professional advisors for the effective management of foreign exchange reserves of the country.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that management executed forex swap (sold) deals at lower rates and Forex Swap (bought) deals on higher rates from different commercial banks on the same day. This resulted into loss of funds amounting to Rs 51.549 million. Further, in few transactions selling and buying was on same rates having no spread (Annex-53).

Audit is of the view that management granted undue favor to counter parties by selling funds at low rates and buying funds at higher rates on same day, causing a loss of Rs 51.548 million.

The matter was reported to the management in June, 2023. The management in its reply stated that SBP ensures that all swap transactions were executed as per prevailing (published) market prices of that day in accordance with the policy objectives of the central bank. The reply of the management was not tenable because such transactions caused substantial loss.

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

8.5.4.18 Non-inclusion of EOBI contribution clause in contracts – Rs 46.421 million

Section 11(1) of EOBI Act, 1976 states that every employer shall, before the expiration of thirty days from the day on which this Act becomes applicable to the industry or establishment in respect of which he is the employer, communicate to the Institution the name and other prescribed particulars of the industry or establishment.

During audit of State Bank of Pakistan, Banking Services Corporation (SBP-BSC), Islamabad for the years 2020-21 & 2021-22, it was observed that the management awarded following contracts without inclusion of clause (s) regarding EOBI contribution. The service providers remained non-compliant in fulfilling obligatory responsibility of depositing EOBI contribution on behalf of their workers / labors /employees.

S #	Contract Description	Service provider	Amount (Rs)
1.	Janitorial services	M/s Outsiders	14.093
2.	Gardening & maintenance services	M/s SISKO	6.119
3.	Management services for AC equipment		0.897
4.	Currency contractor	M/s Mehmood & Co	25.317
		Total	**46.426**

Audit is of the view that exclusion of relevant clauses of EOBI and other contribution(s) and non-deposition of deducted amount was a gross violation of government instructions / orders. Therefore, contracts awarded amounting to Rs 46.421 million stands irregular and un-justified.

The matter was reported to the management on March 20, 2023. The irregularity was discussed in DAC meeting held on December 06, 2023. The DAC directed the management to follow the law of land and include the clause and ensure that the payments were made to the institution prior to future payments to the contractors/ suppliers.

Audit recommends implementation of the DAC directives.

8.5.4.19 Irregular procurement of medicines – Rs 46.290 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. Further, Rule 20 of PPRA, 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.

During audit of State Bank of Pakistan, Banking Services Corporation (SBP-BSC), Islamabad for the year 2020-21 & 2021-22, it was observed that the management procured medicines from various suppliers / pharmaceutical companies / distributors amounting to Rs 46.290 million without tender (Annex-54).

Audit is of the view that the whole procedure of procurement of medicines stood irregular, non-transparent and in violation of PPRA Rules, 2004.

The matter was reported to the management on March 20, 2023. The irregularity was discussed in DAC meeting held on December 06, 2023. The management informed the DAC that similar para was discussed in PAC in its meeting held on October 06, 2021 where in the Committee directed to adopt completive process. In compliance to directives of PAC, direct procurement of medicines has been discontinued across Pakistan and open competitive bidding has been adopted. DAC observed that BSC Islamabad procured the medicines in violation of PAC directives. DAC directed the management to justify the delay in implementation of directives of PAC and share the current status.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 6.6.12.5 having financial impact of Rs.198.288 million. Recurrence of same irregularity is a matter of serious concern.

8.5.4.20 Irregular acquisition of services from Bloomberg - Rs 45.000 million

Rules 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.

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 State Bank of Pakistan, Banking Services Corporation (SBP, BSC) H.O for the year 2021-22, it was observed that the management obtained services from M/s Bloomberg Index Services Ltd by signing an agreement in 2004 without any competitive bidding in violation of PPRA rules, which was still continued.

Audit is of the view that hiring of services of Bloomberg without tender and for such lengthy period was not justified. Thus, payment of Rs 45.000 million is held irregular.

The matter was reported to the management in June, 2023. The management in its reply stated that contract with Bloomberg was of long term nature as it was one of the top most financial service provider, hence, its replacement was not easy. The reply was not tenable as procurement of services was in violation of public procurement rules.

Audit recommends that management may fix the responsibility on the person (s) at fault.

8.5.4.21 Loss due to unjustified excess expenditure on renovation of building – Rs 23.438 million

As per clause (2) license agreement dated 12-02-1997 between Government of Pakistan through the Law Secretary (Licensee) and the State Bank of Pakistan (licensor), the amount of expenditure incurred by the licensee on renovation/improvement of State Bank old building premises to make it suitable for housing branch registry of the Supreme Court of Pakistan will be adjusted against the yearly compensation charges payable to the SBP by the licensee. The charges incurred on renovation/improvement by the licensee may not exceed the amount of compensation charges of six years.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2021-22, it was observed that contrary to above, Housing Branch Registry Office of Supreme Court of Pakistan Nabha Road, Lahore had renovated the building and adjusted the amount of expenditure incurred on renovation/improvement of Rs 57.188 million (equivalent to nine years' compensation charges instead of adjustment of Rs 33.750 million i.e. six years' compensation charges payable to SBP). Thus, an amount of Rs 23.438 million was excess charged to SBP. Details are as under:

(Rs in million)			
No. of year	**Period**	**Rent Receivable**	**Remarks**
06	1997 to 2003	33.75	Rent to be adjusted
03	2004 to 2006	23.43	Excess amount of rent adjusted
09	1997 to 2006	**57.18**	**Total adjusted amount**

Audit is of the view that such adjustment of Rs 23.438 million from compensation charges to SBP was in violation of license agreement.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that Supreme Court of Pakistan informed the Bank that the amount of six years of compensation was insufficient for making payment against some of the works already done in the building and as such charges equivalent to nine years of compensation might be adjusted. The said request was agreed by SBP. DAC directed the management to place the matter before PAC.

Audit recommends implementation of the DAC directives.

8.5.4.22 Non recovery of service / compensation / rent charges from NADRA - Rs 20.961 million

According to Public Accounts Committee (PAC) directives vide meeting held in April 07, 2009, the PAO was directed to recover service charges from National Database and Registration Authority (NADRA) & Narcotics Control Department (NCD).

According to directives of Joint Secretary (IF) vide meeting held on July 31, 2012, it was decided that compensation charges @ Rs 7.000 per sqft will be paid by NADRA & NCD to State Bank of Pakistan (SBP) since occupation till 2003 and thereafter with enhancement as per provision of Rent Restriction Ordinance, 2000.

As per directives of Joint Secretary, Cabinet Division, Islamabad vide meeting held on February 22, 2018 it was decided that NADRA to initiate renegotiation with SBP and enter into a formal agreement directly with SBP on mutually agreed terms & condition including time frame for vacation of the building.

During audit of State Bank of Pakistan, Banking Services Corporation (SBP-BSC), Islamabad for the year 2020-21 & 2021-22, it was observed that National Database and Registration Authority (NADRA) occupied building of SBP-BSC, Islamabad since year 2000, without any agreement and payment of rent. The Ministry of Finance (MoF) convened several meetings to resolve the issue between SBP and NADRA in which it was decided that compensation charges @ Rs 7.00 per sq. ft will be paid by NADRA & NCD to SBP since occupation till year 2003 and thereafter with enhancement as per provision of Rent Restriction Ordinance, 2000. However, it was observed that Rs 20.961 million (124,770 sq. ft @ Rs 7.000 per sq. ft. @ 24 months) for the year 2020-21 & 2021-22 was not recovered by the management nor the space was vacated by NADRA till date.

Furthermore, it was also observed that the NADRA has been occupying the building of SBP-BSC, Islamabad since year 2000 without any agreement or consent of SBP.

Audit is of the view that the management failed to recover a hefty amount of outstanding from NADRA and neither had it vacated the premises despite the directives of PAC and Finance Division. Furthermore, no formal rent agreement has also been signed by the management with NADRA despite a lapse of considerable time.

The matter was reported to the management on March 20, 2023. The irregularity was discussed in DAC meeting held on December 06, 2023. The DAC directed the management to place the para before PAC.

Audit recommends implementation of the DAC directives.

(DP No 41 & 52)

8.5.4.23 Investment by fund manager in violation of Investment Policy of the Bank & subsequent loss – Rs 17.819 million

Para 2.1.1 (g) of Investment Policy of the Bank (year 2020) states that investment shall only be made in countries where the issuer, the guarantor and the ultimate parent company of risk is an OECD member country (as on 1st January, 2008) or Singapore.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was noted that SBP fund manager made an investment of funds in a bond issued by M/s. Ali Baba Holdings. However, it was observed that the investment was irregular as ultimate parent country of risk was China, which was a non-OECD member country. This breach was not highlighted by M/s. Bank of New York (BNY) being primarily responsible for compliance of SBP investment policy guidelines.

It was further observed that there was loss of USD 86,985 equivalent to Rs 17.819 million (1USD=Rs 204.8467). The detail is hereunder:

SBP Fund Manager	Investment date	Total investment (USD)	Liquidated amount (USD)	Liquidation date	Loss (USD)
M/s. UBS	17.11.2021	1,326,806	1,239,821	17.05.2022	86,985

Audit is of the view that investment by fund manager in violation of Investment Policy of the Bank & subsequent loss reflected poor financial management / risk management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed the management to re-verify the documents to Audit and place the matter to Board of Directors (BoD) for their decision and share the directives with Audit.

Audit recommends implementation of the DAC directives.

8.5.4.24 Irregular award of internet infrastructure optimization contract - Rs 14.918 million

Rule 10 (1) of PPRA Rules, 2004 states 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.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that management awarded a contract of internet infrastructure optimization to M/s. Wateen

Solution (Pvt.) Ltd at Rs 14.918 million on 28-03-2022. However, it was observed that there was variation of specification. Details are hereunder:

Quantity Required	**Required Specs (SBP bidding docs Dec, 2021)**	**Specs Supplied (Form-II of M/s. Wateen Solution Jan 7,2022)**	**Remarks**
02	Type 1 Routers (Cisco Catalyst C 8300-1N1 S-6T Router)	Cisco C-8200 (Qty. 04)	Catalyst 8300 Series is built on an x86 System-On-Chip (SoC) multicore CPU system architecture (8 or 12 cores)
02	Type 2 Routers (Cisco Catalyst C 8200-1 N-4T Router)		Catalyst 8200 Series is built on an x86 System-On-Chip (SoC) multicore CPU system architecture (4 or 8 cores)

Further, the project was not completed as per schedule.

Audit is of the view that procurement of the routers was irregular as the same was not in accordance with the specs defined in the bidding documents. Further, management extended undue favor to supplier by non-imposing L.D of Rs 1.491 million on account of delayed supplies.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed the management to physically verify the Audit that the installed equipment was same as per bidding documents.

Audit recommends implementation of the DAC directives.

8.5.4.25 Non-recovery of penalty – Rs 8.027 million

SBP approved M/s. Gatron Industries Ltd. request for Exchange Risk Cover under the following terms and conditions:

i. Exchange risk coverage fee @ 5% per annum would be charged from M/s. Gatron Industries Ltd.

ii. Fee will be payable by M/s. Gatron Industries Ltd. from the date of Letter of Credit.

iii. One year fee is required to be deposited with SBP in advance by M/s Gatron Industries Ltd.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2021-22, it was observed that M/s. Gatron Industries Ltd. obtained three loans from M/s. Kreditanstalt Fur Wiederaufbau (KFW), a promotional bank of Germany. All three loan agreements were registered with State Bank of Pakistan. After obtaining these loans M/s. Gatron Industries Ltd. requested its bank to get approval of SBP for exchange risk cover for these loans. The SBP approved this request subject to above terms and conditions. However, M/s. Gatron Industries Ltd. failed to meet the terms and conditions of SBP's approval regarding exchange risk cover. Accordingly, SBP imposed penalty of Rs 8.027 million which was not recovered as yet.

Audit is of the view that non-recovery of penalty amount reflected weak internal controls.

The matter was reported to the management on June 21, 2023. The management in its reply stated that it relates to regulatory functions of the bank. The reply of the management was not tenable as recovery of penalty amount was reflected in bank's accounts, but the same was not recovered.

Audit recommends recovery on priority.

8.5.4.26 Non-completion of wireless LAN project - Rs 7.990 million

As per SBP document the urgency of the project is evident from the extract presented below:

> "SBP senior management has to attend important online video conferencing meeting with higher officials; therefore, it is essentially required to procure the wireless LAN and associated equipment to address the performance issues".

During audit of State Bank of Pakistan H.O (SBP) & SBP BSC for the year 2021-22, it was observed that a contract for supply, installation, maintenance and technical support of wireless LAN at SBP Lahore and Islamabad office was awarded to M/s GBM Pakistan Private Ltd. However, the company did not complete or even initiate the project till the completion of SBP's financial year.

Audit is of the view that the management extended undue favor to supplier by ignoring project completion schedule of supplies and implementation. Thus, the contract amounting to Rs 7.990 million was unnecessarily delayed and would ultimately involve more cost to SBP on its completion.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that multiple reminders were issued to the supplier but equipment was not yet received. DAC directed the management to impose liquidated damages on the supplier and verify to Audit.

Audit recommends implementation of the DAC directives.

8.5.4.27 Non-recovery of liquidated damages – Rs 5.067 million

Section 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017 states that the chief executive (Governor, in case of SBP) 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, 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 State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that management awarded contracts for supply of items to different suppliers amounting to Rs 50.691 million. However, said suppliers did not supply the requisite items as per contract agreements in time. Details are as under:

(Rs in million)

S#	Name of supplier	Description	Amount	Time required	Amount of L.D. @ 10%
1	M/s. Mansha Brothers	Supply and installation of IP Based CCTV	31.446	90 days (06-12-2021)	3.144
2	Ms/. Megaplus	Installation,maintenance & support of desktop IT equipment	4.327	20 weeks (14-04-2022)	0.432
3	M/s. Wateen Solutions	Infrastructure optimization	14.918	60 weeks (07-01-2022)	1.491
				Total	**5.067**

Audit is of the view that management extended undue favor to above mentioned suppliers by ignoring the completion date of project / non-imposition of liquidated damages amounting to Rs 5.067 million.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. The management informed the DAC that delay in completion of the projects could not be attributed to the supplier's end. The late execution of the project would be dealt in accordance with the terms and conditions of the contract as and when operational acceptance payment invoice would be processed. DAC directed the management to verify the Audit that equipment was received and installed and the project was completed.

Audit recommends implementation of the DAC directives.

8.5.4.28 Unjustified ex-gratia payment to employees – Rs 4.00 million

As per section 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, the Chief Executive (Governor, in case of SBP) 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, 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 State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that management made ex-gratia payment amounting to Rs 4.000 million to following officers/employees of Deputy Governor's staff without any justification. Detail is as under:

S #	PIN	Name	Designation	Amount (Rs)
1	9111	Aqeel Ashraf Rana	Joint Director	800,000
2	7323	Asghar Khan	Joint Director	800,000
3	7846	Muhammad Mushtaq	Joint Director	800,000
4	5135	Abdul Sattar	Messenger	800,000
5	3959	Qamaruzzman	Head Messenger	800,000
	Total			**4,000,000**

Audit is of the view that ex-gratia payment to employees by management was without any justification.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed to pend the para.

Audit recommends implementation of the DAC directives.

8.5.4.29 Unjustified / wasteful expenditure on car rental services despite own vehicles – Rs 3.320 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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 State Bank of Pakistan, Banking Services Corporation (SBP-BSC), Islamabad for the years 2020-21 & 2021-22, it was observed that the management had sixteen (16) different vehicles like Fortuner, Hilux, Corolla GLI, Altis Grande & Civic in their pool for official use. However, the management also hired the services of M/s Unique Travels on rental basis for pick/drop of SBP officers, such as Governor, Deputy Governors, Executive Directors, Directors, etc. and incurred an expenditure of Rs 3.320 million. Incurrence of such huge expenditure on car rental services in the presence of its own pool of vehicles was unjustified and wasteful.

Audit is of the view that the expenditure incurred on the procurement of car rental services amounting to Rs 3.230 million was unjustified and wasteful.

The matter was reported to the management on March 20, 2023. The irregularity was discussed in DAC meeting held on December 06, 2023. The management informed the DAC that in case pool cars of the office are already engaged, external transport facility is required for such proposes due to inflexibility in the schedule. The DAC directed the management to get verified visit wise record.

Audit recommends implementation of the DAC directives.

8.5.4.30 Non recovery of fire insurance claim – Rs 3.169 million

As per section 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, the chief executive (Governor, in case of SBP) 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, 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 State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that the management did not recover fire insurance claim of Rs 3.169 million from M/s. NICL. An incident of fire occurred on June 15, 2022 on the first floor of SBP BSC Islamabad office. Subsequently, the management filed the claim with the insurer on Sep 09, 2022. However, said claim is still outstanding despite lapse of considerable time. Complete detail of damages claimed but not received by the Bank from M/s. NICL is as follows:

S. #	Description	Amount of claim (Rs)
1.	Main Cables & Wiring	982,300
2.	UPS Power & Supply	827,300
3.	False ceiling	40,000
4.	CCTV & Communication Cables	479,140
5.	Various Furniture	840,600
	Total	**3,169,340**

Audit is of the view that non-recovery of fire insurance claim by the management from the insurer despite lapse of considerable time period tantamount to loss to the Bank.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 06, 2023. DAC directed the management to recover full amount of claim lodged to M/s NICL and verify the same to Audit.

Audit recommends implementation of the DAC directives.

8.5.4.31 Re-appointment of Chairman Shariah Advisory Committee – Rs 2.470 million

Clause 5 (b) of Terms of reference (TORs) of Shariah Adisory Committee (SAC) states that the Chairman of SAC will be required to disassociate himself from other Islamic banking Institutions (IBIs) after first 3 year term. In case of not fulfilling this requirement, he may be reappointed only a member of SAC for the subsequent term.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was noted that contrary to above rule the management approved Mufti Arshad Ahmed Aijaz as Chairman of SAC for 3 years in 2017-18 despite having his presence in various Islamic Banking Institutions (IBIs). SBP Board waived off that condition and re-appointed him again for next three years citing the reason that there was no other Shariah scholar of his caliber in Pakistan.

Audit requisitioned appointment files along with personal files of Chairman and members of SAC and expenditure on SAC meetings, which were not provided by the management despite various reminders.

Audit is of the view that management granted undue favor to the incumbent by appointing & re-appointing him as Chairman Shariah Advisory Committee (SAC) without his disassociation from other IBIs which caused conflict of interest. Hence, payment of Rs 2.47 million is held irregular.

The matter was reported to the management in June, 2023. The management in its reply stated that the agenda items presented at the SAC are on industry-wide matters and not for matters related to individual bank. Management’s response was not tenable as there was conflict of interest and appointment was in violation of standing orders.

Audit recommends the management may duly appoint a new Chairman SAC.

8.5.4.32 Management's inaction against banking cartel resulting in costly Government borrowing

Section 25(1) of Banking Companies Ordinance, 1962, relating to Power of State Bank to control advances by banking companies, states that whenever the State Bank is satisfied that it is necessary or expedient in the public interest so to do, it may determine the policy in relation to advances to be followed by banking companies generally or by any banking company in particular, and, when the policy has been so determined, all banking companies or the banking company concerned, as the case may be, shall be bound to follow the policy as so determined.

During audit of State Bank of Pakistan (SBP) and SBP- Banking Services Corporation (BSC) for the year 2021-22, it was observed that after February, 2022 commercial banks unjustifiably increased spread margin on Government borrowings from 0.66% to 2.22% in March-22 and then again increased it to 3.21% in April, 2022 which resulted in interest payment of the Government exponentially. The trend of marginal spread is hereunder:

Auction Number	Auction Date	Maturity Date	Competitive Bids (Realized Value)	Cut-off Yield
614	22-Mar-22	16-Jun-22	209,725	11.999%
617	27-Apr-22	28-Jul-22	308,784	14.789%
618	18-May-22	11-Aug-22	193,575	14.499%
619	01-Jun-22	25-Aug-22	532,953	15.249%
620	15-Jun-22	8-Sep-22	666,268	15.250%
621	29-Jun-22	22-Sep-22	1,652,864	15.230%
Total Government borrowing at high bank's spread (Rs in million)			**3,564,169**	

Audit is of the view that SBP as regulator did not take any action against the banking cartel for charging higher interest rates on Government borrowing.

The matter was reported to the management in June, 2023. Management in its reply stated that the overnight interest rate remained close to SBP's policy rate and auction of government securities that entail government borrowing from domestic market, was a separate and independent activity. The management's reply was not tenable as commercial banks charged higher rates on Government borrowing and SBP could not safeguard the interest of Government being regulator of the banking industry.

Audit recommends that management may investigate the matter against commercial banks and financial institutions involved in banking cartel.

8.5.4.33 Foreign exchange manipulation by commercial banks

As per chapter 2 of the FE Manual issued by the SBP, banks are barred from charging more than a defined margin set by the SBP.

Section 4C(h) of the State Bank Act, 1956, states that one of the Bank to achieve the objectives set forth in section 4B and further described in (h) license, regulate and supervise scheduled banks and financial institutions that fall under the domain of the Bank as further specified in this Act or any other Act.

During the audit of State Bank of Pakistan H.O (SBP) & SBP BSC for the year 2021-22, it was noted that during year 2022, news circulated that commercial banks allegedly made unjustified profits of Rs 100 billion by manipulating forex market. Up to June, 2022, around 8 commercial banks were identified to have made exorbitant profits by exploiting the rupee fluctuation against the dollar and through huge spreads between the open market and interbank rates. SBP being a regulator penalized these banks by imposing penalty of Rs 290 million. The penalty was just 0.29% of the alleged forex manipulation. However, detailed record on the matter was not provided to audit.

Audit is of the view that involvement of commercial banks in forex manipulation affected local currency rupee depreciation and reflected weakness of the internal controls.

The matter was reported to the management in June, 2023. The management in its reply stated that this pertained to regulatory functions of the Bank and was beyond the scope of AGP audit. The reply was not tenable as it was irrelevant.

Audit recommends for more strong regulations and oversights by SBP, fact-finding and provision of detailed record to audit on the subject matter.

8.5.4.34 Unjustified disbursement of loans to the exporter under export finance scheme despite repetitive fines

According to Export Finance Scheme (EFS) Manual, Part-I is a transaction based facility in which Annual financial limits are allocated to

Commercial Banks on revolving basis. Banks / ADs having EFS limits provide export finance to the exporters at pre-shipment and/or post-shipment stage on case to case basis against Letter of Credit/Contract for export of eligible goods. Indirect exporter/manufacture, who supply inputs to direct exporter can also avail the facility against Inland Letters of Credit/Standardized Purchase Order established by direct exporter. Part–II is a performance-based export financing facility. This means that based on the exporter's previous year's performance; i.e. export proceed realized through the export of eligible commodities, a revolving limit equivalent to 50% of that performance is fixed on annual basis.

During audit of State Bank of Pakistan, Banking Services Corporation (SBP-BSC), Islamabad for the years 2020-21 & 2021-22, it was observed that the management granted loan facility to the exporter M/s Kohinoor Textile Mills Ltd via different authorized dealers/ commercial banks. The exporter made different type of irregularities i.e. short shipment / late shipment, misreporting, delayed repayment etc. The details of different type of fines/ penalties imposed are at (Annex-55). It was evident that the exporter was penalized for fifty two (52) times for different loans cases due to misreporting/incorrect reporting / non-shipment/ delay in repayment / short shipment etc. despite the fact management continuously financing loans to the exporter under the subsidized scheme. Further, the rate of fines/ penalties charged to the exporter were very nominal.

Audit is of the view that despite repeated irregularities on part of exporter, the management continuously allowed export financing facility. This shows favoritism and week controlling over the affairs of export.

The matter was reported to the management on March 20, 2023. The irregularity was discussed in DAC meeting held on December 06, 2023. DAC directed the management to revisit the policy of disbursement of loans to the exporters and issue warnings to exporter on non-compliance of SoPs.

Audit recommends implementation of the DAC directives.

8.6 Kissan Support Services (Pvt.) Limited

8.6.1 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.

8.6.2 Comments on Audited Accounts

8.6.2.1 The working results of the KSSL for the year 2021 in comparison of the previous years are given below:

(Rs in million)

Description	2022	% Inc/ (Dec)	2021	% Inc/ (Dec)	2020
Revenue	147.24	27.50	115.51	(89.86)	1,137.50
Cost of services	121.51	(45.46)	222.79	(78.80)	1,050.73
Gross profit/(loss)	25.73	-	(107.28)	-	86.78
Administrative expenses	65.46	20.46	54.34	(2.49)	55.73
Operating profit/(loss)	(39.73)	(75.41)	(161.62)	-	31.05
Other income	118.09	44.68	81.62	(36.74)	129.02
Financial charges	-		-	-	5.33
Profit/(loss) before taxation	78.36	-	(80.00)	-	160.07
Taxation	23.916	58.59	15.08	-	(36.82)
Profit/(loss) after tax	54.44	-	(64.92)	-	123.24
(Loss)/Earnings per share	5.44	-	(6.49)	-	12.32

(Source: Annual Audited Accounts)

The working results of the Organization were satisfactory during the year under review. Revenue of the company increased from Rs 115.51 million in 2020-21 to Rs 147.24 million in 2021-22 registering an increase of 27.50% over previous year. The cost of services decreased from Rs 222.79 million in 2020-21 to Rs 121.51 million in 2021-22 registering a decrease 45.46%. Efforts be made to maintain the profitability trend in the years to come.

8.6.2.2 Administrative expenses increased to Rs 65.46 million in 2022 from Rs 54.34 million in 2021 showing an increase of 20.46%. Increase was particularly significant in salaries and allowances, repair & maintenance of motor vehicles expenses and traveling expenses. Efforts need to be made to control the expenses.

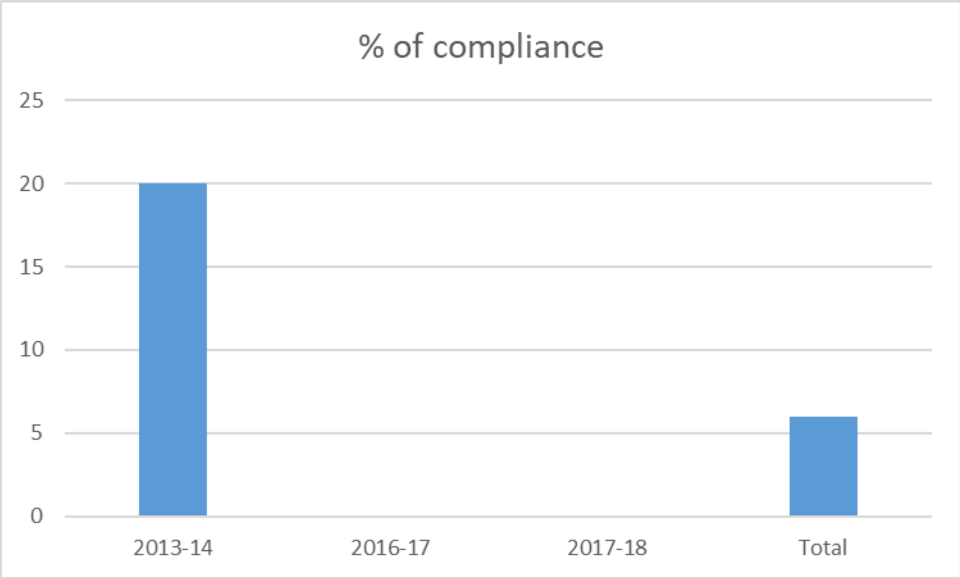
8.6.2.3 A sum of Rs 103.13 million is receivable from ZTBL since long. Steps may be taken to recover the amount.

8.6.2.4 A sum of Rs 3.18 million is recoverable from employees on account of EOBI contribution. Deduction may be affected from the salaries of employees for recovery of EOBI contribution.

8.6.2.5 Physical verification of assets valuing Rs 6.69 million as on December 31, 2022 was not conducted by an independent store verifier. Value of store assets, therefore, cannot be authenticated which needs to be explained.

8.6.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	05	01	04	6.7.4.2,6.7.4.3,6.7.4.4,6.7.4.1	20
2016-17	08	0	08	6.6.2.5, (6.6.1 & 6.6.2, 6.6.2.1, 6.6.2.2, 6.6.2.3,6.6.2.4, 6.6.2.6, 6.6.3)	-
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**	**01**	**17**		**6**



Overall compliance of PAC directives was very poor which needs immediate attention of PAO.

8.7 Zarai Taraqiati Bank Limited

8.7.1 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.

8.7.2 Comments on Audited Accounts

7.1.2.1 The operating results of the Bank for the year 2019 to 2022 are as follow:

(Rs in million)

	2022	% Inc / (Dec)	**2021**	**% Inc / (Dec)**	**2020**	**% Inc / (Dec)**	**2019**
Mark-up / return / interest earned	39,436.395	75.07	22,526.158	24.86	18,041.618	0.31	17,985.62
Mark-up/ return/ interest expensed	24,899.603	143.06	10,244.200	6.89	9,583.783	3.54	9,256.539
Net Mark-up / Interest income	**14,536.792**	**18.36**	**12,281.958**	**45.21**	**8,457.835**	**(3.11)**	**8,729.076**
Fee, commission & brokerage income	1,065.537	6.75	998.119	0.84	989.810	(36.05)	1,547.898
Dividend income	142.082	(26.16)	192.413	155.37	75.346	1.16	74.485
Gain / (Loss) on sale of securities - net	32.879	119.11	15.006	74.47	8.601	759.24	1.001
Other income	180.832	14.12	158.452	(26.55)	215.714	34.38	160.530
Total non-markup/ interest income	**1,421.330**	**4.20**	**1,363.990**	**5.84**	**1,288.742**	**(27.76)**	**1,783.914**
Total income	**15,958.122**	**16.94**	**13,645.95**	**40.01**	**9,746.577**	**(7.29)**	**10,512.99**
Operating expenses	12,153.249	9.60	11,088.899	(2.16)	11,333.137	(10.35)	12,641.50
Other charges	-		76.359	(48.27)	147.620	4,187.54	3.443
Total non-markup / interest expenses	**12,153.249**	**8.85**	**11,165.258**	**(2.75)**	**11,480.75**	**(9.21)**	**12,644.94**
Profit/Loss before provisions	3,804.873	53.38	2,480.690	(243.05)	-1,734.180	(181.34)	2,131.95
Provisions and write offs- net	(3,653.088)	(569.74)	777.676	(41.54)	1,330.316	(94.46)	24,026.09
Extra ordinary / un-usual items- charges in respect of pension liability due to change in pension factor	-	-	0.000		0.000		0.000
Profit/(Loss) before taxation	**7,457.961**	**337.93**	**1,703.01**	**(155.57)**	**-3,064.49**	**(111.72)**	**-26,158.05**
Taxation	2,335.114	(33.34)	3,503.174		-720.323		-8,691.78
Profit/(Loss) after taxation	**5,122.847**	**(384.58)**	**-1,800.160**		**-2,344.173**		**-17,466.27**
Investment – net	306,849.685	272.81	82,307.245	107.19	39,724.960	65.45	24,010.651
Advances – net	90,452.380	(1.49)	91,822.307	(10.55)	102,656.27	(6.41)	109687.69
Borrowing	354,898.713	168.14	132,357.04	63.08	81,163.23	11.95	72502.365
Deposit and other accounts	47,332.694	11.38	42,495.389	(11.84)	48,200.89	6.32	45,337.511

(Source: Annual Audited accounts)

7.1.2.2 The head mark-up / return / interest earned was increased by 2% the performance of the bank regarding Loans and advances was Rs 15,828.212 million as compared to Rs 15,561.244 million in 2021 rather focusing being its core function for advancing loans under different schemes to farmers whereas the bank focused on Investments by Rs 19,017.858 million as compared to Rs 4,597.748 million. On the other hand, balances with banks was also raised to Rs 2,135.540 million to Rs 1,093.722 million registering increase by 95%. Reasons for such a huge variations need to be investigated and explained besides to make serious efforts for its core functions.

7.1.2.3 According to Note 11.2 under the category of classification 'Other assets especially mentioned' Non-performing loan (NPL) portfolio an amount of Rs 13,616.010 million as compared to 2021 Rs 10,716.466 million registering an increase by 24%. This abnormal increase in NPL may be investigated under intimation to audit. Further, strong steps be taken to minimize the NPL.

7.1.2.4 According to Note 12.1.1 under the head capital work in progress 'Others' includes an amount of Rs 5.601 million on account of soil testing and other charges incurred at sites. The details of sites under the head may be provided to audit.

7.1.2.5 According to Note 15.2 includes amount recoverable from Federal Government on account of crop loan insurance premium amounting to Rs 2,411.656 million (2021: Rs 2,087.305 million), small livestock farmers premium amounting to Rs 383.57 million (2021: Rs 599.20 million) and animal tagging charges amounting to Rs 4.86 million (2021: Rs 4.75 million). However, as per the directives of the State Bank of Pakistan tagging charges earlier allowed for reimbursement have now been disallowed vide their letter dated April 27, 2016. Audit recommends Board to look into this amount and incorporate the adjusting entry for an appropriate adjustment.

7.1.2.6 According to Note 16.1 a contingency of an amount of Rs 297.149 million and Rs 54.828 million to the unconsolidated condensed interim financial statements for the year 2022 on account of minimum income tax levied by the Income Tax authorities and various tax refunds pertaining to assessment years 1991-92 to 2013-14 and assessment year 1999-2000 respectively. Due to uncertainty of recoverability these have been disclosed as contingent asset. The Board is suggested to look in to the matte for appropriate solution/recovery.

7.1.2.7 According to Note 20.1.1 Loans & Advances Rs 1,852.758 million, Premises Rs 942,622.21 million, excluding Furniture & Fixture, and interest on assets was not realized since long. The management is stressed upon to take up the matter with higher forum for appropriate solution and realization of Assets and Liabilities related to Bangladesh. The Bank is accruing interest at the rate of 8% per annum on its loan and advances made in Bangladesh with contra increase in its liabilities relating to activities in Bangladesh as per Finance Division letter dated May 06, 1979. There was no evidence as to the existence, accuracy and completeness of aforesaid assets and liabilities, as the Bank has no control over these assets. Moreover, the current share capital of the Bank also includes shares subscribed and paid up by Former East Pakistan (currently Bangladesh) amounting to Rs 5.275 million (0.5275 million shares). Board should engage legal counsel to resolve this matter.

7.1.2.8 According to Note 25 regarding mark-up interest expensed has raised to Rs 24,899.603 million as compared to Rs 10,325.697 million in 2021 registering increase of expensed by 141%. The Board is suggested to look in to the matte for abnormal increase in expenses.

7.1.2.9 According to Note 28.1 Other Income 'Others' includes sale of scrap, sale of tender forms, recoveries against penalties imposed by SBP and private use of vehicles etc. However, in year 2022 the bank received an amount of Rs 34.508 million as compared to Rs 38.956 million in 2021. Bank from the fact that SBP's penalty reduced from Rs 75.00 million as of 30.06.2020 to Rs 37.00 million as of 30.06.2022. In addition to this audit observed that during the period SBP imposed penalties worth Rs 38.333 million on the Bank. Audit recommends that compliance with all the laws and regulations should be ensured to avoid further penalties.

7.1.2.10 According to Note 29 Other operating expenses raised to Rs 12,153.249 million from Rs 10,909.948 million as compared to year 2021 registering increase by 11.40%. Reasons for such a huge increase need to be investigated and explained.

7.1.2.11 According to Note 29.1.1 Post-retirement medical benefits and employees compensated absences are being operated as unfunded employee benefits under the head Medical includes post-retirement medical benefit amounting to Rs 1,207.603 million (2021: Rs 891.534 million) registering an increase by 27% respectively. However, the Bank has not maintained any funded plan to meet these liabilities. Audit recommends that the Bank should maintain a funded plan to meet the liabilities without facing liquidity problems.

7.1.2.12 According to Note 29.3 regarding Donation details of donations exceeding Rupees 0.5 million was Prime Minister Flood Relief Fund, Government of Pakistan 50.00 million, M/s Akhuwat Islamic Micro Finance, Lahore Rs 15.00 million, Narcotics Control / Canteen Store Department, Rs 20.000 million and NED University, Karachi Rs 0.600 million with total of Rs 85.600 million. The reasons besides approval with full justifications to the BoD may be provided to audit.

7.1.2.13 Outsourced services costs (refer Note35.1) an amount of Rs 1,379.414 million was spend on hiring of services from its subsidiary company Kissan Support Services (Private) Limited (KSSL) out of total number of 4,203 staff strength of Bank employees number of 3,296 (2021: 3,504) employees of KSSL, fully owned subsidiary of the Bank, were assigned to the Bank as at the end of the year to perform other than guarding and janitorial services. Audit recommends provision of Service Level Agreement (SLA) for engagement of staff for the banker’s services.

7.1.2.14 Audit noticed a deficiency in IT system in respect of the reports generated from CDMs and CBAs in respect of bills payable are not reconciled at period end. As per management, the Bank is in the process of data migration and data cleansing in CDMs and CBAs. The efforts should be made to complete the task in stipulated time.

7.1.2.15 It was observed that during the period SBP imposed penalties worth Rs 38.333 million on the Bank. Audit recommend recovery and that compliance with all the laws and regulations should be ensured to avoid further penalties. Although it is appreciable that Bank from the fact SBP’s penalty reduced from Rs 75 million as of 30.06.2020 focus of the BoD for ongoing effort and with the support/guidance may further reduce the penalties in years to come.

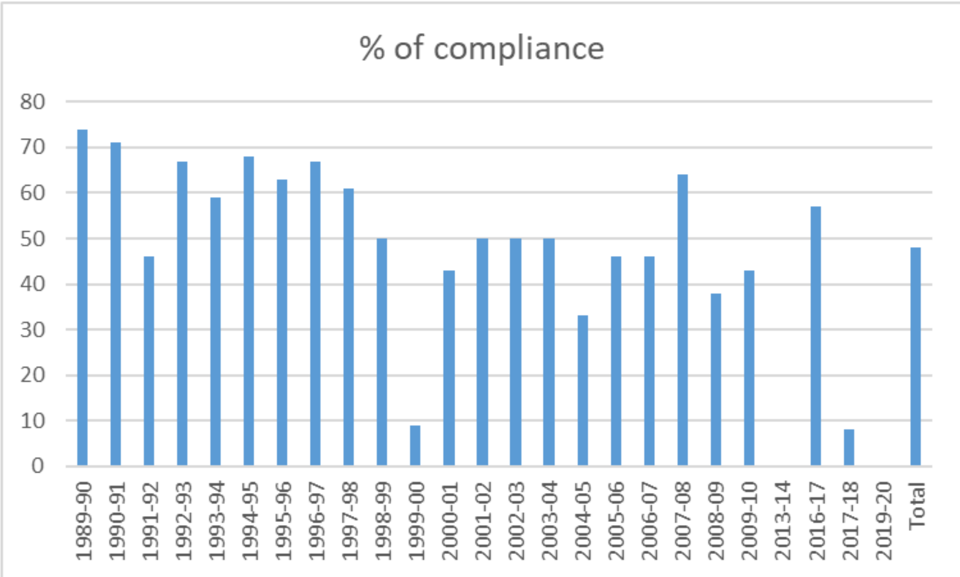
7.1.2.16 Agriculture Development Bank of Pakistan (ADBP) had been vested in Zarai Taraqiati Bank Limited (ZTBL) through ADBP (Reorganization and Conversion) Ordinance, 2002. However, audit noted that the title of the freehold land in Badin and Lahore amounting to Rs 1.860 million has still not been transferred in the name of ZTBL. Audit recommends that the title documents of the land should be transferred in the name of ZTBL to avoid litigation.

7.1.2.17 The yearly detail of loan cases which were written off during 2022 (Rs 1,830.031 million includes Principal written off Rs 914.573 million and Interest/ markup written-off / waived by Rs 915.458 million. Reasons for such huge loan written offs needs to be justified. Further, complete detail of loans written off under package may be intimated to audit along with cost benefit analysis of the loan /scheme.

8.7.3 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,	57

				6.5.4.3, 6.5.4.5, 6.5.4.6, 6.5.4.8	
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, 6.7.4.3, 6.7.4.4, 6.7.4.5, 6.7.4.6, 6.7.4.7, 6.7.4.8	0
Total	**335**	**160**	**175**		**48**



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

8.7.4 Audit Paras

8.7.4.1 Non achievement of Targets - Rs 9,719.012 million

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

During audit of ZTBL for the year 2022, it was observed that Five Islamic

Banking branches consistently failed to achieve targets totaling Rs 2,270.94 million for the last three years. Additionally, a model branch in Quetta fell short of its Rs 7,335.49 million target, and it only attracted 497 new customers instead of the set target of 35,360 over the last three years.

Furthermore, disbursement targets of Rs 56.353 million under different schemes pertaining to Karachi and Quetta zones were set and subsequently revised to Rs 43.122 million and targets of only Rs 1.148 million i.e. 2.67% were achieved.

The irregularity occurred due to weak internal control.

Audit is of the view that management should make effective efforts to achieve targets.

The management in its reply dated 12.01.2024 stated that surplus revenue of Rs 940.00 million was achieved against target in the year 2022. The reply is not tenable as it is top the revenue data is based by bank is based on country level data of branches not specific to concerned branches.

DAC meeting could not be convened till finalization of the report.

Audit recommends that reasons may be inquired for non-achieving the targets besides fixing responsibility.

Para-1, 16 & 18, 48 (ZTBL 2022)

8.7.4.2 Non-achievement of new customer targets of agri branches – Rs 9,548.44 million

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

During audit of ZTBL for the year 2022, it was observed that the five zonal offices (Quetta, Karachi, Lahore, Peshawar and Gilgat) achieved new customer targets up to 2,496 out of a total of 45,070, indicating a low achievement of only 5.5% of the set targets.

Due to week internal control, the targets for acquiring new customers could not be achieved.

Audit is of the view that management should do business or achieve targets as planned to boost up business.

The management in its reply dated 12.01.2024 stated that zonal offices were directed to accelerate efforts to achieve the planned targets. Reply is not tenable, as the set targets were not achieved accordingly.

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

Audit recommends that reasons for non-achieving of new customers' targets may be explained.

Para-8 (ZTBL 2022)

8.7.4.3 Loss due to increase in SAM defaulters and less recovery - Rs 9,179.00 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.

During audit of ZTBL for the year 2022, it was observed that an increase in Special Asset Management (SAM) defaulter cases from 196,930 to 221,736 in 2021 and 2022 respectively, along with a rise in default amount from Rs 44,463.57 million in 2021 to Rs 53,642.51 million in 2022, attributed to less recovery of Rs 9,179 million than the set targets. Furthermore, 1,601 SAM defaulters did not repay even a single penny as well as three zones i.e. Quetta, Karachi and Lahore recovered only 16% outstanding amount.

Due to weak internal control, the targets for Special Asset Management (SAM) recovery could not be achieved.

Audit is of the view that due to constant increase in number of defaulters, the bank sustained a loss of Rs 9,179.00 million.

The management in its reply dated 12.01.2024 stated SAM defaulters increased due to flood as well as wide spread of COVID-19 which affected especially 119 ZTBL branches. The reply is not tenable, as recovery targets regarding SAM defaulter could not be achieved.

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

Audit recommends that reasons for constant increase in the number of defaulters may be explained besides effecting recovery.

Note: The issue of less recover from SAM defaulters was also reported earlier in the Audit Report for the year 2021-22 vide Para No. 4.2.4.1 having financial impact of Rs 6,755.086 million. Recurrence of same irregularity is a matter of serious concern.

Para-14, 13 & 10 (ZTBL 2022)

8.7.4.4 Loss due to Poor performance of various zones- Rs 2,248.29 million

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

During audit of ZTBL for the year 2022, it was observed that 9 zones along with their 144 branches sustained a loss of Rs 2,248.29 million in 2022. The main cause of loss was the absence of assigned targets and inadequate monitoring by Business Divisions.

Due to weak internal control, branches sustained operational losses.

Audit is of the view that management should assign targets to these branches to earn profit to retain its viability.

The management in its reply dated 12.01.2024 stated that overall loss had been reduced to Rs 1,197.14 million leaving a balance of 9 zones i.e. Rs 1,051.15 million. The reply is not tenable, as balance recovery was required to be made in time.

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

Audit recommends justifying non-assigning of targets.

Para-4 (ZTBL 2022)

8.7.4.5 Less recovery from non-performing loans - Rs 1,435.73 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, as explained in Chapter-14.

During audit of ZTBL for the year 2022, it was observed that various branches could only achieve 22% of recovery targets i.e. Rs 407.935 million against Rs 1,843.662 million pertaining to Non-Performing Loans (NPL) as detailed below:

(Rs in million)

	2022		
Zone/Branch Name	**Target**	**Actual**	**%**
Quetta (Annex-E1)	96.299	15.678	16%
Karachi (Annex-E2)	306.133	102.377	33%
Peshawar (Annex-E4)	1441.23	289.88	20%
Sub-Total	**1843.662**	**407.935**	**22.13%**
Total targets Missed		**1,435.73**	

The significant shortfall in achieving NPL recovery targets was cause of weak internal control.

The management in its reply dated 12.01.2024 stated that NPL recovery faced challenges due to COVID-19 pandemic and natural disasters, resulting in varying percentages of recovery across the zones. The reply is not tenable as the recovery position only improved in Peshawar Zone.

Audit is of the view that the loan should have been recovered as per its terms and conditions.

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

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

Para-11 (ZTBL 2022)

8.7.4.6 Loss due to non-recovery from employees involved in fraud and forgery Rs 1,250.212 million

According to CGR (vi) of 2017 that the Board shall also develop and implement a policy on "anti-corruption" to minimize actual or perceived corruption in the Company.

During audit of ZTBL for the year 2022, it was observed that cases of fraud and forgery valuing of Rs 1,250.212 million were reported to SBP. Further, revealed that employees were involved in such cases due to fake land documents and management could not recover the such amount from concerned.

The irregularity involving fraud and forgery cases was the cause of weak internal control.

Audit is of the view that the bank should improve its internal control system to prevent fraud and forgery incidents.

The management in its reply dated 12.01.2024 stated that employees had been dismissed from services under the rules and their terminal benefits had also been forfeited. The reply is not tenable as no recovery has so far been made.

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

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

Para- 4,6 & 8 (2006), Para- 2 (2012), Para- 18 & 32 (2020), Para-51 & 52 (2021), Para-39 (ZTBL 2022)

8.7.4.7 Irregular payment of bonus - Rs 548.975 million

According to Finance Division's (Regulation Wing) Government of Pakistan, O.M. dated November 30, 2001, autonomous/ semi-autonomous bodies/ corporations under the administrative control of ministries, require approval of Administrative Ministry and concurrence of Finance Division for payments of bonus to the employees. The disregard to Government policy will tantamount to financial irregularity.

During audit of ZTBL for the year 2022, it was noted that bonus of Rs 548.975 million was disbursed to the employees without approval from the Finance Division as well as evaluating performance of employees. Moreover, SBP imposed penalties Rs 38.333 million which was adjusted against different employees who were deemed negligence without actual recover the penalty amount from them. Thus, the payment of bonus and its adjustments is held irregular in audit.

Weak internal control led to the payment of bonuses without evaluating employees' performance and obtaining approval from the Finance Division.

Audit is of the view that approval of the Finance Division was required before payment of bonuses.

The management in its reply dated 12.01.2024 stated that bonus was disbursed with the approval of BoD on basis of Branch performance i.e. profit/loss. Reply is not tenable, as the instructions of Finance Division should have been followed in letter and spirit.

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

Audit recommends investigating the matter besides fixing responsibility thereof.

Para-37 (ZTBL 2022)

8.7.4.8 Irregular purchase of vehicles during ban period - Rs 116.889 million

According to Austerity Measures for the financial year 2022-23 vide Finance Division letter dated July 7, 2022. "there shall be a complete ban on the purchase of all types of vehicles from both current and development budget."

During audit of ZTBL for the year 2022, it was observed that the management purchased 45 vehicles of Rs 116.889 million in violation of directives of the Finance Division

Due to non-observance of austerity measures, irregularly was cause of weak internal control.

Audit is of view that management should observe austerity measures and get approval from finance Division.

The management in its reply dated 12.01.2024 stated that the said vehicles were booked with full payment before issuance of said circular. The reply is not tenable as the process was initiated during ban period.

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

Audit recommends investigating the matter besides fixing responsibility.

(Para-02 (ZTBL 2022)

8.7.4.9 Irregular recruitment process and unjustified pay & allowances - Rs 86.016 million

According to Para 1(b) of letter dated March 03 2015 of Establishment Division, the DSC would adjudge the application on the following criteria for selection. Score in the test may have % weightage where is the weightage of interview will be upto 30%. However, it will be upto the concern Ministry / Division / etc. to assign more weightage to the written test by rescuing the weightage assign to interview. The weightage for interview would be allocated by the member of DSC as under.

1. Chairman= 40%
2. Members (2) = 30% each

Further the DSC Would assess the applicant as under:
Relevant qualification / experience 30%
Knowledge / skill relevancy 40% and
Personality / interpersonal skill 30%

During audit of ZTBL for the year 2022, it was observed that appointments of Senior Executives and OG-III officers (250+ 6 employees) were recruited through third party i.e. M/s Open Testing System (OTS), in violation of said criteria, the management deviated from the standard 100-point scale for candidate assessment by allocating 50 points based on pre-interview qualifications and leaving the remaining 50 points to the discretion of the interview panel. Thus, the appointments and payment to officers of Rs 86.00 million was irregular.

Non observance of recruitment criteria was cause of the weak internal control.

Audit is of the view that the management should observe the criteria for the recruitment process in letter and spirit.

The management in its reply dated 12.01.2024 stated that the recruitment mechanism issued by establishment division was not applicable on Autonomous bodies/Semi-Autonomous Bodies/ Corporation /Authorities which have been created by a statute and respective boards. The reply is not tenable as bank was required to follow government instructions.

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

Audit recommends investigating the matter besides fixing responsibility.

Para-49 (ZTBL 2022)

8.7.4.10 Loss due to imposition of penalties by State Bank of Pakistan - Rs 37.263 million

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

During audit of ZTBL for the year 2022, it was observed that the State Bank of Pakistan imposed penalties of Rs 37.263 million in violation of various rules, regulations and anti-money laundering rule.

Non observance of rules & regulations was the cause of irregularity.

Audit is of the view that management should follow rules and regulations in true letter and spirit to avoid imposition of penalty.

The matter was reported to the management on December 07, 2023, The management in its reply dated 12.01.2024 stated that Board Risk Management Committee (BRMC) advised to take remedial measures to avoid imposition of SBP penalties. The reply is not tenable as the SBP imposed penalties against violations of various instructions.

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

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

Para-05 (ZTBL 2022)

8.7.4.11 Irregular appointment of officers - Rs 23.715 million

According to clause (ix) of Chapter 01 recruitment and selection, specific consideration may be given to the relevant post-qualification experience, which can be relaxed only in cases of exceptional qualification President may relax and determine the experience for a cadre or position as deemed appropriate.

According to clause 1.2 (b) vi of HR Manual 2017 of ZTBL that ‘No person shall be appointed in service of bank having CGPA less than 2.5 or marks below 60% in Graduation degree/ post-graduation degree in profession discipline on the basis of which he is applying for position so advertised.

During the audit of ZTBL for the year 2022, it was observed that Mr. Hassan Raza was appointed as Vice President (law) on 16.10.2015 @ of Rs 80,000 per month through advertisement, Further, it was observed that experience for the said post was required 10 years whereas, he has possessed only six year experience. Thus, the payment of Rs 13.523 million up to 2023 was consequently considered irregular.

Similarly, Mr. Usman Ahmad Ranjha was appointed as Vice President (law) vide latter dated 09.09.2015 @ of Rs 80,000 per month along with 150 ltr POL despite. Additionally, it was observed that he obtained 58% marks in LLM, falling short of the specified criteria of 60%. Furthermore, his salary was enhanced to Rs 100,000 during the probation period without terms. Thus, appointment, along with the payment of Rs 8.625 million on account of pay & allowances from 09.09.2015 to 06.05.2020, was deemed irregular.

The weak internal control was caused by deviating from established rules and criteria in the appointment of officers.

The management in its reply dated 12.01.2024 stated that experience certificates has been verified from ex-employer. Reply is not tenable as the experience was before the required degree and not relevant.

Audit is of the view that the management should ensure transparency in the recruitment process as per rules.

The matter was reported to the management on December 07, 2023.

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

Audit recommends investigating the matter besides fixing responsibility.

Para-31, 55 (ZTBL 2022)

8.7.4.12 Non recovery of ante-dated benefits on withdrawal of promotion – Rs 3.062 million

As per State Bank of Pakistan letter No.BSD-1/Bank/ZTBL/373194/2022 dated 12.12.2022 "it was observed that a few of recruitees (SR-2005) were promoted with retrospective effect by terming the same as compliance of the court orders, though these retrospective promotions were also a violation of bank's own promotion policy."

As per HR Department Letter dated 04.10.2022, the promotion was being granted only for the purpose of alignment of seniority and no financial benefit would be admissible.

During audit of ZTBL for the year 2022, it was noted that the retrospective promotion from VP to SVP was granted to two officers namely Mr. Wahidullah Khan and Mr. Mehboob Ur Rehman, on 13.05.2020 with backdated effect from 29.04.2016. The bank paid Rs3.062 million additional in salary and benefits.SBP took notice through a letter dated 12.12.2022. The retroactive promotion was later withdrawn on the directives of the Board of Directors vide letter dated 12.12.2023 and they have been instructed to refund/deposit all the excess financial benefits they had availed but no recovery so far has been made.

Audit is of the view that management should strictly adhere to rules and regulations before making promotions, ensuring compliance and preventing irregularities.

The management in its reply dated 12.01.2024 stated that the concerned officers have been directed to refund/deposit all the excess financial benefits, which is under process. Reply is not tenable as no recovery has so far been made.

The matter was reported to the management on December 07, 2023,

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

Audit recommends initiating the recovery process besides fixing responsibility.

Para-45 (ZTBL 2022)

8.7.4.13 Irregular promotion of Senior Vice President - Rs 1.136 million

According to clause (e) of Chapter 16 Promotions "Promotion of AVP and above shall be merit based. The officers will be interviewed and due weightage will also be given to PARs and qualification for determining the overall merit on fulfilling minimum eligibility criteria of length of service. Promotion will be made in the order of merit list".

During audit of ZTBL for the year 2022, it was observed that a Departmental Promotion Committee meeting was convened to evaluate promotions from Vice President (VP) to Senior Vice President (SVP) for employees initially recruited under SR-2005. Mr. Hassan Raza (PP No. 125356) and Mr. Sayed Janane e Subhani (PP No.125561) were promoted from VP to SVP based on the DPC recommendations, out of a pool of 31 candidates. They were granted the highest marks in the interview despite several candidates having greater seniority and higher qualifications but they were not considered for promotion. The non-promotion of more experienced and qualified candidates was considered irregular, and similarly, the payment of Rs 1.136 million to promoted officers on account of pay and allowances was unjustified.

Non observance of promotion rules was the cause of weak internal control.

Audit is of the view that promotion was to be made in compliance of rules.

The management in its reply dated 12.01.2024 stated that M/s Hassan Raza and Syed Janne Subhani obtained the higher marks during interview and were promoted on the recommendations of the DPC. The reply is not acceptable as the marks obtained by these officers were not supported with the individual evaluation/marks sheet of interview committee penal.

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

Audit recommends investigating the matter besides fixing responsibility.

Para-46 (ZTBL 2022)

8.7.4.14 Missing Loan case files across Pakistan

According to SOP (E), issued by Credit Administration Department Enterprises Risk Management Division Manual Version 1.0 dated 13.01.2022 that CAD hub will not receive loan files where any of the following documents are missing.

i. Loan application form
ii. Loan agreement
iii. Security documents/charge creation certificate/pass book
iv. CNIC copy
v. Loan file is not scanned in SDMS or not legible in SDMS

During audit of ZTBL for the year 2022, it was found that various branches failed to submit their total portfolio to the CAD hub after completing projects.

Audit is of the view that 22,134 loan case files were either untraceable within the local branches or had not been transferred to the CAD hub. Management was required to provide the auditable record for scrutiny, which was not done (Annex-56).

The management in its reply dated 12.01.2024 stated that the information through CA units from stakeholders for disbursement, loan case numbers, amount recovered and outstanding amount would be obtained. The reply is not acceptable as the total portfolio was not received.

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

Audit recommends inquiring the matter besides fixing responsibility.

Note: The issue was also reported earlier in the Audit Report for the year 2021-22 and 2022-23 vide Para No. 5.6.4.3 and No. 6.8.4.13 having financial impact of Rs 15.131 million and Rs 4.316 million respectively. Recurrence of same irregularity is a matter of serious concern.

Para-52 (ZTBL 2022)

Chapter-9

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 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	13	11	115,600.665	262,603.675
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 602,317.209 million were raised as a result of this audit. This amount also includes recoverable of Rs 11,924.89 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	802.16
2	Reported cases of fraud, embezzlement and misappropriation	283.617
3	Irregularities:	
A	HR/Employees related irregularities	174.791
B	Procurement related irregularities	10,788.425
C	Management of accounts with Commercial Banks	111.195
4	Value for money and services delivery issues	11,2617.974
5	Others	477,539.047

9.1 Export Processing Zones Authority

9.1.1 Introduction

The Export Processing Zones Authority (hereinafter referred to as "EPZA / the Authority") was established by the Government of Pakistan on Feb 06, 1980 through Export Processing Zones Authority Ordinance, 1980. The main objective of the Authority is to plan, develop, manage and operate Export Processing Zones (EPZs) in Pakistan in order to invite / help foreign investors.

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 accounts of the organization for the years 2010-11 to 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2010-11 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)***.

9.1.3 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 (remaining to be discussed in PAC)	
Total	**71**	**15**	**54**		**21%**

The overall compliance of PAC directives needs improvement.

9.1.4 Audit Paras

9.1.4.1 Loss of foreign exchange earnings due to non-achievement of committed exports and zero export – Rs 103,946.150 million (Equivalent to USD 358.435 million)

As per part H of Export Projections for five years of Application form of investors for setting up an industrial / trading unit an investor is required to mention committed annual export which must be maintained. The investors are bound to follow their commitments in case they retain the allocated land.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that management failed to get committed export targets achieved by various investors during the year. Out of 293 units at KEPZ, 220 units could not achieve committed export targets. The details of loss is as under:

			Amount in USD million
No. of investors	**Committed export targets**	**Actual exports**	**Non-achievement of export target**
220	461.00	102.565	358.435

Further, 106 units in KEPZ failed to export even a single product since their allotments i.e. year 2011-12.

Audit is of the view that non-achievement of committed exports and zero export by investors depicted the slackness on part of management, which eventually resulted in loss of foreign exchange earnings amounting to Rs 103,946.15 million (USD 358.435 million @ Rs 290).

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024.

Management informed the DAC that action against 106 units had been taken, out of which 12 were under litigation, 22 units had requested for sale of their units and remaining 72 units were under observation. DAC directed the management to submit revised reply.

Audit recommends the management to justify the matter.

(DP No. 644, 647 & 649)

9.1.4.2 Non-approval of budget from the Federal Government – Rs 3,088.470 million

According to clause 22 of the EPZA Ordinance, in the month of January each year, the Authority shall submit to the Federal Government for approval a statement of the estimated receipts and expenditure in respect of the next financial year in such manner and form as may be prescribed.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management did not obtain approval of the Federal Government for the Statements of the estimated receipts and expenditure. The detail is as under:

		(Rs. in million)
S #	**Description**	**Actual 2022-23**
1	Total Revenue	4,012.410
	Total	**4,012.410**
2	Operating Expenditure	2,874.330
3	Capital Expenditure	51.140
4	Development Expenditure	163.000
	Total	**3,088.470**

Audit is of the view that the management violated the provision which reflects negligence and slackness. Thus, expenditure of Rs 3,088.470 million was held irregular.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. The management informed the DAC that public Sector enterprises has to submit their annual budget to their respective Board for approval before sending it to Federal Government. The Board was in active from September 2019 till its formation in February 2023 and as per EPZA Ordinance the Chairman EPZA is empowered to approve the routine affairs of the Authority or budgets subject to ex-post facto approval of EPZA Board of Directors. Therefore, no power has the right to contest the power of the Chairman given by the ordinance as irregular. The DAC directed the management to get its budget approved as per EPZA ordinance and copy of approved budget be furnished to Audit.

Audit recommends implementation of the DAC directives.

9.1.4.3 Irregular export in tariff area in excess of allowed limit – Rs 1,956.05 million (Equivalent to USD 6.745 million)

According to rule 228(5) of Custom rules 2001, the units established in the Export Processing Zone shall export only up to twenty percent of their total production to tariff area in Pakistan while eighty percent shall be exported to other countries.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that various investors were exporting in tariff area beyond the allocated limit of 20%. It was observed that 21 investors exported products amounted to USD 9.749 million in tariff area, being in excess by Rs 1,956.050 million (Equivalent to USD 6.745 million @ Rs.290) beyond allowed limit and in violation of above-mentioned custom rule, which subsequently pointed towards the failure of management to monitor the trading activities or exports of the investors in accordance with rules and subsequent inaction against delinquents (Annex-57).

Audit is of the view that failure of management to monitor the exports of investors in accordance with rules has resulted in irregular exporting of products in tariff area beyond allocated limit.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. Management informed the DAC that cases of export in tariff area were allowed as per various circulars except one case, which was erroneously allowed and same would be adjusted in export of FY2023-24. DAC directed the management to take action against erroneously allowed case along with verification of record/facts from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.4 Irregular export to tariff area beyond permissible limit – Rs 1,774.220 million (USD 6.118 million)

Section 228 (5) of Customs Rules, 2001 states that units established in Export Processing Zones shall export only up to 20% of their total production to tariff areas in Pakistan while 80% shall be exported to other countries.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that management did not take any action against four (04) investors involved in export of 100% of its production to tariff area in Pakistan against the allotted 20% of total exports as detailed below:

S#	Unit name	Amount in USD			
		2021-22		2022-23	
		Export to tariff	Export to abroad	Export to tariff	Export to abroad
1	Home Furnishing Ltd	2,282,317.72	0.00	1,357,519.54	0.00
2	Afuso Packaging & Printing Industry. (PH-II)	107,479.87	0.00	98,437.20	0.00
3	Eram Fashions (Pvt) Ltd.	80,570.00	0.00	329,800.00	0.00
4	Steel Vision (Pvt.) Ltd.,	1,278,832.65	0.00	582,560.30	0.00
	Sub Total	3,749,200.24	0.00	2,368,317.04	0.00
	Total	**6,117,517.28**			

Audit is of the view that exporting all its products to tariff areas in Pakistan depicts internal control weakness and slackness of management. Hence, exports amounting to Rs 1,774.220 million (USD 6.118 million @ Rs.290) stands irregular.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. Management informed the DAC that exports under mentioned cases did not fall under 80:20 ratio and were exempted, hence they were allowed by the Authority. DAC directed the management to verify the record from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.5 Sale / Purchase of unit without obtaining NOC – Rs 1,440.000 million

Clause 235A of the Customs EPZ Rules,1981 (S.R.O.450(I)/2001, Dated 18.6.2001) states that no transfer of ownership by an investor or industrial undertaking of its unit or cancellation of license shall be finalized by the Authority without prior issuance of NOC from the Collector of Customs.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management approved sale / purchase of M/s Casual Sportwear located on plot No. 1,2,3,4,14,15,16 & 17 measuring 8,000 square meter along with structure / building to M/s Ghanchi Recycling Limited as an industrial unit for manufacturing of denim garments, sports/fashion wear garments with committed export of Rs 1,440.000 million (US $ 8.00 million per annum @ Rs.180) on July 13, 2021 without getting NOC from the Collector of Customs.

Audit is of the view that the management violated the rules in the sale / purchase of property which reflects gross negligence.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. The management informed the DAC thatthe amendment was made by the Customs Authorities without intimation to EPZA and same was also not officially communicated to the EPZA. The then management was unaware about it. Therefore, the case was processed and approved as per EPZA Rules. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.6 Unjustified approval of investment proposal and clandestine removal of duty-free goods – Rs 1,113.600 million (US $ 4.80 million per annum)

According to clause 2 of approval of sale/purchase letter dated May 10, 2017 issued by M/s EPZA for setting up an industrial unit for manufacturing of cigarettes and allied tobacco products in REPZ with a committed export of US $ 4.80 million per annum.

According to Custom EPZ Rules, if any importer fails to give proper account of the imported goods, the importer shall pay on demand an amount equal to the duties and taxes leviable thereon and shall also be liable to pay penalties imposed for such violation.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that M/s China Pakistan Tobacco Pvt. Ltd submitted an investment proposal at EPZ, Risalpur on 19-07-2017 for the category of warehouse/trading for tobacco products imports from China and export to potential market abroad. Whereas, case was approved as an industrial unit for manufacturing of cigarettes and allied tobacco products against the proposal submitted on May 10, 2017 with the export commitment of US $ 4.80 million per annum. However, the said company was incorporated with the Securities and Exchange Commission of Pakistan (SECP) on May 26, 2017 and the investor did not submit any feasibility report showing manufacturing capacity / ability of Tabacco, plant/machinery, financial statements, factory layout, etc. Furthermore, the investor did not have license of brand name “CPT Cigarette”.

Later on June 20, 2019, Customs Mardan visited the site for inspection of imported goods and found that foreign origin goods lying in the premises and seals of the certain cans containing cigarette flavors were not intact (160 gallons out of 214 gallons of cigarette flavors were de-sealed containing water in it). Then, samples were referred to PCSIR Lab. Peshawar which confirmed that clandestine removal of original contents of cigarette flavors material from 160 cans. The broken seal containers were seized under section 168 of the Customs Act, 1969 and handed over to EPZA authorities. Thereafter, notice was served to the investor for punishable acts and for recovery of duty/taxes leviable on short goods.

Audit is of the view that approval was given of industrial / manufacturing instead of warehouse / trading for manufacturing of cigarettes and allied tobacco products and clandestine removal of duty-free goods poses a revenue loss for the government as duties and taxes have been evaded.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. The management informed the DAC thatinvestor initially submitted an investment proposal with the company name M/s. China Pakistan Tobacco Company to set up an industrial unit. Later, on 19-7-2017, the investor submitted another investment proposal for trading activity on the same plot. Audit team only examined the matter of trading activity and didn't check earlier investment proposal for manufacturing. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 675 & 676)

9.1.4.7 Sale of unit without codal formalities – Rs 464.000 million (US$ 2.000 million)

According to clause 2 of the EPZA guidelines for industrial units that the applicant shall attach the documents with the industrial sector proposal: 1. Description of manufacturing process, marketing arrangements etc. 2. List of plant, machinery, equipment 3. List of furniture and fixture 4. Articles/memorandum of association & 5. Partnership deed.

According to clause 2 of approval of sale/purchase letter dated September 27, 2016 issued by M/s EPZA for setting up a warehouse/trading and industrial unit cigarettes in KEPZ with a committed export of US$ 2.00 million per annum.

During audit of Export Processing Zone Authority (EPZA) Karachi for the year 2022-23, it was observed that M/s Golden Cigarette Company Limited was approved as industrial unit for manufacturing of cigarettes at plot No 9 & 10, Sector C-V measuring 2,000 square meters vide letter dated 09-02-1999. Following irregularities were observed at the time of sale to M/s Ali Industries Pvt. Ltd:

- The unit was sold to M/s Ali Industries Pvt. Ltd in September, 2016 without obtaining NoC
- M/s Ali Industries Pvt. Ltd was not registered with the SECP at the time of sale.
- The company was incorporated on May 11, 2018 with the name of M/s S.M Ali Industries Pvt. Ltd instead of M/s Ali Industries Pvt. Ltd.
- Investor’s import / export performance in last five year was Nil against the committed export of US$ 2.00 million per annum.

Audit is of the view that the management extended undue favor to the investor which reflected negligence and slackness.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. The management informed the DAC that it was an inadvertent omission that SECP registration was not called for before executing License Agreement. However, investor was repeatedly asked to provide SECP registration vide letters dated 07.09.2017, 17.04.2018. The said name i.e. M/s Ali Industries was already registered in SECP, so they reserved the name M/s S.M. Ali Industries Private Limited. Then the investor submitted a request for change of name and was considered. Action against the unit regarding nil business activity was taken but investor has submitted undertaking for revival of business activity; therefore, time was granted. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.8 Non-recovery of outstanding dues from various investors – Rs 173.962 million

According to license agreement with various investors for rented out property, Annual Ground Rent of the allotted plots at the specified rates was required to be recovered in advance on every 10th of January and 10th of July each year. Similarly, the utilities bills were also to be recovered on due dates and in case of non-payment of two or three consecutive bills the utility services would have to be suspended in order to recover the outstanding balances and to avoid their heavy accumulation.

According to clause 31 of license agreement, the investor shall bound to pay (in addition to the rents hereby reserved) to the authority as it may direct all taxes, rates, assessments, duties, charges and impositions whatsoever now are, or during the said term shall be charges or imposed upon or be payable in respect of the demised land or any building , erection or structure or the plant, machinery, engines or other matters and things in relation to the investor’s factory or business, to be determined by any lawful authority.

During e audit of Export Processing Zones Authority (EPZA), Karachi for the year 2022-23, it was observed that an amount of Rs 173.962 million (USD 518,927) was outstanding against investors on account of Annual Ground Rent (AGR), Water & Electricity charges, change of name dues and workers' pay (Annex-58). The brief summary is as under:

(Rs in million)

S#	Description	Outstanding (USD)	Outstanding (Rs)	Remarks
1	AGR	498,728.5	144,631,259	Outstanding Utility and Annual Ground Rent (AGR) from various Investors
2	Water Charges	379.4	110,029	
3	Electricity Charges	10,819.2	3,137,571	
4	Change of name	10,000.0	1,600,000	M/s EPZA on dt: May 25, 2018 requested M/s Ali Industries Pvt. Ltd. for submission of Articles/Memorandum of Association, (after 02 years of approval). Registration certificate of dt: May 11, 2018 with the name of M/s S.M Ali Industries Pvt. Ltd instead of M/s Ali Industries Pvt. Ltd was submitted. Then, EPZA demanded US $ 10,000 vide letter dt: March 10, 2020 for change of name.
5	Workers' pays	-	24,483,000	Sale/purchase of M/s Casual Sportwear to M/s Ghanchi Recycling Limited vide letter dt: July 13, 2021 and Rs. 24.483 million on account of workers' pay was outstanding towards M/s Casual Sportwear (previous owner).
	Total	**519,927.1**	**173,961,859**	

Audit is of the view that the management's failure to recover outstanding dues from various investors tantamount to internal control weakness and loss of revenue of Rs.173.962 million (USD 519,927.1).

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024.

a) The management informed the DAC that various cases of outstanding dues were under litigation and Take Over cases. Moreover, management recovered USD 3,920. DAC directed the management to make rigorous efforts for recovery of dues and follow up of litigation cases.

b) The management informed the DAC that various cases of outstanding dues were under Sick/Closed and Litigation cases. Moreover, management recovered USD 24.14. DAC directed the management to make vigorous efforts for recovery and follow up of litigation cases and share the progress with Audit.

c) The management informed the DAC thatan invoice was raised on dt: 10th March, 2020 and investor had paid amount US$ 10,000/- on dt: 01-09-2020. DAC directed the management provide the relevant record to Audit for verification.

d) The management informed the DAC thatinvestor has paid the said amount to employees. DAC directed the management provide the relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

(DP No.643, 648, 671 &672)

9.1.4.9 Tax evasion due to non-verification of credentials at the time of export to tariff area – Rs 138.559 million

Section 32(1) (a) of Customs Act, 1969 stipulates that, if any person, in connection with any matter of customs, makes or signs or causes to be made or signed, or delivers or causes to be delivered to an officer of customs any declaration, notice, certificate or other document whatsoever, [knowing or having reason to believe that such document or statement is false] in any material particular, he shall be guilty of an offence under this section.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that investors of KEPZ namely, M/s. Steel Vision Pvt. Ltd and M/s. Royal Impex Pvt. Ltd having business of import and export of steel sheets were involved in tax evasions on various occasions. However, at the time of their export to tariff area, they mis-declared the wrong Pakistan Customs Tariff Code (PCT) in various export Good Declaration (GDs), thereby fraudulently declaring goods as of “Prime quality” as opposed to actual “Secondary quality” in order to evade and attract lower tax rates and custom duties. Detail of tax evasion by both investors is as follows:

				Rs.in million
Description (Rs in million)	**M/s. Steel Vision**		**M/s. Royal Impex**	
	Case-1	**Case-2**	**Case-1**	**Case-2**
C&F Value declared	103.771	44.494	49.434	179.516
Actual C&F value	128.821	45.848	56.773	198.043
Declared PCT number	7210.3090	7209.1610	7209.1690	7210.3090
Actual PCT number	7210.3010	7209.9090	7209.1610	7210.3010
Tax/duties actually payable	79.281	27.383	34.940	121.884
Tax/duties paid	49.613	12.442	11.353	51.521
Tax/duties evaded	29.668	14.941	23.587	70.363
Total tax evasion				**138.559**

Audit is of the view that improper monitor mechanism to verify the credentials of GDs at the time of export to tariff area resulted in tax evasion by investor and subsequent loss to Government's revenue.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 01, 2024. Management informed the DAC that it was responsibility of Customs to examine and evaluate the consignment and issue the assessment report as per GD file by the investor. EPZA had no access to examination. Moreover, said cases were allowed after court order. DAC directed the management to verify the record from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.10 Revenue loss on account of electricity line losses – Rs 111.191 million

Rule 15(1) of EPZA Rules, 1981 states that the Authority shall undertake to provide infrastructure facilities such as electricity, water, gas, telephone and telex which are considered necessary for efficient industrial operations in a Zone, provided that the cost of providing such facilities shall be borne by industries set up in a Zone.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that there were huge line losses of electricity units accumulating to 3.460 million units amounting to Rs.111.191 million in various months of the year as detailed below:

							Amount in Rs
S. #	**Billing Month**	**Total units charged by K-E**	**Amount paid by EPZA to KE**	**Total Units charged by EPZA**	**Total Amount received by EPZA**	**Loss (Units)**	**Loss (Amount)**
1	Jun-22	5,844,226	197,156,476	5,391,218	150,468,426	453,008	46,688,049
2	Jul-22	5,225,760	163,891,238	4,426,330	143,648,450	799,430	20,242,788
3	Aug-22	5,008,901	209,426,985	4,653,462	198,099,139	355,438	11,327,846
4	Sep-22	5,218,945	194,226,085	4,700,905	177,596,115	518,040	16,629,971
5	Oct-22	4,882,872	118,830,849	4,589,719	113,696,772	293,153	5,134,077
6	Nov-22	4,580,604	105,508,936	4,142,946	102,716,109	437,658	2,792,828
7	Dec-22	3,961,003	104,021,764	3,773,586	104,412,012	187,417	-390,248
8	Apr-23	4,516,083	167,355,549	4,099,766	158,589,988	416,317	8,765,561
Total		**39,238,393.62**	**39,238,394**	**1,260,417,882**	**35,777,932**	**1,149,227,012**	**3,460,462**

Audit is of the view management’s failure to control line losses had resulted in loss of Rs. 111.190 million. These distribution losses may have caused due to meter tampering and bypassing, false meter readings, faulty meters, and un-metered supply.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that EPZA had one main distribution MDS stationand eight DSs in KEPZ Phase-I, whereas six DSs in KEPZ phase-II as EPZA was working as a distributor / distributing the electricity to the investor through DSs. Moreover, in order to recover the loss of Rs. 111 million, EPZA issued the supplementary bills to the investors and the investors had taken the stay from the Court but the instance of the EPZA was not accepted by the Court. DAC directed the management to submit revised reply.

Audit recommends implementation of the DAC directives.

9.1.4.11 Unjustified imposition of water charges on fixed rate – Rs.110.403 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, in accordance with the Act and these rules.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that Karachi Water and Sewerage Board (KWSB) was charging fixed number of gallons of water unjustifiably. It was noted that the transmitter of electromagnetic water meter was stolen on 16-11-2021. Afterwards, it was observed that management had not procured the said transmitter till date. Due to absence of transmitter and faulty electromagnetic water meter, actual number of gallons of water could not be determined. Subsequently, KWSB charged EPZA with fixed number of gallons on a higher side. Detail of water charges imposed by M/s. KWSB is as follows:

S#	Billing month	Invoice month	Number of gallons	Amount (in Rs.)
1	Jun-22	Jul-22	22,871,860	8,508,340
2	Jul-22	Aug-22	22,871,860	9,263,111
3	Aug-22	Sep-22	22,871,860	9,263,111
4	Sep-22	Oct-22	22,871,860	9,263,111
5	Oct-22	Nov-22	22,871,860	9,263,103
6	Nov-22	Dec-22	22,871,860	9,263,111
7	Dec-22	Jan-23	22,871,860	9,263,111
8	Jan-23	Feb-23	22,871,860	9,263,111
9	Feb-23	Mar-23	22,871,860	9,263,111
10	Mar-23	Apr-23	22,871,860	9,263,111
11	Apr-23	May-23	22,871,860	9,263,111
12	May-23	Jun-23	22,871,860	9,263,111
Total			**274,462,320**	**110,402,554**

Audit is of the view that management's failure to secure its assets initially and subsequently non-procurement of said transmitter resulted in fixed and higher water charges by KWSB instead of actual consumption. Hence, audit considers payment on account of water charges by EPZA as unjustified.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that it had invited bids for procurement of transmitter of electromagnetic water meter three times and same were cancelled due to various reasons. However, same was procured and installed in June, 2023. Moreover, management would adjust extra water bills with KWSB in future after monitoring the trend of utilization of water. DAC directed the management to get the water bills adjusted with KWSB within two months and verify the progress from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.12 Delay in payment of contribution and imposition of penalty – Rs.108.842 million

Section 13(1) of chapter 3 of EOBI Act, 1976 states that if any employer fails to pay, on the due date, the contribution payable by him, the amount so payable by him shall be increased by such percentage or amount as may be prescribed, provided that in no case shall such increase exceed fifty per cent of the amount due. (2) Without prejudice to any other remedy, the amount of contribution due, together with the increase provided for under sub-section (1), may be recovered as arrears of land revenue.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that management voluntarily registered with Employees Old-Age Benefit Institution (EOBI) for post-retirement benefits of employees in March, 2020 after getting approval from Board of Directors. A No Objection Certificate (NOC) was required as per EOBI Act. However, management applied for NOC from Ministry of Industries and Production (MoIP) after lapse of two years in March, 2022, which was duly issued by the MoIP in August, 2022. Subsequently, EOBI issued show-cause notice for payment of contribution amounting to Rs.74.024 million along with penalty of Rs.34.818 million for delayed payment. Management requested for waiver of penalty, which was not granted by EOBI due to want of any provision in their law. Resultantly, instead of paying the amount, management proposed to BOD for cancellation of EOBI registration in order to cover the delay.

Audit is of the view that delay on part of management for getting required NOC from ministry has resulted in imposition of penalty by EOBI amounting to Rs.108.842 million.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that due to non-availability of Chairman, EPZA could not send the case to MOIP for issuance of NOC as demanded by EOBI.

Moreover, management voluntarily opted for EOBI registration and employees were not ready to pay the penalty amount. Hence, management decided to withdraw from EOBI scheme. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.13 Illegal removal of foreign origin fabric on fraudulent sub-contracting - Rs.79.072 million

Section 32A (1) related to fiscal fraud of Customs Act, 1969 states that if any person, in connection with any matter related to customs- (a) causes to submit documents including those filed electronically, which are concocted, altered, mutilated, false, forged, tempered or counterfeit to a functionary of customs; (b) declares in the [goods declaration] electronically filed customs declaration, the name and address of any exporter or importer which is physically non-existent at the given address; (c) declares in the [goods declaration] electronically filed customs declaration, an untrue information regarding payment of duties and taxes through self-assessment,] description, quantity, quality, origin and value of goods, he shall be guilty of an offence under this section.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management could not prevent the illegal removal of foreign origin fabric from KEPZ to tariff area. The owner of unit, M/s. Laiba Industries Pvt. Ltd, illegally removed the foreign origin fabric from KEPZ to tariff area on 25-11-2020 in the garb of dying purpose. Gate pass was issued in favor of M/s. Ahmed Dying showing the delivery / transportation of textile fabric weighing 20,700 kgs. Furthermore, M/s. Ahmed Dying was a fake company which did not exist. The illegally removed fabric was offloaded at a private godown M/s. United Enterprises which was later searched by Custom Authorities where fabric weighing 47,155kg was found, which was illegally removed from KEPZ through various gate passes. Subsequently, Custom authorities confiscated the fabrics and imposed penalty of Rs.1.000 million on the investor and CIF value of illegally removed fabric was Rs.79.072 million.

Audit is of the view that illegal and fraudulent removal of foreign origin fabric from KEPZ to tariff area through a gate pass issued on a fake company depicted control weaknesses.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that it was the responsibility of the Custom Authorities to examine and approve sub-contracting and verify the company in tariff area from whom the work would be carried out. EPZA was only issuing the sub-contracting gate pass as per approval of Custom Authorities. The matter was now in customs court and sub judice. DAC directed the management to share progress of court proceedings with Audit.

Audit recommends implementation of the DAC directives.

9.1.4.14 Illegal transportation of goods into KEPZ through fiscal fraud– Rs.56.773 million

Rule 11(4) of Export Processing Zones Authority Rules, 1981 states that all imports into the Zones shall be paid for out of the importers own foreign exchange resources abroad without involving, either directly or indirectly, Pakistan resources. Moreover, Rule 9-A of EPZA Rules, 1981 states that if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that an investor M/s. Royal Impex Pvt. Ltd, was involved in tampering and submission of fabricated import documents for transportation of goods to KEPZA illegally. M/s. Muhammad Rizwan and Brothers imported iron and steel sheet in coils (CRC) from South Korea and paid the amount from Pakistan resources for import of consignment into Pakistan not in KEPZ (foreign territory). However, M/s. Royal Impex Pvt. Ltd, through mutual conspiracy with lawful importer / owner arranged manifestation of the cargo for KEPZ in their name while tampering the commercial invoice (under-invoicing) and packing list. Moreover, in order to conceal the legal importer, they also concealed LC details. Subsequently, Custom Authorities filed FIR against the investor. However, the management neither identified illegal transportation of imported goods into the KEPZ nor took any action against the investor. Detail of imported goods is as follows:

Description	USD	Rs. in million
C&F value (as per actual commercial voice)	420,193	56.773
C&F value of imported goods (as per tempered commercial voice)	390,179	49.434
Tempering/fiscal fraud	30,014	7.339

Audit is of the view that management's failure to identify illegal transportation of imported goods into the KEPZ initially and subsequent detection of mis-declaration or tempering in import documents reflected serious internal control weaknesses.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that it was responsibility of Customs to examine and evaluate the consignment and issue the assessment report as per GD file by the investor. EPZA had no access to examination and all Import documents were found correct without any tampering at the level of Authority. Moreover, said cases were allowed after court order. DAC directed the management to verify the record from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.15 Loss of revenue due to tax and custom duty evasion – Rs.39.488 million

Section 32B of Customs Act, 1969 stipulates that, where any person has committed a duty or tax fraud, the Collector [or Director] may, with the prior approval of the Board, either before or after the institution of any proceedings for recovery of duty or tax, compound the offence if such person pays the amount of duty or tax due along with penalty as is determined under the provisions of this Act.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the Government sustained losses of Rs.39.489 million due to tax and custom duty evasion by M/s. Laiba Industries on account of removal of foreign origin fabric amounting to Rs.79.072 million from KEPZ to tariff area as detailed below:

Tax/duties on goods	(Rs. in million)
Custom Duty@16%	12.651
Add. Customs duty @ 04%	3.163
Regulatory duty @2.5%	1.977
S. Tax @17%	16.467
Add. S. Tax @03%	2.906
Income tax @02%	2.325
Total	**39.489**

Audit is of the view that illegal removal of assorted foreign origin fabric by investor had resulted in loss of public exchequer on account of fraudulent evasion of taxes and duties.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC that the matter is in Court of Law. The Authority will take appropriate action after finalization of court case. The DAC directed the management to pursue court case vigorously and share progress with Audit.

Audit recommends implementation of the DAC directives.

9.1.4.16 Illegal storage of goods in neighbor's premises - Rs.26.078 million

Rule 9-A of EPZA Rules, 1981 states that if in the opinion of the Authority an investor has failed to carry out the purpose for which, or has not fulfilled the conditions of, the sanction accorded to him under sub-section (1) of section 11 of the Ordinance, it may, after giving him notice to show cause, cancel, revoke or withdraw the sanction.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that M/s. General Tobacco Company illegally dumped goods in another investor's unit. Reviewing the custom report, it was noted that said investor imported 78 pallets of tipping papers weighing 49,260 kg amounting to Rs.26.078 million through Goods Declaration No. PQZI-EP-4622-28-08-2021 and PQZI-EP-6186-15-09-2021 during Aug and Sep 2021 and stored/dumped the goods illegally in premises of nearby inactive unit, namely M/s. Sitara Trading. After few days, said investor removed some of the quantity of dumped tipping papers from the Zone illegally. Later on, upon visit and investigation by Custom authorities, said investor denied importing the said items and filing of mentioned GDs by stating that his Custom user ID and password was misused and in the due course flew away out of the country during investigation by Custom authorities. Subsequently, custom authorities searched the premises of investor's neighbor, M/s. Sitara Trading and found and consequently seized 28 pallets of tipping paper weighing 14,535 kg valuing Rs.10.349 million. It was observed that EPZA did not cancel its license despite of illegal dumping of goods in other investor's premises and illegal removal of goods from the Zone.

Audit is of the view that management unduly favored the investor by not taking any severe action there against for his illegal actions of un-authorized dumping of goods in neighbor's premises without his consent and subsequent removal of goods from the Zone illegally.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that examination, clearance, imposition of duties and taxes on the material rested with Custom Authorities and management was unaware of illegal movement of the consignment. Moreover, the case is under litigation. DAC directed the management to submit revised reply and enquire the matter while taking appropriate action against involved investor.

Audit recommends implementation of the DAC directives.

(DP No. 650 & 652)

9.1.4.17 Loss on account of water pilferage – Rs.19.164 million

Rule 2A (1) of Public Sector Companies (Corporate Governance) Rules, 2013 states that 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 Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management could not prevent water losses amounting to Rs.19.164 million for 73.705 million gallons of water as detailed below:

Description	Number of gallons (in million)	Amount (Rs. In million)
Payment on account of water	274.462	110.403
Charge/collection of water	200.757	91.249
Water losses	**73.705**	**19.164**

Audit is of the view that management's failure to prevent and control water pilferage had resulted in loss of Rs.19.164 million due to leakages and theft at fire hydrants, faulty meter or absence of meters at various places, and pilferage in water lines.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. Management informed the DAC that due to non-functioning of electromagnetic water meter, KW&SB has raised /issued water billing to Karachi Export Processing Zone on the basis of pervious highest meter reading. Hence EPZA had issued the average bill to the KEPZ investors on the basis of enhanced billing of KWSB for which EPZA issued supplementary bill. Moreover, management would adjust extra water bills with KWSB in future after monitoring the trend of utilization of water. DAC directed the management to submit revised reply and get the water bills adjusted with KWSB within two months and verify the progress from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.18 Enlistment of hospitals without competitive bidding – Rs.5.453 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 audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that amount of Rs.5.453 million was paid to following 11 hospitals on account of medical facility provided to employees without following due process of competitive bidding / prequalification:

					(Amount in Rs)
S. #	**Name of Hospital**	**Year of enlistment**	**2020-21**	**2021-22**	**2022-23**
1	Akhtar Eye Hospital	2013	198,050	253,800	644,350
2	Ashfaq Memorial Hospital	2013	353,724	288,022	154,562
3	Atia General Hospital	2013	301,427	1,163,985	868,115
4	Darul Sehat Hospital	2013	544,174	-	1,535,846
5	Qamar Dental Hospital	2013	-	105,500	141,200
6	Shamsi Hospital	2017	554,982	847,594	1,441,044
7	M S Karachi Dental Clinic	2013	233,100	405,700	187,650
8	Infinity Eye Care Centre	2017	196,300	240,480	8,000
9	T.O Clinic	2013	192,766	66,658	353,704
10	Anmol Dental Clinic	2013	93,300	259,100	74,900
11	Ibn-E-Sina Hospital	2013	425,414	230,849	43,823
	TOTAL		**3,093,237**	**3,861,688**	**5,453,194**

Audit was of view that management deprived the organization of competitive bidding process in violation of PPRA Rules, 2004. Thus, payment of Rs.5.4531 million was held irregular.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC thatPPRA rules does not applicable for the enlistment of hospitals and hospitals were enlisted to give maximum facilitation of health to its employees where the majority of staff resides. Now EPZA had started the medical facility through insurance company and the first contract awarded to M/s. jubilee which was strictly compliance with PPRA Rules. The DAC directed the management to submit revised reply and get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.19 Inefficient procurement planning leads to non-completion of work on time - Rs.3.025 million

Rule 08 of PPRA Rules, 2004 states that all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23, it was observed that the management awarded the contract for Re-strengthening boundary wall at KEPZ Phase-I to M/s ANK Engineering on May 13, 2020 at the cost of Rs. 2,182,191 to be completed within 75 days from the date of commencement. However, the management vide letter dated March 31, 2022 cancelled the subject contract. Later on, the management re-tendered the same work to M/s Mehfooz Nabi Shaikh & Co. amounting to Rs.3,025,445 on August 29, 2022 with completion date 26.11.2022, but completed on 24.02.2023.

Audit is of the view that due to ill planning, work of 75 days took almost 03 years to complete despite issuance of tender twice which resulted in excess cost. Further, liquidated damages were also not imposed which reflects undue favor and poor planning. Thus, contract amounting to Rs.3.025 million stands irregular and unjustified.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC that work order issued to M/s ANK Engineering & Construction Company at Rs 2,182,191.70 on May 13, 2020.Contractor submitted letter that the site is not clear. Contractor was informed to start the work on April 12, 2021 but the contractor was not starting the work as he asked for escalation and change in rates due to fluctuation in market and submitted rate analysis on 05.05.2021 which was on higher side. Then, contract was re-tendered and awarded to M/s Mahfooz Nabi Shaikh at Rs 3,025,445.00 on 29.08.2022. Work started from 31-8-2022 and completed on 24.02.2023 (90 days delay). The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.1.4.20 Non-appointment of Secretary

According to Finance Division O.M No. F.6 (49)-Imp. I/8 dated: 12th October, 1980,"it has been decided to include the Export Processing Zone Authority in the Management Grade for Senior Executives. Accordingly, the Chairman has been placed in Management Grade M-II and Members (Directors) in M-III".

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2022-23 it was observed that the management awarded additional charge of Secretary to Mr. Kazim A. Lashari (General Manager-Internal Audit) for three (03) months on November 27, 2019. His additional charge was further extended for three months or till the posting of regular Secretary, EPZA whichever is earlier on February 28, 2020. Thereafter, upon repatriation of Mr. Kazim A. Lashari to his parent department (PSM), additional charge was given to Mr. Nasir Hidayat Khan Lashari (General Manager-Engineering/Facilities) on June 30, 2020 and was further extended for three months or till the posting of regular Secretary whichever is earlier on February 19, 2021. He is still serving as Secretary, EPZA till date.

Audit is of the view that additional charge / posting of the Secretary to GM (Engineering/Facilities) without prior approval of Establishment Division and non-appointment since long was held unjustified and irregular.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC thatEPZA had requested several times and sent different requisition of cadre officer for the posting as new. However, EPZA had recently forwarded the requisition of Mr. Ghulam Yaseen Sanghro and MOI&P had forwarded the same requisition to the Establishment Division vide letter dt. 02-01-2024 for the deputation of Mr. Ghulam Yaseen Sanghro at the disposal of EPZA. DAC directed the management provide the relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

9.1.4.21 Non-finalization of annual accounts

According to AGP letter dated August 02, 2007, the compliance of PAC directives be made by PAO in letter & spirit. The accounts should be prepared. The preparation of accounts is mandatory requirement and it could not be condoned by any authority forum.

During audit of Export Processing Zones Authority (EPZA), Karachi for the year 2022-23, it was observed that the annual accounts for the years 2010-11 to 2022-23 have not been prepared.

Audit is of the view that the management failed to finalize the accounts.

The matter was reported to the management in November, 2023. The irregularity was discussed in the DAC meeting held on January 09, 2024. The management informed the DAC thatAuthority has prepared and audited its annual accounts up to the financial year 2017-18 and the same have been approved by the EPZA BoD. And annual accounts of FY 2018-19 have been audited and waiting for final reports from CA Firm, the field audit of FY: 2019-20 is in progress.the Authority has prepared / drafted its annual accounts up to 2022-23 and the previous draft accounts up to FY: 2021-22 along with annual returns were submitted to Government Audit. After completion of audit and approval of annual accounts of the remaining period from BoD, the same will be furnished to Ministry of Industries & Production and Government Commercial Audit & Evaluation. The DAC directed the management for early finalization of all pending Authority's annual accounts and submit audited/finalized duly approved annual accounts within 03 months to Audit.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2022-23 vide para(s) number 9.1.4.18 having financial impact. Recurrence of same irregularity is a matter of serious concern.

9.2 Pakistan Industrial Development Corporation

9.2.1 Introduction

Pakistan Industrial Development Corporation (Private) Limited (PIDC) was incorporated on January 01, 1985 under the Companies Ordinance 1984, 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.

9.2.2 Comments on Audited Accounts

9.2.2.1 The working results of the Corporation for the year ended June 30, 2022 as compared with those of the previous years are given as follows:

					(Rs.in million)
Particulars	**2021-22**	**% Inc /(dec)**	**2020-21**	**% Inc/Dec**	**2019-20**
Administrative expenses	356.23	63.7	217.63	9.8	198.19
Investment properties	128.40	(65.1)	367.39	3.8	354.01
Cash and bank balance	44.25	(35.0)	68.10	(80.9)	356.72
Unrealized gain on investment	1,893.49	(23.7)	2,480.43	(8.9)	2,722.24
Retention money payable	67.38	-	-	-	-
Trade and other payables	1,003.64	57.9	635.50	229.6	192.78
Advances from customers	4,321.74	-	-	-	-

(Source: Annual Audited Accounts)

9.2.2.2 Administrative expenses increased significantly by 63.7% from Rs 217.63 million in year 2021 to Rs 356.230 million in 2022 due to significant increase in salaries, wages, utilities, janitorial and security services.

9.2.2.3 Investment properties have drastically decreased by 65.1% from Rs 367.39 million in year 2021 to Rs.128.40 million in 2022 mainly due to transfer of land of Rs. 201.196 million during the year,

9.2.2.4 Cash and bank balance decreased by 35% from Rs. 68.10 million in 2021 to Rs 44.25 million in 2022 owing to significant decline in cash balance in saving accounts of banks.

9.2.2.5 Unrealized gain on investment decreased by 23.7% to Rs 1,893.49 million during the 2022 from Rs 2,480.430 million in 2021 due to decline in fair value of various investments.

9.2.2.6 Trade and other payables increased significantly by 57.9% during year under review to Rs 1,003.64 million from Rs.635.50 million in previous year due to increase in payables to provincial governments.

9.2.2.7 Current ratio of the company has deteriorated during the year due to charging of advances from customers.

9.2.2.8 Debt ratio of the company has declined during the year owing to significant increase in liabilities i.e. deferred government grant, trade payables and advances from customers.

9.2.2.9 Debt to Equity ratio of the company has degraded during the year on account of charging advances from customers and increase in trade payables.

9.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1994-95	74	71	3	67, 69, 70	96%
1997-98	74	73	1	180	99%
1998-99	20	17	3	137,138,141	85%
2006-07	5	4	1	94	80%
2008-09	4	3	1	104	75%
2013-14	4	1	3	8.1.2.1, 8.1.2.2, 8.1.3	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%

The overall compliance of PAC directives needed improvement.

9.2.4 Audit Paras

9.2.4.1 Non-utilization of industrial plots / land – Rs 8,789.000 million

As per clause 5 (b) and (c) of the Terms & Conditions binding on the applicant applying for the plot at Industrial Parks, the construction shall be completed within 18 months from the date of execution of agreement to sell and the project shall be completed in 24 months from the date of execution of agreement to sell.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that management allotted land since 2010-2021 for establishment of different industrial units. However, following 355acres remained idle/unutilized since allotment as detailed below:

(Area in Acres)

Name of Industrial Park	Total Area	No. of Allottees	Allotted Area	Operational plots	Idle plots
BQIP	930	42	408	199	209
KCIP	250	131	134	42	92
RIP	215	21	54	Nil	54
Total	**1395**	**194**	**596**	**242**	**355**

Audit is of the view that non-utilization of land reflects negligence and slackness on the part of the management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the primary responsibility of the Developer is the provision of infrastructure in the industrial parks, which is being adequately discharged by PIDC. However, the investment by industrialists is dependent on many other factors as well, including government industrial policies, tax regime, and overall economic environment etc. which are generally beyond the Developer's control. The DAC directed the management to get the progress verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.2 Non-execution of license agreement with allottees – Rs. 5,775.095 million (268.280 Acres)

Clause 4.14 of the Terms & Conditions for plot of land at Bin Qasim Industrial Park (BQIP - Special Economic Zone states that after approval of the Building Plan, the Allottee shall thereafter be granted a License Agreement.

Clause 4.15 states that the License Agreement entered into will permit entry on the Plot and the commencement of construction of the Project. The Allottee and Pakistan Steel shall execute a License Agreement on a prescribe form.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that the management sold land to allottees of Bin Qasim Industrial Park (BQIP) and out of total sold land 268.280 Acres (Rs. 5,775.095 million) consisting of 21 units/ projects are operational / under construction. According to terms and conditions plot of land, after approval of Building Plan, the allottees were required to be granted a License Agreement, this agreement permit to the allottee for entry on the Plot and commencement of construction of the Project. It was observed that 09 units are operational and 12 units are under construction. However, contrary to the above the PIDC/ PSM did not execute License Agreement with allottees despite the complete construction of plots (Annex-59).

Audit is of the view that management failed to execute the license agreement with allottees in violation of terms and conditions besides permitted the entry on the plots and also permitted for construction of Project without Agreement. This reflects weak internal controls and poor project management.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management informed that now the project is being governed under the provisions of the Special Economic Act, 2012 which do not envisage a license agreement as such. The management further informed that the essential terms and conditions are contained in the allotment letters and approval letter of building plans. DAC directed the management to provide relevant record for verification.

Audit recommends implementation of the DAC directives.

9.2.4.3 Escalation of cost due to inordinate delay in completion of grid construction project - Rs. 3,406.997 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 audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s NIP would enter into a separate O&M arrangement with KE as per practice to construct the Grid as a Sponsored Dedicated Distribution System (SDDS). M/s KE would be responsible to build and operate the project and charge NEPRA approved tariff from end-customers. The work would be performed by KE through an EPC contractor. Execution will commence in the financial year 2019-20 and will be completed in 2022-23. Original PC-I pertaining to "Construction of 132 KV Grid at BQIP" was approved in June, 2020 amounting to Rs 1,493.081 million including PKR 962.069 million. However, due to recurring delays in the tendering process, the PC-I was revised two more times and finally the contract was awarded to M/s Barqtron for Rs 3,406.997 million instead of M/s K.E on June 23, 2022 with date of commencement July 07, 2022 and completion date October 06, 2023. The estimated completion period was 15 months, however as of June, 2023 less than 10% of the work was completed. The total cost now stands at Rs 5,087.661 million (USD @ Rs.286.510), the cost has increased by Rs 1,680.664 million in just over a year's time as on 30.06.2023 which reflected that the cost was increased up to 240% as compared to the original estimate.

Audit is of the view that the management took the matter upon itself to execute the project which led to delays and escalation of the cost of project despite having K-Electric who was an integral partner of NIP. Further, inordinate delay in completion of the project caused significant increase in cost of the project which reflected improper planning and weak financial management. Moreover, release of payment prior to signing of contract and services rendered was unjustified.

The matter was reported to the management in June, 2023. The matter was discussed in the DAC meeting held on December 13, 2023.

A. The management informed the DAC that the preliminary process for the import of material and civil work is in progress. About 70% of the project cost pertains to imported plant & Machinery. However, procurement of foreign equipment was delayed due to government-imposed restrictions on the opening of foreign LCs by the contractor. In view of the above circumstances, the extension of time till June 30th 2024 has already been granted to the contractor by the Secretary Industries being the competent authority.

B. The management informed the DAC that it is a PSDP project and, therefore, was deliberated in detail at the Ministry, and Planning Commission along with rationale justifications before approval. K-Electric put forth untenable demands which they were insisting on since the beginning and due to which the delay was caused in the first instance as well. It may be noted that the revised PC-I was prepared by the consultant and duly endorsed by the Ministry and then approved by the CDWP at a cost of Rs.3601.304m.

C. The management informed the DAC that due process was followed at every stage and no irregularity has been done. M/s. Barqtron is the lead firm or bidder and M/s. Fast Cables is a joint venture (JV) partner of M/s. Barqtron. The advertisement clearly states that “The bidder/lead partner or main Contractor of Joint venture (JV) shall be an approved Contractor(s) of K-Electric for the past at least 03 years”. The contract was awarded to M/s. Barqtron-Fast (Pvt) Ltd in June 2022 at a cost of Rs.3406m (not Rs.5000m). M/s. Barqtron was also registered in SECP in 2018. JVs are specific to a project and are normally registered after award, and at the time of bidding only a mutual JV agreement is submitted. The confusion regarding release of funds before signing of contract is apparently due to the dates on cheque which was 21.06.22 as the cheques were prepared in advance due to shortage of time, but handed over only after the verification of bank guarantee on 24.06.22. Partial network has already laid down to cater for the need of existing operation industries. The rest will be executed in accordance with colonization of the park. Power purchase agreement and O&M agreement with KE, will be carried out in due course and is not mandatory at this stage.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 354, 359, 360 , 362 & 413)

9.2.4.4 Non-construction & operationalizing of Projects by allottees within specified period – Rs. 1,843.210 million

Clause 5.1 of the Terms & Conditions for plot of land at Bin Qasim Industrial Park/ Korangi Creek Industrial Park- Special Economic Zone states that the Project shall be completed in all respects and commissioned into operation within twenty-four (24) months from the date of execution of the License Agreement. The Project shall be deemed to be completed in terms of the above as and when PIDC approved of work done and issue a Certificate of Completion in respect of the Project to the Allottee/ Occupant of the allotted Plot of land.

Clause 5.2 states that should Project not be completed in twenty-four (24) months and a Certificate of Completion is not granted, the License Agreement may at the discretion of PIDC/ Pakistan Steel stand cancelled.

Clause 7.8 states that failure of the Applicant/ Allottee to meet the timelines provided for herein in respect of the payment schedule/ submission of building plan/ operation / construction may result in cancellation of the allotment /license/lease as the case may be and subsequent repossession of the plot of land by Pakistan Steel/ PIDC upon a refund of 90% of the amount paid to both

Pakistan Steel and PIDC by the Applicant/ Allottee, without mark-up, after 90 days of such cancellation / repossession.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that management sold the land at Bin Qasim Industrial Park, Karachi to the allottees (Annex-60). According to above rules, the allottees were required to complete the Projects in all respects and commissioned into operation within twenty-four (24) months. In case of failure to complete the projects within 24 months License Agreement and allotment may be cancelled and subsequent repossess the plots from the allottees upon refund of 90% of the amount paid. However, the allottees did not complete and operationalize the projects within 24 months in violation of above terms & conditions. The management neither cancel the License Agreement/ allotment of plots nor imposed any penalty on account of delayed construction of projects:

Audit is of the view that management failed to take any action against the allottees who failed to construct/ operationalize the Projects within 24 months' period and also failed to impose penalty on account of delayed construction. This shows weak controls and undue favour to the allottees.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to make all out efforts for early construction and operationalizing of industry and intimate the progress to Audit.

Audit recommends implementation of the DAC directives.

9.2.4.5 Irregular splitting and pooling of various items by the bidders – Rs 1,678.637 million

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. However, under exceptional circumstances and for reason to be recorded in writing, if an extension is considered necessary, all those who have submitted their bids shall be asked to extend their respective bid validity period. Such extension shall be for not more than the period equal to the period of the original bid validity.

Further, Rule 26 (4) (a) of PPRA 2004, states that bidders who agree to extension of their bid validity period shall also extend the validity of the bid bond or security for the extended period of the bid validity.

Point No. VI of Mandatory requirements given in Evaluation Report states Completion certificate of at least 01 project of infrastructure in any industrial zone of minimum 800 acres land, Certificate of performance for at least 02 in hand projects of infrastructure in any industrial zone of at least 450 M PKR Value and Annual Turnover should be at least 1,000 million.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contracts for Package VII was awarded to M/s Kazi Nisar at a cost of Rs.799.903 million and for Package VIII work to M/s Haji Syed Ameer at a cost of Rs.878.734 million for construction of Roads, Drainage Network, Under Ground Water Tank, Sewerage System, Electrical Sleeves, Road Lightning, Rescue Building, Boundary Wall and Watch Towers in Phase-III of BQIP. However, following irregularities were observed:

i. M/s Kazi Nisar failed to fulfil any of the three mentioned mandatory requirements as per Evaluation Report.
ii. Bid Securities for extended period were not obtained from both bidders and Pre-Qualification of Contractors was also not done.
iii. The Original Advertisement was for a single contract requiring services of a single construction firm, and didn’t mention division of work in Packages VII & VIII.
iv. A Corrigendum was published on December 17, 2021 just 04 days before original date of bid opening i.e. December 24, 2021 which states that Scope will remain same but work is divided in two packages.

Audit is of the view that the management extended undue favor as both contractors failed to meet mandatory requirements of the bidding documents and without extension of bid validity in violation of rules. Thus, contracts, amounting to Rs. 1,678.637 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 13, 2023.

A. The management informed the DAC that the bid evaluation was duly conducted by the Consultant in which it was verified that M/s. KNA fulfilled all mandatory requirements as per RFP.

B. The management informed the DAC that contracts for both the packages (VII &VIII) were awarded within extended bid validity period after vacation of Sindh High Court stay order.

C. The management informed the DAC that it was decided to divide the work in two packages which is a normal practice. Its comparison with Sargodha Park (SIP) is not valid as SIP is hardly 10% of the size the BQIP. Contractors met all the mandatory criteria and other requirements. No irregularity has been committed in the award.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP NO. 347 & 350)

9.2.4.6 Award of contract against eligibility criteria – Rs. 1,678.637 million

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. However, under exceptional circumstances and for reason to be recorded in writing, if an extension is considered necessary, all those who have submitted their bids shall be asked to extend their respective bid validity period. Such extension shall be for not more than the period equal to the period of the original bid validity.

Further, Rule 26 (4) (a) of PPRA 2004, states that bidders who agree to extension of their bid validity period shall also extend the validity of the bid bond or security for the extended period of the bid validity.

Point No. VI of Mandatory requirements given in Evaluation Report states Completion certificate of at least 01 project of infrastructure in any industrial zone of minimum 800 acres land, Certificate of performance for at least 02 in hand projects of infrastructure in any industrial zone of at least 450 M PKR Value and Annual Turnover should be at least 1,000 million.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contracts for Package VII was awarded to M/s Kazi Nisar at a cost of Rs.799.903 million and for Package VIII work to M/s Haji Syed Ameer at a cost of Rs.878.734 million for construction of Roads, Drainage Network, Under Ground Water Tank, Sewerage System, Electrical Sleeves, Road Lightning, Rescue Building, Boundary Wall and Watch Towers in Phase-III of BQIP. However, following irregularities were observed:

i. M/s Kazi Nisar failed to fulfil any of the three mentioned mandatory requirements as per Evaluation Report.

ii. Bid Securities for extended period were not obtained from both bidders and Pre-Qualification of Contractors was also not done.

iii. The Original Advertisement was for a single contract requiring services of a single construction firm, and didn't mention division of work in Packages VII & VIII.

iv. A Corrigendum was published on December 17, 2021 just 04 days before original date of bid opening i.e. December 24, 2021 which states that Scope will remain same but work is divided in two packages.

Audit is of the view that the management extended undue favor as both contractors failed to meet mandatory requirements of the bidding documents and without extension of bid validity in violation of rules. Thus, contracts, amounting to Rs. 1,678.637 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 13, 2023.

A. The management informed the DAC that the bid evaluation was duly conducted by the Consultant in which it was verified that M/s. KNA fulfilled all mandatory requirements as per RFP.

B. The management informed the DAC that contracts for both the packages (VII &VIII) were awarded within extended bid validity period after vacation of Sindh High Court stay order.

C. The management informed the DAC that it was decided to divide the work in two packages which is a normal practice. Its comparison with Sargodha Park (SIP) is not valid as SIP is hardly 10% of the size the

BQIP. Contractors met all the mandatory criteria and other requirements. No irregularity has been committed in the award.

The DAC directed the management to get the record verified from Audit.

Audit recommends investigation of the matter.

(DP No. 377, 406, 421)

9.2.4.7 Non-completion of infrastructure developments works – Rs 1,192.970 million

As per clause 2.1 of the agreement for Development and Management of Industrial Park on 13th July 2007 between Pakistan Steel Mills Corporation (Private) Limited and National Industrial Park Development and Management Company, NIP shall at its sole cost and expense and on the terms and conditions contained herein; (i) within a period of ten years from the date of this agreement develop, establish, cause to be constructed and completed an industrial park on the land and all related infrastructure and facilities (including permanent structures) for the purpose of the operation of an industrial park on the land.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that an agreement was signed between PSM and NIP on dated 13th July, 2007 and 930 acres of land, located at Deh Pipri, Bin Qasim Town, Karachi, was handed over by the Pakistan Steel Mills to National Industrial Park Development & Management Company (NIP) for rapid industrialization by establishing/developing new industrial estates and/or industrial parks. Project was to be developed/completed by July 2017 as per agreement between PSM & NIP. However, it was observed that infrastructure development has not yet been completed even after lapse of 16 plus years and an expenditure of Rs 1,192.970 million. It was further observed that out of 717 acres of saleable area, 408 acres were allotted to 42 allottees and since 2013, only 09 allottees (199 acres) had started operations after completing construction, rest of the plots on 208.984 acres' area remain unutilized till date.

Audit is of the view that non-development of infrastructure and committed facilities, despite incurring huge cost of Rs 1,192.970 million indicates poor planning and mis-management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the project had to be developed in 03 (three) phases and the last phase infrastructure development in underway, to be completed by June 2024. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.8 Non-submission of building plans by investors for construction of plots – Rs.602.528 million (132.764 Acres)

Clause 4.12/5.12 of Terms & Conditions for plot of land at Bin Qasim Industrial Park (BQIP)/ Korangi Creek Industrial Park- Special Economic Zone states that the alottees shall submit Building Plans / Drawings of the Project to PIDC for approval within 03 months from the issuance of the Site Plan.

Clause 7.8 / 8.17 states that failure of the Applicant/ Allottee to meet the timelines provided for herein in respect of the payment schedule/ submission of building plan/ operation / construction may result in cancellation of the allotment /license/lease as the case may be and subsequent repossession of the plot of land by Pakistan Steel/ PIDC upon a refund of 90% of the amount paid to both Pakistan Steel and PIDC by the Applicant/ Allottee, without mark-up, after 90 days of such cancellation / repossession.

Clause 4.16 states that in case payment of dues/ submission of Building Plans/ Drawings is not made as specified or such extended period at PIDC’s discretion, the Provisional Allotment Letter shall stand cancelled.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that the allottees of the plots at Bin Qasim Industrial Park (BQIP) and Korangi Creek Industrial Park (KCIP) failed to submit building plans for construction of industrial units within 03 months from issuance Site Plans. In case of failure to meet the timelines, management was required to cancel the allotment and subsequent repossession of the plots besides deduction of 10% of total amount paid as penalty (Annex-61).

Audit is of the view that management did not pursue the matter as per terms and condition for allotment of plots which resulted into non cancellation of plots and non-recovery of 10% penalty amounting to Rs 602.528 million (Rs 6,025.283 million*10% = Rs.602.528 million). This reflects weak internal control and poor performance on the part of management.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to vigorously pursue the allottees for early submission of building plans and construction of projects.

Audit recommends implementation of the DAC directives.

9.2.4.9 Award and execution of various consultancy works with irregularities - Rs.558.037 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.

Rule 20 of PPRA, 2004 states that save as otherwise provide hereinafter, 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), Head Office Karachi for the year 2021-22, it was observed that the management awarded various contracts with multiple irregularities in award and execution (Annex-62).

Audit is of the view that irregular award and execution of various works compromised level-playing field to the competitors and value for money to the company.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the consultants were hired as per the relevant PPRA rules. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.10 Unjustified variation in subsequent bid Rs. 446.70 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.

Rule 26 (1) and (2) of PPRA, 2004 states that a procuring agency, keeping in view the nature of the procurement, shall subject the bid to a bid validity period and bids shall be valid for the period of time specified in the bidding document. Furthermore, Article 14.1 of the Bidding Documents states that the validity of bid is 90 days.

During audit on the accounts of the Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2021-22, it was observed that Contract for "Construction of 132 KV Grid at BQIP" was awarded to M/s Barqtron for an amount of PKR 3,406.997 (million). Moreover, the consultancy contract was awarded to M/s Barqaab on 23.07.2021 at a cost of 22.600 million with the agreement signed on 20.08.2021. M/s Barqaab then prepared following two estimates, first was prepared before 1st tender and 2nd was prepared after the opening of 2nd tender, as under:

S#	Project Estimate Date	Project Estimates (million)	Remarks
1	11.11.2021	3,030.549	Estimate prepared before opening of 1st Tender
2	02.03.2022	3,601.304	Estimate prepared after opening of 2nd Tender

The consultant prepared 1st engineering estimate of 3,030.549 million for the Construction of 132 KV Grid at BQIP on 11.11.2021 based on which bids from the contractors were invited and the lowest bid received from M/s Barqtron-Fast JV was PKR. 2,960.30 (million) on 31.12.2021 which was in line with the engineering estimate and had bid validity period of 120 days. However, instead of accepting the said bid, revised tender was issued almost immediately without any fresh estimate. In the 2nd tender, the same firm M/s Barqtron-Fast JV submitted a bid of PKR 3,406.997 (million), 446 million higher than their first bid of PKR.

2,960.30 (million) submitted just 45 days earlier in the 1st tender, this resulted into a loss of 446.7 million for the corporation. Detail of bids submitted by M/s Barqtron-Fast JV:

S.#	Item	Date of Bid	Bidder	Total (million)
1	1st Bid	31-12-2021	M/s Barqtron	**2,960.30**
2	2nd Bid	05-02-2022	M/s Barqtron	**3,407.00**
3			**Difference**	**446.70**

Audit is of the view that enhancement of estimates in second bid was unjustified and irregular.

The matter was reported to the management in June, 2023.

The irregularity was discussed in DAC meeting held on December 14, 2023. The management informed the DAC that it is a PSDP project and, therefore, was deliberated in detail at the Ministry, and Planning Commission along with rationale justifications before approval. The cost was verified by the Ministry directly with KE who vide letter dated 01.03.2022 addressed to the Additional Secretary -I, quoted a Rs.4228 m which was significantly higher than the lowest bid of Rs.3406m. It may be noted that the revised PC-I was prepared by the consultant and duly endorsed by the Ministry and then approved by the CDWP at a cost of Rs.3601.304m. The DAC directed to conduct fact finding inquiry at Ministry level to ascertain: i. whether tendering was as per PPRA ii. Whether results were appraised to the MoI&P iii. Whether final tendering results were also disclosed and made part of the revised PC-I which was approved by the CDWP.

Audit recommends implementation of DAC directives.

9.2.4.11 Irregular Hiring of Consultant for Feasibility Study of Karachi Industrial Park– Rs.430.702 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.

Rule 42-C of PPRA states that, 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 (ii) only one manufacturer or supplier exists for the required procurement: (iii) where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance: (iv) repeat orders not exceeding fifteen per cent of the original procurement; (v) in case of an emergency: (vi) when the price of goods, services or works is fixed by the government or any other authority, agency or body duly authorized by the Government, on its behalf; and (vii) for purchase of ***motor vehicle from local original manufacturers or their authorized agents at manufacturer's price.

During audit on the accounts of the Pakistan Industrial Development Corporation (PIDC) Head Office Karachi, for the year 2021-22, it was noted that M/s Surbana Jurong JV was awarded the contract for revised scope of work of "Preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park on 1500 acres of Pakistan Steel Mills Land" on June 07, 2022 at a cost of 430.702 million. Following irregularities were pointed out in the tendering process:

i. Consultancy contract was awarded for various items of scope of work without approval of PC-1 whereas CDWP in its meeting held on June 04, 2021 had approved only Feasibility Study Component of the project.
ii. Management cancelled the 1st bidding process and instead of fresh tender, revised RFPs having amended Scope of Work & Eligibility/Selection Criteria were shared with M/s Surbana Jurong & M/s Nespak.
iii. Revised eligibility criteria were formed to suit the experience of M/s Surbana wherein more focus was put on intentional projects. This was to the disadvantage of other firms.
iv. M/s Surbana failed to submit Completion Certificates in couple of Projects but was still declared technically qualified.

v. The first financial bid of M/s Nespak was lower than that of M/s Surbana JV, the latter was technically unqualified due to non-meeting of multiple mandatory requirements.
vi. Response time of 30 days for international tender was not given in both the bids.
vii. The weightage given to Quality of 80% was higher than the usual limit of 70%, the weightage for cost should have been 30%.

S.#	Description	1st Bid Dec 2021	
		M/s Nespak	**M/s Surbana Jurong**
1	Bid Amount	531,434,385	589,607,783
2	Technical Marks	90.33	96.833

Audit is of the view that the management extended undue favour to M/s Surbana Jurong by setting tailor-made eligibility criteria which discouraged other competition and awarded it the contract despite of the firm not even meeting the mandatory technical criteria. The eligibility criteria were changed to restrict competition, and the scope of work was reduced to bring the bid of M/s Surbana in line or close to the figure of 400 million. The scope of work was, however, still too big and too complex to be included in just one tender.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 13, 2023. The management informed the DAC that the overall lowest cost of the tender determines the successful bidder and not the individual cost elements. After pre-qualification, RFP was issued to prequalified parties in Dec 2022 and the bidders were invited to submit sealed technical and financial proposals. However, due to the higher bid significantly exceeding the project approved amount, some elements of the initial RFP were removed and fresh bidding was held again in February 2022 under revised scope. The DAC directed the management to conduct a fact-finding inquiry at Ministry level.

Audit recommends implementation of the DAC directives.

9.2.4.12 Irregular award of consultancy work - Rs.430.702 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management awarded the contract for revised scope of work of "Preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park on 1500 acres of Pakistan Steel Mills Land" on June 07, 2022 at a cost of Rs.430.702 million to the Joint Venture of M/s Surbana Jurong (Lead Firm), M/s EA Consulting (JV Partner), M/s OMS (JV Partner) and M/s International Consulting Associates (JV Partner).

Following irregularities were observed:

i. Despite a Grid already under construction in BQIP, the management unnecessarily included “Construction Supervision of Grid” in the scope of work.
ii. The award of contract at Rs.430.702 million instead of CDWP approved cost of Rs.400 million.
iii. Most of the employees shown in bidding documents submitted by M/s Surbana as theirs were actually employees of M/s SMEC or M/s Engineering General Consultants.
iv. There is variation in data of employees submitted by M/s Surbana in 1st and 2nd proposal, the CVs submitted in the first proposal with undertaking are completely different in the second.
v. M/s Surbana Jurong Private Ltd was formed in June 2015, however most of the projects given in the technical bid of the firm date back to the period before 2015.
vi. It has been stated in the documents that M/s Surbana has worked as External Associate Consultant with M/s ESCP on the Quaid-e-Azam Apparel Park (QAAP) Project from 2017-18 (later renamed as QABP), however no such evidence was available.
vii. As per the technical bidding documents, M/s Surbana did not have any experience of working in Pakistan on any industrial park of 1,000 acre or above independently.

viii. No PEC, NTN, SRB and FBR registration and NOC from Ministry of Interior was available.

ix. Signing of contract was done before verification of performance guarantee. Payment Cheques issued before submission of invoices and approval for payments was given after 2, 3 days. Advance Payment Guarantee and Performance Security Bonds were verified after the cheques had been issued.

Audit is of the view that the management extended an undue favor to the bidder which reflected poor internal controls.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023.

A. The management informed the DAC that the design and construction supervision of Grid is an integral part of the project as utilities have to be provided at the time of allotment of developed industrial plots. BQIP is a separate project and its Grid would cater to its own long-term electricity needs, and a separate Grid for KIP is essentially required to be constructed within time.

B. The management informed the DAC that CDWP approved the amount of Rs. 400 million for the consulting work. However, in the second round of bidding on 14.02.2022 the successful bid received was Rs.430.702m which is well within 15% variation.

C. The management informed the DAC that M/s Surbana Jurong (SJ) submitted PEC certificate of pre-registration at the time of pre-qualification and subsequently, SJ also submitted PEC certificate of registration after the award of the contract. SJ has submitted the evidence of registration with FBR, whereas SRB registration was also done accordingly after the signing of the contract. The firm is registered with SECP. Although the cheques have been issued, however, SJ got registered with SRB before clearance of the cheques. PEC issues certificates to foreign firms on project basis. In order to avoid the amount having lapsed, the guarantee was verified after handing over the cheques.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.13 Irregular award of contract to a foreign company without NOC – Rs.430.702 million

According to para 6(2) of PEC Consulting Byelaws Relevant to Registration of a Foreign Consulting Engineer; Foreign firms of consulting engineers shall get themselves registered as consulting engineers for specified projects which need expertise and specialized knowledge not available with Pakistani consulting engineers, shall join an association or joint venture with a Pakistani consulting engineer and in such an association or joint venture, the services to be rendered by the foreign firm of consulting engineer shall be limited to the expertise and knowledge not available with any Pakistani consulting engineer:

According to SECP's Rule 5 (1), 6(1), & 6(3) of Foreign Companies Regulations, 2018, every foreign company shall deliver the information and documents as mentioned in section 435 of the Act to the registrar as per Fnc. Form-II along with payment of fee. On registration of documents of a foreign company as filed under regulation 5, the registrar shall issue a certificate of registration of documents as per Fnc. Annexure-III. Subsequent to registration of documents, a foreign company shall be bound to obtain all necessary approvals from relevant authorities as per applicable laws.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management awarded the contract for Preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park (KIP) on 1,500 acres of Pakistan Steel Mills Land on June 07, 2022 at a cost of Rs.430.702 million to M/s Surbana Jurong-JV. The firm was provisionally registered with SECP in 2018 as it was a Singapore based company which required to get clearance from Ministry of Interior before the start of business in Pakistan. The firm did not obtain a regular PEC certificate but had obtained a special PEC certificate for the KIP project only. Whereas, there was already sufficient knowledge and expertise available in Pakistan.

Audit is of the view that M/s Surbana Jurong did not have a requisite clearance from Ministry of interior and had obtained a project only PEC

Certificate despite existence of such expertise already in Pakistan which was unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023.

A. The management informed the DAC that Surbana Jurong is properly registered with SECP since 2018 to operate in Pakistan after fulfilling all due legal formalities under Section 435 of Companies Act 2017, and working on numerous projects.

B. The management informed the DAC that the ‘1000-acre project in Pakistan’ was not the required criteria for the selection of a Project Consultant for Karachi Industrial Park (KIP). On the other hand, Surbana Jurong is a Singapore government-owned internationally renowned organization and has designed several large and successful parks in the regional countries including, China, India, Vietnam, Singapore, Indonesia etc. Secondly, the procurement of Project Consultancy services for KIP was processed as per PPRA rules through an open competitive bidding process. The bid award results were published on the PPRA website as per rules and no objection was raised by any party.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 378 & 383)

9.2.4.14 Irregular award of Contract at higher than BOQ rates – Rs.372.780 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contract for Package VIII-BQIP Phase-III (Phase-III) was awarded to M/s Haji Syed Ameer at a cost of Rs.878.734 million for construction of Roads, Drainage Network, Water Supply Distribution Network, Sewerage Systems, Electrical Sleeves, and Road Lightning without taking into account the BOQ estimates. The detail is hereunder:

S#	Description	BOQ (Rs)	Bid Amount (Rs)	Excess	%	Remarks
1	Road Works	522,263,222	652,157,486	129,894,264	24.87	*No mention of Box Culvert in BOQ Phase VIII
2	Drainage Network	3,655,617	4,884,285	1,228,668	33.61	
3	Water Supply Network	34,121,008	49,137,805	15,016,797	44.01	*Price for Box Culvert has been added by M/s HSAB in the Bid
4	Electrical Sleeves	19,282,505	23,987,355	4,704,850	24.39	
5	Road Lighting	53,975,091	75,568,335	21,593,244	40.00	
	Total	**633,297,443**	**805,735,266**	**172,437,823**	**27.22**	

It was further observed that M/s Kazi Nisar was awarded contract of Package VII in BQIP development works at a cost of Rs.799.903 million for construction of Roads, Drainage Network, Under Ground Water Tank, Sewerage System, Electrical Sleeves, Road Lightning, Rescue Building, Boundary Wall and Watch Towers without taking into account the BOQ estimates. The detail is hereunder;

Amount in Rs.

S#	Item Description	BOQ	Bid Amount	Excess	%	Remarks
1	Road Works	122,219,694	157,877,948	35,658,254	29.17	*BOQ quantities are less 15% premium given on schedule items
2	Drainage Network	345,476	700,708	355,232	102.82	
3	Under Ground Water Tank	214,171,413	261,696,441	47,525,028	22.19	
4	Sewerage System	58,145,495	108,811,050	50,665,555	87.13	
5	Electrical Sleeves	3,136,782	6,158,400	3,021,618	96.32	
6	Road Lighting	12,457,148	16,807,913	4,350,765	34.92	*15% premium on similar schedule items was not given in Package VIII opened on the same day
7	Rescue Building	56,442,472	73,929,773	17,487,301	30.98	
8	Boundary Wall	64,698,019	85,054,546	20,356,527	31.46	
9	Watch Tower	4,289,099	7,756,586	3,467,487	80.84	
	Total	**535,905,598**	**718,793,365**	**182,887,767**	**34.12**	

Audit is of the view that award of work at significant higher cost compared to the BOQ cost estimates was unjustified. The BoQs were not prepared on the basis of Government issued Composite Schedule of Rates (CSR). Thus, contracts amounting to Rs.372.780 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023.

A. The management informed the DAC that Audit has taken Engineering estimate as BOQ rate. Bid amount is only 9% higher than the Engineering estimate which is within normal variances. Box culvert was omitted in the engineering estimate but was added later at the time of tendering by the consultant.

B. The management informed the DAC that the contract was awarded to M/s Kazi Nisar Ahmed & Co (KNA) as per the bid amount of Rs.799.9 million which is only 14% above the engineering estimate. It is also informed that the tender for Package VII & VIII are based on MES-2021 for scheduled items and the non-scheduled items. Additionally, for non-scheduled items, market rates apply, and a premium/ruling is only applied to the MES Schedule rate at 15% on both packages VII & VIII.

The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP NO. 366 & 435)

9.2.4.15 Non-payment of Sales Tax by Contractors/Consultants - Rs.323.835 million

As per Rule 3(3) of the Sindh Sales Tax Special Procedure (Withholding) Rules, 2014, "A withholding agent, other than a person or a recipient of 3[the taxable] services covered by clause (f) of sub-rule (2) of rule 1, shall deduct an amount equal to one-fifth of the total amount of sales tax shown in the sales tax invoice issued by a registered person and shall make payment of the balance amount to service provider..."

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that an amount of Rs 2,405.000 million was paid to contractors in different projects from 2019-2022, however sales tax amounting to Rs.323.835 million was not deposited in government treasury. Details are as follows:

S#	Project	Contractor/Consultant	Amount Paid	PST 16%	SRB 13%
1	Package 1-BQIP	KNA & Shangrilla JV	509,764,941	-	66,269,442
2	Package 2-BQIP	Haji Syed Ameer and Bros	531,867,499	-	69,142,774
3	Package 3-BQIP	KNA & Shangrilla JV	143,817,510	-	18,696,276
4	Package 5-BQIP	Gul Construction	37,953,055	-	4,933,897
5	Package 6-BQIP	Gul Construction	25,927,929	-	3,370,630
6	Package 7-BQIP	KNA	79,990,301	-	10,398,739
7	Package 8-BQIP	Haji Syed Ameer and Bros	296,311,464	-	38,520,490
8	KIP Consultant	Surbana JV	101,092,285	-	13,141,997
9	132 KV Grid BQIP	Barqtron Fast JV	310,170,100	-	40,322,113
10	RIP Dev. Work	Ghousia Engineering	368,992,430	59,038,789	
	Sub-Total		**2,405,887,514**	**59,038,789**	**264,796,361**
	Grand Total			**323,835,150**	

Audit is of the view that non-deposit of tax amount is a loss to the exchequer.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that SRB vide SRO Number 3-4/7/2013 dt. June 18, 2013 specifically exempts Sales Tax on the construction and development of SEZ under sub-clause iv of tariff 9824.0000 and the same is still in effect and applicable to all SEZ projects of PIDC. The DAC directed the management to get the exemption verified from SRB and share the same with Audit.

Audit recommends implementation of the DAC directives.

(DP No 401 & 412)

9.2.4.16 Irregular award of contract to the highest bidder – Rs.300.995 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. Rule 27 states that due to any reason, the procuring agency finds it necessary to extend such deadline, it shall do so only after recording its reasons in writing and in an equal opportunity manner. Further, Rule 38 states that the bidder with the lowest evaluated bid shall be awarded the procurement contract within the original or extended period of bid validity.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that tenders/bids were called on 18-07-2012 for pre-qualification of contractors/firms for development of infrastructure works at Sargodha Industrial Park with bids submission date 13-08-2012. In response, 47 firms submitted technical bids out of which 19 firms were prequalified. The responsive bidders submitted the financial bids as detailed below:

S.#	Name of Firm	Bid Amount (Rs)	Ranking
1	M/S R M Gulistan Engineers	315,971,027	5th
2	M/S Shalimar Construction Co.	344,164,368	6th
3	M/S Ch. A. Latif & Sons	278,975,898	3rd
4	M/S Progressive Int.	297,072,240	4th
5	M/S Tayyab Manzoor	269,847,910	1st
6	M/S Kiazen-Staco	272,787,941	2nd

Later on the management awarded the contract to M/s Ch. Abdul Latif & Sons (3rd lowest bidder) by ignoring the first lowest bidder i.e. M/s Tayyab Manzoor.

Audit is of the view that the management extended an undue favor to the bidder which reflects weak internal controls. Thus, contracts valuing Rs.300.995 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023.

A. The management informed the DAC that extension of the date of bid submission has been done according to PPRA rules. On request from prequalified contractors, the financial bid submission date has been extended from 7th March 2013 to 22nd March, 2013. Later on, based on the pre-bid meeting (held on 18th March 2013), the financial bid submission date has been extended again from 22nd March 2013 to 12th April 2013. Secondly, please note that the tender has been issued as a whole for all works i.e., Construction of Rigid Pavement, Sewerage Network and Water Supply Distribution. Therefore, procuring agency is bound to award the contract as a whole to the lowest evaluated bidder as per the Least Cost Basis Method as specified in the advertisement.

B. The management informed the DAC that as per the submitted financial bids M/s Tayyab Manzoor quoted the lowest bid. After arithmetic corrections and evaluation done by Project Consultant, the bid amount of Rs 278,975,898 has been found lowest which was submitted by M/s Ch. A. Latif & Son.

The DAC directed the management to conduct a fact-finding inquiry and share the report with Audit.

Audit recommends implementation of DAC directives.

(DP No. 397 & 394)

9.2.4.17 Irregular renting out of properties without rent assessment and formation of SOPs - Rs.292.052 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 audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that management rented out its following properties having 339,296 Sq. Ft. along with 04 antena space without rent assessment from property valuers / surveyors. The spaces are rented out to the tenants on mutual understanding, without any market survey Furthermore, management also did not have any SOPs / Policy for Estate Department so that properties owned by PIDC be rented out as per laid down policy.

(Rs. in million)			
S#	**Name of Property**	**Are (Sq Ft)**	**Yearly Rental Income**
1.	PIDC House	207,262	206.485
2.	Finance & Trade Center	32,283	41.946
3.	KPT Godowns	87,426	32.951
4.	Dalmia Space	6,000	10.670
5.	Progressive Plaza	6,325	
	Total	**339,296**	**292.052**
Source: Financial Statements for the year ended 30 June 2022			

Audit is of the view that renting out of properties without rent assessment / lower than market rates and without SOPs shows undue favour to the tenants and in-efficient utilization of resources which resulted into loss of rental income.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management explained that market rates cannot be charged to existing tenants and their rent is increased annually as per agreed terms and conditions. DAC directed the management to take up with the Board the possibility of adjusting property rents as per market rates and share the decision of with Audit.

Audit recommends implementation of the DAC directives.

9.2.4.18 Unjustified enhancement in length of roads - Rs.218.643 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contract for Package VII-BQIP (Phase-III) was awarded to M/s Kazi Nisar at a cost of Rs 799.903 million and the contract for Package VIII-BQIP (Phase-III) was awarded to M/s Haji Syed Ameer at a cost of Rs 878.734 million. BOQs of both the packages reflected that a total of 7.34 Km of roads were to be constructed by the two contractors at an aggregate cost of Rs 938,142, 430 (with average cost per Km of Rs. 127,797,343). However, as per PM BQIP, the total length of roads to be constructed in Phase-III was 5.63 Km as detailed below:

Length Requirement (As per data by PM BQIP)	Length Added in BOQ	Difference	Excess (Based on Avg Cost/Km of Rs. 127,797,343)	%
5.63	7.34	1.7108602	218,643,390	23.30

Audit is of the view that there was unjustified excess length of work amounting to Rs 218.643 million, which reflects weak monitoring and slackness.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the assumptions in the PDP are not correct, no excess length is added. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.19 Payments without construction of road - Rs.173.437 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 audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that Package I, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Kazi Nisar-Shangrilla JV at a total amount of Rs. 529.99 million for construction of Main Carriageway Road. As per BOQ, length of Road to be constructed was 4.3766 Km amounting to Rs. 529.99 million while only 2.77735 KM (63.5% = 2.77735/4.3766*100) of the road could be constructed, and the contractor was paid a sum of Rs.509.764 million which was around 96% of the total contract amount. An excess amount of Rs. 173.437 million was paid to the contractor, as detailed below:

Length of Main Carriageway Road to be constructed as per BOQ Quantity of Asphalt Wearing Course	4.3766 Km
Total Cost of Contract for Construction of Main Carriageway Road	Rs.529,990,747
Cost per Km (529,990,747/4.3766)	Rs. 121,096,455
Length of Main Carriageway Road Actually Constructed as per PM BQIP	2.77735 Km
Cost of 2.77735 Km	Rs. 336,327,241
Total Payments to Contractor	Rs. 509,764,941
Excess Payments to Contractor	**Rs.173,437,700**

Audit is of the view that excess payment to the contractor was held unjustified and irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the road constructed in Package - I as per the site is 4.286 km and paid accordingly. Package - I actually saved funds, hence no excess payment is made to the contractor. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.20 Irregular / excess payment to the contractor– Rs.128.427 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 audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management awarded the contract for revised scope of work of 'Preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park on 1,500 acres of Pakistan Steel Mills Land' on June 07, 2022 at a cost of Rs.430.702 million to the Joint Venture of M/s Surbana Jurong (Lead Firm), M/s EA Consulting (JV Partner), M/s OMS (JV Partner) and M/s International Consulting Associates (JV Partner). However, the management made extra / irregular payments amounting to Rs.128.247 million as detailed below:

S#	Description	(Rs.in million)	Remarks
1.	Mobilization Advance	54.404	Excess Payments
2.	Civil Works	24.583	Wrongly booked in Civil Works instead of Consultancy Services
3.	Future Deliverables	49.260	Excess Payment
	Total	**128.247**	

Audit is of the view that the excess payment of Rs.128.247 million reflects undue favor and weak financial management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 14, 2023.

a) The management informed the DAC that Rs. 27.248m advance was paid as per the contract for design stage / pre-construction activities. Subsequently, the Consultant was further paid secure advance of Rs 49.260 million in view to avoid lapse of funds. However, out of the total additional advance of Rs 49.260 million we have already recovered/adjusted Rs 48.256 million against deliverables and only Rs.1.0 million is to be adjusted. The DAC directed to conduct fact finding inquiry at Ministry level to verify: i. Whether PEC guidelines prohibit advances to consultants. ii. Whether advance was duly secured. iii. Whether due adjustment of advance was duly made after receiving contractual deliverables.

b) The management informed the DAC that the said payment has been paid against pre-construction activities i.e., Draft PC-I and Feasibility and NOT against civil work.

The DAC directed the managent to get verified the record with audit.

Audit recommends implementation of the DAC directives.

(DP No. 352, 353 & 416)

9.2.4.21 Non-utilization of building - Rs.115.234 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 Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the building of CFTMC Nausheroferoz which completed in the year 2021 for Rs 115,234,957 was required to impart skill training to unemployed youth in furniture and woodwork. However, the building was being used as Site Office for NFIP till date. No equipment till date was purchased nor anyone employed for training related activities. Further, the site is located right in the middle of agricultural lands and there is hardly any tree or wood available in the vicinity.

Audit is of the view that non-utilization of building despite expenditure reflected negligence and wastage of public money.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the required land for setting up CFTMC NF was allocated by PIDC in the Noushero Feroze Industrial Park (NFIP) project along the Main National Highway. Subsequent to the initiation of construction, which concluded in 2021, FP was closed down and its assets/resources were handed over/merged into PIDC under the directives of the Federal Cabinet. Consequently, FP's facilities were transferred to PIDC in November 2021. PIDC is now actively engaged in revitalizing FP projects in a phased manner, starting from Peshawar and Sargodha centers. The DAC directed the management to get the progress verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.22 Abnormal increase in boundary wall cost - Rs.85.054 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 Act and these rules.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s Kazi Nisar was awarded contract of Package VII in BQIP Phase-III development works at a cost of Rs.799.903 million for construction of Infrastructure works, Office Building, Rescue Building, Boundary Wall and Watch Towers. However, cost per meter for construction of Boundary Wall given to the same contractor was Rs 19,828 where out of 7,705 meters, only 6,255 meters were constructed. In this tender, the contract for construction of Boundary Wall is again awarded to the same contractor at a per Meter Cost of Rs 51,032.730 which is 157.4 % higher than the previous per meter cost given by same contractor. The difference in per meter cost is detailed below:

	Amount in Rs
Total Cost of Boundary Wall in Package VII Excluding Taxes	73,997,455
Boundary wall to be constructed (Meter)	1,450
Cost per m Package VII	51,032.73
Cost per m in Package III by the same contractor	19,828
Difference in per meter cost	31,204.7
Increase (%)	**157.4**

Audit is of the view that the management awarded the contract for construction of Boundary Wall at a per meter cost of Rs 51,032.73 which was 157.4 % higher than the previous per meter cost of Rs 19,828 which reflected negligence and weak internal controls.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the Packages-I & Package-VII tender dates are October 2018 and December 2021 respectively. Over a period of 3 years the price variation has been very significant, therefore, the prices quoted cannot be compared. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.23 Loss due to procurement of land for industrial park at higher rates- Rs.73.600 million

Rule 04 of PPRA 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.

Rule-38 states that the bidder with the lowest evaluated bid shall be awarded the procurement contract within the original or extended period of bid validity.

Rule 40 of PPRA Rules 2004 states that there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder: Provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that press advertisement for purchase of 100 acres of land was floated for establishment of Sargodha Industrial Park in newspapers dated April 10, 2012. Terms and conditions were as under:

- The land should be within 20 KM of Sargodha city.
- The land should be situated on main road with an appropriate approach.
- All the utilities like electricity, sweet water, telephone and other facilities should preferably be available.
- The bidder should be in possession of land and ownership documents.
- Receiving and opening of bids was 27th April, 2012.

In response of advisement following bidders submitted their per acre rates:

S.#	Name	Area (Acres)	Location	Bid Amount Per Acre	Distance from City	Sweet Water	Electricity
1	Zubair Bhatti	100	Kandewal Road	1,600,000	15 Km	No	Yes
2	Qamar ul Islam	100	Khoshab Road	1,550,000	25 Km	Yes	Yes
3	Al-Hamd Estate	76	Chak 52, 53	775,000	12 Km	Yes	Yes
4	Al-Hamd Estate	60	Chowkira Road	1,100,000	15 Km	No	4 Km Away
5	Ghulam Rasool	100	Faisalabad Bypass Road	6,500,000	12 Km	No	Yes

It was observed that Mr. Zubair Bhatti had offered Rs. 1,600,000/ per acre, thereafter, he offered discounted rates after opening of bids @ Rs. 1,325,000/ per acre due to non-availability of sweet water and unsuitable underground water for human consumption and industrial use on his land. Later, the management issued letter of intent to Mr. Zubair Bhatti for purchase of land @ Rs. 1,325,000/ per acre, instead of M/s Al-Hamd estate which offered lowest rates @ Rs. 775,000/ per acre, resulting in a loss of Rs. 73.600 million. *(1,325,000*100=132,500,000) -(775,000*76=58,900,000) =73,600,000/-.

Audit is of the view that the management purchased industrial land in violation of PPRA Rules. As per terms and conditions, all the utilities like electricity, sweet water, telephone and other facilities should preferably have been available on or nearby the proposed land. However, the land that was bought had no access to sweet water and its underground water was unfit for both industrial and human usage. Additionally, M/s Al-Hamd estate, which was located 12 km from the city and gave the lowest prices at Rs. 775,000/per acre, was also close to power and sweet water. And, Mr. Zubair Bhatti, who offered Rs. 1,600,000/ per acre that was 15 Km's from the city and had no access to sweet water. Therefore, land was purchased in violation of PPRA rules.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the land offered by M/s Al-Hamd Estate did not meet the criteria such as minimum area, road access etc. Therefore, it could not be considered as responsive offer. Furthermore, the selected land of M. Zubair Bhatti has proper connectivity in the shape of a metaled road and was better suited for provision of electricity and water etc. The DAC directed to conduct a fact-finding inquiry at the Ministry level.

Audit recommends implementation of DAC directives.

9.2.4.24 Unauthorized payment of bonus / eid grant - Rs.64.402 million

Finance Division (Regulations Wing) office letter No.F.3(5) R.12/80(R.14). Vol.H2201-54 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 (iii) of Finance Division (Regulation Wing) OM. No. F.3 (5) RI2/BOCR.14/2002-154 dated 18-03-2002 states that Managing Directors and members of Board of Directors will not be entitled to receive bonus.

During audit of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC) for the year 2021-22, it was observed that a sum of Rs.64.402 million was paid as bonus to officers / officials during the period as detailed below:

			Amount in Rs
Designation	**Eid Grant Bonus**	**Performance Bonus**	**Total**
CEO	600,000.00	435,000.00	1,035,000.00
CFO	282,855.00	219,213.00	502,068.00
General Manager	270,032.00	209,275.00	479,307.00
Deputy General Manager	173,768.00	139,014.00	312,782.00
CIA	224,640.00	179,712.00	404,352.00
Company Secretary	139,382.00	114,990.00	254,372.00
Deputy Managers (6)	272,904.00	201,528.00	474,432.00
Assistant Managers (8)	447,294.00	362,624.00	809,918.00
Officers'/officials'/staff	27,592,676.00	32,537,987.00	60,130,663.00
TOTAL	**30,003,551.00**	**34,399,343.00**	**64,402,894.00**

Audit is of the view that concurrence of Ministry of Finance and approval of administrative Ministry/Division was not sought. Hence, payment of Rs 4.145 million as Bonus and Eid Grant to the employees was held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that Finance Division vide its letter dated 20-March-07 has confirmed that the Boards of Directors of Public Sector Companies have full financial powers over their own budgets as long as their decisions do not impact the Federal/Provincial budgets. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.25 Excess payment on account of excess quantity of asphalt - Rs.55.313 million

Rule 04 of PPRA 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 Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contract for construction of Roads in Package 2, Phase-II of Bin Qasim Industrial Park (BQIP) development work was awarded to M/s Haji Syed Ameer & Brothers at a cost of Rs 452.199 million in 2019. Details of excess quantity and amount is as under:

S#	Road	Length (Meters)	Width (Meters)	Design Thickness of Asphalt Wearing Course (Meters)	Volume of Asphalt Wearing Course Used (Cubic Meters)
1	AR 1	918.71	18.6	0.05	854.4
2	AR 2	1513.08	18.6	0.05	1407.16
3	AR 3	2420	18.6	0.05	2250.6
4	AR 4	689.33	9.3	0.05	320.53845
5	AR 5	1007.5	18.6	0.05	936.975
				Total	**5769.67815**

Description	Rs.
Total Volume of Asphalt Wearing Course Used (Cubic Meters)	5769.67815
BOQ Volume of Asphalt Wearing Course Used (Cubic Meters)	3512
Excess Volume of Asphalt Wearing Course Used (Cubic Meters)	2257.67815
Unit Rate of Asphalt Wearing Course per Cubic Meters	24,500
Cost of Excess 2257.67815 Cubic Meters	**55,313,115**

Audit is of the view that excess payment due to excess quantity was unjustified and held irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that Audit has mistakenly included AR-02 and AR-04 to the calculation whereas these roads were not included in Package-II. Further there is no actual excess payment made. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.26 Irregular award of road contract at higher cost - Rs.47.497 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s Kazi Nisar was awarded contract of Package VII in BQIP (Phase-III) development works at a cost of Rs.799.903 million for construction of Infrastructure works, Office Building, Rescue Building, Boundary Wall and Watch Towers. A total of 1.07742 Km of Road was to be constructed at a per Km cost of Rs. 168,499,822, whereas the same contractor was given the contract for constructing 4.38 Km of Roads in Package I at a per Km cost of Rs 121,002,454 which was 39% lower. The detail is hereunder;

			Amount in Rs
Cost per Km in Package I	**Cost per Km in Package VII**	**Increase in Cost per Km**	**% Increase**
121,002,454	168,499,822	47,497,368	39

Audit is of the view that award of work at higher cost was unjustified and staggering increase of 39% of per Km cost was also held irregular.

The matter was reported to the management in June, 2023. The matter was discussed in DAC meeting held on December 13, 2023. The management informed the DAC that the tender dates of Packages I & VII were October 2018 and December 2021 respectively. Over a period of 03 years the price variation has been very significant, therefore, the prices quoted cannot be compared. Secondly, the bids were not on per km basis. It may be noted that the BoQ items of roads for the two projects were also not identical. The tenders were awarded through bidding under PPRA and no irregularity has been pointed out. The DAC directed the management to get the documents verified by Audit.

Audit recommends implementation of the DAC directives.

9.2.4.27 Non-imposition of liquidity damages due to delay in completion of feasibility study - Rs.43.000 million

As per para C-2(iii) of PEC Bidding Instructions Single Stage – Two Envelopes (SSTE) Bidding Procedure, the amount of the Liquidated Damages for each day of delay in completion of the whole of the Works, or if applicable for any Section thereof, shall be a sum equal to 10 % of the likely cost of the Works divided by one-fourth of the number of days specified as completion time.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management awarded the contract for preparation of Feasibility Study, PC-I, Detailed Designing & Construction Supervision of Karachi Industrial Park (KIP) on 1,500 acres of Pakistan Steel Mills Land on June 07, 2022 at a cost of Rs.430.702 million to M/s Surbana Jurong-JV. The agreement was signed on June 07, 2022 for completion of work by February 08, 2023. However, as of June 30, 2023, the report was not completed by the consultant.

Audit is of the view that management failed to impose liquidity damages of Rs.43.000 million on account of delay which reflected undue favor.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the land belongs to PSM which required extensive jungle cutting for detailed survey and design. The contract for site clearing was awarded but the work was stopped due to interference from certain local encroachers. Currently, land clearance has resumed and M/s Surbana Jurong has re-initiated their work. Since the delay is not on part of the consultant, therefore no penalty is justified and no such provision is in the contract either. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.28 Variation of figures of contractor & consultant's report - Rs.39.797 million

Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2017 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 Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that Package VI, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Gul Construction for a total amount of Rs.114.906 million for construction of Water Distribution and Sewerage Networks adjacent to Internal Roads. It was observed that there was variation in Work Done Figures in IPCs vs M/s Asian's Report in Package VI, as detailed below:

S. #	Description	Package VI (Rs)	Work Completion in terms of contract value (%)
1	Work done as per IPCs I & II Paid excluding Mobilization Advance	14,856,546	-
2	Work done as per Pending IPC-03 Package VI submitted by M/s Gul	49,807,020	-
3	Total Work done as per IPCs submitted (1+2)	64,663,566	56.27
4	Work done as per Asian Report on work completed by M/s Gul in Packages VI	24,866,312	21.64
	Variation	**39,797,254**	**35%**

Audit is of the view that variation of figures up to 35% reflected negligence and slackness.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the IPC # 1 & 2 were received by PIDC from the Consultant after their verification and accordingly Rs 14,856,546 against IPC # 1 & 2 were paid to the contractor as per the procedure. As per PIDC record, IPC-3 was neither received nor paid. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.29 Excess payment to contractors beyond BOQ/ unexecuted works - Rs.36.314 million

Rule 04 of PPRA 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 Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that that the management awarded various contracts in excess of BoQ quantities as detailed below:

- Contract for Package III, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Kazi Nisar-Shangrilla JV at a cost of Rs.181.742 million. However, excess quantities in 08 items amounting to Rs.1.553 million were supplied by the contractors.

Excess payment to contractors beyond BOQ/ unexecuted works - Rs.36.314 million								
S.#	**BOQ Items-Civil Works**	**BOQ**			**Total Work Done**		**Excess**	
		Unit	**Rate**	**Qty**	**Qty**	**Amount (Rs)**	**Qty**	**Amount (Rs)**
1	Jungle Cutting	Sq.m	58	70,000	70818	4107444	818	47444
2	Excavation	Cu.m	550	5141	6024.442	3313443	883	485893.1
3	Cement Plaster 20 mm thick	Sq.m	510	42173	42192.49	21518170	19	9939.9
4	Moisture Protection of RCC surfaces using Industrial Bitumen Paint	Sq.m	178	8310	12716.97	2263621	4,407	784440.66
5	MS Gate	Sq.m	4670	108	114.58	535,070	7	30728.6
6	Removal of existing GI sheets	Sq.m	381	225	264.04	100599.2	39	14874.24
7	Fiber Glass Sheet Corrugated type 2 layer, one layer 450 GSM and second layer 300 GSM, thickness 2.4 mm to 2.7 mm	Sq.m	4252	225	264.04	1122698	39	165998.08

	approx.							
8	Remove and provide/fabrication and erection of office roof drain	R.m	2300	17	23	52900	6	13800
		Total						**1,553,119**

- Contract for Package III, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Kazi Nisar-Shangrilla JV at a cost of Rs 181.742 million. The contract consisted of three components Boundary Wall, Watch Towers and Rehabilitation Work. No watch tower could be constructed while a net total of Rs 133,053,915, Thus, an amount of Rs 7,538,333 was paid in excess to the contractor.

- Contract of Package V, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Gul Construction at a total amount of Rs.148.918 million for construction of Water Distribution and Sewerage Network adjacent to Main Road. However, management made an extra amount of Rs. 20.049 million to the contractor.

- Contract of Package VI, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Gul Construction for a total amount of Rs.114.906 million for construction of Water Distribution and Sewerage Networks adjacent to Internal Roads. However, a total of Rs.7.174 million was paid extra to the contractor for 933 meters of excess Water Supply pipping.

Audit is of the view that the management made excess payments amounting to Rs.36.314 million beyond BoQ and unexecuted work which reflected undue favor.

The matter was reported to the management in June, 2023.

A. The management informed the DAC that the payment has been made on the basis of actual work done in compliance with the contractual provision as quoted above and well within 15%.

B. The management informed the DAC that the total amount of boundary wall civil work as per contract / BOQ is 177,035,354/-, which includes 8 Nos of watch towers cost also. Due to inclusion of the watch tower cost, calculating boundary wall per meter cost in this way is not correct. Total amount paid to the contractor as per actual work done at site after verification from consultant and no excess payment was made.

C. The management informed the DAC that the work has been done as per the drawing prepared by the Consultant. The actual work done at the site is also verified by the Consultant and is in accordance with the standard PEC contract condition. It is however submitted that such significant variance in estimation reflects on the poor work of the consultant i.e. M/s ZCL whose contract was not extended.

DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 387, 388, 419 & 433)

9.2.4.30 Purchase of land above PC-I provision – Rs.32.500 million

Rule 04 of PPRA, 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.

As per PC-I pertaining to "Sargodha Industrial Park (SIP)", the proposed Industrial Park was to be located at Chak#53 Shumali (North) close to canal about 07 Kms from Sargodha City center and set up over an area of 100 acres out of which 50 acres were to be developed in the first phase. A total of Rs.434 million was allocated under various heads including purchase of Land amounting to Rs.100 million.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management purchased area of 100 acres land for Sargodha Industrial Park (SIP) at Sargodha City from Mr. Muhammad Zubair Bhatti on July 06, 2012 amounting to Rs.132.5 million against PC-I provision of Rs.100 million.

Audit is of the view that purchase of land beyond PC-I provision shows poor financial management. Hence, purchase of land in excess of PC-I stand irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the amount incorporated in PC-I was tentative and based on available data at that time. The land was procured by NIP through open competitive bidding. The DAC directed to conduct a fact-finding inquiry at the Ministry level.

Audit recommends implementation of DAC directives.

9.2.4.31 Irregular addition of drainage line in scope of work – Rs.27.000 million

Rule 42 © of PPRA states that 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:

ii. Only one manufacturer or supplier exists for the required procurement:

iii. Where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance:

iv. Repeat orders not exceeding fifteen per cent of the original procurement;

v. In case of an emergency:

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s Kazi Nisar & Shangrilla JV were awarded two Packages (I & III) in BQIP Development Work Phase II. However, addition of drainage line in Scope of Package 1 was done by the Board without due process.

Audit is of the view that addition in scope of work without due process and approval is tantamount to direct contracting and therefore held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that M/s KIA Motors Corporation is an important Operational Unit at BQIP on 100-acre land but was not yet connected with the sewerage network. As the process of hiring a new contractor as per PPRA had to take substantial time, therefore the board of directors after due deliberation unanimously approved an estimated cost of Rs. 27 million in Package-I contract M/s. KNA & Shangrila (JV) for the sewerage line for M/s. Lucky Motors Corporation".

The DAC directed the management to conduct a fact-finding inquiry and share the report with Audit.

Audit recommends implementation of DAC directives.

9.2.4.32 Irregular award of security services contract – Rs.24.298 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that tender for provision of security services for PIDC Head Office Karachi and Regional Offices at Lahore, Faisalabad & Sheikhupura was advertised on 06 June, 2022. Bids submission date was 20th June, 2022. The management awarded the contract to M/s Safety & Security Services @ Rs 1,012,446 per month for a period of one year extendable to two years on 26 July, 2022, whereas, M/s National Police Foundation was declared non-responding bidder on 26 July, 2022 despite the fact that before this tender security services were being provided by this company w.e.f 01-07-2021 and their further services were terminated on July 26,2022. Audit observed following irregularities:

1. Single stage-two envelope method of bidding was used. Financial proposals that were deemed technically non-responsive should have been returned to the respective bidders, unopened. However, M/s National Police Foundation's financial bids were opened.

2. According to the contract, a performance guarantee equal to two months of compensation had to be deposited within one week; however, that guarantee was deposited on January 31, 2023, six months later.
3. Registration of Security Guards was not with EOBI/SESSI.

Audit is of the view that tender process was not conducted in a transparent manner as mandatory requirements of the bidding documents were not met by the successful bidder.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that Audit overlooked the method used for bid evaluation was Quality cum Cost, with weightages of 70:30 mentioned in the RFP. Therefore, the award was as per PPRA. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.33 Non-recovery from Ex-CEO – Rs 17.734 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 2021-22, it was observed that Mr. Gul Muhammad Rind, an officer of Secretariat Group BS-22 was posted as CEO of PIDC in November 2009 for the period of three years. During his posting, he committed following multiple irregularities and received an amount of Rs.17.734 million which was irregular. The matter was highlighted in February 2014, however, despite lapse of around 09 years, the management did not take any action for recovery of irregular payment from Ex-CEO and officers/ officials of PIDC.

S #	Subject	Amount (Rs. in million)
1.	Irregular and unjustified fixation of pay	5.396
2.	Irregular payment of leave encashment	6.640
3.	Irregular sale of car to on book value	1.294
4.	Irregular payment of Bonus	2.684
5.	Irregular Establishment of NGO	1.720
	Total	**17.734**

Finally, in August 2022, the management lodges a suite for recovery in the Court of XIIth Senior Civil Judge at Karachi, South. The case was lodge after around 8.5 years without attachment of any property of the Defendant (Mr. Rind).

Audit is of the view that the management failed to take any action for recovery of irregular payment against Ex-CEO / officers of PIDC. Further, the management extended undue favour to the Ex-CEO by not taking any action or putting the matter in the court of law without attachment of any property and after lapse of considerable time.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to take opinion from reputed Law Firm regarding Civil and Criminal facts and submit to Ministry for onward submission to Law Division.

Audit recommends implementation of the DAC directives.

9.2.4.34 Irregular secured advance payment to contractors - Rs.15.923 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 audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that excess advances in addition of mobilization advance were given to contractors as Secured Advance during Phase II- Development Works in BQIP as detailed below:

S#	Description	Contractor	Secured Advance Amount (Rs.in million)
1	Package 3	M/s Kazi Nisar & Shangrilla JV	7.4
2	Package 5	M/s Gul Construction	4.992
3	Package 6	M/s Gul Construction	3.531
		Total	**15.923**

Audit is of the view that secured advance payments to the contractors reflected negligence and poor financial management.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the secured advance was given in accordance with the clause 60.11 of the standard contract, and the recovery of Secured Advance paid to the Contractor has already been made from the subsequent bills. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.35 Overstay of Board Members beyond three years – Rs.13.250 million

Rule 3 A (1) of Public Sector Companies (Corporate Governance) Rules, 2013 states that a director, once appointed or elected under Section 180 or Section 178 of the Ordinance, shall hold office for a period of three years, unless he resigns or is removed in accordance with the provisions of the Ordinance.

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 2021-22, it was observed that following Chairman / Directors of PIDC Board overstayed beyond three (03) years in violation of Rules:

S#	Name	Position	Date of appointment	Status
1.	Mr. Ghulam Sarwar Khan	Chairman	26-06-2014	To date
2.	Mr. Muhammad Ishaq Butt	Independent Director	26-06-2014	-
3.	Prince Muhammad Isa Jan	-	26-06-2014	-
4.	Mr. Muhammad Ali	-	26-06-2014	-
5.	Mr. Rizwan Ahmed Bhatti	CEO, PIDC	09-08-2016	-
6.	Dr. Imran Ullah Khan	Non-ED	16-03-2018	02-03-2022
7.	Mr. Hashim Raza	-	15-01-2020	To date
8.	Brig. ® Shujah Hassan	-	19-08-2020	-
9.	Ms. Bushra Naz Malik	-	31-05-2016	-

Audit is of the view that non-transfer /removal of Chairman and Directors since 2014 shows undue favour and negligence on part of management.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management accepted the audit point of view. DAC directed that the steps may be taken for reconstitution of Board through Ministry.

Audit recommends implementation of the DAC directives.

9.2.4.36 Loss of revenue due to non-renting out of vacant spaces – Rs.8.886 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 audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it observed that an area of 10,525 sq.ft was lying vacant at PIDC Buildings in Karachi, resultantly, Corporation was deprived of rental income of Rs 8.886 million as detailed below:

S#	Location	Floor	Date of Vacancy	No. of Months	Area (Sq. Ft.)	Rate per Sq.Ft.	Total Amount (Rs)
1.	Finance & Trade Center	2nd	Dec-2022	06	2,200	195.56	2,581,392
2.	Progressive Plaza	1st	Nov-2022	07	6,325	107.17	4,744,951
3.	SCCP Dalmia Office	Ground	Nov-2021	19	2,000	41.06	1,560,280
			Total	**32**	**10,525**	**343.79**	**8,886,623**

Audit is of the view that the management failed to take concrete efforts to rent out the vacated buildings / spaces, which deprived the Corporation from the due monetary benefits of Rs.8.886 million on account of rental income.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to make vigorous efforts to rent out the vacant spaces and intimate the progress to Audit.

Audit recommends implementation of the DAC directives.

9.2.4.37 Irregular procurement of various items on splitting basis - Rs.8.821 million

Rule 9 of Public Procurement Rules, 2004 states that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned. The annual requirement so determined would be advertised in advance on the Authority’s website as well as on the website of the procuring agency.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that various procurements amounting to Rs 8,821,243 including vehicles, office equipment, computers and chairs etc. were made by the management using quotations by splitting instead of bulk purchases using tender.

Audit is of the view that the management splitted the items to avoid tendering which reflected gross violation of rules.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023. The management informed the DAC that all the procurements made by PIDC/NIP during the year 2021-22 were procured on the basis of requirements received from various departments. Additionally, all the items mentioned in the below list are of miscellaneous nature, therefore, it is impossible to procure items of different nature from a single company/vendor through bidding. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.38 Irregular Award of Janitorial Services Contract – Rs. 5.749 million

Rule 27 of PPRA Rules states that the procuring agency finds it necessary to extend such deadline; it shall do so only after recording its reasons in writing and in an equal opportunity manner. Advertisement of such extension in time shall be done in a manner similar to the original advertisement.

Rule 31 (1) of PPRA Rules 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 the audit of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC) for the fiscal year 2021–2022, it was observed that first bids were called for Janitorial Services on February 21, 2021. Last date of submission and opening was 9th March, 2021. All the 09 bids were subsequently revoked after opening without providing reasons/justifications in writing. Then, on March 14, 2021, re-tender notice was published wherein single stage-two enevelope bidding procedure was adopted. Financial bids were opened on March 31, 2021 in which 04 bidders participated and M/s The House Keepers was awarded the contract for three years at a rate of Rs. 159,705 per month.

Audit observed following irregularities in procurement process:

i. First tender bids were revoked without providing any justification. Prior to inviting rebids, the procuring agency is required to evaluate the grounds for rejection which wasn’t done in this case.

ii. The bid of M/s The Housekeeper was changed after it had been opened in violation of rules. The Bidder asked and agreed to accept 5.5% less than the rates it had stated in the financial bid. The bids were opened on March 31, 2021, but interestingly, the bidder had already received the service contract agreement on March 21, 2021.

iii. Since the date was not stated on the technical evaluation summary, the audit was unable to determine when the technical evaluation was completed or whether it was new or the previous one.

Audit is of the view that tender process was not conducted in a transparent manner flagrantly violating PPRA rules.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 14, 2023. The management informed the DAC that the procuring agency can reject some or all bid/offers as per PPRA rules. New tendering process was carried out, in which M/s House Keepers quoted 5.5% below rates. It is pertinent to mention here that technical evaluation was carried on 9-4-2021. Furthermore, the effective date of the Service Contract is 1-4-2021 rather than 21-3-2021. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.39 Irregular appointment of Manager (IT) - Rs.4.500 million

According to the advertisement dated 24-3-2020 for the post of Manager Information Technology (IT) the required qualification was BS in IT / related field with Microsoft server/ Specialist Certificate and 5-10 years' experience in Managing MIS/ IT Department of reputable organization.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management appointed Mr. Faisal Ahmed Malik as Manager (IT) on 26-06-2020 at a salary of Rs. 125,000 per month along with other perquisites. However, the management rejected suitable candidates having relevant qualification / experience and appointed Mr. Faisal despite that he did not even possess the required qualification and experience. He was awarded 21 out of 25 marks in the qualification criteria.

Audit is of the view that management extended undue favor to the incumbent by appointing him as Manager IT without relevant qualification and by rejecting the other more suitable candidates. Thus, appointment of incumbent and payment of salary of Rs 4.500 million (Rs 125,000*36 months) stands irregular/ un-justified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13, 2023. The management informed the DAC that Mr. Faisal Malik had substantial experience working both nationally and internationally in the field of IT with a degree in BS (Electronics Engineering) from Sir Syed University of Engineering and Technology and specialized IT certifications (MS CP, MS Server Specialist). Since the profile of Mr. Faisal was in compliance with the prescribed criteria and he also got the highest marks in the interview, hence, he appeared to be the most suitable candidate for the position. It may be noted that engineering degrees are considered a more in-depth study of their respective fields. IT Infrastructure and IT electric devices/circuits are covered under electronics engineering also. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.40 Unjustified award of contract at exorbitant rates - Rs.4.134 million

Rule 4 of PPRA, 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.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that M/s Kazi Nisar was awarded contract of Package VII in BQIP Phase-III development works at a cost of Rs.799.903 million for construction of Infrastructure works, Office Building, Rescue Building, Boundary Wall and Watch Towers, disregarding the fact that the same contractor had not completed even a single out of 8 watch towers in Package III- Phase-II of BQIP. Further, in this tender the contract for construction of 8 watch towers is again awarded to the same contractor at a cost

Rs 7,756,586 which is 114.12 % higher than the previous cost given by same contractor for same items. The difference in cost is hereunder;

Total Cost of 8 Watch Towers Package VII-Phase III	7,756,586
Total Cost of 8 Watch Towers Package III-Phase II	3,622,630
Difference	**4,133,956**
Increase in Cost %	**114.12**

Audit is of the view that the award of work was irregular as the contractor had not successfully completed execution of the work in another similar work and award of work in instant case was at exorbitant cost.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that Phase-II Package-III tender date is October 2018; and Phase-III Package-VII tender date is December 2021. Over a period of 3 years (2018 – 2021) there have been significant changes in the costs and comparing the two periods would not be logical. The watch towers were not completed in pervious package III because some area of Package-III boundary wall work could not be completed due to claim of land by Pakistan Railway inside BQIP area. As the issue took around 2 years to settle the remaining part was included in Package-VII. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.41 Irregular appointment of Assistant Manager (Estate) - Rs.3.440 million

According to the advertisement dated 02-08-2019 for the post of Assistant Manager Estate, the required qualification and experience was MBA / BE with minimum relevant experience of 10 years.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the management appointed Mr. Hamza Baloch as Assistant Manager (Estate) on 07-11-2019 at a monthly salary of Rs. 80,000. Following irregularities were observed:

- He possessed less than two (02) years relevant experience against the required minimum of 10 years.

- He provided an MBA degree from Greenwich University but it does not offer “MBA in Finance” instead it offers MBA Business and Finance (B&F), this was highlighted by HEC.
- The year of passing of degree was 2013 while in declaration, the year of passing is 2007.
- Further, he has submitted an experience certificate w.e.f October 05, 2005 to November 10, 2007 as Finance Executive from Paragon City which is located in Karachi but during the said period, he was studying MBA in Finance from Greenwich University in Quetta as per his declaration. Also, Greenwich University Pakistan does not have any campus in Quetta.

Audit is of the view that management extended undue favor to the incumbent by without him having the required relevant experience. Thus, appointment of incumbent and payment of salary Rs.3.440 million (Rs. 80,000*43 months) stands irregular / un-justified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the position of Assistant Manager Estate was advertised on 02nd August, 2019 in compliance with the Government stipulated recruitment procedure and as per the requirements of the Company. The interview committee found Mr. Hamza Baloch to be the most suitable candidate for employment. It is important to mention here that the field of Industrial Estate Management is an exclusive niche and therefore there is a great dearth of candidates with the specific required experience of Industrial Estate Management. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.42 Irregular payment during stay orders of court – Rs. 3.319 million

Rule 4(3) of the Public Sector Companies (Corporate Governance) Rules, 2017 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 Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the contract for Packages I, in Phase-II of Bin Qasim Industrial Park (BQIP) development work in 2019, was awarded to M/s Kazi Nisar-Shangrilla JV for a total sum of Rs. 529.990 million. It was noticed that said Package was substantially completed and taken over on 28.12.2021. Moreover, there was court's stay order on hiring of fresh contractor in BQIP in place from 22.12.2021 till 31.08.2022. However, upon inspection of record it came to light that IPC-7 amounting to Rs. 3,319,749 against work done was paid during the period of court's stay order in June 2022.

Audit is of the view that despite substantial completion and take over of the project by 28.12.2021, the contractor was paid Rs.3.319 million for work done as per IPC 7 during the period of court stay order, hence payment of Rs.3.319 million stands irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that the court stay order affected only two specific new packages VII & VIII of Phase III within the BQIP project, and as a result, those packages (VII and VIII) were not awarded to any contractors. The rest of the BQIP project Phase-II continued as per the contract agreements against which there was no Court stay. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.43 Un-justified and irregular appointment of Research Associates-Rs.2.095 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.

Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees / Board.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that Board Human Resource Committee (BHRC) in its meeting held on 27-06-2022 approved the setting up of a three-member Industrial Research & Analysis (IR&A) team / cell as proposed at an approximate monthly lumpsum remuneration of Rs 80,000-100,000/- each. Given the urgency, the CEO PIDC is authorized to immediately hire suitable candidates from the available HR database for a period of 3 months. PIDC shall simultaneously start the process of hiring for the positions through due process within 6-8 weeks at appropriate terms and conditions. The management hired the Research Associates with the justification for setting up PIDC IR&A Cell at Islamabad: that PIDC is undergoing a transformation and one of its emerging roles after merger of NIP is to develop Industrial Zones on behalf of the Federal Government it was agreed that PIDC should also undertake Industrial Research Projects to provide support to the Ministry in policy making.

Later on, management appointed the following incumbents as Research Associates for a period of 3 months and subsequently rehired for period of one year extendable with mutual consent:

S#	Name	Salary	Period	Amount (Rs.)
1.	Mr. Ahmad Hafeez	90,000+ 32,377 (120-liter petrol cost)	08 months	979,016
2.	Ms. Maham Naeem	90,000+32,377 (120-liter petrol cost)	2 months	244,754
3.	Mr. Bilal Aftab	90,000+32,377 (120-liter petrol cost)	-	240,000
4.	Ms. Jawaria Anjum	62623+32,377 (120-liter petrol cost)	08 months	760,000
			Total	**2,223,770**

Further, it was also observed that PIDC had a full fledge Research & Evaluation Department and during the period management conducted different/ above research/ feasibility on behalf of the MoIP through different consultants and paid huge amount to them ranging from Rs.2.5 million to Rs.0.45 million.

Furthermore, management appointed Ms. Jawaria Anum as Research Associate vide letter dated 23 November 2022 without advertisement / Selection Committee / codal formalities / competitive process in violation of above rules.

Audit is of the view that management took an irrational decision for hiring of Research Associates and one of them without full filling codal formalities to accommodate the above incumbents at the cost of the Corporation despite having own Research Department. Thus, the Corporation sustained a loss of Rs 2.223 million on account of salary & allied benefits.

The matter was reported to the management in June 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management informed that on the request of the Ministry, three Research Associates from leading universities were hired and attached with Ministry on urgent basis for 03 months after Board approval. Subsequently, 1-year contracts were given through transparent advertisement process, but only one is currently working. The Chair showed displeasure and raise query that it was not in his knowledge that such resource is working under him. As far as Ms. Jawaria was also shortlisted and ranked No. 4 in the merit list. Subsequently, one of the RA resigned and she was offered the vacant position as the waiting candidate. DAC directed that research assignments may be shared with audit and Ministry.

Audit recommends implementation of the DAC directives.

9.2.4.44 Irregular appointment of external auditor - Rs.1.615 million

According to guidelines/letter dated January 02, 2002 issued by the Auditor General of Pakistan in accordance with the provisions of Section 15(1) of the Auditor General's (Functions, powers and terms and conditions of Service) Ordinance, 2001, the auditors should be appointed in consultation with Auditor General of Pakistan and rotated after every 5 years. Instructions were issued in compliance of Finance Division's letter dated March 25, 1981.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that it was observed that management appointed audit firms namely M/s. BDO Ebrahim and M/s Baker Tilly without obtaining concurrence of the Auditor General of Pakistan. The details of payments are as under:

Description	Amount(Rs)
Audit of the financial statement for the year ended June 30 2020 (**M/s BDO)**	356,400
Paid against Audit of FY2021, Assurance Report, Review of COCG 2016, SUKUK payment and Audit of FY 2012 & 2013**(M/s BDO)**	540,500
Audit fee of NIP PF for year 2014, 2015 & 2016 **(M/s BDO)**	53,460
Audit of Financial Statements of "Aik Hunar Aik Nagar" for the year ended June-30, 2021 **(M/s BDO)**	207,900
Daily Allowance to Baker Tilly auditors for the half yearly review of PIDC for the period ending Dec31-2021. **(M/s Baker Tilly)**	24,800
Recording payment of professional fee for review of financial statements of PIDC for the period ended 31st Dec-2021. **(M/s Baker Tilly)**	432,000
Total	**1,615,060**

Audit is of the view that the appointment of external auditors without the concurrence of the Auditor General of Pakistan was held irregular and unjustified.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that PIDC is a Public Sector Private Limited Company, governed under the provisions of the Companies Act, 2017 and Public Sector Companies (Corporate Governance) Rules, 2013 PSC (CGR). In accordance with rule 21 of the PSC (CGR), the Audit Committee of the Board recommends the appointment of an external auditor to the Board of Directors and subsequently, the Board approves and recommends it to shareholders for final approval in the General Meeting. PIDC appointed external auditors in accordance with rule 23 of the PSC (CGR) which complies with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as applicable in Pakistan. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.45 Irregular promotion of Ex-Assistant (NE-VII) as Assistant Manager

Rule 5 c (ii) of Public Sector Companies Corporate Governance Rules 2013 states that ensuring equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. The Board may nominate a committee consisting of one of its members or senior Executives for investigating, where necessary on a confidential basis, any deviation from the company's code of conduct.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that Mr. Saleem was promoted and later appointed as Assistant Manager Transport in 2015. Before the said promotion he was appointed in Grade VIII-NE on 01.04.2012 and had not yet completed 5 years in the existing grade required for promotion. The record reflected that the process of his promotion was hurriedly carried out by Ex-GM Admin Mr. Ashfaq Ahmed, the said Ex-GM Admin is currently in suspension in compliance of PAC directive on account of misconduct in affairs of PIDC during his tenure. A memorandum was issued on January 01, 2015 (Thursday) by GM (A&P) wherein 06 employees from Non-Executive Cadre including Mr. Saleem were offered promotion and were required to convey their acceptance within two days (On Friday). Subsequently only Mr. Saleem who was at no. 5 in that list gave his approval on the same day while the others didn't have enough time to respond.

Audit is of the view that promotion and appointment of Assistant Manager, at the age of 44 years having only passed Intermediate (E Grade) without any advertisement/due process and required service of 05 years in his previous Grade, was not in order.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 14, 2023. The management informed the DAC that Mr. Muhammad Saleem was appointed as Naib Qasid on 19.10.1989 against the sanctioned vacant position. Hence, to fill up the vacant position of Assistant Manager (Transport), the most suitable person i.e., Mr. Muhammad Saleem was already available. Hence, he was promoted to Assistant Manager (Transport) with effect from 01.02.2015 since then he has been performing the duties of AM (Transport) satisfactorily. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.46 Irregular appointment and benefits allowed to Chief Financial Officer

Rule 14(2) of Public Sector Companies (Corporate Governance) Rules, 2013 states that no person shall be appointed as the chief financial officer of a Public Sector Company unless he is,

a) A member of a recognized body of professional accountants with at least five years' relevant experience, in case of Public Sector Companies having total assets of five billion rupees or more; or
b) A person holding a master degree in finance from a university recognized by the Higher Education Commission with at least ten years' relevant experience, in case of other Public Sector Companies."

Eligibility Criteria in the Advertisement:

1. FCA/ACA/FCMA/ACMA or equivalent
2. 15 years of relevant experience at large local or multinational companies
3. Some exposure of Public Sector Companies will be an advantage
4. Max Age 50 years

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2021-22, it was observed that the advertisement for the post of CFO PIDC was published in DAWN on 15.12.2019 and Mr. Saleem was selected as CFO by a special 133rd meeting of the Board of Directors who joined PIDC on 01.03.2019. The Advertisement was published without requisite details and the eligibility criteria did not match with required criteria of PSC Rules. Mr. Saleem at the time was over 50 years of age. Matter of his irregular appointment was later placed before BoD. Board in its 138th Meeting held on June 30, 2021 directed to advertise the position of CFO with an age limit of 55 years. Thus, he was re-appointed by extending the upper age limit to 55 years through advertisement published on 31.07.2021. The Interviews were conducted by 31st HR committee on October 4, 2021 instead of the Board. Three members were made part of the HR Committee on Special invitation who favoured re-appointment of the incumbent CFO. Record of his re-appointment was not provided to Audit. The excerpts of data were found in the file of recently hired Manager Finance.

Besides, following irregularities were also observed;

1. He availed irregular additional charge allowance by not assuming regular charge of CFO PIDC despite resignation of Ex-CFO on 12.01.2020 and issuance of his appointment letter on 15.01.2020. He resigned as CFO NIP on 30.01.2020 and assumed regular charge in PIDC on 01.03.2019.
2. He worked with Deloitte Yousuf Adil from 1990-1997. Since his appointment as CFO, the same firm has been appointed as Tax Consultant, Internal Audit Consultant and R&E consultant. One of the references in the declaration given by him is also a partner at Deloitte Yousuf Adil.
3. Since his appointment as CFO first in NIP in and later in PIDC, the management has started accepting performance securities issued by non-reputable insurance companies such as UIC and EWI. The contractor M/s Gul Construction, whose bank guarantee was later found to be forged, had sought performance securities from UIC for his two other projects which were also terminated by PIDC.
4. Mr. Saleem was given a 1.6 Altis Corolla beyond his entitlement category in NIP which he retained after leaving where he only served for 9 months. After joining PIDC he got a new Toyota Yaris-1300 cc car. The Corolla Altis was given to him on buy back against the rules that the car had to be in custody of the user for at least 5 years. The car still appears in the books of the company as an un-depreciated asset.

Audit is of the view that the management has extended undue favour to the incumbent first in his appointment and then by giving him irregular benefits such as higher than market salary, extra fuel and allowing retention of NIP vehicle.

The matter was reported to the management in June, 2023. The irregularity was discussed in DAC meeting held on December 14, 2023. The management informed the DAC that publishing advertisements anonymously is an allowed practice to avoid references and pressures. Furthermore, the transparency of the hiring process of the CFO was ensured by complying with the relevant recruitment policy and the rules which included the publishing of the advertisement, the submission of applications, shortlisting and conducting interviews. Public Sector Companies (Corporate Governance) Rules, 2013 only mentioned the basic criteria for the appointment of CFO and It is the prerogative of the PSC to set any additional criteria. It's important to note that all recommendations from the committee meetings received subsequent approval from the Board. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.47 Irregular appointment, promotion and regularization of company secretary

According to Section 14 (4) of Public Sector Companies (Corporate Governance) Rules, 2013 states that, no person shall be appointed as the company secretary of a Public Sector Company unless he is a (c) Person holding a master degree in business administration or commerce or being a law graduate from a university recognized by the Higher Education Commission with at least five years' relevant experience."

The advertisement dated April 24, 2002 for Internship stated that the selected internees shall be offered internship for a period of six months to one year on fixed monthly stipend with no commitment for subsequent absorption in permanent cadre.

Clause No. 10 of the letter No. Per./Rectt. /Internees/05 dated Aug 30, 2002, stated that there is no assurance of your employment/appointment in regular cadre upon completion of your internship.

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that following irregularities were found in the appointment, promotion and regularization of Ms. Humaira Adil:

i. She was initially appointed as an Intern for 6 Months in Chairman Sectt w.e.f. 02.09.2002.
ii. She (an MBA) was appointed against an engineering vacancy in Executive Grade II.
iii. Her contract was renewed for further four (04) years in addition to 02 already served with pay increases without seeking approval of the

competent authority (01.07.2007 to 30.06.2009 for 02 years & again w.e.f 01.07.2009 to 30.06.2011 for further 02 years).

iv. She was appointed as Deputy Manager PPME in E-III on contract basis on July 12, 2010 against the five years' experience required for promotion.

v. Her services were regularized by BoD without mentioning of specific date for such regularization.

vi. She was confirmed in Grade E-III as Dy. Manager PPME on July 12, 2011 and later promoted to Executive Grade E-IV as Manager PPME Division on the next day w.e.f. July 13, 2011. The post of Deputy Manager (PPME Grade III) held by her was upgraded to Grade IV w.e.f her promotion.

vii. In compliance of DAC directives on Special Audit Report of PIDC for the year 2010-11 to 2012-13, she was reverted to Grade III and posted as Deputy Manager HR on March 31, 2021. However, recovery of excess payments made to her during the said irregular period is still pending. Further, the management in supersession of DAC directives restored her as Manager on same salary with back date promotion w.e.f 13.07.2015.

viii. On June 03, 2019, she was re-designated as Manager (Corporate Affairs) besides working in CEO's Secretariat. On June 30, 2020, the charge of HR Department was given to her temporarily till the appointment of permanent Head of HR by the orders of CEO, Mr. Rizwan Bhatti. On the same day, she was notified to be Company Secretary w.e.f. 01.07.2020. She holds charge of three separate posts simultaneously.

ix. The data provided by her in the declaration and data observed by Audit from her files is in contradiction to each other. In the declaration she has stated that she worked as Assistant Manager (Contract) PPME Dept PIDC w.e.f 02.09.2002 to 11.07.2010, however from her record it was observed that she was working as an internee from 02.09.2002 to 30.06.2005. After that she was hired as AM (Projects) w.e.f 01.07.2005 until her promotion on 12.07.2010.

x. Further, as per her domicile, issued on 03-11-2010, the date of arrival in place of her domicile district Chakwal, Punjab was “Since Birth”. However, as per her declaration, she was born, educated and living in Karachi since birth (02.03.1977).

xi. The unnumbered resolution notifying her appointment as Company Secretary was not made part of the Minutes of the subsequent Board meeting. It was signed by only 5 out of the 11 board members. The Chairman BoD has also not signed the resolution.

xii. She also did not possess five years of relevant experience required for the post of Company Secretary. She did not possess a Master’s Degree from a HEC registered institution; instead she was an MBA (Finance) from Bahria Institute of Management and Computer Sciences. However, the said institute is not recognized by HEC.

Audit is of the view that internee extensions, conversion of internship slot into contractual appointment and subsequent appointment, regularization and promotion without meeting eligibility criteria and due process and variation of facts was not justified and are irregular. Further, the appointment of the Company Secretary was in violation of rules.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 14, 2023.

A. The management informed the DAC that initially their internship was for six months which was extended upon recommendation of the department head, their internship was extended every 6 months as per the internship agreement till 2005 with the approval of the then CEO and Hon’ble Minister, IP&SI being Chairman, PIDC. In 2004, in the best interests of the organization CEO proposed the two internees (out of nine) working in the organization be inducted against the approved strength of two Assistant Managers in the PPME department. They were appointed as AM (PPME) on 1.7.2005 on contract basis. After serving for a period of more than 5 years in the capacity of AM (PPME) position, the services of Ms. Homaira Adil were regularized as DM (PPME) on a permanent basis in line with the Government policy to regularize the employees working on contract basis since 2007-08 after the endorsement/approval of the Board.

B. The management informed the DAC that there was no false declaration submitted by Ms. Homaira Adil as she did not include the position-wise breakdown that she held at PIDC when she submitted the personal record form; rather, she just mentioned her present title at PIDC i.e. Assistant Manager (PPME) and the entire duration she had worked to date at that time. The domicile was issued on the basis of her permanent address mentioned on CNIC which was district Chakwal. Marital status and other particulars mentioned in the domicile were inadvertently filled on assumptions by the relevant office.

C. The management informed the DAC that keeping in view the statutory nature, the Company Secretary's position cannot be left vacant, before the retirement of Mr. Zahid-ur-Rehman Mughal, Ex Company Secretary on June 30, 2020, the management executed a succession plan and recommended Ms. Homaira Adil to the Board as the most suitable internal candidate and to avoid additional cost by employing new Company Secretary. She also meets the eligibility criteria and has 7 years of experience as Manager, Corporate Affairs. Resolution by Circulation for the appointment of Company Secretary was placed before the PIDC Board for approval and was approved in its 135th meeting held on September 3, 2020 which was accordingly reflected in the minutes. Please note that the Resolution by Circulation was signed by directors including the Chairman which was subsequently, approved as stated above.

DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP NO. 369, 370, 430 & 436)

9.2.4.48 Irregular appointment of Chief Internal Auditor

Rule 22 (2) of Public Sector Companies (Corporate Governance) Rules 2013, states that no person shall be appointed to the position of the chief internal auditor unless he is considered and approved as "fit and proper" for the position by the Audit Committee and unless he has five years of relevant audit experience and is a, -

a) Member of a recognized body of professional accountants; or
b) Certified internal auditor; or
c) Certified fraud examiner; or
d) Certified internal control auditor; or

e) Person holding a master degree in finance from a university recognized by the Higher Education Commission."

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that Mr. Naveed Rasheed was appointed as Chief Internal Auditor (CIA) in Grade E-V equivalent to DGM). Following irregularities were observed in his appointment:

i. His total experience at Manager/Equivalent Grade was 2 years and 5 months which was less against the requisite criteria i.e. minimum 05 years of relevant experience in large local or multinational organization(s).
ii. Instead of Board HR Committee, a two-member Committee comprising GM/HR & GM/Admin scrutinized/shortlisted the credentials and final selection Minutes were only signed by Chairman, BoD on 14.01.2020. He was extended undue favor by giving subjective and biased marking.
iii. At the time of the interview, Mr. Naveed Rasheed was already serving as CIA, NIP which was in the process of merger with PIDC and he was also holding the charge of CIA, PIDC at the same time.

Audit is of the view that the management extended undue favour to the incumbent in the appointment which reflects negligence and slackness.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that although PIDC's name was not mentioned in the advertisement, however, it was clearly advertised that the position is vacant in a large public sector organization. At the time of advertisement on 15 Dec 2019, the CIA had a total experience of more than 14 years in audit out of which, he had experience of 8 years in managing the internal audit department. In any case, he met the requirement of PSC (CG) Rules, 2013 i.e. minimum 5 years of relevant experience in internal audit. PSC CG Rules, 2013 only mentioned the basic criteria for the appointment of CIA and it is the prerogative of the PSC to set any additional criteria. Shortlisting is an administrative task, which was delegated by the Board HR committee to GMs according to rules and practices at PIDC. Board meeting minutes are only to be signed by the Chairman according to Rule No. 6(3) of public sector Corporate Governance Rules, which states that "The chairman of the Board shall ensure that minutes of meetings of the Board are appropriately recorded by approving them under his signature." The Board awarded the interview marks by considering his profile and responses during the interview. His most relevant experience in Real estate and Development projects was a plus point. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.2.4.49 Irregular appointments on various key positions

Rule 5 c (ii) of Public Sector Companies (Corporate Governance) Rules, 2013, states that, ensuring equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. The Board may nominate a committee consisting of one of its members or senior Executives for investigating, where necessary on a confidential basis, any deviation from the company's code of conduct;

During audit of Pakistan Industrial Development Corporation (PIDC), Head Office Karachi for the year 2021-22, it was observed that the process of hiring of employees was marred with irregularities as follows:

S.#	Name & Designation	Remarks
1	Mr. Aftab Shaikh Manager Technical	• Irregular appointment without Advertisement. Six people had appeared for the interview of Manager Technical; he was not one of them. He had applied for the post of CTO advertised on 17.02.2019. • Appointed as Manager Technical at a Salary of 180,000, his current salary as of 1.1.2023 is 273,312, an increase of 52% in 3.5 years. Also given a 1300 CC new car over and above the entitlement of his category. • The whole process of interview till joining took less than 10 days, the interview was conducted on 21.06.2019, appointment letter issued on 26.6.2019, accepted on 27.6.2019 and joined on 1.7.2019. • Experience certificate of PAF in his file is without proper letter head and stamped by Pak PWD Executive Engineer. • In his CV he has mentioned he was working as Deputy Director from 2006 to 2009 in PAF. But his last tenure at PAF, as per the CV, is AD (Works) from March 2014 to June 2016. • HR Head favoured him by giving following remarks in interview, " His profile is most suitable for the Manager Technical Position and his disposition is also good. As he has a military background, presentation and discipline are also up to mark. He is strongly recommended for the vacant position."
2	Mr. Faizan Khan AM Projects Supervision	• As per PEC record working simultaneously for contractor Haji M Ramzan as well as his job at PIDC. • The contractor is based in Punjab, interestingly Mr. Faizan has been looking after the Project Rachna Industrial Park which is also based in Punjab.
3	Mr. Zeeshan	• Non- Recovery of excess payment in light of DAC directives w.e.f

	Manager R&E	01.06.2012 to 24.07.2014. • PEC expired since 2002.
4	Mr. Abdul Khalique Estate Officer	• Date of advertisement is 02.08.2019. • Irregular appointment, undue favour given by committee members. • Mr. Khalique was unanimously recommended by all three members of the interview panel with following remarks: o Aftab Shaikh remarked, “He can be utilized for other jobs at KCIP"; o Javed Shaikh remarked," Can be utilized as Mechanical Engineer Also"; o Asghar Mustafa remarked," Khalique for lack of a better candidate is suitable for Estate Officer KCIP. He is an Engineer by education and has knowledge of estate office position but no relevant work experience. Technical Evaluation by Project Manager (KCIP) is that he can catch up quickly and get polished." • Irrelevant Degree and Experience. He is an engineer while the required degree was B. Com and 7 years of relevant experience which he didn’t possess.
6	Vijay Kumar DM Accounts	• Date of advertisement is 03.03.2019. • An interview was held on May 18, 2019 attended by Rizwan Bhatti CEO, Saleem Ahmed CFO, Muhammad Afzal Chairman BoD. • The Committee unanimously approved the appointment of Vijay Kumar as Deputy Manager Accounts despite the fact that the said post was neither part of the advertisement, nor he had applied for it. • Further, Mr. Vijay didn’t even possess the required degree of MBA Finance. He has MBA in Management and Administration. • Moreover, his experience too was short by 2 years as his service from June 2016 till date of application could not be verified as no experience certificate was available in his file pertaining to the period.
6	Asghar Mustafa HR and Admin Head	• Date of advertisement is 31.03.2019. An interview was held on May 18, 2019 attended by Rizwan Bhatti CEO, Saleem Ahmed CFO, Muhammad Afzal Chairman BoD. • The said Interview was for the posts of CTO, HR Head & Manager Accounts on the same day despite date of Advertisement being different in each case. • Mr. Asghar applied before the Ad was published on 31.03.2019. He seems to already know about the vacancy and applied on 27.03.2019. • Undue favour in appointment given by interview panel. • Mr. Asghar has subsequently been involved in irregular hiring of people. • Involved in irregular disposal of assets.
7	Ms. Beenish AM Internal Audit	• Date of advertisement is 05.03.2017. • Irrelevant Degree and Experience. Not ACCA as required and did not have experience of working in accounting firms. She worked as lecturer and her last job was in Pakistan Stock Exchange (PSX).

		• She has done CIMA which is relevant for managerial accounting. ACCA are qualified internal auditors. • Worked as AM R&E and now as AM Corporate Department instead of his parent department of Internal Audit. • Overage at the time of appointment by almost a year. She joined in July 2017 when she was 36 (DOB is 17.6.1981). • Her CIMA was not complete at the time of application.

8	Wajid Shaikh AM Site BQIP	• Date of advertisement is 02.08.2019. Ad for the post was issued on Aug-02-2019 however in the file Ad dated 03.03.2019 is placed in which the experience criteria apparently favoured Mr. Wajid.
		• In his CV which was used for assessment by the Interview Panel he wrote that he worked for ECIL Consultants as Site Engineer from Jan 2009 to March 2010 however as per Experience Certificate submitted by him that period is covered by his brief stint as Trainee Engineer with Indusmen Corporation from 31st Jan 2019 to 30th June 2009.
		• As per original Ad, minimum 10 years of Site supervision for Industrial Infrastructure Works including 2 Years of design work was required. However, only part of his 3-year period with Indusmen (Feb 2011 to Jan 2014) is on an Industrial Project, the rest of his 7 year experience is not related to Industrial Infrastructure.
		• Out of 2 years' design experience required, he only worked some portion of his 9 months with Techno (April 2010 to Jan 2011) as Junior Engineer on Designing.
		• His experience from April 2010 to Aug 2019 (Closing Date), it comes out to be 9 years and 4 months which is less than the total required of 10 years.
		• He only has partial 3 years of the total 10 years relevant required and only 6 months of design out of 2 required. That too is disputed and would need further proof.
		• He hasn't bothered to get his PEC renewed which has expired since Dec 2020.
		• Despite of his obvious lack of required experience and expertise, he was given 19 out of 20 marks for his work history by the Interview panel.
		• The remarks of the members of the interview panel were as follows:
		  o Aftab Shaikh remarked," Sufficient experience with consultant and contractor. Recommended for the post of AM (Project) at Site."
		  o Javed Shaikh remarked, "Relevant Experience and technically sound, will be useful for project."
		  o Asghar Mustafa Remarked, " Wajid has the right technical know-how and skillset for the requirements.... is currently drawing a salary of Rs. 115,000 PM and is looking for a salary of 135,000 PM."
		• During interview he was given following 52 marks out of 60 in the categories of Emotional Stability, Intellectual Capability and Energy Drive. These marks are totally discretionary. Also, the category of

		Energy and Drive, in which he is given 18 Marks, is so arbitrary and subjective.
9	Mr. Mujahid AM HR	• Date of advertisement is 03.03.2019. • Irrelevant Degree. Required MBA HRM, he has MBA (Commerce & Economics).
10	Mr. Awais AM Admin	• Date of advertisement is 03.03.2019. • Doubtful MBA (B&F) degree and experience certificates. Both maybe sent for verification. • HEC verification only on photocopies not originals. • As per declaration he was working during 2008-11 while also doing MBA from 2008-10. • Experience certificates may be verified; degree may be sent to the university for verification. • No mention of discipline on the degree. • Secured 83 marks in the interview, totally subjective interview criteria such as energy and drive. • Joined on 1.8.2019 @ Rs. 55,000 Gross Salary. His salary w.e.f 1.1.2023 is 101,190. Salary 84% increased in three years. • No proof that he worked in KE from 2011-15. • Involved in irregular disposal of assets along with HR Head.

Audit is of the view that the appointments without taking into account eligibility and non-following of due process were unjustified irregular.

The matter was reported to the management in June, 2023. The irregularity was discussed in the DAC meeting held on December 13 & 14, 2023. The management informed the DAC that all the recruitments were made in accordance with the rules. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.3 Karachi Tools, Dies and Moulds Centre

9.3.1 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).

9.3.2 Comments on Audited Accounts

9.3.2.1 The working results of company for the years ended June 30, 2022 as compared to previous years are given below:

					(Rs. in million)
	2021-22	**% Inc / Dec**	**2020-21**	**% Inc / Dec**	**2019-20**
Income	246.13	18.49	207.72	27.17	163.34
Other Income	12.16	61.07	7.55	(53.07)	16.09
Total Income	258.29	19.99	215.27	19.98	179.43
Direct Cost	(192.51)	16.81	(164.81)	24.52	(132.35)
Admin Expense	(36.08)	15.12	(31.34)	3.34	(30.33)
Total Expenses	(228.59)	16.54	(196.15)	20.58	(162.68)
Surplus/Deficit	29.70	55.36	19.12	14.21	16.74

(Source: Annual Audited Accounts)

9.3.2.2 Admin expenses increased by 15.12% to Rs 36.08 million during FY 2021-22 from Rs 31.34 million in FY 2020-21 due to increase in salaries and other expenses.

9.3.2.3 Tax refunds due from FBR increased by 14.07% to Rs. 83.145 million during FY 2021-22 from Rs.72.889 million due to non-recovery / non-adjustments from tax authorities.

9.3.3 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%**

The overall compliance of PAC directives needed improvement.

9.3.4 Audit Paras

9.3.4.1 Disbursement of amount from a Lapsable Assignment Account in June – Rs 99.935 million

General Financial Rule 96 states that it is contrary to the interest of the State that money-should be spent hastily or in an ill-considered manner merely because it is available or that the laps of a grant could be avoided. 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. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was noted that management received an amount of Rs. 100 million in December, 2021 for utilizeation on Establishment of High Tensile Sheet Metal Dies Manufacturing and Titanium Coating Setup at KTDMC. The project was approved by the Ministry on August 4, 2021 for completion in 24 months at cost of Rs.400 million. The amount was remitted for opening of Letter of Credit (LC) on 21-06-2022. The details of disbursement are as:

Detailed Object Code	Budget Rs.	Cheque No.	Date of Cheque	Payee's Name	Amount in Rs.
A09601 – Purchase of Plant & Machinery	95,000,000	A962602	21/06/2022	NBP LC Margin	95,000,000
A05270 – Others	5,000,000	A962603	21/06/2022	NBP LC Margin	4,935,744
TOTAL	100,000,000				99,935,744

It was observed from reconciliation statements, bank statement and cheques that total released budget was utilized / remitted on 21-06-2022.

Audit is of the view that funds were disproportionately expended in the month of June without proper planning at the end of financial year against the financial propriety.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that Sanction was issued on December 02, 2021. Finance division released FE amounting 518,200 vide letter dated March 10, 2022. Approval for Import L/Cs was received from NBP vide letter March 30, 2022. The case was approved by SBP on June 14, 2022. Accordingly, the LC was issued June 23, 2022. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.3.4.2 Non-settlement of Advance Tax - Rs.83.145 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017 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. 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 Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that amount of Rs.83.145 million as Income Tax and Sales Tax was lying refundable / receivable from the tax authorities in respect of tax years 2017 to 2021. M/s KTDMC management also engaged services of tax consultant @ 2% of the refundable amount for recovery of tax refunds from tax authorities. However, no amount has been settled till date.

Audit is of the view that non settlement of tax receivables on time depicts incompetency on part of KTDMC management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that refund of tax year 2018 amounting to Rs.7.520 million out of Rs.8.609 million and tax year 2020 amounting to Rs.8.498 million out of Rs.9.555 million received respectively. The matter was also taken before the Federal Tax Ombudsman and FTO ordered FBR to issue the refunds. In compliance, FBR released the tax refunds in respect of tax year 2019 and 2021, amounting Rs. 986,981 and 9,357,388 respectively. The DAC directed the management to pursue the matter of refund of advance tax with tax authorities.

Audit recommends implementation of the DAC directives.

9.3.4.3 Non-deposit of funds in Gratuity Fund Account– Rs.50.787 million

According to clause 218 (2) of Companies Act, 2017, where a Provident Fund, Contributory Pension Fund, Gratuity Fund or any other contributor retirement fund has been constituted by a company for its employees or any class of its employees, all money contributed to such fund, whether by the company or by the employees or by both or received or accruing by way of interest, profit or otherwise from the date of contribution, receipt or accrual as the case may be shall either be deposited i) In a National Saving Scheme, ii) in a special account to be opened by the company for the purpose in a scheduled bank.

During the audit Karachi Tools, Dies & Moulds Centre (KTDMC), Karachi for the year 2020-21- & 2021-22, it was observed that management did not deposit the Gratuity amount of Rs.50.878 million in Gratuity Fund Account as at 30-06-2022 (based on the actuarial valuation).

Audit is of the view that non-deposit of funds in Gratuity Fund Account reflected non- compliance of Corporate Governance Rules.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that certain employees filed the Constitutional Petitions in the Honorable High Court of Sindh and claimed that they should be regularized and are deprived of retirement benefits. The estimated exposure would be Rs. 64.914 million as at June 30, 2023. However, after seeking opinion of the legal advisor, management is of the view that the said employees are not entitled for regularization and are only entitled for the benefits which have specifically been agreed upon through service agreements or appointment letter and not otherwise. Karachi. The matter is subjudice in court of law.

Audit recommends implementation of the DAC directives.

9.3.4.4 Exchange loss due to delay in Letter of Credit (LC) - Rs.16.582 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017 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. 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 Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that bids for supply, commissioning & installation of 3D Scanner Machine, CNC Machines & ZNC/CNC EDM 3 Meter were called through press advertisement dated 15-10-2021 from the national bidders. M/s Ultimate CAD Solutions Islamabad and M/s Dynamic Tooling Services Karachi were awarded the contracts on January 18, 2022 and LCs were opened in June 2022 after lapse of five months of the award of contract which caused exchanges losses as tabulated.

Product	Offered Cost US$	Dollar Rate in Rs. when Contract was Awarded (January 2022)	Total value in Rs. during month of January 2022	Dollar Rate in Rs. when LCs were opened (June 2022)	Total value in Rs. during month of June 2022	Exchange Loss in Rs.
	1	2	3(1*2)	4	5(1*4)	(3-5)
GoM 3D Scanner	104,400	177	18,478,800	209	21,819,600	(3,340,800)
CNC Machine (1 set)	85,720	177	15,172,440	209	17,915,480	(2,743,040)
CNC Machine (2 set)	163,280	177	28,900,560	209	34,125,520	(5,224,960)
ZNC/CNC EDM 3 Meter	164,800	177	29,169,600	209	34,443,200	(5,273,600)
Total	**518,200**	**177**	**91,721,400**	**209**	**108,303,800**	**(16,582,400)**

It was further observed that overall value of contracts awarded was US$ 518,200, whereas LCs opened amount was US$ 432,480. Hence, there was difference of US$ 85,720/. It was noted that CNC Machine-1 set receiving record was not available. (Annex-63)

Audit is of the view that, due to negligence of the management the company suffered exchange losses of Rs.16.582 million on account of delayed procurements.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that the case was approved by SBP on June 14, 2022. Accordingly, the LCs was issued on June 23, 2022. Further, LC of US$ 85,720 (CNC Machine-I set) was not opened in 2021-22 due to the funds required for LC opening exceeded the fund released for the year 2021-22. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.3.4.5 Non imposition of Late Delivery charges - Rs 6.239 million

As per contract agreement between KTDMC & Suppliers, buyer shall have the right to claim from the supplier payment of percentage equal to one tenth of one percent of the price of each item of the supplies not timely delivered for each calendar day, of delay, provided, however, that the total claim of payment shall not exceed ten (10) percent of the price of such incomplete items, or without prejudice to the provisions.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that Purchase Orders for supply/installation of machinery items were issued to following vendors as per details given below:

Name of Bidder	Item	Contract Value. Rs.	PO Date	Required to be Delivered On	Delivered On
M/s Dynamic Tooling Service	CNC Turning Centre	8,182,980	30-Apr-21	2-Aug-21	No delivery record found
	Cylindrical Grinder	3,852,810	30-Apr-21	2-Aug-21	25-Oct-21
	CNC ZNC EDM Machine	5,436,990	30-Apr-21	2-Aug-21	4-Sep-21
M/s Subhan Engineering	Shaper Machine	1,667,250	30-Apr-21	2-Jul-21	24-Sep-21
	Lathe Machine	1,521,000	30-Apr-21	2-Jul-21	5-Oct-21
M/s KTD Pvt Limited	Drill Machine Pedestal	620,100	30-Apr-21	2-Jul-21	3-Nov-21
M/S Jaffer Brothers	Granty Crane	10,794,000	03-Jun-19	31-Oct-19	22-Jan-20
M/s KTD Pvt Limited	SJ 20 CNC Turning Centre	9,435,000	10-Dec-21	28-Feb-22	25-Apr-22
M/s Ultimate CAD	GoM 3D Scanner	20,880,000	18-Jan-22	24-Apr-22	15-Oct-22
	Total	62,390,130			

However, above data revealed that machineries were not delivered within the agreed time period. Late delivery charges amounting to Rs.6.239 million was required to be imposed on the vendors but the same was not claimed / recovered.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that for CNC Turning Centre, manufacturer did not receive export approval from his Govt. And for Cylindrical Grinder, CNC ZNC EDM Machine etc, manufacturer faced difficulties in finding the material due to COVID 19 and machines were delayed. Granty Crane, due to shifting of existing CNC machines delivery period of crane was extended. SJ 20 CNC Turning Centre, due to the congestion of the sea port, the delivery of the machine was delayed. GoM 3D Scanner, the case was approved by SBP on June 14, 2022; LC was opened on June 23, 2022. The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.3.4.6 Non-adjustment of advances from suppliers – Rs. 5.416 million

Section 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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 Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that the management had created a provision for the recovery of its advances as doubtful from the current revenue pertaining to various suppliers amounting to Rs.5.416 million which reflects that the amounts of doubtful advances were on a very high side. The details are as under:

Description	Amount in Rs.
Impairment loss (Training)	2,754,332.00
Impairment loss (Manufacturing)	2,661,917.00
Total Advances	**5,416,249.00**

Year wise break up of doubtful advances were as under:

Year	Debt Rs.	Year	Debt Rs.
2010	182,479	2016	189,364
2012	46,978	2017	353,604
2013	257,697	2018	229,267
2014	273,638	2019	623,659
2015	275,397	2020	1,200,191
		2021	1,921,775

Audit is of the view that the due to in-effective financial management, KTDMC failed to adjustment / recover the outstanding amount, which resulted in creation of doubtful debts/credit losses and directly affected cash flow and working capital requirements of the KTDMC.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that amount of Rs. 5.416 million stated does not pertain to advance from supplier rather the amount represents the Allowance for expected credit loss and does not represent actual unrecovered amount rather it is a provision for doubtful debt. The DAC directed the management to get the adjusted/recovered amount verified from Audit.

Audit recommends implementation of the DAC directives.

9.3.4.7 Irregular payment of bonus-Rs.4.145 million

According to Finance Division (Regulations Wing) office letter No.F.3(5) R.12/80(R.14). Vol.H2201-54 dated 30th November 2001, certain autonomous bodies /semi-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).

According to Finance Division (Regulation Wing),O.M.No.F.3(5) R.12/80(R-14) 2002-154 dated Mar 18, 2002, the Managing Director and Members of the Board of Directors of autonomous/semi-autonomous bodies/public corporations/ organizations are not entitled to receive bonuses.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that during the year 2021-22 management paid an amount of Rs.4.145 million on account of performance award to the officers (including payment of Rs. 0.333 million to the CEO) and officials without concurrence of Finance Division.

Audit is of the view that management paid bonus in violation of above rules. Thus, payment of Rs 4.145 million was irregular.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. . The management informed the DAC that the performance award was approved by the Board and KTDMC is a public sector company. The DAC directed the management for verification of profit and Cash flow position of the company from audit and clarification from the Finance Division.

Audit recommends implementation of the DAC directives.

9.3.4.8 Non-disposal of vehicles - Rs.2.859 million

Rule 5(1) of the Public Sector (Corporate Governance) Rules, 2017 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 Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that Board of Directors in its 54th meeting held on dated September 01, 2021 approved the disposal of vehicles amounting to Rs. 2.859 million. However, management failed to auction the vehicles till close of audit.

S#	Vehicle No.	Make	Purchase Date	Cost (Rs)
1	CT-9376	Suzuki Bolan	Aug-07	660,000
2	GP-5562	Suzuki Cultus	Aug-07	844,060
3	AVC-336	Suzuki Alto	2011	710,000
4	GA-1415	Suzuki Cultus	2011	645,841
			Total	**2,859,901**

Audit is of the view that the management failed to dispose-off the vehicles in violation of BoD directives.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that the vehicles mentioned at the serial # 3 & 4, i.e., AVC-336 & GA-1415 was disposed in September 2019.However, the advertisement for disposal remaining two vehicles has been published on dated October 8, 2023.The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.3.4.9 Non-disposal of obsolete assets - Rs. 1.768 million

Rule 5(1) of the Public Sector (Corporate Governance) Rules, 2017 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 Karachi Tools, Dies & Moulds Centre (KTDMC) for the years 2020-22, it was observed that assets valuing Rs 1,768,308 were lying non-functional / obsolete since long and the same were not disposed off. The detail was as under:

S. No.	Asset Description	Cost Rs.
1	Furniture & Fixture	165,614
2	Computer Equipment	291,181
3	Electrical Equipment	667,824
4	Office Equipment	314,524
5	Plant & Machinery	329,165
	Total	**1,768,308**

Audit is of the view that non-disposal of these fixed assets caused a loss to the company.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 11, 2023. The management informed the DAC that all the items have been disposed Vide Tender dt: October 2021 and Tender dt: January 2023.The DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.4 Pakistan Institute of Management

9.4.1 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.

9.4.2 Comments on Audited Accounts

9.4.2.1 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)***.

9.4.3 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	-
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%
Total	**19**	**7**	**12**		**37%**

The overall compliance of PAC directives was satisfactory.

9.4.4 Audit Paras

9.4.4.1 Loss due to discontinuation of EMBA program – Rs 84.000 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, 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 Institute of Management (PIM) Karachi for the year 2021-22, it was observed that the management started Executive Master of Business Administration (EMBA) program in 1998 in affiliation with Institute of Business Administration (IBA) in May 24, 1997. This was discontinued after a period of 6 years due to cancelation of affiliation by IBA in May 20, 2004. Later on in November 26, 2009 EMBA program was affiliated with Karachi University that lasted for only two semesters and again discontinued. On February 08, 2011 Sindh Assembly granted degree awarding status to PIM. However, classes could last only for ten months and had been suspended till date. During the period 1998 to 2011, management enrolled 783 students and earned revenue of Rs.195.75 million (Rs 250,000 per students * 783 students).

Audit is of the view that had minimum of 20 students been enrolled in a year, management could have earned revenue of Rs 84.000 million (Rs 350,000 x 20 = per year 7.00 million * 12 years).

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed that matter may be taken to board for decision whether case may be pleaded to HEC considering following factors, Positive cash flow (income & exp), Diversification & Managing Human Resource. Revised reply along-with relevant documents may be sent to Ministry in the light of board decision.

Audit recommends implementation of the DAC directives.

9.4.4.2 Irregular award of consultancy work for excellence award program – Rs 28.000 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.

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

During audit of Pakistan Institute of Management (PIM) Karachi for the year 2021-22 it was observed that management of PIM entered into an agreement amounting to Rs.28.000 million with Syed Zillay A. Nawab Rizvi, sole proprietor of Hashtag Consulting Solutions on December ,2018 for development and management of the Pakistan Management Excellence Award Program (PMEA). The agreement was signed by Mr. Muhammad Abid Hussain Sabri, Ex-Executive Director, PIM for a period of five years and payment of Rs.23.650 million was made till October 2020.

According to agreement, all the expense shall be initially borne by the PIM and will be paid back to PIM in one year. Mr. Syed Zillay A. Nawab failed to make the project self -sustained after lapse of one year whereas PIM continued financing till October 2020 on the directions of Ex-Executive Director of PIM. More over faculty members pointed out the un-satisfactory progress of the PMEA project in terms of high expenditure borne by PIM.

The record reflected that no tender was issued for the aforementioned project /work. Selection of M/s Hashtag Consulting Solutions was sole decision of Ex- Executive Director, PIM. The project was started without approval of the Competent Authority. The agreement was signed on simple paper instead of stamp paper through a color printer.

Audit is of the view that due to connivance, loose internal controls and negligence management sustained a loss of Rs 23,650,552. Furthermore, no serious efforts have been taken to recover the amount from the person involved till date which resulted in huge loss to the public exchequer.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management admitted that no tender was issued for this project and Hashtag Consulting Solution was selected without fair competition. Further explained that BoG was not properly brief about the PMEA. DAC directed the management to conduct a fact-finding inquiry at Ministry level to identify the reasons for arranging the excellence award program and release of gratuity to Ex- director of PIM. Board minutes may be examined to identify the role of present ED regarding explanation of the case.

Audit recommends implementation of the DAC directives.

9.4.4.3 Loss of revenue due to non-conducting of Advance Management Program – Rs 27.00 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 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 Institute of Management (PIM) Karachi, for the year 2021-2022, it was observed that the Institute offered Advance Management Program (AMP) for senior executives to increase their knowledge and improve analytical ability since 1962. The course was designed with the help of the Harvard Business School. PIM had trained over 1000 key Pakistani executives under this program since its inception. However, program remained discontinue from time to time. As it started in August, 1995 and remained continued till September, 1998. And after gap of twelve (12) years, through the AMP course in October, 2010, 26 participants were trained. Despite Board of Governors (BOG) directives in 39th meeting held on March 28, 2011, the AMP was conducted after a delay of five years in August, 2016. The program has not been conducted since last five years.

Audit is of the view that had minimum of 15 students been enrolled in a year, management could have earned revenue of Rs 27.00 million during last the five years from 2018 to 2022 (Rs 360,000 per participants * 15 participants = 5,400,000 per year * 05 years = Rs. 27,000,000).

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to place the matter in next BoG meeting and submit the revised reply to audit and MoIP in the light of Board decision regarding steps taken by the management to revamp the program.

Audit recommends implementation of the DAC directives.

9.4.4.4 Loss of revenue due to non-achievement of target of public training programs - Rs. 25.920 million

Rule 38(1) General Finance Rules states that it is the primarily responsibility of the department authorities to see all revenues or other debts due to Government which have to be brought to account are correctly and promptly assessed, realized credited to public account.

During the audit on the accounts of Pakistan Institute of Management (PIM) Karachi for the financial year 2021-22, it had been observed that during the year 2021-22 that the management conducted 297 public training/ courses out of 405 courses scheduled and remaining 108 courses were cancelled due to unknown reasons. Management also targeted to retain the 4,863 trainees but only 3,777 trainees got trained in the scheduled courses. Detail is as under:

Period	**Training**			**Trainees**		
	Trainings Targeted	**Trainings Actual**	**Target Achieved**	**Trainees Targeted**	**Trainees Actual**	**Target Achieved**
From Jul To Dec-21	226	163	72%	2,712	2,125	78%
From Jan To Jun-22	179	134	75 %	2,148	1,652	77%
Total	405	297	73%	4,860	3,777	77%

Audit observed that management achieved only 73% of the schedule targeted courses as well as they got the trainees only 77% against the expected target trainees. Due to dismissal performance to conduct the public courses and participation in such courses was lower side i.e. 77% against the target. it has been further observed that courses wise training cost record has not been maintained by the concerned management. Thus, the feasibility and the breakeven analysis of training courses could not be determined which is negligence on the part of management.

Audit is of the view that had minimum of 12 students for 108 courses been enrolled in a year, management could have earned revenue of Rs.25.920 million (108 * 12 participants =1,296 participants * Rs 20,000 = Rs. 25,920,000)

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC directed the management to take corrective measures for achievement of targets.

Audit recommends implementation of the DAC directives.

9.4.4.5 Un-justified payment on account of house hiring-Rs.13.571 million

According to Federal Government Policy, vide OM No. F-2(3) 2003-policy dated July 31, 2004, Ministry of Housing & Works, Govt of Pakistan have issued a comprehensive policy along with scale wise rental ceiling of Government employees at the six specified stations subject to submission of necessary documents.

1. Willingness of the owner.
2. Copy of N.I.C. of the owner.
3. Copy of the drawing of the building.
4. Copy of the registration/allotment order.
5. An affidavit from the owner that his house has not been hired by any other person nor will be hired till such time it remains with the employee
6. Inventory list
7. Sub lease documents
8. Physical Inspection
9. Scrutiny of the case
10. Lease Agreement

During audit of Pakistan Institute of Management (PIM) Karachi for the year 2021-22, it was observed that management paid an amount of Rs.13.571

million on account of house hiring to their officers without submission of above documents, required for private or self-house hiring.

Audit is of the view that undue financial favor was extended by paying the house rent/ hiring to their officers amounting to Rs.13.571 million without following the prescribed rules & regulations.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management informed in DAC meeting that procedural lapses were highlighted by the Audit had been fulfilled. DAC directed that record may be provided to audit for verification in the light of contents of reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.4.4.6 Non-recovery from various sundry debtors - Rs.13.300 million

According to Para-26 of the GFR, subject to any special arrangement that may be authorized by competent authority with respect to any particular clause of receipt, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and dully credited in the accounts.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2021-22, it observed that an amount of Rs.13.300 million under the head of sundry debtors was recoverable against the various debtors at 30th, June 2022. Some instances are as under.

S.#	Name of Party	Outstanding Amount (Rs)
01	Asian Continental (Pvt) Limited	27,000
02	Asia Poultry Feeds (Pvt) Limited	54,000
03	Al-Khidmat Welfare Society	81,000
04	Artistic Milliners (Pvt) Limited	682,400
05	Adamjee Dua Built (Pvt) Limited	21,000
06	Enar Petroleum Refining Facility	108,000
07	Fauji Fertilizer Company Ltd	179,200
08	Hi- tech Lubricants Limited	351,000
09	International Steels Limited	438,000
10	Institute of Chartered Accountants	216,982

Non recovery reflected negligence of the management and poor revenue management.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. PIM management informed that all outstanding payments have been fully recovered. DAC directed the management that complete relevant record (in all respect) may be provided to Audit for verification in the light of contents of reply provided in the DAC working papers

Audit recommends implementation of the DAC directives.

9.4.4.7 Appointment without advertisement on un-approved post - Rs.11.046 million

Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees / Board.

According PIM's service rules para # 06 regarding appointment/ promotion (a) All initial appointments and promotions against sanctioned posts shall be made in consultation with Selection Committee constituted by the competent authority for the purpose in relation to each post or grade as the case may be.

During audit of Pakistan Institute of Management (PIM) Karachi for the year 2021-22, it was observed that management appointed Mr. Muhammad Ovais, as Head of Special Projects on contract basis for a period of one year, on March 09, 2017 without advertisement with monthly salary of Rs 120,000 per month on un-approved post. Detail of Salary paid to employee is as under:

S.No	Period	Per Month Salary	Total Months	Annually inc 10% (Approx)	Total Paid (Rs)
01	Mar,17 To Dec,17	120,000	10	-	1,200,000
02	Jan ,18 To Dec,18	120,000	12	134,400	1,612,800
03	Jan ,19 To Dec, 19	134,400	12	147,840	1,774,080
04	Jan ,20 To Dec, 20	147,840	12	162,624	1,951,488
05	Jan ,21 To Dec,21	162624	12	178,886	2,146,636
06	Jan ,22 To Dec,22	178,886	12	196,774	2,361,295
				Total	**11,046,299**

It is worth mention here that there was no post of Head of Special Projects in PIM. As he was appointed on contract for a period one year. All the appointment rules and policies were neglected. The post of Head of Special Projects was not advertised. Besides, merit and qualification of the employee for the service grade was not competitive based as other candidates were not invited to show interest. This irregular appointment caused the loss of Rs. 11.046 million to the institute.

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

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management explained that previous management of PIM missed legitimate procedure of advertising the post that time. DAC directed the management to conduct a fact-finding inquiry at Ministry level regarding illegal appointment. Reference to be made to Law Division to take Input of Law Division through concerned Ministry on Continuation of service on un-approved post.

Audit recommends implementation of the DAC directives.

9.4.4.8 Hiring of services without competition -Rs 5.615 million

Rule 20 of PPRA Rules, 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 Institute of Management (PIM) Karachi for the year 2021-22, it was observed that management hired the services of M/s Bahria Travels Agency without entering in competition and paid an amount of Rs 5.615 million to the agency.

Audit is of the view that hiring of travelling services without tender stands irregular and unjustified. Hence, payment of Rs.5.615 million was also held irregular.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management explained that the selection procedure was conducted in a fully transparent manner, and there was no violation made during the selection of M/s Bahria Travels. DAC directed the management to provide the relevant record for verification in the light of Audit objection and contents of reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.4.4.9 Payment on account of travelling allowance without requisite documents - Rs.5.609 million

According to Rule 10 of GFR, every officer authorized to incur expenditure from the public fund should observe high standards of financial propriety which include, the expenditure should not be prima facie more than the occasion demands and no authority should pass any orders which will be directly or indirectly to his own benefits.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2021-22, it was observed that the management incurred an expenditure of Rs 5,609,372 on account of official travelling of its officers' tours in contravention of rules and regulations. The following discrepancies were observed in sanction of amounts on account of tour programs:

i. Travelling & Daily allowance bill were not prepared for TA/DA claim.
ii. Purpose of visit was not shown to justify the tour program.
iii. Approved tour program was not issued by the competent authority.
iv. Certificate of their attendance in meeting/court were not available.
v. Counterfoil of the boarding card was not found in the record.
vi. No any authentic schedule of meetings was issued by competent authority.
vii. There was no any proper office order for nomination of officer/official issued by the competent authority.

Audit is of the view that the payment of T.A/D.A without supporting documents was irregular.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. Management explained that schedule for courses was planned and announced around six months in advance. Each faculty member was nominated for each course and everything was carrying out as per plan. DAC directed the management to provide the relevant record for verification in the light of contents of Audit objection and reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.4.4.10 Irregular / unjustified expenditure by imprest money – Rs.4.085 million

According to para 8 (viii) of Pakistan Institute of Management (PIM) Rules of business, the Director may authorize an officer of the institution to maintain a permanent advance of not more than Rs 2,000.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2021-22, it was observed that contrary to above, the management incurred expenditure of Rs 4,085,110 on account of petty expenditure fixing and allowing advance payment of Rs 100,000 to Rs 150,000 as imprest money to Admin section.

Audit is of the view that utilization of fund beyond the prescribed limit was held irregular and unjustified.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management informed the DAC that imprest accounts are used only for small transactions, such as re-imbursement of food items and lunch purchased for trainees and other incidental expenses. DAC directed the management that to get approval of the competent authority for increase in imprest amount with concurrence of Finance Division and further directed that purchasing may be made in future by following the prescribed rules.

Audit recommends implementation of the DAC directives.

9.4.4.11 Non-adjustment of advances against expenses - Rs.2.854 million

According to Para 26 of the GFR, subject to any special arrangement that may be authorized by competent authority with respect to any particular clause of receipt, it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and dully credited in the accounts

During audit of Pakistan Institute of Management (PIM), Karachi for the financial year 2021-22, it was observed that an advance of Rs 2,854,824 was outstanding against the persons / parties for the various purposes as on June 30,2022. Some instances are as under:

S#	Description	(Amount in Rs)
01	Nazir Hussain Shah	101,490
02	Branch office Lahore	849,132
03	Kaleem u din	59,100
03	Hammad Rashid	69,000
04	N&S Enterprises	143,749

Audit was of view that non-adjustment in time reflected weak resource management.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. DAC management informed that entire amount had been adjusted. DAC directed that relevant record may be provided to Audit for verification in the light of contents of reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.4.4.12 Un-justified expense of POL, repair and maintenance on vehicles – Rs 2.674 million

According to Rule-15(i) and (ii) of Staff Car Rules, 1980 updated up to 2008 required that movement register and vehicle log book shall be maintained for each staff car Govt. vehicle in charge.

During audit of Pakistan Institute of Management (PIM), Karachi for the year 2021-22, it was observed that the management had ten (10) vehicles and incurred expenditure of Rs 2.061 million on POL and Rs 0.613 million on repair & maintenance of vehicles (Total = Rs. 2.674 million). Log books of the said vehicles were called for vide requisition # 07 dated February 1st, 2023 but the same were not provided to audit because these were not maintained.

Audit is of the view that in absence / non maintenance of movement register and vehicle log book, the misused/unauthorized journeys and POL misappropriation could not be avoided therefore entire expenditure on transportation stands irregular / unauthorized.

The matter was reported to the management on April, 2023. The irregularity was discussed in the DAC meeting held on November 30, 2023. The management informed the DAC that log books and movement registers of all vehicles are properly maintained. DAC directed the management that record may be furnished to Audit for verification in the light of contents of reply provided in the DAC working papers.

Audit recommends implementation of the DAC directives.

9.5 Pakistan Steel Mills Corporation (Pvt.) Limited

9.5.1 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.

9.5.2 Comments on Audited Accounts

9.5.2.1 The working results of the Company for the year 2021-22 as compared with those of the previous years are given below:

	2021-22	**%Inc / Dec**	**2020-21 Revised**	**%Inc / Dec**	**2019-20**
Sales-Net	3,998.92	150.64	1,595.50	191.98	546.44
Cost of Sales	(10,056.61)	13.13	(8,889.42)	40.01	(6,349.15)
Gross Profit/(Loss)	(6,057.69)	(16.95)	(7,293.91)	(25.70)	(5,802.71)
Distribution costs	(45.69)	(40.98)	(77.41)	(41.49)	(132.31)
Administration expenses	(4,156.47)	31.26	(3,166.50)	8.50	(2,918.47)
Other Operating Expenses	(1,475.30)	288.23	(380.01)	(21.24)	(482.47)
Finance Cost	(14,680.77)	11.80	(13,130.88)	6.85	(12,288.96)
Total expenses	(20,358.23)	21.50	(16,754.82)	5.89	(15,822.21)
Other Income	31,491.32	468.89	5,535.61	251.65	1,659.44
Profit (loss) before Tax	5,083.71	127.46	(18,515.13)	(7.25)	(19,962.52)
Taxation	2,065.08	985.74	(233.15)	(57.03)	(542.55)
Net Profit/ (Loss) after Tax	7,148.73	138.13	(18,748.28)	(8.57)	(20,505.07)
Accumulated losses	(206,068.35)	(5.67)	(218,455.51)	6.55	(203,239.15

(Source: Annual Audited Accounts)

Administration expenses increased from Rs 3,166.51 million in the year 2020-21 to Rs 4,156.47 million in the year 2021-22, registering an increase of 31.26%. The increase in administration expense is resulted due to rise in utility charges along with salaries, wages, benefits and staff welfare.

9.5.2.2 Finance cost showed an increase to Rs 14,680.770 million in the year 2021-22 as compared to Rs 13,130.880 million in the year 2020-21 registering an increase of 11.80%. This increase is due to having substantial charges of mark up on short term and long term financing.

9.5.2.3 Current ratio deteriorated from 0.08:1 in the year 2020-21 to 0.07:1 in the year 2021-22. The decline in current ratio reflects weak liquidity condition mainly caused by relatively higher increase in current liability.

9.5.2.4 Quick ratio was 0.039 which reflected weak liquidity position, contributed by relatively higher increase in current liability.

9.5.2.5 Chartered Accountant has given qualified opinion on the following basis:

- **Stock in trade and Stores, spares and loose tools**
  Stores include amount of Rs.170.266 million in respect of stores in transit since last many years. The management has explained us that since the said spares are not be approved by the quality control, therefore, the said spares nature not yet been transferred to the stores. Also, we have not observed physical count of such stores.
- **Revision of Income Tax return**
  The Corporation has filed its income tax return on provisional basis for the tax years 2016 to 2022 as the financial statements were not finalized and audited till the due date for the submission of tax returns. Since the audited financial statements are available now, the management should revise income tax returns on the basis of audited financial statements.
- **Contingencies**
  The Corporation is involved in various litigations which involves significant claims if materialized. In the absence of confirmation from legal advisors and their opinion on the outcome of the cases, we are unable to satisfy whether provision is required to be provided against these litigations.

9.5.3 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,	31%

				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	
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%**

The overall compliance of PAC directives needs improvement.

9.5.4 Audit Paras

9.5.4.1 Non-payment of outstanding liabilities – Rs 337,340.581 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 audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that an amount of Rs 337,340.581 million was payable to various parties as on 30.06.2023 as detailed below:

	NBP LOANS	**30.06.2023**		**(Rs. in million)**
	Principal Amount	36,846,309		
	Accrued Interest	56,814,114	**93,660,423**	**93,660.423**
	SUBORDINATE LOANS		**3,767,070**	**3,767.070**
	GOP LOANS		**144,567,748**	**144,567.748**
	PAYABLE TO EMPLOYEES			
	Gratuity	2,212,681		
	Leave Encashment	661,397		
	Provident Fund	9,266,091	**12,140,169**	**12,140.169**
	DEFERRED TAX LIABLIALITY	37,625,708	**37,625,708**	
	ACCRUED EXPENSES			
	Natural Gas Bills	22,732,961		
	Water Charges	2,438,100		
	Payable to K-Electric	419,741		
	Medical Expenses	312,671		
	Salaries & Arrears	3,147,747		
	Others	2,989,943	**32,041,163**	**32,041.163**
	CREDITORS			
	Import Creditors	4,602,302		
	Local Creditors	98,156	**4,700,458**	**4,700.458**
	Deposits and advances			
	Deposits	1,114,593		
	Advances	5,823,463	**6,938,056**	**6,938.056**
	OTHER LIABILITIES		**1,899,786**	**1,899.786**
		TOTAL	**337,340,581**	**337,340.581**

Audit is of the view that the management failed to pay liabilities on due dates which reflected negligence and poor financial management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to dispose of the liabilities in due course. Further, directed to provide the revised reply to audit.

Audit recommends implementation of the DAC directives.

9.5.4.2 Non-payment of late payment surcharge – Rs 89,902.853 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 and these rules.

During audit of Pakistan Steel Mill (PSM) for the year 2022-23, it was observed that the management was unable to pay late payment surcharge amounting to Rs 89,902.853 million as detailed below:

			(Amount in Rs)
Sui Southern Gas Company Ltd			
S#	**Actual Billing**	**Late payment surcharge (LPS)**	**Bill amount for the month June, 2023**
1	91,313,890	48,624,327,890	48,715,641,780
2	44,300	40,689,573,020	40,689,617,320
Karachi Water & Sewerage Board			
3	-	497,594,811	497,594,811
		Total	89,902,853,911

Audit is of the view that the management failed to make timely payment of late payment surcharges which reflects negligence and poor financial payment.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023.

a) The management informed that the matter was decided as per Hadeed Welfare Trust deed. The De-Registration process has also been taken up with the Registrar of Trust, which is still pending. Audit contended that merger was irregular without due process of law i.e. de-registration. The

DAC directed the management to inquire into matter and provide final audited accounts, registration of trust and the revised reply.

b) DAC directed the management to make efforts to resolve the matter with KW&SB.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 9.4.4.8 having financial impact of Rs.408.713 million. Recurrence of same irregularity is a matter of serious concern.

(DP No. 486 & 487)

9.5.4.3 Non-recovery / adjustment of sales tax – Rs 3,377.660 million

Section 4(3) of Corporate Governance, 2013 Rules 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 2022-23, it was observed that an amount of Rs 3,377.660 million on account of Income Tax & Sales Tax Refund was not recovered / adjusted from the tax authorities for the year 2021-22.

Audit is of the view that non-recovery / adjustment of Income Tax & Sales Tax refund was poor financial management and slackness on the part of management which needed justification.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that it will be adjusted from time to time. At that time, an amount of Rs. 541.258 million has been adjusted. The DAC directed the management to expedite recovery / adjust and verify record to audit.

Audit recommends implementation of the DAC directives.

9.5.4.4 Non-recovery of outstanding dues of land – Rs 2,828.024 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 audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that an agreement was signed between PSM and M/s. National Transmission & Dispatch Company (NTDC) for allocation of 75.5 acres of land to erect 500 KV D/C Transmission line to connect Lucky Power Plant with National Grid. M/s. NTDCL was required to pay lease money, annual ground rent and Annual Right of Way Charges which was not paid as detailed below:

Description	Outstanding Amount (Rs)
Right of Way Occupancy Charges	763,960,306
Annual Right of Way Charges for the year 2021	15,279,206
Annual Right of Way Charges for the year 2022	16,807,127
Annual Right of Way Charges for the year 2023	18,487,840
Lease Money	1,980,824,000
Ground Rent for five years	32,665,718
TOTAL	**2,828,024,197**

Audit is of the view that M/s NTDC is operating its commercial business on the land of PSM but failed to pay legitimate dues since long which was against the agreement.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed that recovery of outstanding dues from M/s NTDC was being pursued. Hopefully, the dues will be recovered soon and agreement approved by BoD. The DAC directed the management that the efforts should be made for recovery of amount, lease agreement and inquiry report share with audit.

Audit recommends implementation of the DAC directives.

9.5.4.5 Misstatement and material inaccuracy in financial statements – Rs 1,513.817 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 Steel Mills (PSM) for the year 2022-23, it was observed that the Financial Statements of PSM for the year 2020 & 2021 were restated in the year June 30, 2022 due to mis-representation which increased loss after taxation of Rs 1,513.817 million to the organization as pointed out the Chartered Accountants. The Corporation had wrongly classified:

i. The investment property of Rs. 6,000 million.

ii. Wrongly charged payment to creditor as exchange gain in other income of Rs.299 million and recorded an expense of Rs.107 million against the gas expense rather than adjusting with the liability.

iii. The management revised electricity rates and hence restated the previous year balance of electricity expense amounting to Rs.1.3 billion.

Details of over-stated figures are as under:

S#	Description	As per audited financial statements	Effect of prior period	Restated amounts
		-----------Rupees in 000--------		
01.	**Effects of prior period error on financial statements for the year ended June 30, 2020**			
	Property, plant and equipment	361,360,604	(6,000,000)	355,360,604
	Investment Property	35,453,275	6,000,000	41,453,275
	Revaluation Surplus	354,080,038	(6,000,000)	348,080,038
	Accumulated losses	(209,239,156)	6,000,000	(203,239,156)
02.	**Effects of prior period on financial statement for the year ended June 30, 2021**			
a.	**Restatement in Balance Sheet of 2021**			
	Interest / mark-up accrued on			
	Trade Creditor	(4,834,511)	(299,752)	(5,134,263)
	Gas Payable	(22,508,172)	107,720	(22,400,452)
	Payable to K-electric	(519,654)	(1,321,785)	(1,841,439)
	Accumulated losses	(222,941,696)	(1,513,817)	(224,455,513)
b.	**Restatement in Profit and Loss**			
	Other Income	5,835,365	(299,752)	5,535,613

	Cost of Sales	(7,918,174)	(971,252)	(8,889,426)
	Administrative expenses	(2,923,694	(242,813)	(3,166,507)
	Loss after taxation	**(17,234,465)**	**(1,513,817)**	**(18,748,282)**

Audit is of the view that the management & External Auditor failed to perform their fiduciary duties which resulted in overstatement of profits during previous years with wrong conclusions for the stakeholders and subsequent losses to the organization.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that restatement/correction of prior year's error was provision in IAS-8

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

The DAC directed the management to inquire in the matters, provide revised reply and detail of variation of different heads to audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.6 Blockage of funds due to non-utilization of Government Grant – Rs 1,416.572 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, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the government started the retrenchment scheme for the PSM employees during the year 2020. In order to retrench all employees of PSM an amount of Rs 18,743.113 million was released as full and final payment. However, it was noticed that an amount of Rs 1,416.572 million was neither utilized nor surrendered by the management. The detail was as under:

			(Rs. in million)
Bank Name	**Branch**	**Account No.**	**Closing balance of NBP**
NBP	Pakistan Steel Mills Bin Qasim Branch, Karachi	3101516733	1,416.572
		Total	**1,416.572**

Audit is of the view that non utilization / non-surrendering of huge of Rs 1,416.572 million was gross lapse on the part of management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that some employees have approached the labour court against the scheme. After the decision of court, the retrenched fund will be utilized. Audit contended that funds placement was irregular and should be surrendered and take the matter with ministry. The DAC directed to pursue the case vigorously.

Audit recommends implementation of the DAC directives.

9.5.4.7 Non-recovery of various dues – Rs 1,161.628 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 and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management failed to recover / adjust an outstanding amount of Rs 1,161.628 million as detailed below(Annex-64).

(Rs. in million)					
S. #	**Description**	**Amount**	**S. #**	**Description**	**Amount**
1.	Water	285.504	5.	Commercial rent of units	29.587
2.	Insurance claims	8.200	6.	NIP	478.05
3.	Tenants	18.825	7.	Debtors	120.963
4.	K-Electric	5.873	8.	K-Electric	214.626
		Total			**1,161.628**

Audit is of the view that non-recovery / adjustment of amount under various categories indicated slackness and weak recovery mechanism.

a) The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed that the management to recover the outstanding amount and provide the relevant documents to audit for verification. Further, directed the management to install individual meters rather than bulk purchase on fact track basis and to provide revised reply and action of loss should be intimated.

b) The DAC directed the management to provide the relevant record of recovery to audit for verification.

c) The management informed that an amount of Rs.2.283 million has been recovered till 30-09-23 on account of fee & funds of students. Educational institutions are strictly advised to recover the outstanding dues as per SOP. The DAC directed that in future make recovery from monthly salaries of employees on account of fees and provide relevant record of recovery to audit for verification.

d) The management informed that an amount of Rs.5.873 million has been recovered from M/s K-Electric. The DAC directed to to verify the recovered amount.

e) The subject amount is not correct Rs. 29.587 million. The correct figure is Rs. 94.173 million. The DAC directed the management to provide the relevant documents for recovery of Rs.17.705 million to audit for verification and recover the remaining amount.

f) The management informed that the entire amount has been recovered. The DAC directed the management to provide the relevant documents to audit for verification.

g) The management informed that the case is subjudice about M/s. Slag Industries Limited, M/s Transmobile Limited and M/s Axle Products Limited. The DAC directed the management to provide relevant documents to audit on the recovery, and make efforts for recovery of remaining advances and pursue court cases.

h) The management informed that an amount of Rs.20.652 million has been recovered. The DAC directed the management to provide the relevant documents to audit for verification and recover the remaining amount accordingly.

Audit recommends implementation of the DAC directives.

(DP No. 466, 461, 479, 459, 469, 470, 471 & 483)

9.5.4.8 Un-authorized use of jetty without agreement and non-recovery of dues – Rs 1,141.000 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills for the year 2022-23, it was observed that PSM's Jetty was being used unauthorizedly by Port Qasim Authority (PQA) from June 01, 2016 to September 20, 2023. The PQA was liable to pay Rs 1,141.000 million on account of differential amount / Cost of Infrastructure / Annual Ground Rent of 158.37 Acres Land. The breakup is as under: -

S #	Description	Amount in Rs.
1.	Difference of Amount	894,660,550
2.	Cost of Infrastucture	151,247,000
3.	Annual Ground Rent since allocation	95,583,628
	Total	**1,141,491,178**

Audit is of the view that use of Jetty without any agreement and non-recovery of dues shows weak internal controls and weak financial management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to recover / adjust the amount from PQA.

Audit recommends implementation of the DAC directives.

9.5.4.9 Loss due to non-transferring of electric meters - Rs 1,006.347 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 and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management did not transfer the electricity connection from industrial & commercial category to residential purpose despite the entity being non-operational since 2015 till date. The management had been paying commercial & industrial rate to KE for electricity and charging domestic rates from tenants / employees which resulted in loss of Rs 1,006.347 million from July, 2022 to June, 2023 as detailed below:

S#	Months	Total Units	Commercial & Industrial Rate	Domestic Rate	Difference	Amount (Rs)
1.	July, 2022	4,336,000	46.09167	20.50	25.59167	110,965,481
2.	August, 2022	4,525,000	55.12556	20.50	34.62556	156,680,659
3.	September, 2022	4,581,000	50.70353	20.50	30.20353	138,362,371
4.	October, 2022	4,178,000	39.83608	20.50	19.33608	80,786,142
5.	November, 2022	3,304,000	35.7218	20.50	15.2218	50,292,827
6.	December, 2022	2,937,000	32.5137	20.50	12.0137	35,284,236
7.	January, 2023	2,799,000	32.89258	20.50	12.39258	34,686,831
8.	February, 2023	2,697,000	33.34911	20.50	12.84911	34,654,050
9.	March, 2023	3,336,000	44.16352	20.50	23.66352	78,941,503
10.	April, 2023	3,685,000	41.59339	20.50	21.09339	77,729,142
11.	May, 2023	5,035,000	41.46349	20.50	20.96349	105,551,172
12.	June, 2023	5,019,000	40.90512	20.50	20.40512	102,413,297
	Total	**46,432,000**				**1,006,347,713**

Audit is of the view that the management failed to arrange separate meters for residential category which resulted in payment of extra amount of Rs 1,006.347 million which reflects negligence and slackness.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the matter will be submitted before the BoD in the next meeting. The DAC directed the management to install individual meters rather than bulk purchase on fact track basis and to provide revised reply and action of loss should be intimated.

Audit recommends implementation of the DAC directives.

9.5.4.10 Exchange loss due to delay in settlement of dues - Rs.973.114 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, 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 Steel Mills (PSM) for the year 2022-23, it was observed that the management did not pay the import liabilities to various parties for the last 08 to 13 years in time. The conversion rate was substantially increased with the passage of time. The management has booked an exchange loss of Rs.973.114 million due to increase in conversion rate in the financial statements.

Audit is of the view that the management delayed the payment of outstanding dues resulting in exchange loss Rs.973.114 million which reflected negligence and poor financial management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. PSM Management made hard efforts for discharging its obligation during the last three years and paid its liability amounting to Rs 8,282 million. The DAC directed the management to show the trail and verify the contents that on what accounts liability occurred.

Audit recommends implementation of the DAC directives.

9.5.4.11 Non-production of record regarding auction of scrap material – Rs.802.160 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 and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management auctioned various scrap material valuing Rs. Rs.802.160 million. However, Contract / tender file regarding scrap material dated 22-08-2023 and were not provided to Audit. Detail of items is as under: -

S#	Contractors	Product Name	Amount (Rs)
1.	A.R. Minerals Processing Industry	SMLR / mixed waste material	38,500,000
2.	-	Used and discarded material	149,065,350
3.	-	Corroded Cobbled Plates	115,095,280
4.	Usman Trading	Converter slag with some metal	23,500,000
5.	Horizon Steel	Converter slag with some metal	401,000,000
6.	Faraz Enterprises	Converter slag with some metal	75,000,000
		Total	**802,160,630**

Audit is of the view that the management failed to provide relevant record of scrap sales valuingRs.802.160 million due to which Audit was unable to ascertain transparency in the relevant transactions.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the relevant records was the custody of FIA. DAC directed to share the record with Audit.

Audit recommends implementation of the DAC directives.

9.5.4.12 Failure to protect the land - Rs.750.000 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that 176 plots of Gulshan-e-Hadeed Colony, Karachi was encroached valuing Rs.750.000 million as detailed below:

S#	Category	No. of Plots	Sq. ft	No. of Plots x Area x Rate	Amount (Rs)
1	C Type	111	500	111x 500 x 10,000	555,000,000
2	B Type	65	300	65 x 300 x 10,000	195,000,000
Total		**176**			**750,000,000**

Audit is of the view that management failed to safeguard the land which reflects negligence and weak monitoring mechanism.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the matter is subjudice. The DAC directed the management to provide the court case documents and pursue the case vigorously.

Audit recommends implementation of the DAC directives.

9.5.4.13 Non-reconciliation of financial statements - Rs.403.023 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. 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 Steel Mills (PSM) for the year 2022-23, it was observed that, entries pertaining to loan and advances and trade and other payables in the financial statements for the year 2021-22 showed huge variations amounting to Rs.403.023 million which was highlighted by the External Auditors in its Letter to Management as a Qualified opinion. The detail is as under:

(Amount in Rs.)					
S#	**Head Of account**	**Note**	**Amount in Financial Statements**	**Amounts in General Ledger**	**Difference**
1	Loan and advances	12	206,798	325,913	119,115
2	Trade and other payable	23	3,320,000	114,457,000	111,137,000
3	Trade and other payable	23	4,388,626,000	4,096,859,000	291,767,000
	Total		**4,392,152,798**	**4,211,641,913**	**403,023,115**

Audit is of the view that the huge variation of Rs.403.023 million in the financial statements created doubts about the financial affairs of PSM which needed to be justified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management observed that there was no such variation between Financial Statement and ledger of the year 2021-22. The DAC directed the management to provide the reconciliation statement and annual accounts to audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.14 Encroachment of PSM land - Rs.351.000 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, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the 11.70 acres of PSM land was encroached during the year under review valuing at Rs.351.000 million. This was in addition to already encroached upon 295 acres of PSM land. The detail was as under:

Rs.in million				
S#	**Description / Name**	**Area (Acres)**	**Land Per Acre**	**Total Rs.**
1	Mian Khan Jokhio Goth	02.00	30.000	351.000
2	Photo Goth	01.07		
3	In between Usman Farm & Sui Gas Line Deh Kotirero	03.70		
4	Near Sui Gas Line DehSanhero	04.93		
	Total	**11.70**		**351.000**

Audit is of the view that the management failed to safeguard the precious land from encroachment in presence of large number of security guards.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management apprised that letters were sent to Deputy Commissioner for removal of encroachment. DAC directed the management that the efforts should be taken for removal of encroachment. DAC expressed displeasure and directed the management to protect assets of PSM and halt any further encroachment on the land and take efforts for vacation of land.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 9.4.4.1 having financial impact of Rs 5,393.600 million. Recurrence of same irregularity is a matter of serious concern.

9.5.4.15 Non-recovery of Right of Way charges from KE - Rs.225.990 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 audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management received an amount of Rs.177.755 million from K-Electric on account of Right of Way (RoW) from May 01, 1992 to December 31, 2022 of its High-Tension Electric Towers passing through PSM Main Plant land covering an area of approximately 320.63 acres. However, the management failed to recover claim of markup on delayed collections (Right of Way charges) amounting to Rs.225.990 million despite a lapse of considerable time.

Audit is of the view that non-recovery of claim of markup reflected poor financial management and weak recovery mechanism.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that an amount of Rs. 225.990 million would be adjusted from K-Electric within 03 to 04 months. The DAC directed the management expedite to recovery and provide relevant record after recovery to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.16 Non-vacation of land by K-Electric - Rs.219.000 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.

As per meeting between CEO M/s K-Electric and PSM held on 04-02-2022, it was agreed that land measuring around 7.298 acres (approximately) against which consideration was not paid by KE will be released back to PSM by KE and rest of the land which is in the possession of KE and is paid for, its lease will be executed in favour of KE without any delay of PSM.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that a piece of PSM disputed land of 23.81 acres was held by K-Electric since 1982 at Gulshan-e-Hadeed, Karachi. It was decided in the meeting held on 04-02-2022 that 7.298 acres of land would be vacated by K-Electric, valuing at Rs.219.000 million (Rs.30 million per acre). However, despite a lapse of considerable time, land was not vacated by K-Electric.

Audit is of the view that not taking the possession of precious land from K-Electric was against the agreement.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the land was taken back from K Electric. The DAC directed the management to provide relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.17 Non execution of lease agreement & non-recovery of dues from Country Club – Rs 165.882 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 and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed from that M/s Arabian Sea Country Club is operating its business on the land of PSM and availing multiple support services, but the management remained unable to recover its dues of Rs. 165.882 million as detailed below:

Description	Outstanding amount (Rs)
Land Rent	74,066,091
Electricity	61,452,000
Waste Water Bill	16,367,646
Right of Way charges	07,043,911
Drinking Water Bill	06,952,988
Total	**165,882,636**

It was also observed that first half of lease Rent period (i.e 20 years) was already expired on 31-07-2022 where revised term for the second term of 20 years could not be finalized.

Audit is of the view that the Country Club is operating its commercial business on the Land of PSM but failing in paying legitimate dues is a serious legal and financial concern. It is pertinent to mention here that no valid rental agreement is provided on the part of management which could ascertain fair rental arrangement on commercial terms and conditions

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management that the efforts should be made to recover the outstanding amount and share lease agreement with audit.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit report(s) for Audit Year(s) 2021-22 vide para(s) number 8.7.4.6 having financial impact of Rs.125.332 million. Recurrence of same irregularity is a matter of serious concern.

9.5.4.18 Irregular merger of loss-making entity - Rs.160.101 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 Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management dissolved and merged the Hadeed Welfare Trust (HWT) into PSM without any feasibility study. The production activities of PSM were halted since June, 2015 and had accumulated losses of Rs 206,068.347 million as on 30th June, 2022. The said merger was overburdened on the public exchequer by the way of transferring the services of 343 Nos. employees of Hadeed Welfare Trust on the payroll of PSM. Furthermore, the deficit of Hadeed Welfare Trust (HWT) was Rs.160.101 million.

Audit is of the view that merger of loss making entity was not a prudent decision on the part of management which further overburdened / increased the losses of PSM.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the matter was decided as per Hadeed Welfare Trust deed. The De-Registration process has also been taken up with the Registrar of Trust, which is still pending. Audit contended that merger was irregular without due process of law i.e. de-registration. The DAC directed the management to inquire into matter and provide final audited accounts, registration of trust and the revised reply.

Audit recommends implementation of the DAC directives.

9.5.4.19 Recurring loss due to non-renting of vacant spaces – Rs.100.596 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.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that 355 Nos. of Houses / Flats / Commercial Units remained vacant at Steel Town, Karachi. The management sustained a recurring loss of Rs.100.596 million on vacant property as detailed below:

(Amount in Rs.)

S#	Category	No. of Vacant Space A	Rate per month B	Amount Per month C (A*B)	Amount Per Annum D (C*12)
1.	A	37	11,000	407,000	4,884,000
2.	D	8	15,500	124,000	1,488,000
3.	E	36	17,500	630,000	7,560,000
4.	F	21	15,500	325,500	3,906,000
5.	GMB	8	75,000	600,000	7,200,000
6.	GR	20	50,000	1,000,000	12,000,000
7.	H	18	37,000	666,000	7,992,000
8.	LD	18	24,000	432,000	5,184,000
9.	LS	97	17,000	1,649,000	19,788,000
10.	G	25	38,000	950,000	11,400,000
11.	T	42	27,000	1,134,000	13,608,000
12.	M	8	17,500	140,000	1,680,000
13.	P	9	29,000	261,000	3,132,000
14.	S	7	8,500	59,500	714,000
15.	SQN	1	5,000	5,000	60,000
Total		**355**			**100,596,000**

Audit is of the view that the management failed to rent out the vacant property which resulted in a recurring loss of Rs.100.596 million which reflects negligence and slackness.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that said houses / flats were provided to the low paid employees. The DAC directed that the management to make efforts to rent out the vacant space and recovery be made from monthly salary future and provide relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.20 Non-auction of condemned vehicles - Rs.80.585 million

Section 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, 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 Steel Mills (PSM) for the year 2022-23, it was observed that 109 vehicles of PSM valuing at Rs.80.585 million were lying non-functional / obsolete since long. (Annex-65). Resultantly, the market price of vehicles decreases due to

Audit is of the view that the management failed to auction timely resulting in depreciation and deterioration of the vehicles.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the auction process has been commenced. Tender has been opened in December 2023. It will be decided within one month. The DAC directed to expedite auction process.

Audit recommends implementation of the DAC directives.

9.5.4.21 Loss of public money due to fraudulent activities - Rs.53.994 million

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, staes 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 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 Steel Mills (PSM) for the year 2022-23, it was observed that a Departmental Enquiry Committee submitted an investigation report of lost assets and fraudulent activity at Nokundi and Dalbadin Stores in Balochistan amounting to Rs.53.994 million. Subsequently, a show cause notice and charge sheet was issued to Mr. Muhammad Naeem (ADCE-IC (DIOP)), but no action was taken against the culprits till date. Detail of loss was as under:

S#	Description	Amount (Rs)
1.	**Loss in terms of assets and machineries** Loss in terms of assets and machineries at all DIOP Sites including Liaison Office Quetta	40,455,800
2. a.	**Loss in terms of Chowkidars and other employees' salaries** Loss in terms of salaries regarding security guards deployed at Kulli Koh site -03 personnel	180,000
b.	Loss in terms of salary regarding security guards Mr. Abdul Hameed, from July, 2017 till date	1,200,000
c.	Loss in terms of salary regarding security guards Mr. Nabi Bux from July, 2017	1,200,000
3. a.	**Loss Regarding the Nokundi Store Inventory** As per the location code 02-550 (680 items)	6,170,117
b.	As per the location code 1080	4,788,424
	Grand Total	**53,994,341**

Audit is of the view that the management did not safeguard the precious assets of the company and no timely action was taken against the culprits. This indicates criminal negligence on the part of management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that a civil suit was lodged instead of criminal proceeding. The DAC directed the management to lodge a FIR against the accused employees, share dismissed notification and inquiry report with Audit.

Audit recommends implementation of the DAC directives.

9.5.4.22 Irregular appointment of security guards – Rs.49.188 million

Rule 20 of PPRA Rules, 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.

According to Cabinet Secretariat (Establishment Division) letter No. 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 Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management appointed 128 numbers of security guards (Annex-66) in various categories on a fix pay ranging from Rs 1,100 to Rs. 1,167 per day without any advertisement, codal formalities and approval by the competent authority. An expenditure of Rs.49.188 million was incurred on their pay since their appointment from August, 2021 to May, 2023.

Audit is of the view that the management did not adopt the codal formalities in the appointment of Security Guards in violation of rules. Thus, expenditure of Rs.49.188 million stands irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the relevant experience and police verification have been carried out to appoint the security guard. The DAC expressed displeasure and directed the management to follow the prescribed process and why not hiring was made through third party and on advertisement and to provide relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.23 Irregular / unjustified payment on account of Voluntary Separation Scheme - Rs.48.735 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 Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that on the diretives of Honorable Supreme Court of Pakistan, the management implemented Retrenchment Scheme for the year 2019 to 2023. In addition to this, the management also introduced Voluntary Separation Scheme (VSS) for all employees and paid benefit amounting to Rs.48.735 million (Annex-67) on account of 01 month's notice pay, leave encashment and other benefits for the years 2021-23. This payment was made to those employees who were close to retirement or near to retirement.

Audit is of the view that payment under Voluntary Separation Scheme in presence of Retrenchment Scheme reflects undue favor to the employees. Thus, payment of Rs.48.735 million stands irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed the DAC that VSS option was for all employees of Pakistan Steel Mills regardless of whether they were close to retirement or near retirement. The reason was to save the steel mills from further losses by reducing the man power and salary expenditures. The management informed that no extra payment was made to the employees. Audit contended that VSS was unjustified and excess payment were made to retired or near to retirement employees. The DAC directed the management to provide justification and relevant record to the Audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.24 Irregular re-hiring of services of officers / officials on contract basis under Retrenchment Scheme - Rs.33.014 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, in accordance with the Ordinance and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management hired 85 officers and officials from 06.07.2021 to 30.06.2023 (Annex-68) despite the fact that retrenchment scheme was finalized w.e.f 26-11-2020.

Audit is of the view that appointment after coming into effect of retrenchment scheme was unjustified. Hence, the appointment and expenditure of Rs.33.014 million on account of pay and allowances was held irregular / unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the retrenched employees were terminated. The DAC directed the management to provide dismissal order and relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.25 Irregular procurement by splitting – Rs.29.478 million

Rule 9 of PPRA Rules, 2004 states that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management awarded contracts/purchased groceries items i.e., wheat, rice, chicken etc. valuing at Rs.29.478 million through different purchase orders on splitting basis in violation of PPRA Rules. Detail is as under:

	(Amount in Rs)
Catering - Guest House	**Food Shop**
12,344,813	17,133,900
Total	**29,478,713**

Audit is of the view that procurement of groceries items worth Rs.29.478 million on splitting basis was held irregular.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management reply that Pakistan Steel Guest House is providing boarding and lodging facilities on semi commercial basis. Audit contended that procurements should be made as per PPRA rules. The DAC directed the management to improve the system and make compliance of the rule.

Audit recommends implementation of the DAC directives.

9.5.4.26 Loss due to non-renting out of vacant space - Rs.23.322 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 and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that an area at FTC Building, Karachi was lying vacant since 01.07.2022 due to which the management failed to earn rental income of Rs.23.322 million as detailed below:

S#	Description	Monthly Rent (Rs)	Annual Rent (Rs).
1	Area at FTC Building	1,151,681	13,820,172
2	Snap Bar I & II, Steel Town	791,829	8,661,948
	Total	**1,943,510**	**23,322,120**

Audit is of the view that major portion of PSM premises was lying vacant for more than one year which reflected negligence and slackness.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to provide tender documents and efforts should be made to rent out the vacant space.

Audit recommends implementation of the DAC directives.

9.5.4.27 Undue favour to the tenant party - Rs.21.600 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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.

As per advertisement dated on 19-03-2023, License out KASHANA Building & 04 Lawns (A to D) etc.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, management published an advertisement in local newspapers for "License out KASHANA Building & 04 Lawn (A to D) at Gulshan-e-Hadeed. In response only 01 bidder participated i.e., M/s New VIP Decoration Catering Services and bid offer @ Rs. 600,000 per month. In addition, the management irregularly allotted an area/space about 941,933.41 sq. ft. for quarters and others to the same party, which was not mentioned in advertisement. The detailed allotted area is given below: -

S#	Premises	Area (sq.ft)	Approx. Capacity
1	Kashana Office Building	4,431 x 28,862 (two floor)	For office
2	Lawn-A	13,551	350 persons
3	Lawn-B	17,631	800 persons
4	Lawn-C	10,288	300 persons
5	Lawn-D	28,908	1200 persons
Extra Space			
	Open Area, Hotel and shops etc	941,933.41	Can be developed for additional Lawn/ Restaurant/ Parking

Audit is of the view that the management allotted extra space to the tenant, which was irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed to investigate the matter. Further, directed to provide the revised reply to audit.

Audit recommends implementation of the DAC directives.

9.5.4.28 Wasteful expenditure on zonal offices – Rs.11.496 million

Finance Division's O.M No. F.15 (13) R-14/82 dated September 05, 1982 states that the funds provided, acquired or generated by the autonomous / semi-autonomous bodies and corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution strictly in accordance with the prescribed rules or specific orders of the Government.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management incurred an expenditure of Rs.11.496 million on account of salaries and other expenditure pertaining to Zonal Offices (Lahore & Islamabad) without having any sales activity since December, 2015. The details are as under:

S#	Description	No. of Employees	Avg Salary / P.M	Annual Expenditure (Rs.)
1	Salaries & Allowances	21	30,000	7,560,000
2	Other Expenditure	-	-	3,936,000
			Total	**11,496,000**

Audit is of the view that expenditure was wasteful and unjustified due to closure of operations since long reflects poor financial management

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management reply that to facilitate Chief Executive Officer, high officials of PSM, Chairman/Members Board of Directors PSM, Ministry of Industries and Production officials. Arrange their boarding, lodging messing during Islamabad visit. This Office also used as Camp Office/CEO’s Secretariat, at Islamabad. The management informed that the staff is essential from security point of view. The DAC directed to settle the paras for verification.

Audit recommends implementation of the DAC directives.

9.5.4.29 Unsatisfactory performance of vendor - Rs.6.770 million

Rule 19 of PPRA-2004, states that the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority.

As per terms and conditions of the agreement between PSM and M/s. Softronics (Pvt) Ltd dated: 05-07-2021, vendor is bound to complete the work within 30 days.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the contract for up-gradation of Pakistan Steel's cloud-based ERP modules was awarded to M/s Softronics (Pvt) Ltd on 05-07-2021 amounting to Rs.5.170 million. The vendor was bound to complete the work within 30 days. However, after lapse of considerable time, its performance remained un-satisfactory with respect to updation of HR data, preparation of annual accounts and reconciliation of different heads of accounts on ERP system. This was also pointed out by the management of PSM to the MoIP dated March 03, 2023.

Audit is of the view that due to un-satisfactory performance of M/s. Softronics, PSM faced inaccuracy in data related to retrenchment of employees and non-reconciliation of its financial statements. Thus, the total expenditure amounting to Rs.6.770 million (Rs. 5.170 million + 1.600 million maintenance cost) was irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed that the Liquidity Damage (LD) charges be levied and performance of the Softronics should be share with audit.

Audit recommends implementation of the DAC directives.

9.5.4.30 Irregular appointment of Corporate Secretary - Rs.6.422 million

Rule14 of the Public Sector Companies (Corporate Governance) Rules, 2013 stats that no person shall be appointed as Company Secretary of a Public Sector Company unless he is a,

a. member of a recognized body of professional accountants; or
b. member of a recognized body of corporate or chartered secretaries; or
c. person holding master degree in Business Administration or Commerce or being a Law Graduate from a university recognized by Higher Education Commission and having at least five years' relevant experience.

Govt. of Pakistan, Establishment Division vide its OM. No. 6/2/2000-R.3 dated May 06, 2000 issued policy guidelines for contract appointments for the posts in autonomous/semi-autonomous bodies, corporations, public sector companies etc. According to the Para-(iii) Vacancy should be advertised in the leading national and regional newspapers and selection should be made through regularly constituted Selection Committees / Boards.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management appointed of Mr. Muhammad Shafiq Anjum as Corporate Secretary on contract basis after superannuation and without advertisement in April 07, 2021 for 01 year, which was further extended up to December, 2023. Furthermore, his qualification was B.E which was in violation of required qualification.

Audit is of the view that the appointment on deficient qualification, without advertisement and after superannuation without approval of Prime Minister was in violation of rules. Thus, payment of salary amounting to Rs.6.422 million stands irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to provide the revised reply along with justification.

Audit recommends implementation of the DAC directives.

9.5.4.31 Irregular appointment of External Auditor – Rs.5.900 million

As per guidelines/letter dated January 02, 2002 issued by the Auditor General of Pakistan in accordance with the provisions of Section 15(1) of the Auditor General's (Functions, powers and terms and conditions of Service) Ordinance, 2001, the Auditors should be appointed in consultation with Auditor General of Pakistan and rotated after every 5 years. Instructions were issued in compliance of Finance Division's letter dated March 25, 1981.

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.

As per tender advertised on newspaper "Prospective firms/companies are required to submit tender fee of Rs 500 (non-refundable) in shape of pay order along with 'Technical proposal' and earnest money (refundable) equivalent of 2% of total bid value in shape of pay order along with 'Financial Proposal'.

During audit of Pakistan Steel Mill (PSM) for the year 2022-23, it was observed that the management hired the services of External Auditor, M/s Horwath Hussain Chaudhury & Co, Chartered Accountant on 20-12-2018 for the compilation of annual accounts for the year 2015-16 for Rs.0.800 million per annum.

It was further observed that Earnest money @ 2% and performance bank guarantee 10% were not obtained from the audit firm and the appointment was made without the concurrence of the Auditor General of Pakistan.

Audit is of the view that appointment of external auditors was against the rules and hence irregular.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management that the compliance should be made in letter and spirit.

Audit recommends implementation of the DAC directives.

9.5.4.32 Loss due to theft of various items - Rs.4.710 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 audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that a theft was committed of finished and unfinished Brass and Copper materials weighing 03 tons on June 04, 2021 valuing Rs.4.710 million. It was revealed that Mr. Abdul Rehman (AXEN, MERS-CMD) was the main culprit of this criminal activity. He was issued a Charge Sheet on 15-10-2021. Nor any FIR was lodged neither any legal action was taken against him despite a lapse of more than one (01) year.

Audit is of the view that the management failed to safeguard its assets and did not take any action against the accused employee, which reflects negligence and undue favor. Thus, sustained a loss of Rs.4.710 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the FIR was lodged and case was pending in the Court. Further, all the recovery has been made. The DAC directed the management to provide FIR copy, dismissal order and recovery records to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.33 Excess payment to Consultant / Specialist Attorney – Rs.3.160 million

As per Pakistan Steel dated January 11, 2021, the Board in accordance with the relevant provisions of "Procurement of Consultancy Services Regulation, 2010" and "Public Procurement Rules 2004" declares the ongoing retrenchment, restructuring and revival process an emergency situation and approves the hiring of Specialist Attorney to oversee the whole retrenchment process against consultancy charges Rs.5.000 million.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management hired the services of Mr. Shahid Anwar Bajwa, as a Specialist Attorney / Consultant of PSM at a fee of Rs.5.000 million for retrenchment plan. However, the management paid an excess amount of Rs.3.160 million without approval of the competent authority. Detail is as under:

			(Rs. in million)
Description	**Fees Agreed**	**Fees Paid**	**Excess Paid**
Whole Retrenchment Process	5.000	8.160	3.160

Audit is of the view that excess payment of Rs.3.160 million without approval from competent authority was irregular / unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that the amount paid was approved from the BoD. Audit contended that excess amount paid was irregular. The DAC directed the management to provide relevant record to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.34 Un-due favour extended to the educational staff - Rs.2.100 million

As per section 2.33 of promotion Policy of Pakistan Steel Mills (PSM), Promotion shall be made subject to the availability of sanctioned vacant post in the next higher grade depending on the seniority and fitness of the officer.

A limited percentage of outstanding Technical Officer will also be considered for promotion to the next rank of Assistant Manager.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management promoted 14 employees of educational staff from Junior officer to Assistant Manager without having a qualified degree and relevant experience in violation of promotion policy. Further, their services were also regularized from contract to regular cadre by the management by implicating the orders of Honorable High Court of Sindh. Detail is as under: -

					(Amount in Rs)
S#	**Name of Employees**	**Designation**	**Promoted**	**Monthly Impact**	**Total**
1	Ms. Samina Arshad	Junior Officer	Assistant Manager	5,000	150,000
2	Ms. Naseema Khalid	Junior Officer	Assistant Manager	5,000	150,000
3	Ms. Suriya Rashid	Junior Officer	Assistant Manager	5,000	150,000
4	Mr. Javed Iqbal	Junior Officer	Assistant Manager	5,000	150,000
5	Ms. Quratulain	Junior Officer	Assistant Manager	5,000	150,000
6	Ms. Shabila Haider	Junior Officer	Assistant Manager	5,000	150,000
7	Ms. Zaibunnisa	Junior Officer	Assistant Manager	5,000	150,000
8	Ms. Mobeen Kiran	Junior Officer	Assistant Manager	5,000	150,000
9	Ms. Asma Yousuf	Junior Officer	Assistant Manager	5,000	150,000
10	Ms. Rabia Basree	Junior Officer	Assistant Manager	5,000	150,000
11	Ms. Najma Khalid	Junior Officer	Assistant Manager	5,000	150,000
12	Ms. Nayyar Qayyum	Junior Officer	Assistant Manager	5,000	150,000
13	Ms Tahira Sattar	Junior Officer	Assistant Manager	5,000	150,000
14	Mr. Rashid Amiri	Junior Officer	Assistant Manager	5,000	150,000
				Total	**2,100,000**

Audit is of the view that the management extended an un-due favor to the educational staff by promoting them against the promotion criteria. Resultantly, the management overburdened the exchequer by further increasing the monthly pay roll amounting to Rs.2.100 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that these employees were absorbed on the basis of Education staff/ Hadeed Welfare Trust deed. A Scrutiny Committee was formed to look after the matter. The favour was allowed on the recommendation of Scrutiny Committee. Audit contended that Hadeed Trust was in huge losses and absorbing its employees without due diligence was irregular. The DAC directed the management to share the all court orders, rules and relevant documents with audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.35 Loss of rental income by charging lesser rates - Rs.1.528 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 and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management entered into agreement with M/s. Sindh Health Care Commission, Karachi for rent of 2nd floor of FTC Building, Karachi on April, 2022 having area of 3,050 square feet on a monthly rent of Rs.178.45 per square feet per month, for a period of 3 years. However, the rent per sq.ft was Rs.192.374 per sq.ft according to last agreement of same premises. The management sustained a loss amounting to Rs.1.528 million on charging lesser rates as detailed below:

Name of Tenant & Area	Date of agreement	Rate per sq. ft. (Rs)	Difference in rates per sq. ft. (Rs)	Area rented (sq. ft.)	Loss (Rs.)
		1	2	3	4 (2 x 3)
M/s Sindh Health Care Commission (3,050 sq. ft)	04.07.2022 to 30.06.2025	178.450	13.924 (192.374 -178.450)	3,050	42,468
M/s Sindh Health Care Commission (10,081 sq ft)	15.03.2018 to 14.03.2023	192.374	-	-	-
Loss of rental income for 03 years (42,468*36)					**1,528,855**

Audit is of the view that the management extended an undue favor to the tenant by charging lesser rates which reflected poor financial management. Thus, sustained a rental loss of Rs. 1.528 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management stated that FTC Space 10,081 sq. ft was allotted to Sindh Health Care Commission in March, 2018 @ Rs.134 per sq. ft with increase of 7.5% yearly, which enhanced to Rs.192.37 per sq. ft in 2023 after yearly increase. The FTC Space 3050 sq. ft was also allotted to Sindh Health Care Commission in July 2022 @ Rs.178.45 per sq. ft with increase of 7.5% yearly, which has now come to Rs.191.83 per sq. ft in 2023. The DAC directed to settle the para subject to verification of tender documents and rates.

Audit recommends implementation of the DAC directives.

9.5.4.36 Loss due to theft incidents - Rs.1.198 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 and these rules.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that PSM sustained a loss of Rs.1.198 million due to theft incidents of various items as detailed below:

S#	Case No.	Description	Occurrence Date	Value (Rs.)
1.	2232-D	Cable, Copper Wire etc from store building-IV	03-10-2022	39,601
2.	2276-D	04 Batteries (180 amp) from two buses token no. 1988 & 2084	31-01-2023	120,000
3.	2315-D	Gear box of Hino Vehicle of pat	21-04-2023	650,000
4.	2323-D	CCTV Camera installed at CB Petrol Pump	17-06-2023	10,000
5.	2247-D	40-45 condemned batteries from Transport Workshop	21-11-2022	56,000
6.	2279-D	Investigation into theft attempt took place at SMC-Lahore	05-02-2023	186,000
7.	2304-D	Missing of 9 mm pistol of security in the night of 08-04-2023	05-07-2023	136,875
			Total	**1,198,476**

Audit is of the view that the management failed to protect its assets which resulted in theft of items valuing Rs. 1.198 million. This showed weak internal controls and poor monitoring mechanism.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to provide the revised reply showing the latest status.

Audit recommends implementation of the DAC directives.

9.5.4.37 Re-appointment of retrenched employee on daily wages – Rs.1.068 million

According to the Honorable Supreme Court of Pakistan Order's dated Sep. 15, 2020, the PSM Management was adopted / exercised the procedure of Retrenchment of PSM Employees in November, 2020 under Section 11-A of the Industrial & Commercial Employment (Standing Order) Ordinance 1968 to curtail the manpower of Pakistan Steel Mills as per requirement of Privatization Commission of Pakistan and to minimize the financial burdens on the Public Exchequer.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that Mr. Muhammad Rizwan (Senior Assistant), a retrenched employee, filed a Petition in the Hon'ble Court of National Industrial Relation Commission (NIRC) against the management. The petition stated that the PSM had irregularly terminated his services by the way of retrenchment and committed gross violation of law as well as directions of the BoD dated October 23, 2020 which directed to retrench 49% of workers of each category. The petitioner also stated that as per Standing Order no.14 of Industrial & Commercial Employment Ordinance, 1968, where any number of workmen are retrenched and the employer proposes to take into his employ any person within a period of one year from the date of such retrenchment, he shall give an opportunity to the retrenched workmen belonging to the category. Furthermore, the incumbent also stated that after retrenchment, a number of incumbents have been appointed / re-hired on attaining the age of superannuation by the management instead of offering the post to the retrenched employees in accordance of the above referred rule. Resultantly, the management re-appointed / re-hired his services on daily wages.

Audit is of the view that the extended an undue favour to the incumbent by way of re-appointment / re-hiring his services on daily wages at Rs.1.068 million (Rs. 3,000 per day *24 days * 15 months) per annum. Thus, his re-appointment stands irregular and unjustified.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that now all retrenched employees have been terminated. The DAC expressed displeasure and directed the management to provide relevant record of rehired employees to the audit for verification.

Audit recommends implementation of the DAC directives.

9.5.4.38 Irregular promotion against Court decision

According to the judgment of Honorable Supreme Court of Pakistan (appellant Jurisdiction) in the Civil Petitions No. 326/K & 513/K of 2018, the Steel Mill is lying closed since June, 2015, but its employees are still employed in the Steel Mill and or claiming all sorts of benefits including increments, promotion and other perks and privileges. The impugned judgment challenged in the present Civil Petition for Leave to Appeal (CPLA) is also one of the examples where promotions have been allowed to the respondents who are 76 in numbers. It seems that period to the said order, the learned High Court has passed other orders in CP No. D-5326 of 2013 & CP No. D-842 of 2014, where similar promotions have been granted. We are unable to understand how when the Steel Mills itself is not operating and producing anything why the employees are employed there and from where the payments are being paid to them by way of their emoluments and other benefits as noted above. All these officers have to be attended in immediately by the Federal Government, particularly, the Secretary, MoI&P Islamabad. The learned Attorney General states that he will obtain instruction and place the same before this Court. In the meantime, we grant leave to appeal in this case and at the same time suspend the operations of the impugned judgment.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management did not implement the judgment of Honourable Supreme Court of Pakistan and instead of demotion of promoted officers in the Assistant Manager Cadre, designated the post of General Manager (Incharge Administration & Personal) to Mr. Zardad Abbasi as the officer was to be posted as OSD till the final decision of the Court.

Challenged the promotion order in Honorable Supreme Court as appeal No. 513 & 326. The Court suspended the orders of Sindh High court Karachi on March 12, 2020 and dismissed the decision of promotion case of Mr. Zardad Abbasi along with 76 others as mentioned above.

Audit is of the view that the management has failed to faithfully implement the judgment of the Hon'ble Supreme Court of Pakistan and has shown disloyalty on behalf of its favored employees.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that matter is subjudice in Surpreme Court of Pakistan. DAC pended the Para till final decision of Supreme Court. Further, to verify that Para already printed in the audit report for the year 2022-23.

Audit recommends implementation of the DAC directives.

9.5.4.39 Non-preparation / finalization of annual accounts

Section 10(1) of Public Sector Enterprises (Corporate Governance) Rules, 2013, stated that every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance-sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website.

Section 233 of Companies Act, 2017 states that the balance sheet and the profit and loss accounts and income and expenditure account are audited by the statutory auditor of the company and auditor’s report is to be attached with the annual accounts.

During audit of Pakistan Steel Mills (PSM) for the year 2022-23, it was observed that the management of did not finalize the annual accounts for the year 2022-23 in violation of rules.

Audit is of the view that the management failed to finalize the accounts.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The management informed that Annual accounts 2022-23 have been prepared and it will be approved in the next BoD meeting. The DAC expressed displeasure and directed the management to provide the Annual Accounts to audit.

Audit recommends implementation of the DAC directives.

9.5.4.40 Non-verification of degrees / certificates

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 Steel Mills (PSM) for the year 2022-23, it was observed that the management did not verify the degrees from concerned institutes / universities till date. The detailed are as under.

S#	Name of Employees	Designation	P.No.	Degree	Date of Joining
1	Muhammad Akram	Superintendent Engineer	821349	Electronic Engg.	04.05.1994
2	Muhammad Asghar Shaheen	A.Manager (Law)	822922	L.L.B	May, 2004
3	Quratul Ain	Assistant Manager	828041	B.Sc	01.11.2021
4	Mukhtiar Ahmed	A.Deputy Chief Engineer	817139	B.E	09.07.1989
5	Muhammad Yaseen Bhutto	Superintendent Engineer	819085	B.E	21.02.1990
6	Jawed Akhter	Superintendent Engineer	819581	B.E	22.11.1990

Audit is of the view that the management failed to verify the degrees / certificates which reflects weak internal controls and violation of rules.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC expressed displeasure and directed the management to expedite the matter for degrees / certificates verification within one month.2.100

Audit recommends implementation of the DAC directives.

9.6 Pakistan Steel Fabricating Company (Pvt.) Limited

9.6.1 Introduction

Pakistan Steel Fabricating Company (Pvt.) Limited (PSFCL), a wholly owned subsidiary of the Pakistan Steel Mills Corporation (Pvt.) Limited, was incorporated on Jun 28, 1975 under the Companies Act, 1913 (now the Companies Act, 2017). The principal activity of the Company is the fabrication of steel structure, production of paints and other related activities.

9.6.2 Comments on Audited Accounts

9.6.2.1 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 2016-17 to 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2016-17 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)***.

9.6.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
1990-91	8	7	1	708	88%
1995-96	12	10	2	151, 146	83%
1999-00	3	1	2	228, 230	33%
2003-04	6	5	1	96.4	83%
2006-07	2		2	102.2, 102.3	-
2009-10	6		6	Annex-i Item 10, 113, 113.1, 113.2, 113.3, 113.4	-
2010-11	4	3	1	11.4.4.1	75%
2013-14	5	2	3	8.8.2.1, 8.8.2.2, 8.8.3 (remainig to be discussed in PAC)	40%
2015-16	4	1	3	8.10.2.1, 8.10.3, 8.10.4.1	25%

2017-18				9.10.4.2	
2019-20	-	-			-
Total	**50**	**29**	**21**		**58%**

The overall compliance of PAC directives needed improvement.

9.6.4 Audit Paras

9.6.4.1 Loss due to non-recovery of rent – Rs.972.943 million

Section 5(1) of Public Sector Companies (Corporate Governance) Rules, 2017 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 Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was noted that the management approached M/s Pakistan Steel Mills on 23 December, 2020 for vacation of transport building (4,843 Sq feet) under use of PSM since 1985 and amount of rent since then. However, the amount of rent of Rs.972.943 million (Annex-69) was not realized despite lapse of 36 years.

Audit is of the view that non-recovery of the amount despite lapse of 36 years reflected negligence of the management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to convene a meeting between PFCL and PSM having representative from MoIP, to discuss the complete dues against each other and outcome of the same may be shared with Audit.

Audit recommends implementation of the DAC directives.

9.6.4.2 Irregular auction of usable material – Rs.115.621 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, 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 Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that the management auctioned quantity of 990 metric ton as scrap in October, 2021, despite the fact that Scrap Identification Committee had declared the material usable on 12 March, 2020. The detail is hereunder:

(Amount in Rs.)

S#	Material / Scrap Category	Qty (MTN)	Rate of the Highest bid per Kg.	Bidder's Name	Total value
1	Heavy Girders, I-Beams, Angles and Rails etc	400	121.90	M/s Abdullah Engineering	48,760,000
2	Pipes	40	98.15	-do-	3,926,000
3	HR Sheet, Thick Plates, Billets, and Slab prices	200	135.65	Asian Salvage	27,130,000
4	Fabricated pieces (ducts, half round sheet, trusses etc)	350	102.30	-do-	35,805,000
Total		**990**			**115,621,000**

Audit is of the view that auction of the usable material neglecting committee recommendation on fitness of the items for future use was unjustified and irregular in audit.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to submit revised reply alongwith documentary evidence regarding disposal of material approval and utilization of the amount. DAC further directed that Joint Venture approval and status of the JV may also be shared with audit and MoIP.

Audit recommends implementation of the DAC directives.

9.6.4.3 Loss due to non-renting out of land - Rs.84.276 million

Rule 5(1) of the Public Sector Companies (Corporate Governance) Rules, 2017 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 Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that 70.23 acres of land were not utilized by the management since operations of company. The detail is given as under:

		(acres)
Total land	**Land Utilized**	**Land not utilized**
89.23	19 (including tenants)	70.23
Approx loss of revenue	Rs.84.276 million (70.23x100,000 per acre in a month x 12)	

Had management rented out land, the company could have earned an amount of Rs. 84.276 million in a year.

Audit is of the view that non-renting out of the land reflected negligence of the management in utilization of the assets.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.6.4.4 Non-recovery of outstanding amounts from various parties – Rs.83.874 million

As per rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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 Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that an amount of Rs 83,874,711 was outstanding against various debtors since long. Details are as under:

(Amount in Rs.)		
S#	**Description(s)**	**Amount**
1	Advances to suppliers	57,487,387
2	Advances for Services	121,450
3	Retention Money	8,457,040
4	Marginal Against letter of Credits	1,727,834
5	Outstanding rent	13,300,000
6	Custom authorities	2,091,000
7	PSFCL's employees	690,000
	Total	**83,874,711**

Audit is of the view that substantial amount of Rs 83,874,711 was outstanding against various parties which reflected weak financial management of the company.

The matter was reported to the management on 27-03-2023. The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023.

a) DAC directed to submit revised reply with respect to efforts made for recovery from custom authorities and employees, updated status of Ombudsman case may be intimated to the audit and MoIP.

b) DAC directed the management to provide record regarding recovery already made to audit for verification. Para will remain at DAC level till final recovery of the amount.

c) DAC directed the management to provide detail regarding sale of Jet Refuller to audit for verification i.e. Advertisement in newspaper, Bids Received, Award of contract and sale proceeds.

d) DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

(DP No. 104, 108, 109 & 119)

9.6.4.5 Loss due to shortage of materials – Rs 67.733 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, 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 Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management awarded works to contractors for lifting the scrap material on 21 October, 2021. However, the contractors could not lift the material as per letter of award due to shortage of material at sites (Annex-70). Detail is as under:

					Amount in Rs. & Qty in KG
S#	**M/s**	**Qty to be lifted**	**Qty lifted**	**Short-lifted**	**Value (Short-lifted)**
1	Faisal & Company	200,000	77,180	122,730	6,203,120
2	Abdullah Engineering	700,000	442,510	257,498	27,050,327
3	Asian Salvaging Company	550,000	247,660	302,340	34,479,775
Total					**67,733,000**

Audit is of the view that shortage of material at site was unjustified and reflected negligence on part of the management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed that management to reconcile the figures with Audit under intimation to the MoIP.

Audit recommends implementation of the DAC directives.

9.6.4.6 Irregular / unjustified procurement of steel racks – Rs 50.314 million

Rule 20 of PPRA Rules, 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 Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management entered into agreements with the contractors without competitive bidding. Detail of contracts is as under:

			(Rs. in million)
S#	**Description(s)**	**Name**	**Amount**
1	Supplied of 1502 steel racks @ Rs. 25,000/= each	M/s Asad Trader	37.550
2	Disposed of W-Beam Guard Rail & accessories	M/s Tabani Enterprises	12.764
Total			**50.314**

Audit is of the view that award of works without open competitive bidding was in violation of public procurement rules, hence, held irregular.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed to conduct inquiry at ministry level and fix the responsibility.

Audit recommends implementation of the DAC directives.

9.6.4.7 Non-achievement of business target – Rs.29.750 million

As per rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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 Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that Board approved revenue target of Rs. 29.750 million for the year 2019-20. However, the management did not realize the target.

Audit is of the view that non-achievement of the target reflected inaction of the management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to submit revise / fresh reply to Audit.

Audit recommends implementation of the DAC directives.

9.6.4.8 Irregular lifting of material beyond letter of work award – Rs.19.007 million

Rule 4(3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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 Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management awarded a contract of lifting of following items to M/s Tabani Enterprises on 13-06-2018. However, the contractor lifted the material in excess of the quantity specified in work award. Detail of excess items lifted is as under;

Amount in Rs. & Qty in pieces (Nos.)

S#	Items Description(s)	Quantity as per Letter of Award	Actual quantity lifted	Excess Quantity Lifted	Rate per unit Avg	Amount of Excess Quantity
1	W-Section	2,014	4,338	2,324	5,719.00	13,290,956
2	End Pieces	577	886	309	1,603.00	495,327
3	Channel Post	589	2,386	1,797	763.25	1,371,560
4	Lifting of material without tender					3,850,000
	Total					**19,007,843**

Audit is of the view that excess lifting of the material / without letter of award was in violation of the public procurement rules, hence, held irregular.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023.

a) DAC directed that management to reconcile the figures with Audit under intimation to the MoIP**.**
b) DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.6.4.9 Violation of rules due to irregular / unjustified rented out premises without tendering – Rs.10.800 million

Rule 04 PPRA, 2004 of 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 of money to the agency and the procurement process is efficient and economical. Further, clause 40 stipulates that without changing the cost and scope of work or services, the procuring agency may negotiate with the successful bidder.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management entered into an agreement on 28.05.2020 for three years with M/s Pakistan Vehicle Engineering (Pvt) Ltd for renting out the Shed Spaces (Wood Craft Shop) along with office (Dispensary). The management constituted Negotiation Committee to finalize the matter and offered rent of Rs.500,000 per month, but the tenants agreed the rent of Rs.300,000 per month along with fabrication of Rs.5,000 per bowser. However, Audit observed the following irregularities;

1. The premises was rented out without open competitive bidding process
2. Rent was fixed on negotiation basis.
3. The increase of rent was 7.5% per annum instead of 10%.

Audit is of the view that renting out of space without competitive bidding and change of cost through negotiation was in violation of PPRA rules, hence, held irregular.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.6.4.10 Un-justified issued of open cheques and cash deposits into bank accounts – Rs.10.205 million

According to Finance Division letter No.F-15(13) R-14/82 dated Sep 05, 1982, 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 funds should be utilized with due care and caution. Further, rule 23 of GFR states that every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud and negligence on his part.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management made following transactions through cash / open cheques instead of the cross-cheques. (Annex-71)

			(Rs. in million)
Provident Fund	**Cash Deposits**	**Payments to Vendors**	**Total**
1.339	4.933	8.866	15.138

Audit is of the view that transactions through open cheques/cash reflected control weaknesses in the organization.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to get the record verified from Audit. DAC further directed that in future all such payment should be made through crossed cheque instead of open cheque.

Audit recommends implementation of the DAC directives.

9.6.4.11 Loss of interest income to non-invested of Provident Fund – Rs.8.267 million

According to Section 218 of Companies Act, 2017,"the Employees' contributory funds, contributory retirement funds and securities, (1) 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 for the purpose in a scheduled bank or in the National Saving Schemes, and no portion thereof shall be utilized by the company except for the breach of the contract of service on the part of the employee as provided in the contract and after notice to the employee concerned".

As per rules / regulations of the employees' provident fund of clause 15 states that the moneys of the fund shall be invested as the trustees shall from time to time.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that management did not invest following provident funds since May, 2019.

S#	Description(s)	Date of Profit credit into account	Amount	Balance in Rs.	Loss of Income	Discount Rate
1	One year investment	30.05.2019	20,998.250	25,655,242	-	-
2	Semi Annual Gross Profit	20.07.2019	354945	24,060,863	2,592,510	12.25
3	-do-	11.01.2020	1,247,479	16,784,821	95307	8.00
4	-do-	11.07.2020	780,056	16,639,576	551110	8.00
5	-do-	11-01.2021	412,383	14,099,204	574,561	7.00
6	-do-	17-07-2021	381,167	14,356,656	623798	7.00
7	-do-	15-01-2022	422,001	14,664,308	1594341	13.75
8	Annual Profit	31-12-2022	-	16,258,649	2,235,564	13.75
				Total	**8,267,191**	

Audit is of the view that non-investment of funds resulted into loss of the benefits.

The matter was reported to the management on March, 2023.The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to submit revised reply and make efforts for activation of dormant fund and share with audit. DAC further directed that Internal fact finding may be conducted and submit report to Audit.

Audit recommends implementation of the DAC directives.

9.6.4.12 Loss due to leakage / wastage of gas – Rs.2.932 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, 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 Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that there was liability of SSGC for December, 2019 to February, 2020 amounting to Rs. 2.932 million despite the fact that company operations were halted since 2017. Detail is hereunder;

S#	Period	Units Consumed	Gas Charges in Rs.
1	February, 2020	13193	612,297
2	January, 2020	24568	1,146,809
3	December, 2019	22904	1,096,863
		Gross Payable	**2,855,969**
Later Payment Surcharge			76,741
		Net Payable	**2,932,710**

Audit is of the view that consumption of gas after halting of the operation was unjustified.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to conduct internal fact-finding inquiry and share with audit and MoIP.

Audit recommends implementation of the DAC directives.

9.6.4.13 Loss due to penalties – Rs.2.281 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, 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 Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that PSFCL paid the penalties due to non-compliance of the rules & regulation of various authorities. Detail is as under:

S #	Name of Authorities(s)	Penalty (Rs. in million)
1	SESSI imposed penalty on account of non-paying of monthly contributions	1.451
2	The management did not submit the General Sales Return from January 2019 to November 2020, due to this management paid penalty charges to the FBR.	0.230
3	Management paid penalty charges to the Security Exchange Commission of Pakistan due to non-compliance of the regulator.	0.60
	Total	**2.281**

Audit is of the view that payment of penalties reflected negligence of the management.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to get the record verified from Audit regarding interest rate increase by the SESSI and penalties imposed by the SECP and FBR.

Audit recommends implementation of the DAC directives.

9.6.4.14 Non-finalization of annual accounts

According to Section 233 of the Companies Act, 2017, the company should finalize its annual accounts within four months after closing date of accounts for the year.

During audit of Pakistan Steel Fabricating Company Ltd (PSFCL) for the years 2018-19 to 2021-22, it was observed that contrary to above, the Annual Accounts of the company for the years 2016-17 to 2021-22 were not prepared / audited by the chartered accountant for the year under review.

Audit is of the view that non-finalization of audited annual accounts reflected weak internal controls in the company.

The matter was reported to the management on March, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. DAC directed the management to complete the audit accounts at the earliest and share with audit under intimation to MoIP.

Audit recommends implementation of the DAC directives.

9.7 Pakistan Gems and Jewellery Development Company

9.7.1 Introduction

Pakistan Gems & Jewellery Development Company (PG&JDC) was incorporated in 2006 as a company limited by guarantee having share capital under Section 42 of the Companies Ordinance, 1984 (now Company's Act 2017). The registered office of the company is situated at 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 competiveness 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.

9.7.2 Comments on Audited Accounts

9.7.2.1 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 years 2020-21 to 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2020-21 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)***.

9.7.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2013-14	3	1	2	8.5.2.1, 8.5.3	33
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
2018-19	8	1	7	9.7.4.3 (Remaining to be discussed in PAC)	12.5

2019-20	-	-	-	-	-
2021-22	4	-	4	8.6.4.3 (Remaining to be discussed in PAC)	-
Total	**23**	**4**	**19**		17.39%

The overall compliance of PAC directives needs improvement.

9.7.4 Audit Paras

9.7.4.1 Increasing accumulated losses – Rs 1,648.160 million

Rule 5 of Public Sector companies (Corporate Governance) Rules, 2017 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 Jewellery Development Company (PG&JDC) for the year 2020-21 & 2021-22, it was observed that the company has complete failure in generating positive operational results/operational income since many years. The position of operational failure is tabulated below:

		(Rs.in million)
Description	**2021**	**2022**
Accumulated Deficit-opening	(1,683,285,140)	Rs (1,701,639,305)
Deficit/Surplus for the year	(18,354,165)	53,479,280
Accumulated Deficit-Ending	(1,701,639,305)	(1,648,160,025)

Thus, PGJDC is not able to generate revenue for its survival and had to rely on Government Grant completely which renders its sustainability questionable.

Audit is of the view that the above scenario reflects that poor planning; monitoring and control resulted in poor performance and led to failure and sustainability issue.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that the main objectives of the company, envisaged under PC-I, were to facilitate the sector through quality assurance, technology up-gradation and skill development. Therefore, instead of viewing the financial loss having been incurred due to peculiar business model of the company, the economic impact of the intervention may be seen. DAC directed the management to submit revised reply with justification of sustaining losses.

Audit recommends implementation of the DAC directives.

9.7.4.2 Non-utilization of assets of training & manufacturing centers – Rs.77.030 million

According to Article of Association of company, the objectives of the Development Projects of PGJDC are as under:

1. Productivity growth: To ensure productivity growth through skill development, technology up-gradation, R&D and innovation
    - Establishment of Gems and Jewellery Training Manufacturing Centers
    - Establishment of Gems Testing Laboratories
    - Establishment of Assaying and Hallmarking Centers

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that management has taken initiative of building and developing Gems and Jewellery Training and manufacturing Centers, Testing Laboratories and Gem exchanges in selected locations of the country. But due to bad governance, ill planning, poor financial management and weak financial controls, these units have become non-operational since June 30, 2019 and assets under the title of each establishment has cumulative worth of Rs.77.030 million which are subject to gradual deterioration and cumulate further losses. The detail of unexpired cost as on June 30, 2022 is as follows:

S. No.	Gems & Jewellery Establishment	No. of Units	Locations	Assets (Rs in million)
01	Training Manufacturing Centers	07	Karachi, Lahore, Peshawar, Quetta, Gilgit, Muzafarabad and Sargodha.	60.47
02	Gems Exchanges	02	Queeta & Peshawar	1.60
03	Assaying and Hallmarking Centers	02	Karachi and Lahore	14.96
			Total	**77.03**

Audit is of the view that management failure is evident in keeping above centers operational to support export and economy. Further, non-utilization of precious economic assets reflects poor asset management and may lead to further loss to government exchequer.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that in order to attain the approved aims and objectives of the company, the assets were optimally utilized during the project period i.e 2007-2017 and as a result of interventions by PGJDC, the quality of gems and jewellery products improved and the exports were increased from USD 47.00 million (2006-07) to USD 1.18 billion in 2012-13. DAC directed the management that the matter of winding up proceeding is to be taken up with SECP and progress will be shared with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.3 Non-recovery of advances / dues from various parties – Rs.18.691 million

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

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that various parties have long outstanding balances which were not recovered as detailed below:

S#	Description	Aging (Outstanding Period)	Amount(Rs)
1	Income Tax Refundable	Over 03 years	7,231,600
2	Advance Income Tax	Over 03 years	9,910,833
3	Advances	Over 03 years	1,391,036
4	Other receivables	Over 03 years	712,78
5	Prepayment	Up to 01 year	158,182
		Total	**18,691,651**

Audit is of the view that due to poor pursuance and weak internal controls, an amount of Rs.18.691 million is lying outstanding and the chances of recovery are becoming remote with the passage of time, causing losses to the organization.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that the Company is dysfunctional since March 2019 and all employees to whom these advances or receivables were issued or who were responsible to settle these advances have been laid off. Further, majorly advances pertain to 45% advance paid to the Grant Thorton Consulting (Pvt) Ltd. for preparing business plan which would be settled upon completion of works. DAC directed to conduct fact-finding enquiry to asses advances released and adjusted with compliance of due standard, procedure and approval and submit report within 30 days and also share report with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.4 Unjustified booking of amounts on account of deferred liability under gratuity fund scheme – Rs.12.164 million

IAS-19-Defined benefit plans (Measurement) states that the present value of an entity's defined benefit obligations and related service costs is determined using the 'projected unit credit method', which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately in building up the final obligation.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the management operated an unfunded Gratuity scheme without observing IFRS requirement.

Qualification remarks of Chartered Accountant in Annual Report for the year 2021 noted that the company has accounted for deferred liability under Gratuity Scheme based on completed period of service using current salary level which works out to be Rs.12.164 million in the year 2022. The aforesaid policy of PGJDC is not in line with the requirement of IFRS (IAS-19) which requires usage of projected unit credit method to determine staff Gratuity obligation. Actuarial valuation could not be carried out by the management which raises concern about correct valuation of Gratuity obligation paid and standing as on June 30, 2022.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that the Company is making efforts for establishment of Gratuity funds account which is under process. However, the payment of Gratuity to the retired/contract expired employees is subject to release of funds from Govt. of Pakistan. DAC directed to conduct fact-finding enquiry to asses and report on recording and payment of gratuity liability in compliance of approved contractual terms.

Audit recommends implementation of the DAC directives.

9.7.4.5 Unjustified expenditure after closure of development projects - Rs.7.780 million

According to Para 10 (i) of GFR, every Public Officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the project of Gems and Jewellery Development Company at AJK was completed on October 31, 2017 and remained non-operation since June 2019. However, the management incurred an expenditure of Rs.7.780 million on account of salary, Rent, Utilities and other charges. The details of expenditure is as follows:

Head of Account	Period	GJTMC, AJK (Rs)
Salaries & wages payable	May & June 2019	645,204
Medical claim	July 2018 - June 2019	29,866
Earned leave	July 2018 - June 2019	267,594
Rent payable	March 2019 - June 2022	5,858,719
Petty cash payable	Oct 2018 - Sept 2019	61,332
Utility bills payable (estimated)	Feb 2019 to Dec 2023	700,000
Insurance bill payable (estimated)	July 2022-June 2023	200,000
Accrued liabilities	Feb 2019 to Jun 2020	14,631
	Total	**7,777,346**

Audit is of the view that expenditures after the completion of the project are wasteful and unjustified.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that implementation period of GJTPC AJK finished on 31st October 2017. Subsequently, PGJDC requested funds from PIDC to continue operations of PGJDC's Projects, including GJTPC AJK. PIDC provided funds amounting to Rs.44.360 million. Through these funds PGJDC managed to run operations of this project till February 2019. Subsequently, PGJDC became unable to continue operations of the project and closed it down. The employees were also laid off in June 2019. DAC directed that the matter of winding up proceeding is to be taken up with SECP and progress will be shared with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.6 Expenditures without completion of business plan – Rs.1.180 million

Rule 4(3) of Public Sector companies (Corporate Governance) Rules 2017 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 and these rules.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the management hired the services of M/s Grant Thornton Consulting Private Ltd (M/s GT) on November 17, 2016 for the preparation of business / continuity plan. The contract was awarded for Rs.2.619 million having completion time of 02 months with deliverable of skill development program for next 20 years. However, despite lapse of 07 years, the management could not get the final version of Business Plan ready for onward submission to Ministry of Industries and Production (MoI&P) and Planning Commission for approval. The management paid expenditure of Rs.1.180 million in favour of consultant for incomplete task.

Audit is of the view that the management failure is evident in getting the Business Plan ready for approval which resulted in wasteful expenditure of Rs.1.180 million.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that payment amounting to Rs 1,178,550 was made after submission of 1st draft by the contractor. No further payments were made as PGJDC BoD did not approve the draft plan with the justification that execution of the Plan requires fresh funding however the federal government was not willing to provide any more funds to PGJDC after completion of PSDP project through which the company was raised and operated for around ten years. DAC directed to conduct fact-finding enquiry to asses' approval from Ministry of finance for Business Plan along with report on completion status, payments released and justification for non-execution. Fact finding Report is to be completed and submitted within 30 days and shared with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.7 Irregular disposal of generator – Rs.0.300 million

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

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the management sold the generator without observing standard procedure of fixing standard selling price through auction which was irregular. The record reflected that Diesel Generator 30 KVA (Perkins) was purchased on June 30, 2009. The generator was kept in a rental premises @ Rs 3,000 monthly charge from October, 2017 after the closure of Gems Exchange Quetta. In July 2019, the generator was sold to M/s Zaib and Brothers at Rs 300,000 without observing auction formalities. Further, the sale was made in favour of M/s Zaib who had standing obligation of rent against the company against which sale was settled which is also irregular and unjustified.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. Management informed that matter was placed before the Board on 31st May, 2019, the Board directed that matter has been already delayed and incurring continuously rental charges of Rs. 3,000 and directed to sale Generator who has offered the highest price" but should not be less then present written down value of Generator. Keeping in view of above decision of Board, management sold the Generator to highest bidder i.e M/s Zaib Brothers Pvt ltd who offered Rs. 300,000. The vendor has deposited Rs. 300,000 against Company Bank account. In view thereof, competitive process was followed. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

9.7.4.8 Non appointment of regular CEO since 2017

According to SECP Guidelines, 2015 for appointment of Chief Executive:

2. Advertisement for the Position. - (1) The Board shall initiate the appointment process, at least three months before the term of the incumbent chief executive is going to expire, by issuing a public advertisement in the print media, inviting applications for appointment against the vacant position. The advertisement shall also be posted on the website of the public sector company or that of the line ministry. Direct applications shall also be acceptable, and the fact may be specified in the advertisement.

During audit of Pakistan Gems and Jewellery Development Company (PG&JDC) for the years 2020-21 & 2021-22, it was observed that the company had been running its operations without a Chief Executive Officer since 2017. Since 2017, the key post of CEO was filled through additional or Look After charges as detailed below:

S#	Name of Chief Executive	Date of Joining	Resigned/Contract Terminated	Status
1.	Mr. Muhammad Iqbal Tabish	17-11-2017	05-08-2019	Additional Charge
2.	Mr. Rizwan Ahmed Bhatti	27-08-2019	25-10-2019	Look After Charge
3.	Mr. Shahid Iqbal Qureshi	25-10-2019	15-12-2020	Look After Charge
4.	Mr. Muhammad Shoaib Akbar	16-12-2020	15-03-2021	Additional Charge
5.	Mr. Muhammad Riazuddin	08-06-2021	01-06-2022	Additional Charge
6.	Mr Sajjad Azhar	09-09-2022	14-02-2023	Look After Charge
7.	Mr Sajjad Azhar	14-02-2023	13-05-2023	Additional Charge

Audit is of the view that in the absence of CEO, the company is incurring expenditure at the cost of Government Exchequer without producing operational and other benefits which is unjustified.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that process of appointment of regular CEO was initiated during 2019-20 but the matter could not progress further due to dys-functionality of company, financial crunch and proposals of restructuring under consideration of Industries and Production including establishment of proposed Pakistan Gems and Jewelry Development Authority (PGJDA). DAC directed that the matter of winding up proceeding is to be taken up with SECP and progress will be shared with Audit.

Audit recommends implementation of the DAC directives.

9.7.4.9 Key Management positions lying vacant

Rule 5 of Public Sector companies (Corporate Governance) Rules, 2017 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 Jewellery Development Company (PG&JDC) for the year 2020-21 & 2021-22, it was observed that various key management positions were lying vacant in the company since long. Detail is as under:

S#	Name of Post	Number of Post(s)	Date since of vacant post
1.	General Manager (Marketing & Quality Assurance)	01	07-04-2011
2.	General Manager, Training & Development	01	26-02-2018
3.	Chief Financial Officer	01	20-11-2017
4.	Manager Projects	01	01-05-2012
5.	Manager Accounts	01	29-09-2016
6.	Manager (Admin & HR)	01	02-07-2014
7.	Manager (Internal Audit) / CIA	01	02-10-2013
8.	Assistant Manager (Quality Assurance)	01	29-09-2016
9.	Assistant Manager (Projects)	01	29-09-2016

Audit is of the view that key management positions of the company were lying vacant for considerable period which reflects non-existence of professional working set up.

The matter was reported to the management on February 24, 2023. The irregularity was discussed in the DAC meeting held on November 29, 2023. The management informed that in the absence of full fledge CEO, lack of operational activity, acute financial crisis faced by company, completion of PSDP Projects in 2017 and full utilization of funds by 2019, only the skeleton staff was retained by PGJDC for disposing off routine matters and hence there was no need to fill management positions. DAC directed that the matter of winding up proceeding is to be taken up with SECP and progress will be shared with Audit.

Audit recommends implementation of the DAC directives.

9.8 Heavy Electrical Complex (Pvt.) Limited

9.8.1 Introduction

The Company was incorporated as a Private Limited Company on December 09, 1991, fully owned by State Engineering Corporation (Pvt.) Limited Ministry of Industries and Production, Government of Pakistan. The registered office of the company is situated at Third Floor, Software Technology Park, (STP-I), 5-A Constitution Avenue, F-5/1, Islamabad. The Company is engaged in the manufacturing and repair of power transformers.

9.8.2 Comments on Audited Accounts

9.8.2.1 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 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the year 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(Annex-2)***

9.8.2.2 The working results of the Company for the year 2021-22 as compared to the preceding years are tabulated below:

(Rs in millions)

Particulars	2021-22	% Inc/ (Dec)	2020-21	% Inc/ (Dec)	2019-20
Sales	78.19	(79.03)	372.93	68.14	**221.80**
Cost of sales	144.26	(66.34)	428.55	235.17	127.86
Gross profit/(loss)	**(66.06)**	**18.78**	**(55.62)**	**(159.21)**	**93.94**
Operating expenses					
Administrative expenses	59.79	3.57	57.73	(6.62)	61.82
Selling & distribution expenses	8.93	(20.17)	11.18	(5.25)	11.80
Operating profit/(loss)	**(134.78)**	**8.24**	**(124.52)**	**(713.10)**	**20.31**
Other expenses	261.04	-	0.00	0.00	0.00
Other income	94.41	1979.41	4.54	(42.96)	7.96
Financial charges	69.76	61.04	43.32	(39.52)	71.63
Loss for the year before tax	**(371.18)**	**127.30**	**(163.30)**	**276.61**	**43.36**
Taxation	4.23	3423.33	0.12	(96.43)	3.36
Loss after taxation	**(366.95)**	**124.54**	**(163.42)**	**249.79**	**46.72**

(Source: Annual Audited Accounts 2021-22)

During the year the sales of the company was decreased by 79.03% to Rs 78.19 million in 2021-22 from Rs 372.93 million in 2020-21, whereas, the Cost of Sales was decreased by 66.34% to Rs 144.26 million in 2021-22 from Rs 428.55 million in 2020-21. The decrease in sales resulted in gross loss of Rs 66.06 million to the company in 2021-22 (2020-21 – Rs 55.62 million) and the accumulated loss increased by 37% to Rs 1,213.81 million as on June 30, 2022 (2020-21 – Rs 883.058 million). These conditions, along with other matters as set forth in accounts indicate that the material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern, which required explanation.

9.8.2.3 Administrative expenses increased by 3.57% to Rs 59.79 million in 2021-22) 2020-21- Rs 57.73 million). The increase in Administrative Expenses in circumstances when sales decrease by 79.03% showed inefficient utilization of available resources and lack of control over administrative expenditures which needs justification.

9.8.2.4 The company's net loss increased by 124.54% to Rs 366.95 million in 2021-22 (2020-21 – Rs 163.42 million). The reason(s) for such continuous losses was management's inefficient operational activities. Efforts are required be made to increase the sale and rationalize the operational activities to make the corporation a viable and self-sustaining unit in the years to come.

9.8.2.5 Trade Debts decreased by 64% to Rs 106.416 million in 2021-22 from Rs 296.906 million in 2020-21. The provision for doubtful debts amounting to Rs 32.609 million appearing in previous year was written off during the year under review. Position needs clarification with regard to party wise detail of write off amount, reasons for non-recovery, in-house inquiry, if any, prior to written off approval etc.

9.8.2.6 Other Expenses of Rs 261.041 million are appearing in profit & loss account for the year 2021-22 (2020-21 – Rs Nil). The expenses included bad debts of Rs 181.789 million and loss on bank guarantee Rs 79.252 million. Both the figures related to late delivery charges and encashment of bank guarantees by the customers due to non-completion of orders. Position needs clarification with reference to the reasons under which the orders were not completed or delayed completed.

9.8.2.7 The External Auditors issued qualified opinion on the accounts of the Board during the year under review on the basis of following points:

i. According to IAS 36 'Impairment of Assets' an entity should assess at each reporting period whether there is any indication that an asset may be impaired, and for an intangible asset not available for use impairment assessment should be done an impairment assessment for its plant and machinery and intangibles that are not yet available for use, despite the company incurring losses for several years. The impact of impairment of plant and machinery and intangibles is material to the Financial Statements and it cannot be quantified.

ii. The company has recorded provision for gratuity as per management estimate instead of actuarial valuation as per requirements of IAS-19 'Employee Benefits'. The management estimate does not account for financial, demographic and other actuarial assumptions for the calculation of the present value of the provision against gratuity. The impact of the difference of provision form actuarial valuation cannot be quantified.

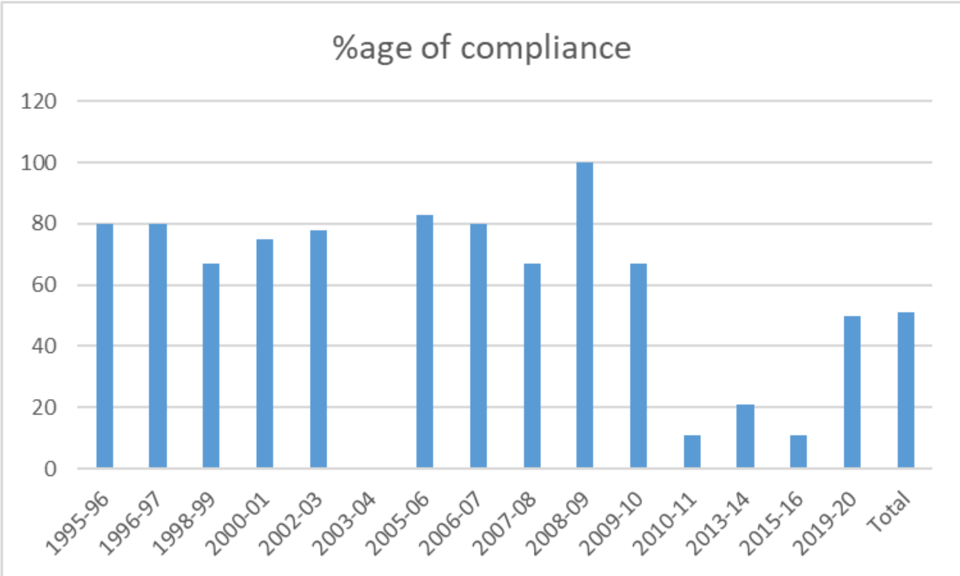
iii. The External Auditors of the company noted that Company has trade debts amounting to Rs 106.416 million as at year ending 2022. The Company considered all its receivables as good and has not assessed any expected credit loss against these receivables which is in contravention of the requirements of International Financial Reporting Standards (IFRSs). The impact of expected credit loss or the receivable balance is material and cannot be quantified.

The management is stressed for early removal of said qualifications.

9.8.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	%age of compliance
1995-96	05	04	01	190	80
1996-97	05	04	01	169	80
1998-99	03	02	01	262	67
2000-01	04	03	01	299	75
2002-03	09	07	02	103.5,103.8	78
2003-04	05	0	05	104.2,107&107.1,107.2,104&104.1, 108.3	-
2005-06	06	05	01	132.3	83
2006-07	05	04	01	107.1	80

2007-08	03	02	01	80.2	67
2008-09	06	06	0	NIL	100
2009-10	03	02	01	132	67
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
2013-14	14	03	11	8.19.1, 8.19.2.1, 8.19.2.2, 8.19.2.3, 8.19.2.4, 8.19.2.5, 8.19.2.6, 8.19.2.7, 8.19.4.1, 8.19.4.3, 8.19.4.5	21
2015-16	09	01	08	8.20.1, 8.20.2.1, 8.20.2.2, 8.20.2.3, 8.20.2.4, 8.20.2.5, 8.20.2.6, 8.20.3	11
2019-20	04	02	02	7.14.2.2, 7.14.3	50
Total	**90**	**46**	**44**		**51**



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

9.9 National Fertilizer Marketing Limited

9.9.1 Introduction

National Fertilizer Marketing Limited (NFML) is a subsidiary of National Fertilizer Corporation of Pakistan (Pvt.) Limited (NFC). It was incorporated in 1976 under Companies Ordinance 1984 (now Companies Act 2017). The principal activity of the Company is marketing and sale of fertilizer purchased from local manufacturers and imported urea through Trading Corporation of Pakistan (Pvt.) Limited.

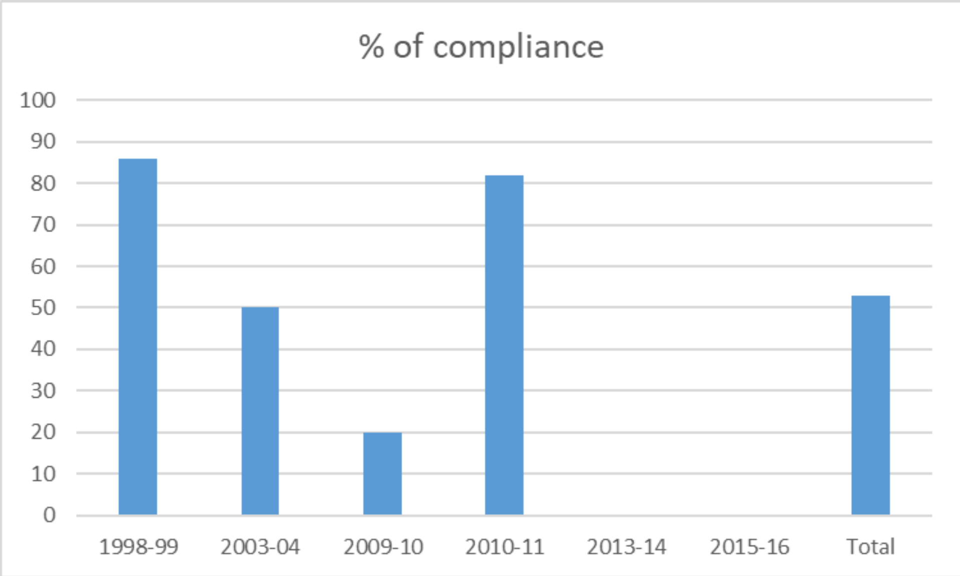
9.9.2 Comments on Audited Accounts

9.9.2.1 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 2018-19 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the years 2018-19 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)***.

9.9.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of compliance
1998-99	07	06	01	225	86
2003-04	04	02	02	117,119.5	50
2009-10	05	01	04	139,140,141,142	20
2010-11	11	09	02	11.14.4.1,11.14.4.2	82
2013-14	01	0	01	Annexure-2	0
2015-16	06	0	06	8.23.4.1,8.23.4.2,8.23.4.3 ,8.23.4.4,8.23.4.5,8.23.3	0
Total	**34**	**18**	**16**		**53**



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

9.9.4 Audit Paras

9.9.4.1 Loss due to incurring excess incidental charges - Rs 173.845 million

According to Ministry of Industries and Production letter dated March 17, 2022, stock handling, warehousing and labor charges (incidental charges) approved by ECC were Rs 92 per bag.

During audit of NFML for the years 2019-23, it was observed that the management incurred Rs 357.845 million at the rate of Rs 178.57 per bag on account of incidental charges i.e. stock handling, warehousing and labor charges during 2021-22. Whereas, incidental charges approved by ECC was Rs 184.00 million at the rate of Rs 92 per bag. This resulted into excess cost of Rs 173.845 million (Rs 357.845 million - Rs 184 million). The management failed to complete the task of stock handling, warehousing and sale of urea within the approved cost which resulted into loss to the company.

Due to weak internal controls and financial management, the extra cost was incurred on account of incidental charges.

Audit is of the view that the management did not complete the said task within approved cost.

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

Audit recommends the management to state the reason(s) of incurring excess incidental charges than the approved rate of incidental charges by ECC.

9.9.4.2 Irregular award of tally, labor and security contracts to various contactors - Rs 68.983 million

According to tender documents the prospective bidder who has been black listed, shall not be eligible to participate in contract process, either individually or as a member of other bidding company. Moreover, according to clause I of tender documents for hiring of labor and security services, it is mandatory for bidder to have NTN registration not later than January 01, 2018 and minimum turnover of Rs 1.00 million as declared in FBR in last two financial years. Further, according to clause 38(2) (viii) of Public Procurement Rules 2021, the lowest evaluated bidder shall be awarded the contract.

During audit of National Fertilizer Marketing Limited (NFML) for the years 2019-23, it was observed that the management awarded tally, labor and security contracts for in-transit urea and bulk stores to various contractors. The contracts were awarded in violation of tender documents and PPRA rules. Hence, the award of such contract was irregular. The detail is as under:

(Rs in million)

Description of contract	Name of contractor	Violation of criteria	Deficiency	Contract award date	Amount
Labor and security contracts at bulk stores	M/s Abdul Qadeer	Tender Documents	Black listed	January 19, 2022	10.736
Labor and security contracts at bulk stores	M/s Zahir Shah & Brothers	Clause-I of Tender Documents	NTN and STN registration	January 2022	30.403
	M/s Muhammad Fahad			January 2022	24.859
Tally services contract	M/s M.A.M Company	Clause 38(2) (viii)	Award of contract to second lowest bidder	December 10, 2021	2.985
	Total				**68.983**

Due to non-observance of provisions of the tender documents and PPRA rules, the award of tally, labor and security contracts for in-transit urea and bulk stores was irregular.

Audit is of the view that the management was required to comply with the terms of the conditions of the tender documents and PPRA rules in letter and spirit.

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

Audit recommends the management to explain the reason(s) of awarding contracts to various contractors in violation of tender documents and PPRA rules.

9.9.4.3 Irregular hiring of labor, tally and in transit security services - Rs 30.950 million

According to rule 42 (C) (IV) of Public Procurement Rules amended up-to June 2021, repeat orders should not exceed fifteen per cent of the original procurement.

During audit of NFML, Lahore for the years 2019-23, it was observed that the management opened tender for hiring of labor, tally and in transit security services on February 18, 2022 for Wazir Mansion, Karachi and Bin Qasim ports. The contract was awarded to M/s M.A.M & Co. single participating firm. The initial period of the contract was six months i.e. February 21, 2022 to August 20, 2022. On expiry of the period, the contract period was extended for further six months twice i.e. from August 21, 2022 to February 20, 2023 and February 21, 2023 to August 20, 2023 in violation of public procurement rules. This resulted into repeat order of more than 15% which was irregular.

Due to weak internal controls, repeat order of above 15% was placed.

Audit is of the view that the management should have not place the repeat order beyond 15%. This resulted into violation of public procurement rules.

The matter was reported to the management but no reply was received.

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

Audit recommends to explain the reason(s) of placing repeat order of beyond limit of 15% and inquire the matter besides fixing the responsibility on person(s) at fault.

9.9.4.4 Non recovery of cost of urea from cartage contractor due to shortage of bags during transit - Rs 3.198 million

According to clause 18 of cartage agreement with NLC dated September 01, 2022, in case the consignment is not delivered to the designated consignee within 15 days of the dispatch of the fertilizer then on 16th day of the dispatch of fertilizer the cartage contractor will be liable to pay to the company the full value thereof at TCP import price of the fertilizer.

During audit of NFML for the years 2019-23, it was observed that the management awarded cartage contract to National Logistic Cell (NLC) for dispatch of imported urea from Karachi Port Trust, Bin Qasim and Gawadar Ports to various NFML bulk stores. During dispatch of urea in 2022-23, total 420 bags of imported urea having value of Rs 3.198 million were missing during transit to various bulk stores. The management recovered only freight charges of urea whereas the full value of missing urea bags at Trading Corporation of Pakistan (TCP) import price remained unrecovered. The detail is given at Annex-72.

Due to non-observance of provision of cartage contract, full value of missing urea bags at TCP import price was not recovered from M/s NLC.

Audit is of the view that the management was required to recover the full value of missing urea bags at TCP import price but the same was not done.

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

Audit recommends the management to explain the reason(s) of non-recovery of full value of urea bags from NLC and enquire the matter besides fixing the responsibility on person(s) at fault.

9.9.4.5 Loss due to excess delivery of 400 urea bags to dealers - Rs 2.968 million

According to NFML letter dated February 02, 2015, the respective Regional Managers shall supervise and monitor the operations of all bulk and temporary stores within their jurisdiction. The quantity, security and safety of stocks shall be ensured.

During audit of NFML for the years 2019-23, it was observed that the management dispatched 1,300 urea bags to M/s Shaheen Shah Fertilizers from its temporary store named "Zulfiqar godown" against booked quantity of 1,200 bags. Furthermore, 2,900 urea bags were dispatched to Sind Fertilizer Agency against booked quantity of 2,600 urea bags from the same temporary store. This resulted into excess delivery of 400 urea bags amounting to Rs 2.968 million (400 bags*Rs 7420.47 = Rs 6800 import price per bag + Rs 620.47 incidental charges per bag) which was not recovered from the dealers. The inquiry committee in its findings dated July 04, 2023 established that excess urea was dispatched and recommended to recover the cost of urea from the concerned. But the same could not be recovered and resulted into loss to the company.

Due to weak internal controls and mishandling of stock, the excess quantity of urea was dispatched to the dealers and amount remained unrecovered.

Audit is of the view that the management was required to ensure that the quantity of urea was being dispatched as per order booking slip and transfer note.

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

Audit recommends the management to explain the reasons of dispatching excess urea and non-recovery of the urea cost from the concerned.

9.9.4.6 Irregular appointment of external auditors without concurrence of Auditor-General of Pakistan - Rs 2.864 million

According to Finance Division dated March 25, 1981 and Auditor-General of Pakistan's office letter dated October 21, 2021 and subsequent letter dated October 17, 2022, in case of appointment of Chartered Accountant Firms by autonomous bodies, the concurrence from office of AGP for the same was required to be obtained by the autonomous bodies.

During audit of NFML for the years 2019-23, it was observed that the management hired the services of M/s Kreston Haider Bhimji & Co. Chartered Accountants to conduct audit for the period 2019-20 to 2022-23 without concurrence of Auditor-General of Pakistan. Thus, the payment of audit fee amounting to Rs 2.864 million was held irregular.

Non-observance of instructions of F.D and AGP was the cause of irregularity.

Audit is of the view that external audit firm was required to be hired after obtaining concurrence from Auditor-General of Pakistan.

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

Audit recommends the management to take appropriate action to get ex-post facto approval from AGP, Islamabad.

9.9.4.7 Non-recovery of shortage of urea Rs 28.212 million

According to clause 21.1.5 and 21.1.6 of NFML Management Manual, punishment for misconduct and breach of discipline includes dismissal from service and recovery will be made from salary if any loss or damage sustained by the corporation by reasons of negligence or misconduct.

During audit of NFML for the years 2019-2023, it was observed that Mr. Muhammad Faisal Chaudhary, Assistant Manager during his posting as store incharge at Nowshera Virkan involved in shortage of 14,813 bags of urea having value of Rs 28.212 million. On January 29, 2015 an inquiry committee mentioned in its findings that Mr. Faisal Chaudhary was responsible for shortage of 14,813 bags of urea. No recovery of shortage of urea was made till date.

Due to weak internal controls, recovery was not effected from the said employee.

Audit is of the view that the management was required to recover the amount from the concerned employee in light of findings of enquiry committee.

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

Audit recommends the management to explain the reasons(s) for non-recovery of the shortage of urea amount.

9.9.4.8 Loss due to dispatch of urea through NLC instead of Pakistan Railway - Rs 2,259.172 million

According to Pakistan Railways Divisional Office, Karachi Letter No. 03-Rates/FBU/OC/2022 dated August 30, 2022, the freight rates for transportation of fertilizer to all bulk stores of NFML were offered as follow:

From	To	Special reduced rate per ton
Karachi Port Trust (KPT) Wazir Mansion (WM) Port Muhammad Bin Qasim (PMBQ)	Eminabad	Rs 4,415
	Jhang	Rs 3,735
	Lodhran	Rs 3,190
	Kissan	Rs 3,945
	Risalpur	Rs 5,670
	Shahdad Pur	Rs 1,745

During audit of NFML for the years 2019-23, it was observed that the management dispatched 331,228 metric ton urea through NLC to six permanent bulk stores. Freight cost charged by NLC was Rs 3,566.847 million. These six permanent bulk stores were situated on Pakistan Railways track. If 331,228 metric ton urea would have been dispatched through Pakistan Railways, it would have cost Rs 1,307.674 million. Thus, dispatch of urea through NLC resulted into loss of Rs 2,259.172 million (Rs 3,566.847 million - Rs 1,307.674 million) to government exchequer.

Due to weak internal controls and financial management, urea was dispatched through costly contractor instead of Pakistan Railways.

Audit is of the view that the management was required to dispatch urea through Pakistan Railways instead of NLC to avoid extra cost.

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

Audit recommends the management to explain the reason(s) for non-dispatching the urea through Pakistan Railways besides fixing the responsibility on person(s) at fault.

9.9.4.9 Irregular excess award of urea beyond allocated quota - Rs 33.600 million

According to para 3 of NFML letter dated November 03, 2022 and December 29, 2022, it is strictly directed that the dealer booking should not exceed the maximum limit as mentioned in these letters. In case of deviation of the orders strict disciplinary action will be taken.

During audit of NFML for the years 2019-2023, it was observed that the management notified quota for 200,000 M. ton and 194,000 M. ton urea to districts and dealers on November 03, 2022 and December 29, 2022 respectively. Scrutiny of the record revealed that the management booked and awarded 717.95 M. Ton Urea having value of Rs 33.600 million, to certain districts and dealers beyond allocated quota. The detail is given at Annex-73.

Due to weak internal controls, excess urea was awarded beyond the approved quota.

Audit is of the view that the management was required to award urea as per approved quota but the same was not done.

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

Audit recommends investigating the matter and fixing responsibility.

9.9.4.10 Non-recovery of differential price from trade dealers - Rs 19.287 million

According to NFML letter dated January 30, 2023 it was directed to collect the differential amount against the booking of imported urea.

During audit of NFML for the years 2019-2023, it was observed that the management issued 5,075.50 M. Ton urea out of 194,500 M. Ton in January 2023 at old price of Rs 2,150 per bag to dealers. During the process of urea issuance to dealers, the ECC notified new price of Rs 2,340 per bag but the management did not consider it and kept on dispatching the urea at old price. Later on, it was decided to collect the differential amount of Rs 190 per bag (Rs 2,340 – Rs 2,150) from the dealers. The total differential amount was Rs 19.287 million (5,075.50 M. Ton * 20 bags per M. ton * Rs 190) which remained unrecovered.

Due to weak internal controls, the stock was sold at old price and the differential amount remained unrecovered from the dealers.

Audit is of the view that the management was required to sell the new stock at new price or the differential amount was to be recovered.

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

Audit recommends the management to recover the differential amount from the concerned dealers/ agencies.

9.9.4.11 Irregular sale of urea on credit - Rs 27.641 million

According to clause-6(iv) of agreement between dealers and NFML, for supplies lifted by dealer from company's warehouse, the dealer will pay in advance the value of the supplies by demand draft or pay order in favor of the company on a scheduled bank approved for this purpose by the company and send such demand draft or pay order to the company.

During audit of NFML for the years 2019-23, it was observed that in different regions, urea amounting to Rs 27.641 million was sold on credit till June 30, 2023. Whereas, the amount of supplies was not paid in advance by the dealers in the form of demand draft or pay order in violation of agreement. Resultantly, the management extended undue favor to certain contractors.

Due to weak internal controls, urea was sold on credit and amount was not recovered.

Audit is of the view that the management was required to take the advance payment from the dealers before delivery of urea but the same was not done.

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

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

9.9.4.12 Irregular award of dealership without eligibility criteria – Rs 102.950 million

According to dealership policy, criteria for award of new dealership was to required photocopy of valid registration/dealership certificate of at least one fertilizer company other than NFML, minimum of 02 years of experience in buying/selling of fertilizers of any one or more fertilizer company and license of registration for Dealer/Vendor of fertilizer issued by the Agriculture Department of his province.

During audit of NFML for the years 2019-23, it was observed that the management awarded dealership and sold huge quantity of urea bags valuing Rs 102.950 million to various agency holders who did not fulfill the dealership eligibility criteria. The agency holders neither provided the experience certificate in buying/ selling of fertilizers' company other than NFML nor furnished the license from Provincial Agriculture Department. In the absence of above said record, award of dealership and supply of urea bags amounting to Rs 102.950 million to the dealers was held irregular. The detail is given at Annex-74.

Due to non-fulfilling the eligibility criteria, award of dealership was irregular.

Audit is of the view that the management was required to award dealership in line with the approved dealership award criteria after fulfillment of all the requirements.

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

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

9.10 Pakistan Engineering Company Limited

9.10.1 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.

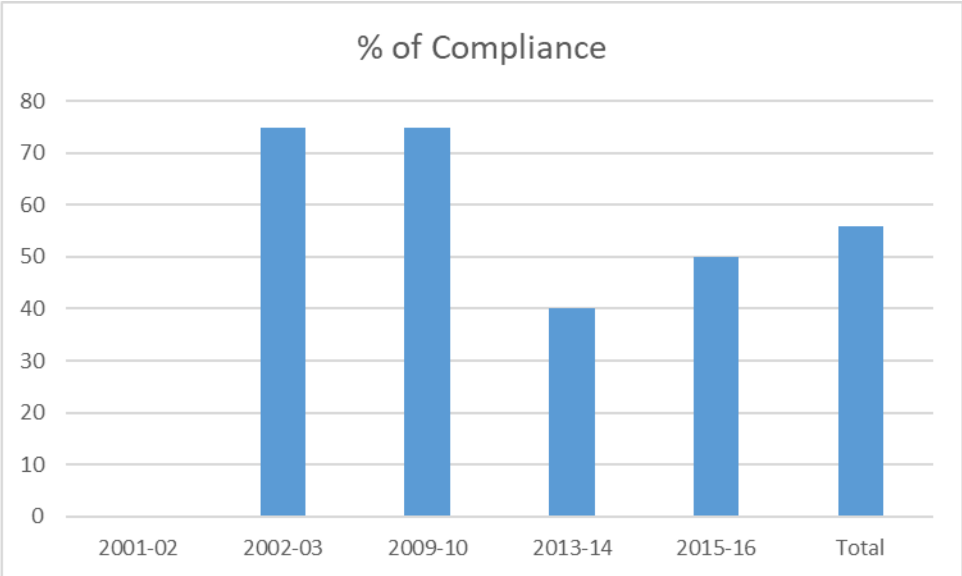
9.10.2 Comments on Audited Accounts

9.10.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2017-18 to 2022-23 till December 31, 2023.

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 ***(refer Annex-2).***

9.10.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of Compliance
2001-02	1	-	1	301	-
2002-03	04	03	01	107.3	75
2009-10	08	06	02	135.6,135.7	75
2013-14	10	04	06	8.21.4.1,8.21.4.2,8.21.4.4, 8.21.4.5,8.21.4.6,8.21.4.7	40
2015-16	02	01	01	8.21.3	50
Total	**25**	**14**	**11**		**56**



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

9.10.4 Audit Paras

9.10.4.1 Unjustified payment to M/s Sufi Steel Industries – Rs 499.501 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of PECO for the year 2019-23, it was observed that a sum of Rs 499.501 million was paid to M/s Sufi Steel Industries (Pvt.) Ltd during the period August, 2019 to March, 2022 without documentary evidence i.e. contract & purchase order. Moreover, SECP conducted inquiry regarding affairs of PECO being an enlisted company and concluded that transactions between PECO and M/s Sufi Steel Industries (Pvt.) Ltd were unjustified as its owner who made a Joint venture agreement with PECO in the name of M/s Synectics Corporation was same. This indicated that PECO transferred amount of Rs 499.501 million into JV account.

Weak internal controls and non-observance rules resulted in unjustified payment.

Audit is of the view that the management was required not to make payments to M/s Sufi Steel Industries (Pvt.) Ltd without agreement.

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

Audit recommends to inquire the matter of unjustified payment and fix responsibility on the person(s) held responsible besides recovery of amount.

9.10.4.2 Default due to non-repayment of loan to National Bank of Pakistan (NBP) – Rs 111.195 million

According to clause 26th of Memorandum of Association of PECO, the objective of the company was to give any guarantee in relation to the payment of any loan, debentures, stocks, bonds, obligations or securities and to guarantee the payment of interest thereon or of dividends of any stocks or shares of any company.

During audit of PECO for the years 2019-23, it was observed that an agreement with National Bank of Pakistan was signed for availing running finance facility of Rs 108.351 million on March 31, 2015. This facility was available for five years. The management failed to repay the installment of running finance facility. Consequently, NBP filed a suit in Banking Court for recovery of loan along with interest. Banking Court decided to pay an amount of Rs 111.195 million. It was further revealed that due to nonpayment of loan PECO was declared as defaulter.

Poor financial management was the cause of non-payment of loan amount.

Audit is of the view that the management was required to pay loan timely in order to avoid default.

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

Audit recommends to inquire the matter and fix responsibility on the person(s) held responsible.

9.10.4.3 Irregular payments made in cash to different parties – Rs 53.414 million

According to clause 21(l) (Division II) of Income Tax Ordinance, 2001, no deduction shall be allowed in computing the income of a person under the head income from business for any expenditure for a transaction, paid or payable under a single account head which, in aggregate exceeds two hundred and fifty thousand rupees, made other than by a crossed cheques drawn on a bank or by crossed bank draft or crossed pay order or any other crossed banking instrument showing transfer of amount from the business bank account of the taxpayer.

During audit of PECO for the years 2019-23, it was observed that the management made payments of Rs 53.414 million under various heads in cash to different parties under various head in cash rather than through cross cheques in violation of Federal Board of Revenue Rules. Thus, the payments of Rs 53.414 million were considered irregular.

Due to weak financial controls, irregular payments were made.

Audit is of the view that the management was required to make payments through cross cheques instead of making cash payments.

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

Audit recommends to inquire the matter and fix responsibility on the person(s) held responsible besides regularization of amount.

9.10.4.4 Irregular composition of the BoD and receipt of loan – Rs 26.798 million

According to rule 5(5)(b)(i) of Corporate Governance Rules 2013, the directors and executives of a Public Sector Company do not allow a conflict of interest to undermine their objectivity in any of their activities, both professional and private and that they do not use their position in the Public Sector Company to further their private gains in a social or business relationship outside the Public Sector Company.

During audit of PECO for the years 2019-23, it was observed that a loan of Rs 26.798 million was obtained from M/s Arif Habib and M/s Rotocast Engineering during the period from March, 2019 to September, 2022. The approval of loan was granted by the Board of Directors that included the owners of the said companies. The loan amount was booked as legal and professional expenses, annual listing fee and salary of employees. Thus, due to conflict of interest of the members of BoD, loan amount was held irregular. The detail of loan is as under:

Description	Loan amount (Rs in million)
M/s Arif Habib Group	12.971
M/s Rotocast Engineering	13.827
Total:-	**26.798**

Due to weak administrative controls, company obtained loan from the members of BoD.

Audit is of the view that management was required to observe the CGRs in letter and spirit.

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

Audit recommends to inquire and refer the matter to SECP for appropriate decision.

9.10.4.5 Excess payment of salary to Ex-Managing Director – Rs 18.199 million

According to Agenda 2 Item No.02 of 185th Board of Directors meeting held on April 27, 2016, Board approved remuneration of Managing Director for Rs 385,000 per month. Further, according to clause i & ii of Finance Division Letter dated July 19, 2022 regarding grant of executive allowance to BS-17-22 Officers, this allowance will be admissible to all officers posted by the Establishment Division against sanctioned posts.

During the audit of Pakistan Engineering Company (PECO) for the years 2019-23, it was observed that Ex-Managing Director drawn salary more than that approved by the Board of Directors. He was paid Rs 601,720 instead of Rs 385,000 per month during the period of March, 2016 to August, 2022 and resultantly excess payment of Rs 16.904 million (Rs 216,720 x 78 months) was made. Further, an amount of Rs 0.535 million on account of executive allowance for the month of July & August 2022 and an amount Rs 0.760 million (Rs 9,750 x78 months) as subscription fee to M/s Royal Palm was also made. Thus, the management paid excess salary and allowances of Rs 18.199 million (Rs 16.904 + Rs 0.535 + Rs 0.760 million).

Due to weak financial controls, excess payments was made.

Audit is of the view that the management was required to follow the Finance Division's instructions to avoid irregular payment.

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

Audit recommends to inquire the matter and fix responsibility on the person(s) held responsible beside recovery of irregular payment.

9.10.4.6 Irregular sale of scrap in violation of company's rules – Rs 75.968 million

According to PECO sales policy, disposal of scrap, the Board of Director will constitute a disposal committee to approve sale of machinery and scrap. After approval by the committee tender will be issued in two leading newspapers.

During the audit of PECO for the years 2019-23, it was observed that scrap valuing Rs 75.968 million was sold to various buyers during March 2021 to July 2021. It was noted that management neither constituted disposal committee to assess the condition of disposed items nor adopted competitive process in violation of company rules. Thus, sale of scrap of Rs 75.968 million was held irregular in audit.

Non observance of company's rules resulted into irregular sale of scrap.

Audit is of the view that the management was required to sell scrap after approval of disposal committee.

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

Audit recommends to enquire the matter and fix responsibility on the person(s) held responsible.

Note: The issue was also reported earlier in the Audit Report for Audit Year 2019-20 vide para number 7.20.4.10 having financial impact of Rs 8.976 million. Recurrence of same irregularity is a matter of serious concern.

9.10.4.7 Loss due to non-collection of advance Income Tax on auction – Rs 7.597 million

According to clause-236A of Income Tax Ordinance, 2001, any person making sale by public auction or auction by tender or any property of goods either belonging to or not belonging to the Government, local Government, any authority, a company shall collect advance tax computed on the basis of sale price of such property and at the rate of 10% from the person to whom such property or goods are being sold.

During audit of PECO for the years 2019-23, it was observed that the management sold scrap of Rs 75.597 million to various buyers during March, 2021 to July, 2021. The advance tax from the buyers was not collected by the management. Thus, due to non-collection of advance tax, the Government suffered loss of Rs 7.597 million (Rs 75.597 million x 10%).

Due to weak managerial controls, public exchequer was deprived of tax amount.

Audit is of the view that the management was required to follow Government directions in order to collect advance tax.

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

Audit recommends to enquire the matter and fix responsibility on the person(s) held responsible.

9.10.4.8 Non-receipt of rent amount of office building – Rs 5.735 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 PECO for the years 2019-23, it was observed that the management rented out an office building to M/s United Bank Limited (UBL) situated in Uni-Tower Karachi @ Rs 127,862 per month. The tenant was not paying rent of Rs 5.735 million since November, 2020. Thus, due to non-efforts the rent valuing Rs 5.735 million (Rs 127,862 x 38 months = 4.858 million + Rs 0.877 million) remained unrecovered.

Audit is of the view that the management was required to made efforts for early recovery of rent.

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

Audit recommends to enquire the matter and fix responsibility on the person(s) at fault besides recovery of rent.

9.10.4.9 Irregular hiring of freight services in violation of PPRA Rules – Rs 3.128 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 PECO for the years 2019-23, it was observed that freight services contract was awarded to M/s Abbas Goods Transport Company, Lahore and made payments of Rs 3.128 million without tender process. Thus, hiring of services and payments of Rs 3.128 million was held irregular. Detail is as under:

Sr. No.	Name of Freight Agency	Date of Payment	Payment (Rs)
1	Abbas Goods Transport Company, Lahore	31.05.2019	1.422
2	-do-	30.04.2019	0.948
3	-do-	31.07.2019	0.497
4	-do-	13.05.2019	0.261
Total:-			**3.128**

Dun to non-observance of PPRA rules, irregularity was occurred.

Audit is of the view that the management was required to hire the services as devised in PPRA Rules but the same was not adhered to.

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

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

9.10.4.10 Irregular appointment of CFO and CIA – Rs 2.55 million

According to clause-2(ii) of PECO Employment Policy and Procedure, position of Chief Financial Officer and Head of Internal Audit shall be filled with approval of Board of Directors.

During the audit of PECO for the year 2019-23, it was observed that Mr. Ali Ahmad Qureshi and Mr. Muhammad Ali were appointed as Chief Financial Officer and Chief Internal Auditor at monthly salary of Rs 150,000 & Rs 100,000 respectively on October 2018. It was noted that the appointment of these officers was made without approval of Board of Directors. Thus, the appointment and payment of salary of Rs 2.550 million to them was held irregular in Audit as detailed below:

Name	Designation	Date of appointment	Monthly Salary (Rs)	Total Payment (Rs)
Mr. Ali Ahmad Qureshi	Chief Financial Officer	October 24, 2018	150,000	1,650,000
Mr. Muhammad Ali	Chief Internal Auditor	October 26, 2018	100,000	900,000
Total;-				**2,550,000**

Non observance of employment policy resulted irregular appointment.

Audit is of the view that the management should recruit the officers with the approval of Board of Directors.

The matter was reported to the management but no reply was received.

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

Audit recommend to inquire the matter and fix responsibility on the person(s) at fault. Besides, the matter be got regularized from the BOD.

9.10.4.11 Irregular appointment of Manager Accounts and Finance – Rs 1.890 million

According to clause-2(ii) of PECO Employment Policy and Procedure, in case of supervisors and workers, the appointment shall be made on the basis of merit and according to the company's requirement.

During audit of PECO for the years 2019-23, it was observed that the management appointed Mian Aamir Raza as Manager Accounts & Finance on October 01, 2021 at Rs 70,000 per month. Further, the appointment letter was signed by Brigadier (R) Abdul Majeed who was not employee of PECO. The said person was representative of joint venture firm i.e. M/s Synectics Corporation. The officer of joint venture firm was not authorized to appoint an employee on behalf of PECO. Thus, the appointment and payment of salary of Rs 1.890 million was held irregular. Detail is as under:

Name	Designation	Period of Stay	Monthly Salary	Total Payment
Mian Aamir Raza	Manager Accounts & Finance	Oct 21 to Dec 23	70,000	1,890,000

Weak internal controls resulted into irregular appointment and payment of salary.

Audit is of the view that the management was required to make appointment through authorized person on merit.

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

Audit recommends investigating the matter and fixing responsibility on the person(s) at fault besides regularization from competent authority.

9.10.4.12 Stoppage of operational activities due to management failure

According to Rule-4(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, 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 PECO for the years 2019-23, it was observed that the Company was established in February 15, 1950 for manufacturing and sale of engineering products. The company earned Rs 1,424.45 million from its operational activities as on June 30, 2018. Afterwards, due to management dispute between public sector and private sector Board of Directors, the operational activities remained slow and were subsequently stopped completely as on November 2020. The Managing Director terminated the key employees and made joint venture agreement with M/s Synectic Corporation to continue the operational activities but all in-vain.

Weak managerial controls caused stoppage of operational activities of the company.

Audit is of the view that the management was required to manage business activities to achieve its objectives at optimal level.

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

Audit recommends to inquire the matter and determine loss by fixing responsibility besides its recovery.

9.11 Pakistan Hunting and Sporting Arms Development Company

9.11.1 Introduction

Pakistan Hunting and Sporting Arms Development Company is a Company limited by guarantee having share capital duly incorporated under Section 42 of the Company Ordinance, 1984 on September 29, 2006. The Company obtained the requisite certificate of business under Section 146(2) of Companies Ordinance 1984 and was thus entitled to commence business with effect from April 25, 2007. The Company was formed with the primary objective to uplift, develop and build hunting and sporting sector of Pakistan for exports and commercial activities with a view to generate foreign exchange and to develop quality and capacity to eventually compete in the international market. The registered office of the Company is situated at Ground Floor, State Life Building, The Mall, Peshawar.

The Company is a subsidiary of PIDC and fully owned by the GoP and has paid-up capital of Rs 86.49 million. The Company is working under the administrative control of Ministry of Industries and Production.

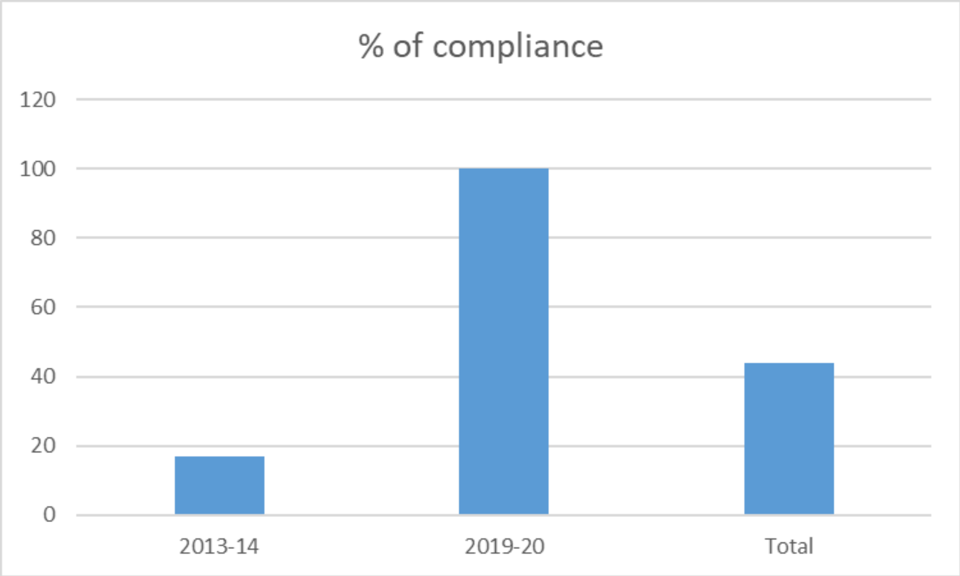
9.11.2 Comments on Audited Accounts

9.11.2.1 The annual audited accounts are required to be provided to Audit for review each year. Contrary to this, the management failed to provide audited annual accounts for the years 2019-20 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts of 2019-20 to 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(refer Annex-2).***

9.11.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2013-14	06	01	05	8.15.2.3, 8.15.2.2, 8.15.2.4, 8.15.2.5, 8.15.2.6	17
2019-20	03	03	0	-	100
Total	**09**	**04**	**05**		**44**



Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

9.11.4 Audit Paras

9.11.4.1 Non-viability of PHSADC due to failure of business plan even after utilization of heaviest funds of - Rs 86.57 million

According to Board of Directors of Pakistan Industrial Development Corporation (PIDC, a parent Company) in its 118th meeting held on October 14, 2017 approved a Business Plan amounting to Rs 148.32 million for making the PHSDAC self-reliant & sustainable.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that PIDC in its 118th BOD meeting held on October 14, 2017 approved a Business Plan of the Company valuing Rs 148.32 million to make it self-reliant and sustainable. Business Plan consists of five major sources of revenue i.e. Common Facility Training Center (CFTC), Small Industrial Estate (SIE) at Dara Adam Khel, Toss Show, Export Orders and Import Substitute. An amount of Rs 86.57 million was utilized out of which Rs 46.641 million were utilized for procurement of machinery & tools and remaining amount was utilized for operational & administrative expenditure. Failure status in revenue generation from five sources of Business Plan is as under:

1. CFTC could not be established but the management procured machinery & tools valuing Rs 46.641 million earlier and placed in CFTC Peshawar.
2. Management could not purchase land for establishment of SIE in Dara Adam Khel.
3. Management failed to arrange Toss Shows during the last three years.
4. Management failed to achieve a single export order during the last three years.
5. During verification of record, the management failed to provide any evidence of import substitute.

In view of above, it was clear that Business Plan of PHSDAC had been completely failed because nil revenue could be generated from its five sources.

The failure of PC-1 and Business Plan showed weak internal and financial control of the Company.

The management in its response stated that PIDC established an "Institutional Support Fund" to assist subsidiaries. From these funds PHSDAC received Rs 86.57 million. However, delays in projects like the Dara Adam Khel Industrial Estate and COVID-19 restrictions hampered revenue generation. Export orders worth Rs 132.741 million remained unfulfilled due to NOC issues from Ministry of Defence despite directives from PAC.

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

Audit recommends investigation of failure of Business Plan at Ministry level beside fixing responsibility on the person (s) at fault.

Para-2 (PHSADC – 2019-22)

9.11.4.2 Release of huge funds by PIDC against defective business plan - Rs 86.57 million and purchase of machinery before establishment of CFTC in SIE at DARRA ADAM KHEL - Rs 46.641 million

According to GFR-10 (i) Every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety Among the principles on which emphasis is generally laid are that very public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that PIDC Board of Directors in its 118th meeting held on October 14, 2017 approved a Business Plan of PHSDAC valuing Rs 148.32 million to make the Company self-reliant & sustainable. Audit observed following irregularities in Business Plan:

1. Before the approval of the Business Plan in October 2017, a PC-1 of Rs 66.32 million for establishing a Common Facility Training Centre (CFTC) at Small Industrial Estate (SIE) Peshawar was approved in a meeting held on February 12, 2016. The PC-1 execution period was from 2016-17 to 2018-19, with 15 Machineries & Tools procured worth Rs 38.43 million; however, PC-II, PC-III, and PC-IV were not submitted despite seven years having elapsed.
2. The business plan of PHSADC lacked feasibility study, profit concept, and revenue earning plan, making it deficient for a self-reliant and sustainable operation under Section 42 of the Companies Ordinance, 1984.
3. PIDC and PHSDAC, in a joint meeting on February 11, 2020, advised PHSDAC to create a realistic business plan, indicating that the previously approved plan from October 2017 was flawed.
4. The business plan aimed for revenue from various sources, including a Common Facility Training Center (CFTC) and Small Industrial Estate (SIE) at Dara Adam Khel, but neither were established as planned. Instead, funds were used to purchase machinery for CFTC Peshawar, causing double expenditure. Difficulties in acquiring land for CFTC in Dara Adam Khel were cited, with procurement of machinery preceding establishment.
5. Business Plan consisted of five major sources of revenue including Common Facility Training Center (CFTC), Small Industrial Estate (SIE) at Dara Adam Khel. Management did not establish SIE and CFTC in Dara Adam Khel but purchased 15 more Machineries & Tools valuing Rs 46.641 million and installed them in CFTC Peshawar instead of CFTC Dara Adam Khel. PHSDAC in its joint meeting with PIDC held on February 11, 2020 briefed

the committee that procurement of land to establish CFTC in Dara Adam Khel was very difficult due to unavailability of land. However, CEO of PHSDAC was confident that once the SIE/SEZ is materialized, PHSDAC would be able to get about 5 acres' land through JIRGA. This also showed that machineries were procured before establishment of CFTC in Dara Adam Khel.

In view of above, audit is of the view that PIDC approved the Business Plan of PHSDAC on defective grounds. Further utilization of machineries & tools of CFTC Dara Adam Khel was also held un-justified.

The irregularities were occurred in Business Plan due to weak financial control of the management and lake of interest in utilization of public funds by the PIDC.

The management responded on October 3, 2023, stating that PIDC had established an "Institutional Support Fund" to aid its subsidiaries financially. PHSDAC utilized these funds to initiate its Project CFTC and Business Plan, which had distinct objectives. However, the Business Plan's implementation was hindered by PIDC's incomplete fund allocation, preventing the hiring of necessary staff. The responsibility for acquiring land for the Small Industrial Estate in Dara Adam Khel shifted from FATA Development Authority to SIDB after FATA's dissolution, delaying the establishment of CFTC. The reply was deemed inadequate as it failed to mention the proposed 3-5% surcharge outlined in the Business Plan for PHSDAC's sustainability. Additionally, the Business Plan stated that PHSDAC, not FATA, was obligated to establish the Small Industrial Estate and CFTC in Dara Adam Khel Further as per Business Plan, PHSDAC was liable to establish Small Industrial Estate and CFTC at Dara Adam Khel instead of FATA.

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

Audit recommends investigating matter at ministry level and fixing responsibility.

Para-3 (PHSADC – 2019-22)

9.11.4.3 Loss due to provision of production and repair services below actual cost - Rs 56.959 million

According to rule 23 of GFR states that every Government officer should realize fully that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part. Rule 26 of GFR provides that it is the duty of the departmental controlling officer to see all sums due to the Government are regularly and property realized, assessed and duly credited to the Government account. Further PIDC and PHSDAC in its joint meeting held on February 11, 2020 advice PHSDAC to ensure proper costing of its production and also ensure that the pricing set are the correct level to transition quickly towards profitability.

During the audit of PHSADC Peshawar for 2019-22, it was found that PIDC approved a Business Plan of Rs 148.32 million in 2017 to make PHSDAC self-reliant. However, management failed to implement proper costing procedures as advised by PIDC, leading to inaccurate pricing and significant losses. They neglected to prepare essential cost calculations for each job, resulting in selling products and repair services below actual cost, causing substantial financial losses over the past three years.

The loss occurred by the company on sale of services below actual cost shows weak financial control of the management w.r.t proper costing of each product.

Audit is of the view that the management did not prepare material & labour obstructs, cost cards, prime cost, marginal cost and full cost of each job which leads to non-existence of proper costing system in company resultantly the company sustained loss of Rs 19.368 million w.r.t CFTC cost only and Rs 56.959 million w.r.t PHSDAC & CFTC both cost.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 did not inform regarding adoption of proper costing system of each product to evaluate cost of each job. Further 3-5% extra charges on obtaining of each job by the management did not cover the direct cost of CFTC, resultantly PHSDAC sustained loss during last three years.

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

Audit recommends to investigate the reasons of sold of services below actual cost, fix responsibility on the person (s) at fault and immediately appoint regular Chief Financial Officer (CFO) or engage Chartered Firm (CA) for proper costing of each job.

Para-5 (PHSADC – 2019-22)

9.11.4.4 Loss due to non-deduction of GST of Rs 3.920 million upon un-authorized cash receipt of sales proceeds - Rs 26.134 million

According to serial No. 23 of Government of Khyber Pakhtunkhwa Revenue Authority (Working Tariff as of March-2016) taxable Services as per second Schedule to the Khyber Pakhtunkhwa Finance Act, 2013, "Services provided by workshops for industrial construction and earth- moving or other special purpose machinery levied 15% sale tax". Furthermore, Section 25 of the Sales Tax Act, 1990, requires businesses to keep proper records of their sales and to issue sales tax invoices for all sales transactions. Sales tax invoices must be issued for any sale of goods or services, regardless of the mode of payment. Therefore, if a company receives cash for a sale it must issue a sales tax invoice and deposit the sales tax with the Federal Board of Revenue.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that the management provided different types of services to arms companies i.e. manufacturing & repairing of dies, moulds and punch plates etc. used for manufacturing of hunting arms amounting to Rs 26.134 from 2016-17 to 2021-22 without charging sale tax amounting to Rs 3.920 million (Rs 26.134 million x 15% sale tax). The company also did not issue sales tax invoices as per section 25 of Sales Tax Act, 1990.

Audit is of the view that receiving of sale proceeds in cash increased the risk of mis-appropriation. Further, due to non-deduction of sale tax on provision of services to arms companies, Government exchequer sustained a loss of Rs 3.920 million.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that the services provided to cottage industry of small arms was exempt from sale tax. Further CFTC stakeholders obtained services on semi-finished products by paying 3-5% extra service charges, thus sale tax was not applicable. Reply was not tenable because the management failed to produce any exemption certificate from FBR on provision of tax free services. Further PHSDAC was liable to deduct sale taxes on provision of services provided by it.

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

Audit recommends investigating the matter of receipt of sale proceeds in cash and non-payment of sales tax into Government treasury beside fixing responsibility.

Para-7 (PHSADC – 2019-22)

9.11.4.5 Failure of PC-1 of CFTC Peshawar resulted into non-achievement of revenue targets - Rs 24.658 million

Pakistan Industrial Development Corporation (PIDC a parent Company) in its meeting held on February 12, 2016 approved revised PC-1 for "Establishment of Common Facility Training Centre at Peshawar" valuing Rs 66.32 million. As per PC-1, revenue targets of Rs 49.762 million w.r.t Barrel making. Powder coating, CNC machining and training fee was set out w.e.f. 2016-17 to 2025-26.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that PC-1 valuing Rs 66.32 million (plant & machinery Rs 42.32 million and operational expenditure Rs 24.00 million) for establishment of CFTC was approved in PIDC Board meeting held on February 12, 2016. As per PC-1, revenue targets of Rs 49.762 million w.r.t Barrel making, Powder coating, CNC machining and training fee were set out for ten years w.e.f. 2016-17 to 2025-26. Record revealed that out of total Rs 66.32 million, the management procured machinery & tool valuing Rs 38.43 million and remaining amount was utilized for operational & administrative expenses. From the record of Job orders executed during the year 2016-17 to 2021-22, it was noticed that the company could only generate revenue of Rs 1.843 million against the targets of Rs 26.499

million which was only 6.95%, this showed that PC-1 of CFTC had been completely failed.

Non-achievement of targets shows weak business promotion policy and in-efficiency of the management.

Audit is of the view that the management of PHSDAC could not achieve revenue targets of Rs 24.658 million (Rs 26.501 million – Rs 1.843 million) after lapse of six years which led to failure of PC-1.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that due to non-release of remaining operational budget of Rs 13.33 million, the Company could not hire required technical staff for running of machinery even though Company generated revenue of Rs 12.57 million in the year ended 30.6.2021.

Reply was not tenable because the management had hired all staff except the Deputy Manager (Technical) against which Mr. Arshad Mehmood was appointed as Supervisor on May 30, 2017 by creating a new post (not available in PC-1). Further, the management generated revenue of Rs 12.57 million from the business activities other than mentioned in PC-1. Only Rs 1.843 million could be generated in six years against the business activities mentioned in PC-I.

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

Audit recommends investigation of non-achievement of revenue targets or defective preparation of PC-1 of CFTC besides fixing of responsibility thereof.

Para-1 (PHSADC – 2019-22)

9.11.4.6 Procurement of raw material and services valuing - Rs 9.658 million from non-tax registered suppliers resulting into non-payment of sales tax to government exchequer - Rs 1.072 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 17% of the value of taxable supplies made by a registered person in the course or furtherance of any taxable activity carried on by him". Furthermore, according to chapter III (9) scope of tax an allied matters of Khyber Pakhtunkhwa Sales tax on Services Act, 2022 “subject to the provision of this act, there shall be charged, levied, collected and paid a tax on the value of a taxable service at the rate specified in the second schedule.”

During audit of PHSADC Peshawar for the year 2019-22, it was observed from payment vouchers that the management procurement material and services of trade payables, consumables, repair & maintenance, technical services, legal/professional services, advertisement expenses, promotional material and website charges valuing Rs 9.658 million from non-sales tax registered suppliers. The supplier’s vouchers were hand written and not on proper sale tax invoices. Record further revealed that the management did not pay sales tax on procurement of these services and material.

The irregularities were occurred due to weak financial controls of the Company w.r.t compliance of sale tax act.

Audit is of the view that procurement of material and services valuing Rs 9.658 million from non-sales tax registered firms held un-justified and non-payment of sale tax, the Government exchequer sustained a loss of Rs 1.072 million.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that PHSDAC is a non-profit earning organization and being a withholding agent, deducted taxes from all the suppliers / traders and subsequently deposited into Govt. treasury.

Reply was not tenable as the management neither procured objected material and services from sales tax registered firms nor deducted sale taxes.

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

Audit recommends to investigate the reasons of procurement of material and services from non- sale tax registered suppliers at Ministry level beside fixing responsibilities on the person (s) held responsible and corrective measures be taken under intimation to Audit.

Para-6 (PHSADC – 2019-22)

9.11.4.7 Loss due to free of cost provision of trainings - Rs 7.887 million

Pakistan Hunting and Sporting Arms Development Company is a Company limited by guarantee having share capital duly incorporated under Section 42 of the Company Ordinance, 1984 on September 29, 2006. The Company was formed with the primary objective to uplift, develop and build hunting and sporting sector of Pakistan for exports and commercial activities with a view to generate foreign exchange and to develop quality and capacity to eventually compete in the international market. To achieve the primary objects of the company, PHSADC established Common Facility Training Centre (CFTC) at Peshawar in 2016. As per PC-1 of CFTC, the CFTC will provide developing services and trainings in the field of hunting & sporting arms at cost/fee.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that PC-1 for establishment of Common Facility Training Centre (CFTC) was approved in PIDC (parent department) Board meeting held on February 12, 2016. One of the source of revenue of CFTC was provision of different types of trainings in the field of hunting & sporting arms at cost/fee. Record revealed that the management provided technical trainings on CNC & Conventional Machines in CFTC free of cost.

Audit is of the view that CFTC was established to provide different types of trainings in the field of hunting & sporting arms at cost/fee but the management provided trainings free of cost due to which the Company sustained loss of Rs 7.887 million.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that trainings were provided to the students of technical institutes and engineering universities. Reply was not tenable because CFTC was established to provide different types of trainings in the field of hunting & sporting arms at cost/fee.

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

Audit recommends to investigate the reasons of free of cost provision of trainings in CFTC and fix responsibility on the person(s)at fault.

Para-12 (PHSADC – 2019-22)

9.11.4.8 Irregular appointment of legal advisor - Rs 2.486 million

According to Rule-14(1)(g) of rules of Business 1973, the Law, Justice and Human Rights Division shall be consulted before the appointment of a legal Advisor in any division, or any Office or Corporation under the control of Federal Govt. Further according to circular dated November 11, 2003 issued by Law, Justice & Human Rights Division prior approval of Division is required for the appointment of Legal Advisor, and violation will be constituted as an act of misconduct. According to rule 20 of PP RA Rules, 2004, “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”. 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 PHSADC Peshawar for the year 2019-22, it was observed that the management of the Company hired the services of Mr. Bilal Durrani advocate without any concurrence from the Ministry of Law, Justice and human Rights in respect of the appointments / engagements of advocates / counsels on its panel. It was also noticed that no competitive method such as advertisement, selection criteria, past experience and knowledge of company on specific issues etc. was considered before hiring the legal advisor. The selection was made on the basis of hand collected CV, thus held irregular. Record further revealed that the Company hired the services of legal advisor on monthly retainer ship fee but the Company had no any court case since last nine years, thus the payment of Rs 2.486 million made to legal advisor on account of retainer ship fee was held un-justified.

The irregularity was occurred due to weak internal and financial controls of the company.

Audit is of the view that undue favor was extended to the advocate as no selection process was adopted, no consultation was made with Ministry of Law, Justice and Human Rights and retainer ship fee was paid on monthly basis against nil court cases, hence the payment of Rs2.486 was held irregular and un-justified.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that legal advisor was appointed as per company act.

Reply of the management was not tenable because PHSDAC has not any legal case since last nine years. Further legal advisor could not be changed even after lapse of nine years. Moreover, legal advisor was not appointed by adopting PPRA.

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

Audit recommends to explain reasons for engagement of the advocate without any competition and concurrence of the Ministry of Law, Justice and human Rights and fix responsibility thereof.

Para-14 (PHSADC – 2019-22)

9.11.4.9 Un-authorized payment to the employees of PHSDAC from trainings budget of NAVTTC - Rs 2.457 million

According to PC-1 for "Establishment of Common Facility Training Centre (CFTC) at Peshawar" approved by Pakistan Industrial Development Corporation (PIDC, a parent company) on 12.02.2016 fixed fee for each category of trainings.

During the audit of PHSDAC Peshawar for 2019-22, it was discovered that the management organized three six-month trainings with NAVTTC but did not receive training fees. NAVTTC paid training charges of Rs 4,598,795 to PHSDAC, which was used to cover overheads and employee remuneration. Since PHSDAC employees involved in the trainings were already on the company's payroll, receiving additional remuneration from NAVTTC was deemed unjustified.

The irregularity occurred due to weak administrative and financial controls of the company.

Audit is of the view that the objected employees were on the strength and payroll of PHSADC and obtain salary from PHSADC and appointed for core activities i.e. training and provision of services in the field of hunting and sporting arms. Thus, they should not be paid from NAVTTC budget and the amount paid of Rs 2.457 was held irregular and unjustified. Audit holds that the received amounts should be adjusted against training fee of the PHSADC.

Matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that trainings were provided to the students of NAVTTC at fee charges which were adjusted against the remuneration of CFTC employees with the consultation of NAVTTC.

Reply of the management was not tenable as the trainings were provided by the employees of CFTC which were appointed for the training purposes and they provided trainings during official timings of PHSDAC by using the company machineries and equipment, thus were not entitled for extra remuneration.

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

Audit recommends to explain the reasons for payment of remuneration to PHSDAC employees from NAVTTC budget and recover the amount from involved employees under intimation to Audit.

Para-13 (PHSADC – 2019-22)

9.11.4.10 Non-appointment of regular CIA, CFO, Company Secretary and CEO

According to SECP Corporate Governance Rules 2013, the Company Board was required to appoint a regular Chief Internal Auditor, Chief Finance Officer, Company Secretary and Chief Operating Officer for the smooth functioning of a company.

During audit of PHSADC Peshawar for the year 2019-22, it was observed that the board of Directors did not appoint a regular Chief Internal Auditor (CIA), Chief Financial Officer (CFO), Company Secretary and Chief Executive Officer (CEO) since January 2, 2014 for the company. The Company is running on acting charge of these positions since long. On the other hand, company was in loss/ deficit each year accumulated upto Rs 239.879 million.

Audit is of the view that due to non-appointing of full time CIA, CFO, Company Secretary and CEO in violation of Corporate Governance Rules, the activities of the Company were badly affected resulting weak performance and accumulated loss/deficit amounting to Rs 239.879 million.

The matter was reported to the management vide latter dated September 18, 2023. The management in its reply dated October 3, 2023 stated that due to weak financial position of the Company, these statutory positions could not be filled.

Reply of the management was not tenable because extra burden of these positions was required to be borne by parent company PIDC like other employees of PHSDAC.

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

Audit recommends to investigate reasons for non-appointing of regular CIA, CFO, Company Secretary and CEO of the Company, fix responsibility on the person (s) at fault and immediate corrective measures be taken in accordance with SECP rules.

Para-9 (PHSADC – 2019-22)

9.12 Pakistan Stone Development Company

9.12.1 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.

9.12.2 Comments on Audited Accounts

9.12.2.1 The working results of the Company for the year 2021-22 as compared to previous years are given below:

(Rs in million)

	2022-23	**% Inc / (Dec)**	**2021-22**	**% Inc / (Dec)**	**2020-21**
Description					
Revenue	96.323	12	85.888	15	74.834
Cost of Sales	(65.783)	(11)	(74.036)	11	(66.956)
Gross Income/(Loss)	30.540	157	11.885	51	7.878
Administrative expense	(85.911)	7	(80.064)	8	(74.466)
Provision for doubtful debts	0	(100)	(0.687)	92	(8.270)
Impairment on receivable from projects	16.835	175	6.124	113	(46.819)
Reversal on impairment on receivable from MCR	0	(100)	19.385	0	-
Financial charges on lease	(1.327)	(4)	(1.388)	0	(0.187)
Other income	11.595	(29)	16.245	0	16.210
Net profit/(Loss)	**(36.270)**	34	**(27.146)**	**74**	**(105.654)**

(Source Annual Audited Accounts)

9.12.2.2 The core functions of the company are establishment and support of model quarries, upgradation of existing quarries and establishment of industrial cities. However, the company failed to generate revenue from their core functions which needs justifications.

9.12.2.3 Administrative expenses of Rs 85.911 million are89% of the gross revenue of the company. The management failed to effectively manage human resource of the company. The huge administrative cost led to continuous losses of the company. This needs justification.

9.12.2.4 Trade debts include doubtful debts of Rs 66.00 million. The doubtful debts are 79% of the total trade debts. The management failed to recover their trade debts in time which resulted in loss to the company. It needs justification.

9.12.2.5 Capital work in progress of Rs 26.759 million is appearing in the accounts since last three years. Detailed break up and reasons for non-completion of civil work may be provided to audit.

9.12.2.6 The management entered into Memorandum with Italian Stone and Technology for technology transfer. Under the arrangement the Italian partner will contribute Euro 400,000 for machinery technology and trainings. Complete detail of the same may be provided to audit.

9.12.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2013-14	06	0	06	8.16.1, 8.16.2.1, 8.16.2.2, 8.16.2.3, 8.16.2.4, 8.16.2.5, 8.16.4.1	0
2015-16	03	0	03	8.17.1, 8.17.2, 8.17.4.1	0
Total	**09**	**0**	**09**		**0**

Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

9.13 State Engineering Corporation (Pvt.) Ltd

9.13.1 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.

9.13.2 Comments on Audited Accounts

9.13.2.1 The working results of the Corporation for the year 2022-23 as compared to previous years are given below:

(Rs in million)

Description	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21	% Inc / (Dec)	2019-20
Income							
Service charges	30.000	0	30.000	**(14.286)**	35.000	(36.360)	55.000
Interest income	7.748	27	6.118	90.711	3.208	(29.650)	4.560
Total income	**37.748**	5	**36.118**	**(5.470)**	**38.208**	(35.850)	**59.560**
Expenditure							
Operating expenses	(49.555)	39	(35.593)	(8.033	(38.702)	(21.370)	49.220
Operating Profit/(loss)	**(11.807)**	2349	**0.525**		**(0.494)**		**10.340**
Profit/(loss) before Taxation	**(17.974)**	3447	**0.537**		(0.501)		**10.490**
Taxation	**(2.400)**	0	**(2.400)**	**(14.286)**	(2.800)	(36.360)	4.400
Profit / (loss) after Taxation	**(32.144)**	1625	**(1.863)**	**(43.563)**	**(3.301)**	(154.090)	**6.090**
Accumulated profit/ (loss)	**(1,260.100)**	3	**(1,227.953)**		**(1,226.090)**		**(1,222.790)**

(Source: Annual Audited Accounts)

9.13.2.2 The management failed to increase the income of the Corporation during last four years. Accumulated loss of the Corporation has grossed up to Rs 1,260.100 million over the years, continuous trend in losses raised doubts about the corporation's ability to run as a "Going Concern". The management needs to justify their huge operating expenses against the nominal revenue of the corporation.

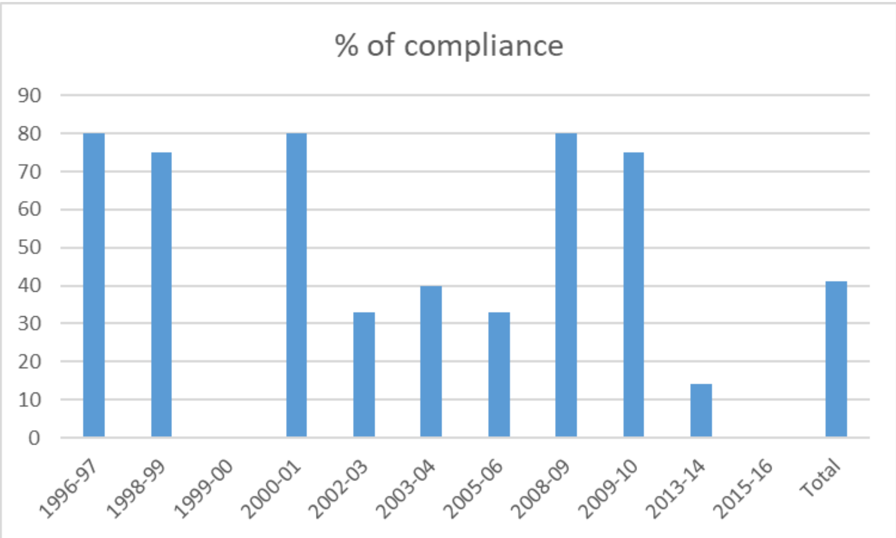
9.13.2.3 Pay & allowances and other benefits increased by 53% from Rs 27.641 million in the year 2021-22 to Rs 42.300 million in the year 2022-23. The management needs to justify the irrational increase in pay & allowances and other benefits during the year.

9.13.2.4 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 need to provide updated status of the qualification.

9.13.2.5 The Chartered Accountant has also qualified due from Associated undertaking Rs 5.885 million receivable from Heavy Electrical Complex Limited being un reconciled against payable balances shown in the financial statement of HEC. The current status of the same may also be provided to audit.

9.13.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1996-97	05	04	01	163	80
1998-99	04	03	01	257	75
1999-00	06	0	06	319, 320, 321, 322, 323, 324	-
2000-01	05	04	01	296	80
2002-03	03	01	02	89 & 90, 90.2	33
2003-04	05	02	03	102, 102.1, 102.4	40
2005-06	06	02	04	129.1, 129.2, 129.4, 130	33
2008-09	05	04	01	120.1	80
2009-10	04	03	01	129	75
2013-14	07	01	06	8.17.1, 8.17.2.1, 8.17.2.2, 8.17.2.3, 8.17.2.4, 8.17.2.5, 8.17.2.6	14
2015-16	09	0	09	8.18.1, 8.18.2.1, 8.18.2.2, 8.18.2.3, 8.18.2.4, 8.18.2.5, 8.18.2.6, 8.18.2.7, 8.18.3	0
Total	**59**	**24**	**35**		**41**



The compliance of the PAC directives was not satisfactory which need attention of the PAO.

9.14 Technology Upgradation and Skill Development Company (TUSDEC)

9.14.1 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.

9.14.2 Comments on Audited Accounts

9.14.2.1 The working results of the company for the year 2022-23 as compared to previous years are as under:

(Rs in million)

Particulars	**2022-23**	**% Inc / (Dec)**	**2021-22**	**% Inc / (Dec)**	**2020-21**
Income from services	135.23	(20.57)	170.24	113.68	79.67
Amortization of grant related to income	49.76	(44.45)	89.57	158.57	34.64
Total Income	**184.99**	**(28.80)**	**259.81**	**127.29**	**114.31**
Operating Cost	149.15	(1.06)	150.75	84.09	81.89
Project Expenses	13.35	(77.13)	58.38	79.63	32.50
Administrative and general expenses	117.58	1.15	116.24	24.23	93.57
Total Expenditure	**280.08**	**(13.92)**	**325.37**	**55.58**	**209.14**
Other Income	18.69	155.33	7.32	2.81	7.12
Profit/ (Deficit) before taxation	**(76.41)**	**44.22**	**(52.98)**	**(39.60)**	**(87.72)**
Taxation	-	-	-	-	-
Deficit for the year	**(76.41)**	**44.22**	**(52.98)**	**(39.60)**	**(87.72)**

(Source: Annual Audited Accounts)

9.14.2.2 The accumulated loss of the company increased from Rs 647.87 million in the year 2021-22 to Rs 655.36million in the year 2022-23. The increase in accumulated losses clearly shows weak financial management of the projects.

Reasons for losses should be taken up at Ministry level and immediate remedial actions must be taken to make the loss good.

9.14.2.3 Income from services decreased from Rs 170.24 million in the year 2021-22 to Rs 135.23 million registering a decrease of 20.57%. Due to this deficit for the year increased from Rs 52.98 million to Rs 76.41 million registering an increase of 44.22%. Decrease in income from services and increase in deficit for the year indicates alarming situation for the top level management. Sincere efforts may be made for making the loss good.

9.14.2.4 An amount of Rs 504.87 million on account of merger reserves was shown as un-utilized since long. Complete detail of these reserves along with justification for non-fluctuation/ changes in these reserves may be provided.

9.14.2.5 An amount of Rs 4.38 million on account of trade receivables was considered as doubtful in the year 2022-23. This balance includes an amount of Rs 4.19 million in respect of expenses incurred by the company on behalf of Pakistan Industrial Development Corporation (PIDC) which holds 99.99% shares of the company. Strenuous efforts are required by the management for early recovery of the receivables instead of considering these as doubtful.

9.14.2.6 Stores and spares increased from Rs 10.39 million in the year 2021-22 to Rs 11.35 million in the year 2022-23 registering an increase of 9.24%. An amount of Rs 1.15 million was deducted on account of provision for slow moving items. This shows weak management and utilization of assets as new assets are being purchased despite having sufficient items in the stores. Constant increase in stores and spares without utilization of already purchased items and booking of provisions on account of slow moving items needs justification.

9.14.2.7 Short term investments invested in Faysal Bank Limited decreased from Rs 15.00 million in the year 2021-22 to Rs 10.00 million registering a decrease of 33.33%. The decrease in investment resulted into less earning of interest income. Complete detail of investments including approval of the investment from relevant forum for investing funds in Faysal Bank may be provided for ascertaining that decrease in the amount and return on investment was justified.

9.14.2.8 An amount of Rs 22.16 million was shown as tax refund due from Government in the year 2022-23. Whereas the company was allowed a tax credit equal to hundred percent of tax payable in accordance with Section 100C of the Income Tax Ordinance, 2001. Management is stressed to make recovery of tax refunds.

9.14.2.9 Cash and bank balances decreased from Rs 36.83 million in the year 2021-22 to Rs 16.92 million in the year 2022-23 registering a decrease of 54.06%. The drastic decrease in cash reserves needs immediate attention of the top tier of the management as cash reserves of only 16.00 million were left and this can create serious liquidity problems for the company in future.

9.14.2.10 An amount of Rs 801.08 million, Rs 1.53 million, Rs 0.306 million and Rs 4.46 million were returned/ transferred against the projects of Engineering Support Centers (ECS), Footwear Cluster Development (FCD), National Strategic Program for Acquisition of Industrial Technology (NSPAIT) and Industrial Designing and Automation Centers (IDAC) respectively during the year 2021-22. Likewise, an amount of Rs 15.97 million, Rs 3.86 million, Rs 17.97 million, Rs 27.29 million, Rs 6.35 million and Rs 1.39 million against projects of ECS, FCD, NSPAIT, IDAC, SCDS and NCC were also returned/ transferred. Non-utilization of huge funds indicates the weak internal controls and least interest of the top tier of the management and requires immediate action for utilization of deferred grants. Reasons for non-utilization and return of funds may be justified.

9.14.2.11 Trade and other payables increased from Rs 38.06 million in the year 2021-22 to Rs 49.76 million in the year 2022-23 registering an increase of 30.74%. Major amounts include payables to creditors, accrued liabilities and contract liabilities. This shows that management could not pay off its liabilities during the year. Latest position of payments and outstanding liabilities may be provided.

9.14.2.12 An amount of Rs 9.11 million was shown as project liabilities in the year 2022-23. These were to be paid against projects of IDAC, NSPAIT, SCDS, GIZ, FCD and NAVTTC but liabilities were not paid off during the year. Latest position of the payments made and which are still outstanding may be provided.

9.14.2.13 Amortization of grant related to income decreased from Rs 58.38 million in the year 2021-22 to Rs 13.35 million in the year 2022-23 registering a decrease of 77.13%. The abnormal decrease in utilization of grant related to income depicted serious concerns regarding performance of the company. Management is stressed to make serious efforts to utilize the funds and to avoid such stances.

9.14.2.14 Income from services decreased from Rs 170.24 million in the year 2021-22 to Rs 135.23 million registering a decrease of 20.57% whereas operating cost decreased from Rs 150.75 million in the year 2021-22 to Rs 149.15 million in the year 2022-23 registering a decrease of 1.06% only. Disproportionate/ negligible decrease in operating expenses in comparison with income from services needs immediate attention of the top level management.

9.14.2.15 Consumables expenses under the head administrative expenses increased from Rs 2.19 million in the year 2021-22 to Rs 4.41 million in the year 2022-23 registering an increase of 101.37%. Abnormal increase in these expenses needs to be clarified along with complete detail of these expenses.

9.14.2.16 Project expenses under the head administrative expenses increased from Rs 0.953 million in the year 2021-22 to Rs 3.17 million registering an increase of 232.63%. Huge increase in these expenses needs justification along with full facts and figures of the expenses.

9.14.2.17 Excess liabilities written back under the head other income increased from Rs 0.341 million in the year 2021-22 to Rs 16.13 million in the year 2022-23 registering an increase of 4,630.21%. The abnormal increase in excess liabilities written back needs to be explained along with full facts and figures of these liabilities.

9.14.2.18 Capital expenditure under the head Building/ civil work valuing Rs 42.22 million and Rs 18.46 million was incurred during the year 2021-22 against the projects IDAC and NASPAT respectively. Bill of Quantities, engineer estimates for scheduled items, interim payment certificates, final certificates along with documents indicating inclusion of these expenses in PC-I/ Project documents may be provided to the audit.

9.14.2.19 Capital expenditure under the head IT Infrastructure valuing Rs 5.00 million and Rs 2.92 million against the projects IDAC and NASPAT respectively was incurred during the year 2021-22. Detail regarding provision of these expenses in respective PC-I/ Project documents of the projects along with plan of utilization and actual utilization during the year may be shared with the audit.

9.14.2.20 Capital expenditure under the head Land was incurred during the year 2021-22 valuing Rs 127.89 million and Rs 137.03 million against the projects IDAC and Surgical respectively. Detail regarding provision of these expenses in respective PC-I/ Project documents along with detail of parties from whom these lands were procured, reasons for procurement of land and its utilization during the year may be shared with the audit.

9.14.2.21 Operational expenditure under the head Advertisement amounting to Rs 1.345 million was incurred during the year 2021-22 against the projects Footwear, IDAC, NASPAT and Surgical. Reasons for incurrence of these expenses along with provision in relevant project documents may be shared with the audit.

9.14.3 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.

9.15 Utility Stores Corporation of Pakistan (Pvt.) Limited

9.15.1 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.

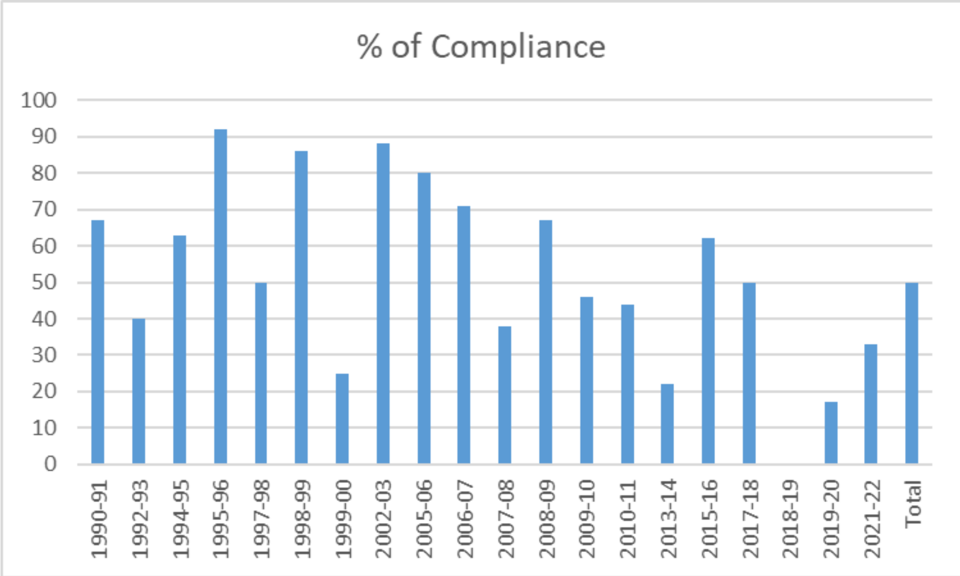
9.15.2 Comments on Audited Accounts

9.15.2.1 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 2020-21to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts for the years 2020-21 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)***.

9.15.3 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.

9.15.4 Audit Paras

9.15.4.1 Excess payment to PASSCO on account of Cost of wheat and transportation charges - Rs 485.925 million

According to Para-2 of letter dated November 08, 2019 regarding fixation of wheat incidentals of PASSCO, PASSCO sells wheat on the instructions of Federal Government and billed the cost of wheat. Cost of wheat has two parts i.e. Support price of wheat and Incidentals (actual expenses incurred on purchase and storage of wheat).

During audit of USC Zonal office, Lahore for the year 2021-22, it was observed that USC procured 150,000 M. Ton imported wheat from PASSCO and made payment as invoiced by them. PASSCO charged Rs 485.925 million higher rates of cost of wheat and transportation to USC as compared to the actual payments made to the said companies. PASSCO charged Rs 261.225 million on account of cost of wheat and Rs 224.700 million on account of transportation charges in excess of the actual payments made to the TCP and NLC respectively. Thus, USC paid excess amount of Rs 485.925 million to the PASSCO.

Description	Quantity M. Ton as per MOUs	Rate as per MOU including all costs (cost of wheat, incidental and transportation)	Cost of wheat charged to USC per M. Ton (Rs)	Cost of wheat to be charged as per invoice of TCP/ M.Ton (Rs)	Difference per M. Ton (Rs)	Excess charging
0	**1**	**2**	**3**	**4**	**5 (3-4)**	**6 (5*1)**
Cost of wheat	40,000	65,154.059	51,340.729	49,221.760	2,118.970	84,758,760
	80,000	69,039.23	55,323.000	53,833.237	1,489.760	119,181,040
	30,000	82,069.23	68,353.000	66,443.486	1,909.510	57,285,420
			175,019.729	169,502.483	5,518.24	
	Sub Total					**261,225,220**
Average Transportation Charges from Karachi Port to PASSCO Zones	150,000		6,893.000	5,454.000	1498	**224,700,000**
		Grand Total				**485,925,220**

(Source: MOUs, TCP Commercial Invoice and agreement provision of transportation services for shifting of Imported wheat)

Audit is of the view that management of USC had to ensure the cost of wheat and transportation cost charged by the PASSCO on actual basis.

DAC meeting was held on 01.02.2024. The management apprised the DAC that cost of Wheat was charged tentatively as per clause "C" of MOU executed between PASSCO authorities & USC. The excess payment of Rs 485.925 million would be refunded in due course and required processing time. DAC pended the para till refund of amount from PASSCO.

Audit recommends investigating the matter and fixing responsibility for making huge payment in excess of actual payment besides effecting recovery.

Para-42 (USC- 2021-23)

9.15.4.2 Mis-utilization of subsidy by the franchises - Rs 228.113 million

According to letter No. General/ZM/USC/01-A dated April 14, 2022 of Manager Franchise to all zonal managers that subsidized items sold by the franchisees will be supported by CNICs of the consumers for subsidy claim at their respective regional account offices.

During the audit of USC Zonal office Lahore for the year 2021-22, it was noted that the management sold subsidized goods to the franchises, which were supposed to be distributed to poor individuals after verifying their CNICs. However, the audit revealed a lack of compliance, as the franchises allegedly sold goods worth Rs 228.113 million without adhering to the necessary criteria. Detail is as under:

Due to weak operational management, a huge quantity of subsidized goods was sold at the sweet will of franchise' owners.

In the absence of relevant record, an amount of subsidy valuing Rs 228.113 million was considered mis-utilized and shown undue favor extended to the franchisees.

DAC meeting was held on 01.02.2024. The management apprised the DAC that USC issued subsidized stock at normal rates, and franchisees had to sell stock at subsidized rates through USC's mobile app. The subsidy claims were to be made by franchisees based on mobile app data and by providing a copy of CNIC for each customer. However, no subsidy claims were made by any franchisee in Lahore Zone during the financial year 2021-2022. Audit contended that subsidized items were sold on normal rates and the benefit of subsidy; given by the government, could not be reached to the general public. DAC directed for verification of record.

Audit recommends implementation of the directives of DAC.

Para-37 (USC- 2021-23)

9.15.4.3 Loss due to non-lodging insurance claims – Rs 213.444 million

According to Chapter-11 of the USC Stores Operations Manual deals with Insurance Policy. According to policy, it is necessary that all the warehouses and stores are adequately insured against the risk of fire, theft and burglary to safeguard the interest of the Corporation and avoid any financial loss. In case of any incident, the Regional Manager shall immediately lodge the FIR with the concerned Police Station and intimate to the concerned Regional Office of National Insurance Corporation (NIC) with the request to depute their surveyor. The claim to NIC was to be lodged by HO on the basis of provision of the documents by the Regional Manager within 15 days from the date of occurrence of the incident.

The audit of the USC, HO, Islamabad for the year 2021-22 revealed disparities in insurance coverage, ranging from Rs 0.5 million to Rs 20 million for different facilities. Despite a premium payment of Rs 49.42 million, 94 cases of burglary/theft from 2006 to 2022 worth Rs 213.952 million remained pending due to incomplete documentation or delayed reporting, with some FIRs not even filed within the required timeframe. Procedural lapses, including delayed reporting and FIR filing, were noted in several cases.

The position showed negligence on the part of the management i.e. delay in lodging the claim/FIR, non-completion of necessary documentation etc. due to which insurance firm was reluctant to entertain the claims.

Audit is of the view that after lapse of a considerable time, the chances are very much that the insurance company may not entertain the cases and Corporation may sustain loss of Rs 213.444 million.

DAC meeting was held on 01.02.2024. The management apprised the DAC that 34 cases of Rs 28.710 million were settled by NICL against which an amount of Rs 22.435 million was recovered. The remaining cases were pending with NICL and USC was actively pursuing NICL for settlement of these pending claims.

DAC directed the management to conduct an internal inquiry on each case and share it with the Audit and Ministry. DAC further directed to pursue the cases in the court of law vigorously.

Audit recommends implementation of the directives of DAC.

Para-9 (USC- 2021-23)

9.15.4.4 Loss due to damage of goods – Rs 38.683 million

As per Clause-7.04, each case of damage must be thoroughly investigated by the Area Manager concerned and the responsibility of loss may be fixed by the Divisional Manager and submit action should be taken. The damage in the warehouse/store is the personal responsibility of the incharge.

During audit of the USC, HO, Islamabad for the year 2021-22 and 2022-23, it was observed that a large quantity of damaged goods valuing

Rs 156.453 million were lying in various warehouses/stores. The Zone wise detail is as under:

S. No.	Name of Zone	Damaged/expired goods as on 30.06.2023 (Rs in million)
1	Abbottabad	9.630
2	Faisalabad	10.632
3	Islamabad	45.420
4	Karachi	3.297
5	Lahore	36.339
6	Multan	9.469
7	Peshawar	17.995
8	Quetta	14.487
9	Sukkur	9.184
	Total	**156.453**

The management made no efforts to replace the damaged goods from vendors.

Audit holds the view that the management was required to take timely action for the replacement of damaged stock but no action was taken which resulted into loss of Rs 156.453 million to the Corporation.

DAC meeting was held on 01.02.2024. The management apprised the DAC that vendors signed agreements for replacement of the damaged/expired stock. Damaged stock of Rs 117.77 million was returned to the suppliers leaving a balance of Rs 38.683 million. DAC settled the para upto the amount of Rs 117.7 million regarding replacement / liquidation of stock subject to verification of record by the Audit. Besides, remaining stock be replaced and verified from Audit.

Audit recommends implementation of the directives of DAC.

Para-8 (USC- 2021-23)

9.15.4.5 Irregular execution of agreements for grinding of wheat - Rs 147.450 million

According to USC head office letters dated December 29, 2020 and January 19, 2022, certain flour mills for grinding of PASSCO wheat had been prequalified for the calendar year 2021 and 2022. Zonal offices were directed to ensure transparency in the process of obtaining bids from prequalified flour mills prior to execute the final agreement for grinding of PASSCO wheat/ supply of Atta to respective zones in the best interest of the corporation.

During audit of USC Zonal office, Lahore for the year 2021-22, it was observed that management of Zonal and Regional Offices did not make compliance with the instructions of the head office and executed agreements with specific flour mills without obtaining bids of grinding charges on its own for Rs 147.450 million which was held irregular. Details of payment of grinding is given in Annex-75.

It was observed that management executed the agreements with favorite flour mills violating the instructions of the head office regarding transparency and granting undue benefit to the specific flour mills.

DAC meeting was held on 01.02.2024. DAC was apprised that regional management issued letters from time to time for depositing RTGS against PASSCO wheat allocated quota. Audit contended that security money of non-responsive flour mills was not forfeited. DAC directed for verification of record by the Audit.

Audit recommends implementation of the directives of DAC. Besides, security money of non-responsive flour mills be forfeited.

Para-56 (USC- 2021-23)

9.15.4.6 Loss due to less receipt of cost of jute bags - Rs 119.930 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.

During audit of USC for the year 2021-22, it was observed that flour mills provided atta to USC as per the allocated wheat quota. According to their agreement, the mills were to adjust the cost of grinding and handling charges by keeping the empty jute bags @ Rs 100 per bag as well as 20 kg bag of atta. However, it was observed from PASSCO record that they were charging Rs 167 per empty jute bag from various mills.

Audit is of the view that USC is charging/adjusting Rs 67 per bag less amount on empty jute bag as compared to that of PASSCO resulting into loss of Rs 119.930 million (179,000 M.Ton x 10 bags per Ton x Rs 67 per bag) to the Corporation.

Due to weak operational control, management failed to get competitive rates of jute bags from the flour mills.

DAC meeting was held on 01.02.2024. The management apprised the DAC that as per MOU between PASSCO and USC, the PASSCO provided the wheat at the ratio of 40% jute bag and 60% PP bags to USC. According to retrieve formula in grinding cost of wheat, USC retrieved Rs 100 of used jute / PP Bags (100 kg), whereas the actual price of used Jute/PP Bags was Rs 96.8 with the ratio of 40% jute bag and 60% PP bags. Audit contended that PASSCO supplied wheat in PP bags only through MOU of 06.06.2022 (50,000 M.Ton). The remaining wheat was supplied in jute bags. DAC directed to internally investigate the matter and get the record verified from Audit.

Audit recommends implementation of the directives of DAC.

Para-38 (USC- 2021-23)

9.15.4.7 Mis-utilization of subsidy by the store incharges – Rs 112.193 million

According to Para-1 and 7 of USC head office order dated May 20, 2022 regarding mechanism on provision of subsidized items, the customers are allowed to buy subsidized items Atta, Sugar & Ghee after a through process involving online NADRA verification to avail subsidy in a reliable way. Further, the customers are entitled to avail authorized quantity of Atta (not more than 40kg), Ghee (not more than 5-kg) and Sugar (not more than 5-kg) on a monthly basis.

During audit of USC for the year 2021-22, it was observed that the management sold subsidized items like Atta, Ghee, Sugar and other items at rates exceeding the prescribed monthly entitlement per CNIC, with abnormal sales ranging from Rs 50,000 to Rs 1,787,246. This led to the mis-utilization of subsidy, as a substantial amount of subsidized stock worth Rs 112.193 million was sold against 582 CNICs, violating established procedures and SOPs.

Weak internal controls enabled store employees to violate the SOPs, raising question mark on the integrity of subsidized goods sales.

Audit is of the view that USC failed to prevent the repeated illegal sale of subsidized items by using same ID cards to gain financial benefits by the employees, resulting in a mis-utilization of subsidy funds of Rs 112.193 million.

DAC meeting was held on 01.02.2024. The management apprised the DAC that illegal financial benefit had been availed by the concerned stores Incharges of various Zones through black-marketing of subsidized stocks in open market instead of transparent provision of subsidy to the customers. All amount was recovered from concerned personnel. DAC directed the verification of record by Audit.

Audit recommends implementation of the directives of DAC. Besides, responsibility be fixed, disciplinary action initiated against the defaulters and necessary steps be taken to amend the software so as to avoid issuance of subsidized goods more than a specific limit against a CNIC.

Para-35 (USC- 2021-23)

9.15.4.8 Loss due to short receipt of sugar – Rs 81.022 million

According to clause-4 of contract agreement dated 19.07.2021 between USC and TCP, the cargo, in standard packing of 50 kgs bags, shall be discharged at the port and shifted directly to the transport provided by USC. The quantity shall be calculated on the basis of No. of bags. The report of tally contractor/stevedore for number of bags at discharge port point shall be final. However, KPT weighbridge will also be used to recheck the quantity. In case of any significant variation on lower/higher side, the number of bags of that particular vehicle shall be recounted. TCP shall not be responsible for any shortage/damage, once the cargo has been handed over to the USC.

During audit of USC for the year 2021-23, it was observed that USC purchased imported sugar from TCP vide Purchase Order No. 546377 dated 26.07.2021. The dispatch Report issued by Incharge Sugar showed dispatched quantity as 33,110.40 M.Ton. However, scrutiny of Goods Receipt Notes (GRNs) indicated that only 32,201.780 M. Ton of sugar was received in various regions, raising a discrepancy of 908.62 M. Ton in the received quantity. (Annex-76).

This, resulted into loss of Rs 81.022 million (i.e. 908.62 M. Ton x Rs 89,170.289 per M. Ton = Rs 81,021,908).

DAC meeting was held on 01.02.2024. The management apprised the DAC that the regions reported the receipt of 32,766.52 M. Ton sugar. The difference of 147.268 M/Ton between reported quantity of 32,766.52 M/Ton and GRNs detail of 32,619.252 M/Ton was due to deduction of empty bag. DAC pended the para and directed the management to provide the record to Audit for verification.

Audit recommends implementation of the directives of DAC.

Para-30 (USC- 2021-23)

9.15.4.9 Revenue loss due to non-achievement of sales targets by stores in four quarters – Rs 2,309.378 million

According to Clause 3.07 of USC Store Operational Manual sales targets based on previous performance and on minimum sales turn over expected for each Division/Zone are fixed for each financial year. The sales targets for individual stores are also fixed by the Head Office. Furthermore, as per Clause 3.11 if a Divisional/Regional Manager/ Area Manager Incharge store fails continuously for a period of 3 months to achieve 75% of the Divisional/ Regional/ Area, store target respectively he will be asked to vacate his post.

During the audit of Utility Stores Corporation, Zonal Office, Lahore for the year 2021-22, it was observed that 54-stores of different regions failed to achieve sales target in all quarters due to which Corporation suffered revenue loss of Rs 2,309.378 million but no action had been taken against the responsible. Detail is as under:

Sr. No.	Name of Region	No. of stores	Sales target (Rs)	Actual sales (Rs)	Less sales (Rs)
1.	Lahore (South)	30	4,521,600,000	2,434,426,254	2,087,173,748
2.	Sialkot	17	765,350,000	595,316,058	170,033,942
3.	Okara	7	171,350,000	119,179,265	52,170,735
		54	**5,458,300,000**	**3,148,921,577**	**2,309,378,425**

(Source: Quarterly statements of profit and loss)

Audit is of the view that management of stores failed to achieve targets in all quarters which showed poor performance of Regional Offices management and caused revenue loss to the corporation.

DAC meeting was held on 01.02.2024. DAC was apprised by the management that set sales target was met, except for USC Sialkot Region due to stock unavailability and rural store locations. Overall the said Regions were in Profit. DAC directed to get the record verified from audit.

Audit recommends implementation of directives of the DAC.

Para-59 (USC- 2021-23)

9.15.4.10 Non-transparent distribution of free Atta under Prime Minister's Gift Atta for Islamabad (ICT) – Rs 909.751 million

According to Prime Minister's Office U.O No. 2(22)/OS(IA-IV) 23 dated 16.03.2023, the Prime Minister approved a scheme for the provision of free Atta (3x10 kg bags/household) during the month of Ramzan to the households residing in ICT and having poverty score upto PMT-60.

During the scrutiny of record of USC for the year 2021-22 & 2022-23, it was observed that the Prime Minister in a meeting held on 13.03.2023 approved a proposal for provision of free Atta to population upto poverty score of PMT-60 in ICT area under Ramzan Package. As per scheme, 3 bags of 10 Kg Atta were to be provided to each household residing in ICT and having poverty score upto PMT-60. Initially, free Atta bags were to be provided to the 185,984 families of Islamabad (ICT) registered with BISP under PMT-60. Accordingly, 557,952 bags of 10 kg Atta were required for distribution. Later on, MD, USC's letter dated 04.04.2023 revealed that in compliance with the PM's directions dated 25.03.2023, it was decided that if the beneficiary was not verified by BISP, then get it verified from NADRA and one bag of 10 Kg Atta will be provided initially to each family and the number of bags may be increased if required subsequently. The scheme was launched on 18.03.2023 till 16.04.2023.

As per record made available to Audit, 750,815 No. of bags costing Rs 909.751 million were distributed to 457,034 families. The detail of bags distributed is as under:

S. No.	No. of Families	No. of Bags issued to each family	Total Bags issued
1	285,725	1	285,725
2	51,230	2	102,460
3	117,910	3	353,730
4	2,028	4	8,112
5	96	5	480
6	35	6	210
7	2	7	14
8	1	8	8
9	3	9	27
10	2	10	20
11	1	12	12
12	1	17	17
Total	**457,034**		**750,815**

However, lists of families of Islamabad registered with BISP under PMT-60 and list of families verified by NADRA were not produced to Audit. In the absence of said lists, the authenticity of beneficiaries could not be verified.

DAC meeting was held on 01.02.2024. DAC was apprised that BISP and NADRA never share their data but only through an API call where USC Point of Sale System (POS) was sending CNIC of citizen through its POS for verification and in return BISP return verification status if the CNIC is found in the BISP database and fall under the required PMT score. DAC directed to verify records of 250 CNICs on test check basis from BISP.

Audit recommends implementation of directives of the DAC.

Para-25 (USC- 2021-23)

9.15.4.11 Irregular payment to the Security Services Company without agreement - Rs 58.459 million

According to Clause-4 of agreement dated July 21, 2020 with M/s Ghosia Guard & Management Services, the contract will be valid initially for one year from July 25, 2020 to July 24, 2021 staring from the effective date for this agreement and extendable at the discretion of the Managing Director USC for further two years on evaluation of the services rendered.

During the audit of Utility Stores Corporation, Zonal Office, Lahore for the year 2021-22, it was observed that a security services agreement for a period of one year was executed with M/s Ghosia Guard on July 21, 2020 which was extendable for further two years on evaluation of the services rendered. After the expiry of agreement, neither service evaluation nor a contract extension occurred, yet USC paid Rs 58.459 million (147 Guards x17 months @ Rs 23,393/month) to the security agency till December 2022.

Due to weak administrative control, management carried forward the contract without any agreement.

Thus, undue favour was extended to the security company by making the irregular payment of Rs 58.459 million without signing of any agreement.

DAC meeting was held on 01.02.2024. The management explained that after the expiry of agreement new tender was published but the same was rejected by USC Head Office and the services of existing security company were allowed till finalization of centralized tender at USC Head Office. Centralized tender was approved on 11.05.2023. Audit contended that the services of previous contractor remained continue till May 2023 (About two years) without evaluation of their services in violation of agreement. DAC directed the management to get ex-post facto approval from BOD.

Audit recommends implementation of directives of the DAC.

Para-39 (USC- 2021-23)

9.15.4.12 Non-initiating disciplinary proceedings against Store Incharges whose shortage exceeded the allowable limit - Rs 15.784 million

According to Para-2(a) of USC Head office letter No. Audit (48) HO/2013 dated 22.10.2013/3807 disciplinary proceedings were required to be initiated against those store Incharges whose shortages at the time of surprise audit or quarterly stock taking exceeded to 1% of the inventory of the stores.

During the audit of USC Regional Office, Islamabad for the year 2021-23, it was observed from the data made available to Audit that shortages of more than allowable limit of 1% of the inventory of the different stores of Rs 43.984 million were detected (Annex-77).

According to USC Head Office's above directives, the recovery of shortage of Rs 43.984 million was required besides initiation of disciplinary proceedings against the stores Incharges. However, the regional management failed to comply the directives which is indicative of weak internal controls.

DAC meeting was held on 01.02.2024. The management apprised the DAC that Rs 28.199 million had been recovered and verified by the audit. DAC pended the para with the direction to pursue the recovery of the remaining amount of Rs 15.784 million. DAC further directed to pursue the case in the court of law vigorously.

Audit recommends implementation of directives of the DAC.

Para-29 (USC- 2021-23)

9.15.4.13 Hiring of transport services from unauthorized supplier without competitive rates - Rs 40.950 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. Further, according to USC Head Office Letter No. 431/SOS/2014 dated Aug 04, 2014, it was directed by Sr. General Manager (Operations) to all zonal managers that the period for which agreement with transporter is not finalized the arrangements may be made by them for that period but the transport must be hired from market on competitive rates not higher than the existing approved rates.

During the audit of Utility Stores Corporation, Zonal Office, Lahore for the year 2021-22, it was observed that agreement for transport arrangements from warehouse to utility stores was made with M/s Shahbaz Nasir upto March 22, 2022. Management of zonal office, Lahore initiated a tender process for a new transportation contractor on February 25, 2022, where M/s Phool Pur offered lower rates than the previous contractor but was disqualified for failing to provide earnest money as per tender requirement. The bid of 2nd lowest M/s Shahbaz Nasir was not approved by the USC head being their rates higher than market rates and other zones.

At that time, the management of zonal office was required to obtain market rates but instead, regional offices hired the services of transportation on the last approved rates in violation of instructions issued by the head. Another tender was floated on Nov 06, 2022 wherein M/s Super Shaheen offerd lower rates (i.e. Rs 2,099 to Rs 3,099) than the previous expired contract. Thus, management of regional offices paid excess transportation charges of Rs 40.950 million.

DAC meeting was held on 01.02.2024. DAC was apprised that the transport was arranged from market by the concerned I/C Warehouses on competitive rates and all the formalities were fulfilled. DAC directed to conduct an internal investigation of the matter and submit report to the Audit and Ministry.

Audit recommends implementation of directives of the DAC.

Para-52 (USC- 2021-23)

9.15.4.14 Non-recovery of shortages of goods from serving and ex-employees - Rs 28.532 million

According to Clause-3.10 (f) of Accounting Manual, the store incharge will be responsible for any shortage of stocks/cash that may be found to have occurred at the store after proper verification and checking of the store account and to be responsible to make good such losses/shortage to the Corporation.

During audit of USC Zonal office, Lahore for the year 2021-22, it was observed that various employees at different stores incurred shortages amounting to Rs 19.530 million. and subsequently left the Corporation. Sincere efforts were not made by the management resulting in the retrieval of only Rs 1.358 million, leaving a substantial outstanding shortage of Rs 18.172 million.

Similarly, shortages of goods amounting to Rs 10.360 million were made by serving employees at different stores of Lahore Zone.

Due to weak internal control management failed to recover the long outstanding recoveries from the serving and ex-employees.

Audit is of the view due to non-recovery of the shortages of goods detected against those employees at all regions, huge funds were blocked since long.

DAC meeting was held on 01.02.2024. The management apprised the DAC that recovery from serving employees has been fully made. DAC directed the management to provide evidence of recovery already made, to Audit for verification. DAC further directed to recover the amount from ex-employees from pending benefits and pursue court cases vigorously.

Audit recommends implementation of directives of the DAC.

Para-32 & 34 (USC- 2021-23)

9.15.4.15 Loss due to less receipt of jute bags from flour mills - Rs 22.537 million

According to Clause-5 (5)(a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage especially with respect to (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During audit of Utility Stores Corporation (USC) for the year 2021-22, it was observed that management allocated wheat quota to the Flour Mills for grinding and provision of atta as per prescribed criteria. USC retrieved the cost of jute bags at Rs 100 each from flour mills, while PASSCO had purchased them at Rs 319 each. As per policy of PASSCO, jute bags were re-classified in Class-B which were retained in open stock for two or three years and price of jute bag was determined Rs 167/Jute bag. USC received Rs 100 per Jute bag for 100-Kg wheat from flour mills, but actually 93 Kg wheat was filled in each bag. Accordingly, more bags were used for filling of 179,000 M. Ton wheat. Resultantly, management received less cost of jute bags of Rs 22.537 million as detailed below:

Procurement of Wheat (M.Ton)	Cost of Bags should have been received @ 93-Kgs wheat in a bag supplied to Flour Mills	Cost of Bags received @ 100-Kg wheat in a bag from Flour Mills	Difference of bags	Loss on less received of cost of jute bags @ Rs 167/bag (Rs in million)
0	**1**	**2**	**3 (1-2)**	**4 (3 * Rs 167)**
179,000	1,924,731	1,790,000	134,731	22.537

(Source: Letters of PASSCO, MOUs signed with PASSCO)

Audit is of the view that management should receive the cost of actually delivered jute bags from the flour mills to avoid the loss.

DAC meeting was held on 01.02.2024. DAC was apprised that PASSCO gave FAQ wheat in 100 kg jute bag and 50 Kg in PP bag. USC retrieved Rs 100 of each used Jute / PP Bags (100 kg), whereas the actual price of used Jute/PP Bags was Rs 96.8 with the ratio of 40% jute bag and 60% PP bags (i.e. Jute bag @ Rs167 x 40%= Rs 66.8 and PP Bag @ Rs 50 x 60% = Rs 30). Audit contested that instead of 100 kg, PASSCO had filled 93 Kg wheat in each bag due to which 134,731 extra bags were consumed but their cost was not retrieved/ adjusted by USC. DAC directed for verification of record.

Audit recommends implementation of directives of the DAC.

Para-43 (USC- 2021-23)

9.15.4.16 Irregular/ excess payment to flour mills on account of cost of atta - Rs 21.394 million

According to USC Head office letter No. 4092/W&WF/2021/4081 dated June 03, 2021, the rate of ATTA per 20-Kgs bag was Rs 1,161 which remained effective till October 01, 2021.

During the audit of Utility Stores Corporation, Zonal Office, Lahore for the year 2021-22, it was observed that management of Regional office Lahore North and South made payment of Rs 1,488 and Rs 1,379 per bag respectively to the flour mills on account of the cost of atta instead of rate of Rs 1,161 per bag of 20 Kg, notified by the head office.

Audit is of the view that management paid excess amount of Rs 21.394 million against the rate notified by the Head Office of USC (Annex-78).

DAC meeting was held on 01.02.2024. DAC was apprised that PASSCO converted indigenous wheat into imported wheat during Sep.2021 and revised the rate from Rs 51,822.73 to Rs 65,154.059 of wheat. Cost of 20 Kg bag of atta was also revised from Rs 1,161 to Rs 1,488 accordingly. The payment was made on revised imported wheat rate. DAC directed for verification of record.

Audit recommends implementation of directives of the DAC.

Para-49 (USC- 2021-23)

9.15.4.17 Non-payment of markup on LC amount to TCP due to supply of imported sugar - Rs 1,041.897 million

According to Clause 5(B)(g) of contract agreement dated 19.07.2021 between TCP and USC for delivery of imported sugar, the payment against the allocated quantity as per landed cost worked out by Finance Division, TCP or approved rates issued by the Government, should be received by TCP before opening of LC. In case the amount is not paid by USC by then, LC will be opened by TCP and all markup accrued on the unpaid amount, till receipt of payment shall be the responsibility of USC as per actual.

During audit of the accounts of USC Head Office, Islamabad for the Year 2021-22 it was observed that the management of USC and TCP signed an agreement on 19.07.2021 for the supply of imported sugar for a quantity of 50,000 M. Ton which was increased to 100,000 M. Ton vide an addendum. The management of USC failed to pay the sugar cost to TCP before LC opening, leading to a claimed markup of Rs 1,041.897 million upto 31.03.2023. However, USC management was reluctant to pay the amount of markup due to non-receipt of Rs 4,560 million from Ministry of Finance on account of subsidy.

Audit is of the view that markup would further increase and USC might sustain huge loss in this regard.

DAC meeting was held on 01.02.2024. DAC was apprised by the management that Rs 4,560 million stood receivable from Ministry of Finance on account of subsidy. The matter of non-release of subsidy amount had been taken up many times in order to clear the outstanding payments to TCP. However, USC did not own this mark-up as it occurred due to delayed releases from Finance Division. However, USC has no objection if Finance Division directly releases the payments to TCP along-with markup at Government end. DAC pended the para and directed the management to provide complete record pertaining to pursuance the case with Finance Division to audit within 30 days.

Audit recommends implementation of directives of the DAC.

Para-7 (USC- 2021-23)

9.15.4.18 Loss due to theft of store items at USC Stores/warehouses – Rs 12.713 million

The management of USC vide its letter No. 431/SOS.2021/227 dated 24.02.2021 circulated the security measures to be adopted at Zonal/Regional Offices, warehouses and stores. According to said measures, the Zonal Managers were required to ensure deployment of security guards at Zonal/Regional Offices and warehouses. The guard deployed at the roof of the warehouses must be in possession of whistle, torch, gun and mobile phone and firm alarms. Emergency lights must be arranged in addition to lights installed at each point. The Regional Managers, Incharge Warehouses must check the security measures at different timing. Ensure that CCTV system is functional at all warehouses and connected with cell phones.

During audit of the USC, HO, Islamabad for the year 2021-22, it was observed that in 21 incidents of theft/decoity at different locations, the store items of Rs 12.713 million were stolen / looted by the robbers/decoits. Although, the management had lodged FIRs with police but without any fruitful results. The management also nominated inquiry officers to investigate the incidents but the reports were still awaited. The claims were also lodged with insurance company but without any fruitful results.

Audit is of the view that due to weak internal controls, the Corporation sustained loss of Rs 12.713 million.

DAC meeting was held on 01.02.2024. The management apprised the DAC that USC has taken a proactive approach by securing insurance coverage against burglary and fire risks and out of 21 cases, 17 claims of Rs 10.917 million were settled by NICL for Rs 10.003 million. DAC directed to provide the record of recovery already made alongwith bank statements to Audit. DAC further directed to pursue remaining cases vigorously.

Audit recommends implementation of directives of the DAC.

Para-10 (USC- 2021-23)

9.15.4.19 Non-forfeiture of bid security due to non-execution of agreements by Pre-qualified flour mills - Rs 12.500 million

According to Clause-d of Terms and Condition of Bidding documents for pre-qualification of Flour Mills for grinding to wheat, the application for pre-qualification must be accompanied with security money of Rs 500,000. As per Clause-m, Rs 500,000 security money of success full Flour Mills will be returned after completion the period of contract. Further, Clause-dd describes that in case of any deviation from SOP/ TORs, the concerned flour mills shall be subject to due penalty which may extend to suspension of quota, forfeiture of security money and black listing (temporary/permanent) as well.

During the audit of Utility Stores Corporation, Zonal Office, Islamabad for the year 2021-22 & 2022-23, it was observed that 41 flour mills were pre-qualified for grinding of PASSCO wheat and supply of Atta vide Head Office letter No. 4092/W&WF/2023/4566 dated 02.01.2023. The management executed agreements with thirty-one mills but no agreement was executed by ten flour mills. Detail is given at Annex-79.

The bid security amounting to Rs 5.00 million was to be forfeited as per terms & conditions of the bidding documents but management failed to forfeit the same.

Similarly, twenty-four (24) flour mills were prequalified vide Head Office letter dated December 29, 2020 for Lahore Zonal Office. Out of these, management executed agreements with nine flour mills but no agreement was executed by fifteen flour mills. The bid security amounting to Rs 7.500 million (Rs 500,000 x 15) was to be forfeited but management failed to forfeit the same. Detail is given at Annex-80.

Audit is of the view that bid securities submitted by pre-qualified flour mills should have been forfeited due to non-execution of agreements but the same was not done.

DAC meeting was held on 01.02.2024. DAC was apprised that pre-qualified period for supply of Atta against PASSCO wheat started from 1st

January to 31st December of each year. M/s Esmail Flour Mill Islamabad, M/s Al Karim Flour Mill, Rawat, Rawalpindi and Al-Mehraj Roller Flour Mill, Kala Gujra, Jhelum had executed agreements with USC. However, remaining 7 Flour Mills did not execute agreement with USC. The security money of these 7 Flour Mills would be forfeited. Further, M/s OK FM, M/s Awami FM, M/s Qaiser FM, M/s Ramzan FM, M/s Data Foods, M/s Dayan FM, M/s Al-Hamad FM, M/s New Capital FM, and M/s Bajwa FM had executed agreements with USC. However, remaining 6 Flour Mills did not execute agreement with USC. The security money of these 6 Flour Mills would be forfeited. DAC pended the para and directed the management to provide copies of agreements of flour mills pointed out and updated status of the forfeiture of bid security of flour mills to Audit for verification.

Audit recommends implementation of directives of the DAC.

Para-23 (USC- 2021-23)

9.15.4.20 Irregular extension of transportation contract – Rs 4.899 million

According to contract agreement for transportation of stock of the consumer goods from warehouses to stores, USC Islamabad Zone, there exists no clause for extension of contract.

During audit of USC Regional Office, Islamabad for the years 2021-22 & 2022-23, it was observed that a contract for transportation of stock of consumer goods from warehouses to stores, USC Islamabad Zone was awarded to M/s Shahbaz Nasir Goods Transportation Company on 01.02.2022 for a period of one year. The contract was extended for a period of 3 months from 01.02.2023 to 30.04.2023. The contract was again extended w.e.f. 01.05.2023 till the finalization of new tender vide USC HO letter No. 327/SOS/Tender-Trans./2022/772 dated 17.07.2023.

Audit observed that no fresh contract was executed till the close of audit. An amount of Rs 4.899 million was paid to the contractor from 01.02.2023 to 30.09.2023 which was held irregular in Audit. The extension in contract tantamount to undue favour to the contractor.

DAC meeting was held on 01.02.2024. DAC was apprised by the management that before the expiry of previous contract on 31.01.2023, USC processed a tender and opened on 14.02.2023 wherein four firms participated but due to certain discrepancies, contract could not be awarded to the lowest firm. The 2nd lowest bidder was ignored due to lack in capacity of delivery while the rates of 3rd lowest vendor were high, due to which tender was scrapped. Since, the month of Ramzan was approaching (in March), it was decided to extend the exciting agreement with the previous vendor. Audit argued that the technical bids of all the four participating companies were approved but later on, the contract was not awarded to the lowest firm due to non-submission of requisite documents. The 2nd lowest bidder was also not awarded the contract due to lack of capacity which indicated that no proper technical evaluation criteria were adopted due to which the firms were technically qualified but later on contract was not awarded to the lowest firm and previous contract agreement was continued without having a clause of extension therein. DAC directed the management to justify the extension of the transportation contract for seven months even though no clause of extension of the contract was available in the agreement.

Audit recommends implementation of directives of the DAC.

Para-14 (USC- 2021-23)

9.15.4.21 Irregular retention of staff beyond sanctioned strength – Rs 93.473 million

According to Rule-5, Clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance of the principle of probity and propriety which 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 (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

During the audit of USC for the year 2021-22 and 2022-23, it was observed that excess staff was appointed in USC HO, in different categories over and above the sanctioned strength which resulted into irregular / extra expenditure of Rs 93.473 million on pay and allowances from July 2021 to June

2022. Further, payment detail of certain staff was not produced to Audit. Moreover, the pay roll for the year 2022-23 was also not produced to Audit.

Audit is of the view that the retention of staff in USC HO beyond the sanctioned strength and payment of salary to the unauthorized staff was irregular.

DAC meeting was held on 01.02.2024. The management apprised the DAC that for smooth functioning / operations, the staff was posted / deputed at various posts in excess of approved sanctioned strength. DAC pended the para with the direction that management should revise the sanctioned strength as per the requirement with the approval of competent authority.

Audit recommends implementation of directives of the DAC.

Para-28 (USC- 2021-23)

AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
GOVERNMENT OF PAKISTAN
AUDIT YEAR 2023-24
Vol-II

AUDITOR-GENERAL OF PAKISTAN

Chapter-10

Ministry of Information, Broadcasting and 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 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	4	1	14,095.00	1,415.00
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	4	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 12,438.956 million were raised as a result of this audit. This amount also includes recoverable of Rs 11,393.136 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	389.842
B	Procurement related irregularities	118.612
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	316.361
5	Others	11,614.141

10.1 Pakistan Television Corporation Limited

10.1.1 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.

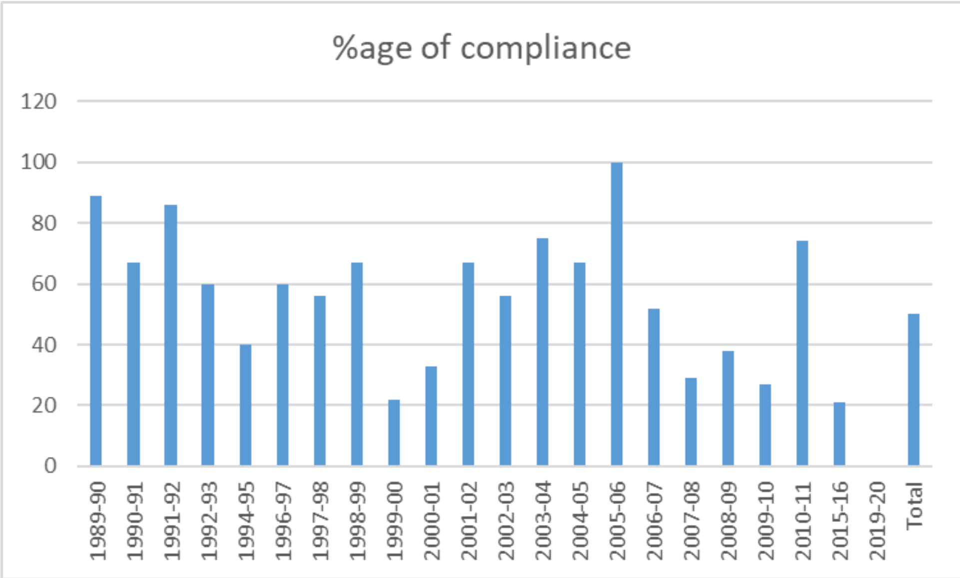
10.1.2 Comments on Audited Accounts

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 2019-20 to 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts of 2019-20 to 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(refer Annex-2).***

10.1.3 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 One Para	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.

10.1.4 Audit Paras

10.1.4.1 Loss due to non-recovery of revenue of sport events – Rs 338.39 million

According to Rule 10(i) of the PBA Rules, the management was required to send their outstanding bills/invoices against agencies to Pakistan Broadcasting Association (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 audit of PTVC for the year 2022-23, it was observed following sports events were telecasted on PTV Sports during the period 2022-23. Advertisement business to be transmitted during live sports events was awarded to various agencies during the said period. However, the agencies failed to clear their dues and an amount of Rs 338.39 million remained outstanding as detailed below;

(Rs in million)

Name of Event	Telecast between	Net Income	Recovery/ Adjustment	Outstanding
Pak Tour Srilanka (Test Series)	16.07.2022 to 28.07.2022	43.40	40.10	3.30
Asia Cup	27.08.2022 to 11.098.2022	495.70	493.61	2.09
Pak Vs England (PCB)	20.09.2022 to 02.10.2022	324	293.95	30.05
English Premier League 2022	N/A	126	123.94	2.06
ICC Men's T20 World Cup 2022	16.10.2022 to 13.11.2022	1,275.90	1,075.35	200.55
PSL 2023	13.02.2023 to 18.03.2023	1,437.60	1,340.26	97.34
Pak Vs AFG	N/A	25	22	3
Total		**3,727.6**	**3,389.21**	**338.39**

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 338.39 million.

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

Audit recommends that balance recovery may be made besides fix responsibility for not forwarding the case to PBA.

Para-58 (PTVC- 2022-23)

10.1.4.2 Irregular appointment of Chief Commercial Officer on bogus degree – Rs 104.347 million

According to judgment 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. Further, the authority awarding punishment of dismissal from service to an employee cannot reinstate him in service.

During audit of PTVC for the year 2022-23, it was observed that services of Mr. Muhammad Ameen Akhtar were hired as Chief Commercial Officer on contract basis w.e.f March 20, 2018 @ Rs 1,500,000 per month which was subsequently enhanced to Rs 1,950,000 per month w.e.f. 01.09.2023. Further, it was observed that his appointment was made without advertisement i.e. in violation of Supreme Court judgment and his degrees were not verified from concerned Boards / HEC. Moreover, The Board of Secondary Education Karachi has declared Matriculation certificate of officer as bogus.

It was further observed that a complaint No. IS251020-87503668 regarding bogus degree was lodged on Prime Minister Portal and Managing Director PTVC vide dated July 14, 2021 responded that relief could not be granted, if degrees found fake, bogus disciplinary action will be taken as per service rules. No action had been taken.

Thus, the appointment as well as payment of Rs 104.37 million made to him was held irregular.

The non-compliance of rules and regulations is an indicative of malafide intention, weak managerial and financial internal control.

Audit is of the view that appointment had to be made by following rules & regulations.

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

Audit recommends to explain the reasons of appointment without advertisement and having bogus degree. Inquire the matter to fix the responsibility on the person(s) at fault. Terminate his service immediately and recover the perks drawn since his appointment in 2007 in compliance of Supreme Court Judgment.

Para-14 (PTVC- 2022-23)

10.1.4.3 Irregular extension in contract of a Security Company - Rs 241.248 million

Board of Directors in its 244th & 245th meeting held on 30.12.2020 and 04.01.2021 vide item No.12 and 13 respectively directed to advertise tender notice in newspapers inviting bids for hiring of Security Company to provide security guards for PTV offices / installations.

According to clause-42(C)(IV) of PPRA, repeat orders should not exceed fifteen per cent of the original procurement.

During audit of PTVC for the year 2022-23, it was observed that the services of security company "M/s Sigma Security Services (Pvt.) Ltd" were hired w.e.f. 01.02.2020 on monthly payment of Rs 8,935,100 (449 guards * Rs 19,900 per guard per month without GST) for one year. Further, it was noted that, with the approval of Chairman of Corporation, several advertisements were published but subsequently cancelled the tender process. Later on, an advertisement was approved by MD PTVC on 31.01.2023. Accordingly, M/s Sigma Security Services Pvt. Ltd was awarded the contract for one year w.e.f.11.05.2023. It was further observed that the management extended the contract of existing company for a period of 27 months and 9 days from 01.02.2021 to 10.05.2023 in violation of BOD directions and payment of Rs 241,247,700 (Rs 8,935,100 per month *27 months) was paid without approval of Board of Directors.

Audit is of the view that the management had to comply with the directions of BoD and not to exceed the repeat order beyond the limit of PPRA.

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

Audit recommends that the reasons of ill-planning for unnecessary delay in hiring of Security Company be explained and the placement of variation order over & above the permissible limit under PPRA may be justified. Ministry should conduct Inquiry fix responsibility.

Para-7 (PTVC- 2022-23)

10.1.4.4 Loss Due to Defective Lease Agreement with HBL - Rs 156.693 million

According to Rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety.

During audit of PTVC for the year 2022-23, it was observed that a space of 1024-square-ft was allotted to M/s Habib Bank Ltd (HBL) for the establishment of a branch through an agreement in 1977. Banking facilities were also extended to the general public and other departments located in the vicinity. Moreover, no clause for receipt of rent/ other utilities was inserted in the agreement. A recovery notice of Rs 138.817 million against utilization of space and allied services was served to HBL, upon non receipt of response, PTVC filed a civil suit in 2017 which was dismissed in 2018 due to non-insertion clause of recovery of rent and utilities etc. in the agreement and directed HBL to start payment of rent immediately.

Although the court decided the case in 2018 yet the PTVC signed a formal agreement with the HBL on December 31, 2021, after a lapse of three years. It is worth mentioning here neither recovery of previous rent nor current rent has so far been realized.

Weak internal controls, financial & managerial failure caused non recovery of rent and corporation sustained a loss of Rs 156.693 million (Rs 138,816,600 + Rs 17,876,275).

Audit is of the view that management should have inserted recovery clause of rent in the agreement. Moreover, the management failed to recover the rent even after the decision of the court.

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

Audit recommends that recovery of the outstanding rent may be made besides fix responsibility on the person(s) at fault.

Para-17 (PTVC- 2022-23)

10.1.4.5 Loss due to extra deduction of service charges fee by K-electric on collection of TV License - Rs 133.448 million

According to the Ministry of Water and Power, vide letter dated 16.05.2016, service fee collected by electric distribution companies on collection of TV License Fee from electricity bill was reduced to Rs 1 from Rs 5 per paid bill w.e.f 01.04.2016.

During audit of PTVC for the year 2022-23, it was observed that service charges on account of TV license fee was being charged @ Rs 5.00 per bill instead of Rs 1.00 per bill by K-electric Company in violation instructions of Ministry of water and power. Consequently, excess service charges amounting to Rs 133.488 million were deducted during the period 2022-23 as detailed below:

Month	Total Consumers	TV Fee Collected (Rs)	TV Fee transfer to PTV (Rs)	KESC deducted fee @ Rs 5 per consumer bill	KESC fee @ Rs 1 per bill to be deducted by KESC	Excess fee deducted by KESC (Rs)
Jul-22	2,980,190	111,369,082	96,468,126	14,900,956	2,980,190	11,920,766
Aug-22	2,740,804	110,430,138	96,726,116	13,704,022	2,740,804	10,963,218
Sep-22	3,024,217	112,510,184	97,389,103	15,121,081	3,024,217	12,096,864
Oct-22	2,938,418	111,598,957	96,906,864	14,692,093	2,938,418	11,753,675
Nov-22	2,822,060	106,705,520	92,595,223	14,110,297	2,822,060	11,288,237
Dec-22	2,636,299	99,785,835	86,604,335	13,181,500	2,636,299	10,545,201
Jan-23	2,801,020	107,125,955	93,120,858	14,005,097	2,801,020	11,204,077
Feb-23	2,792,968	106,131,017	92,166,180	13,964,837	2,792,968	11,171,869
Mar-23	2,550,859	94,930,445	82,176,151	12,754,294	2,550,859	10,203,435
Apr-23	2,576,918	96,969,620	84,085,031	12,884,589	2,576,918	10,307,671
May-23	3,022,934	114,304,025	99,189,355	15,114,670	3,022,934	12,091,736
Jun-23	2,485,340	93,765,867	81,339,163	12,426,704	2,485,340	9,941,364
Total		**1,265,626,645**	**1,098,766,505**	**166,860,140**	**33,372,027**	**133,488,113**

Audit is of the view that the management did not pursue the matter with K-electric vigorously resultantly sustained a loss of Rs 133.488 million to corporation.

Non- recovery of excess deductions of service charges fee is indicative of weak managerial and internal control.

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

Audit recommends investigating the matter at Ministry level for excess deduction of charges by K-electric. Besides, recover the extra amount from K-electric under intimation to Audit.

Note: The issue of excess deduction of TV license fee was also reported earlier in the Audit Report for the year 2021-22 vide Para No. 9.2.4.24 having financial impact of Rs 1,067.038 million. Recurrence of same irregularity is a matter of serious concern.

Para-42 (PTVC- 2022-23)

10.1.4.6 Irregular appointment of surplus staff - Rs 130.399 million

According to PTVC Service Rules 3.12: ***Establishment*** *means approved staff strength indicating the designation, group, pay scale, and number of posts sanctioned for each separate unit from time to time by the Managing Director*. Moreover, as a general establishment rule, available strength / holding should not exceed the sanctioned strength/rationalization.

During audit of PTVC for the year 2022-23, it was observed that management hired / appointed 66 employees of different categories and posted at PTV Lahore center in excess of the sanctioned strength. A huge expenditure of Rs 130.339 million was incurred on account of their salary and allowances annually. These appointments and payment of salary to the employees without the sanctioned strength posts was held irregular.

Audit is of the view that the services of these employees were unauthorized / irregular as they were engaged without any post. Non-compliance of sanction strength is an indicative weak internal control.

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

Audit recommends investigating the appointment of officers/staff without sanctioned posts and fix responsibility.

Para-16 (PTVC- 2022-23)

10.1.4.7 Non recovery of cost against acquisition of Land - Rs 129.937 million

According to Public Corporate Rule-5(5) 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 PTVC Multan Center for the year 2022-23, it was observed that Multan Development Authority (MDA) advised to construct a boundary wall of Multan PTV center leaving a 75ft land beside the road vide letter dated21.11.2007. Further observed that District Collector Revenue

Department Multan in its meeting held on 2008 decided that PTVC may be compensated against the utilization of land. Subsequently NHA utilized the land by extending the road. Neither MDA nor NHA compensated PTVC against the cost of land even after a laps of more than 10 years. Thus, a sum of Rs 129.937 million was still recoverable as detailed below;

a.	Total Land utilized by NHA	= 83 Marlas
b.	Measurement in Square Ft per Marla	=250 sqft
c.	Total land in Sq Ft (83x250)	= 20750 sqft
d.	Land price per square ft. in Shujabad Road Multan	=Rs 6262 per sqft
e.	Total price of the land (29750 x 6262)	=Rs 129,936,500

Audit is of the view that cost of land should be recovered as per prevailing market rates.

Non-recovery of land cost since long is indicative of a weak managerial and financial internal control.

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

Audit recommends to recover the cost of land besides fixing responsibility on the person(s) at fault.

Para-54 (PTVC- 2022-23)

10.1.4.8 Wasteful expenditure on the construction of TV tower - Rs 108.553 million

According to para 9.4 of Project Management Guidelines, the project is approved with a specific period of completion. Efforts should be made to complete the project within the stipulated period to ensure flow of benefits well in time. Due to certain reasons, if extension in the implementation period is in-evitable to achieve the planned objectives, the Principal Accounting Officer of the Ministries/Divisions is competent to accord extension in the implementation period but within the approved cost of the project. As per the Planning Commission’s Guidelines issued for the implementation of projects under PSDP grants, the project is approved with a specific period of completion. Efforts should be made to complete the project within the stipulated period to ensure the flow of benefits well in time.

During audit of PTVC for the year 2022-23, it was observed that PC-1 for a project of fabrication, erection & installation of 500 FT TV Tower at RBS Badin was approved in the year 2003-04. The contract was awarded to M/s NZ & Company at total cost of Rs 16.208 million on 14.05.2010 along with completion date of 31.12.2011. During scrutiny of record, major observations were found as detailed below:

1. The contract was awarded after laps of seven years of approval of PC-1.
2. A sum of Rs 2.541 million was paid to contractor even then he left the work and the contract was terminated on 25.03.2015, whereas, neither performance guarantee was forfeited nor the company was blacklisted.
3. Leftover work was awarded to M/s Sachal Construction Company on 21.12.2016 at a cost Rs 26.448 million but they did not start work till February 2022. Their contract was also terminated on 24.02.2022 whereas, neither their performance guarantee was forfeited nor the company was blacklisted.
4. Due to delay in construction work w.e.f. 2003-04 to 2022-23, the fresh engineering estimates @ Rs 108.553 million were submitted by the consultant M/s Sarfraz Ahmed & Associates on 28.04. 2022. Resultantly, cost increased by 92.345 million.

Thus, Corporation sustained a loss of Rs 92.345 million (Rs 108.553 million-16.208 million) due to delay in construction work.

Audit is of the view that management should have enforced risk & cost clause and blacklisted the company to avoid cost overrun.

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

Audit recommends explaining the reason(s) for non-completion of work in time and cost overrun resulting into huge loss. Investigating the matter at administrative level besides fixing responsibility.

Para-20 (PTVC- 2022-23)

10.1.4.9 Unjustified recurring expenditures on hiring of equipment / items - Rs 49.340 million

According to rule–5(5)(a) 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 PTVC for the year 2022-23, it was observed that variuos equipment i.e. Drone, Osomo & FS7 Camera, Lights Sound System, SPL Effect, JIB and Generators, etc. were hired on rental basis from market on need basis and a sum of Rs 49,340,868 was incurred during the period.

Moreover, the equipment hired on rent basis per day were of fixed asset nature and were usable for every program for longer period. Hence, the decision for hiring instead of purchasing was not justified. PTV Karachi center had incurred a sum of Rs 94,077,568 on hiring of equipment during last five years from 2017-18 to 2021.

Further probe into the matter revealed that that the rental cost of a year was more than the actual cost of the equipment as detailed below;

HIRING EQUIPMENTS (at Karachi and Lahore)	**Actual cost of equipment(Rs) (approximately)**	**Equipment Hired on rental basis at Karachi (Rs)**	**Equipment Hired on rental basis at PTV-Sports**	**Equipment Hired on rental basis at PTV News**
Sound System	75,000	7,291,794		
Camera Fs7	1,050,000	6,199,717		
Jib	883,500	3,494,841		
Spl Effect Lights	53,865	13,002,993		
Generator	335,000	4,360,120		
SMD	220,000	1,989,935		
Osomo Camera	119,999	1,835,693		
Drone Camera	378,000	2,764,595		
Lens Kit Cp-2 Hd Camera Lens 35-85	53,000	459,700		
OB With Hd Cameras	3,699	681,416		
Sd Drive	17,500	49,424		
Camera	93,000	902,000		
Floor Mounted Ac	250,000	300,000		
Total amount		**43,062,228**	**2,003,365**	**4,275,275**
Grand Total of Equipment hired in PTV Karachi, PTV Sports and PTV News			**49,340,868**	

The above analysis of rental equipment and their actual cost is of only two centers out of 09 centers of PTVC.

Audit is of the view that the management should have analyzed cost effectiveness before hiring the equipment to save public money. Consequently, corporation had to incur unjustified huge expenditure on hiring of equipment.

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

Audit recommends investigating the matter in question at administrative level besides fixing responsibility.

Para-4 (PTVC- 2022-23)

10.1.4.10 Loss due to non-recovery of dramas' revenue – Rs 87.644 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 audit of PTVC for the year 2022-23, it was observed that following eight dramas were procured from private parties and aired on PTV home. Further, it was observed that income generated from 08 dramas was Rs 256.311 million upto June 2023 out of which only Rs 168.666 million were recovered up to 30.09.2023, leaving balance of Rs 87.244 million as outstanding. Detail is as under:

S. No.	Name of Drama	Total Income earned upto June 2023	Total income recovered upto September 2023 (Rs)	Outstanding amount (Rs)
1	Sultan Abdul Hamid	195,017,319	119,380,542	75,636,777
2	Ghao	4,364,018	96,050	4,267,968
3	Sotaily	2,958,438	96,050	2,862,388
4	Dolly Ki Super Family	3,038,649	1,982,880	1,055,769
5	Laddu mein Haddi	7,372,222	5,738,572	1,633,650
6	Inam yafta	370,742	0	370,742
7	Mor Mohran	21,353,499	20,439,481	914,018
8	Ajju aur Bhola	21,836,239	20,933,301	902,938
Total outstanding amount (Rs)		**256,311,126**	**168,666,876**	**87,644,250**

Audit is of the view that revenue amount from advertising agencies was to be recovered within stipulated time otherwise be reported to Pakistan Broadcasting Association (PBA) for early recovery to avoid huge loss of Rs 87.644 million.

Non recovery of revenue from advertising agencies is indicative of weak internal control.

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

Audit recommends investigating non-recovery of long outstanding revenue from agencies and fixing responsibility on the person (s) at fault.

Para-24 (PTVC- 2022-23)

10.1.4.11 Irregular retention of employees holding bogus degrees - Rs 46.559 million

According to judgment 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. Further, the authority awarding punishment of dismissal from service to an employee cannot reinstate him in service.

During audit of PTVC for the year 2022-23, it was observed that management retained 49 officers/officials in various cadres whose degrees/certificates were declared as bogus / fake by concerned institutions as detailed below:

S.#	Category of employees	No. of employees	Annual Salary (Rs)
1.	Retained in Services after award of punishment	17	16,017,834
2.	Re-instated after termination	11	5,219,765
3.	Cases under disciplinary action	21	19,639,666
4.	Terminated but their cases were not forwarded to FIA for recovery of illegal salary drawn	04	5,682,696
	Total	**53**	**46,559,961**

Moreover, the degrees / certificates of 1037 and 117 employees were partially verified and yet to be verified respectively.

Due to non-compliance of Supreme Court order is an indicative of managerial failure.

Audit is of the view that the management was required to terminate the services of these employees and subsequent recovery of salary thereof, but the same was not done after laps of considerable period. Thus, payment of Rs 46.559 million on account of salary was held irregular.

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

Audit recommends investigating the matter for not taking timely action for verification of certificates / degrees and responsibility may be fixed on the person(s) at fault. Moreover, the services of employees of bogus degrees should be terminated and recovery of pay & allowances be effected.

Para-9 (PTVC- 2022-23)

10.1.4.12 Irregular appointment of officer as Head of Sales – Rs 22.275 million

According to clause (vi) of appointment letter dated March 20, 2020, "employment is subject to verification of educational documents and if any variance is found then the employment will stand revoked from the date of employment and will be liable to return the salaries/ benefits received."

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.

During audit of PTVC for the year 2022-23, it was observed that services of Mr. Muhammad Sarosh Butt were hired on contract basis as head of sales for PTV- center Lahore @ salary of Rs 495,000 per month on. April 01, 2020. His contract was further extended up to 31.03.2024. He was paid a sum of Rs 22.275 million (Rs 495,000 *45 month) on account of pay & allowances for the said period. Following discrepancies were found during scrutiny of his personal file;

1. Appointment was made without advertisement
2. Two transcripts of same discipline MBA having CGPA 2.53 and 3.02 issued on 15.03.1995 and 18.12.2021 respectively were submitted by the officer creating serious doubts.

Audit is of the view that hiring of the officer without advertisement and attested degree through HEC was irregular.

Non observation of rules is indicative of weak internal control.

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

Audit recommends to stop the salary and terminate the services immediately besides fixing responsibility on the persons at fault.

Para-15 (PTVC- 2022-23)

10.1.4.13 Loss due to non-recovery of TV License Fee - Rs 5,502.136 million

According to the Television Receiving Apparatus Rules 1970, the Government of Pakistan levied T.V. license fee on each and every T.V. set holder has to pay monthly T.V. license fee @ Rs 35 per domestic and Rs 60 for commercial TV set. Under Agreement 2004, the fee has to be collected through monthly electricity bills.

During audit of PTVC for the year 2022-23, it was observed that an amount of Rs 6,211.224 million on account of TV license fee @ Rs 35 and Rs 60 per domestic and commercial electric bill, respectively for the audit period was collected by PEPCO and K-electric, but only Rs 1,488.445 million was paid to PTVC leaving a balance of Rs 5,502.136 million as detailed below;

Name of Company	TV Fee Income (Rs)	TV Fee received (2022-23) (Rs)	Receivable (Rs)
PEPCO	5,009,429,224	389,678,363	5,399,107,587
K-ELECTRIC	1,201,795,133	1,098,766,505	103,028,628
Total	**6,211,224,357**	**1,488,444,868**	**5,502,136,215**

Further, observed during the scrutiny of financial statements of K-electric, a liability of Rs 130.316 million towards PTVC was pending. The difference in figures is due to non-reconciliation of TV license fee with consumers of electric companies.

Audit is of the view that the management never reconciled the TV license fee with consumers of electric companies for collection of recovery is indicative of weakness of internal control.

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

Audit recommends explaining non-reconciliation of TV license fee with electric companies as well as non-recovery of TV License Fee. Moreover, recovery should be conducted and responsibility be fixed.

Para-43 (PTVC- 2022-23)

10.1.4.14 Irregular payment of professional fee to legal advisor as co-council - Rs 7.105 million

According to office order issued by Managing Director PTVC dated April 15, 2019, professional fee for court cases for Supreme Court lawyers are as follow and will be paid in lump sum and miscellaneous expenditures will not be allowed:

S. No.	Name of court	Professional Fee for Supreme court lawyer (Rs) all-inclusive taxes	Professional Fee for high court/civil court lawyer (Rs) all-inclusive taxes
1	Supreme court cases	125,000	-
2	High court/ equivalent	100,000	70,000
3	Civil courts/NIRC/ Wafaqi Mohtasib/ Appeal/ Representation against the decision of Wafaqi Mohtasib to the President of Pakistan	40,000	35,000

During audit of PTVC for the year 2022-23, it was observed that legal councils were hired to deal various court cases and made payments to them in advance as professional fee of each case. It was further revealed that a sum of

Rs 7.105 million was also paid as co-counsel against the same cases to Mr. Sultan Hayat Ranjha who was the legal advisor of PTVC. However, his services had already been hired on retainer-ship fee @ Rs @ 440,000 per month.

The engagement of legal advisor as co-counsel with the counsels and payment of Rs 7.105 million made to him was irregular.

Audit is of the view that the dual payments to counsels and co-counsel on the same court cases were unjustified and irregular. Further, management should not have paid professional fee to legal advisor as co-counsel who was already on the payroll of PTVC.

Due to weak internal control, a loss of Rs 7.105 million was caused to the corporation.

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

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

Para-10 (PTVC- 2022-23)

10.1.4.15 Irregular appointment and unauthorized allocation of vehicle to legal advisor - Rs 3.549 million

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.

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.

During the audit of PTVC for the year 2022-23, it was observed that Mr. Sultan Hayat Ranjha was appointed as legal advisor on 10.05.2022 without advertisement. Later on, his retainer ship fee increased from Rs 200,000 to Rs 440,000 per month on 01.07.2023 without approval of BoD resulting a huge increase of 120% without justification. On the other hand, he was also drawing professional fee on case-to-case basis along with retainer-ship fee.

Further probe to the matter revealed that a vehicle bearing R. No 382 was permanently allocated to legal advisor without the terms of his contract and expenditure of Rs 2.109 million was incurred on account of POL/repair & maintenance.

Audit is of the view appointment, increase in retainer-ship fee in addition to drawing professional fee and allocation of vehicle were irregular.

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

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

Para-18 & 35 (PTVC- 2022-23)

10.1.4.16 Non-recovery of long overdue receivables - Rs 1,157.097 million

According to Corporate Governance Rules 2013 (2A) (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. Furthermore as per clause 5 (5) 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, 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 due economy is exercised so as to reduce wastage.

During audit of PTVC for the year 2022-23, it was observed that an amount of Rs 1,157.096 million was receivables from foreign debtors ranging from 2 years to 10 years, as detailed below:

Sr. No.	Particulars	Amount (Rs)
1.	Receivable on account of foreign debtors	469,153,088
2.	Receivable from TAJ TV Mauritius	71,780,004
3.	Receivable from Government of Pakistan	18,311,477
4.	Misc. Receivable	597,852,240
Total		**1,157,096,809**

As evident above, the receivables were pending, but no efforts made to realize these overdue amounts.

Weak internal controls resulted into blockage of funds.

Audit is of the view that the management should accelerate its efforts to recover the amount to take up matter through respective embassies.

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

Audit recommends investigating the reasons for not collecting the overdue amount.

Para-49 (PTVC- 2022-23)

10.1.4.17 Irregular procurement by splitting in violation of PPRA - Rs 69.272 million

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 PTVC for the year 2022-23, it was observed that IT Equipment valuing of Rs 69,407,572 was purchased from suppliers in piecemeal. Further it was observed that IT department did not prepare its procurement plan just to grant favour to the selected suppliers. Consequently, procurement was considered as non-transparent.

Non observance of procurement rules is an indicative internal control.

Audit is of the view that management was required to assess the requirements of IT equipment at the start of financial year and should have advertised to get economical rates in fair and transparent manner.

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

Audit recommends investigating purchase on piecemeal basis besides fixing responsibility on the person(s) at fault.

Para-3 (PTVC- 2022-23)

10.1.4.18 Loss due to cost overrun of civil work at Regional Broadcast Station - Rs 44.119 million

According to the Planning Commission's Guidelines issued for the implementation of projects under PSDP grants, the project is approved with a specific period of completion. Efforts should be made to complete the project within the stipulated period to ensure the flow of benefits well in time.

During audit of PTVC for the year 2022-23, it was noted that a contract for construction of civil work at Regional Broadcast Station(RBS) Shakargarh valuing of Rs 25.929 million was awarded to M/s Ali Associates on 26.01.2007 to be completed by 11.12.2007. However, the contractor stopped the work on 28.01.2010 after 60% of work and payment of Rs 15.559 million was made. Further, the same work was re-awarded to M/s Rehmat Traders Lahore on 20.11.2013 with a completion period of 10 months i.e. 30.09.2014. Later on, the contract was extended to 2.3 years i.e. 31.12.2016, with a revised contract value of Rs 24.821 million.

During scrutiny of record, several major observations were found as detailed below:

1. Neither performance guarantee of M/s Ali Associates was forfeited nor risk and cost clause was enforced.
2. The second contractor left the work after doing 26% only of the remaining work without cogent reason and was paid an amount of Rs 6.189 million. Consequently, the contract was terminated on13.03.2018 after lapse of 2 years of extension.
3. The leftover work was awarded to third contractor viz. M/s Sher Bacha & Brother on 22.06.2023 after revision of cost to Rs 44,119,230 against the engineer's estimate of Rs 34.216 million i.e. excess of 28.94%.

Consequently, a loss Rs 18.189 million was incurred due to excess expenditure.

Due to weak internal control, this irregularity occurred which causes cost overrun of Rs 44.119 million.

Audit is of the view that management should have enforced risk & cost clause and blacklisting the firms to avoid cost overrun.

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

Audit recommends to inquire the matter at Administrative level besides fixing responsibility on the person(s) at fault.

Para-19 (PTVC- 2022-23)

10.1.4.19 Irregular Payment to Security Company - Rs 39.856 million

According to clause 8 & 11 of terms and conditions for bidders for hiring services of security company, employees of the security company should have group insurance and the company must be registered with EOBI and Social Security institution and clause 16 the company / bidder must comply with the rates fixed by the Federal government under minimum wages ordinance and Act and shall be responsible for any deviation from the said.

According to EOBI Act, 6% contribution (5% from employers and 1% from employees (Rs 780 per employee PM) is to be paid to EOBI for their employees. Similarly, Social Security contribution is required to be paid @ 6% of the wages of their employees (having wages up to Rs 22,000 i.e. Rs 1,080 per employee PM) to the Islamabad Employees Social Security Institution.

During audit of PTVC for the year 2022-23, it was noted that services of security company i.e. M/s SIGMA security (Pvt.) ltd were hired w.e.f 01.02.2020 and 487 security personnel were deployed. It was observed that Security Company was failed to deposit EOBI and Social Security contribution of their employees as the personal registration numbers of 487 employees regarding EOBI and Social Security were not available.

Descriptions	No. of employees	Period	Total amount to be deposited by security company
EOBI @ Rs 780 (Employer contribution @ 650 Employee @ 130)	487	01.02.2020 to 30.09.2023 (44 months)	16,713,840 (487x780x44)
Social Security @ Rs 1080	487	01.02.2020 to 30.09.2023 (44 months)	23,142,240 (487x1080x44)
Total			**39,856,080**

Therefore, it is construed that the security staff provided to PTVC was not registered with EOBI and Social Security Institution which is a violation of the rules and regulations.

Audit is of the view that PTVC should have verified registration of security staff with EOBI and Social Security before making payment to the Security Company of Rs 39.856 million, hence held irregular.

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

Audit recommends to justify irregular payment to the security company in the absence of EOBI and Social Security registration.

Para-8 (PTVC- 2022-23)

10.1.4.20 Renewal of dubbing contract of Turkish Drama in violation of PPRA Rules - Rs 33.425 million

According to Rule-12 (2) of PPRA-2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. According to Rule-42 (c) (iv) of PPRA-2004 "Repeat orders exceeding fifteen percent of the original value of contract shall not be awarded".

During audit of PTVC for the year 2022-23, it was observed that a contract was awarded to M/s KJ Production on December 12, 2021 amounting to

Rs 18.153 million @ Rs 96,050 per episode for dubbing of 189 episodes of Season-I&II of Turkish Drama “Sultan Abdul Hameed-II”. Later on, the contract was extended for dubbing of 348 more episodes of Season 3, 4 & 5 on 31.10.2022 amounting to Rs 33.425 million. The contract was extended upto 184% in violation of PPRA rules.

Audit is of the view that the undue favor was granted to the firm by extending of contract beyond the permissible limit and should have been re-advertised, hence, held irregular. Violation of rules is a weak internal control.

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

Audit recommends investigating the matter and fixing responsibility.

Para-30 (PTVC- 2022-23

10.1.4.21 Non recovery of long outstanding amount on account of decreed case - Rs 26.565 million

According to clause 5 (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, 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 due economy is exercised so as to reduce wastage.

During audit of PTVC for the year 2022-23, it was observed that a decree was announced in favour of PTVC by Sindh High Court (SHC) of Rs 26.565 million during the year 2010 against a defaulter media agency namely M/s Blazon and others. The M/s Blazon media agency was owned by well-known media personalities namely Mrs. Uzma Gilani & Mr. Asif Raza Mir. It was observed that no recovery of decreed amount was made even after lapse of more than thirteen (13) years. Consequently, a sum of Rs 26.565 million remained outstanding against the defaulters.

Audit is of the view that management should initiate proper proceedings to recover long outstanding amount.

Non-recovery of long outstanding amount indicated weak internal controls on managerial and financial levels.

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

Audit recommends that recovery of long outstanding amount should be made. Fix the responsibility on the person(s) at fault.

Para-6 (PTVC- 2022-23)

10.1.4.22 Loss due to low rating and non-viable morning show - Rs 24.096 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 audit of PTV Lahore center for the year 2022-23, it was observed that a program ‘Morning @ Home’ was broadcast against a budget of Rs 307,461 per episode for the year 2022-23. It was observed that average rating of said program remained at 0.8 which was very low as compared to other morning shows on various channels e.g. ARY and GEO etc. It was further observed that total cost incurred on the program was 67.641 million and the revenue recovered thereof was 43.547 million bearing a loss of Rs 24.094 million as worked below:

Program Name	Total Cost per episode (Rs)	Episodes on-aired	Total Cost (Rs)	Revenue generated (Rs)	Revenue recovered (Rs)	Outstanding Revenue (Rs)	Loss (Rs)
Morning @ Home	307,461	220	67,641,420	48,010,612	43,546,951	4,463,661	24,094,469

Thus, due to non-analysis of cost effectiveness of program, loss of Rs 24.094 million was caused to public exchequer.

Audit is of the view that management should keep the programs telecasting viability in public.

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

Audit recommends justifying continuity of low rating and loss making program.

Para-23 (PTVC- 2022-23)

10.1.4.23 Irregular appointments of anchor persons - Rs 23.029 million

According to 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 para 4 of the minutes of 184th meeting of BoD dated: April 23, 2009, job applications for various categories shall be received on a regular basis for which a database was to be maintained. To further strengthen the database, advertisement would be placed on PTVC website and newspapers periodically, inviting applications.

During audit of PTVC for the year 2022-23, it was observed that twelve professionals/anchors were appointed on contract basis without advertisement during the year 2022-23 on the basis of monthly salary amounting to Rs 23.029 million (Annex-81).

Audit is of the view that the management was required to advertise in the newspapers to fetch healthy competition. Thus, appointments without following due procedure was held irregular.

Non observance of appointment's rules & regulations is indicative of weak internal control.

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

Audit recommends explaining the reasons for the irregular appointment without advertisement besides fixing responsibility.

Para-46 (PTVC- 2022-23)

10.1.4.24 Unauthorized regularization of contract employees – Rs 22.553 million

According to Para–1(i) of Establishment Division's letter No.F.53/1/2008-SP dated May 11, 2017, all contract/contingent Paid/Daily Wage/Project employees who have rendered a minimum of one year of service, in continuity, as on January 01, 2017 (herein after referred to as eligible employees) may apply for appointment on regular basis.

During audit of PTVC for the year 2022-23, it was observed that the services of sixty-seven contractual, daily wages employees were regularized on 15.03.2023 whose appointments were made during the period from August-2022 to December 2022. It was further observed that the services of another batch of sixty-one employees whose induction had taken place during the period 01.01.2023 to 04.08.2023 was regularized on 04.08.2023. in violation of Government instructions. Financial implication of pay & allowances of 61 employees was Rs 22.553 million per annum whereas, that of the rest of 67 employees was not provided by the management.

Audit is of the view that the management was required to comply with above directions but the same was not observed.

Non-compliance of rules & regulations is an indication of weak internal control.

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

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

Para-56 (PTVC- 2022-23)

10.1.4.25 Irregular hiring of Law Officers - Rs 13.997 million

According to the Government of Pakistan 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.

During audit of PTVC for the year 2022-23, it was observed that management hired the services of various advocates for pursuing the court cases and made advance payment of Rs 13.998 million on account of legal fee without prior approval of the Ministry of Law and Justice as detailed below;

Sr. No.	Name of Advocate	Number of Cases	Court Cases Status	Legal Fee Paid (Rs)
1	Mr. Faisal Naqvi Advocate	06	Under process	6,000,000
2	M/s Surridge & Beecheno	-	Under process	1,141,954
3	Mr. Sallahuddin Advocate	04	Under process	6,000,000
4	Mr. Shahid Mehmood Khokar	01	Under process	6,000,00
5	Raja Muqsit Nawaz Advocate	03	Under process	500,000
6	Mr. Taimour Aslam Advocate	01	Under process	350,000
Total				**13,997,954**

Further noted that professional fee was paid in advance to above advocates without making contract agreements whereas no single case was decided/settled till completion of audit.

Audit is of the view that management did not comply with the directions of Ministry of Law, Justice and Human Rights, hence, incurring expenditure Rs 13.997 million was held irregular.

Non-observance of rules & regulations is indicative of weak internal control.

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

Audit recommends investigating the matter besides fixing responsibility.

Para-37 (PTVC- 2022-23)

10.1.4.26 Unjustified retention of vehicles - Rs 8.004 million

The provision of staff car alongwith driver and other support staff to the Federal Minister is the responsibility of Establishment/Cabinet Division.

During audit of PTVC for the year 2022-23, it was observed allotted four vehicles 1300cc to 3000cc to the office of the Minister Information & Broadcasting, one vehicle to focal person to PM and one vehicle to Parliamentary Secretary of I&B along with drivers. A sum of Rs 8.004 million was incurred on the operation of vehicles during the period. The provision of these vehicles by PTVC was unjustified. Detail is as under:

S. No	Vehicle No	Make	Allotted	POL Exp. (Rs)	Repair Maint (Rs)	Total Amount (Rs)
1	l1-225	Toyota D/Cabin	Protocol duty with Minister's squade	1,558,098	350,714	1,908,812
2	LH-516	Honda Civic	Duty with director to Minister office	1,045,645	208,338	1,253,983
3	KD-583	Toyota Corolla	Protocol duty with Minister's office	724,535	175,606	900,141
4	JV-515	Toyota Corolla	Protocol duty with focal person to PM	641,683	289,721	931,404
5	VY-213	Suzuki Vain	Minister's office staff	1,525,929	75,860	1,601,789
6	VG-621	Toyota Corolla	Parliamentary Secretary for I&B	899,750	507,929	1,407,679
			Total			**8,003,808**

Audit is of the view that all Ministries / Administrative departments are allotted their own vehicles along with budget for POL and maintenance. Thus, retention of PTVC vehicles is unjustified.

Non observance of rules is an indicative of weak managerial control.

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

Audit recommends withdrawal of the said vehicles immediately.

Para-59 (PTVC- 2022-23)

10.1.4.27 Irregular appointment of Anchors for program "Current Affairs" - Rs 7.125 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, are violation of fundamental rights. As such, no post could be filled without proper advertisement, even on ad hoc or contract basis. A per Agenda Item No: 3 of the 243rd meeting of PTVC Board of Directors dated: December 07, 2020, the Board approved termination of the services of professionals / contract employees who are drawing salary above Rs 350,000 per month.

During audit of PTV Lahore center for the year 2022-23, it was observed that three anchors were hired for program "Current Affairs" on contract basis initially for a period of three years on a monthly salary of Rs 750,000 each w.e.f. September 26.2023 without advertisement and approval of BoD. The detail of anchors as well as payment made to them is given as follows:

Sr. No.	Anchor Name	Date of Joining	Salary per month (Rs)	Total salary paid till close of audit (Rs)
1	Mr. Faheem Gohar Butt	26.09.2023	750,000	2,375,000
2	Mr. Wajahat Masood	27.09.2023	750,000	2,375,000
3	Syed Imran Shafqat	26.09.2023	750,000	2,375,000
Total				**7,125,000**

Audit is of the view that undue financial benefit was extended to these anchors in violation of rules and regulations. Weak financial as well as managerial internal controls led to irregular appointment.

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

Audit recommends investigating the matter and fixing responsibility.

Para-29 (PTVC- 2022-23)

10.1.4.28 Unjustified hiring of DSNG van and accessories on rental basis - Rs 6.996 million

According to rule-5 (a) of the Corporate Governance Rules, 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, in the following manner, namely:- 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 PTV Lahore center for the year 2022-23, it was observed that Program Manager (PTV) intimated that a Digital Satellite News Gathering Unit (DSNG) van along with accessories was required for Ramzan Transmission. Further observed that Executive Engineering Manager informed vide letter dated 24.03.2023 that PTVC's own Outside Broadcasting (OB) van was grounded due to disorder of Generator. Thus, a DSNG van was hired from M/s Telreel on Rs 6.996 million for the month.

Audit is of the view that hiring of DSNG van instead to repairing the generator of own vehicle was unjustified.

Weak internal control caused loss of Rs 6.996 million to the corporation.

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

Audit recommends inquiring the matter of hiring of DSNG van on rent instead of repairing the generator and fixing responsibility.

Para-21 (PTVC- 2022-23)

10.1.4.29 Irregular appointment and payment on degree of unrecognized institution - Rs 3.85 million

According to clause–vi of appointment letter dated 28.12.2018, the verification of degree/ educational documents is mandatory from the concerned Board/ institute / university within one month from the date of joining. In case of non-compliance, services will be terminated automatically without any notice. Further as per 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.

During audit of PTVC for the year 2022-23, it was observed that services of Mr. Rizwan Malik were hired as Regional Sales Manager at Lahore PTV center for a period of one year vide letter dated 28.12.2018, subject to authenticity / verification of his degrees by HEC. During scrutiny of his personal file, following deficiencies were found;

1. Appointment was made without advertisement
2. He joined his duties after six months of appointment letter and without submitting credential
3. Copies of BBA and MBA degrees were sent to HEC for attestation dated 03.10.2019. HEC vide its letter dated 16.10.2019 intimated that degree awarding institution i.e. Premier College of Business Administration & Economics Lahore was not recognized, therefore transcripts could not be attested.
4. His services were terminated on 17.08.2020 but after lapse of ten months
5. The salary of the officer was not released since his appointment on the recommendation of Finance department PTVC, for want of attestation of degrees from HEC. However, after the decline from HEC, he was terminated and his salary (Rs 3.85 million) was released after three months of his termination from service.

Audit is of the view that payment of salary to the employee on the degree awarded by an unrecognized institution by HEC was undue favor to him.

Unjustified payment of salary is indicative of malafide intention and internal control.

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

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

Para-13 (PTVC- 2022-23)

10.1.4.30 Non deduction of Income Tax from sports experts - Rs 3.073 million

According to section 153 of Income Tax Ordinance 2001, every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of non-residential person for the sale of good, and the rendering of or providing of services shall at the time of making the payment, deduct tax from the gross amount payable at the rate of 10% from active tax payer and @ 20% from person not on ATL.

During audit of PTVC for the year 2022-23, it was observed that the services of foreign players Mr. Lance Klusener and Mr. Kasturi Naidu were hired as guests for program viz. "Game on Hai" telecasted for ICC T-20 World Cup-2022 during October to December 2022. Further, it was transpired that a sum of Rs 15.364 million was paid to them but the income tax @ 20% amounting to Rs 3.073 million was not deducted as detailed below:

Sr.	Name of player/expert	Agreement period	Amount Paid in US$ Including Taxes	Income Tax @ 20% US $	Gross Amount in US$	Amount Paid in Rupees Avg @ Rs 235 per US$	Amount of tax to be deducted in Rupees
1	Lance Klusener	Oct to Dec 2022	37,500	7,500	37,500	8,812,500	1,762,500
2	Kasturi Naidu		27,880	5,576	27,880	6,551,800	1,310,360
	Total		**65,380**	**13,076**	**65,380**	**15,364,300**	**3,072,860**

Audit is of the view that income tax was to be deducted before making the payment to the experts.

Loss to the government exchequer due to non-deduction of income tax is indicative of weak internal control.

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

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

Para-2 (PTVC- 2022-23)

10.1.4.31 Irregular payment of POL allowance to the Deputationst - Rs 1.981 million

According to rule 5(5) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall establish a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety, especially with respect to handling of public funds.

During audit of the PTVC (Head office) for the year 2022-23, it was observed that official vehicles were allocated to four officers of group 7 & 8 who were posted on deputation basis in corporation. A sum of Rs 4.533 million was incurred on account of POL / repair & maintenance whereas, without entitlement. Moreover, in addition to this, these officers were also drawing POL allowance per month. Detail is below:

Sr. No.	Name of officer	Allocated Vehicle No.	Period	POL and Repair & maintenance (Rs)	POL Allowance Per month (Rs)	Total PoL Allowance Paid (Rs)
1	Ms. Narita Farhan (BPS-18) (Group-8)	IDM-630		1,033,232	32,000	Rs 32,000*29 months =928,000
2	Mr. Tasawar Arfat (Group-7)	ME-680 and No. SJ.331	19.04.2022 to 31.12.2023	1,934,579	28,552	Rs 28,552*20= Rs 571,040
3	Ms. Duriyya Amir (BPS-18) Ms. NehaalFaridKhattak (Group -8 & 7)	LJ-223		1,565,410	Rs 32,320 Rs 27,924	Rs 32,320*8= Rs 258,560 Rs 27,924*8= Rs 223,392
	Total			**4,533,221**		**1,980,992**

Audit is of the view that the payment on account of POL allowance in addition to allocation of government vehicles and expenditure incurred thereon was irregular.

Allocation of vehicle as well as allowing POL allowance is an indicative of weak internal control.

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

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

Para-11, 12 & 57 (PTVC- 2022-23)

10.1.4.32 Overpayment on account of House Ceiling - Rs 1.205 million

According to letter of Ministry of Housing & works dated September 28th 2021, there was no rental ceiling for hiring of residential accommodation at

Multan except Islamabad, and other specified stations i.e. Rawalpindi, Lahore, Karachi, Peshawar and Quetta.

During audit of PTV Multan Center for the year 2022-23, it was observed that five officers transferred from different centers to Multan center were drawing house rental ceiling based on their previous station's entitlements. This practice has been ongoing since the date of their transfer and poses a significant risk of financial mismanagement.

Audit is of the view that payment of Rs 1.206 million on account of rental ceiling to the officers transferred at Multan center was irregular.

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

Audit recommends to immediate stop payment on account of house rent ceiling to them. Recover the overpayment under intimation to audit. Responsibility be fixed who allowed to take undue benefit.

Para-41 (PTVC- 2022-23)

10.1.4.33 Non-recovery of long overdue receivables - Rs 3,889.907 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 audit of PTVC for the year 2022-23, it was observed that corporation awarded business to various agencies over the period of more than 30 years, but failed to recover outstanding dues. Resultantly, the dues were accumulated to Rs 3,889.908 million, as detailed below;

(Rs in million)

Description	Current	Receivables over 01 year	Receivables over 02 years	Receivables over 03 years.	Receivables over 05 years	Receivables over 06 years	Recovery	Total
Receivables advertising agencies	79.596	764.203	157.463	1,266.280	1,697.631	307.041	382.307	**3,889.908**

Channel wise Receivable Position	
PTV Home	1,040.598
PTV National	148.131
PTV News	617.444
PTV Channel 3	57.505
PTV Sports	1,992.196
PTV World	6.538
Tele School	27.496
Total	**3,889.908**

Thus, chances of long overdue recovery were remote and a loss to that extent would be borne by the corporation.

Audit noticed that advertisement business was being awarded to various agencies having huge overdue amounts for more than 05 years.

Audit is of the view that non-recovery of such a huge amount of receivables is indicative of weak internal.

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

Audit recommends investigating non-collection of the long overdue amounts besides fixing responsibility thereof.

Para-60 (PTVC- 2022-23)

10.1.4.34 Loss due to shortage / missing of various equipment - Rs 1.183 million

According to rule 159 of GFR Vol-1, physical verification of all stores should be made at least once in every year under rules prescribed by competent authority, and subject to the condition that the verification is not entrusted to a person– (i) who is the custodian, the ledger, keeper, or the accountant of the stores to be verified, or who is a nominee of, or is employed under the custodian, that the ledger keeper or the accountant; or (ii) who is not conversant with the classification, nomenclature and technique of the particular classes of stores to be verified.

During audit of PTV Lahore center for the year 2022-23, it was observed that various equipment / items valuing Rs 1.184 million were found short/ missing during physical verification of fixed assets conducted as on April 30, 2023. Further, no efforts were found.

Audit is of the view that management had to safeguard its assets properly which was not done. Loss due to shortage/ missing of various equipment was incurred due to poor inventory check and weak managerial controls.

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

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

Para-25 (PTVC- 2022-23)

Chapter-11

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 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	1	1	834.729	1,024.748
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	1	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 1,407.857 million were raised as a result of this audit. This amount also includes recoverable of Rs 11.258 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	37.509
B	Procurement related irregularities	-
C	Management of accounts with Commercial Banks	126.326
4	Value for money and services delivery issues	-
5	Others	1,244.022

11.1 Pakistan Software Export Board (Guarantee) Limited

11.1.1 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.

11.1.2 Comments on Audited accounts

11.1.2.1 The working results of Pakistan Software Export Board for the year 2022-23 as compared to the previous years are as under:

(Rs in million)

Particular	2022-23	%age increase/ (Dec)	2021-22	%age increase/ (Dec)	2020-21
Amortization of deferred grant	522.30	8.22	482.63	324.44	113.71
Federal govt. grant	868.04	170.81	320.54	152.41	126.99
Amortization of deferred grant in kind	30.74	(1.60)	31.24	(1.94)	31.86
Revenue from bandwidth and related services	90.43	35.27	66.85	4.68	63.86
Registration and renewal fee	84.21	(1.70)	85.67	17.66	72.81
Other income	119.91	217.05	37.82	64.72	22.96
Total	**1,715.63**	67.42	**1,024.75**	**137.11**	**432.19**
Expenditure					
Project cost- deferred grants related to projects	522.30	8.22	482.63	324.44	113.71
Salaries, allowances and benefits	185.7	37.48	135.07	12.33	122.74
Data node bandwidth and related charges	48.99	50.78	32.49	7.19	30.31
Travelling & Conveyance allowance	7.06	14.80	6.15	-	-
Advertisement & publicity	7.04	135.45	2.99	-	-
Communication charges	18.52	270.40	5.00	-	-
Utilities	11.22	55.40	7.22	-	-
Rent, rates & taxes	60.62	156.97	23.59	57.16	15.01
Vehicle running expenses	3.89	21.94	3.19	-	-
Fee & subscription	2.18	24.57	1.75	-	-
Printing & stationery	1.48	(4.52)	1.55	-	-
Exhibition & seminars	279.69	232.45	84.13	-	-
Research studies	3.90	50.00	2.60	-	-
Repair & maintenance	6.88	(6.64)	7.37	32.55	5.56
Industries Skills & Development programs	581.05	765.43	67.14	-	-
Legal & professional charges	10.62	543.64	1.65	-	-
Depreciation	5.75	139.58	2.40	-	-
Depreciation of assets related to deferred grants	30.74	(1.60)	31.24	-	-

11.1.2.2 The total income of the board increased to Rs 1,715.63 million during the year 2022-23 as compared to Rs 1,024.75 million of 2021-22, registering an increase of 67.42% over previous year. The increase was mainly due to increase in Federal Govt. Grant, revenue from bandwidth and related services and other income by 171%, 35% and 217% respectively. The formation is still relying on government grant, efforts needs to be made to increase the revenue from its core activities to made the formation a self-reliant organization.

11.1.2.3 Accrued liabilities as on 30th June, 2023 increased to Rs 23.12 million against Rs 11.72 million in the year 2021-22. The figure is silent by means of notes, detailed breakup along with current status may be provided. Early clearance of said liability is stressed upon the management.

11.1.2.4 Trade and other payable increased from Rs 63.17 million in 2021-22 to Rs 104.56 million in 2022-23 registering an increase of 65.52% over previous year. Detailed breakup of these liabilities needs to be provided along with early clearance of liabilities.

11.1.2.5 Legal & professional charges increased to Rs 10.62 million in 2022-23 from Rs 1.65 million in 2021-22 registering an increase of 544% over previous year. The huge increase under the head needs justification.

11.1.2.6 During the year utilities expenses increased from Rs 7.22 million in 2021-22 to Rs 11.22 million in 2022-23. The Federal Government in Austerity Measures for the year 2022-23 categorically desired that the utilities expenses may be cut down by 10% at least, despite clear cut directions of the government, utility expenses increased by 55.40% in PSEB which needs to be explained.

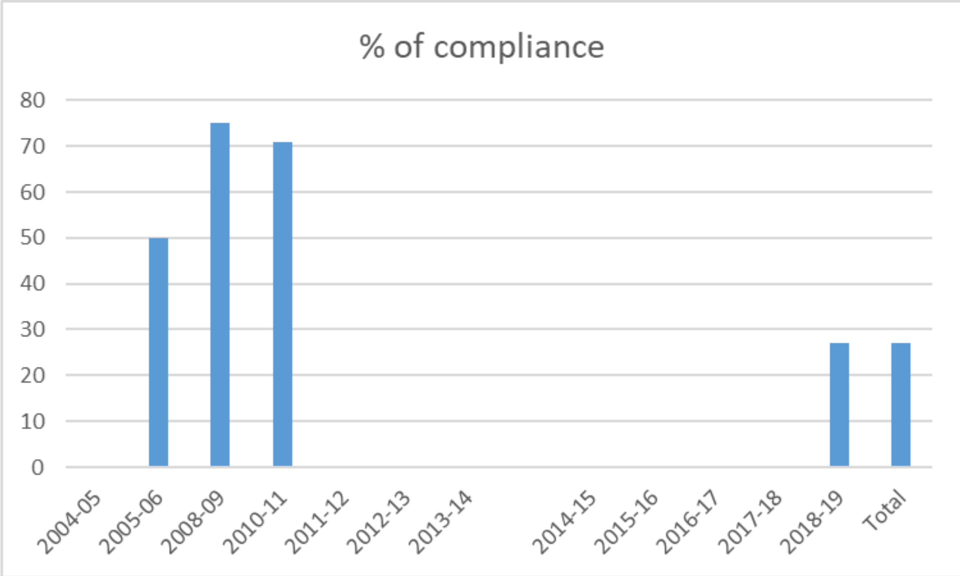
11.1.2.7 Expenditure under the heads Advertisement & Publicity and Rent, Rates & taxes increased by 135% and 157% to Rs 7.04 million in 2022-23 (2021-22 – Rs 2.99 million) and Rs 60.61 million in 2022-23 (2021-22 – Rs 23.59 million) respectively. The figure is silent by means of notes; abnormal increases under the heads need justification.

11.1.2.8 There was abnormal increase in expenditure under the head Industry Skills and Development Programs by 765% to Rs 581.05 million in 2022-23 (2021-22 – Rs 67.14 million). The figure is silent by means of notes; abnormal increase under the head needs justification with reference to benefit and beneficiaries of the programs.

11.1.2.9 Expenditure under the head Exhibition and Seminars increased by 232% to Rs 279.69 million in 2022-23 (2021-22 Rs 84.13 million). Figure is silent by means of notes; abnormal increase under the head needs clarification with regard to each Exhibition and Seminar and expenditure their against.

11.1.3 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, 11.1.3, 11.1.4.1	0
7	2013-14	03	0	03	10.1.2.1, 10.1.3, 10.1.4.1	0
8	2014-15	09	0	09	11.1.2.1, 11.1.2.2, 11.1.2.3, 11.1.2.4, 11.1.2.5, 11.1.2.6, 11.1.2.7, 11.1.2.8, 11.1.3	0
9	2015-16	07	0	07	10.1.2.1, 10.1.2.2, 10.1.2.3, 10.1.2.4, 10.1.2.5, 10.1.2.6, 10.1.3	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, 12.1.2.2, 12.1.2.3, 12.1.2.4, 12.1.2.5, 12.1.2.6, 12.1.3	0
12	2018-19	11	03	08	11.1.4.1, 11.1.4.2, 11.1.4.3, 11.1.4.5, 11.1.4.7, 11.1.4.8, 11.1.4.10, 11.1.4.11,	27
Total		**71**	**19**	**52**		**27**



Overall compliance with the PAC directives was very poor which requires immediate attention of PAO.

11.1.4 Audit Paras

11.1.4.1 Irregular execution of projects without preparation of PC-I - Rs 1,168.00 million

According to Section-10.1(v) of Guide Lines for Project Management issued by Project Wing, Planning Commission, Government of Pakistan no project under directive of any authority is started without proper preparation of PC-I/PC-II and relevant competent forum.

During audit of PSEB for the year 2021-22, it was observed that Board of Directors in its 48th Meeting held on 23rd November 2021 approved the following project involving cost of Rs 1,168.000 million.

S. No.	Name of the Project	Date on which the project was started.	Amount Approved by BOD (Rs in million)	Expenditure incurred up to March 2023 (Rs in million)
01	IT Industry Academia Bridge Program (Training to University enrolled students on latest technologies & training of the Teachers.	May 2022	418.00	109.070
02	Boot Camp for unemployed ICT Graduates	June 2022	550.00	88.943
03	Imparting of soft skills to Industry Professionals.	July 2022	200.00	-
Total: -			**1,168.00**	**198.013**

According to the project management guidelines issued by the Government of Pakistan, the above projects were required to be started after preparation of proper PC-I/PC-II but the same were started without preparation of PC-I/PC-II.

Audit is of the view that starting and execution of projects involving funds of Rs 1,168.000 million without following the guidelines issued by the Government was irregular. It is further to be added that an amount of Rs 198.013 million had been incurred up to March 2023 for the execution of the above projects which was also held irregular and needed justification.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that the projects mentioned in the audit para were not being funded from PSDP. Furthermore, the above mentioned projects were in line with the memorandum of PSEB object clause-5 and PSEB Board was empowered to approve the initiation of the said projects.

Reply is not tenable because the guidelines for Project Management issued by Project Wing, Planning Commission were required to be observed due to the reasons that all funds were provided by the government.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to explain the reason for non-making of PC-I may be explained.

Para-23 (PSEB-2021-22)

11.1.4.2 Irregular drawl of funds from assignment account for advance payment - Rs 105.593 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 Para-8 of Finance Division letter No.F.15913)-R14/82 dated September 05, 1982 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 funds should be utilized with due care and caution strictly in accordance with prescribed rules.

During audit of PSEB for the year 2021-22, it was observed that the Government of Pakistan provided funds for the execution of various PSDP funded Projects. For the purposes management was maintaining assignment accounts. Instead of actual utilization of funds for the purposes for which the funds were provided, management withdrew funds of Rs 105.593 million from treasury for making mobilization advance to various companies during the period June 2020 to June 2021. The detail of which is given below:

S.#	Name of PSDP Project	Name of company	Date	Voucher No.	Narration	Amount Advances (Rs)
01	Certification of IT Professionals	The Capital Technologies.	19-Jun-2020	CITBPV-2	20% mobilization advance issued against CMMI Training & Consultancy.	53,610,144
02	-do-	Phalia International Pvt Limited	26-Jun-2020	CITBPV-3	20% mobilization advance issued against certification /trainings of IT participants	24,500,000
03	-do-	Stepnex Services	31-Aug-2020	CITBPV-12	20% mobilization advance issued against IT certification & trainings.	24,502,500
04	Enhancing of IT Export.	Quality Assurance Institute.	18-Jun-2021	EITE BPV-5	20% advance payment issued against CMMI Level-2 Appraisal Services of 5	2,980,000
Total: -						**105,592,644**

According to the above provisions of rules no money was to be drawn from the treasury unless it was required for immediate disbursement. Further it was also not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants. Thus, action of the management was not in line with the provisions of rules and directives of the GoP.

Audit is of the view that drawl of funds of Rs 105.593 million in violation of rules and directives of the GOP was irregular. It is also to mention here that a period of more than 2 years the said mobilization advance was not yet been adjusted by the PSEB management.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that in exercise of power delegated by Ministry of Information Technology to Project Director vide letter No F. No 7-5/2019-ACP dated January07, 2020 and with reference to “System of Financial Control & Budgeting” vide SRO No. 285 (10/2021) of March 08, 2021, the project director had been authorized to approve payments keeping in view the requirements for smooth running of the project. Furthermore, according to Accounting Policies and Procedures Manual clause 4.2.15.1 "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." In the case of the mobilization advances in question the terms of the contract dictated for the provision of such advance which PSEB secured against bank guarantee/insurance guarantee of equal value.

Reply is not tenable because the payment was made against the directives of the Finance Division.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends that the reasons for with-drawl of funds from treasury for making advance payment and non-adjustment thereof may be investigated/inquired.

Para-24 (PSEB-2021-22)

11.1.4.3 Loss of revenue income charges due to non-renewal of registration of IT companies - Rs 39.670 million

According to Section-III (16) of Memorandum of Association of Pakistan Software Export Board one of the objectives for which the company is established is to receive money, without interest, by way of penalty, fines subscriptions, entrance or membership fees, rents from members, companies or any other persons for the objects of the company and to put the same to any use deemed fit.

According to fee structure renewal charges are determined by the annual revenue earned by the respective company during last financial year as per details given below:

Rs 10, 000	Companies with annual revenue upto Rs 50 million
Rs 15, 000	Companies with annual revenue upto Rs 50-100 million
Rs 20, 000	Companies with annual revenue upto Rs 100-300 million
Rs 25, 000	Companies with annual revenue upto Rs 300-600 million
Rs 30, 000	Companies with annual revenue upto Rs 600 million

During audit of PSEB for the year 2021-22, it was noticed that as per registration policy IT companies, call centers and Free Lancers were being registered with PSEB for 01-05 years. According to available data, 7,574 IT companies were registered with Pakistan Software Export Board, out of which registration of 3,967 IT companies had expired and neither efforts from management been made to renew their registration nor the said companies renewed their registration. Due to non-renewal of registration/membership of the IT Companies, PSEB was suffering loss to the extent of Rs 39.670 million (i.e. 3967x Rs 10,000 minimum renewal charges).

Audit is of the view that management failed to optimize their main revenue source i.e. registration and its renewal fee from their members/registered companies due to non-formulating efficient and effective marketing strategy and renewal policy. Had the registration of registered member companies been timely monitored, loss of Rs 39.670 million could be avoided.

Matter was reported to the management but no reply was received.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends that reasons for non-renewal of registration of IT companies may be enquired. Exact total numbers of IT Companies, Call Centers and Free Lancers having valid registration, expired registration and closed case may also be shared with audit. Category wise renewal charges against each of IT Companies, Call Centers and Free Lancers may be calculated and shared with Audit. Early renewal of registration may be made to avoid losses.

Para-33 (PSEB-2021-22)

11.1.4.4 Unauthorized award of study work to non-entitle firm - Rs 33.750 million

According to Request for Proposal (RFP) for conducting study on "Impact of International Certification on IT and ITes Industry" regarding Mandatory Technical evaluation criteria vide Sr. No.2 Applicant Company should have valid NTN and GST certificate issued by the competent authority. Further at least one key consultant of the applicant company must have completed CMMI Certification.

During audit of PSEB for the year 2021-22, it was noticed that a Tender No. A (01)/PSEB/2021-14 for conducting local study titled "Study on Impact of International Certification on IT Industry" was floated in the Newspaper on 26.05.2021 with closing date June 15, 2021. Two firms i.e. M/s. I-Consultant Pvt. Ltd and Lune sys Pvt. Ltd participated in the bidding process. Both of firms were technically qualified by the Technical Evaluation Committee on 15.06.2021 and afterwards financial bids were opened and M/s Lune sys Pvt. Ltd being the lowest was awarded the above said research study contract. Accordingly work order dated October 04, 2021 valuing Rs 33.750 million inclusive of all taxes was issued to the firm with delivery time of 112 days.

It was noticed that as per mandatory criteria at S. No. 2 of RFP, bidders were required to submit valid NTN and GST registration duly issued by the competent authority i.e. FBR. Whereas M/s. Lune sys Pvt. submitted online enquiry and did not show GST and NTN validation of the firm. Thus in the absence of valid GST/NTN valid certificate, the award of research study contract valuing Rs 33.750 million tantamount to undue favor to the contractor at the cost of Govt. funds and was held irregular in Audit.

Furthermore, after award of contract one of the approved CMMI consultants against Technical bids also left M/s Lune Sys Pvt. Ltd due to some business dispute. The management also approved such un-authorized change vide procurement committee meeting held on October 16, 2022. It is to be mentioned here that for change of CMMI consultant, no provision was existed in the signed agreement. Due to the very reason the progress towards completion of research study was badly affected and only two milestones could be achieved upto June 2023.

Audit is of the view that change of approved consultant in violation of technical evaluation criteria was un-authorized and tantamount to undue favor to the selected firm at public exchequer.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that a copy of (online) NTN certificate was attached as reference. Further, management replied that CMMI consultant was replaced on the request of M/s LUNESYS (Pvt.) Ltd through its letter dated July 07, 2022. The procurement committee members reviewed the request and after due deliberation to the subject matter, the procurement committee in its meeting held on October 18, 2022 allowed replacement of CMMI consultant on the condition that new entrant consultant must possess at least equal or more qualification and experience as compared to retiring consultant which was more than that of earlier.

The reply is not tenable because the management provided taxpayer profile inquiry dated October 30, 2023 instead on the date when the bidding process was done. Further the replacement of consultant was made without having any provision in technical evaluation criteria.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to investigate the matter at appropriate level. Fix the responsibility on person(s) at fault

Para-40 (PSEB-2021-22)

11.1.4.5 Irregular transfer of funds from assignment account to other accounts - Rs 20.733 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 PSEB for the year 2021-22, it was observed that the management remained in a practice to transfer all funds on account of Medical allowance and leave encashment from Assignment Account and deposit it into other bank accounts and then incurred expenditure from those accounts even after close of the financial year. Year wise summary of funds transferred from assignment accounts to other accounts is given as under:

Financial Year	Description	Amount Transferred (Rs)
2021-22	Medical allowance	5243,898
2021-22	Leave encashment	15,489,090
Total		**20,732,988**

Audit is of the view that the transfer of funds from assignment account to other account is violation of Revised Procedure for Operation of Lapse-able Assignment Account which was held irregular and needed justification.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that PSEB service regulations under its chapters medical and leave regulations provide annual limits/ceilings of medical for each entitled employee for reimbursement of medical expenses and carrying forward of un-utilized balance to the succeeding years and encashment of un-utilized/carried forward balance on severance/termination of employment. Similarly, leave regulations under annual/earned leave clause provides that accumulated leave shall be en-cashed at the time of severance of employment and encashment of leave shall be made on the last basic salary drawn by the officer plus maximum entitlement of house rent as approved by the competent authority per month. Consequently, PSEB was under obligation to fulfill its commitments by paying carried forward balance of unutilized medical ceiling/limits and accumulated annual/earned leaves upon termination/severance of employment. It is important to note that PSEB operates with limited financial resources and relies on an annual government grant that lapses if not fully utilized. Given these financial constraints and the absence of alternative funding sources for settling severance benefit liabilities, PSEB included the provision for medical and accrued leave payments in its annual budget with the approval of BOD.

Reply is not tenable because the action of management was in disregard to the above quoted operating procedure for assignment account.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to fix responsibility on the person(s) at fault. Further, irregular practice may be stopped forthwith

Para-35 (PSEB-2021-22)

11.1.4.6 Irregular appointment of Managing Director – Rs 15.358 million

According to advertisement published on May 12, 2019", the candidates having MS degree in computer Science/Electrical/Electronic Engineering and or Master Degree in Marketing/Management /Business Administration /IT from HEC recognized university (minimum 18 years of education) along with 15 years' relevant professional experience with minimum five years in senior leadership role.

During audit of PSEB for the year 2021-22, it was observed that the post of Managing Director was advertised twice without any cogent reason. In response of earlier advertisement dated 12.05.2019 total 49 candidates applied for the post. As per scrutiny statement of selection committee only 06 candidates met the criteria for the post whereas remaining candidates were rejected due to not meeting the criteria specified in the advertisement. The management was required to appoint and select one of them but for un-known reasons, the complete hiring process was stopped and it was decided to re-advertise the post.

The post was re-advertised on 15.09.2019 and according to advertisement the education qualification was changed from 18 years to 16 years and relevant professional experience from 15 years to 12 years with minimum five years in senior leadership role. As per their report, out of 141 applicants 25 candidates were shortlisted. The evaluation/selection committee under the Chairman-ship of the then Federal Minister for Information Technology interviewed the candidates and Mr. Usman Nasir was stood 1st. Subsequently Mr. Usman Nasir was appointed as Managing Director PSEB in MP-I scale at monthly pay package of Rs 650,510 for a period of two years vide appointment letter dated August 10, 2020. It is worth mentioning that in response of earlier advertisement dated 12.05.2019 Mr. Usman Nasir had also applied for the post and as per remarks of scrutiny short-listing committee, the said candidate did not meet the advertisement criteria as the post qualification was less than the required experience of 15 years. Further probe in to the matter, revealed that rejection of recruitment process and subsequent advertisement was tailor made only for the benefit of particular candidate by giving undue favor.

Thus, it is evident that the officer was not eligible for appointment even for short-listing as the candidates having more experience were available in the list applied for the post who were ignored.

In the light of above position, it could be concluded that the management granted undue favor to the officer by violating the merit. Thus, the appointment of the officer and payment of Salary Rs.15.358 million was held irregular in Audit.

Matter was brought to the notice of the management through AIR. Management in its reply dated 08.11.2023 stated that in order to attract larger pool of candidates with relevant experience in International Marketing, the post was re-advertise with change in required qualification from eighteen years to sixteen years, reduction in post qualification experience from fifteen (15) years to twelve (12) years and extension in applications submission deadline from fifteen (15) to thirty (30) days with approval of BOD granted in 41st BOD meeting.

The reply is not convincing because the post was re-advertise by degrading the required qualification and experience for the post of MP-I scale. Further the individual concerned had also applied for the post against first advertisement dated 12.05.2019 and at that time he was not shortlisted due to not meeting the criteria and post was re-advertised according to qualification and experience which he possessed.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to inquiry may be conducted regarding irregular appointment. Responsibility may be fixed on the person(s) at fault.

Para-16 (PSEB-2021-22)

11.1.4.7 Irregular excess payment of house rent allowance @ 45% of the running basic to staff – Rs 6.188 million

According to Rule 3(1) of PSEB Service Regulation House Rent Allowance @ 45% of the basic pay is admissible to all employees.

Furthermore, Board of Directors in its 48th meeting held on November 23,2021 approved house rent allowance to their employees at the rate of 45% of basic pay w.e.f January 01,2022.

During audit of PSEB for the year 2021-22, it was noticed that the management granted House Rent Allowance @ 45% of running basic pay to all of their employees instead of initial basic pay as required. Accordingly, the management paid House rent allowance of Rs 6.188 million to its 37employees for a period up to June 2022.

Audit is of the view that the management made irregular payment to their employees by giving House Rent Allowance @45% at running basic pay instead of initial basic pay by violating board decision/service rules as well as Federal Government practice.

Matter was reported to the notice of the management through AIR. Management stated in its reply dated 08.11.2023 that the PSEB is giving house rent allowance to its employees as per rules and no violation has been made. PSEB is paying this allowance since its incorporation in 1998 and no objection was ever raised by Commercial auditors since then although commercial audit is carried out every year.

The reply is not tenable because as per Corporate Governance Rules -5 (11), the Board shall ensure compliance with policy directions received from Government from time to time. Further, all employees of PSEB were getting 45% of the basic pay as house rent allowance.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends investigating the matter besides affecting the recovery.

Para-26 (PSEB-2021-22)

11.1.4.8 Irregular re-employment of an officer after retirement on superannuation - Rs 5.80 million

According to Govt. of Pakistan, Establishment Division O.M.No.4/1/84-R-I, dated 02.09.1990, all Ministries/Divisions were requested to adhere to the instructions issued by the Establishment Division and 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. Further, as per policy guidelines for contract appointments in autonomous/semi-autonomous bodies/corporation, issued by the Government of Pakistan, Establishment Division vide O.M No. 6/2/2000-R.3, dated 6th May 2000, the post should be advertised.

During the audit of Pakistan Software Export Board (PSEB) for the year 2021-22, it was observed that Mr. Talib Hussain Baloch, Director Finance was retired from service on March 10, 2022 after attaining the age of superannuation. The officer was granted extension by the BoD in its 50th board meeting held on March 25, 2022 on the same post and same salary drawn before retirement for a period of one year. Accordingly, he was paid an amount of Rs 5.80 million up to December 2022.

Audit observed that the re-employment of the officer after superannuation and without advertising the post was irregular as the officer was re-employed on the same post without any approval of Prime Minister. Thus payment of Rs 5.80 million on account of pay and allowances was held irregular in audit.

Matter was brought to the notice of the management through AIR. Management in its reply dated 08.11.2023 stated that the extension of the said employee beyond the age of superannuation was duly approved by the Board in its 50th Board meeting held on 25.03.2022 on the recommendation of HR in line with PSEB Service Rules vide Clause 4 of Chapter “Severance of Employment”.

Reply of the management did not hold well because according to Section 5 (11) of Corporate Governance Rules 2013 the Board shall ensure compliance with policy directions received from Government from time to time. In this case Board did not comply with directives of the Government.

Further according to the service rules of PSEB the case for extension was required to be referred to the Board of Directors with full justification well in time. If approval of the Board of Directors is not received before the person has completed his/her current tenure of service, he/she will not be granted an extension and will automatically stand retired. The employees were retired from service on 10.03.2022 and board granted approval for extension on 25.03.2022 which showed that the approval of the BOD was received after the completion of his current tenure of service and he was not be granted an extension and will automatically stand retired.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to the matter needs to be investigated at appropriate level. Fix the responsibility on person (s) at fault. Regularize the irregularity from authority.

Para-13 (PSEB-2021-22)

11.1.4.9 Irregular expenditure on account of foreign visits – Rs 2.602 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:

i. 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.
ii. 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.
iii. All cases of visits abroad will require clearance from the Ministry of Foreign Affairs.

During audit of PSEB for the year 2021-22, it was observed that certain foreign visits were performed by the Managing Director and other officers of PSEB during the period under review. An amount of Rs 2.602 million was spent on this account. It was however observed that neither the approval of the Competent Authority as mentioned above nor post visit reports on the return from visit, were submitted. Thus, the expenditure of Rs 2.602 million incurred on the foreign visits without observing the Government procedure was held irregular in Audit. It was further observed that there was no such practice in the company for obtaining approval for foreign visits from the relevant competent authorities' i.e. Ministry of Foreign Affairs and Finance Division.

Matter was brought to the notice of the management through AIR. Management in its reply dated 08.11.2023 stated that all international travel of PSEB staff had been carried out from PSEB's Self-Generated Funds with the approval of Managing Director by exercising the powers delegated to him by the BOD. Furthermore, in case of travel by the Managing Director, PSEB according to Cabinet Division's Instructions dated 26th October, 2018. Minister Incharge shall be competent to accord approval for travel of officers in BPS-20 and above and their equivalent working in Autonomous/Semi-Autonomous Bodies where no Government Grant funding is involved. In such cases, Foreign Affairs Division was duly notified and NOC sought by the Ministry of IT and Telecommunication.

Reply is not acceptable because the NOC from Foreign Affairs Divisions and proof of utilization of self-generated funds were not found attached with reply. Further management reply was also silent about submission of post visit report to the Ministry of Foreign Affairs and Economic Affairs Division which was necessary.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to investigate the reasons of performing foreign visits in violation of the government prescribed procedure. Fix responsibility thereof.

Para-14 (PSEB-2021-22)

11.1.4.10 Irregular appointment of Director (Skills and Capacity Development) - Rs 2.906 million

According to advertisement published on April 26, 2022 the candidates having minimum 16 years of education in engineering, computer sciences or management disciplines from HEC recognized local or international university, preferably with a higher degree in management engineering management or business administration. Minimum 7 years of experience in public sector initiatives preferably building and management skills development programs or alike public sector programs. Candidate should also have ability to understand stakeholders and eco system of IT/ITES & freelance sectors in line with strategic vision of the Federal Government's ongoing initiatives.

During audit of PSEB for the year 2021-22, it was observed that the management advertised the post of Director Skills and Capacity Development on April 26, 2022. In response to advertisement, 246 applications received out of which 07 applicants were shortlisted for interview. Accordingly, shortlisted candidates were interviewed by the selection committee and finally Mr. Raza Ahmed Sukhera was appointed as Director Skills and Capacity Development till further orders vide appointment letter dated June 29, 2022 @ monthly pay package of Rs 484,430 with other benefits.

During scrutiny of record audit observed the following discrepancies:

1. The incumbent had no relevant experience; his past experience was 09 years in Ministry of IT& Telecommunication on Ignite National Technology strength as Deputy Manager Project having no sufficient experience in Managing Skill Development Program in the field of IT as required for the post. As per C.V details his experience was in the field of Internal Audit and he assisted to PSEB and MOIT in other fields. Furthermore, experience mentioned for the post of other 04 Directors appointed during the period was 08 years whereas the experience for Director Skill and Capacity was 07 years which indicate that un-due favor was extended to the officer.
2. As per offer letter, the candidate was required to get medical fitness certificate before joining which was also not done.
3. Educational degrees and certificates were also not verified thorough HEC as required from respective universities and Board.

In the light of above position, it can be concluded that the management granted undue favor to the officer by violating the merit. Thus, the appointment of the officer and payment of Salary Rs 2.906 million (6 Months i.e. up-to December 2022 x Rs 484,430) was held irregular in audit.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that the Mr. Raza Ahmed Sukhera possessed 18 years of education, and his selection was made on a 16-year of bachelor's Hons.

in Business Administration earned in 2009. The incumbent holds around 14 years' experience out of which 9 years' experience is related to working at senior level at MOITT at Joint Director Policy managing public sector initiatives/ programs. He worked in Ministry as Joint Director of Policy & Sector Growth where he not only took part in public sector initiatives but also led different skills initiatives, freelancers' policy and other tasks assigned by the top management.

Reply is not tenable because no proof of his experience was attached with the reply. Further his Minimum 7 years of experience in public sector initiatives preferably building and management skills development programs or alike public sector programs. Management also did not mention the reasons for reducing the period of experience as 7 years for Director Skill and Capacity Development against 8 years for other posts of Directors.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to inquiry showed be conducted regarding irregular appointment and responsibility be fixed thereof

Para-20 (PSEB-2021-22)

11.1.4.11 Irregular appointment of Project Manager – Rs 2.187 million

According to PC-1 of the project titled "ICT intern ship Program" the candidates for the post of Project Manager having minimum 16 years of education in Business /Project Management/information Technology /Telecom Engineering or relevant from a reputable university recognized by HEC, Project Management Resource (PMP) certificate is plus point and with minimum of 07 years of relevant project management experience.

During audit of PSEB for the year 2021-22, it observed that the management advertised the post of Project Manager on June 23, 2021 for project titled "ICT interim ship Program". In response to advertisement 183 applications were received out of which 14 applicants were shortlisted for interview by the short-listing committee. Accordingly, the candidates were interviewed by the selection committee and finally Choudhry Asad Kamal was appointed as Project Manager vide appointment letter dated November12, 2021 @ monthly pay package 175,000 (all inclusive), 5% annual increment would be given based on performance w.e.f 15.11.2021.

During scrutiny of record the following short-coming were noticed by audit:

1. The qualification possessed by the officer was Bachelor of Computer Science (Hons), most of the contents of his degree did not cover Project management/Information Technology/Telecom Engineering as required for the post already advertised. Furthermore, he also did not possess Project Management Resource Certificate.
2. As per C.V record he served as Manager Software Development from November 2015 to November 2021, in Posi scan Company which did not cover relevant project management experience for the post as required. Furthermore, the experience certificate did not show any credibility/authenticity as having no proper monogram of the company, complete address, contact number and other information, which created doubt about his experience.

In the light of above, it can be concluded that the officer was not eligible for the post as neither he possessed required qualification nor had relevant experience as per requirement mentioned in advertisement. The whole process of selection indicated that the management granted undue favor to the officer by violating the merit criteria. Thus, the appointment of the officer and payment of Salary Rs 2.187 million was held irregular in audit.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that the Mr. Asad Kamal possessed 16 years of education with a degree in Computer Science which falls in the relevant category of Information Technology. Hence, he met the qualification criteria. The individual worked on different research-related initiatives while working for Air University as a Research Associate from 2007 until the appointment, he worked on various technical initiatives for multiple software businesses.

Reply is not tenable because neither any proof of his experience is attached with reply nor verification of experience certificate was done. Further the management in its reply stated that the officer worked on different research-related initiatives while working for Air University as a Research Associate from

2007 until the appointment which was also not correct because as per CV, he worked for the post of Research Associate only from 2005 to 2007.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to investigate the matter regarding appointment of irrelevant officer in violation of the given criteria

Para-21 (PSEB-2021-22)

11.1.4.12 Irregular payment of annual increment on running basic pay – Rs 1.145 million

The PSEB Board in its 48thmeeting held on November 23,2021 approved the revision of salary structure and fixed annual increment @ 10% of the initial basic pay w.e.f. January 2022 as per detail given below:

Position	Salary package limit (Rs)
CMO/CCO/CIDO/CF&AO	310345-10%-517241
Directors/Company Secretary	275862-10%-339078
Managers	173,973-10%260179
Asstt. Managers/Coordinators	89420-10%-130065
Secretary to MD	89420-10%-130065
Assistt. Officers	67484-10%-93935
Assistants	43947-10%-62011
Receptionist	35000-10%-37,108
Clerk	30000-10%37108
Drivers	25000-10%-37108
Naib Qasid	20000-10%37108
Maintenance staff	18000-10%37108

During audit of PSEB for the year 2021-22, it was observed that the management did not observed the board decision while implementing the rate of annual increment. The management granted annual increment on the running basic instead of initial basic pay. As per practice of the Govt. annual increment was allowed at initial basic pay or at fixed prescribed rate. Thus, payment of annual increment that allowed by the management was not covered under any rules.

Therefore, payment of Rs 1.145 million on account of annual increment was held irregular in audit.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that PSEB is an autonomous body and Civil Servant Rules 1973 does not apply to PSEB. PSEB has its own Service Regulations. This was evident from the fact that annual increments provided by the Federal Government in Annual Budget every year had never been provided to PSEB employees.

The reply is not tenable because BOD approved annual increment on initial basic pay. Further the PSEB is a government funded organization on that basis approval from government was required to be obtained.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to matter regarding un-authorize/irregular payment needs to be justified. Exact financial impact of rate of increment may be calculated since adopting such practice besides affecting recovery.

Para-27 (PSEB-2021-22)

11.1.4.13 Irregular/unauthorized payment of leave encashment - Rs 2.835 million

According to Section-8 of revised format for contract appointments circulated by Cabinet Secretariat (Establishment Division) OM No.F.10/52/95-R.2 dated 18.07.1996 all leaves at the credit of contract employee will lapse on the termination of the contract.

During audit of PSEB for the year 2021-22, it was noticed the management of PSEB paid an amount of Rs 2.835 million under the head of account of Leave Encashment at the rate of last basic salary drawn by the officer plus maximum entitlement of House Rent per month to the under mentioned contractual employees on the termination/expiry of contract.

S#	Name of employee	Designation	Amount (Rs)	Payment date
01	Muhammad Naveed	Assistant Admin Officer	40,987	27.04.18
02	Saif-ur-Rehman	Director Project	672,854	15.10.18
03	Ali Muhammad Awan	Accounts Asstt.	293,290	12.03.19
04	Tayyaba Ameer	Admin Asstt.	63,075	20.04.20
05	Abdul Khaliq	Driver	242,035	07.07.20
06	KhursheedBangash	Manager Admin & HR	818,041	26.03.21

07	HashimYasin	Asstt. Marking Officer	357,535	21.04.21
08	TehleelMumtaz	Executive Secretary	152,653	07.12.21
09	Maryum Khan	Marketing Officer	157,695	14.12.21
10	Tayyaba Ameer	Asstt Admin Officer	37,120	22.06.22
Total:-			**2,835,285**	

As per above referred letter of Establishment Division at the time of termination/expiry of contract the leave at the credit of above contractual employees was required to be treated as lapsed but the management paid encashment against credit balance of leave to the said employees which was a violation of directives issued by the Government and in disregard to standard terms and conditions of contract employment.

Audit is of the view that leave encashment amounting to Rs 2.835 million was paid in violation of directives of the Federal Government and was held irregular/unauthorized.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that all leave encashment was paid to PSEB employees as per rules and no violation was made. The auditors' stance by referring Establishment Division’s rule is incorrect as PSEB being an autonomous body had its own service regulations and all the benefits paid to the employees were according to the law.

Reply is not tenable because the directives of Establishment Division are necessary to be observed.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to recover the amount from the concerned employees or person(s) held responsible for making such irregular/unauthorized payment. Further calculate the total amount paid under the head leave encashment since inception to date and recover the same.

Para-37 (PSEB-2021-22)

11.1.4.14 Irregular/unauthorized payment of medical re-imbursement - Rs 1.090 million

According to medical regulations of PSEB all employees shall be entitled to free medical facilities in respect of themselves and members of their families. For the purposes an entitled employee may utilize his/her reimbursement for medical consultations, purchase of medicines, dental and/or ocular treatment all types (optometry excluding optical frames), and hospitalization of self and/or dependents. Limits for re-imbursement of medical expenses are defined as under:

S #	Designation	Entitlement of medical re-imbursement per years
01	Managing Director/ Director	As per employment contract
02	Project Managers & Senior Project Managers.	60% of one month's pay
03	Project Coordinators, Project Officers, Administrative/Accounts Officer	80% of one month's pay or Rs 17,500 whichever is higher.
04	Secretarial, clerical and other support staff	One month's pay plus Rs 5,000

Regulations further state that the call for cost of medicines shall be supported by a prescription and a cash memo and presented on prescribed form. Any amount in balance in an employee's limit will be allowed to be carried forward to the succeeding years, and would be enchased on termination of the employment.

During the audit of Pakistan Software Export Board, Islamabad for the year 2021-22 it was noticed that the management of PSEB paid an amount of Rs 1.090 million under the head medical re-imbursement to the under mentioned contractual employees on the termination/expiry of contract.

S#	Name of employee	Designation	Amount (Rs)	Payment date
01	Muhammad Naveed	Assistant Admin Officer	13,688	27.04.18
02	Ali Muhammad Awan	Accounts Asstt	177,876	12.03.19
03	Tayyaba Ameer	Admin Asstt	000,836	20.04.20
04	HashimYasin	Asstt. Marking Officer	460,840	21.04.21
05	TehleelMumtaz	Executive Secretary	044,315	07.12.21
06	Nasir Khan Afridi	Director Infrastructure	392,794	09.03.22
Total:-			**1,090,349**	

As per medical regulations of PSEB and Medical Attendance Rules, the claim for reimbursement should be supported by Voucher/non-availability certificate duly countersigned by the "Authorized Medical Attendant". The non-availability certificate had to be issued only when it was verified that the medicines prescribed were not available in the hospital/dispensary stock. But, the management of PSEB paid an amount of Rs 1.090 million under the head medical re-imbursement to the employees without necessary supporting documents at the time of termination of their contracts.

Audit is of the view that as per PSEB Medical Regulations, all employees shall be entitled to free medical facilities in respect of themselves and members of their families. Hence payment of medical reimbursement amounting to Rs 1.090 million was paid in disregard to the fundamental rules and without supporting documents was held irregular/unauthorized.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that the medical re-imbursement paid to highlighted employees was the medical balance which was paid as severance benefit to the employees who resigned/deceased. The medical attendance rule referred by the auditor was not applicable to PSEB as Autonomous body. PSEB had its independent rules.

Reply is not tenable because action of management was against the provisions of PSEB own regulations.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to recover the amount from the concerned employees and person(s) held responsible for making such irregular/unauthorized payment. Further calculate the total amount paid under the head medical re-imbursement since inception to date and recover the same.

Para-38 (PSEB-2021-22)

11.1.4.15 Non-maintenance of data/record of export remittance made by member companies/call center/free lancers of PSEB

According to Section-III (24) of Memorandum of Association of Pakistan Software Export Board one of the objectives for which the company is established was to take all other action as may be required to promote the creation and growth of software development and export industry/business in Pakistan and to do all such other acts and things as may be considered incidental or conducive to the objectives or any of them.

During audit of PSEB for the year 2021-22, it was noticed that Pakistan Software Export Board (PSEB) is a government body, mandated to promote Pakistan's IT Industry in local and international market. As per record company, registered IT Companies, Call Centers and Free Lancers toward achievement of its objectives. The year wise number of member companies/call center and freelancer are given here under:

Years	Companies	Call Centres	Free Lancers	Total Members
2007-08	195	105		300
2008-09	283	213		496
2009-10	252	195		447
2010-11	112	197		309
2011-12	118	183		301
2012-13	101	158		259
2013-14	187	279		466
2014-15	150	205		355
2015-16	211	254		465
2016-17	244	200		444
2017-18	417	278		695
2018-19	491	331		822
2019-20	590	553		1143
2020-21	925	927		1852
2021-22	1423	744		2167
Total	5699	4822		10,521

In order to assess the promotion and growth of export industry/business in Pakistan, export remittance made by the member companies/call centers/ freelancers was enquired from the management during audit. In response, management provided data/figures which was shared by State Bank of Pakistan.

It is to mention here that SBP is maintaining data of export remittance at Pakistan level (Total IT & ITes companies existed in Pakistan) not particularly of PSEB member companies / call centers / freelancers. This showed that PSEB management was not maintaining its own record of export remittance made by member/registered companies/call center/free lancers. Thus the overall performance of PSEB with respect to promotion and growth of IT industry and business could not be assessed due to slackness and poor financial management.

Matter was reported to the notice of the management through AIR but no reply was received.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to explain the reasons for not maintaining separate data of export remittance made by PSEB member/registered companies/call center/free lancers. Further proper record of above `mentioned period may be maintained and shared with audit to assess the performance of the company.

Para-39 (PSEB-2021-22)

11.1.4.16 Non observance of approved standard format and non-approval of service rules from government

According to Establishment Division letter dated November 2, 2021 an autonomous body soon after its establishment, it is mandatory to frame service rules in order to run the organization in a legit manner. To facilitate and standardize the procedure Establishment Division has developed a standard format of service rules for guidance of the management for implementation in respective autonomous bodies. Apart from standard format guidance may also be sought from Estacode and other relevant compilations of rules issued by Establishment Division/Cabinet Division /Finance Division etc.

Furthermore, all autonomous Bodies /Corporations/ Organizations etc. need to submit their draft rules for approval to the competent authority as specified in their respective Act/Ordinance. However, these service rules are required to be submitted to Establishment Division for vetting/concurrence.

During the audit of accounts of Pakistan Software Export Board, Islamabad for the year 2021-22 it was noticed that the Secretary, IT& Telecom Division granted approval of Service Regulation of PSEB vide letter dated October 27,2000. Later on Ministry vide their letter dated February 2, 2010 forwarded service rules to Establishment Division for concurrence. The Establishment Division vide their letter dated January 25, 2010 informed that the service rules of PSEB do not require their concurrence.

It is worth mentioning here that company had been running their HR matter on draft and un approved rules despite lapse of more than 20 years.

Establishment Division in its letter dated November 2, 2021 strictly instructed to all autonomous Bodies /Corporations/ Organizations to frame service rules on standard format duly vetted and approved from Establishment Division.

It was observed that management failed to approve their service rules from Establishment Division. Thus, the payment of pay and allowance and other HR related expenditure were held irregular in Audit. The inefficiency on the part of management caused hindrance in the smooth affairs of the organization.

Matter was reported to the management through AIR. Management in its reply dated 08.11.2023 stated that the first service rules of PSEB were duly approved by the BOD in its 2nd meeting held on September 18, 1999. The new service rules were in process of approval.

Reply is not tenable because no approval was granted for service rules in 2nd meeting of BOD and no progress of new service rules was shown from the documents provided by the management.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends to matter needs to be investigated at appropriate level. Service rules be framed as per standard format and vetted from Establishment Division.

Para-41 (PSEB-2021-22)

11.1.4.17 Unauthorized change/replacement of trainers for execution of project

According to Para-9.1 of Request for Proposal (RFP) for IT Industry Academia Bridge Program regarding Mandatory Technical evaluation criteria vide Sr. No.7 vendor has to provide details minimum number of technical professionals available to execute trainings under this project i.e. 30 trainers against each lot on a template annexed to the RFP. The minimum qualification and experience criteria for the trainers was as follows:

16 years of education with bachelor’s degree from HEC recognized local university or international university in IT/Computer Science/Software Engineering and relevant programs

Minimum three (03) years’ experience in developing software, IT system architect, IT system design, Software development consultancy, software quality assurance, software business analysis, web development, cloud architect, cloud platform architect, database design, database architect, database design consultancy preferably, but not limited to the technologies listed under clause # 3.1.

During audit of PSEB Islamabad for the year 2021-22, it was noticed that for the execution of Lot#2 of IT Industry Academia Bridge Programme in the Northern Region i.e. Rawalpindi, Islamabad and Peshawar, Tender No. A (01)/PSEB/2022-12 with closing dated February 23, 2022 was floated in the Newspaper on 06.02.2022. Two Consortiums led by M/s. PTCL and PDL participated in the bidding process. M/s. PTCL was technically disqualified and M/s. PDL (Pak Datacom Limited Technically qualified by the Technical Evaluation Committee and afterwards contract was awarded to the said firm.

It was observed that against S # 7 of Mandatory Criteria M/s. PDL submitted details as per annexure to the RFP. In detail, 189 profiles of the trainers were attached out of which 97 HR were the members of the companies. The Technical Evaluation Committee evaluated the trainers/ candidates in light of above said qualification and experience and approved the trainers.

After signing of agreement on 26.04.2022, M/s Pak Datacom Limited requested the management of (Chief Industrial Development Officer), PSEB to change the training resource as mentioned in the technical proposal submitted to PSEB’s project “IT Industry Academia Bridge Program” vide letter # PSEB-220503 dated 10.05.2022. The CIDO of PSEB accepted the request and out of 62 approved trainers, 57 Trainers were changed/replaced vide letter dated 12.05.2022. It is to mention here that for change of trainers, no provision existed in the signed agreement.

Audit is of the view that change of trainers without approval of technical evaluation committee in violation of contractual obligation was irregular and tantamount to undue favour extended to the selected person on the public exchequer.

DAC meeting was held on 23.01.2024 but the minutes of the meeting were awaited till finalization of this report.

Audit recommends justifying the change of trainers without approval of technical evaluation committee in violation of contractual obligation. Further, payment made to the changed/replaced trainers may be shared with audit.

Para-32 (PSEB-2021-22)

Chapter-12

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 2022-23-22	Revenue /Receipts audited FY 2022-23
1	Formations	2	2	9,894.364	393.074
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	1	-	-	-
4	Foreign Aided Projects (FAP)	1	1	1,362.458	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 55,891.536 million were raised as a result of this audit. This amount also includes recoverable of Rs 368.194 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	232.490
B	Procurement related irregularities	1,016.396
C	Management of accounts with Commercial Banks	5,772.016
4	Value for money and services delivery issues	1,273.781
5	Others	47,596.853

12.1 National Database and Registration Authority (NADRA)

12.1.1 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.

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 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts of 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(refer Annex-2).***

12.1.2.2 Working results of the NADRA for the years 2021-22 with those of the previous years are as under:

(Rs in million)

Particulars	**2021-22**	**% Inc/ (Dec)**	**2020-21**	**% Inc/ (Dec)**	**2019-20**
Turnover-net	40,340.494	38.95%	29,032.305	33%	21,867.31
Operating Expenditure	(25,590.971)	22.36%	(20,915.160)	-209%	-19,177.93
Operating Income	**14,749.524**	81.71%	**8,117.145**	202%	**2,689.380**
Finance Cost	(359.657)	5.43%	(341.125)	-214%	(299.63)
Other Income	2,529.321	62.07%	1,560.674	-7%	1,685.53
impairment loss on trade receivables	(163.688)	-79.10%	(783.305)		0.00
Net income before tax	**16,755.500**	95.89%	**8,553.389**	110%	**4,075.282**
Taxation	(854.892)	119.35%	(389.746)	-222%	(318.18)
Net income for the year	**15,900.607**	94.77%	**8,163.643**	117%	**3,757.102**
Actuarial gain/(loss) – Gratuity	67.029	-169.55%	(96.375)	-159%	164.38
Actuarial (loss) – Pension	(4,247.575)	442.77%	(782.574)	-53%	(1,675.42)
Total comprehensive income for the year	**11,720.061**	60.89%	**7,284.694**	**-582%**	**2,246.062**

(Source: Annual Audited Accounts for the financial year ended 30th June 2022)

In 2021-22, revenue growth stood at 39%, with operations revenues increasing from 24,685.603 million to 34,766.606 million. This was driven by a substantial rise in local operations (19,671.647 to 27,529.111) and increased international business (5,013.956 million to 7,237.495 million). Project revenue also grew positively from 4,346.701 million to 5,573.887 million, with local project revenue increasing from 3,544.745 million to 4,090.560 million and foreign project revenue rising from 801.955 million to 1,483.326 million. However, details of the factors leading to increase in revenues (Price increases in the year, revenue from new projects etc.) that contributed to the growth needs to be provided to audit. Income vouchers may also be provided on sample basis.

12.1.2.3 Operating expenditure increased by 22.36% in 2021-22. Abnormal increases in the following heads be justified:

	2021-22	**2020-21**	**% Inc/ (Dec)**
Printing	83,915,451	37,955,836	121.09%
Postage & courier	1,705,808,944	746,161,545	128.61%
Security charges	201,675,015	151,501,212	33.12%
license fee	36,122,610	4,809,372	651.09%

12.1.2.4 As per Note 08 to the financial statements, NADRA has a wholly owned subsidiary called National Technologies Limited (NTL). NADRA financial statements only shows investment of 25 million, whereas International Financial Reporting Standard 10 “Consolidated Financial Statements” which outlines the requirements for the preparation and presentation of consolidated financial statements, requires entities to consolidate entities it controls. The management should make necessary amendments or provide consolidated financial statements to audit.

12.1.2.5 The entity's payables have increased from 1,457.728 million to 2,124.198 million, reflecting a 46% growth. These payables are predominantly owed for services provided to various Provincial or Federal organizations such as NHA, Ministry of Interior, and the Government of Punjab. Audit requires the provision of contracts with these organizations to ascertain the duration for which NADRA can retain the funds collected on their behalf and to gather information about their utilization (e.g. earning interest).

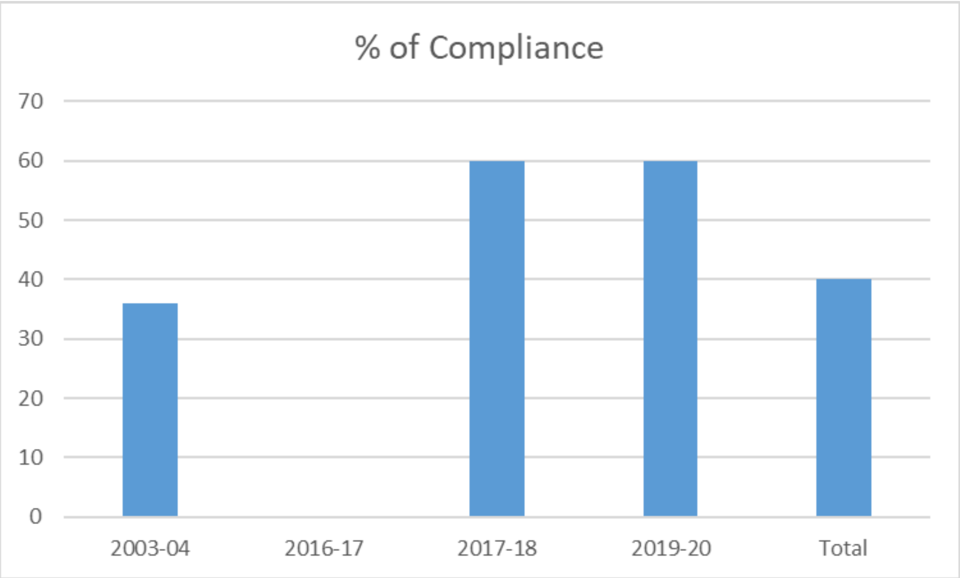
12.1.2.6 The profit and loss statement contains impairment loss on trade receivables amounting to Rs 163.688 million. The basis of creating the impairment allowance is not clear. Workings on which the figure has been arrived may be shared with audit.

12.1.2.7 The balance sheet shows Right-of-Use (ROU) assets at Rs 3,271.817 million. However, there's a lack of disclosures in line with IFRS 16. Key details such as how liquidity risk is managed, income from sub-leasing, and the nature of leasing activities need to be included for compliance and a more transparent audit.

12.1.2.8 NADRA provides bridge finance facility to run FATA-TDP ERP project. The management needs to provide evidence of directives from any competent authority which allows the bridge facility for the project. This is significant, especially in connection with the receivable of Rs 56.839 million, as indicated in Note 14.4.1.

12.1.3 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**



The overall compliance of PAC directives was very poor. Immediate attention of the PAO was required to improve the situation.

12.1.4 Audit Paras

12.1.4.1 Irregular transfer of ARM license fee in Commercial bank (HBL) instead of Govt. Treasury worth - Rs 351.289 million

According to GFR, (Vol-1) Chapter 01 sub-clause 02-VIII Federal Consolidated Fund Public Account. 1. All revenues received by the Federal Government, all loans raised by that Government and all money received by it in repayment of any loan shall be from part of a consolidated fund to be known as the Federal Consolidated Fund. Further, as per section V, rule 7 of Treasury rules Vol-1 all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury or into the Bank, and shall be included in the Federal Consolidated Fund of the Federal Government. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

During audit of National Database and Registration Authority (NADRA) for the year 2022-23, it was observed from the record that the management of NADRA collected Rs 351.289 million on account of Arm License Fee on behalf of Federal Government and retained in its commercial bank account maintained in Habib Bank Limited (HBL). The said amount was deposited into Government Treasury after a gap of 15 to 30 days which was violation of rules.

Audit is of the view that retention of public money in a private commercial bank was violation of financial as well as treasury rules. The authority should remit said amount in Federal Treasury or in State Bank of Pakistan / National Bank of Pakistan within 24 hours of its receipts.

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

Audit recommends justifying the reasons for retention of public money in commercial bank and taking appropriate step for immediate transfer of public money into Government Treasury.

Para-1 (NADRA-2022-23)

12.1.4.2 Unjustified change in specifications of items on suppliers' request after purchase order - Rs 787.497 million

According to rule 31 (1) of Public Procurement Rules, 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. According to the bidding documents, specifications for lot-1, Computer Desktop with Monitor will be mid tower casing, Intel Core i7 (9th Generation or above), 8GB DDR4 memory having storage of 3.5″ 500 GB SSD HDD, display 221″ FHD and Operating system: pre-installed windows 10.

During audit of NADRA for the year 2022-23, it was observed that NADRA floated a tender in newspaper on 17th and 20th October for purchase of different items in multiple lots. Lot 01 was for purchase of 2500 Computer Desktops with Monitors. Two bidders i.e. M/s Premier Systems and M/s Megaplus participated and both were found technically qualified. M/s Premier Systems won the financial bid which was opened on 15th December 2022. Purchase order was issued to M/s Premier Systems on 3rd February 2023. After the issuance of purchase order, the vendor requested for a change in specifications (from Dell Optiplex 5000 Tower to Dell Optiplex 7010 Tower) of the Computer Systems. The same was approved by NADRA management. Following points were observed by Audit:

i. Change in specifications after issuance of purchase order was irregular. Change in specification at belated stage was undue favor to a particular firm which raised question on transparency in the whole process of procurement.
ii. It was the supplier's responsibility to produce the same product for which purchase order was issued.
iii. NADRA management did not insist for supply of same items as was committed and ordered. Further, no action was taken for the purchase of same product at supplier's risk and cost.
iv. Delivery period was 16-18 weeks, but the relevant produced was silent about actual delivery dates and imposition of any penalty in case of late delivery.

Audit is of the view that NADRA management did not comply with procurement regulations and modified the bids after the award of the contract which was irregular. Thus, NADRA entered into irregular procurement with M/s Premier System for Computers systems worth Rs 787.497 million.

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

Audit recommends investigating the matter and fixing responsibility on the person(s) at fault to avoid such instances in future.

Para-26 (NADRA-2022-23)

12.1.4.3 Non cancellation of expired arm licenses and loss to the Govt. due to non-renewal of arm licenses - Rs 300.00 million (Approx.)

According to clause 16 of Arm License Policy 2012, the license may be renewed after twelve months but before the lapse of two years of the date of expiry thereof under the orders of the licensing authority on the payment of fee. Further, if a license is not renewed within specified period, the license shall, on the expiry of the said period, stand cancelled.

During the audit of NADRA for the year 2022-23, it was observed from the record that approximately 60,000 arms licenses issued by the Federal Government were expired. Further, scrutiny of the record revealed that neither the holders of these licenses had contacted for their renewal nor were these canceled by the Authority. Due to non-renewal of these licenses, Federal Government was deprived from the potential revenue of approximately Rs 300 million.

Audit is of the view that competent authority should have taken appropriate action against defaulters who failed to renew their arms license by way of imposing penalties or cancellation of licenses.

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

Audit recommends justifying the reasons for non-cancellation of expired license and matter should be taken up at appropriate level regarding cancellation of licenses or penalizing the holders of these licensees.

Para-17 (NADRA-2022-23)

12.1.4.4 Non-recovery of long outstanding amount from Punjab Information Technology Board (PITB) - Rs 207.864 million

According to clause 5.1 (c) of the contract agreement signed between NADRA and PITB regarding provision of Biometric verification services. The client (PITB) shall pay the invoices due to NADRA within thirty days (plus 10 days' grace period) from the date of issuance of invoices. Further, as per clause 5.2 of said agreement, in case of delay in payment of beyond 30 days, the client shall be liable to pay late payment charges at the rate of 3% per month on any undisputed amount remaining unpaid. If the amount remained unpaid beyond 51 calendar days, NADRA shall become entitled to suspend or terminate Biometric verification services with immediate effect.

During audit of NADRA for the year 2022-23, it was observed that PITB management failed to pay an amount of Rs 207.864 million to NADRA on account of biometric verification services rendered by NADRA to PITB. Aging analysis of said amount revealed that the amount was outstanding since long.

Audit is of the view that no serious efforts were made by the NADRA management to recover long outstanding amount from PITB.

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

Audit recommends justifying the position regarding non recovery of long outstanding amount from PITB and the matter regarding early recovery of NADRA's dues should be taken up at higher level.

Para-4 (NADRA-2022-23)

12.1.4.5 Expenditure on non-budgeted items - Rs 185.054 million

According to Section 26 of Chapter 08 (funds, accounts and audit) of NADRA Ordinance 2000, "Budget" (1) "The authority shall, in respect of each financial year, submit for the approval of Federal Government by such date and in such form as may be specified by the Federal government a statement showing the estimated receipts and current and development expenditure and the sums which are likely to be required from the Federal government during the next financial year." As per rule Standards of Financial Propriety (10) Every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are (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 audit of the National Database and Registration Authority (NADRA) for the year 2022-23, it was observed that NADRA incurred expenditure on buildings and machinery & equipment amounting to Rs 185.055 million in the absence of budget/approved budget. Audit noted that the same items were not budgeted in the financial year 2022-23 and upon comparison with draft financial statements for 2022-23, actual expenditure of Rs 185.054 million was pointed out. Calculations are as under:

Summary of amount spent without budget				
S#	**Item**	**Budget (Rs)**	**Expenditure (Rs)**	**Over Spent amount (Rs)**
01	Buildings	0.00	74,108,482	74,108,482
02	Machinery & Equipment	0.00	110,946,512	110,946,512
	Total			**185,054,994**

Audit is of the view that expenditure in the absence of budget provision was non-compliance of the NADRA Ordinance. Hence, the amount of Rs 185.054 million spent for the above items without any budget was held irregular.

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

Audit recommends explaining the reasons for incurring expenditure without budget provision and fixing responsibility thereof.

Para 33 (NADRA-2022-23)

12.1.4.6 Irregular procurement of common use items by splitting – Rs 170.658 million

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. According to rule-12 (2) of PPRA, all procurement opportunities over two 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 NADRA for the year 2022-23, it was observed that the management issued a number of purchase orders amounting to Rs 89.661 million after regular short intervals for the purchase of different common use items. These items were procured from different suppliers by splitting the requirement as given below:

Type	**Amount (Rs)**
Electronic Equipment	7,217,629
General Equipment	6,135,910
IT Equipment	39,927,040
Misc. Items	3,788,473
Office Equipment	29,778,159
Stationery	2,864,276
Total	**89,661,762**

It was further observed that splitting of procurement amounting to Rs 80.977 million was also done in other items as detailed below:

Type	**Amount (Rs)**
Construction	8,656,367
Furniture	18,968,211
Motorbikes	1,542,100
Repair and renovation works	37,230,319
Rolls	496,000
Services	6,564,507
Vehicle parts	7,519,566
Total	**80,977,070**

Audit is of the view that the management was required to assess the requirement of said common-use items at the start of year as part of the annual procurement plan by adhering to the Public Procurement Rule for transparency and economy. Hence, the procurement of various items valuing Rs 170.658 million in violation of purchase procedure was considered irregular.

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

Audit recommends investigating the splitting of purchase orders in violation of public procurement rules and fixing responsibility thereof.

Para-8 & 13 (NADRA-2022-23)

12.1.4.7 Non-recovery of long outstanding amount from Federal Board of Revenue (FBR) – Rs 64.479 million

According to clause 6 (1)(J) of contract agreement signed between NADRA and FBR regarding provision of three verification services namely Web Based XML (with Data) Services-1, Web Based XML No Data Services and Family Details service. The client (FBR) shall pay the invoices due to NADRA within thirty days from the date of issuance of invoices. Further, as per clause 6.2 of said agreement, in case of delay in payment of beyond 30 days, the client shall be liable to pay late payment charges at the rate of 3% per month on any undisputed amount remaining unpaid. If the amount remained unpaid beyond 51 calendar days, NADRA shall become entitled to suspend or terminate Biometric verification services with immediate effect.

During the audit of NADRA for the year 2022-23, it was observed that FBR management had to pay an amount of Rs 64.479 million to NADRA on account of services rendered by NADRA to FBR. Aging analysis of said amount revealed that with the passage of time, the amount was increasing. At the start of financial year 2022-23 the outstanding amount was Rs 39.088 million. However, at year end i.e. June 2023 it jumped to Rs 64.479 million.

Audit observed that NADRA management did not make significant efforts to recover outstanding dues and despite failure to pay dues by FBR, NADRA continued to provide services to FBR without interruption.

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

Audit recommends justifying the position regarding non recovery of long outstanding dues from FBR besides taking up the matter at higher level for early recovery of NADRA’s dues.

Para-3 (NADRA-2022-23)

12.1.4.8 Unjustified Payment of salary to un-identified employees - Rs 38.782 million

According to clause 11 (C) (iv) (6) of operation manual of the project, NADRA's FM Team will manage financing of entire TA Component-3 of the project. Team comprises of three or four staff headed by Director Finance responsible for managing entire financials as well as reporting with the World Bank and NADRA. Further, staffing requirement was envisaged in a table attached in annexure 4 of project appraisal document (PAD) regarding implementation support program.

During audit of NADRA for the year 2022-23, the record of a project executed by NADRA in ex-FATA districts revealed that management charged salaries of employees working in Citizen Facilitation Centers (CFCs) of the project. The salary sheets showed payment of Rs 38.782 million to 180 employees of CFCs. No further detail about their designations, place of posting, date of appointment, CNIC No. ERP #. date of joining and qualification etc. was available with salary sheets. Hence, no conclusion could be drawn regarding these employees. Most of the salary of these employees was paid during July 2022 to January 2023 and later on discontinued which showed that these employees might be terminated from service.

The activity flow chart approved in operation manual and other official documents revealed that staff requirement had already been met, hence there was no justification of such staff and payment/charging of salary for these staff created doubt about their existence.

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

Audit recommends investigating the matter of hiring of staff and subsequent discontinuation of their services with full facts and figures and Job descriptions besides providing the recruitment and personal record of these staff to Audit.

Para-25 (NADRA-2022-23)

12.1.4.9 Irregular appointment of staff without observing prescribed qualification - Rs 38.406 million

According to clause 10 of the recruitment and selection policy of the NADRA the minimum prescribed qualification for the post of Dy. Director, Director and Director General of NADRA. The Dy. Director in NADRA scale of O-8/T-8, Director in O/T-9 and Director General, O/T-10 must have Relevant Sixteen Years Education with 07 to 25 Years of experience.

During the audit of NADRA for the year 2022-23, it was observed (on sample basis) that management hired the services of 59 employees in violation of minimum prescribed qualification required for induction in NADRA. As per NADRA recruitment policy, minimum sixteen years' education was required for induction in NADRA from Dy. Assistant Director & above but these 59 employees possessed graduation or below qualification which was held irregular. Thus, payment of salary to these employees to the tune of Rs 38.406 million was held irregular.

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

Audit recommends investigate the hiring of staff without observing minimum qualification requirement and fixing responsibility besides providing complete detail of payment of salaries & other benefits made to these staff.

Para 44 (NADRA-2022-23)

12.1.4.10 Irregular appointment due to unjustified favor granted to the employees - Rs 32.160 million

According to regulation 11(1) part II chapter 2 of the service regulations, 'initial appointment to post BS-17 or equivalent 'O' or 'T' pay scale, and above shall be made by the appointing authority on the recommendation of board. As per regulation 09 of NADRA services regulations, appointing authority of BS-19-20 and equivalent is "authority". As per NADRA's recruitment policy minimum 15 to 25 years' experience is required for appointment in O & T -10 grades.

During audit of NADRA for the year 2022-23, it was observed that management hired the services of Mr. Tanveer Abbas as Management Associate without having a post in approved organogram of NADRA, Management floated a tailor made advertisement in newspaper. Qualification requirement was also changed through corrigendum to enable a graduate to apply against the post. Further, maximum age was fixed as 55 years and only three years desired experience was mentioned. Immediately after the selection, the officer was granted the charge of Director (EMD), while he was not appointed against said post. Further, his salary was fixed at Rs 268,400 per month but was enhanced to Rs 384,000 within six months in November 2021 exceeding the contractual 10% annual increase limit. Currently, the officer was granted acting charge of DG RHO Multan. His monthly salary was Rs 480,000 (approx.), thus payment of Rs 5.760 million (Rs 480,000*12 months) was considered as irregular.

Similarly, the services of Brig. (R) Abdul Rehman were hired as Chief Human Resources Officer (CHRO) at monthly salary of Rs 427,097 despite lacking the relevant qualification. Further, the management overlooked its own policies by requiring only 8 years of experience in the advertisement. There was no evidence of the creation of the CHRO position. It was also observed that the posts of CHRO and DG (HR) were of same nature and grade (O/T-10). Further, the appointment was also approved by the chairman instead of 'Authority' (Board of Directors). The officer was drawing salary of Rs 2.200 million per month. Thus, appointment of officer as CHRO and payment of salary of Rs 26.400 million (2,200,000*12) was considered as irregular and unjustified.

Audit is of the view that management granted undue favor to the officers by hiring them in non-transparent manner hence the appointment and payment of salary Rs 32.160 million (Rs 5.760 million + Rs 26.400 million) to the officers was irregular.

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

Audit recommends investigating the matter of hiring of officers in non-transparent manner without vacancy position, justifying the position regarding fixation of higher salary and increment over and above the contract terms and fixing the responsibility.

Para 43 (NADRA-2022-23)

12.1.4.11 Non recovery of amount due from Home Department Sindh - Rs 30.918 million

According to clause 19.1.1 of the contract agreement signed between the NADRA and Home Department Govt. of Sindh for Computerized Arms License Issuance Management System (CALMIS) total cost of the project was Rs 290.048 million (which was later on reduced to Rs 259.048 million vide addendum – I of the project. Further as per clause 19.1.7 the amount of project was payable by the Home Department GoS in four installments.

During the audit of NADRA for the year 2022-23, it was observed that management of NADRA being consultant in Computerized Arm License Management Information System (CALMIS) of Government of Sindh discharged its responsibilities within agreed time period and handed over the project to Home Department Government of Sindh. However, Home Department, Government of Sindh failed to clear pending amount of Rs 30.918 million to NADRA. The said agreement was silent regarding imposition of any penalty in case of default in discharge of any responsibility by either party.

Audit is of the view that management failed to recover the pending amount from Govt. of Sindh (Home Department).

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

Audit recommends justifying the reasons for non-collection of amount from Home Department, Government of Sindh and taking up the matter at higher level for early recovery of pending dues.

Para-2 (NADRA-2022-23)

12.1.4.12 Irregular award of work of officers' mess - Rs 27.095 million

According to clause 3 of Public procurement regulations 2008, a Procuring agency when engaged in procurement of works, shall use the standard form of bidding documents prescribed by the Pakistan Engineering Council constituted under the Pakistan Engineering Council Act, 1975 (V of 1976). Further, as per clause 10.1 of standard forms of bidding documents 2007 (for smaller work) issued by the PEC, the bidder shall fill up the Schedule of Prices (Schedule A to Bid) indicating the unit rates and prices of the Works to be performed under the Contract. Prices in the Schedule of Prices shall be entered keeping in view the instructions contained in the Preamble to Schedule of Prices.

During audit of NADRA for the year 2022-23, it was observed that management floated a tender for shifting and establishment of officers' mess in NADRA HQ Islamabad. In response, five bidders participated and contract was awarded to M/s Frontier Works Promoters. In this regard, following irregularities were observed:

i. Standard bidding documents approved by the PEC were not used as required under rules.
ii. Bidding documents prepared by NADRA were ambiguous and were not cleared, as there was no option of quoting unit price of each item of work. Thus unit rate remained unattended.
iii. In NADRA's bidding documents, two type of evaluation criteria were mentioned under clause 30 and 31. In clause 30, minimum eligibility criteria were given without any number of each condition mentioned thereupon.
iv. The amounts quoted by the bidders were differing from the amounts mentioned in comparative statement of both bidders.

Audit is of the view that management granted undue favor to the bidder of its own choice by not using standard bidding documents in bidding process and non-mentioning evaluation marks of criteria mentioned under clause 30 of bidding documents.

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

Audit recommends to investigating the matter and fixing responsibility.

Para-19 (NADRA-2022-23)

12.1.4.13 Unjustified Favor granted to supplier due to faulty procurement process and non-obtaining of performance guarantee - Rs 21.179 million

According to PPRA S.R.O. No. 370(I)/2022 dated 25.02.2022, the procuring agencies shall use the National Standard Procurement Documents (available at PPRA's website) for national and international competitive bidding, as amended on 30th June of each Financial Year considering regularly experience feedback based on monitoring the procurement practices. As per clause 10 of standard bidding documents the performance security (of Guarantee) shall be provided to the procuring agency no later than the date specified in the letter of acceptance.

During audit of NADRA for the year 2022-23, it was observed that management floated a tender for procurement of 50 DVBRCS/VSAT Remote Terminals. M/s Supernet was declared successful bidder and a purchase order dated 20.09.2023 was issued with a delivery period of 8-10 weeks. However, the bidder failed to provide relevant goods even after the lapse of more than one year. The record revealed that the procurement process was faulty and the bidder might not be forced to complete work order. Following discrepancies were observed in bidding process;

a. Standard bidding form was not used by the NADRA as required under PPRA.
b. Performance security clause was not included in bidding documents used by NADRA.
c. Purchase order was issued on 20.09.2022 without ensuring submission of performance guarantee.
d. The bid was valid for 90 days from the date of opening of tender (i.e. June 09, 2022). However, purchase order was issued on September 20, 2022 after 11 days of expiry of bid / price validity period. Thus the case of NADRA against the bidder was on weak grounds.
e. Risk and cost clause was not inserted in purchase order / bidding documents.
f. LD was not imposed on the bidder despite of his failure.
g. The bid money had not been forfeited till December 2023. The amount of bid money was not sufficient to cover the loss sustained by NADRA.

Audit is of the view that due to faulty procurement process, the bidder could not be forced for execution and completion of contract and NADRA would suffer heavy loss due to exchange rate fluctuation. Forfeiting bid money would not compensate the heavy cost of future procurement.

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

Audit recommends to explain the reasons for non-using of standard bidding documents in procurement process, non-imposition of penalty and non-forfeiture of bid money till date. Justify the position regarding non-inclusion of risk and cost clause and non-obtaining of performance guarantee from successful bidder. Investigate the matter of delay in issuance of purchase order after expiry of bid validity period. Intimate the exact amount incurred on procurement of said items / goods.

Para-6 (NADRA-2022-23)

12.1.4.14 Irregular promotion of an officer and wrong fixation of Salary - Rs 19.200 million

As per regulations 21-A, ‘the authority may promote an employee to the next higher scale or post based on such criteria and in accordance with such procedure as may be laid down by the authority from time to time in promotion policy. Further, as per regulation 21-B, ‘the authority may as a special case and for reasons to be recorded in writing, promote an employee holding a technical / professional post or increase in salary, emolument, benefits etc. of his existing posts by placing the same in a higher pay scale or otherwise. A special assessment report will be drawn, countersigned and submitted to the authority in respect of employee for assistance in consideration of a special case under this regulation.

During the audit of NADRA for the year 2022-23 it was observed that Ms. Reema Aftab was appointed as Dy. Chief Commercial officer in NADRA T-9 Scales in NADRA Technologies Limited (NTL). The officer requested for promotion in next grade and the Chairman, NADRA granted her promotion in next scale. In this regard, following irregularities were observed:

1. The promotion was granted without Annual Assessment Report (AAR) and Special Assessment Report (SAR). These reports were mandatory for promotion in next scale.
2. There were only five AARs for the year 2010, 2011, 2012, 2014, 2015, 2016 and 2017 but the AARs of remaining years were not found in relevant file.

3. Promotion was made without any vacancy.
4. The officer was appointed on the basis of MBA degree obtained from 'Preston University' Islamabad but the same was not recognized by the HEC as disclosed in its letter dated October 04, 2017.
5. The officer was appointed in NTL but her promotion and posting was made by NADRA on NADRA pay scales and promotion was also approved by the Chairman, NADRA.
6. The pay of officer was re-fixation at exorbitant rate from Rs 365,000 to Rs 565,000 per month plus other usual allowances. Currently, officer was drawing salary @ Rs 1,600,000 per months (approx.). Thus, payment of salary from July 2022 to June 2023 to the incumbent of Rs 19.200 million (Rs 1,600,000 x 12) approx. was considered as irregular.

Thus, officer was granted undue favor by promoting her without considering any AAR or SAR for promotion without any vacancy and increasing salary at exorbitant rates without observing due process, which was held irregular. Further, she possessed MBA degree from an institute not recognized by the HEC.

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

Audit recommends to investigate the matter and fix responsibility.

Para 39 (NADRA-2022-23)

12.1.4.15 Irregularities in promotion and fixation of salary of an officer-Rs 18.00 million

According to regulations 21-A, 'the authority may promote an employee to the next higher scale or post based on such criteria and in accordance with such procedure as may be laid down by the authority from time to time in promotion policy. Further, as per regulation 21-B, 'the authority may as a special case and for reasons to be recorded in writing, promote an employee holding a technical / professional post or increase in salary, emolument, benefits etc. of his existing posts by placing the same in a higher pay scale or otherwise. A special assessment report will be drawn, countersigned and submitted to the authority in respect of employee for assistance in consideration of a special case under these regulations'. Chapter-6 regulation 44, required that pay at initial appointment of a persons to a post shall fixed at the minimum of the pay scale.

During audit of NADRA for the year 2022-23 it was observed that Mr. Saif ur Rehman Abbasi was promoted in T-9 Scales of NADRA. The record revealed that his promotion was made without existence of any vacancy and without determination of sanctioned strength at the time of promotion. The officer was granted exorbitant increase in salary and was fixed at Rs 377,000 per month plus other usual allowances. Currently, the officer was drawing his gross salary @ 1,500,000 per month (approx.). Furthermore, said officer was appointed as Assistant Manager in O-7 grades, however, at the time of his promotion as Deputy Manager (HR) in O-7 grade, his grade was changed from O-7 to T-8 without any justification. He was further promoted from T-8 to T-9 in 2022 and his pay was fixed accordingly. Thus, payment of salary of Rs 18.00 million (1,500,000 x 12) during the year 2022-23 was considered as irregular and unjustified.

Audit is of the view that management granted undue favor to the officer by promoting him without considering vacancy positions and approved sanctioned strength. Further, his pay scale category was changed from 'O' to 'T', which was irregular.

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

Audit recommends investigating the matter and fixing responsibility.

Para 42 (NADRA-2022-23)

12.1.4.16 Non recovery of amount due from various organizations – Rs 17.246 million

As per contract agreement signed by NADRA with its clients regarding provision of certain services, the client shall pay the invoices due to NADRA within specified time from the date of issuance of invoices. Further, in case of delay in payment of beyond specified period, the client shall be liable to pay late payment charges on any undisputed amount remaining unpaid. If the amount remained unpaid beyond 90 days, NADRA may suspend the services or terminate the contract.

During the audit of NADRA for the year 2022-23, it was observed that many clients failed to pay their dues on account of services rendered by NADRA. At the start of financial year 2022-23, the outstanding amount was Rs 6.732 million. However, at year end i.e. June 2023 it was Rs 17.246 million. The management showed undue favor to the entities by not imposing penalty on the amount stuck up and yet not paid by the clients. The detail of amount receivable from client is reproduced hereunder:

	National Rural Support program (NRSP)	**Pb. Land Record Authority (PLRA)**	**IGP Isd XML**	**Higher Education Commission (HEC)**	**HQ-19 Div. Khawaza Khela**	**TOTAL**
Current	2,549,833	4,077,822	0	698,500	0	**7,326,155**
1-31 Days Past Due	15,803	0	0	18	0	**15,821**
32-60 Days Past Due	3,803	0	0	0	0	**3,803**
63-93 Days Past Due	3,927	0	0	0	0	**3,927**
94-124 Days Past Due	5,681	0	0	0	0	**5,681**
125-365 Days Past Due	4,519,101	0	0	39,375	0	**4,558,476**
365+ Days Past Due	2,895	0	3,104,985	734,574	1,490,654	**5,333,108**
Total	**7,101,042**	**4,077,822**	**3,104,985**	**1,472,467**	**1,490,654**	**17,246,971**

Audit is of the view that no serious efforts were made by the management to recover its long outstanding amount from the clients. NADRA was continuously providing services to certain clients without any interruptions despite non-payment of outstanding dues.

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

Audit recommends justifying the position regarding non-recovery of long outstanding amount from the clients, imposing penalty as per provisions of relevant agreement and the matter regarding early recovery of dues should be taken up at higher level.

Para 35 (NADRA-2022-23)

12.1.4.17 Irregular payment of salary due to continuation of services beyond superannuation – Rs 16.732 million

As per regulation 8 (3) of NADRA services regulations ‘no person who has attained the age of sixty years shall be appointed to a post in the authority, provided that authority may on case to case basis, in the best interest of the authority and for reasons to be recorded in writing, appoint or retain a person in services despite his attaining the age of sixty years’. Further, as per regulation 26 (2) once entered, the date of birth shall not be altered in any event. It is also stated that, the Supreme Court of Pakistan held in its decision on 16.02.2021 in civil petition No. 4428/2019 that “the date of birth of a civil servant once recorded at the time of joining of Government service as a general principle shall be final and would not be altered except (i) there is a clerical mistake (ii) the change is sought within the period of two years” As per prevailing Government directions issued by the cabinet Secretariat vide letter dated 26.05.1999, approving authority for re-employment after the age of superannuation is Prime Minister of Pakistan.

During the audit of NADRA for the year 2022-23 it was observed that Mr. Mir Alam Khan, ERP No. 27956 was appointed in 2009 as Dy. General Manager. At that time, his CNIC showed only the year of birth as 1963. As per NADRA policy, his date of birth had to be considered as 01.01.1963 and date of superannuation as 01.01.2023. The officer vide letter dated November 07, 2022 requested for correction of his date of birth as 01.07.1963. He also filed a writ petition 93/13 of 2022 for change of date of birth. The court ordered to amend his date of birth accordingly. Instead of going into appeal in light of Supreme Court of Pakistan’s judgment dated 16.02.2021, NADRA implemented the court’s decision and employment record was corrected accordingly and communicated to the officer vide letter dated February 23, 2023. The official website of NADRA revealed that the officer was still working in NADRA as Regional Head Quetta and yet either not retired or was re-employed without approval from Prime Minister as required in such kind of instances. The gross salary of the officer was Rs 2.789 million per month. Thus, payment of salary of Rs 16.732 million (July to Dec 2023) was considered as irregular and unjustified.

Audit is of the view that the officer was performing his duties unlawfully beyond the date of superannuation and all the salary & perquisites paid after that date were irregular.

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

Audit recommends investigate the matter of continuation of services or re-employment beyond the age of superannuation and fixing responsibilities on persons at fault.

Para 38 (NADRA-2022-23)

12.1.4.18 Unjustified payment of property tax to CDA - Rs 12.299 million

According to rule Standards of Financial Propriety (10) Every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are (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 audit of NADRA for the year 2022-23, it was observed from the record that NADRA paid an amount of Rs 0.961 million to Capital Development Authority (CDA), Islamabad on account of property tax on behalf of SBP i.e. the owner of building; under occupation of NADRA. an amount of Rs 12.299 million was also paid by NADRA as property tax to different Governmental Organizations/ Departments. Audit demanded the record of rented and NADRA's owned property to assess the rationale of the payment made but the same was not produced.

Audit is of the view that payment of property tax was the responsibility of owner of the building. Thus payment of property tax by NADRA being tenant was considered as irregular and unjustified.

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

Audit recommends to state the reasons for not taking due care in the hiring process. Recover the unjustified paid taxes from the owner of the building for current and previous periods.

Para-11 (NADRA-2022-23)

12.1.4.19 Non-approval of budget from Federal Government - Rs 46,042.276 million

According to Section 26 of Chapter 08 (funds accounts and audit) of NADRA ordinance 2000, "Budget" (1) "The authority shall, in respect of each financial year, submit for the approval of Federal Government by such date and in such form as may be specified by the Federal government a statement showing the estimated receipts and current and development expenditure and the sums which are likely to be required from the Federal government during the next financial year."

During audit of the NADRA for the year 2022-23, it was observed that NADRA management had to obtain approval of the Federal Government of their budget but the same was not done. Budget Approval from the Federal Government was demanded via requisition No. 07 dated 18.12.2023 but the same was not provided till closure of the audit.

Audit is of the view that expenditure in the absence of approved budget from the Federal Government was non-compliance of the NADRA Ordinance. Hence, the expenditure worth Rs 46,042.276 million for the financial year 2022-23 was considered as irregular.

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

Audit recommends justifying the reasons for non-seeking approval of the budget from the Federal Government and fixing responsibility thereof.

Para 15 (NADRA-2022-23)

12.1.4.20 Irregular Expenditure on guest entertainment and repair & maintenance of vehicles – Rs 7.202 million (Approximately)

According to Petty cash SOPs approved by Director General Admin NADRA in October 2019, petty cash imprest is maintained by various departments to meet day-to-day small expenditures without involving the procurement department and going into a lengthy procurement process. Such purchases can be made through petty cash more swiftly and conveniently. It is also clarified that fixed asset items cannot be purchased out of petty cash as it requires codal formalities as per rules/SOPs. Moreover, petty cash should not be expended on the entertainment of guests/employees as a separate guest entertainment ceiling is provided to departments for the said purpose. To streamline the procedure following guidelines were issued: c) a single transaction shall not exceed Rs 5,000 and bifurcation of bills must be avoided.

During the audit of NADRA for the year 2022-23, it was observed that various departments of NADRA violated the Standard Operating Procedures of consuming petty cash and incurred expenditure on guest entertainment for which a separate ceiling had been provided to departments. Moreover, petty cash was also expended on repair of vehicles in violation of the approved SOPs. Audit checked the expenditure on a sample basis in the month of November 2022. Details are as under:

Details of Entertainment Expenditure out of Petty Cash				
S #	**Bill No**	**Date**	**Expenditure Type**	**Amount (Rs)**
1	PV-246, PV 247	08.09.2022	Entertainment	46,535
2	Ch. 7505591	25.11.2022	Entertainment	125,539
3	Ch. 7505358	11.11.2022	Entertainment	14,260
November Total				**186,334**
Full year 2022-23 (X12)				**2,236,008**
Details of Repair & Maintenance of Vehicle Expenditure out of Petty Cash				
S#	**Bill No**	**Date**	**Expenditure Type**	**Amount (Rs)**
1	Ch. 7505321	10.11.2022	Repair/Maintenance of Vehicles	150,020
2	Ch. 7505506	18.11.2022	Repair/Maintenance of Vehicles	150,620
3	Ch. 7505588	25.11.2022	Repair/Maintenance of Vehicles	56,810
4	Ch. 7505641	30.11.2022	Repair/Maintenance of Vehicles	56,390
November Total				**413,840**
Full year 2022-23 (X12)				**4,966,080**
Grand Total				**7,202,088**

The irregularity occurred due to violation of SOPs for expending petty cash in various departments of NADRA.

Audit is of the view that due to violation of SOPs during the expenditure, NADRA management incurred irregular expenditure of Rs 7.202 million on account of guest entertainment / vehicles repair for which a separate ceiling / budget was already available to the departments.

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

Audit recommends to explain the reasons for incurrence of entertainment & repair of vehicles expenditure from petty cash. State the reasons for violation of the SOPs. Recover guest ceiling from the departments that incurred petty cash instead utilizing of entertainment ceiling.

Para-9 (NADRA-2022-23)

12.1.4.21 Non-recovery of long outstanding dues - Rs 10.726 million

According to clause 3.1 of contract agreement signed between NADRA and SCO regarding provision of ID verification services. The client (SCO) shall pay the invoices due to NADRA within forty-five days from the date of issuance of invoices. Further, as per clause 3.2 of said agreement, in case of delay in payment of beyond 45 days, the client shall be liable to pay late payment charges at the rate of 2% per month on any undisputed amount remaining unpaid. If the amount remained unpaid beyond 90 days, NADRA may suspend the ID verification services to SCO.

During the audit of NADRA for the year 2022-23, it was observed that SCO management failed to pay Rs 10.727 million to NADRA on account of services rendered. The management showed undue favor to the SCO by not imposing penalty at the rate of 2% per month on the amount stuck up and yet not paid by the client. Despite non-payment, NADRA was continuously providing services to SCO without any interruption.

Audit is of the view that no serious efforts were made by the NADRA management to recover its long outstanding amount from SCO.

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

Audit recommends taking up the matter at higher level for early recovery of NADRA’s dues besides imposing penalty as per agreement.

Para-18 (NADRA-2022-23)

12.1.4.22 Avoidable expenditure incurred on medical reimbursement to employees for indoor treatment - Rs 28.151 million

According to Charter of Services of Sehat Sahulat Program draft dated 28th February 2021 “the program started with providing social health insurance to poor families and now its coverage has gradually been increased to other socio-economic strata of the population with district by district expansion in Punjab, Islamabad Capital Territory (ICT), Azad Jammu and Kashmir (AJK), Gilgit-Baltistan (GB), Newly Merged Districts of Khyber Pakhtunkhwa (NMD-KP) and Tharparkar - Sindh. As of today, Federal Government and Government of Punjab, under its Quami Sehat Card, is providing free of cost health insurance to more than 10 million families. Both Governments are also working to increase the ambit to additional 25 million population of districts under its domain. In addition to it, Government of Khyber Pakhtunkhwa, under its Sehat Insaf Plus card, is providing free of cost health insurance to more than 6 million families in the province”.

During the audit of National Database and Registration Authority (NADRA) for the year 2022, it was observed that NADRA spent Rs 28.151 million on medical reimbursements for indoor treatment for its employees in Islamabad/Rawalpindi. The Government had implemented the Universal Health Insurance (UHI) Program covering 100% population of Islamabad/Rawalpindi, Punjab, KP and GB and paid billions of rupees on account of premium to the State Life Insurance Corporation of Pakistan (SLIC) and almost all the major hospitals in Public & Private sector were providing best indoor facilities to the public under UHI program. Thus, reimbursement to employees for treatment in private hospitals was wastage of government resources, as all residents were eligible for UHI benefits.

Audit is of the view that the medical reimbursement for indoor treatment should not be allowed to NADRA employees as the Federal Government had already paid premium to SLIC for residents of Islamabad/Rawalpindi. The payment of medical claims by NADRA management to its employees for indoor medical treatment was considered duplicate expenditure on public exchequer.

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

Audit recommends justifying the medical reimbursement for indoor treatments despite the availability of free treatment under UHI in all significant public & private sector hospitals of ICT, Punjab and KP.

Para 32 (NADRA-2022-23)

12.1.4.23 Loss due to expensive purchase of Biometric Machines - Rs 10.523 million

According to Article iv section 4.01 of general conditions 'the recipient and the project implementing entity shall carry out their respective parts of the project a) with due diligence and efficiency b) in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practice …

During audit of NADRA for the year 2022-23 it was observed that NADRA implemented a project in ex-FATA and procured 75 bio metric devices for facilitation centers costing Rs 18.227 million. However, record revealed that per unit cost of that device was Rs 293,991 which was higher than per unit cost of similar imported devises which were purchased during the same period @ US$ 580, which comes to Rs 153,682 (at the $ exchange rate of Rs 264.97). Thus, due to procurement of devices at higher rates, project sustained a loss of Rs 10.523 million (Rs 293,991 – 153682 x 75).

Audit is of the view that management of the project did not exercise due diligence while procuring Biometric devices (Thumb Digitizer).

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

Audit recommends investigating the matter and fixing responsibility.

Para-22 (NADRA-2022-23)

12.1.4.24 Irregular procurement of waiting bench - Rs 21.927 million

As per 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. 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 NADRA for the year 2022-23 it was observed that a NADRA implemented a project in ex-FATA and procured 460 three seater waiting bench for general public at a total cost of Rs 21.927 million without preparation of tender documents and advertisement in newspapers. Instead, the management called for quotations and selected the lowest bidder. Thus, the procurement was made in violation of procurement rules.

Audit is of the view that management violated the PPRA rules and failed to exercise due diligence and procurement was made in non-transparent manner.

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

Audit recommends investigating the matter and fixing responsibility.

Para-23 (NADRA-2022-23)

12.1.4.25 Undue favor to supplier due to non-encashment of Guarantee - Rs 4.612 million

A per clause 19 of PPRA rules, ‘the procuring agencies shall specify a mechanism and manner to permanently or temporarily bar, from participating in their respective procurement proceedings, suppliers and contractors who either consistently fail to provide satisfactory performances or are found to be indulging in corrupt or fraudulent practices. Such barring action shall be duly publicized and communicated to the Authority: Provided that any supplier or contractor who is to be blacklisted shall be accorded adequate opportunity of being heard.

As per purchase order issued to M/s UBC Convertec (Pvt.) Ltd dated January 19, 2023 for procurement of 40,000 paper ream, the delivery time for supply of required quantity of paper reams was within 60 days after issuance of purchase order.

During the audit of NADRA for the year 2022-23, it was observed that management issued a letter of acceptance to successful bidder i.e. M/s UBC Convertec (Pvt.) Ltd on December 12, 2022 for the supply of 40,000 paper reams and requested to submit a performance guarantee within 28 days. The bidder submitted bank guarantee of Rs 4.612 million having expiry of July 08, 2023. Accordingly, the purchase order was issued to supplier on January 19, 2023 for supply of paper reams within 60 days. The supplier only supplied 5,000 paper reams and showed its inability to supply the balance quantity vide letter dated February 16, 2023. However, management neither forfeited the bank guarantee nor issued any letter to the supplier for early supply of the remaining paper reams till the expiry of bank guarantee i.e. July 08, 2023.

Audit is of the view that management extended undue favor to the supplier by non-forfeiture of bank guarantee.

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

Audit recommends investigating the matter and fixing responsibility.

Para-5 (NADRA-2022-23)

12.1.4.26 Non-transparent hiring of officer and payment of salary - Rs 4.789 million

According to regulation 11 (5) 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. According to regulations 12 (1) vacancies against all posts in any pay scale shall be filled in accordance with the same merit and provincial quotas prescribed by the Government for recruitment against posts in equivalent pay scale. Further regulation 11 (5) 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. Similarly, regulation 14, required verification of the character and antecedents of the candidate, regulation 15 (4) required security clearance from relevant agency or agencies. Chapter-6 regulation 44, required that pay at initial appointment of a persons to a post shall fixed at the minimum of the pay scale.

During the audit of NADRA for the year 2022-23, it was observed that management appointed Mr. Muneeb Ashraf Cheema as Dy. Director (Legal) at a monthly remuneration of Rs 279,097 at O-8 grade of NADRA. However, following discrepancies were observed in the hiring process:

1. Original advertisement in newspaper was not made. Only computer generated advertisement print was available in relevant file provided to audit.
2. Merit list was not prepared by the HR department which showed that appointment was made in non-transparent manners.

3. At the time of hiring, no vacant position existed. Organogram of legal department and vacancy position was also not found. It showed that vacant position was not available at the time of hiring.
4. File was not complete in respect of other competitor's data sheets and documents. In a minute sheet dated 17.02.2023, four candidates were shortlisted for interview out of 84 applicants. The bio data of remaining candidates was not found in relevant file. It indicated that selection was made on pick & choose basis and merit based shortlisting was not made.
5. The salary of the officer was fixed as Rs 279,097 per month in O-8 grade while the initial salary of O-8 grade was Rs 200,000 per month plus allowances as per NADRA approved pay scale given in service regulations. No special circumstances were mentioned for offering such high salary.
6. His security verification was not made despite the fact that he was appointed on such post for the first time.
7. Maximum age limit as per criteria mentioned against the posts was 35 years but the officer's age at the time of appointment was 39 years.
8. His credentials were not verified (independently) from relevant forum i.e. HEC

Audit is of the view that appointment of officer was made in non-transparent manner by ignoring the facts mentioned above. Currently, the officer drawing monthly salary Rs 399,000 (approx.). Thus, the payment of salary & other benefits worth Rs 4.789 million (Rs 399,000 x 12) were held irregular.

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

Audit recommends investigating the appointment of officer in non-transparent manner without having a vacant post, fixation of pay above minimum of relevant pay scale and fixing responsibility on person(s) at fault.

Para 37 (NADRA-2022-23)

12.1.4.27 Unjustified provision of non-practicing allowances despite of higher salaries - Rs 6.609 million

According to Appendix-I of NADRA services regulations defined the allowances of perquisites. According to appendix-I, in addition to basis salary as per relevant “O”/“T” scales NADRA employees will be provided / compensated with Head Quarter allowance, field allowance, conveyance allowance, house rent allowances, cash allowance and other facilities like mobile telephone, vehicles facility, hiring of house etc. however, there was no provision of providing non-practicing allowances to the officers of professional cadre e.g. lawyers, doctors, Chartered Accountants etc. or any other class of professionals.

During the audit of NADRA for the year 2022-23, it was observed that management introduced “T” pay scales with competitive remuneration packages to attract qualified professionals. The management also allocation a budget of Rs 6.609 million for non-practicing allowance (NPA) without having its provision in NADRA services regulations. The NPA policy, circulated by the chairman was without the consent of NADRA BoD. The NPA was being paid to the officers of O-7 to O-20 at the rate ranging from Rs 80,000 per month to Rs 200,000 per month. Detail of employees drawing NPA could not be acquired due to non-provision of relevant data by the management.

The provision of NPA without approval of the BoD and inclusion in terms and conditions of service of the appointees was considered as irregular and unjustified.

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

Audit recommends investigating the matter for provision of NPA without approval from authority and in violation of terms and conditions of contact appointments and fixing responsibility thereof.

Para 47 (NADRA-2022-23)

12.1.4.28 Irregular appointment in non-transparent manners and payment of salary - Rs 9.611 million

According to chapter 2, regulations 9 of NADRA Service Regulations, the appointing authority of officers in BPS-19 and BPS-20 or equivalent in "O" and "T" pay scales and above is the "Authority."

During audit of NADRA for the year 2022-23, it was observed that management floated an advertisement for hiring of Director General for its legal department. In response, only one person Mr. Tajammal Hussain Shah applied for the position. The management selected him through an interview conducted by executive committee instead of HR committee of the Board of Directors and offered contract appointment at a monthly salary of Rs 800,905. The chairman approved his hiring without the proper authority of the Board of Directors who was competent for hiring of grade 19-20 or equivalent officers. Later on, the services of officer were terminated without serving any legal notice despite the fact that his contract was renewed for three years on May 05, 2023 just 03 months before termination of contract on September 01, 2023. He drew monthly gross salary of Rs 2,100,000 approximately. Thus, due to non-transparent hiring of officer, the salary of Rs 25.200 million (Rs 2,100,000 x 12) paid to him during 2022-23 was held irregular.

Audit is of the view that appointment of officer through tailor-made criteria, interviewed by the executive committee headed by COO and two BPS-20 grade officers and approved by Chairman NADRA was irregular.

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

Audit recommends investigating the matter of irregular appointment of officer in non-transparent manners without the approval of BoD and fixing responsibility.

Para 41 (NADRA-2022-23)

12.1.4.29 Non recovery of salary paid to an officer during suspension - Rs 20.050 million

As per clause 4 of civil services (efficiency and discipline) rules 1973, misconduct means conduct prejudicial to good order or service discipline or contrary to Government Servants (Conduct) Rules, 1964 or unbecoming of an officer and, a gentlemen and includes any act on the part of a Government servant to bring for attempt to bring political or other outside influence directly or indirectly to bear on the Government or any Government officer in respect of any /matter relating to the appointment, promotion , transfer, punishment, retirement or other conditions of service of a Government servant;

During the audit of NADRA for the year 2022-23 it was observed that management after going through complete inquiry procedure imposed major penalty of removal from services on Mr. Ashfaq Ahmad (D.G) vide order dated July 13, 2015. However, the officer filed a writ petition in Islamabad High Court. On the direction of Islamabad High Court, the chairman re-instated the officer for the sake of re-inquiry only. However, during re-inquiry proceedings, the officer filed another writ petition # 313/2016 in Islamabad High Court. The proceedings of fresh inquiry remained suspended due to this court case and the officer was placed on HR pool with no duty assigned to him. Later on, writ petition No. 313/2016 was dismissed by the court on 23.05.2018, thus after dismissal of writ petition, the competent authority on recommendation of authorized officer again imposed major penalty of removal from service. The officer was paid an amount of Rs 20.05 million during suspension period on account of salary etc. The authority requested the officer to deposit 20.05 million (approx.) amount drawn by him during this period. However, no documentary evidence regarding recovery was found in the file.

Audit is of the view that NADRA management should take up the matter at appropriate level for recovery of its dues.

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

Audit recommends explaining the reasons of non-recovery from the employee besides early recovery of amount under intimation to audit.

Para 50 (NADRA-2022-23)

12.1.4.30 Non reflection of amount of PPO Project PAK ID expenditure and revenues in ledgers

According to clause 17-D of contract dated 20th June, 2017 between NADRA and Pakistan Post Office for provision of Physical counters for Pak-ID applicants, "NADRA shall use its own resources to procure equipment, i.e. computer, camera, printer, scanner, finger print digitizer, and internet connectivity for the project". According to Section 27 of Chapter 08 of NADRA ordinance 2000, "Accounts and Audit" (1) "The authority shall maintain complete and accurate books of accounts of its actual expenses and receipts."

During audit of NADRA for the year 2022-23, it was observed that NADRA initiated Pakistan Post Office PAK ID Project through contract between NADRA and Pakistan Post Office dated 20th June 2017. The main objective of the project was to provide citizen registration facilities as mentioned above through designated counters in Pakistan Post offices in the country. As part of the contract dated 20th June 2017, NADRA would use its own resources to procure equipment, i.e. computer, camera, printer, scanner, fingerprint digitizer, and internet connectivity for the project. Audit observed the following:

- The ledgers of NADRA did not reflect any costs related to purchase/maintenance or replacement of equipment relating to the PPO project.
- As per agreement, PPO staff being trained on the processing of Pak ID counters, but no such costs appeared in the ledgers.
- There had been consistent shifting history of PPO counters due to low performance which had cost implications but the same was not reflected in ledgers.
- There was also revenue sharing process agreed between the two parties as per annex F of the contract but no revenue record was found in the ledgers.

The irregularity occurred due to violation of NADRA Ordinance which required the management to maintain complete and accurate books of accounts of its actual expenses and receipt.

Audit is of the view that due to violation of NADRA Ordinance; the books of accounts did not reflect any related expenditure to the PPO project.

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

Audit recommends to state the reasons for non-ensuring booking of PPO expenditure in ledgers and fix responsibility.

Para-28 (NADRA-2022-23)

12.1.4.31 Losses due to Non-charging of Sales Tax on Computerized Arms Licenses

According to Section 2(12) of Sales Tax Act 1990 "goods" include [production, transmission and distribution of electricity,] every kind of movable property other than actionable claims, money, stocks, shares and securities. Section 13 states Exemption: (1) Notwithstanding the provisions of section 3, supply of goods or import of goods specified in the Sixth Schedule shall, subject to such conditions as may be specified by the [Federal Government], be exempt from tax under this Act. According to Letter of Government of Pakistan, Revenue Division, Federal Board of Revenue No. 3(10)/ST&FE/policy/2021(pt-II)/54486-R Islamabad dated 10th April 2023, after perusal of the aforesaid provision of law, it is transpired that all goods are chargeable to sales tax at the applicable rate of sales tax subject to the exclusion as provided in terms of section 2(12) of the sales tax act 1990, read with section 13 of the Act ibid as specified in the sixth Schedule thereon. Since, goods in question supra as pointed out by the Honorable FTO at para 9 (i) above, do not fall, the ambit of exclusion/exemption, accordingly the same are chargeable to sales tax at the applicable rate of 18%. In view of the above forgoing, computerized licenses in the form of cards, being supplied by NADRA, Islamabad to the Federal Government, and Provincial Governments, attract charge of sales tax at the standard rate.

During the audit of NADRA for the year 2022-23, it was observed that NADRA provided computerized arms licenses to the Ministry of Interior without charging sales tax contrary to the provisions of the Sales Tax Act, 1990. The licenses issued were considered as taxable goods for the purpose of sales tax. NADRA issued total licenses worth Rs 516.684 million (32,044 prohibited bore tokens valuing Rs 308.135 million and 84,536 tokens of Non prohibited bores valuing Rs 208.548 million) to the public but neither calculated nor collected the amount of tax on said licenses in violation of provisions of Sales Tax Act, 1990.

Thus by non-charging of sales tax on chargeable goods, NADRA incurred loss to the government exchequer.

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

Audit recommends justifying reasons for non-charging of sales tax on the provision of the computerized licenses, calculate the total tax according to the value supplied to the Government and deposit the tax into Government exchequer under intimation to Audit.

Para30 (NADRA-2022-23)

12.1.4.32 Poor project feasibility and lack of monitoring mechanism resulting in losses and damage to the reputation of NADRA

According to annex A of the contract dated 20th June 2017 between NADRA and Pakistan Post Office for the establishment of designated counters at GPOs for providing registration facilities states: following categories of ID cards will be processed through NADRA PAK-ID Web based applications at PPOs: (A). Renewal of ID card (B). Duplicate of ID card and (C). Modification of ID card.

During audit of NADRA for the year 2022-23, it was observed that NADRA initiated Pakistan Post Office PAK ID Project through contract between NADRA and Pakistan Post Office dated 20th June 2017. The main objective of the project was to provide citizen registration facilities as mentioned above through designated counters in Pakistan Post offices in the country. Audit observed the following:

a) The project sites were selected randomly without any feasibility study or demographic survey. This is evidenced by the fact that hundreds of sites were subsequently shifted from one GPO to another. This can hurt NADRA’s reputation.

b) No monitoring mechanism had been devised by project management to check the progress.

c) No marketing efforts were made by NADRA to market the services launched.

d) NADRA primary ledger was thoroughly searched by audit but the expenditure in relation to the project could not be ascertained. NADRA ledgers were silent about the detailed breakup.

e) The data of NADRA is very confidential in nature and there is a chance of data leakage by the post office staff. This may hurt NADRA's reputation.

f) Trained staff was regularly transferred from one GPO to another by GPO office which resulted in hindering activities.

g) Apparently, there was no need to establish physical counters if the project was considered as an extension of PAK ID services which were online services.

Audit is of the view that PPO project was started without proper feasibility and lack of monitoring mechanism which resulted into poor performance and extra administrative burden and losses.

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

Audit recommends to explain reasons for the lack of feasibility and monitoring and give a breakup of the income and expenditure (all items lines including equipment, HR, renovation etc.)

Para-27 (NADRA-2022-23)

12.2 NADRA Technologies Limited

12.2.1 Introduction

NADRA Technologies, the commercial interface for NADRA, provides a variety of products and value-added services to both national and international clients, with Identity Verification and eSahulat being the most significant domestic services. Our professional staff provides clients with objective and optimal solutions.

Vision & Mission

Our mission is to continually demonstrate a passion for the customer and provide the finest level of service. We believe in producing trustworthy and cutting-edge solutions that address today's problems and pave the way for technological advancements in the future.

12.2.2 Comments of 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 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts of 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(refer Annex-2).***

12.2.3 Compliance of PAC Directives

There were no pending PAC directives for compliance.

12.2.4 Audit Paras

12.2.4.1 Unauthorized investment of funds in Treasury Bills – Rs 3,919.561 million

According to the Finance Division O.M. No.F.4(1)/2002-BR-II dated July 02, 2003, September 06, 2004, September 22, 2005, and December 23, 2014 (a) for the sake of the safety and security of deposits, the bank/financial institutions taking a deposit should have a minimum "A" rating (long-term) as appearing on the website of the State Bank of Pakistan. (b) The process of selection of bank/(s) should be transparent therefore, before placing deposits with a bank under this new policy…" The Finance Division vide its OM No. F.4(1)/NTR/2002-666/2022 dated May 18, 2022 has withdrawn its earlier O.M. No. F.4(1)/2002-BR-II dated July 02, 2003, September 06, 2004, September 22, 2005, and December 23, 2014 and the approval accorded to any public sector entities for maintaining working balance are also hereby withdrawn.

During audit of NADRA Technologies Limited for the year upto 2021-22, it was observed that the management invested Treasury Bills at a purchase price of Rs 3,919.567 million having a face value of Rs 4,050.00 million on June 21, 2022 with a maturity date August 25, 2022 in disregard to the above referred Finance Division OM.

Audit is of the view that the investment made contrary to the clear instruction of the Finance Division was unauthorized.

The matter was reported to the management on December 05, 2023 and Principal Accounting Officer (PAO). The DAC in its meeting held on December 28, 2023 directed the management to obtain clarification from Finance Division on the matter of investment made by the company.

Audit recommends compliance of the DAC directives.

Para-1 (NTL - 2021-22)

12.2.4.2 Wasteful expenditures due to non-achievements of objectives set for the establishment of the company - Rs 1,273.781 million

According to the Memorandum of Association of NADRA Technologies Limited, there were 72 objectives to be achieved. The rationale behind the establishment of the company was to undertake surveys, development of electronic chips, software development, data warehousing, and management, business process re-engineering, documentation, and reporting in the field of information technology and graphic information system for the public and private sector, nationally and internationally to achieve a market share in the global market through Innovation & efficient utilization of Resources, generate foreign currency reserves, revitalize the IT industry, and create employment.

During Audit of NADRA Technologies Limited for the year upto 2021-22, it was noted that the management of the National Database and Registration Authority (NADRA) established a subsidiary company namely NADRA Technologies Limited in the year 2004, under the Companies Ordinance, 1984. There were seventy-two (72) objectives defined in the company Memorandum of Association.

Audit observed that management of NADRA Technologies Limited did not take any kind of practical initiative for the achievement of the objectives as defined in the Memorandum of Association of the Company since its establishment. Financial Statements for the year ended June 30, 2022, showed huge amount of expenditure incurred but the achievement of objectives were very insignificant. During the financial year 2021-22 NTL had major sources of earning from E-Shaulat project and Verisys project only. This showed that the management could not develop appropriate marketing strategies which could give it a competitive edge over the competitors in the global markets of information technology or bring a new project to the company. It is pertinent to mention here that the order/decision of the competent Authority for its needs of establishment as a subsidiary company was not shared with the audit.

Audit is of the view that non-initiative for achievements of major objectives as mentioned in the company Memorandum of Association was a serious lapse on the part of the company besides expenditure amounting to Rs 1,506.284 million incurred on operating costs out of which Rs 1,273.781 million incurred on salary & wages and traveling & conveyance respectively stands wasteful.

The matter was reported to the management on December 05, 2023 and Principal Accounting Officer (PAO). The DAC in its meeting held on December 28, 2023 directed the management to share yearly progress for achievement of objectives of NTL with Audit. Audit recommends compliance of the DAC directives.

Para-3 (NTL - 2021-22)

12.2.4.3 Irregular investment of funds in Treasury Bills – Rs 1,501.166 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 Rs10 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 NADRA Technologies Limited for the year upto 2021-22, it was observed that the management invested Rs 1,501.166 million having a face value of Rs 1,546.00 million on April 21, 2022 with a maturity date of July 14, 2022 in treasury bills. In disregard to the above-referred policy of the Government dated July 02, 2003, the following irregularities were also observed:

- The working balance limit was not determined with the approval of the administrative Ministry in consultation with the Finance Division.
- The funds were invested without the recommendations of the Investment Committee and the approval of the Board.
- The services of professional fund managers duly approved by SECP were not obtained.
- The CEO of the company was required to issue a certificate on an annual basis that the instructions contained in the above referred OMs are being followed in respect of working balance and surplus funds of the organization which was not done.

Audit is of the view that during the time of investment, the directions of Finance Division dated July 02, 2003, were fully applicable at the time of making investment. However, the management of NTL did not follow the said directions and invested funds against the policy which was considered as unauthorized/ irregular.

The matter was reported to the management on December 05, 2023 and Principal Accounting Officer (PAO). The DAC in its meeting held on December

28, 2023 directed the management to share yearly progress for achievement of objectives of NTL with Audit.

Audit recommends compliance of the DAC directives.

Para-4 (NTL - 2021-22)

12.2.4.4 Unauthorized expenditure of Rs 691.694 million incurred by the parent organization

According to rule-9 of General Financial Rule Volume-I, as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year. According to Corporate Governance Rules, 2013 5 (5) 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, 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 Technologies Limited for the year upto 2021-22, it was observed that the financial statements for the year ended June 30, 2022, showed expenditures incurred by the parent organization of Rs 373.991 million and Rs 317,703 million for the year ended June 30, 2021, respectively. It is pertinent to mention here that the parent organization can not incur expenditure on behalf of a subsidiary company without prior written approval and without any legal agreement between the parties.

Audit is of the view that the incurrence of expenditure on behalf of the company by the parent organization without prior approval from competent authority and without any legal agreement with parties was unauthorized.

The matter was reported to the management on December 05, 2023 and Principal Accounting Officer (PAO). The DAC in its meeting held on December

28, 2023 directed the management that detail of services provided by the NTL to NADRA and agreement between NADRA and NTL be got verified from audit.

Audit recommends compliance of the DAC directives.

Para-10 (NTL - 2021-22)

12.2.4.5 Appointment of Chief Executive Officers of the company without approval of Federal Government

According to Cabinet Secretariat Establishment Division OM No. 6/4/96-R-3 dated September 14, 2018 and OM No. 6/4/96-R-3 dated May 10, 1997, provides that the appointment of Chief Executive/Head of Organization “Selection Board headed by the Minister Incharge to consider and recommend from a panel of three names for each vacancy” provided that, where the charge of the Ministry/Division is headed by the Chief Executive, the selection board shall be headed by the Secretary of the respective Ministry/Division and approving authority for the said appointment is the Prime Minister/Chief Executive. According to rule 5 (2) of Corporate Governance Rule 2013, “the Board shall evaluate the candidates based on the fit and proper criteria and the guidelines specified by the Commission for appointment to the position of the chief executive and recommend at least three candidates to the Government for its concurrence for appointment of one of them as chief executive of the Public Sector Company…”

During audit of NADRA Technologies Limited for the financial years upto 2021-22, it was revealed that the Chief Executive Officers of the company were appointed without approval/concurrence of Federal Government which was clear violation of above referred Cabinet Secretariat Establishment Division OM and provisions of Corporate Governance rules and was held irregular.

Audit is of the view that appointment of the Chief Executive Officer of the Company without concurrence of Federal Government contrary to the Cabinet Secretariat Establishment Division OM and the provisions of Corporate Governances rules was considered irregular.

The matter was reported to the management on December 05, 2023 and Principal Accounting Officer (PAO). Management explained in DAC meeting that chairman NADRA and CEO was the same positions and there was no need to obtained separate approval from the Govt. of Pakistan for appointment of CEO of the NTL. The DAC in its meeting held on December 28, 2023 directed the management that relevant record be got verified from audit.

Audit recommends compliance of the DAC directives.

Para-6 (NTL - 2021-22)

Chapter-13

Ministry of Housing & Works

Overview

As per Rules of Business, 1973, Ministry of Housing and Works is responsible for development of sites, construction, furnishing and maintenance of Federal Government buildings, except those under the Defense Division and Ministry of Foreign Affairs. Pak PWD, FGEHA, and PHAF are the implementing arms of Housing and Works to discharge with the assigned responsibilities. Pak PWD is responsible for construction and maintenance works (Buildings and Roads) of the Federal Government. The FGEHA is authorized to initiate, launch, sponsor and implement Housing Schemes for Federal Government Employees in major cities of Pakistan, to make and assist, as far as possible, each of them to have house at the time of retirement or earlier. PHAF is mandated to provide shelter and to reduce the housing shortfall in Pakistan.

Aims & Objectives

Ministry of Housing and Works is responsible to carry out the following functions:

1. Acquisition of Federal Government buildings, except those under the Defence Division.
2. Provision of Government owned office accommodation and residential accommodation, policy for acquisition, requisitioning and hiring of office and residential accommodation for officers and staff of the Federal Government.
3. Fixation and recovery of rent of Government owned, hired and requisitioned buildings.
4. Management of Federal lodges.
5. Land and buildings belonging to the Federation wherever situated and revenues derived there from.
6. Administration of the Federal Government Lands and Buildings (Recovery of Possession) Ordinance, 1965 (LIVof1965).

7. Matters relating to the Federal Government lands licenses to various cooperative housing societies in Karachi, except those under the Defence Division.
8. Transfer of property, other than agricultural land, registration of deeds and documents.
9. Administrative control of the National Housing Authority.
10. National Housing Policy.
11. Development of sites, construction, furnishing and maintenance of Federal Government buildings, except those under the Defence Division.
12. Coordination of civil works budget and Execution of Federal Government works.
13. Officers belonging to the Engineering Group.
14. Matters relating to the National Construction (Domestic) Limited.
15. Physical planning and human settlements including urban water supply, sewerage and drainage.

Governing Laws and Policies

- Accommodation Allocation Rules
- Allotment of Semi-Permanent Accommodation in Federal Government Hostels Rules, 2019.
- Building Codes of Pakistan

Audit Profile of Ministry of Housing & Works

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	1	1	15.301	88.603
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	1	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 843.684 million were raised as a result of this audit. This amount also includes recoverable of Rs 147.015 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	51.641
B	Procurement related irregularities	11.60
C	Management of accounts with Commercial Banks	0
4	Value for money and services delivery issues	215.400
5	Others	565.043

13.1 Pakistan Environmental Planning & Architectural Consultant (Pvt.) Limited

13.1.1 Introduction

PEPAC is a self-financed Company established/incorporated in 1974 through resolution to provide Town Planning, Environmental Engineering and Architectural Consultancy Services to projects initiated by the Government, Semi-Government and Autonomous Bodies.

It is registered with Securities Exchange Commission of Pakistan (SECP), Pakistan Engineering Council (PEC) and Pakistan Council of Architects and Town Planners (PCATP) and is administered by a Board of Directors, which has its Chairman; Federal Secretary to the Government of Pakistan in an ex-officio capacity. The Managing Director is the operational head of the firm. The organization has advantage of being fully under the Federal Government, yet operating as a private professional entity and competing with other private sector consultancies in the field to procure business in the market through competition generating finance from consultancy fee by clients to meet the day to day expenses/expenditures.

13.1.2 Comments on audited accounts

13.1.2.1 The working results of the Company for the year 2022-23 as compared to the previous years are given below:

(Rs in million)

Particulars	2022-23	% inc/ (Dec)	2021-22	% inc/ (Dec)	2020-21
Revenue/Professional Fee	51.593	(11.88)	58.548	(1.80)	59.624
Cost of revenue	42.307	(2.78)	43.517	(14.29)	50.772
Gross Profit / (loss)	**9.286**	(38.22)	**15.031**	69.80	**8.852**
Administrative Expenses	8.417	(28.61)	11.790	37.64	8.566
Distribution Cost	0.121	28.72	0.094	(35.17)	0.145
Finance Cost	0.020	(16.67)	0.024	(35.14)	0.037
Operating Profit / (loss)	**0.728**	(76.69)	**3.123**	2,902.88	**0.104**
Other operating income	0.403	69.33	0.238	83.08	0.13
Profit before Taxation	**1.131**	(66.35)	**3.361**	1336.32	**0.234**
Provision for Taxation	1.078	10.56	0.975	-	-
Profit for the year	**0.053**	-97.78	**2.386**	919.66	**0.234**

The revenue of the company decreased to Rs 51.593 million during the year 2022-23 as compared to Rs 58.548 million in 2021-22 registering a decrease of 11.88%. This showed poor performance of the company especially with reference to sale of consultancy services. Reasons for decrease of revenue need to be explained.

13.1.2.2 Trade and other payables increased by 7.61% (2022-23: Rs 134.554 million – 2021-22: Rs 125.037 million) during the year 2022-23. Main increase was made in trade creditors and payable to statutory funds. Detailed aging of these liabilities along with reasons need to be explained. Audit stresses for early release of these liabilities.

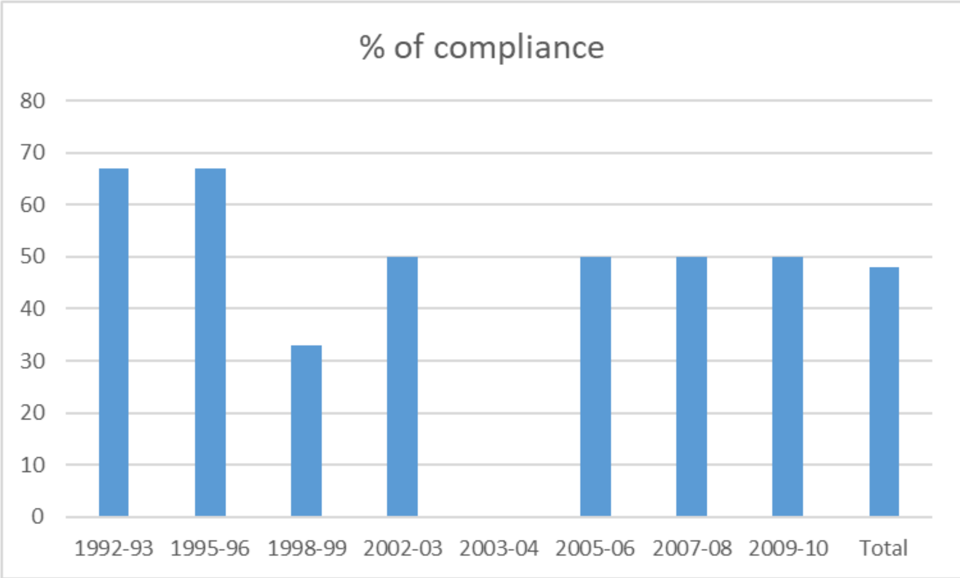
13.1.2.3 Trade debts increased by 13% (2022-23: Rs 127.28 million– 2021-22: Rs 135.22 million) during the year 2022-23. The non-recovery of trade debts may result in bad debts in the years to come. This indicated ineffective credit policy of the Corporation. Effective steps needed to be taken for early recovery and to avoid its conversion into bad debts.

13.1.2.4 Retention money receivables increased in the current year as compared to previous year i.e. Rs 21.36 million as on June 30, 2023 and Rs 18.66 million as on June 30, 2022. Break-up of retention money receivables along with reasons for non-receipt of retention money may be explained.

13.1.2.5 Physical verification of assets valuing Rs 16.35 million as on June 30, 2023 was not conducted by an independent store verifier. Value of store assets, therefore, cannot be authenticated which needs to be explained.

13.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1992-93	03	02	01	138	67
1995-96	03	02	01	123	67
1998-99	03	01	02	103, 104	33
2002-03	06	03	03	47 & 48, 48.4, 49	50
2003-04	02	0	02	35.3, 35.5	-
2005-06	04	02	02	54, 54.3	50
2007-08	02	01	01	41.2	50
2009-10	02	01	01	64	50
Total	**25**	**12**	**13**		**48**



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

13.1.4 Audit Paras

13.1.4.1 Irregular expenditure without approval of budget and non-submission of the annual accounts to the SECP - Rs 301.481 million

Chapter V (A) "Management and Administration" of the Articles of Association of the company requires the establishment of the BoD comprising the number of Directors shall not, in any case, be less than two. According to S. No. 08 of Section 196 of the SECP rules, powers of Directors with regard to managing the business of the company, the directors of a company will approve annual or half-yearly or other periodical accounts as are required to be circulated to the members;

During the audit of the PEPAC for the year 2019-22, it was observed that last meeting of the BOD was conducted on 17.06.2017 and thereafter no meeting was convened till expiry of the tenure of BoD in 2020. Further, management failed to prepare the budgets for the years 2017-18 to 2021-22 for approval from the PAO in the absence of the BoD.

Audit is of the view that due to non-preparation and approval of the annual budgets, the expenditure of Rs 301.481 million incurred without prior approval was irregular.

Year	Total expenditure (Rs)
2017-18	63,697,468
2018-19	63,235,991
2019-20	58,470,072
2020-21	59,678,259
2021-22	56,399,625
Total:-	**301,481,415**

The annual financial statements of the company were also not submitted to the SECP as the same were not approved by the BoD which was a violation of the SECP rules.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated accounts would be presented to Board as and when constituted.

The reply is not convincing as BOD was not constituted since 2020 and management failed to prepare the budgets for the relevant years for approval from the PAO.

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

Audit recommends justifying the incurrence of the expenditure without prior approval of the budget from the PAO and intimating the reasons for non-formation of the BoD.

Para-1 (PEPAC – 2019-20-2021-22)

13.1.4.2 Unauthorized execution of the works through joint venture firms without competition - Rs 215.40 million

According to Para 12 (1) of the 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. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. According to Para 15 (1) 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.

During audit of PEPAC for the years 2019-22, it was observed that 05 works of Rs 215.40 million were executed through joint ventures with other firms/companies by signing MoUs without adopting the proper procedure.

The following points were observed during the audit:

1. Open tendering system as required under the PPRA was not adopted to prequalify the joint venture firms.
2. MoUs were directly signed by the acting Managing Director without approval of BoD or administrative ministry.
3. Works were obtained on the goodwill of the PEPAC and then awarded to other companies despite the availability of technical staff.
4. All Joint venture agreements were signed with M/s Zeeruk, EPCM, M/s EGC and M/s Sheher Saaz which seemed that undue favour was given to the firms.
5. Record relating to the Joint venture firms were not produced to audit.
6. All works were given to the companies/firms on the profit sharing ratios of 05: 50:25:20 to 30:70 without any proper justification, which seemed that firms were benefited at the cost of the company.
7. No Joint venture bank accounts were opened before the execution of the works and payments were made directly to the companies/firms.

Audit is of the view that works were illegally executed through the joint venture companies /firms therefore, held Irregular and violations of the PPRA 2004 rules.

The matter was reported to the management on September 21, 2023. The management in its reply on January 06, 2024 stated that PEPAC, as part of joint venture, received project awards but was lacking PCATP registration, hindering its ability to bid independently for town planning projects. Additionally, PEPAC lacked the necessary experience, bid security, performance bank guarantee, annual turnover, and required professionals for such projects. Consequently, PEPAC was unable to meet the criteria for bidding on town planning projects as a single entity.

The reply is not tenable as PPRA was not adopted to prequalify the joint venture firms prior to the execution of the works with them.

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

Audit recommends investigating the matter and fixing responsibility thereof.

Para-2 (PEPAC – 2019-20-2021-22)

13.1.4.3 Non-recovery of outstanding dues from various clients - Rs 127.283 million and non-imposition of penalty on the clients for delayed payments - Rs 12.728 million

Rule 7 (2) (L) of the 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 PEPAC for the years 2019-22, it was observed that an amount of Rs 127.283 million was outstanding against various departments as on 30.06.2023 since long but the management failed to recover the amount. Management also failed to include a penalty clause in the contract agreements, of Rs 12.728 (@ 10 % of Rs 127.283 million).

Audit is of the view that due to lack of financial control, the company sustained loss of Rs 140.011 million (Rs 127.283 + Rs 12.728 penalty).

The matter was reported to the management on September 21, 2023. The management in its reply on January 06, 2024 stated that PEPAC was mostly working on public sector projects and payments remained outstanding due to lack of funds by the Government. Further, payments were linked with deliverables which needed approvals from different forums.

The reply is not tenable as a huge amount was recoverable since long.

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

Audit recommends justifying non-inclusion of the penalty clause in the agreements and recover the amount involved from the departments.

Para-5 (PEPAC – 2019-20-2021-22)

13.1.4.4 Loss due to irregular creation of salaries' liability of employees - Rs 56.862 million

According to Para 09 of the General Financial Rules Vol-1, as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

During audit of PEPAC for the years 2019-22, the financial record of the company showed a pending liability of Rs 56.862 million (Rs 46.769 million and Rs 10.093 million) on account of payment of arrears of salaries to current and ex-employees respectively till May 2023.

Audit observed that out of total 93 employees, there were 39 current employees and 27 ex-employees whose salaries were pending for the last six months to two and half years. Such situation depicted that either these employees were not actually performing their duties or might be fake/ghost.

Audit is of the view management failed to curtail / reduce the staff according to the actual requirement of the company and a huge liability of Rs 56.862 million had been created which was a burden on the company.

The matter was reported to the management on September 21, 2023. The management in its reply on January 06, 2024 stated PEPAC had requested the government many times for one time grant for the clearance of the outstanding dues of the ex-employees. PEPAC staff was reduced to bare minimum and in fact lacking by technical professionals.

The reply is not tenable as more than 13 salaries were paid to the current employees whereas, dues of few ex-employees & other liabilities were also cleared during the FY 2021-22.

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

Audit recommends to justifying creation of liability of the salaries, rationalize the staff and strenuous efforts be made to make the company an ongoing concern.

Para-6 (PEPAC – 2019-20-2021-22)

13.1.4.5 Non-payment of outstanding liability of CP Fund of the employees of PEPAC – Rs 35.889 million

According to Para 24 and 27 of the CP Fund rules, 1975, every subscriber and employer shall contribute equally @ a minimum of 10 % of the pay to the fund each month.

During audit of PEPAC for the years 2019-22, it was observed that there was an outstanding liability of statutory funds amounting to Rs 35.889 million payable to the CP Fund trust of the employees. PEPAC failed to deposit the due share of the employees' as well as the employer's contributory provident fund upto 30.06.2022.

Audit is of the view that due to non-payment of the due share of the fund, employees were deprived of the benefit of the CP Fund amounting to Rs 35.889 million.

The irregularity was occurred due to lack of internal control.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that PEPAC was hardly managing to disburse the salaries to its staff, however as and when funds would be available, CP fund contribution would be deposited.

The reply is not convincing as PEPAC management failed to pay its outstanding liability of CP fund.

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

Audit recommends immediately deposit the amount into the CP Fund trust and disciplinary action be initiated against the individuals held responsible for non-payment of the subscriptions in-time.

Para-7 (PEPAC – 2019-20-2021-22)

13.1.4.6 Loss due to irregular payment of adhoc relief allowances - Rs 15.325 million

According to the Office Memorandums of the Finance Division of Govt. of Pakistan for federal employees issued in the year 2017 to 2019 and 2021, Public Sector Corporations and Autonomous / Semi-Autonomous Bodies which have adopted different pay scales / allowances, in case of such organizations, the revision of Basic Pay Scales-2017 @ 10% of basic pay subject to existing conditions will be allowed with the concurrence of Standing Committee of Finance Division on recommendations of the respective Board of Directors / Governors. The revision of basic pay scales -2017 to 2021 and grant of Adhoc Relief Allowance 2017 to 2018 @ 10%, 2019 @ 05 % and 2021 @ 10 % of basic pay will invariably be tagged with the financial position of the organization.

During audit of PEPAC for the years 2019-22, it was observed that Govt. of Pakistan sanctioned adhoc relief allowances for the federal Govt. employees and the same were implemented by the management of PEPAC and made payment to its employees amounting to Rs 15.325 million in the years 2017 to 2021 without approval of BOD.

Audit is of the view that payment of the adhoc relief allowances to the employees without approval of the BOD was irregular.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that BOD in 83rd meeting at agenda item No. 83.4 dated 28th January 2007 allowed Managing Director PEPAC to "adopt the Government of Pakistan's pay scales and allowances as & when announced and subsequently apprise the Board in next meeting".

The reply is not tenable as PEPAC incurred expenditure of adhoc relief allowances without approval of BOD.

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

Audit recommends justifying the payment of adhoc relief allowances without approval of BOD, fixing responsibility and effecting recovery from the employees.

Para-8 (PEPAC – 2019-20-2021-22)

13.1.4.7 Irregular award of contract to Sub-Consultant - Rs 11.60 million

According to rule 03 (1) of the delegation of powers of the company, Chief Executive is empowered to approve quotations, and tenders and incur expenditure on works up to Rs 5 lac.

According to notification No. 1(1) Admn-IV/PEPAC /PD/18 dated 08.10.2020, the present Deputy Managing Director PEPAC was entrusted the charge of the post of M.D just for releasing salaries to the staff.

During audit of PEPAC for the years 2019-22, it was observed that a work "Establishment of 250 bedded hospital at Skardu (Consultancy Services)" was awarded to the PEPAC at an estimated cost of Rs 11.600 million vide letter dated 12.05.2020. The work "Structural design vetting of project establishment of 250 bedded hospital Skardu" was sub-let to the sub-consultant M/s Design Inn. @ Rs 1.7 per sft vide work order dated 26.10.2020.

Audit observed the following:

1. Chief Executive/Managing Director was empowered to approve the works up to Rs 05 lac only, therefore the work was required to be got approved by the Board.
2. Comparative statement of the work was put up to the Managing Director (Muhammad Anwar Hussain Ch.) but he did not approve the work being entrusted to the look after charge of the company.
3. Eng. Nawazish Iqbal, Deputy Managing Director, entrusted charge of the post of M.D by the Ministry just for the purpose of releasing salaries of the employees therefore he was not competent to approve the said work hence considered violation of the ministry's orders.
4. Work was awarded to the consultant M/s Design. Inn at the rate of Rs 1.7 to 03 per sft but the other firm M/s City Engineering Consultant and M/s EDFIC who offered Rs 1.75 per sft each were ignored by the management being the lowest firm.

5. The company had qualified and experienced Engineers in grades G-8 to G-12 (BPS 17 to 21) therefore was required to do the vetting of design work at their own level but instead, the work was sublet to other consultant and thus company was deprived of the revenue received from the client.

In light of above, audit is of the view that consultancy work was irregularly awarded to the dear one consultant at the cost of the company.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that structure design Engineer was not available in house therefore structural design services were hired as per authorization given by the BOD in its 84th meeting vide agenda No. 84. The work was awarded @ Rs 1.7 per sft while bids of other bidders were more than Rs 1.7 per sft.

The reply is not convincing as the work was awarded by the Deputy Managing Director beyond his delegation of financial powers.

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

Audit recommends investigating the matter of award of consultancy work of design vetting to the sub-consultant by ignoring the lowest bidder and fix responsibility.

Para-9 (PEPAC – 2019-20-2021-22)

13.1.4.8 Non-payment of liabilities of the ex-employees Rs 9.517 million and unjustified final payments to the members of the trustee’s - Rs 6.326 million

According to Para 45 of the CP Fund rules, 1975, when a subscriber quits the services of the company, the amount standing at his credit in the Fund shall become payable to him.

During audit of the PEPAC for the years 2019-22, it was observed that trustees of the CP Fund invested Rs 4.00 million in the defense saving certificates in 2009-10 for a period of ten years. On maturity, a sum of Rs 12.335 million was received vide cheque dated 03.09.2019. Out of total funds received by the trust, two officers of the board of trustees, Mr. Najeeb Ur Rehman Khan, Ex-M.D and Bashir Ahmad Malik, Accountant were paid Rs 6.326 million (Rs 3.241 million and Rs 3.086 million) vide cash book Page No. 29 14.10.2019 and cheque No. 38211840 23.01.2023 respectively and remaining amount was paid as advances to the existing employees, despite of the fact that final payment liability of Rs 9.517 million of the poor ex-employees of the company was outstanding since long.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that PEPAC was hardly managing to pay the salaries of the current employees. However, liabilities of ex–employees were being cleared from time to time with surplus amount.

The reply is not tenable. The management of PEPAC ignored poor employees who were not paid their salaries since long and disbursed Rs 12.529 million to blue eyed employees by granting advances and clearing their retirement benefits.

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

Audit recommends investigating the matter and fixing responsibility.

Para-10 (PEPAC – 2019-20-2021-22)

13.1.4.9 Loss due to execution of the work by Sub-letting to another firm without competition - Rs 8.970 million

According to rule 12 (1) of the 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. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. According to rule 15 (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.

During audit of PEPAC for the years 2019-22, it was observed that the work “Consultancy Services for a feasibility study of establishment of education city of Barwand area -South Waziristan” was won by the PEPAC at a cost of

Rs 8.970 million from the Higher Education Department, Govt. of Khyber Pakhtunkhwa vide approval letter dated. 16.03.2021 and agreement dated. 02.03.2021. The work was sub-let by the management to M/s Sheher Saaz (Pvt.) Ltd vide agreement dated 17.03.2021 at the profit sharing ratio of 30:70% (2,691,000: 6,279,000) respectively. A sum of Rs 2.900 million had been received from the client till date of audit i.e. 31.03.2023 against which Rs 1.080 million were paid to the sub-contractor M/s Sheher Saaz (Pvt.) Ltd.

Audit is of the view that the work was sublet to the dear one firm without any codal formalities i.e. competition by advertising in daily newspapers to achieve the most economical rates, therefore, held irregular.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that project was procured along with JV firm because not having the similar expertise, professionals required for performing the services and not having the PCATP registration.

The reply is not tenable as the work was won by PEPAC independently which was sublet irregularly in violation of PPRA rules.

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

Audit recommends conducting a fact-finding inquiry to probe into the matter and fixing responsibility.

Para-11 (PEPAC – 2019-20-2021-22)

13.1.4.10 Irregular promotion / appointment of officers - Rs 24.861 million

According to Para 6.5 of the service rules 1975 of the PEPAC, vacancies as far as possible in each group will be filled by departmental promotions subject to the availability of departmental personnel of minimum prescribed qualifications and experience and also taking seniority, merit, suitability, efficiency and experience into consideration of which the company shall be the scale judge. According to the appointment, qualification, and experience criteria for each pay scales of the PEPAC, prescribed experience with a bachelor degree in civil and mechanical engineering from Pakistan or Middle East University was required. According to rule 6(1) (a) of schedule–II of EstaCode edition 2021, minimum length of service for eligibility for promotion to posts in various BPS shall be as follows:

For BPS 18	5 years in BS 17
For BPS 19	12 years in BS 17 and above
For BPS 20	17 years in BS 17 and above

During audit of PEPAC for the years 2019-22, it was observed that the management of PEPAC promoted five officers on the recommendations of the appraisal committee of the local officers and no officer from the Ministry or elsewhere was part of the committee to cross-check the suitability of the officers for promotion and without approval of the BOD. The detail is given at Annex-82.

No rules regarding minimum length of service for promotion of the officers from one grade to another were available resulting in to undue benefit granted to the officers due to irregular promotions.

Audit is of the view that in the absence of PEPAC's own rules regarding length of service, Government rules should have been adopted which was not done. Thus, due to irregular promotions of the officers, the company sustained a loss of Rs 24.861 million due to payment of excess pay & allowances.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that PEPAC recruitment and qualification were revised and approved by the BOD in its 84th meeting at agenda No. 84.12 and all the hiring and promotions were made accordingly. BOD authorized Managing Director with full administrative and financial powers for hiring and promotion of the employees.

The reply is not convincing as the Service Rules of PEPAC were silent regarding tenure required for promotion of the officers. Therefore, in absence of rules of PEPAC, the management was required to apply Government rules for promotions.

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

Audit recommends justifying appointment and promotions of the officer without fulfilling the required length of service, conduct fact-finding inquiry to probe into the matter for the irregular promotions of the officers, besides fixing responsibility and recovery of the overpaid amount from the officer concerned.

Para-12, 13, 14, 17, 18, (PEPAC – 2019-20-2021-22)

13.1.4.11 Loss due to overpayment of salaries to the project staff - Rs 4.718 million

According to the minutes of the meeting held on 20.072020 between MD PEPAC and the Director Works "Workers welfare complex (Phase-1), Adjacent to Sundhar Industrial Estate District Kasur", monthly remunerations to the staff of the project were as follow:

S. No.	Particulars	Qty.	Amount (Rs)	Total Amount (Rs)
1	Project Manger	01	80,000	80,000
2	Resident Engineer	01	65,000	65,000
3	Assistant Resident Engineer	01	60,000	60,000
4	Supervision Inspectors	09	30,000	270,000
5	Office Expense	01	35,208	35,208
	16 % PRA Tax			81,633
	7.5 % tax			38,266
	Grand Total:-			**630,107**

During audit of PEPAC for the years 2019-22, it was observed that consultancy services of the work "establishment of workers' welfare complex adjacent to Sundar Industrial Estate (Phase-1) Distt. Kasur" was awarded to the PEPAC vide work order dated 25.10.2011. The record revealed that PEPAC claimed the salaries on agreed rates from the client but actually paid salaries in excess of the entitlement causing an overpayment of Rs 4.718 million.

Audit is of the view that the company sustained a loss of Rs 4.718 million on payment of excessive salaries to the employees, therefore, held irregular.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that PEPAC received Rs 16.412 million against the design work and Rs 14.860 million against the supervision fee whereas expenditures on this project were much less than the payment received therefore no loss to the company.

The reply is not tenable as the management made payment of salaries in excess of the entitlement.

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

Audit recommends investigating the matter, fixing responsibility and recovery of overpaid amount from the concerned employees or the person(s) held responsible.

Para-15 (PEPAC – 2019-20-2021-22)

13.1.4.12 Loss due to overstatement of the CP Fund contribution - Rs 4.693 million

According to Para 24 and 27 of the CP Fund rules, 1975, every subscriber and employer shall contribute equally @ a minimum of 10 % of the pay to the fund each month.

During audit of PEPAC for the years 2019-22, the accounts of the CP Fund Trust of the PEPAC employees showed contributions of Rs 9.598 million from 2019-20 to 2020-21, whereas the actual contribution credited into the bank account of the trust was only Rs 4.905 million.

Audit is of the view that due to non-payment of due share of the fund, employees were deprived of the benefit of the CP Fund amounting to Rs 4.693 million.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that PEPAC was hardly managing to disburse the salaries to its staff, however as and when funds would be available, the same would be deposited into CP fund account.

The reply is not tenable as due share of CP fund contribution was not deposited into CP Fund account.

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

Audit recommends investigating the matter and fixing responsibility on the person(s) at fault besides payment of due amount into the CP Fund account.

Para-16 (PEPAC – 2019-20-2021-22)

13.1.4.13 Loss due to overpayment of leave fare assistance and non-recovery of the amount from the officers/officials – Rs 4.42 million

According to clause 23 (a & b) of the revised TA rules 1983 of PEPAC, Leave Fare Assistance (LFA) is allowed to employees at the following rates:

a) In respect of workers in scale No. 1 to 7 or those specially classified as such.
   Half month's pay inclusive of cost of living allowance admissible as on the date of entitlement i.e. last day of each year's continuous service which shall be payable with earned (annual) and or casual leave equal to a minimum of 10 days for each spell of privilege which shall not be refused.
b) In respect of Supervisory and Managerial Staff in scale No. 8, one month's pay inclusive of cost of living allowance admissible as on the date of entitlement

During audit of PEPAC for the years 2019-22, it was observed that the management paid Leave Fare Assistance (LFA) to its employees on the rates of gross salaries (pay and allowances) for the period instead of gross pay (basic pay, qualification pay and personal pay etc.) resulting into excess payment of Rs 4.42 million. Further, no leave account was maintained by the management to know the factual position of leave.

Audit is of the view that due to excess payment of the LFA to the employees, company sustained a loss of Rs 4.42 million.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that rules regarding LFA were revised by the management with the approval of the BOD and detailed working would be shared accordingly.

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

Audit recommends investigating the matter and fixing responsibility for over payment of Leave Fare Assistance in violation of rules besides effect recovery.

Para-20 (PEPAC – 2019-20-2021-22)

13.1.4.14 Non-deposit of tender fee into govt. treasury - Rs 1.294 million

According to the NIT of the bidding documents, tender fee at the prescribed rates mentioned in the advertisement was required to be deposited by the bidders with the PEPAC.

During audit of PEPAC for the years 2019-22, it was observed that the management of PEPAC issued tender documents of different projects to the bidders with the condition to deposit tender fee mentioned in the NIT. However, the bank accounts of the company were silent about the receipt and deposit of the tender fee amount. Further, no tender register was maintained by the company.

Audit is of the view that due to non-deposit of tender fee, the company sustained a loss of Rs 1.294 million.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that inquiry against Mr. Shad Muhammad Dy. Manager (A&F) was under process and findings would be shared with Audit upon finalization.

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

Audit recommends investigating the matter at the earlies, fixing responsibility and effecting recovery.

Para-21 (PEPAC – 2019-20-2021-22)

13.1.4.15 Non-recovery of advances from employees - Rs 1.017 million

Rule 7 (2) (L) of the 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 PEPAC for the years 2019-22, it was observed that management paid advances of Rs 1.017 million to different employees as TA/DA and meeting expenses of purchase & services. Most of the advances were lying outstanding against employees for the last 03 to 05 years but management failed to recover the amount in the same financial year causing loss to the company.

Weak internal control led to non-recovery/adjustment of dues from the employees.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that only one person was working in the account/ finance section and he was entering the adjustment against the advances and these adjustments would be completed before closing of the financial year account of PEPAC.

The reply is not cogent as the adjustments of outstanding advances should have been made before the close of financial year, which was not done.

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

Audit recommends recovery / adjustment of advances from the employees without further delay.

Para-24 (PEPAC – 2019-20-2021-22)

13.1.4.16 Irregular appointment of staff without advertisement and approval of the Managing Director - Rs 1.30 million

Cabinet Secretariat (Establishment Division) letter dated 6th May, 2000, (iii) (b) stipulates that vacancies should be advertised in the leading national and regional newspapers (c) selection should be made through regularly constituted Selection Committees / Board.

During audit of PEPAC for the years 2019-22, it was observed that the following staff was appointed on contract basis without advertisement and approval of the Managing Director:

Name	Designation	Appointment order dated	Pay & Allowances per month (Rs)	Total Expenditure up to March 2023(date of audit)
Engr. Waqar Ahmad, Electrical Engineer	Electrical Engineer	16.05.2022	33,342	350,162
Mr. Saqib Hussain	Resident Architect	15.07.2022	46, 804	397834
Mr. Abdul Qadir Khan	Assistant Manager (Finance)	13.07.2022	65,000	552,500
Total:-				**1,300,496**

Thus, the appointments and expenditure of Rs 1.300 million incurred up to 30.06.2022 was held irregular.

The matter was reported to the management on September 21, 2023. The management in its reply dated January 06, 2024 stated that inquiry against Mr. Shad Muhammad Dy. Manager (A&F) was under process and findings will be shared with Audit upon finalization.

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

Audit recommends investigating the matter and fixing responsibility thereof.

Para-28 (PEPAC – 2019-20-2021-22)

Chapter-14

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 posts 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. KoFHA Ordinance, 1982
iii. Pakistan National Shipping Ordinance, 1979

iv. Companies Ordinance 1984
v. PP Rules 2004.

					(Rs. in million)
S#	**Description**	**Total**	**Audited**	**Expenditure audited FY 2021-22**	**Revenue/ Receipts audited FY 2021-22**
1	Formations	4	4	63,148.909	112,718.079

Classified Summary of Audit Observations

Audit observations of Rs 397,600.37 million were raised as a result of this audit. This amount also includes recoverable of Rs 15,528.983 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	11.13
3	Irregularities	
A	HR / Employees related irregularities	208.566
B	Procurement related irregularities	236,239.273
C	Management of Accounts with Commercial Banks	81,082.984
4	Value for Money and service delivery issues	23,282.207
5	Others	56,776.213

14.1 Gwadar Port Authority

14.1.1 Introduction

Gwadar Port Authority (GPA) was established as a separate organization, after promulgation of the GPA Ordinance No. LXXVII of 2002 dated October 17, 2002, for construction, operations, management, and maintenance of Gwadar Deep Water Port.

The Government of Pakistan has adopted the landlord concept for development of 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.

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 accounts of the organization for the years 1986-87 to 2022-23 despite a number of reminders.

14.1.2.2 Audit requires that the annual audited accounts of the years 1986-87 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)***.

14.1.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% age of compliance
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%**

The overall compliance of PAC directives needs improvement.

14.1.4 Audit Paras

14.1.4.1 Non-utilization of the land caused blockage of fund – Rs 287.500 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 audit of Gwadar Port Authority (GPA) for the year 2022-23, it was observed that the PC-I was approved for Land acquisition for establishment of Off Dock Terminal on April 2021 at cost of Rs. 287.500 million. Subsequently, the fund was released and management purchased land measuring 100 acres at Mouza Darbela Junubi, Tehsil Gwadar having cost of Rs. 287.500 million on 22nd October, 2021. It was learnt from the record that this "'OFF Dock Terminal" had to be offered services for handling temporary storage and custom clearance of containers and general cargo as well as empties. It was to be provided the services for minimizing the demurrage charges and enhancement of confidence for trade and revenue generation through Gwadar Port and an off dock terminal could have been considered as an extension of the port. However, the management acquired the land of 100 acres for Off dock terminal but still no any development works have been started at the site.

Audit is of the view that management should be started development works at the land on war footing basis so the purpose of the acquiring the land could be achieved. It reflects inefficiency and bad governance of the management. Thus, management failed to utilize the peace of land as per PC-1 proposed objective and the whole fund of Rs.287.500 million has been block.

The matter was reported to the management on August 03, 2023. The irregularity was discussed in the DAC meeting held on November 22, 2023. DAC directed the management to start the development works on acquired land as per PC-I objectives at the earliest.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2022-23 vide para(s) number 14.1.4.14 having financial impact. Recurrence of same irregularity is a matter of serious concern.

14.1.4.2 Non-mentioning rates and tariffs of the port operations by the Concession holder – Rs.58.770 million

As per concession agreement clause 4.11 states that the parties agree the structures of rates and tariffs that shall be applicable to the entire range of port operations shall be maintained as simple and transparent as possible and reasonable. Further, the concession holder shall have the discretion to set, maintain, alter and collect the rates and tariffs in respect of services provided in terms of this agreement and to revise such tariffs in order that they are competitive within the region. The confession holder shall inform GPA of the Rates and Tariffs and revisions therein and provide such related information as may be requested by GPA.

During audit of Gwadar Port Authority (GPA) for the year 2022-23, it was observed that GPA entered an agreement with M/s China Overseas Port Holding Company Pakistan Pvt Ltd in 2013 for the operation of port activity as a port operator. Since 2013 till now, the port operator did not mention the rates and tariffs which are applicable to the entire range of the port operations. In May 2023, the port operator shared the documents which showed the revenue generated from the berthing and allied areas but the operator did not mention / share any rates and tariffs structure with GPA which could help out to reconcile / cross verification of the revenue share of GPA and gross revenue earned by the port operator. Detail of revenue earned by the operator is attached (Annex-83).

Audit is of the view that the Board and the management failed to monitor rates & tariff schedule shared / prepared by the port operator since 2013. It reflected weak internal control and bad governance to protect the interest of the GPA. Thus, GPA revenue share of Rs.58.770 million stands understated.

The matter was reported to the management on August 03, 2023. The irregularity was discussed in the DAC meeting held on November 22, 2023. DAC directed the management to verify its last three years reconciled statement of rates and tariff prepared by the port operators.

Audit recommends implementation of the DAC directives.

14.1.4.3 Non-recovery of revenue from the Port Operator – Rs.58.768 million

As per Concession Agreement of clause 4.10.2 states that upon the commencement of commercial operations, the concession-holder shall pay nine-percent (9%) of its Gross Revenue from the Terminal Services to GPA, every month within one week of the relevant month.

During audit of Gwadar Port Authority (GPA) for the year 2022-23, it was observed that the port operator i.e. M/s China Overseas Ports Holdings Company Pakistan (Pvt) Limited submitted the statements of the outstanding Gwadar Port Authority’s Revenue share from the port operation and free zone till April, 2023 having amount of Rs 58.768 million. Detail is as under:

					(Amount in Rs.)
S#	**Periods**	**Gwadar International Terminal Ltd**	**Gwadar Marine Services Ltd**	**Gwadar Free Zone Company Ltd**	**Total Outstanding Amount**
1	01.01.2022 to 31.12.2022	8,015,044	7,617,617	6,494,415	22,127,076
2	01.01.2023 to 30.04.2023	32,918,890	3,489,754	233,126	36,641,770
	Total	**40,933,934**	**11,107,371**	**6,727,541**	**58,768,846**

As per agreement, the port operator is bound to pay the share to GPA every month. However, operator has submitted the revenue statement till month of April, 2023 subsequently, payment is still outstanding. The operator did not make comply with terms and conditions of the agreement.

Audit is of the view that the outstanding amount from the port operator should be recovered at the earliest and the strict compliance of the agreement terms and condition should be ensured regarding realization of the GPA revenue. It reflects weak financial management. The strenuous efforts need to be required for recovery to amounting of Rs 58.768 million from the port operator at the earliest.

The matter was reported to the management on August 03, 2023. The irregularity was discussed in the DAC meeting held on November 22, 2023. DAC directed the management to expedite the efforts for recovery of the revenue and share the record of the recovered amount with Audit for verification.

Audit recommends implementation of the DAC directives.

14.1.4.4 Non recovery of rent from the tenants – Rs.45.451 million

Rule5 (1) of the Public Companies (Corporate Governance) Rule 2013, states that the Board shall exercise its powers and carry out fiduciary duties with a sense of objective judgment and independence in the best interests of the company.

During audit of Gwadar Port Authority (GPA) for the year 2022-23, it was observed that an amount of Rs.45.451 million was lying outstanding from the various tenants on account of rental charges as on 30th June, 2023. Detail is attached.

S#	Tenant's Description	Outstanding Balance of rent charges as on 30.06.2023
01.	QESCO	908,404
02	Mekran Law Chamber	652,233
03	University of Gwadar	3,897,370
04	MORE Enterprises	2,942,283
05	PNSC (container shed)	12,513,517
06	PNSC (Workshop shed)	17,476,800
07	Marine Fisheries Department MFD	1,889,475
08	Port Heath Establishment, Gwadar	817,182
09	National Logistics Cell (NCL)	801,110
10	G-Mart Cash & Carry	157,500
11	UBL ATM	277,155
12	New Gwadar International Air (NGIA) Gwadar	489,372
13	ISI (CID) Plot 10890 Sq. Ft adjacent to Bunglaw # 08	553,200
14	Lieutenant Colonel ISI Bunglow No.03	1,152,000
15	Anti Narcotics Force (ANF) Zirbar Complex	755,460
16	Balochistan Revenue Authority (BRA)	168,038
	Total	**45,451,099**

Audit is of the view that management failed to realize the rent from the tenants on due date. It reflects weak internal control and poor monitoring of the financial management.

The matter was reported to the management on August 03, 2023. The irregularity was discussed in the DAC meeting held on November 22, 2023. The management informed the DAC that an amount of Rs.31.000 million has been recovered from the tenants. DAC recommended to get the record verified from Audit. DAC further directed to expedite the efforts for recovery of remaining amount.

Audit recommends implementation of the DAC directives.

14.1.4.5 Revenue loss due to non-payment of GPA revenue share in the foreign currency – Rs.31.647 million

According to clause 4.10.3 of Concession Agreement of the Revenue Share payments shall be made to GPA in US Dollars if the revenue accrues in US Dollars or in any currency other than rupee and in Rupee if the revenue accrues in Rupees.

During audit of Gwadar Port Authority (GPA) for the year 2022-23, it was observed that the port operator i.e. M/s China Overseas Ports Holdings Company Pakistan (Pvt) Limited intimated of revenue share to GPA regarding port facility and charges imposed to the Vessle in local currency i.e. PKR. Whereas, as per agreement the port operator had to pay the revenue share to GPA in that currency which the currency received by the operator from the shipping company of the vessle. The port operator did not share the berthing / port charges received from the vessels since inception of the concession agreement since 2013. Detail of vessel had been arrived at Gwadar port is attached.

S#	Vessle' Name	Vessel	Total charges received from the Vessel in PKR
1	MV Star Dorado	Wheat	42,129,728
2	MV Christina B	Wheat	43,105,061
3	SSI Erdogan Bey	Wheat	39,419,596
4	MV Lila Chennai	Wheat	42,245,811
5	MV V Rich	Wheat	41,419,324
6	MV Veruda	Wheat	41,048,357
7	MV Ultra Esterhazy	Urea	28,755,366
8	MV Nord Sunda	Urea	31,703,163
9	MV King Win	Urea	28,358,950
10	MV Alamo	DAP	13,454,615
		Total Gross Revenue	**351,639,971**
		GPA Share of 9%	**Rs. 31.647 million**

Audit is of the view that port operator did not follow / observe the terms and condition of the concession agreement. It reflects weak internal control. Thus, the realization of the revenue share by the GPA having amount of Rs. 31.647 million is unjustified.

The matter was reported to the management on August 03, 2023. The irregularity was discussed in the DAC meeting held on November 22, 2023. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.1.4.6 Violation of PPR rules by non-Execution of Integrity Pact for the Contract exceeding the prescribed limit – Rs.10.000 million

According to Clause I B-22 Instruction to bidder integrity Pact, the Bidder shall sign and stamp the form of integrity Pact provided at Schedule-F to Bid in the Bidding Documents for all Federal Government procurement contracts exceeding Rupees Ten (10) million. Failure to provide such integrity Pact shall make the bidder non-responsive.

During audit of Gwadar Port Authority (GPA) for the year 2022-23, it was observed that management had executed the contracts valuing to Rs 4,611.050 million for project and rehabilitation of Fish Harbour of GPA. Further, no integrity pact was signed by the contractors and incorporated in the agreement. the details are as under:

S#	Name of Contractor	Nature of Work/ name of the project	Date of Agreement	Amount of contract Rs. (million)
1	M/s China Harbor Engg. company Ltd./ Al-Fajr International JV	Maintenance Dredging of Navigational Channel of Gwadar Port.	14th February 2023	4,483
2	M/s RAB construction company Brewery Road, Quetta	Up gradation of Berthing facilities for Boats at Gwadar.	27th October 2020	128.050

Audit is of the view that the management failed to comply the mandatory requirements under PPR rule 7 in all circumstances by non- executing of Integrity Pact for the Contract exceeding the prescribed of Rs.10.00 million. It reflects weak internal controls.

The matter was reported to the management on August 03, 2023. The irregularity was discussed in the DAC meeting held on November 22, 2023. The management informed the DAC that they have made the contract in accordance with the templates given by the Planning Commission and this is not a violation of PPRA Rules, 2004. DAC directed to the management to verify its contention with the Audit.

Audit recommends implementation of the DAC directives.

14.1.4.7 Non-deduction of retention money – Rs.1.500 million

Sub clause 16.1 (V) General contract conditions of the Conditions of Contract, states that the Retention money 5% shall be deducted from all Interim Payment Certificate (IPCs) and will be return after completion of defect liability period, which is one year.

During audit of Gwadar Port Authority (GPA) for the year 2022-23, it was observed that the management awarded the contract to M/s R.A.B construction company valuing of - Rs.150.00 million. Further, the first running bill amounting to Rs.30.00 million dated 20th March 2023 was raised by the contractor. However, the bill payment was made without deducting the retention money of Rs.1.500 million (Rs.30 million *5%) by the management in violation of above rule.

Audit is of the view that undue favour was extended to the contractor by non-deduction of retention money, showing poor financial management and weak internal controls.

The matter was reported to the management on August 03, 2023. The irregularity was discussed in the DAC meeting held on November 22, 2023. DAC recommended the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.1.4.8 Non-recovery of charges from the Mole Traders – Rs.1.286 million

Clause 16 of agreement states that in case of non-payment of the commission amount within three days from the date of serve of the notice, the GMP/GPA shall draw the cash security deposited by the agent in favour of the GMP/GPA. The agent will in such an event make up the p the short fall of the cash, failing which he will not be allowed to continue as Agent. In case the commission amount outstanding will exceed the amount of cash security deposit.

During audit of Gwadar Port Authority (GPA) for the year 2022-23, the basic purpose of the Mini port is to provide a space to the fishermen to sale the catch fishes through mole trader. The mole trader is registered by the GPA authority by taking security deposit, registration fee and annual registration fees. At present total 13 mole traders are working under the umbrella of the GPA at the Mini Port. The GPA authority charges commission from the mole trader on account of the business activity at the mini port. During scrutiny of the record it was observed that following mole traders were defaultes due to nonpayment of the commission to the GPA. Detail is as under;

Name of Mole Trader	Siraj Trading	Farhad Trading	Sanahullah Trading	Amjad Trading	Faisal Trading	Anas Trading	Naseeb Trading	Sagheer Trading	King Fisheries	Total amount
Outstanding Balance	95,545	18,859	15,274	125,638	311,255	246,463	290,140	7,000	176,276	1,286,450

It is evident from the above table that total 09 mole traders were defaulters and an amount of Rs 1.286 million is recoverable from them.

Audit is of the view that GPA authority should exercise the power according to the agreement terms and condition and to serve the notice to the mole traders and in case of non-payment should recover the amount from their security deposit and stop the working at the mini port until or unless dues is cleared. Thus, to make ensure the recovery of Rs.1.286 million from the mole traders should be ensured at the earliest before going to bad debts.

The matter was reported to the management on August 03, 2023. The irregularity was discussed in the DAC meeting held on November 22, 2023. DAC recommended the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.1.4.9 Non-Finalization of annual audited accounts

Section (e) of Gawadar 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 2022-23, it was observed that the Board / management did not finalize the annual audited accounts for the year 2020-21 and 2022-23 after considerable lapse of time.

Audit is of the view that the management was required to finalize its annual accounts in a timely manner so that true and fair picture of the state of affairs of the organization comes to the knowledge of the federal Government and its stake holder. Thus, Non-finalization of annual accounts resulted in non-compliance of statutory requirements and failure to depict true picture of the affaire of the Federal Government.

The matter was reported to the management on August 03, 2023. The irregularity was discussed in the DAC meeting held on November 22, 2023. DAC directed the management to complete the assignment and its report be shared with the Audit and Ministry.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year(s) 2022-23 vide para(s) number 14.1.4.14 having financial impact. Recurrence of same irregularity is a matter of serious concern.

14.2 Korangi Fisheries Harbour Authority

14.2.1 Introduction

The Korangi Fisheries Harbour Authority (KoFHA) was established under Ordinance No. XVI of 1982 for making all arrangements for planning, construction, operation, management and maintenance of Korangi Fisheries Harbour for exploiting fisheries resources beyond territorial waters.

The Harbour was completed in 1992 at a cost of Rs.938.14 million including foreign component of Rs.644.24 million (US$ 26.121 million) financed by Asian Development Bank.

14.2.2 Comments on Audited Accounts

14.2.2.1 The 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 2022-23 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2015-16 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)***.

14.2.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	% age of compliance
2003-04	5	4	1	180.2	80%
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 (remainig to be discussed in PAC)	0%
Total	**46**	**13**	**33**		**28%**

The overall compliance of PAC directives needs to be improved.

14.2.4 Audit Paras

14.2.4.1 Non-execution of works resulted in escalation of cost – Rs 4,582.000 million

Rule 5 (1) of the 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 Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that following projects were approved by (CDWP) in April, 2020. These projects were sponsored by Japan under the supervision of M/o Maritime Affairs (MoMA). KoFHA was the executing agency and required to initiate the project in July 2020 (as per PC-I). However, no progress was made to initiate the development works till date whereas the sponsor had already released the funds for the accomplishment of the task. Furthermore, due to delay in execution of work, cost of projects were escalated up to Rs 4,582.619 million as detailed below:

(Rs.in million)						
S #	**Description**	**Date of Approval**	**Date of Completion**	**PC-I (Initial Amount)**	**PC-I (Revised Amount)**	**Variance in Cost**
1.	Development work of the business park at Korangi Fish Harbour	15-04-2020	30-06-2023	784.000	4,301.234	3,517.234
2.	Development work of Cold Storage & Freezing Tunnels at KoFHA-	15-04-2020	30-06-2021	170.100	656.075	485.975
3.	Development work for the modification of the auction hall	15-04-2020	30-06-2021	94.510	673.920	579.410
					Total	**4,582.619**

Audit is of the view that non-initiation of the above projects on time was poor planning and inefficiency of the managment which needs to be justified.

The matter was reported to the management on November 14, 2023. The management its reply staed that execution of projects were delayed due to non-availability of funds. Moreover, updated required feasibility study and firmed-up cost estimates were submitted to MoPD&SI. Hence, projects were revised, in accordance to current market rates. The reply was not tenable as poor planning and inefficiency of the management resulted in non-execuation of projests on time.

Audit recommends a fact-finding inquiry and fixation of responsibility on the person(s) at fault.

(DP No. 758,759 & 760)

14.2.4.2 Investment without competitive process – Rs.1,135.000 million

Memorandum issued by the finance division, Government of Pakistan, dated July 2, 2013, states that the process of selecting banks should be transparent. The selection of the bank(s) as well as the terms of deposits will be approved by the concerned board of directors or governing body on the basis of competitive bids from at least three independent banks.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that the management invested Rs.135.000 million in term deposit receipts (TDRs) of National Bank of Pakistan (NBP) @ 12.20% on November 26, 2019 without competitive process in violation of above rules.

Further, the management also invested Rs. 1,000.000 million in Term Deposit Receipts (TDRs) of National Bank of Pakistan (NBP) for a period of one year on repeated offers as detailed below:

S#	Investment (Rs in million)	Date	Duration years	Remarks
1	350	March 2021	01	Repeated Offers received at 6.90%, 7.20% & 7.50%
2	310	March 2022	01	Repeated Offers received at 11%, 11.50% & 11.7%
3	340	April 2022	01	Repeated Offers received at 12.50% & 12.90%
Total	**1,000**			

Audit is of the view that the management failed to observe competitive process for placement of funds which reflected imprudent decision making.

The matter was reported to the management on November 14, 2023. The management in its reply stated that investment was approved by the investment committee constituted by the Board of Directors. Moreover, the investment was made in accordance with federal government investment guidelines received from time to time. The reply was not tenable as management did not observe the Finance Division directives regading selection of banks for placement of funds.

Audit recommends to justify the matter.

(DP No.745 & 746)

14.2.4.3 Non-payment of loan and interest - Rs.866.060 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 audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that a loan of Rs.644.643 million was required to be paid to Asian Development Bank (ADB) in 60 installments with effect from April 1, 1995 with 6% other charges including interest service charges and an exchange risk fee. However, the management paid only 14 installments since April 1995. The loan scheduled period is about to be completed on October 1, 2024. The details of the outstanding loan is as under:

				(Amount in Rs)
S#	**Description**	**Principal**	**Interest**	**Total**
1	Initial liability	664,643,000	445,333,120	1,109,976,120
2	Total paid	179,442,000	64,478,000	243,920,000
	Total	**485,201,000**	**380,855,120**	**866,056,120**

Audit is of the view that the management failed to manage the loan portfolio effectively and discharging the liability on time, which resulted in having cumulative loan obligations along with finance costs, exchange charges, etc. to the extent of Rs.866.06 million.

The matter was reported to the management on November 14, 2023. The management in its reply stated that non-payment of loan was because of the deep sea fishing operation was stopped which severely affected the revenue generation by KoFHA since 2006. The reply of the management was not tenable because non-payment of loan resulted in accumulation of liability and interst cost also.

Audit recommends to justify the matter.

14.2.4.4 Non-compliance of investment guidelines – Rs.745.000 million

A memorandum issued by the finance division, Government of Pakistan, dated July 2, 2013, states that he process of selecting banks should be transparent. The selection of the bank(s) as well as the terms of deposits will be approved by the concerned board of directors or governing body on the basis of competitive bids from at least three independent banks.

Sr.No. 3(e): "The working balance limit of each organization should be determined with the approval of the administrative ministry in consultation with the Finance Division. The account of this working balance may be maintained in a current or savings bank account".

6. Before making any investment, 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 the approval of the Board of Directors or an equivalent forum. The IC should be assisted by an Investment Management Unit employing qualified staff with at least 3–5 years of experience managing investments in debt and equity instruments.

7. The Chief Executive of the PSE/local/autonomous body will be required to issue a certificate annually indicating that the above instructions are being followed with respect to the working balance and surplus funds of the organization.

As per the Finance Division's directives dated July 7, 2003, Section 3(c), the risk associated with keeping deposits should be diversified. Therefore, in cases where the total working balance of an enterprise exceeds Rs.10 million, not more than 50% of such balance shall be kept with one bank;

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that the management made an investment of Rs 745,000,000 in Term Deposit Receipts (TDRs) in violation of the Finance Division mentioned above. The details are as under:

				(Amount in Rs.)
S#	**Investment**	**KOFHA**	**CPF**	**Total**
1	Term Deposit Receipt 22 (NBP)	356,000,000	-	356,000,000
2	Term Deposit Receipt 23 (NBP)	-	9,000,000	9,000,000
3	Term Deposit Receipt 24 (NBP)	352,000,000	-	352,000,000
4	Term Deposit Receipt 25 (NBP)	-	28,000,000	28,000,000
	Total	**708,000,000**	**37,000,000**	**745,000,000**

Following irregularities were observed:

1. Non-existence of a formal and approved policy document for investment.
2. Non-availability of approval regarding the working balance limit from the administrative ministry of Kofha in concurrence with the finance division.
3. Non-existence of in-house professional treasury management functions to streamline investment.
4. There is no mechanism for transactions above the approval authority of the IC will be subject to approval of the Board of Directors or an equivalent forum.
5. KOFHA has no mechanism for the Investment Committee (IC) to be assisted by an Investment Management Unit employing qualified staff

with at least 3-5 years of experience managing investment in debt and equity instruments, as per federal govt. directives.

6. Non-issuance of a certificate from the Managing Director regarding compliance with instructions in respect of the working balance and surplus funds of KOFHA.
7. The whole investment was made in a single bank.

Audit is of the view that placing of funds in absence of Finance Division's directives stands irregular and unjustified.

The matter was reported to the management on November 14, 2023. The management in its reply stated that the Authority has invested at NBP which offered the highest rate of interest and secured by the sovereign guarantee. The reply was not tenable because mangemnet made investment in violation of Finance Divsioin directives.

Audit recommends justification of the matter.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 14.2.4.1 having financial impact of Rs.650.000 million. Recurrence of same irregularity is a matter of serious concern.

(DP No.739 & 740)

14.2.4.5 Processing of transactions without due diligence and review – Rs.178.900 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 audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that there was no standard mechanism in the authority to examine transaction validity and accuracy, where they had the exposure of expenditures to the extent of Rs.178.899 million including advance expenses along with frequent procurement of stores, supplies and stationery related items in the year 2022-23. Transactions were processed without due diligence and review, which raises concern about accuracy, completeness, correctness and effective transaction processing.

Audit is of the view that management failed to build and strengthen the mechanism of due diligence and review for transaction processing and ensure the safeguard of business assets while maximizing operational efficiency.

The matter was reported to the management on November 14, 2023. The managmnet in its reply stated that the total budget and released amount under Employee Related Expenditure (ERE) and non-ERE is expended through Assignment Accounts duly maintained at National bank of Pakistan. The expenditure was booked by office of the Director General Pakistan Revenue (Sub-Office) Karachi after taking into account the relevancy and head of expenditure for which funds were released. The reply of the management was not tenable because internally managed pre-audit function was not prevalent therefore; transactions were processed without due dillignce and review.

Audit recommends to establish and running effective and efficient transaction processing mechanism for complete, correct and fair transaction processing which could prevent from potential fraud and error and ensure standard reporting.

14.2.4.6 Non-recovery of dues - Rs.101.194 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 audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that the management did not recover an amount of Rs.101.194 million on account of various heads **(Annex-84).** The brief summary is as under:

S#	Description	Amount (Rs.in million)
1.	Transport Charges	8.970
2.	Rent	74.000
3.	Water Charges	2.764
4.	Electricity charges	15.460
	Total	**101.194**

Audit is of the view that due to poor monitoring and controls, the management failed to recover various dues.

The matter was reported to the management on November 14, 2023. The management in its reply stated that:

a. There was no levy of any kind of charges as approved by the board or MD subject to ratification by Board of Directors. The reply was not tenable because transporation charges remained outstanding.

b. The recovery of dues is on going process. The reply was not tenable because no recovery was made by the management.

c. The amount reflected by the Audit includes over Rs. 12 million in electrical dues to be recovered from just one Fish Processing Plant, this defaulter has been approaching other forums to exert undue influence and pressure on the Authority's concerned section. However, management further claimed recovery of Rs. 14.5 million alongwith LPS Rs.2.102 million. The reply was not tenable because 12 million against sigle defaulter remained outstanding. Beside management claimed to recover Rs. 16.602 million aginst reported amount of Rs.15.460 million.

d. The management informed that they recovered an amount of Rs.15 million. The reply was not tenable because an amount of Rs.59.09 million remained outstanding.

Audit recommends to recover the amount on priority basis.

(DP No.751, 753, 754 & 761)

14.2.4.7 Un-reconciled / verified balances of supplementary grant - Rs.35.620 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 audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that the management received a grant of Rs.35.619 million from federal government vide letter dated 09-06-2022. Out of total grant, the management released an amount of Rs.5.000 million in favour of M/s Effective Solution for IP Surveillance System. However, the remaining grant of Rs.30.620 million was also utilized but remained un-reconciled / un-verified.

Audit is of the view that the management failed to reconcile the grant amounting to Rs.30.620 million which reflected negligence and slackness.

The matter was reported to the management on November 14, 2023. The management in its reply stated that reconciliation of expenditure of Assignment Account of KoFHA for Rs.30.620 million was carried out from AGPR Sub Office Karachi. The reply was not tenable because an amount of Rs.4.99 million remained un-reconciled.

Audit recommends to justify the matter.

14.2.4.8 Line losses in electricity supply – Rs.11.130 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 audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that the management sustained losses of Rs.11.130 million on account of leakages in the electricity supply network (Annex-85).

Audit is of the view that due to the week monitoring and control system, incidents of electricity leakages are occurring with regular and rising frequency and damaging the authority resources on a consistent basis since many years till now, which is alarming.

The matter was reported to the management on November 14, 2023. The management in its reply stated that most losses were occurred during the fault occurred in supply system. K-Electric adopted average billing method for KoFHA against power consumption during August 2022 to February 2023 due to fault of CT/PT at higher side. However, dispute with K-Electric was taken up with NEPRA for adjustment. The reply was not tenable because week monitoring and control system resulted in loss of electricy units.

Audit recommends taking immediate corrective action to control reported leakages. Further, to recover the losses along with fixing of responsibility on the person(s) at fault.

14.2.4.9 Loss of interest income due to placement of funds in current account - Rs.8.680 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 audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that the management placed funds in the current account which resulted in a loss of potential interest income. The details of loss as on June 30, 2023 are as follows:

							(Amount in Rs.)
S #	**Account No**	**Nature of account**	**Balance at start**	**Yearly Deposit**	**Yearly Withdrawals**	**Balance at end**	**Avg Holding**
1	4069284635	Revenue	35,719,001.45	5,457,679	4,118,557	37,058,123.45	37,058,123.45
2	40692844626	Retention Money	7,729,551.92	4,347,155	6,782,888	5,293,818.92	5,293,818.92
						TOTAL	**42,351,942.37**
	Potential Interest Income (42.35 million*20.5%)						**8,682,148.19**

Audit is of the view that the placement of funds in the current account reflected weak financial management and negligence.

The matter was reported to the management on November 14, 2023. The management in its reply stated that KoFHA has approached NBP for conversion of current accounts into Saving Account. The reply was not tenable because deposits were still parked in current account.

Audit recommends to justify the matter.

14.2.4.10 Loss of interest income due to delay in deposit collection - Rs.5.431 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 audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that the management invested following funds with National Bank of Pakistan (NBP). After maturity of funds, the management was required to recover the principal and interest amount in time however; it failed to recover the principal and interest amount. The delay in recovery of funds resulted in loss (Annex-86). The brief summary is as under:

(Rs in million)				
S #	**Amount of investment**	**Rate (%)**	**Delay (days)**	**Loss due to delay in recovery**
1.	310.000	11.70	14-19	1.336
2.	350.000	7.50	20	0.676
3.	340.000	12.90	43	3.419
			Total	**5.431**

Audit is of the view that the management could not collet the deposit with interest on time. This shows weak financial management.

The matter was reported to the management on November 14, 2023. The management in its reply stated that the audits contention regarding extended period of investment at NBP is correct however, the authority received rack (minimum) rate. The reply was not tenable because management could not produce documentary support to avoid the loss of interest income.

Audit recommends to justify the matter.

(DP No.747, 748 & 749)

14.2.4.11 Irregular execution of Supply & installation of IP Surveillance System – Rs 5.000 million

According to the decision of High Level Security Meeting between DG Rangers, Sindh and KoFHA, it was decided to establish high level surveillance and security set up including high resolution camera network (covering all possible blind spots), more street lights and installation of speed breakers, as well as control centers.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that in compliance of decision of the high-level meeting mentioned above to manage security threats at KoFHA, the management awarded a contract for supply and installation of IP surveillance system to M/s Effective Solution of Rs.5.000 million. However, the work was done with discrepancies and irregularities in comparison of bill of quantities (BoQ):

- The first component of the project was the establishment of an insulated room (cabin) with a protection sheet, which had a financial impact of

Rs.2.200 million.

- The second component of the project was the procurement and installation of an IP Surveillance System, which had a financial impact of Rs.2.800 million. Following shortcomings were observed as detailed below:

S#	Insulated Cabin Room	As Per Quotation	As per Actual	Remarks
1	Door Panel	02 units	01 unit	-
2	Small window	01 unit	Not exist	-
3	Glass Partition wall	08 mm imported	Not verified	-
4	Operational and vigilant control centre	01	Not exist	-
IP Surveillance System				
1	DAUHA 08 Megapixel Bullet IP Camera	12 units	08 units	Mostly out of order
2	DAUHA PTZ 4 Megapixel 45X zoom	04 units	03 units	02 out of order

Audit is of the view that the management failed to execute the contract effectively and professionally along with release of payment which resulted in the above reported shortcomings. Thus, contract amounting to Rs.5.000 million stands irregular and unjustified.

The matter was reported to the management on November 14, 2023. The management in its reply stated that the firm engaged for the work had been working in big government and private sector firms, having technical expertise in providing surveillance and monitoring solutions. The reply was not tenable as management failed to execute the contract effectively and professionally.

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

14.2.4.12 Loss due to irrational encashment of investment – Rs.4.998 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 audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that the management invested Rs.60.000 million @ 7.48% in TDR with Faisal Bank on May 01, 2018 for 03 years. On May, 2019 to avoid application of Zakat, the management encashed the investment pre-maturely which resulted in penalty of Rs.1.246 million.

Later on, the management re-invested Rs.25.000 million for waiver of penalty on account of pre-mature encashment. In case, had the management did not en-cash the investment pre-maturely, the interest income over the period of three (03) years could be Rs 4,488,000 @ 7.48%. However, the actual realization was Rs 735,823 which registered a short realization of interest income of Rs 3,752,176.

Audit is of the view that the management sustained a loss of Rs.4.998 million (Rs.3.752 million interest income & Rs.1.246 million penalty charges) which reflected imprudent decision making.

The matter was reported to the management on November 14, 2023. The management in its reply stated that the authority keeping a proactive/ preemptive approach to avoid this loss and reinvested the funds on a much higher rate of 12.15% per annum. The reply was not tenable as management did not receover earned amount of interest amounting to Rs3.752 million which was due on the investement parked at the bank.

Audit recommends to probe the matter.

(DP No.742 & 743)

14.2.4.13 Non-preparation of annual accounts

Clause (18) (1) of Korangi Fisheries Harbour Ordinance, 1982 states that the accounts of the Authority shall be maintained by the Authority in such forms as may be prescribed by the Auditor General of Pakistan consistent with the requirements of this Ordinance.

Section (10) of Public Sector Companies (Corporate Governance) Rules, 2017 states that every Public Sector shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance sheet as at the end of that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website:

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2022-23, it was observed that the management failed to finalize its annual accounts since 2015. According to the above-mentioned rule, the requisite accounts (i.e., profit and loss accounts and balance sheet) were required to be prepared within one month of the close of the first, second, and third quarters and submitted to the Board for approval.

Audit is of the view that due to weaknesses in underlying accounting system have caused delay in timely preparation of accounts and timely completion of audit.

The matter was reported to the management on November 14, 2023. The management in its reply stated that formulation of BoD, KoFHA was in process and likely to be notified by 4th week of Jan 24 or early February, accordingly after its constitution, relevant approvals/ processes will be commenced to undertake the audit of accounts on war footing. The reply was not tenable as the accounts were not finalized since 2015.

Audit recommends preparation of accounts on priority basis.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 14.2.4.13. Recurrence of same irregularity is a matter of serious concern.

14.3 Pakistan National Shipping Corporation

14.3.1 Introduction

Pakistan National Shipping Corporation (the Holding Company), its subsidiary companies and associates (together 'the Group') were incorporated under the provisions of the Pakistan National Shipping Ordinance, 1979 and the Companies Ordinance 1984, respectively. The Group is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services.

14.3.2 Comments on Audited Accounts

14.3.2.1 The working results of the Corporation for the year 2022-23 as compared with the preceding years are given below:

(Rs in million)

Particulars	2022-23	% Inc / (Dec)	2021-22	% Inc / (Dec)	2020-21
No. of Ships	12		11		11
Cargo carried by owned and chartered vessels (in million tons)	10.83	(9.5)	11.97	7.9	11.09
Operation Revenue					
Own vessels	38,317.88	142.4	15,805.60	57.21	10,053.97
Chartered vessels	4,205.51	(19.8)	5,246.51	103.41	726.38
Slot Chartered revenue	4,707.06	86.8	2,520.27	100.3	1,239.01
Total income from shipping business	47,230.45	100.4	23,572.43	96.12	12,019.37
Rental Income	265.46	11.10	239.01	8.34	220.62
Other income/other operating activities	16,549.54	212.3	5,298.93	222.57	1,642.72
Total revenue	64,045.45	120	29,110.37	109.69	13,882.70
Operating expenses					
Fleet expenses Direct and indirect	(27,469)	40.3	(19,579.58)	100	(9,786.81)
Admin expenses	(1,608.71)	32.2	(1,216.63)	17.6	(1,034.52)
Other expenses including Real Estate Expense	(557.22)	3.1	(540.54)	63.8	(329.91)
Total expenses	(30,757.87)	38	(22,282.88)	99.5	(11,168.16)

Operating profit/(loss)	33,287.58	387.5	6,827.79	127	2,999.79
Finance Cost	(1,411.03)	165.9	(530.66)	(4.83)	(557.61)
Profit/(Loss) before Taxation	31,876.55	406.2	6,297.14	157.8	2,442.19
Profit/(Loss) after Taxation	**29,994.30**	**430.9**	**5,649.89**	**149.44**	**2,265.03**

(*Source: Annual Audited Accounts)*

14.3.2.2 Total fleet expenses increased by 40% from Rs 19,579.58 million in 2021-22 to Rs 27,469 million in 2022-23, due to increases in charter hire and related expenses of foreign flag vessels, diesel, fuel and lubricants consumed, demurrage expenses and other miscellaneous expenses.

14.3.2.3 Admin expenses increased by 32% from Rs 1,216.63 million in 2021-22 to Rs 1,608.71 million in 2022-23, due to increases in workshop management, general establishment, rent/rates/taxes, scholarship and training, legal and professional charges and other misc expenses.

14.3.2.4 Finance Cost increased by 165.9 % from Rs. 530.66 million in 2021-22 to Rs 1,411.030 million in 2022-23 due to increases in mark-up on long-term financing.

14.3.2.5 Ratio Analysis:

	UOM	2023	2022	2021	Comments
Profitability ratios; The combined effects of liquidity, asset management and debt on operating results					
Profit before tax	%	58.20	22.72	19.10	Shows positive upward trend in Profit as compared to previous years.
Operating leverage ratio	%	398.94	109.34	262.46	Depicted uneven trends and huge upward trend as compared to previous year needs justification.
Return on equity	%	42.20	13.33	6.10	Shows positive upward trend as compared to previous years.
Liquidity ratios; The ability of the company to pay off its debts as they come due over the short term period					
Current ratio	%	4.07	3.38	3.71	Industry trend always lies between 1.4% and 1.6% whereas PNSC current ratio shows uneven trends, needs justification.
Activity / turnover ratios; The ability of the company to effectively manage its vessels					
Asset turnover ratio	Times	0.64	0.52	0.27	Shows positive upward trends.
Market ratios; An indication of what investors think of company's past performance and future prospects					

Price earnings ratio	Times	0.58	1.13	4.24	Shows downward trend as compare to the previous years.
Share price at year end	Rs	132.53	48.26	72.70	Share price was much high as compared with its preceding year.
Capital structure ratios; It measures the percentage of funds provided by sources other than equity					
Financial leverage ratio	Times	0.10	0.11	0.16	Shows downward trend in times as compared with its preceding years.
Debt to equity ratio	Times	0.10	0.11	0.13	Shows downward trend in times as compared with its preceding years.

14.3.3 Compliance of PAC Directives

Audit Year	Total No. of Directives	Compliance reported	Compliance awaited	Breakup of compliance awaited	%age of compliance
2003-04	6	5	1	181	83%
2006-07	18	17	1	189	94%
2008-09	5	4	1	212	80%
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	15.3.2.1,15.3.3,15.3.4.1, 15.3.4.2, 15.3.4.3, 15.3.4.4, 15.3.4.5, 15.3.4.6,15.3.4.7	10%
2017-18	12	1	11	14.3.2.1,14.3.2.2, 14.3.2.3, 14.3.3, 14.3.4.1,	8%

				14.3.4.2, 14.3.4.3, 14.3.4.4, 14.3.4.5, 14.3.4.6, 14.3.4.7	
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 (remainig to be discussed in PAC)	
Total	**142**	**64**	**78**		45%

The overall compliance of PAC directives needs improvement.

14.3.4 Audit Paras

14.3.4.1 Payment without opening of letter of credit – Rs 9,558.000 million equivalent to USD 43.653 million

As per S#(h)(7) on General Terms and Conditions of SBP Annexure -1 to Circular No. 03 dated June 28, 2018, "In case of the import of plant and machinery, the foreign currency required for making payment to the machinery manufacturer or the suppliers abroad, against LC, shall be purchased by the PFI of the borrower from the inter-bank market at prevailing rates".

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 National Shipping Corporation (PNSC) for the year 2021-22, it was observed that contrary to above SBP circular management of PNSC purchased following two vessels and made payment of USD 43.653 million without opening of Letter of Credit (LC).

Name of vessel	Amount in USD
Paid for M.T Torrance	21,556,069
Paid for M.T Turin	22,096,588
Total paid price for two vessels	**43,652,656**

Audit is of the view that procurement of two vessels without opening of Letter of Credit (LC) is irregular.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that the law firm was established in 1969 and BoD has approved the services of law firm as desired by seller. The DAC directed the management to provide relevant documents for verification of law firm, BoD approval and payment made to law firm.

Audit recommends implementation of the DAC directives.

14.3.4.2 Irregular procurement of two vessels – Rs 9,361.000 million equivalent to USD 42.750 million

According to S#(4)(iv) of Government of Pakistan Finance Division (Budget Wing) on Specific Instructions And General Guidelines For Foreign Exchange Budget states "Proposals received after 10th May 2022 or lacking in any manner shall not be entertained. In such case, no provision will be made in the foreign exchange budget 2022-23. The responsibility for the same shall entirely rest with the entity concerned"

According to decision S#(6)(i) of meeting of the Cabinet Committee on Ports & Shipping on March, 9, 2000 "(i) The PNSC Board to be reconstituted with Secretary Petroleum and Additional Finance Secretary (Expenditure), to replace Secretary Industries and Production and Director (Finance), PNSC. The Board will have complete authority to make decisions for acquisition/deletion of vessels."

According of Finance Division (CF Wing) letter No.6(1)CF-IV/2010-Vol.III-119, dated April, 2022 "...refer to Ministry of Maritime Affairs O.M.No.3(1)/2021-PNSC dated 25 March, 2022 on the subject 'Public Sector Ceiling Request till 30th June, 2022' and to convey the approval of Finance Division to allow Credit Ceiling to Rs.10.373 million to PNSC till 30th June, 2022". "2. However, it is clarified that the Corporation will raise the required financing on its own and will be responsible for servicing and repayment of this financing facility. This will not constitute any direct or indirect liability in any form such as Government Guarantee on the part of Government of Pakistan."

Rule 20 of PPRA Rules 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.

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.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, multiple irregularities were observed in procurement two secondhand vessels at USD 42.750 million by the PNSC without obtaining fresh approval from Federal Cabinet and without utilizing the credit limit of Rs.10.373 allocated by Ministry of Finance to PNSC till 30th June, 2022 and no revised, fresh limit was allocated to PNSC.

Further it was observed that procurement was made without competitive bidding, without including 13-15 years old vessels in procurement plan 2021-22 which restricted to allow the widest competition by mentioning age in bracket i.e. from 13 to 15 years due to which only limited bidders participated in competition. Method of procurement was not adopted (single stage/ two stage – one envelope & two envelope). Date of closing, opening of technical and financial bid was not given in advertisement. No confirmation from 43 brokers were received after mailing request for bidding. Different bids were received by BoD (25 bids) & by Sale and Purchase Committee (SPC) (21 bids). Tender opening date was 04.03.2022 at 3:15, but not opened on same time nor was there any extension in due date was made. Speed of vessel was less than the required 14 knots and no inspections before and after purchase were carried out by PNSC. No evaluation report was announced on PPRA website. Tender documents were sold without cost. Third party survey was without any date, signature and stamp which were not received by courier.

Audit is of the view that management made procurement of the vessels without obtaining fresh approval from Federal Cabinet, without submitting Foreign Exchange Budget proposals on due date i.e. 10th May 2022 to Finance

Division, without utilizing the credit limit of Rs.10.373 million and allocation of fresh limit from Ministry of Finance and in violation of public procurement rules.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that the procurement of vessels was undertaken vide Rule 42(d)(ii) of PP Rules 2004 as allowed by PPRA through minutes of the Tripartite Meeting held on 05 May 2010 under the Chairmanship of Managing Director (PPRA). Further approval of PNSC BoD was sought for undertaking the said procurement under Rule 42(d). The DAC was not satisfied with the stated facts of managements, hence stand the para and directed the management to refer the matter to Cabinet Division for approval through PPRA.

Audit recommends implementation of the DAC directives.

14.3.4.3 Non-recovery of dues from parties – Rs 8,072.149 million

Rule 4 (3) of Corporate Governance Rules, 2017 states that the chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that the management failed to effect recovery of an amount of Rs 8,072.149 million(Annex-87) as detailed below:

		(Rs.in million)
S#	**Head of Recovery**	**Amount**
1	Non-recovery / adjustment of advances to Contractors and Suppliers	293.039
2	Non recovery of rent from tenants	52.456
3	Non-recovery of dues from Government parties	197.133
4	Non-recovery of dues from Agents and owners	26.349
5	Non-recovery of Demurrages	4,587.000
6	Non-recovery of freight charges from various Organizations	2,164.871
7	Non-recovery of freight charges (others) from various Organizations	751.301
	Total	**8,072.149**

Audit is of the view that the management failed to safeguard Corporation’s interest as it did not recover the amount of Rs. 8,072.149 million which indicates inefficiency, weak financial management and poor internal controls within the organization.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that out of total amount mentioned Rs. 8,072.149 million, PNSC has recovered the amount of Rs. 3,876.147 million till date which is 48% of total receivable. The DAC directed the management to provide relevant recovery documents for verification. Audit verified that Rs 3,876.147 million was recovered / adjusted out of total Rs 8,072.149 million.

Audit recommends implementation of the DAC directives.

14.3.4.4 Non-winding of business of Sargodha Shipping Company and irregular change in business of acquired company – Rs 4,760.000 million equivalent to USD 21.74 million

According to PNSC's Subsidiary Companies status:

Company Name	Status
Sargodha Shipping (Private) Limited	LPG business

Section-26(1)(A)(i) of Companies Act 2017, states that the principal line of business of the company shall be mentioned in the memorandum of association of the company which shall always commensurate with name of the company; and (ii) any change in the principal line of business shall be reported to the registrar within thirty days from the date of change.

According's to PNSC Board 386th meeting held on 19-04-2018 'Sargodha Shipping (Private) limited' for LNG Business only. However, no change is made to incorporate the LNG/LPG business in the object clauses of the Memorandum of Association of the companies. Therefore, we suggest that both companies may be used for immediate need of new project, with consent of the Board. Later on new companies may be registered for LNG/LPG business, as and when need.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that was reserved for LNG/LPG business but the management purchased the secondhand Aframax crude oil tanker vessel, M.T Eagle Turin at a price USD21.75 million and named it M/s Sargodha Shipping.

Audit is of the view that the management irregularly changed the business of Sargodha Shipping from LNG/LPG business to crude oil tanker in violation of Board decision and Companies Act, 2017.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that the Memorandum of Association of the said subsidiary company also allows to carry on the business of crude oil tanker. The DAC directed the management to provide relevant documents for verification MoA, BoD minutes of 06.06.2022, 17.05.2022 & 19.04.2018 along with working papers.

Audit recommends implementation of the DAC directives.

14.3.4.5 Non-winding of business of Lalazar Shipping Company and irregular change in business of company acquired –USD21.00 million equivalent to Rs 4,598 million

According to PNSC's Subsidiary Companies status:

Company Name	Status
Lalazar Shipping (Private) Limited	Available for new project

Section-26(1) (A)(i) of Companies Act 2017, states that the principal line of business of the company shall be mentioned in the memorandum of association of the company which shall always commensurate with name of the company; and (ii) any change in the principal line of business shall be reported to the registrar within thirty days from the date of change.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that Lalazar Shipping (Private) Limited was reserved for purchase of new ship business but the management purchased secondhand ship Aframax crude oil tanker vessel, M.T Eagle Torrance at a price USD 21.00 million and named the purchased ship as M/s Lalazar Shipping.

Audit is of the view that the management irregularly changed the business of Lalazar Shipping from new ship business to secondhand vessel and allotted name as M.T Mardan which is not registered in PNSC and available in books of accounts.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that the Memorandum of Association of the said subsidiary company also allows to carry on the business of crude oil tanker. The DAC directed the management to provide relevant documents for verification MoA, BoD minutes of 06.06.2022, 17.05.2022 & 19.04.2018 along with working papers.

Audit recommends implementation of the DAC directives.

14.3.4.6 Irregular utilization of Foreign Exchange from different head of accounts & financial years – USD18.10 million equivalent to Rs 3,963 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 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 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 National Shipping Corporation (PNSC) for the year 2021-22, it was observed that Finance Division released foreign exchange of USD 17.2 million from heads of account 'Current Invisible', 'Current Import & Development Expenditure-Import' during financial years 2021-22 & 2022-23 and SBP allocated advance payment of USD18.10 million during financial year 2022-23 to PNSC for making payment of M.T Eagle Torrance & M.T Turin (two Aframax tankers/ vessels) from M/s AET Inc. Limited, Bermuda.

Audit is of the view that the management did not utilize FE from Capital Expenditure and the same was utilized from different heads of account. The amount approved by Finance Division was USD 17.2 million and SBP as USD 18.10 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that the allocation and approvals were made by MoF and SBP and expenditure was incurred from Capital Budget. The DAC directed the management to provide relevant documents for verification of Capital Budget and expenditure.

Audit recommends implementation of the DAC directives.

14.3.4.7 Irregular availing of excess Long Term Finance Facility than the approved limit from a single bank - Rs. 2,644 million

Rule 20 of PPRA Rules, 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.

As per S#(1)(f) of SBP Instructions, Consolidated and Updated Instructions on Long Term Financing Facility (LTFF) for Imported and Locally Manufactured Plant & Machinery on Scope and Eligibility "Maximum financing of banks/DFIs to a single export oriented unit shall not exceed Rs 1.5 billion under LTFF. However, banks/DFIs may provide financing facilities as per their credit policies over and above the said maximum limit from their own sources subject to adherence of applicable Prudential Regulations."

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that the management purchased two vessels amounting to USD 42.750 million from M/s AET Inc. and payment of USD18.100 million (USD8.6 million + USD9.6 million) was remitted from a local bank i.e. Faysal Bank Ltd which was in excess of maximum limit prescribed by SBP i.e. Rs.1.5 billion. Details are given below:

Name of Bank	Date of payment	Amount in USD	USD conversion rate	Total in PKR
Faysal Bank	27.07.22	8,600,000	239.9414	2,063,495,859
Faysal Bank	05.08.22	9,500,000	218.9648	2,080,165,866
Total		**18,100,000**		**4,143,661,725**
SBP maximum limit				1,500,000,000
Excess facility availed				(2,643,661,725)
% of excess facility				(176)

It was further observed that financing of amount was made without any competitive process.

Audit is of the view that the management availed excess loaning facility of Rs 2,644 million from single bank against the assigned limit of Rs.1.5 billion in violation of SBP Prudential Regulations. Besides, availing of financing facility without competitive process resulted in compromised value for money and non-transparent award of service. Audit required complete file of rates offered by all banks, loaning facility availed, copy of agreements, correspondence & approval of Faysal Bank, SBP, and Ministry of Finance.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that due process was followed for selection of Banks. The DAC directed the management to provide relevant documents of due process for verification.

Audit recommends implementation of the DAC directives.

14.3.4.8 Purchase of two vessels without Dry Docking & Special Survey due on seller – USD 9.948 equivalent to million Rs 2,178 million

Rule 20 of PPRA Rules, 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.

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.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was noted that management made procurement of following two vessels at USD 42.750 million. However, audit observed that the management incurred an expenditure of USD 9.948 million on account of Dry Docking and a number of Special Surveys which were due before purchase of the vessels. Besides, 3rd Special Survey with dry docking under Condition Assessment Program (CAP), containing major surveys, was also mandatory at the age of 15 years for each vessel. Detail of the cost of Dry Docking & Special Surveys is hereunder;

		(Amount in USD million)
Name of Vessel	**Eagle Torrance**	**Eagle Turin**
Age	15 years	14.2 years
Dry docking scheduled date	26.07.2022	14.02.2023
Vessels delivered to PNSC	August, 2022	August, 2022
Cost of dry docking	1.2	1.5
Other Cost	3.674	3.574
Total cost of each vessel	4.874	5.074
Total cost of two vessels	**9.948**	

The breakup of main class surveys in respect of M.T Eagle Torrance due on 26.07.2022 is hereunder;

S#	Main Class Surveys	S#	Main Class Surveys
1	Annual Survey Machinery	4	Special Survey
2	Auxiliary Boiler Survey	5	Docking Survey
3	Exhaust Gas Economizer Survey	6	Annual Survey Hull

It was further observed that procurement of M.T Eagle Torrance vessel was made without renewal of following Statutory Certificates.

S#	Statutory Certificates	Expired on	S#	Statutory Certificates	Expired on
1	International Load Line	26.07.2022	6	Marpol Air	26.07.2022
2	Safety Construction	26.07.2022	7	Marpol Sewage	26.07.2022
3	Safety Equipment	26.07.2022	8	BWM Certificate	26.07.2022
4	Safety Radio	26.07.2022	9	Cargo Gear (Annual)	22.05.2022
5	Marpol Oil	26.07.2022	10	Cargo Gear (5-yearly)	12.8.2022

Audit is of the view that the management made unjustified expenditure of USD 9.948 million on account of Dry Docking and a number of Special Surveys and the factor of renewal of Statutory Certificates were not taken into account while determining the cost of the vessels. This resulted into extra expenditure by PNSC.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that conscious decision and BoD approval was made along with extension of dry docking days. The DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

14.3.4.9 Non-deduction of Sales Tax on account of procurement of two vessels - USD 7.268 million equivalent to Rs 1,591 million

As per Section 3 (1) (b) of Finance Act, 2022, there shall be charged, levied and paid a tax known as sales tax at the rate of 17% of the value of (b) goods imported into Pakistan.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was noted that management made procurement of two vessels i.e. M.T Turin & M.T Torrance at USD 42.750 million. However, the management did not deduct the General Sales Tax (GST) @ 17% amounting to USD 7,267,500.

Audit is of the view that non-deduction of Sales Tax caused loss to Government exchequer.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that Sales Tax provision was made in books of accounts. The DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

14.3.4.10 Loss due to purchase of two vessels at higher than estimated price – USD 8.75 million equivalent to Rs 1,545 million

Rule 04 of the PPRA Rules, 2004, on principles of procurements 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 20 of PPRA Rules, 2004, on principal method of procurement 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 National Shipping Corporation (PNSC) for the year 2021-22, it was noted that Special Projects & Planning Division of PNSC through working papers dated 16.12.2021 recorded that Finance Division of

PNSC has worked out the feasibility for the procurement of one secondhand Aframax, aged between 11-15 years, and confirmed that the project is feasible. The revenue and cost-related assumptions were verified by Commercial Division and Ship Management Division respectively, whereas life and cost-related assumptions of vessel were checked by Planning Division. Estimated cost of 15 years old vessel was USD 17 million. However, Audit observed that management procured two secondhand Aframax tanker vessels at exorbitant price. The detail of exorbitant procurement of vessels is hereunder.

			Amount in USD
Name of vessel	**Actual cost**	**Estimated cost**	**Difference amount**
M.T Turin	21,750,000	17,000,000	4,750,000
M.TTorrence	21,000,000	17,000,000	4,000,000
Total	**42,750,000**	**34,000,000**	**8,750,000**

Audit is of the view that procurement of the vessels was not conducted in a fair and transparent manner as it compromised value for money. Thus, the Corporation sustained loss of USD 8.75 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that 6th tender was floated and feasibilities of vessels were made. The DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

14.3.4.11 Non-recovery of liquidated damages on late delivery of USD 4.275 million equivalent to Rs.936 million & loss of freight revenue– Rs.976 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017 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 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 National Shipping Corporation (PNSC) for the year 2021-22, it was noted that management purchased two vessels (M.T Eagle Torrance & M.T Turin) amounting to USD 42.750 million from M/s AET Inc. Ltd. on 29.06.2022. However, it was observed that the management did not effect recovery of liquidated damages (L.D) of USD 4.275 million equivalent to Rs.936 million as there was late delivery of the vessels - the vessels agreed to be delivered in June, 2022 were actually delivered on August, 2022, with a delay of three months.

Audit is of the view that non-recovery of liquidated damages on late delivery (USD 4.275 million equivalent to Rs.936 million) consequent non-operation of the vessels caused loss of freight revenue of Rs.976 million based on the calculations of total per day freight revenue of Shalamar during June,2022 [(173,505,000/16 days) = 10,844,063 x90 days = 975,965,670].

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that negotiated for purchase of two vessels was made in SPC 16 minutes of meeting and vessels were delivered in August, 2022. The DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

14.3.4.12 Procurement of two vessels from other than the lowest bidder/non-participant bidder & consequent loss – Rs.770.000 million equivalent to USD 4.350 million

Rule 38 of PPRA Rules, 2004, states that 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.

Rule 04 of the PPRA Rules, 2004, on principles of procurements 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 20 of PPRA Rules, 2004, on principal method of procurement 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 National Shipping Corporation (PNSC) for the year 2021-22, it was noted that management published tender on 25.01.2022 for procurement of three Aframax crude oil tankers having age of 13 to 15 years. Out of 23 offers received, only 11 offers were evaluated technically & financially. However, it was observed that management made procurement of two vessels instead of three at USD 42.750 million (from the bidders who had not participated in the bidding process) and the same from other than the lowest bidders. The details are hereunder;

Name of Vessel	Built Year	Country of Built	Amount (USD)	Remarks
M.TBergitta	2007	Japan	18,500,000	Lowest bidder
M.TAfrapearl	2007	Korea	19,900,000	Lowest bidder
Total			**38,400,000**	
M.T Turin	2008	Japan	21,750,000	Not participant bidder
M.TTorrence	2007	Japan	21,000,000	Not participant bidder
Total			**42,750,000**	
Loss (38,400,000-42,750,000)			**-4,350,000**	

It was further observed that management requested M/s Dan Willmott, broker for Bergitta vessel, on 03.03.2022 for submission of documents after lapse of one month of opening of financial bids on 02.02.2022. Furthermore, management did not intimate reasons of rejection of the bids to the non-responsive bidders. The technical & financial bid evaluation reports were without any signature and stamp of Procurement Committee and the same were not opened timely.

Audit is of the view that the procurement of vessels was not conducted in a fair and transparent manner. This not only compromised value for money to the agency but also reflected that the procurement process was irregular, inefficient and non-economical. Thus, the procurement was made in violation of the Public Procurement Rules and the Corporation sustained loss of USD 4.350 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that M.T Turin & M.T Torrence was participated in bids. Further M.T. Bergitta official price submitted vide email was US$ 21.5 million and not 18.5 million. Afrapearl vessel was not considered further due to her technical score obtained in SM Division technical evaluation in view of its all inspection i.e. Class record Inspection, Pre Purchase Condition Survey (PPCS) and Third Party Inspection in lieu of PNSC Own Inspection. The DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

14.3.4.13 Irregular award of dry docking to 3rd lowest bidder - Rs.382.159 million equivalent to $2.492 million

Rule 40 of PPRA Rules, 2004, states that save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder: Provided that the extent of negotiation permissible shall be subject to the regulations issued by the Authority. Further, 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.

Rule 31 (1) & (2) of PPRA Rules, 2004, states (1) 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. (2) Any request for clarification in the bid, made by the procuring agency shall invariably be in writing. The response to such request shall also be in writing.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that management published tender on 31.3.2021 for dry docking & associated repairs of Aframax oil tanker M.T. Quetta. Bid opening date was 3.5.2021, 4 bidders quoted bids. However, these bids were altered and management awarded contract to 3rd lowest bidder Dubai dry dock world as per details given below:

						Amount in USD
S#	**Name of Bidder**	**Bids quoted**	**Ranked**	**Bids presented before LEC**	**Bids altered**	**Ranked**
1	Dubai dry dock world	1,765,263	3	2,038,480	2,492,071	1
2	Colombo dockyard PLC	1,626,575	2	1,681,704	2,639,475	2
3	Oman dry dock	2,067,770	4	2,122,460	2,760,184	3
4	Zhoushan Shipyard	827,464	1	906,822	3,084,657	4
Total		**6,287,072**		**6,749,466**	**10,976,387**	

Audit is of the view that the management extended undue favor in awarding of contract to the 3rd lowest bidder, Dubai dry dock world at a higher cost of Rs.382.159 million in violation of PPRA Rule, 2004.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that participating shipyards in this case did not quote for certain items. In order to ensure the comparisons are fair, and does not disadvantage bidders which have quoted for all items, the highest rates offered against the said items from other yards were included to compare the bids fairly which is international practice and in accordance with terms and conditions mentioned in tender (instruction to bidders. The DAC directed the management to provide relevant documents to audit for verification. **(DP No. 233)**.

Audit recommends implementation of the DAC directives.

14.3.4.14 Significant increase in dry docking days than the actual days without approval and loss due to non-imposition of penalty - Rs.285.000 million equivalent to $1.394 million

As per para (6.5) of Internal Control System (ICS) on Dry docking "Vessels of subsidiary companies are required to be dry-docked after approximately every thirty months (i.e. at least twice in five years) for major repairs and maintenance that cannot be performed while the vessels are operating.".

According to Clause (8) of Instructions for the Bidders on time for completion of work "Time shall be of the essence in the performance of this Contract. The Yard represents and warrants that it has no commitments which will prevent it from putting the vessel into Dry dock for completing the Work timeously and agrees that it will not undertake any such commitments. The Yard undertakes that it shall give the highest priority to the work and any Additional Work and shall not assign a higher a higher priority to any other work which may interfere with its diligent prosecution of Work and any Additional Work.

Manager would have the right to increase the scope of work given in the Specifications up to 10% without allowing any increase in time originally quoted by the Contractor…., the amount of penalty specified in the instructions to bidder i.e. @US$ 8,000/ per day for first 5 days and US$ 14,000/, per day after first 5 days shall be deducted from contract price".

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that management published various tenders for dry docking & associated repairs of Aframax oil tanker M.T. Quetta, Shalamar & Lahore, actual days quoted and bids received was total 66 days and actual days utilized was 172 day's details given below:

S#	Vessel Name	Awarded contract to	Days in bids	Actual Days utilized	Excess days	% of excess days (3/1x100)
			1	**2**	**3**	**4**
1	Quetta	Dubai Dry Docking World	22	76	-54	-245
2	Shalamar	Dubai Dry Docking World	22	46	-24	-109
3	Lahore	Dubai Dry Docking World	22	50	-28	-127
Total			**66**	**172**	**-106**	
Penalty for 5 days @$8,000 x 15					120,000	
Penalty for remaining days @$14,000 x 91					1,274,000	
Total Penalty for 106 days (Amount in USD)					**1,394,000**	

Audit is of the view that the management utilized excess 106 days than the bid received without approval from competent authority and loss due to non-imposition of penalty of $1.394 million in violation of terms and conditions.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that Dry Docking was extended due to reasons beyond the control of PNSC and Dubai Dry Dock Worlds both. The DAC directed the management to probe the matter and share with Audit.

Audit recommends implementation of the DAC directives.

14.3.4.15 Irregular appointment of firm for purchase of two vessels – Rs 264.769 million equivalent to USD 1.2 million

Rule 20 of PPRA Rules, 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.

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 (PNSC) for the year 2021-22, it was observed that the management appointed M/s Theo Sioufas Escrows Service LLP as an escrow agent for procurement of two vessels. However, audit observed that;

1. Escrow agent was appointed without competitive bidding process.
2. P&I Club on 29.06.2022 did not communicate positive initial feedback about the firm and stated that it is a new firm. Singapore Limited Partnership, supported by Theo V. Sioufas & Co. Law Offices, stated to have a history of more than 50 years with a wide International network was newly incorporated on 09.10.2019 and registration date was 11.08.2021. No tax returns of firm were found for the years 2019 to 2022.
3. Financial worth of firm was 01 Singapore Dollar and only holding one share.
4. Minutes of 52 & 57th meeting of the Board of Directors, reflected that the Company shall open and operate necessary Joint Escrow Account in Citi Bank Singapore for the transaction(s) and necessary operating instructions be communicated to the Bank instead of that Citi Bank will no more be acting as an Escrow agent in the subject procurement.

Audit is of the view that the management appointed firm M/s Theo Sioufas Escrows Service LLP without due diligence and competitive bidding.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that the law firm was established in 1969 and BoD has approved the services of law firm as desired by seller. The DAC directed the management to provide relevant documents for verification of law firm, BoD approval and payment made to law firm.

Audit recommends implementation of the DAC directives.

(D.P No. 220)

14.3.4.16 Loss of revenue due to ocean losses - Rs.223.152 million

As per Clause 6 (l) of the Contract of Affreightment (Agreement), it is agreed that;

(i) Ocean loss in respect of cargo carried shall not exceed 0.4% by weight of crude oil Loaded quantity as per Bill(s) of lading per voyage, compared with measurement of shore tanks at discharge port … such computations of ocean losses shall made and settled on a voyage-to-voyage basis.

(ii) If ocean loss on each cargo carried under this Agreement exceeds 0.4% by weight as per above clause, the Carrier shall be liable to pay the Company the cost of ocean loss in excess of 0.4% by weight and freight thereof.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed from the voyages files that due to short delivery of crude oil, various refineries charged/ deducted an amount of Rs.223.152 million on account of ocean losses (freight charges and material price on FOB value), which affected the revenues of PNSC (Annex-88).

It was further observed that contrary to above agreement terms, the management paid the amount on account of ocean losses without taking into account the permissible limit of 0.4% by weight and freight.

Audit is of the view that deduction of amounts on account of short quantity reflects poor operational management and loss to the Corporation.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that discrepancies of cargo quantity are mainly due to mechanism adopted for measurement and gauging of shore tanks and variations in density of cargo being discharges on top at shore tanks and 17 premium point fixed out of which 3 premium points solely added for covering Ocean losses. The DAC directed the management to provide relevant documents for verification.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 14.3.4.24 having financial impact of Rs.25.401 million. Recurrence of same irregularity is a matter of serious concern.

14.3.4.17 Excess payment on account of procurement of two vessels – Rs.198 million equivalent to USD 0.903 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2017, 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.

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

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that management purchased following two vessels amounting to USD 42.750 million from M/s AET Inc. on agreed price and made payment of an amount of USD 43.653 million which resulted in excess payment of USD 0.903 million. The detail of excess amount is hereunder;

			Amount in USD
Name of vessel	**Actual**	**Paid**	**Difference**
M.T Eagle Torrance	21,000,000	21,556,069	-556,069
M.T Eagle Turin	21,750,000	22,096,588	-346,588
Total purchase price of two vessels	**42,750,000**	**43,652,657**	**-902,657**
Total excess payment in Rupees (USD 902,657 x 218.9648)			**(197,650,135)**

Audit is of the view that the management made excess payments of without any justification.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that SPC approved the excess payment of bunkers. The DAC directed the management to provide approval of BoD and SPC for payment of bunkers for verification.

Audit recommends implementation of the DAC directives.

14.3.4.18 Loss in chartering of foreign vessel - Rs.152.442 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.

As per Job Description (JD), General Manager Commercial Division 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 2021-22, it was observed that management chartered various foreign flag vessels for the shipment of crude oil during the period July 01, 2021 to June 30, 2022 and incurred loss of Rs.152.442 million. The summary is hereunder***;***

		(Rs. in million)
Expenditure	**Freight Income**	**Loss**
1,510.331	1,357.888	152.442

Audit is of the view that non-commercially viable decision, poor financial management and weak internal controls. This resulted into loss of Rs.152.442 million.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that due non availability of own tonnage PNSC charter vessel from open market at best available rates. The vessels were chartered at the competitive levels for M/s PSO under C&F arrangement to avoid any shortage of energy requirement in the country. The DAC directed the management to provide relevant documents for verification.

Audit recommends implementation of the DAC directives.

14.3.4.19 Irregular award of works without tendering - Rs.50.876 million

Rule 20 of PPRA Rules, 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.

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 (PNSC) for the year 2021-22, it was observed that management awarded following works without open competitive

		Rs in million
S#	Nature of work	Amount
1	Ballast Water Tanks	1.876
2	mooring and repair berth	9
3	cargo & bunker tank cleaning	40
	Total	50.876

Audit is of the view that the management awarded various works without tendering process, prior approval from Chairman and without availability of vessel at Karachi in violation of rules.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that tenders were floated and scrapped and there was short time to complete the works due to which retendering was not made. The DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

14.3.4.20 Loss due to non-availing of discount - Rs.47 million equivalent to US$0.277 million

S#1 of noting on discount of M/s Dry-docks World Dubai states that "We are prepared to offer a discount of Twenty percent (20%) of the agreed final invoice amount".

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that management published tender on 23.08.2021 for dry docking & associated repairs of Aframax oil tanker M.T. Lahore, bid opening date was 30.9.2021 two bidders quoted their bids out of which M/s Dubai dry dock world was found lowest evaluated bidder worth $2.560 million and final payment was made $1.385 million. However, the management did not avail the 20% discount of $0.277 million as per offer. Detail is given below:

			Amount in USD
S#	Name of Bidder	Payment made	20% Discount
1	Dubai dry dock world	1,385,000	277,000

Audit is of the view that the management incurred a loss of $0.277 million due to non-availing of 20% discount during the year 2021-22.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that Dry Docking of MT Quetta was carried out in 02 phases. The total cost for first phase was USD 1,142,236.00, on which 20% discount amounting to USD 144,126 was fully availed. The total cost for 2nd phase was USD 260,200, on which no discount was agreed upon. PNSC has established the normal practice of including the offered discounts while evaluation of the bids received and discount of 20% on quote received from bidders. The DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

14.3.4.21 Non-recovery of Dead Freight against refineries - Rs.27.8 million

As per Clause-1-(b) of Contract of Affreightment (COA) of PNSC with NRL, … The dead freight shall be payable by the Company to the Carrier for the quantity determined as difference between the total quantity notified by the Company over the period of 4 months and 70,000 M.T times no. of cargoes performed during the same period. However, Carrier shall be responsible to arrange upliftment of the quantities as notified by the Company and that cargo quantities are not reduced or short loaded for vessel reasons.

As per Clause-1-(b) of Contract Of Affreightment (COA) of PNSC with PARCO, the Cargo sizes shall not be less than 70,000 metric tons (MT) on an average monthly basis subject to a negative tolerance of 0.5%, failing which dead freight shall be payable by the Company to the CARRIER on the difference between 70,000 MT less negative tolerance and the said monthly average of cargo sizes to be settled on completion of each month.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that contrary to above, the management did not receive an amount of Rs. 27.8 million (NRL = Rs.15.3 million + PARCO = Rs.12.5 million) against dead freight in respect of National Refinery Limited (NRL) and Pak-Arab Refinery Limited (PARCO). The detail of dead freight is tabulated below;

S #	Period	Quantity to be loaded as per COA (MT)	No. of Shipments	Total cargo to be loaded as per COA (MT)	Total actual cargo loaded (MT)	Difference in Quantity (MT)	Average Freight Rate (USD)	Exchange rate (Rs.)	Total amount (Rs.)
		(a)	**(b)**	**C=(a*b)**	**(d)**	**E = (c-d)**	**(f)**	**(g)**	**H=(e*f*g)**
1	14.05.21 to 13.09.21	70,000	10	700,000	699,000	1,000	5.937	160.609	953,535
2	14.01.22 to 13.05.22	70,000	8	560,000	550,000	10,000	7.8636	182.44	14,346,351
Total outstanding amount in Rupees against NRL (A)									**15,299,886**
3	21-Jul	69,650*	6	417,900	404,250.94	13,649.06	5.707	160.4	12,494,388
Total outstanding amount in Rupees against PARCO (B)									**12,494,388**
Total outstanding amount in Rupees (A+B)									**27,794,274**
Note: *Quantity to be lifted (70,000 MT) – Negative tolerance of 0.5% (350 MT) = 69,650 MT									

Audit is of the view that non-recovery of dead freight against refineries reflects inefficiency and poor financial management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that out of total amount mentioned Rs. 8,072.149 million, PNSC has recovered the amount of Rs. 3,876.147 million till date which is 48% of total receivable. The DAC directed the management to provide relevant recovery documents for verification. Audit verified that Rs 3,876.147 million was recovered / adjusted out of total Rs 8,072.149 million.

Audit recommends implementation of the DAC directives.

14.3.4.22 Irregular appointment of Internees under Management Trainee Program – Rs.19.20 million

BoD in its 413th meeting held on 24th February, 2022 determined following criteria for appointment of Internee under Management Trainee Program;

Division	Required strength of intern / MTO	Required qualification
Commercial	05	MBA (Maritime) preferably MICS, MBA (Supply Chain/Logistics), MBA (Finance)
SP&PL	03	MBA (Preferably Maritime / Finance)

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that the management appointed following two candidates as Internee / MTOs in violation of BoD decision;

S#	Name of Candidates	Degree possess	Required qualification	Division	Per Month Salary	Total Salary (two years)
1.	Bilal Anwar	BBA(Supply chain)	MBA	Commercial	40,000	960,000
2.	Ossama Ali	BE (Mechanical)	MBA	SP&PL	40,000	960,000
Total						1,920,0000

Audit is of the view that appointment of the internees without following laid-down criteria of BoD reflected negligence of the management.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that placement of Mr. Bilal Anwar holder of BBA (Supply Chain) & Mr. Osama Ali, B.E (Mechanical) was made according to respective departments as they were selected by Selection Committee on fulfilling the required advertised criteria. The DAC directed the management to provide relevant documents for verification.

Audit recommends implementation of the DAC directives.

(DP No. 75)

14.3.4.23 Loss due to less receipt of discount - $0.107,474 million equivalent to Rs.17 million

S#1 of noting on discount by M/s Dry-docks World Dubai stated that we are prepared to offer a discount of Twenty percent (20%) of the agreed final invoice amount.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that management published tender on 31.3.2021 for dry docking & associated repairs of Aframax oil tanker M.T. Quetta, bid opening date was 3.5.2021, in its response four bidders quoted their bids. Out of four bidders M/s Dubai dry dock world was found lowest evaluated bidder worth $2.492 million and final payment was made $1.258 million but the management did not receive the 20% discount of $0.252 million, as per details given below:

Amount in USD

S #	Name of Bidder	Payment made	20% Discount due	Discount received	Less receipt of discount
1	Dubai dry dock world	1,258,000	251,600	144,126	107,474

Audit is of the view that the management incurred a loss due to less receipt of $0.107,474 million discount during the year 2021-22.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The Management informed the Committee that Dry Docking of MT Quetta was carried out in 02 phases. The total cost for first phase was USD 1,142,236.00, on which 20% discount amounting to USD 144,126 was fully availed. The total cost for 2nd phase was USD 260,200, on which no discount was agreed upon. PNSC has established the normal practice of including the offered discounts while evaluation of the bids received and discount of 20% on quote received from bidders. The DAC directed the management to provide relevant documents to audit for verification.

Audit recommends implementation of the DAC directives.

14.3.4.24 Irregular appointment of Chartered Accountant Firms - Rs.10.552 million

Rule 20 of Public Procurement 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.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that the management hired following two Chartered Accountant (CA) firms without competitive bidding during the year 2021-22 at Rs.10.552 million.

(Amount in"000")			
Description	**M/s Grant Thorton Anjum Rehman**	**M/s Yousuf Adil**	**Total**
Statutory audit fee - the Holding Company	1,514	1,514	3,028
Audit fee – Subsidiaries	2,153	2,153	4,306
Fee for review of half yearly financial statements	530	530	1,060
Fee for review report on CCG	163	163	326
Fee for audit of the consolidated financial statements	191	191	382
Statutory certificates	-	66	66
Out of Pocket expenses	301	301	602
Sales Tax Services	388	393	782
Total	**5,240**	**5,311**	**10,552**

Audit is of the view that award of service contract without competitive bidding deprived the Corporation of the benefit of competitive rates and was in violation of procurement rules.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that external auditors of the Corporation are appointed as per the rules and guidelines defined in the Companies Act-2017. The DAC directed the management to provide relevant documents for verification.

Audit recommends implementation of the DAC directives.

14.3.4.25 Loss due to desertion of crew member - USD 16,551 equivalent to Rs.2.648 million

ISM Code Cell - PNSC Bulletin No. 82 Ref. 1887-4779 dated February 14, 2009 entails measures to counter crew desertion from ships and further states that strict disciplinary action shall be taken against those found to be negligent or involved directly or indirectly in any future cases of desertions from the ships.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was observed that one PNSC ship, M.V Hyderabad, crew member, Mr. Pervez John Sohatra-Utility Hand, deserted from the vessel on 20.12.2020 at about 0415 hrs (US time) while the vessel was at Houston, USA for loading of cargo. The United States Coast Guards (USCG)/Customs detained the vessel for further investigation and required external audit / verification by BV class.

It was further observed that following expenditure of USD 16,551 was incurred on account of subsequent actions.

S#	Description	USD	Amount in Rs. (@160)
1	Additional security guards	12,500	2,000,000
2	BV Class ISPS Audit	4,051	648,160
Total		**16,551**	**2,648,160**

Audit is of the view that such desertion reflected that due diligence in selection of the individual in accordance with the SoPs was not exercised by the management which resulted into loss of both an amount of Rs.2.648 million and image of the Corporation.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that PNSC filed suit of recovery of Guarantee amount PKR 1.5 million along-with reputation loss Rs. 5 million. PNSC vigorously pursued the case recovery of PKR 6.5 million with markup at the rate of 20%. The DAC was not satisfied with the reply of management and directed to pursue court case vigorously.

Audit recommends implementation of the DAC directives.

14.3.4.26 Loss due to non-charging of rent at market rate since long - Rs.1.086 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.

Clause 9.3 of PNSC lease agreement states that the rent shall be increased by 10% annually for 10 years.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was noted that the management rented out vacant space, measuring 500 sqft. 1st floor of Old Rally Building to M/s Master Mariners Society of Pakistan @ Rs.250 per month (Rs 3,000 annually) w.e.f. 1985. However, it was observed that the tenant was continuously paying rent of Rs 3,000 annually from 1985 till-date without any formal lease agreement. Hence, due to non-revision of rent, Corporation sustained a loss of Rs.1.086 million. (Annex-89)

Audit is of the view that non-charging of rent at market rates and allotment of space without any lease agreement reflected negligence of the management in managing assets and thereby loss to the Corporation.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that PNSC has written letter to said tenants informing him to execute lease agreement and file appropriate proceedings in the competent court of law at your sole risk and cost. The DAC directed the management to provide relevant documents for verification.

Audit recommends implementation of the DAC directives.

14.3.4.27 Irregular appointment of Senior Storekeeper on fake degree

DO letter dated March 08, 2011 of Establishment Division states that measures should be taken to authenticate degrees/certificates of all … employees of respective Ministries/Divisions, their subordinate offices and autonomous bodies under their administrative control. … A certificate along with list of officers whose degrees / certificates have been verified should be furnished to the Establishment Division forty-five (45) days of issue of these instructions.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was noted that management appointed Mr. Tariq Shafi as Senior Storekeeper-Workshop on 16-11-2010 on contract basis. However, his B. Com degree (basis of his appointment) sent to University of Karachi for verification on December 13, 2018 was declared forged (fake) by the University on April 19, 2019. Subsequently, an Inquiry Committee was constituted on May 21, 2019. The Committee concluded that the accused employee submitted forged educational degree / certificates and also provided false declarations on his qualifications in his Employment Form.

Audit is of the view that non-verification of degree prior to appointment of the individual reflected negligence of management and favor to the individual.

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. Management explained that The Competent Authority awarded him major penalty to dismissal from service by terminating his contract with immediate effect 17.11.2021. The DAC expressed its displeasure for delay in process of case.

Audit recommends implementation of the DAC directives.

14.3.4.28 Inordinate delay in finalization of procurement of two vessels

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.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2021-22, it was noted that BoD 384th vide Minutes of Meeting held on 19.01.2018, accorded approval for purchase of two secondhand LR-1 product tankers and one secondhand Aframax crude oil tanker/LR-1 product tanker (as may be appropriate at the time of purchase of the vessel) of size and age (not over 8 years old).

However, it was observed that there was inordinate delay in finalization of procurement of two secondhand vessels. The vessels planned to be procured through (BoD resolution 19.01.2018) tender on 20th December, 2020 were actually procured through (BoD resolution 05.01.2022) advertisement 25th January, 2022. The detail of delay reflected through advertisement is hereunder:

S#	Date of tender	Reason for tender scrap
1	11.10.2020	Non-compliance of technical criteria
2	20.12.2020	Non-compliance of technical criteria
3	30.03.2021	Non-receiving of bids
4	02.06.2021	Bids received did not meet the tender requirements
5	10.09.2021	No bid was received
Delay period from 11.10.2020 to 25.01.2022 (464 days approx.)		

Audit is of the view that reflected that the process of procurement of the vessels was not conducted in a fair and transparent manner and the procurement compromised value for money and that the procurement process was not efficient and economical. Thus, the Corporation might have earned freight revenue of Rs 3,550 million, as detailed below:

Per day average freight revenue of Shalamar was Rs.7.652 million (Rs.10.844 million on June/2022 & Rs.4.459 million on July/2021 / 2). Revenue of Rs.3,550 million (Rs.7.652 x 464 days)

The matter was reported to the management on October, 2023. The irregularity was discussed in the DAC meeting held on December 27, 2023. The DAC directed the management to provide relevant documents for verification.

Audit recommends implementation of the DAC directives.

14.4 Port Qasim Authority

14.4.1 Introduction

Port Qasim Authority was established in 1973 under the Port Qasim Authority Act, 1973 (the PQA Act). The principal activities of the Authority are to provide services of ship movement, storage, berthage, wharfage, and towage, etc., besides, developing and managing an industrial and commercial estate within its occupied area. The location of operations and principal office of the Authority is situated at Port Muhammad Bin Qasim, Karachi.

14.4.2 Comments on Audited Accounts

14.4.2.1 The 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)***.

14.4.3 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	-
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,	38%

				16.4.3.5, 16.4.3.8, 16.4.3.10, 16.4.3.11	
2014-15	63	3	60	18.4.4.2, 18.4.4.4, 18.4.4.27, 18.4.4.26, 18.4.4.1, 18.4.4.43, 18.4.4.34, 18.4.4.29, 18.4.4.15, (18.4.3, 18.4.4.3, 18.4.4.5, 18.4.4.6, 18.4.4.7, 18.4.4.8, 18.4.4.9, 18.4.4.10,18.4.4.11, 18.4.4.12, 18.4.4.13, 18.4.4.14, 18.4.4.16, 18.4.4.17, 18.4.4.18, 18.4.4.19, 18.4.4.20, 18.4.4.21, 18.4.4.23, 18.4.4.24, 18.4.4.25, 18.4.4.28, 18.4.4.30, 18.4.4.31, 18.4.4.32, 18.4.4.33, 18.4.4.35, 18.4.4.36, 18.4.4.38, 18.4.4.39, 18.4.4.40, 18.4.4.41, 18.4.4.42, 18.4.4.44, 18.4.4.45, 18.4.4.46, 18.4.4.47,18.4.4.48, 18.4.4.49,18.4.4.50, 18.4.4.51, 18.4.4.52, 18.4.4.53, 18.4.4.54, 18.4.4.55, 18.4.4.56, 18.4.4.57, 18.4.4.58, 18.4.4.58, 18.4.4.59, 18.4.4.60 PAC referred to DAC level)	5%
2015-16	18	1	17	17.4.4.1, 17.4.4.3, 17.4.4.5, 17.4.4.10, 17.4.4.15, 17.4.3, 17.4.4.2, 17.4.4.4, 17.4.4.6, 17.4.4.7, 17.4.4.8, 17.4.4.9, 17.4.4.10, 17.4.4.11, 17.4.4.12, 17.4.4.13, 17.4.4.14	6%
2016-17	10	2	8	15.4.2.1 ,15.4.3, 15.4.4.2,15.4.4.3,15.4.4.4,15.4.4.5 ,15.4.4.6 ,15.4.4.7	-

2017-18	10	1	9	14.4.2.1.14.4.3.14.4.4.1, 14.4.4.2, 14.4.4.3, 14.4.4.4, 14.4.4.5, 14.4.4.6, 14.4.4.7	10%
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 (remainig to be discussed in PAC)	0%
Total	**219**	**63**	**156**		29%

The overall compliance of PAC directives needs improvement.

14.4.4 Audit Paras

14.4.4.1 Irregular award of contract of Port Qasim Coal-Fired Power Project – Rs 210,585.000 million equivalent to US$ 2.085 billion

As per agreement between PQA and Port Qasim Power Company (Pvt), Limited Clause F:- PQA and the company desire to enter into Agreement for,(1) granting to the company of leasehold rights over PQA's identified land and seabed for construction and operation of the complex; (2) allowing the Company to construct and operate the Jetty for self-use on BOO(as defined below basis; and (3) issuing the license to abstract and desalinate sea water for the complex. Complex:- means he coal-fired electric power generation station located on the site and Company interconnection Facilities (but excluding the Power Purchaser Interconnection Facilities) having a design capacity of approximately 1320 (620×2) MW (ISO gross) to be designed, engineered, constructed, commissioned, owned, operated and maintained by the company, whether completed or at any stage in its construction, including without limitation or regard to the level of development, engineering and design documents, all energy producing equipment and its auxiliary equipment.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the managment awarded a contract for the project of 2×660 MW Coal Fired Power Plant at PQA on Built Operate Own (BOO) basis directly to M/s. Power China-Al-Mirab Capital in violation of the rules. The following points were observed:

- Management awarded contract on Built Operate Own (BOO) basis instead of Build Operate Transfer (BOT) basis in violation of PQA rules and practice as all other terminals are given in BOT basis.

- Allotment of land was made on 07-08-2015 and at the time of allotment the PDC rate was Rs.10 million per acre but management charged half of PDC on old rates of PDC i.e. Rs.2.50 million per acre which caused loss of PDC of Rs. 1,000 million.
    - PDC charges of the 200-acre land allotted to the Power plant were reduced to half of rate and the rate of PDC was Rs.5 million per acre which was reduced to Rs.2.50 per acre resulting loss of Rs.50 million (2.50×200=500 million).
    - Fast track charges of Rs.0.5 million per acre was not charged by the PQA, which caused further loss of Rs.100 million (200 acre Rs.0.50 per acre).
- The project of 1320 MW was planned to be built, but file did not show the actual production of MW, this indicates just to purchase and hold the precious sea facing land by the foreign company.

Audit is of the view that the management in violation of the rules/policy directly awarded contract for establishment of coal basis plant on BOO basis instead of BOT basis and also extended undue favor to the contractor and received less charges of dues.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the contract was awarded by the Federal Government itself as the project pertained to CPEC. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.2 Placement of funds in violation of investment policy - Rs 73,370.000 million

According to Board Resolution No. 33/2019 dated 15.10.2019 (2) "after placement of 10% of surplus funds, remaining Funds are recommended to be invested in the ratio of 40:60 in AAA and AA rated commercial banks". As per the Board Resolution No. 60/2020 dated 27.10.2020;

- Funds should be placed at AAA and AA rated Banks but not more than 50% of surplus Funds should be placed in AA rated Banks.
- Not more than 50% of surplus funds placed in one single bank.
- Placement of PQA Funds should not be more than 30% of Equity of any Bank's /DFI's.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that contrary to above the management placed surplus funds of Rs 73,370 million for one year. For the safety purpose, PQA Board redrafted its earlier policy of 2019 and approved some changes regarding placement ratio of Funds in AAA and AA banks to mitigate the risk and encouraging the portfolio investment. However, it was observed that the management while placing the Funds deviated from the investment policy and made investment beyond approved ratio.

				(Rs.in million)
Investment period	**Approved Sharing Ratio (AAA/AA)**	**Funds Available for Investment in million**	**Actual Investment in AAA**	**Actual Investment in AA**
September, 2021	50:50	5,850	5,850 (ABL) (100%)	00
December, 2021	50:50	6,750	6750 (NBP) (100%)	00
April, 2022	50:50	60,740	48,840 (Various Banks) (80.4%)	11,900 (19.59%)
	Total	**73,340**	**61,440**	**11,900**

Audit is of view that the management not only failed to follow the Board's approved investment policy in its letter and spirit but also extended undue favour to the selected banks by placing the Funds in AAA rating banks only.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the investment was made as per PQA investment policy. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.3 Irregular placement of Funds in violation of PQA Investment Policy - Rs. 6,500.000 million

As per the Board Resolution No. 60/2020 dated 27.10.2020;

- Funds should be placed at AAA and AA rated Banks but not more than 50% of surplus Funds should be placed in AA rated Banks.
- Not more than 50% of surplus funds placed in one single bank.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that contrary to above, the management placed surplus funds of Rs 6,500 million during the year under review for the period of one year. For the safety purpose, PQA Board redrafted its earlier policy of 2019 and approved some changes regarding placement ratio of Funds in “AAA” and “AA” banks to mitigate the risk and encouraging the portfolio investment. However, it was observed that the management while placing the Funds deviated from the investment policy intact as detailed below;

				(Rs.in million)
Investment period	**Approved Sharing Ratio (AAA/AA)**	**Funds Available for Investment**	**Actual Investment in AA**	**Actual Investment in AAA**
August, 2021	50:50	6,500	6500 (Askari bank) (100%)	-

Audit is of the view that the management not only failed to follow the Board’s approved investment policy in its letter and spirit but also extended undue favour by placing the Funds in AA banks only.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the investment was made as per PQA Investment policy. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.4 Irregular award of contract of manning, repair & maintenance of dredger - Rs. 6,059.560 million equivalent to US$ 35.230 million

Rule 10 (1) of the PPRA,2004 states 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 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 Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management awarded the contract to M/s China Shipbuilding Trading Company Ltd (CSTC) for manning and repair and maintenance of the dredger (Indus Dolphin, Trailing Suction Hopper Dredger) at US$ 35.230 million equivalent to Rs 6,059.56 million for the period of 05 years from August/Sep 2021 to August, 2026. Due to specific conditions of experience of dredger-7000 cum and minimum depth 15 meter, only M/s CSTC qualified for tender as this company was already engaged in performing the same services in PQA since

2012, whereas two other local organizations, participated in the bidding and were disqualified due to non-meeting specific conditions of experience.

Audit is of the view that the management ignored Pakistani firms and extended undue favour to M/s CSTC of dredger to continuously awarding the subsequent contracts not only for manning, but also for purchase of spare parts and repair & maintenance from 2012 to 2026. Thus, the contract of US$ 35.230 million is in violation of rules.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the parameters of capacity of dredger and crew experience with regard to minimum dredging depth were based on PQA's actual requirement and firm meets the technical specification of tender. DAC directed the management to get the facts verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.5 Accounting manipulation of outstanding PDC and allied charges – Rs. 5,090.840 million

Section 57(1) and (2) of PQA Act, 1973 regarding Audit and accounts. - 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 requirement of the Act. The accounts of the Authority shall be audited by 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, on such remunerations, to be paid by the Authority, as the Federal Government may fix.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the provisional accounts of PQA for the year 2021-22 showed the figure of outstanding amount of Rs 4,011.817 million against PDC and Rs. 1,079.023 million against Allied charges. This outstanding of PDC and allied charges is chronic issue in PQA, which was continuously appearing since 2005-2006 in the annual accounts under the said heads till date, without any major change.

It is important to mention here that the provisional accounts show this figure continuously without change since 2005 to 2022, whereas the annual accounts certified by the chartered accountants up to 2016 show this figure at reduced amount, which means the amount of PDC and allied charges have been recovered, but contrary to that the figure of PDC and allied charges were manipulated in the certified annual accounts of 2007, which is serious negligence on the part of the management and violation of International Standards on Auditing by the Chartered Accountants. The figure of year 2006 and 2007 are as under:

	Certified annual accounts-2006 (Rupees)	
Head of account	**2006**	**2005**
(Note-9) Trade debt PDC	4,011,817,767	4,398,974,449
Allied charges	1,079,023,409	1,072,582,969

	Certified annual accounts-2007 (Rupees)	
Head of account	**2007**	**2006**
(Note-9) Trade debt, PDC	1,029,854,951	282,411,773
Allied charges	1,223,540,243	974,206,186

The above tables indicate that the figures of outstanding amount have been changed in the subsequent year to clear the amount of outstanding of PDC and allied charges from the defaulted allottees. Further, the annual accounts of PQA were not certified from the chartered accountants annually since 2005, however, the same were certified from one chartered accountant for 07, 08 years simultaneously up to year 2016, still annual accounts for 07 years are pending, which is serious negligence on the part of the management. The preparation of accounts on this way raises questions on the authenticity of figures.

Audit is of the view that the management has extended undue favour to the defaulted allottees to conceal the facts in the annual accounts. The above outstanding amount had been piled up to rupees twelve billion in year 2022, as one US dollar was equivalent to Rs 60 in 2006 and Rs 200 in June 2022.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated the matter may be pended as the facts are being verified. DAC directed the management to investigate the matter and share the report with Audit within 02 months.

Audit recommends implementation of the DAC directives.

14.4.4.6 Non-deduction of tax on royalty income – Rs 4,833.522 million

According to section 3(1) of Schedule II, (98.05) of Sindh Sales Tax on Services Act, 2011 provides that the Services provided or rendered by persons authorized to transact business on behalf of others, is taxable @ 13%.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that PQA received Rs. 37,180.93 million from the 12 terminal operators on account of royalty services charges during the year 2020-21 and 2021-22. However, the management did not deposit Sindh Sales Tax (SST) of Rs 4,833.522 million @ 13% to the concerned tax authority on the royalty received. PQA deducted the SST on royalty services charges only on terminal operator M/s Huaneng Fuyun Port & Shipping (Pvt.) Ltd. @ of 10% per month as per agreement. The details of royalty income (including opening balance as on 01.07.2021) are under;

							(Rs. in million)
Sr. #	**Name of Terminal**	**Royalty Income (Rs)**	**SST @ 13%**	**Sr. #**	**Name of Terminal**	**Royalty Income (Rs)**	**SST @ 13%**
1	FOTCO	716.882	93.194	7	(PROGAS/SSGS)	532.433	69.216
2	(PGPL)	1,744.699	226.810	8	(PQEPCPL)	5,538.299	719.978
3	PIBT)	12,958.859	1,684.651	9	(CHCS)	154.488	20.083
4	QICT)	2,850.017	370.502	10	(EETL)	7,698.182	1,000.763
5	QICT-2)	2,048.268	266.274	11	(EVTL)	1,397.206	181.636
6	LCT/FWQ)	248.220	32.268	12	(FAP)	1,293.381	168.139
Total						**37,180.939**	**4,833.522**

Audit is of the view that the management failed to deposit the SST to Sindh Sales Tax authority.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the matter is sub-judiced. DAC directed the management to pursue the case properly.

Audit recommends implementation of the DAC directives.

14.4.4.7 Irregular transfer of plots to private parties – Rs 4,334.000 million

Clause 4 of Agreement terms and conditions provides the plot shall be non-transferable to any outsider individual or company and even power of attorney shall not be acceptable. However, the plot can be transfer to a regular Employee of PQA with prior permission of the competent Authority.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that contrary to above the management allotted plots to their employees for the welfare and subsequently transferred 1,086 residential plots valuing Rs. 4,344 million (plots 1,086 **x** Rs 4,000,000 per plot) to private parties. The details are hereunder:

S#	Category-wise				Total plots Transferred	Period
	200	300	500	1000		
1.	147	72	18	2	239	2022
2.	119	51	19	0	189	2021
3.	64	42	6	2	114	2020
4.	130	57	22	0	209	2019
5.	186	101	45	3	335	2018
Total	**646**	**323**	**110**	**7**	**1,086**	

Audit is of the view, that management extended undue favor to the employees for frequent transfer of plots merely on recovering transfer fee.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC that the Board is competent and resolved to open the transfer of plots to the general public in 2006. DAC directed the management provide the relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

14.4.4.8 Non-allotment of 1,250 acres of PQA land – Rs 4,000.000 million

Federal Government made following decisions on 13.04.2021: -

- The agreement for lease of 1,250 acres of land between PQA and PTCL, shall be terminated immediately and the entire land be given back to PQA.
- PQA shall reimburse to PTCL any expenditure incurred by the latter on development of the leased land.
- PTCL shall continue to seek alternate land for establishing textile city at some other suitable site.
- Further necessary action shall be taken accordingly to effect implementation of the decision within one month.

Clause-xx of PQA’s Land Allotment Policy, 2000 states that in case of failure, the allotment of plot shall be cancelled and 25% of total Peripheral Development Charges shall be forfeited.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management allotted land of 1,250 acres of land to M/s Pakistan Textile City Limited (PTCL) in 2006/2007 for boosting export of textile products. The project could not succeed due to multiple reasons. Subsequently, the matter was discussed in the Cabinet meeting on 13.04.2021. However, management did not implement the decision of the Government even after lapse of 02 years, expenditure of Rs. 4,000.00 million was not refunded to PTCL and also the land was not re-allotted.

Audit is of the view that non-implementation of Government decision (non-refunding of expenditure of Rs.4 billion and non-allotment of land compromise PDC charges of Rs. 50,000 million (40 million/acre*1,250 acres).

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the land has been cancelled and process of refund of amount is under consideration. DAC directed the management to implement the decision of Government and allot the land as per Policy.

Audit recommends implementation of the DAC directives.

(DP No 176 & 291)

14.4.4.9 Non-insurance of dredger – Rs 3,345.000 million

Section 166 (3) of Insurance Ordinance, 2000 provides 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 (NICL) only and shall not be placed with any other insurer.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management purchased Trailing Suction Hopper Dredger (TSHD) amounting to US $ 36.95 million equivalent to Rs.3.345 billion under agreement dated 12 November 2012. However, it was observed that the dredger was not insured with M/s National Insurance Company Limited and management awarded contract of manning and maintenance including insurance at US$ 35.230 million to M/s China Shipbuilding & Trading Company (CSTC), from 2015 to-date.

Audit is of the view that non-insurance and payment of insurance cost of dredger to third party was unjustified and is held irregular in Audit.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the dredger was insured by the Company (M/s CSTC) being operator and management stated that NOC would be obtained from NICL. DAC directed the management to get the dredger insured from NICL.

Audit recommends implementation of the DAC directives.

14.4.4.10 Non vacation of 74 acres of land by a company - Rs. 2,960.000 million

According to Report issued by the representatives of survey of Pakistan along with Nazir of the Court dated 21-03-2019, the land of PQA was encroached by M/s Lucky Electric Power Company (As per item No. 11 of 205 BM dated 21-01-2021)."

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that M/s Lucky Electrical Power Company Ltd (LEPC) encroached 109 acres of land of PQA. Out of this, 35 acres land was allotted as per consent of the parties before High Court of Sindh and remaining 74 acres valuing Rs 2,960.00 million could not be vacated. M/s LEPC got allotment of 250 acres of land from Government of Sindh at Deh Ghangiaro. During demarcation of land, PQA objected the demarcation and claimed that M/s LEPC has encroached 139 acres. Accordingly, PQA filed Suit No. 1917/2017 against LEPC and others in the high court of Sindh, to cancel the lease agreement dated 22-09-2015 executed in favor of LEPCL to the extent of 139 acres (out of 250 acres comprising seashore and sea itself and within 50 yards of high water mark.) The Court granted stay order on 25-08-2017. Inspection survey was carried out from Survey of Pakistan through Nazir of the Court, which reported 109 acres of land was disputed (report dated 21-03-2019).

However, PQA accepted the offer of M/s LEPCL dated 14.09.2020 for out of court settlement. Out of 109 acres of disputed land, the land of 35 acres only were allotted to LEPCL at the PDC of Rs 40.00 million per acre. (Totaling 1,400.00 million) and PQA surrendered the land of 74 acres equivalent to Rs 2,960.00 million, despite the fact that a consent decree dated 09-06-2021 required that, "upon allotment of 35 acres land from PQA, M/s LEPCL shall vacate entire encroached land of PQA falling under 50 yards of high-water mark including encroached land of M/s Metal Investment Holding Corporation and handover its peaceful possession to Metal Investment and PQA without further delay". However, the land was not vacated

Audit is of the view that non vacation of the land caused a loss of Rs. 2,960.00 million (Rs 40.00m/per acres x 74 acres).

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that land has been retained from the Company. DAC directed the management to arrange survey from Survey of Pakistan to confirm its actual occupancy.

Audit recommends implementation of the DAC directives.

14.4.4.11 Manning of foreign nationals on Pakistani Dredger in violation Merchant Marine Policy- Rs 2,444.310 million equivalent to US$ 14.211 million

As per Clause 10(i) of Merchant Marine Policy 2001 states that Ships and other floating crafts including tugs, dredgers, survey vessels and other specialized crafts flying the Pakistan flag shall normally be manned by Pakistani nationals. However, in the event where no qualified or suitable Pakistani national is available for any particular job a non-Pakistani national can be employed.

Clause 14 of the contract between PQA & M/s CSTC stipulates that "the contractor will impart training (if required) to Pakistani crew during the contract period up to the level that crew could be able to operate the dredger independently.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was found that the management awarded the contract to M/s China Shipbuilding Trading Company Ltd (CSTC) for manning of the dredger (Indus Dolphin, Trailing Suction Hopper Dredger) at Rs 2,444.310 million for the period of 05 years from August 2021 to August 2026. M/s CSTC deployed foreign nationals on the Pakistani dredger of PQA, in violation of above marine policy.

As per above policy, PQA had to arrange the national human resource for running this Pakistani flagged dredger, but the management handed over this one to the foreign nationals. To avoid violation of marine policy, DG operation initiated the note to DG (Admin) for hiring of Pakistani nationals (Human Resource) on 13-01-2021 well before 08 months from the date of expiry of the contract instead of letting the dredger to foreign crew and suggested that this would not only avoid violation of Marine Policy, but also save the foreign exchange. The HR and Admin department showed their reluctance to accept the proposal of DG (Operations) and continued to award the contract to the same contractor from whom the dredger was purchased some 10 years ago and was running the dredger with manning, repair & maintenance. Total cost of the award of contract for 05 years is Rs 6.00 billion, and such equivalent amount has been paid to the contractor from 2015 to 2021, which is almost the four times higher than the purchase price of the dredger.

It was further observed that there was an agreement with M/s CSTC in 2012 on imparting training to Pakistani nationals for running the dredger at its own within the period of contract of 03 years, but after lapse of more than 10 years, the management could not materialize imparting training to the local crew.

Audit is of the view that even after passage of 10 years of purchase of the ship (dredger) has neither trained the local crew nor has arranged local man power. This reflected negligence and non-efficient handling of the matters. Thus, the award of contract of manning of US$ 14.211 million (Equivalent to Rs 2,444.310 million) to the foreign company/crew instead of National crew is irregular and unjustified.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that marine operation is a specialized domain for which expertise is not readily available due to which foreign crew was hired. DAC directed the management to intimated time schedule for training of locals and submit revised reply.

Audit recommends implementation of the DAC directives.

14.4.4.12 Loss of PDC income due to conversion of plots from warehouse into CFS/Industries – Rs 2,065.000 million

Section 10 of PQA Act 1978 states that the Authority shall prepare a master-plan and a phased master-programme for the development of the Port area and the plan and programme shall be submitted to the Federal Government for approval.

As per para xx and xxv of Land Allotment Policy, 2005:-

Commission of the proposed unit within the time specified in case of failure, the allotment of plot shall be cancelled and 25% of total Peripheral Development Charges shall be forfeited. The allotment of plot shall be cancelled and 10% of total PDCs of whole plot area shall be forfeited against PQA administrative charges and also annual land rent will be charged for the period the plot is retained by you.

During audit/special study of Port Qasim Authority (PQA) for the years 2017-18 to 20221-22, it was observed that the management converted warehouses and CFS to Industries through DG P&D summary to Board 216th meeting held on 08-02-2022. The management received only outstanding charges instead of cancelling the plots and re-allotment of the same on prevalent charges. Thus PQA sustained loss of PDC charges of Rs 2,065 million.

Audit is of the view that the management in violation of the act allowed conversion of allottees/transferee which is showing mismanagement for handling of the P&D Division.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that no loss incurred from conversion of plots. DAC recommended the management to get the record verified from Audit. Audit recommends the management to conduct inquiry on conversion of plots and subsequent loss.

Audit recommends implementation of the DAC directives.

14.4.4.13 Non-payment of royalty charges on import of LNG - US$ 11.125 million equivalent to Rs 2,025.923 million

As per Schedule 13 of the Implementation Agreement, 2007 between Port Qasim Authority and M/s Pakistan Gas Port Limited (PGPL), M/s PGPL had to pay the royalty charges as under:

1-5 years	6-10 years	11-15 years	16-20 years	21-25 years	26-30 years
US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn
1.90	2.375	3.325	4.090	4.855	5.624

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was noted that M/s Pakistan Gas Port Limited (PGPL) operated LNG terminal since 2011. However, the company did not deposit the royalty of the LNG imported during the period under review. The detail is as under:

Period	No of ships	Quantity imported (M.Tonn) (cm/2.18)	Royalty US$/tonn	Amount in US$	Rs rate against US$ in June	Amount Rs in million
July,21 to June 22	51	3,416,083	1.90	6,490,559	204	1,298.11
Nov, 20 to June 15, 21	41	2,439,872	1.90	4,635,756	157	727.813
Total	**92**	**5,855,955**	**1.90**	**11,126,315**		**2,025.923**

Audit is of the view non-payment of royalty charges on import of LNG caused to the Port Authority of US$ 11.125 million equivalent to Rs. 2,025.923 million.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC that efforts are being made to recover the amount. DAC directed the management to expedite the efforts for early recover.

Audit recommends implementation of the DAC directives.

14.4.4.14 Non-deduction of Sales Tax and Income Tax on Services of manning contract– Rs 1,755.260 million equivalent to US$ 11.18 million

According to the agreement between PQA and M/s China Shipbuilding Trading Company Ltd (CSTC) 2016, all types of taxes including income tax and sales tax was to be paid by the employer (PQA).

According to the Section 3(1) of Sindh Sales Tax on Services Act-2011, service provided by person engaged in contractual execution of work or furnishing supplies is taxable @ 13%.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management awarded contract to M/s China Shipbuilding Trading Company Ltd (CSTC) for manning of the dredger (Indus Dolphin, Trailing Suction Hopper Dredger) at US$ 31.00 million for 05 years from @ 2016 to 2021 and at US$ 35.23 million for the period of 05 years from August 2021 to August 2026.

The bidder had quoted US$ 31.00 million without tax and US$ 42.18 million with Tax. PQA accepted the option without tax and PQA itself had to deposit the income and sales tax under contract of 2016 and US$ 35.23 million excluding sales tax of US$ 4.932 million (Rs 848.304 million) and all other taxes. However, the file did not show that income tax and sales tax amount was deposited with the Tax Authorities. Thus, the income tax and sales tax of US$ 11.18 million (equivalent to Rs 1,755.26 million= @ Rs 157 in June 2021 x US$ 11.18m) was not paid to the tax authorities for the contract from 2016 to 2021 and sales tax of US$ 4.923 million (848.304 million) and income tax US$ 4.403 million (Rs 757.316 million) @12.5 % of income under the contact from 2021 to 2026 was not being paid to the tax authorities as no evidence of tax payment was available in the file, which caused loss to the national exchequer.

Audit is of view that management extended undue favour to the contractor by agreeing to pay the taxes on his behalf to the tax authorities, which was not also deposited.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The

management informed that the matter was sub-judice. DAC directed the management to pursue the case properly.

Audit recommends implementation of the DAC directives.

14.4.4.15 Irregular award of contract for repair work of tugs and boats –Rs 1,714.290 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.

Rules 16A (1) of PPRA, 2004 states that the procuring Agency shall arrange the procurement through framework agreements of recurrent or common use items, services including maintenance services and those commodities, whose market prices fluctuate during the term of the agreement, for a maximum period of three years. (2) The procuring agency shall prepare provisional annual estimates including description, specifications, statement of requirements and quantities, based on rational demand estimates. (3) Based on such estimate, procuring agency shall initiate the prequalification proceedings for selection of suppliers and service providers.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management incurred heavy expenditure of Rs1,714.290 million on repair and maintenance of tugs and boats during the period under review. The management was required to publish open advertisement in the newspapers and if the common use of items and maintenance services, the Rule 16A was needed to be followed, but the management neither observed the open tendering process nor prequalification of bidders for the repair and maintenance services of the Tugs and boats, which is a violation of the PPRA-2004.

The above position indicates that the management was not following the rules in true letter and spirit to avail the competitive rates from the market. Thus, expenditure of Rs 1,714.290 million incurred on account of repair and maintenance without observing PPRA Rules,2004 is held irregular and unjustified.

Audit is of the view that the management was extending undue favour to few contractors by getting the work done form them without inviting competitive rates from the market.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. Management stated that repair work was assigned to the contractors after fulfilment of codal formalities. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.16 Irregular award of conventional twin screw buoy tender contract-Rs. 1,671.522 million equivalent to US $ 9.149 million

Section IV, para 04 on "Technical Evaluation Criteria" of Tender document states that for qualifying technically minimum marks are required to be required in Each Category and overall of minimum 60 marks. Category C provides;

Category	**General Experience of Supplier of One (01) Conventional Twin Screw buoy tender**	**Min Marks**	**Max marks**
C	• Min 5.0 years' experience of construction of conventional twin screw vessel of LOA=40 meters and above. (All weather sea going class), 05 points for 05 years and for each additional year 1.0 point.	05	10
	• Construction of at least (03) Twin Crew Buoy Tender vessel or 3 twin screw supply vessel of LOA=40 meters or above 15 points and for every additional twin screw vessel of LOA=40 meters or above shall earn 05 points.	15	25
	• Construction of at least two 12 knots speed Twin Screw Conventional vessels of LOA=40 meters or above.	10	15
	Total points/Marks	**30**	**50**

Rule 48 (2) of PPRA Rules, 2004 states that any party may file its written complaint against the eligibility parameters, evaluation criteria or any other terms and conditions prescribed in the bidding documents if found contrary to the provisions of the procurement regulatory framework, and the same shall be addressed by the Grievance Redressal Committee (GRC) well before the proposal submission deadline. (4) In case, the complaint is filed against the technical evaluation report, the GRC shall suspend the procurement proceedings.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management floated advertisement for the supply / construction of one conventional twin screw Buoy vessel on 13.12.2020. Three firms M/s Med Marine, M/s P.T Dumas and M/s Daymen Shipyard were technically qualified by the technical Evaluation Committee on 15.10.2021 whereas financial bids were opened on 22.10.2021. M/s Med Marine being the lowest bidder was awarded the contract of new supply / construction of one conventional twin screw Buoy tender at the cost of US$ 9.149 million. As per Technical evaluation report, M/s Med Marine secured overall 83% marks while in category C obtained 36 marks against minimum 30 marks. The Report was uploaded on PPRA website on 03.11.2021. The bidding documents revealed that M/s Med Marine was representing Eregli Shipyard of Turkey.

Moreover, it was noticed that one of the technically qualified bidder M/s P.T Dumas lodged complaint on 01.11.2021 and raised objection that M/s Med Marine through Eregli Shipyard Turkey has never built a Buoy Tender/Supply Vessel so far while the shipyard (Eregli) has produced lots of sea chemical tankers, tugs and pilot boats that are neither classified nor equivalent to Buoy Tender/Supply Vessel. As legally none of Eregli Shipyard products fall in the category of Buoy Tender so the shipyard does not meet the above mentioned technical criteria and should be given zero (0) marks in reference (i) and (ii).

Resultantly, the management constituted a Grievances Committee (GRC) to recheck the evaluation Criteria on the complaint of M/s P.T Dumas on 08.12.2021 with direction to submit the report within 15 days i.e.23.12.2021. However, it was noticed that the management issued orders of abolition of the GRC vide letter No. PQA/Marine Ops/Conservancy/2021 dated 28.02.2021 without submitting any report on the complaint. Besides, no justification of the GRC abolition was recorded in the file.

Audit is of the view that the management extended undue favour to M/s Med Marine and awarded the contract of US$ 9.149 million equivalent to Rs. 1671.522 million) in violation of the rule 48 of PPRA 2004. Besides, abolishing GRC without its proper disposal and justification raises serious questions on the management and the undue favour given by technical evaluation committee to M/s Med Marine, a technical non-qualified bidder, cannot be ruled out.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that as per specification, bidder was qualified and accordingly contract was assigned. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.17 Non-recovery of liquidated damages, wharfage and other charges – Rs 1,155.495 million

According to Schedule 18 of the Implementation Agreement dated October 10, 2016 between Port Qasim Authority and M/s. Huaneng Fuyun Port & Shipping (Pvt) Ltd (HFP), M/s. HFP had to pay the charges of land lease, annual maintenance charges, royalty, etc. to PQA.

During audit of Port Qasim Authority (PQA) for the year 2021-22, following irregularties were observed in case of M/s Huaneng Fuyun Port & Shipping (Pvt) Ltd;

1. Company operating at Marginal Wharf-3 & 4, and the amount of wharfage/other dues were not recovered in accordance with the agreement.

S#	Description	Period	Amount (Rs)
1.	Wharfage charges	2019-20	62.641
2.	Land rent & maintenance	Upto May, 2021	381.329
3.	Portable water	Upto April, 2021	0.633
4.	Liquidated Damages	June, 2020	543.500
		Total	**988.103**

Furthermore, M/s Huaneng Fuyun Port & Shipping (Pvt.) Ltd, a company operating at Marginal Wharves - 3 & 4, requested for dredging services at Marginal Wharf, which was done by the PQA through the dredger Dolphin in 2020 worth Rs.167.392 million. However, the same were not paid by the company.

Audit is of the view that the management failed to enforce the contract which reflected controlled weakness.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the company is reluctant to pay the dues. DAC directed the management to pursue the case for recovery of outstanding amount from the Company.

Audit recommends implementation of the DAC directives.

(DP No.179 & 195)

14.4.4.18 Loss due to non-fulfilment of obligation on maintaining the channel at minimum required level – Rs.986.845 million

According to Clause-4.3(b)(ii)(a) of the Implementation Agreement with M/s. Qasim International Container Terminal dated August 17, 2006, PQA shall ensure a minimum draught of 13 meters available at all time. Within two years from the date of commercial operations, PQA shall ensure a minimum draught of 14 meters, Failure by PQA to provide and maintain draught shall entitle QICT to reduce Royalty by US$ 2.00 per Move till achievement of the target.

During audit of Port Qasim Authority (PQA) for the year 2021-22, following irregularities were observed;

1. M/s Qasim International Container Terminal (QICT) established container terminal at Port Qasim on Build, Operate and Transfer (BOT) basis under agreement dated August 17, 2006. However, PQA failed to dredge the minimum draught even after lapse of more than sixteen years of the agreement. This resulted into paying royalty at reduced rate of $2.00 per container. The detail is as under:

QICT	Tues (Container)	Royalty to be received @ US$ 9.00	Royalty received @ US$ 7.00	Difference US$	Loss (Rs)
1	567,856	5,110,704	3,974,992	1,135,712	227,142,400
2	787,731	7,089,579	5,514,117	1,575,462	315,092,400
Total	**1,355,587**	12,200,283	9,489,109	2,711,174	542,234,800

2. Further, management failed to provide minimum 14.5 meters of draught level under the agreement with M/s Fauji Akbar Portia (FAP). As a result, the company paid the royalty to PQA at reduced rate of US$ 0.10

per metric ton from US$0.65. Thus, M/s FAP refused to pay an amount of Rs.139.005 million and claimed from PQA further to return an amount of Rs.55.535 million paid in excess of amount, totaling Rs.194.54 million to be borne as loss to PQA.

3. M/s HR Wallingford & M/s Techno-Consultant International Pvt. Ltd (Joint Venture), submitted its feasibility report amounting to US$ 268.07 million (reflecting cost of dredging on a to c options) in February, 2020, for deepening, widening & straightening of the existing navigational channel, commissioning of alternate inner navigation channel and supervision of capital dredging work. The feasibility study was submitted to the Ministry for Federal Government approval in March, 2020.

Audit is of the view that non-fulfilment of obligation on maintaining the channel at minimum required level caused recurring loss to PQA.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the implementation of dredging project is dependent upon approval from MOMA/Federal Government. DAC directed the management to pursue the case for early approval of Federal Government.

Audit recommends implementation of the DAC directives.

(DP No. 197 & 238)

14.4.4.19 Irregular award of contracts of civil maintenance in violation of PPRA - Rs.760.000 million

Rule 16A of PPRA Rules, 2004 provides; (1) The Procuring Agency shall arrange the procurement through framework agreements of recurrent or common use items, services including maintenance services and those commodities, whose market prices fluctuate during the term of the agreement, for a maximum period of three years. (2) The procuring agency shall prepare provisional annual estimates including description, specifications, statement of requirements and quantities, based on rational demand estimates. (3) Based on such estimate, procuring agency shall initiate the prequalification proceedings for selection of suppliers and service providers.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management awarded the annual maintenance contracts of various works / services carried out by Civil and Maintenance Department of amounting to Rs.760 million in violation of above rule. The contracts were of the recurring maintenance nature and were awarded without conducting prequalification proceedings for selection of suppliers and service providers. The details are as under;

			(Rs in million)
Sr #	**Name of annual maintenance Service contract**	**Name of Contractor**	**Amount**
1	PQA Housing Complex	M/s Allied Business	80.00
2	PQA Roads Networks & Bridges EIZ	M/s KA & Brothers	150.00
3	Building and offices	M/s Indusmen & Co.	80.00
4	PQA Roads Networks & Bridges SWIZ	M/s Hassan & Co	150.00
5	contract of NWIZ	M/s Gulzari Associates	200.00
6	PQA Marine Structure	M/s Indusmen & Co.	100.00
		Total	**760.00**

Audit is of the view that the award of annual maintenance contracts without prequalification process and proceedings makes all the contracts irregular.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. Management stated that the contract was awarded to the qualified bidders participated in bidding after tender. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.20 Loss due to charging less rate of royalty and non-recovery Rs.406.379 million

As per schedule 13 of the agreement between Port Qasim Authority and Pakistan International Bulk Terminal (Pvt) Ltd dated November 06, 2010, the rate of royalty was required to be paid by the Company (PIBT) as under:

S#	Years	Rate/per ton	S.No.	Years	Rate/per ton
1.	1-5	US$ 2.27	5.	22-26	US$ 2.7591
2.	6-11	US$ 2.3835	6.	27-31	US$ 2.8971
3.	12-16	US$ 2.5026	7.	32	US$ 3.0420
4.	17-21	US$ 2.6278			

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management awarded the contract of coal and clinker/ cement terminal to M/s Pakistan International Bulk Terminal (Pvt) Ltd on Build Operate and Transfer (B.O.T) basis. The company was required to pay the above charges on account of royalty on per ton of coal and clinker/ cement, but the management charged the rate of royalty less than required in the subsequent years. The detail is hereunder:

Month	**Quantity (M.Ton)**	**Royalty charged (US$/Ton)**	**Royalty to be charged (US$/Ton)**	**Difference (US$/Ton)**	**Loss (US$/Ton)**
July – June 2021-22	8,114,641	2.27	2.5026	0.2326	1,887,465

This caused loss of US$ 1.887 million equivalent to Rs.349.181 million (US$ 1,887,465 x Rs.185) during 2021-22. Besides, PQA did not charge the first enhanced rate of US$ 2.3835 per ton from 6th year of the contract and onwards, which needed to be calculated and recovered from the company.

It was further observed that due amount for the month of May and June, 2022 amounting to US$ 309,179 equivalent to Rs.57.198 million was not received from the above Company.

Audit is of the view that charging of less rate of royalty and non-recovery caused loss to the Authority amounting to Rs.406.379 million.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the royalty was charged as per Implementation agreed and from the date of commencement of business and the outstanding amount was received. DAC recommended the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.21 Loss due to charging less than approved rate of wharfage to terminal operator – Rs.259.760 million

Article 6.2 of tariff agreement dated July 25, 1995, with M/s Qasim International Container Terminal (QICT) states that QICT will pay to PQA wharfage charges @ Rs. 400 per TEU (Container) handled on a weekly basis. Such payment will be subject to proportionate revision by PQA as and when the wharfage charges are altered or revised and are so notified by the Government.

As per Gazette notification dated June 17, 2010, the rates of wharfage were revised to Rs. 620 per TEU and Rs. 1,240 per FEU by the Government of Pakistan.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management charged less rate of wharfage to QICT, a terminal operator, than the rate approved in Gazette. The detail is given as under:

QICT	No. of TEUs (Containers)	Wharfage chargeable @ Rs. 620	Wharfage charged @ Rs. 440	Difference (Rs.) loss
1	567,856	352,070,720	249,856,640	102,214,080
2	787,731	504,148,479	346,602,079	157,546,399
Total	**1,355,587**	**856,219,199**	**596,458,719**	**259,760,479**

Audit is of the view that the management extended undue favour to QICT and charged wharfage rate of 1995 instead of wharfage rates of 2010 (which also needed revision as the rupee devalued significantly against dollar). Thus, PQA sustained a loss of Rs.259.760 million.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the wharfage is charged as per implementation agreement from the date of commencement of the operation. DAC directed the management to provide the relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

14.4.4.22 Enlistment of hospitals without competitive bidding – Rs.222.491 million

Rule 16A (1) of PPRA Rules, 2004 provides that the Procuring Agency shall arrange the procurement through framework agreements of recurrent or common use items, services including maintenance services and those commodities, whose market prices fluctuate during the term of the agreement, for a maximum period of three years.

Rule 20 of the 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.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that PQA paid an amount of Rs 222.491 million to 18 enlisted hospitals after the approvals of the Medical Committee. However, it was observed that the

Authority enlisted the hospitals without any formal agreement without any competitive bidding.

Audit is of view that the management deprived the organization of competitive advantages of bidding process in violation of PPRA. Thus, the payment of Rs.222.491 million is held irregular.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC that the hospitals have been enlisted as per PQA medical policy approved by the Board. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.23 Un-authorized conversion from Warehouse to Industry and subsequent loss on account of PDC charges – Rs.179.800 million

Section 10 of PQA Act, 1973 states that the Authority shall prepare a Master Plan and a Phased Master Programme for the development of the Port area and the plan and programme shall be submitted to the Federal Government for approval.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the Board through resolution on 16.10.2021 approved conversion (change of category) of following five allottees from Warehouse and Container Freight Station (CFS) to Industry without approval of the Federal Government i.e. Cabinet.

S#	Name Allottee/Transferee	Date of Application	Plot No.	Area	Zone
1	Mrs. Atiya Anis Hussain	17.01.2020	W2/8	02 Acres	NWIZ
2	Mr. Pirbhu Lal	05.10.2021	W1/13	01 Acre	EIZ
3	Mr. Nawal Behrumal	07.10.2021	W1/B/62	01 Acre	EIZ
4	Mr. Raja Asser Mal & Anil Kumar	27.09.2021	A-14	05 Acre	EIZ

The change of category was effected directly through the Board resolution without any recommendation of the same from PQA Planning & Development (P&D) Committee. Such change in category resulted into loss of Rs.179.800 million on account of difference in Peripheral Development Charges (PDC) leviable on North Western Industrial Zone (NWIZ) and Eastern Industrial Zone (EIZ). The details are as under;

(Amount in Rs.)					
Zone	**Acres**	**Warehouse /acre**	**Industrial /acre**	**Difference in rate per acre**	**Loss**
EIZ	7	40,000,000	30,000,000	10,000,000	70,000,000
NWIZ	5.49	60,000,000	40,000,000	20,000,000	109,800,000
				Total Loss	**179,800,000**

Audit is of the view that change of category from warehouse and CFS to industry without prior approval of Federal Government and P&D Committee was in violation of PQA Master Plan, unjustified and irregular in Audit.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that conversion of plots were approved by the Board as allowed by the Ministry of Maritime. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.24 Irregular appointment of employees – Rs.136.000 million

According to Rule 8 of PQA Employees Service Regulations, 2011, all vacancies to be filled in by initial recruitment shall be on merit, advertised in leading national and local newspapers, in light of chapter-V of PQA Act, 1973, as amended from time to time.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that only 59 new employees were appointed during the Year 2021-22 on contract/regular/daily wages basis. However, while scrutiny of the Payroll it was observed that management opened 135 new ID's / recruited new employees instead of 59 employees during the Year 2021-22 on contract/regular basis. The non-provision of appointment files indicates that the appointments have been made without completion of codal formalities such as advertisement, qualification age, regional quota, sanctioned strength etc. thus, the expenditure on account of salary of Rs.136.000 million is held irregular and unjustified.

Audit is of the view that the management has violated the recruitment rules which resulted into extra financial burden and avoided open merit.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC that the 118 employees were mariners from

Pakistan Navy working on deputation. DAC directed the management to provide appointment files and other record to Audit for verification.

Audit recommends implementation of the DAC directives.

14.4.4.25 Non-accountal of electricity units – Rs.122.037 million

As per para viii of general lease agreement conditions, the allottee will be required to pay services Charges i.e. water& electricity etc. on the basis of billing direct to the M&E /Civil maintenance Department, in the case of default the services will be discontinued without notice.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that there was non-accountal of electricity units amounting to Rs. 122.037 million during the year 2021-22 **(Annex-90)**.

Audit is of the view that the management failed to account for the electricity units billed from K-Electric whereas short billing to its allottees /consumers on account of electricity charges consumption cannot be ruled out.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. Management stated that the consumers are billed as per agreement and no short billing is made. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.26 Irregular waiver of PDC charges - Rs.81.250 million

As per PQA Land Allotment Policy 2005:- Clause:-iv (a) The Peripheral Development Charges (PDCs) for different categories of land allotments shall be as follows:

a. South west Industrial Zone (SWIZ) - Rs.5.00 million / acre.

During audit of Port Qasim Authority (PQA) for the years 2021-22, it was observed that the PQA allotted land in half PDC in violation of the above stated rules. Furthermore, management initially allotted land measuring 10 acres in South West Industrial Zone (SWIZ) to M/s. Marine Dynamics (Pvt), Ltd for establishing warehouse business at a rate of Rs.2.5 million per acre whereas the rate of PDC but the rate was Rs.5.00 million per acre and management extended undue favor and issued allotment letter on 29-06-2012.

Moreover, Board rectified the earlier decision and its 151st meeting held on 7th February, 2013. The land allotted vide above referred BRs fall within the boundaries of bonded warehouse/backup area of south western zone where the PDC charges are 6.5 million instead of 5.00 million per acre as mentioned mistakenly. Therefore, as per approved policy i.e. half of the PDC, the rate per acre comes to Rs 3,250,000 and not Rs.2,50,0000/- as mentioned in the subject resolutions. Board after necessary discussion the BRs on rectification approved as the Board approved both allotments that comes to an area measuring twenty-five (25) acres in total to M/s. Marine Dynamic (Pvt), Ltd in South Western Industrial Zone for the establishment of Bonded Warehouse facility @ Rs. 3,250,000 per acre being occupancy value.

Audit is of the view that management in violation of the rules/policy directly allotted plot measuring 10 acres but later on 15 acres were also allotted and total 25 acres was allotted on lower rates and charged half of the PDC instead of actual which resulted loss of Rs. 81.250 million (25 acres×3.250 million per acre) to PQA.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC that the same para has already been discussed in PAC and PAC settled the para. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.27 Failure in charging outer anchorage charges from various ships - Rs.77.165 million

As per general note 0405, Gazette of Pakistan June 17, 2010, states that these charges apply to vessels using Port Qasim's Outer Anchorage area and approaches and are levied as per 0406.

<u>0406: Rates:</u>

• Vessels using anchorage area Outer anchorage and approaches	US$ 0.013 per GRT per day or part thereof.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that numerous vessels anchored at outer anchorage for many days. The management of PQA had to charge outer anchorage fees from the ships waiting for berth on the respective jetties of PQA terminals. Some instances are given below and rest of examples is attached but no outer anchorage fees was charged from the chip owners, which is violation of above Gazette notification of the Government of Pakistan.

S#	Name of Ship	Rate per GRT	GRT	Total PKR	Date of Outer Anchorage	Berthing Date	Dates Difference	Arrived late but Birthed first	Remarks
	01	02	03	04	05	06	07	08	09
01	M.T- AFRA LAUREL	0.013	57567.00	8,026,755	13/11/21	23/12/2021	40	17	It has been noticed that many ships already waiting at outer anchorage for birthing but ships that notified in column 08 were arrived late and berthed earlier.
02	M.T- ATLANTIS	0.013	55898.00	5,188,452	14/10/21	18/11/2021	35	08	
03	M.T- QIU CHI		30456.00	2,261,540	23/01/22	21/02/2022	29	08	
04	M.T- FAROS	0.013	42443	2,813,970	05/09/21	30/09/2021	25	04	
05	M.T- NORD NEPTUN	0.013	42432	2,250,593	06/09/21	26/09/2021	20	01	
06	M.T- MARVEL	0.013	24066	1,212,637	20/08/21	08/09/2021	19	02	
07	M.T- SANMAR SONGBIRD	0.013	28517	1,210,033	01/09/21	17/09/2021	16	01	
08	M.T- PACIFIC DIAMOND	0.013	28778	1,144,788	02/08/21	17/08/2021	15	01	
09	M.T- CHEMTRANS ARCTIC	0.013	41994	1,670,521	31/07/21	15/08/2021	15	02	
10	M.T- JAG LAVANYA	0.013	58374.00	2,167,309	04/06/22	18/06/2022	14	04	
11	M.T- PRESTIGIOUS	0.013	40037	1,486,493	22/07/21	05/08/2021	14	02	
12	M.T- SEA TIGER	0.013	52512	1,949,665	25/07/21	08/08/2021	14	01	
13	M.T- SCF DON		29967	953,669	29/06/21	11/07/2021	12	03	

Total Amount of above table in Rs. 32,336,425/- Total of 209 other cases of anchorage charges Rs. 44,829,110/-Grand Total: 77,165,535/-

The examination of the records provides evidence of significant instances of malpractice within the Port Qasim Authority (PQA). It seems that the management, in a calculated manner, engaged in biased conduct by bestowing unjustified privileges upon vessels that arrived subsequently, yet was granted berthing priority over vessels that had already anchored. This illuminates a troubling trend of favoritism and unethical practices that permeate the operational framework of the PQA. Such a neglect of fairness and impartiality impacts merit system of evaluation.

Audit is of the view that the management extended undue favor to the ships arrived late, but berthed before the ships already waiting at PQA outer anchorage to be berthed. Further, the management also extended favor to the ships waiting at outer anchorage by not charging anchorage fees, resulting loss of Rs. 77.165 million to the PQA.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the outer anchorage is liable to be charged from the ships waiting for their turn. DAC directed the management to provide the record to audit for verification.

Audit recommends implementation of the DAC directives.

14.4.4.28 Failure to pay royalty charges on import of coal - Rs.66.315 million equivalent to US$. 343,873

As per schedule 10 of the implementation of the agreement dated 22 April, 2015, M/s Port Qasim Electric Power Co. Ltd had to pay the royalty charges as under:

1-5 years	6-11 years	12-16 years	17-21 years	22-26 years	27-31 years	32-36 years	37-41 years	42-46 years	47-50 years
US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn	US$/Tonn
2.27	2.38	2.50	2.62	2.76	2.90	3.04	3.19	3.35	3.52

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that M/s Port Qasim Electric Power Co. Ltd conducting its operations since April 22, 2015. However, the management is currently receiving outdated rates of 2.27 per MT, whereas as per agreement, the rate per MT from 6-11 years entitled for the company is 2.38 per MT. The details are as under:

Period	**No. of Ships**	**Quantity imported (M.Tonn)**	**Royalty US$/Tonn**	**Amount in US$**	**Rate of US$ in June**	**Amount in Rs.**
July 21 to June 22	61	3,126,114	2.38	7,440,151	192.85	1,434.83
OLD RATE OF ROYALTY CHARGES						
July 21 to June 22	61	3,126,114	2.27	7,096,278	192.85	1,368.51
Difference				**343,873**		**66**

Thus, the company did not fulfill its obligation to deposit the royalty amount of US$. 343,873/- equivalent to Rs. 66.315 million, from July 2021 to June 2022.

Audit is of the view that the management extended favor to the company, resulting in the accumulation of loss of Rs. 66.315 million. This reflected weak revenue collection.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the royalty is charged as per implementation agreement from the date of commencement of the operation. DAC directed the management to provide the relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

14.4.4.29 Irregular award of hiring of firefighting Services – Rs.62.706 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 Port Qasim Authority (PQA) for the year 2021-22, it was observed that management floated tender for hiring of firefighting services (manpower viz. 59 Fireman, 08 HTV drivers and 03 LTV drivers) on 01.11.2021. Three bidders were technically qualified whereas M/s Elite Services, a sole proprietor, was awarded the contract at Rs. 5,225,516/- per month on 28.03.2022. However, the record reflected that M/s. Elite Services did not quote the financial rates of any item of schedule instead crossed the same page of submitted bidding documents. While a separate paper of "Schedule / BOQ-A" of the schedule rates were submitted by the bidder for financial evaluation.

Moreover, PQA Legal Department rose following observations on the award of the contract to M/s Elite Services;

- Outsourcing was to be from firefighting companies however, M/s Elite was sole proprietor.
- Profile of the bidder in bid showed that area of operation and ability of the firm was "janitorial services" which was evident from the Tax payer online verification document.
- Evaluation criteria showed the bidder should have four years "similar nature of contract experience" which was not justified from the available bidding documents.
- The bidder was generously evaluated by getting more marks.
- Recommended the case for re-examination / reevaluation to Evaluation Committee.

Audit is of the view that award of work without quoting of rates against BOQ items and by neglecting observations of legal department reflected that procurement was not fair/not transparent.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC that qualified manning was arranged from service provider. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.30 Loss of interest income due to placement of funds with 2nd highest offered rate - Rs.57.375 million

As per Board Resolution No. 60/2020 dated 27.10.2020;

- Funds should be placed at AAA and AA rated Banks but the same may not be more than 50% of surplus Funds should be placed in AA rated Banks.
- Not more than 50% of surplus funds placed in one single bank.
- All investment should be at KIBOR (+/-) rate.
- Placement of PQA Funds should not be more than 30% of Equity of any Bank's /DFI's.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that management placed surplus funds of Rs 6,750 million with NBP @ KIBOR plus base rate (10.62%) for the period of one year. The Samba Bank offered highest rate KIBOR plus base rate (11.47%) to PQA for the same investment made in December 2021. However, it was observed that management placed all funds in NBP and ignored the highest offered rate which resulted into loss of interest income amounting to Rs 57.375 million to PQA. The details are as under;

Investment Period	Funds Available for Investment in million	KIBOR offered rate by NBP	KIBOR offered rate by Samba Bank	% of Funds against 30% Equity NBP	% of Funds against 30% Equity Samba Bank	Loss due to difference of rate (10.62-11.47 =0.85)
December, 2021	6,750	10.62	11.47	51%	39%	**57.375**

Audit is of the view that the management extended undue favour to NBP which resulted into loss of interest income amounting to Rs 57.375 million to the Authority.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC the Samba Bank was at the verge of closing business due to which, investment was made with 2nd lowest bidder. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.31 Loss due to late delivery of 02 pilot boats - Rs.53.040 million equivalent to US$ 260,000

As per terms and conditions of agreement, M/s Sanmar Denizcilik Makina Ve Ticaret as Istanbul, Turkey dated 24-03-2021 had to execute the delivery or supply of pilot boats within a time frame of 09 months.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that management imported 2 pilot boats from M/s Sanmar Denizcilik Makina Ve Ticaret as Istanbul, Turkey. The (LC) was opened on 08-04-2021, whereas, the company delivered the pilot boats on 03-02-2022, after lapse of 26 days. Consequently, the management should have received penalty charges amounting to US$. 10,000 per day. The total penalty amount for the 26 days' delay is US$. 260,000 (equivalent to Rs.53.040 million). However, the management failed to recover the aforementioned amount.

Audit is of the view that non-receiving of late delivery charges reflected negligence of the management.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that these boats were delivered within stipulated time as mentioned in the agreement and after opening of LC. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.32 Non-imposition of Liquidity Damages charges – Rs.39.862 million

As per clause 47.1 of condition of contract on Liquidated Damages (LD), "…maximum 10% of contract price stated in the Letter of Acceptance be imposed.

As per clause 43.1 & 48.2, "Special Stipulations of the Conditions of Contract", for whole of the work was 360 days, from the date of commencement and the date for completion of the project was 09th November, 2021.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management awarded contract of Package-II, "Construction of remaining water supply network in NWIZ and SWIZ" to M/s. Norrulhaq & Brothers at a total cost of Rs.398.625 million on 14.11.2020. The contract was to be completed within 360 days from November 14, 2020 to November 09, 2021.

The contractor failed to complete the project within stipulated time despite granting three extensions, the project was not completed till-date.

Audit is of the view that management extended undue favour to the contractor and did not impose LD Charges amounting to Rs.39.862 million @ 10% charges of contract price on account of delayed and non-completion of the project.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. Management stated that contractor completed the work within the time extended by the management. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 14.4.4.15 having financial impact of Rs.93.883 million. Recurrence of same irregularity is a matter of serious concern.

14.4.4.33 Non-imposition of liquidity damages charges - Rs.39.022 million

As per clause 47.1 of conditions of contract, "…maximum of 10% of contract price stated in the Letter of Acceptance be imposed as Liquidated Damages, in case of failure to deliver the project.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management awarded following two contracts namely;

Sr#	Name of contract /Package	Name of Contractor	Cost Rs in Million	Engineer's Notice to Commence date (Period 12 months)	LD Charges @ 10%
1.	Package-1 "Sewerage System" Gulshan-e-Benazir Township Scheme (GBTS)	M/s NLC Engineers	108.624	15.03.2021	10.862
2.	package-II "Water Supply System Gulshan-e-Benazir Township Scheme (GBTS)	M/s NLC Engineers	281.605	15.03.2021	28.160
				Total	39.022

However, the contractor failed to complete the project within stipulated time whereas the management did not impose liquidated damages (LD) of Rs.39.022 million for delay in completion of the works @ maximum 10% of contract price stated in the letter of acceptance. (108.624+281.605=390.229*10%=39.022).

Audit is of the view that management extended undue favour to the contractor and did not impose LD charges amounting to Rs. 39.022 million on account of delay in completion of the works.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management and informed that project was not completed in time due to difficulties occurred during the project and extension was made as per contract. DAC directed the management to get the record (completion certificate) verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.34 Non-charging of fast track charges from terminal operator-Rs.30.890 million

As per Annex-2 to the PQA Land Allotment Policy, Rs.0.5 million per acre over and above the prevailing rates of Peripheral Development Charges is payable for consideration of allotment on priority / Fast Track basis.

As per Ministry of Ports & Shipping approved the its letter No.4(16)/2003-P&S-II dated 21.02.2005, letter No.4(16)/2003-P&S-II dated 02nd May, 2005 and PQA B.R # 9/2005 dated 25.01.2005, all applicants requiring land on priority basis be charged additional Peripheral Development Charges (PDC) @ of Rs.05 million per acre over and above the existing Peripheral Development Charges.

The Board further resolved that an undertaking should be furnished by the applicants of priority cases: I / We shall pay the additional Peripheral Development Charges (PDC) Rs.0.5 million per acre over and above the existing PDC in all zones of PQA.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was noted that land of 61.775 acres was allotted to M/s. Pakistan International Bulk Terminal (Pvt), Limited in NWIZ. However, the fast track basis charges of Rs.0.5 million per acre over and above the existing PDC were not charged from M/s. PIBTL.

Audit is of the view that non-recovery of charges caused loss of Rs.30,887,500 (61.775 acres x Rs.500,000 per acre as per prevailing land allotment policy).

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that due to competitive bidding process the charges of fast track could not be charged DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.35 Irregular appointment and non-achievement of objectives by HR Consultant – Rs.28.250 million

According to Policy guidelines of the Establishment Division, Government of Pakistan for appointment of consultant that;

- The client organization is required to ascertain as to whether or not the required expertise is available within the organization/ government. In case the expertise is available in-house, reasons for not undertaking the assignment internally may be spelled out and detailed justification.
- Selection Board headed by the Secretary of the Ministry/ Division will recommend a panel of at least three candidates in order of merit for consideration of the appointing authority.

Clause 2 of contract agreement dated October 05, 2020, if the consultant fails to complete the assignment within six (6) months or such extended period of further six (6) months he shall pay Liquidated damages (LD) @ 10% of consultancy amount.

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 Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management hired HR Consultant, M/s HRSG, for providing following five-phase services at Rs.28.250 million on 05.10.2020 with completion date of 04.10.2021.

Phase	Description	Phase	Description
1st	HR Audit report	4th	Improving HR ERP system
2nd	Job Description	5th	Changes affecting Labour Laws
3rd	PQA Service Rules Review		

However, it was observed that:

a. The hiring of the contractor was irregular as the same was made without utilizing available in-house expertise and detailed justification of hiring the HR Consultant. The panel of three consultants was not submitted to concerned ministry for its approval. Besides, the award of consultancy contract was made to a single participating bidder without any market survey which was in violation of the procurement rules. Hence, contract award amounting to Rs.28.25 million is held irregular in Audit.

b. PQA paid an amount of Rs.2.225 million on account of 1st installment of the scheduled payments. But, PQA HR Committee intimated Board on 13.10.2021 & 5.12.2022 that the reports submitted by the consultant are incomplete, irrational and illogical as the consultant failed to deliver the task. The Committee also recommended to the Board for cancellation of the contract.

c. Further, the management did not recover an amount of Rs.2.825 million on account of Liquidity Damages (LD) as the contract was not completed on 04.10.2021.

Audit is of the view that hiring of the only participating bidder as consultant without any market survey, utilizing in-house services and subsequent non-achievement of objectives by HR Consultant was irregular in Audit. Further, non-imposition of Liquidity Damages (LD) reflected undue favour to contractor.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. Management appraised the DAC that M/s HRSG consulting Pvt was appointed for the work, which has not been completed as yet. DAC pended the para till completion of the project.

Audit recommends implementation of the DAC directives.

(DP No. 188, 212 & 214)

14.4.4.36 Procurement of multiple items through splitting - Rs.28.200 million

Rule 20 of PPRA Rules, 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 Port Qasim Authority (PQA) for the year 2021-22, it was found that the management incurred an expenditure amounting to Rs. 28,200,385 on account of purchases under following heads through splitting up and on piecemeal basis. The detail is as under:

S#	GL #	Description	Amount (Rs)
01	1010010008	Office Equipment	2,044,753
02	1050010001	Stock of material supply (coded & non-coded)	9,522,993
03	1010010010	AC, LEDs, Laptops, computer printer, etc (other equipment)	1,440,249
04	5030200024	Sundry expenditure & hire decoration items	4,561,390
05	1010010007	furniture and fixture	10.631
		Total	**28,200,385**

The procurements were made during 2021-22 with a short interval of few days, months and each purchase was split up in such a way so that the prescribed limit for tendering may not be crossed in order to avoid tendering and obtaining approval of higher authority as per delegation of power.

Audit is of the view that the management made splitting of all procurement of Rs.28.200 million and avoided open competition process.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the purchases are made when needed by the department and on urgent basis. DAC directed the management to comply with PPRA.

Audit recommends implementation of the DAC directives.

(DP. 211 & 205)

14.4.4.37 Payment on account of dredger without rendering services – Rs. 26.738 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 Port Qasim Authority (PQA) for the year 2021-22, it was noted that management awarded the contract to M/s China Shipbuilding Trading Company Ltd (CSTC) for manning of dredger (Indus Dolphin, Trailing Suction Hopper Dredger) for the periods from 2015 to 2021 and August 2021 to August 2026. However, dredger remained non-functional from July 05 to November 03, 2021 as per fuel consumption report, but the contractor was paid for the (4^{th} quarter of 5^{th} year US$ 116,592/3=US$ 38,864 x 4 months=US$ 155,456 x Rs.172= Rs.26.738 m) as per payment file.

Audit is of the view that the payment was made without rendering manning services. Thus, the payment was held irregular and unjustified.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the payment was made to the contractor as per work performed by the dredger. DAC directed the management to get the facts verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.38 Irregular payment of manning, operation and 1st line maintenance - Rs.24.930 million

As per Clause 4 (iv) (k) of Special Conditions of Contract to Terms of Manning & Operations, in case of planned / laid-up / non-ops status of the craft for more than 30 days, by mutual consent of Employer and Contractor, manning may be reduced to half.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was noted that the PQA entered into the contract with M/s Bahria Foundation for manning, operation and 1st line maintenance of tug boat, Sohna, for a period of two years on 14-2-2019. As per payment schedule, 1^{st} year payment was to be paid Rs.142.417 million and 2^{nd} year of Rs.149.580 million. The boat remained under dry docking w.e.f. 16.09.2021 to 09.02.22 (almost five months). However, contrary to above, the PQA management did not reduce the manning charges to half. Thus, PQA paid excess amount of Rs.24.930 million.

Audit is of the view that excess payment of Rs.24.930 million was unjustified.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the payment was made as per contract during the period of high tide. DAC directed the management to provide relevant record for verification.

Audit recommends implementation of the DAC directives.

14.4.4.39 Irregular / unjustified payment on account of repair and maintenance of School – Rs.19.552 million

IB.26 (2) "Standard Forms of Bidding Documents" (Civil Works) of PEC 2007 provides; "A material deviation or reservation is one (i) which affect in any substantial way the scope, quality or performance of the Works; (ii) which limits in any substantial way, inconsistent with the Bidding Documents, the Employer's rights or the bidder's obligations under the Contract; or (iii) adoption/rectification whereof would affect unfairly the competitive position of other bidders presenting substantially responsive bids."

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management awarded contract of repair and maintenance of Boy's Primary and Secondary School at Housing Complex to M/s Glamour Construction at the cost of Rs. 42.019 million on 18.04.2022. Interim Payment Certificate (IPC-3) reflected that an amount of Rs. 19.552 million was paid to the contractor on account of "Extra Items" work done which was not part of the actual Bill of Quantity (The extra items represented 46.5% of the original cost of BOQ).

Audit is of view that payment of 46.5% of non-BOQ items and without any analysis and approvals reflected negligence of the management and was in violation of procurement rules.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the repair work was carried out by the contractor as per specification and some changes were made in the drawing duly approved by the competent authority. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.40 Non-deduction of Sindh Sales Tax on Services – Rs.14.306 million

As per section 3(1) of Sindh Sales Tax on Services Act, 2011, service provided by person engaged in contractual execution of work or furnishing supplies is taxable @ 13%.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was noted that M.T. Mohna, a vessel of PQA, was dry-docked at KS&EW on 16.09.2021 for repair of oil leakage and un-docked on 09.02.2022. However, out of total payments of Rs.187.878 million, PQA paid an amount of Rs.110.046 million on account of labour service charges without deducting Sindh Sales Tax @ 13% of Rs.14.306 million.

Audit is of the view that the management was liable to deduct tax at source from the contractor.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the matter is sub-judice. DAC directed the management to pursue the case vigorously.

Audit recommends implementation of the DAC directives.

14.4.4.41 Unjustified long delay of ship/vessel on anchoring showing poor performance of marine operations and non-recovery of anchoring charges – Rs.13.946 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 Port Qasim Authority (PQA) for the year 2021-22, it was observed that from the marine operation, harbor operation record that following two ships/ vessels named “MT Afra Laurel and MV Yangze-6” arrived on outer anchorage on 23.11.2021 and 14.03.2022 were carrying HSFO and Soybeans respectively. Scrutiny of the record revealed that the MT Laurel took berthage after 40 days whereas 17 ships anchored after MT Laurel were allowed berthing by the management without recording cogent reasons. Besides, MV Yangez-6 was allowed vessel was taken on re-anchorage on 13.02.2022 just after 04 days of berthing and no cogent berthing and was observed re-anchored at outer sea for more than 70 days for the reasons best known to the management. However, PQA as evident from the record did not collect anchoring charges from the ship agent/owner. The details are as under;

S.#	Name of Ship	Name of Agent	Anchored Date	Berthage date	Sailing Date	Delay in days	GRT	Amount @ USD 0.013 (Rs 204)	Remarks
1	MT Afra Laurel	PNSC	13.11.21	23.12.21	25.12.21	40	57,567	7,184,361	The Ship allowed birthing after 17 ships.
2	MV Yangze-6	Al-Pine Marine	14.03.22	19.03.22	01.06.22	70	36426	6,762,122	After berthing, ship anchored for 70days.
							Total	**13,946,483**	

Audit is of the view that the ships took unusual delays at outer anchoring and allowing berthing to other late anchored ships prior to the 1st anchored shows undue favour whereas not receiving the anchoring charges amounting to Rs.13.946 million is loss to the government exchequer. This modus operandi of marine operations which caused long delays in ship movement, raise many doubts on the practice of management concerned.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the outer anchorage is liable to be charged from the ships waiting for their turn. DAC directed the management to provide the record to Audit for verification.

Audit recommends implementation of the DAC directives.

14.4.4.42 Unjustified long delay of ship/vessel on anchoring showing poor performance of marine operations and non-recovery of anchoring charges - Rs.12.889 million

As per general note 0405, Gazette of Pakistan June 17, 2010, states that these charges apply to vessels using Port Qasim's Outer Anchorage area and approaches and are levied as per 0406.

0406: Rates:

• Vessels using anchorage area Outer anchorage and approaches	US$ 0.013 per GRT per day or part thereof.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that from the marine operation, harbor operation record that a vessel named "Stratton" arrived on outer anchorage on 23.01.2022 carrying coal through agent M/s Water link. After 17days waiting on anchorage, the vessel took berthing at PIBT terminal on 09.02.2022. Scrutiny of the record revealed that the vessel was taken on re-anchorage on 13.02.2022 just after 04 days of berthing and no cogent reasons were recorded. Further, it was noticed that the vessel anchored till April 20, 2022 whereas no evidence of sailing out /date was found in the available record. Besides, PQA as evident from the record did not anchoring charges amounting Rs.12.889 million from the ship agent/owner.

Audit is of the view that the management failed to deal with ship M/s “Stratton” which anchored and re-anchored for more than 4 months without recorded cogent reasons. This model of marine operations which caused long delays in ship movement, raise many doubts on the practice of management concerned.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the outer anchorage is liable to be charged from the ships waiting for their turn. DAC directed the management to provide the record to audit for verification.

Audit recommends implementation of the DAC directives.

14.4.4.43 Less deduction of income tax – Rs.12.450 million

Section 149 (1) of Income Tax Ordinance, 2001, stated 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 specified rates on the estimated income of the employee chargeable under the head “Salary”.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management made less deduction of Income Tax of Rs.12.45 million from salary of the PQA employees as under:

			(Rs. in million)
Number of employees	**Tax due**	**Tax deducted**	**Short deduction**
243	110.46	98.01	12.45

Audit is of the view that less deduction of Income Tax reflected negligence and loss to Govt. exchequer.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the tax was calculated properly. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.44 Construction without approval and non-provision of drawings for establishment by terminal operators - Rs.12.000 million

As per Clause-(xx) of PQA Land Allotment Policy, 2005, the drawings for the construction work duly prepared by a Licensed Architect/Engineer shall have to be submitted in quadruplicate for approval by Port Qasim Authority. Construction shall only be undertaken in accordance with terms and conditions of Implementation Agreement (IA).

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management allotted land of 25 hectares (61.775 acres) to M/s. Pakistan International Bulk Terminal Limited (PIBTL) on 05th of June, 2011 for establishment of Coal and Clinker/Cement Terminal on BOT basis at back-up area of PQA. The terminal operator carried out construction without prior permission and submission of drawing to the PQA/P&D department. Joint Survey/inspection, team of PQA visit report dated 11-01-2023 on the plot No.NW-LL/02 (measuring 61.78 acres) reported that the PIBT deviated/ unauthorizedly constructed against the drawing submitted to PSP department of PQA. Accordingly, IM department of PQA issued notice for unauthorized construction to the PIBT on 17-04-2023 (stating deviations/illegal/unauthorized constructions i.e. Storage Shed, New Mess, 02 rooms and Guard room) and also imposed penalty of Rs 12,000,503. Further, the file reflected that all the terminals at PQA have not submitted the drawings for approval.

Audit is of the view that construction without approval and non-provision of drawings for establishment by terminal operators was unjustified.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that PQA imposed and recovered penalty of Rs.12.000 million. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.45 Irregular creation of post of Data Entry Operator - Rs.11.916 million

PQA Employees Service Regulations, 2011 entails that the Basic Pay Scale (BPS) assigned to the position of computer operator is officially recognized as BPS-12.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that contrary to above following employees occupied position of Data Entry Operator (BPS-17). And received the pays and allowances corresponding to the Pay-scale/BPS-17. The detail is given as under:

				(Amount in Rs)
S#	**Name**	**Designation**	**Pay Per Month**	**Pay per year 2021-22**
01	Syed Moin Ahmed	Data Entry Operator (BPS-17)	344,164	4,129,968
02	Mr. Fawad Fateh	Data Entry Operator (BPS-17)	321,086	3,853,032
03	Mr. Muhammad Qayyym Khan	Data Entry Operator (BPS-17)	327,753	3,933,036
Total				**11,916,036**

Audit is of the view that the appropriate grade for the Data Entry Operator (DEO) position is BPS-12 as per PQA Regulations. Thus, the hiring and the payments are held irregular in Audit.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the posts were upgraded to pay scale 17 by the Board. DAC directed the management to obtain approval of the Federal Government.

Audit recommends implementation of the DAC directives.

14.4.4.46 Irregular procurement without tendering – Rs.10.000 million

Rule 20 of PPRA Rules, 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 Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management procured mooring / towing rope services under an agreement from PNSC for vessel, M.T. Mohna, amounting to Rs.10.00 million without competitive bidding.

Audit is of the view that the management extended undue favour to PNSC and made direct procurement without tendering and deprived the authority from obtaining competitive rates.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management stated that the mooring rope was purchased from PNSC under the running contract with PNSC. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.47 Expenditure on tug beyond economic repair - Rs.6.679 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 Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management declared a tug, Sachal, as beyond economic repair (BER) on 18.11.2022, but during 2021-22, an expenditure amounting to Rs.6.679 million was incurred on account of its repair and maintenance.

Audit is of the view that the management incurred unjustified expenditure of Rs.6.679 million on the tug which was declared beyond economic repair.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC that the expenditure was incurred before declaring the vessel as beyond economic repair to keep it operational. DAC directed the management to provide relevant record to Audit for verification.

Audit recommends implementation of the DAC directives.

14.4.4.48 Loss due to extension in hiring of pilot boat contract – Rs.5.040 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 Port Qasim Authority (PQA) for the year 2021-22, it was observed that Pilot boat Lahoot was under dry docking at shipyard Karachi and was expected to be operational in January, 2022. However, PB Lahoot un-docked in the month of April, 2022 and caused delay 88 days in scheduled dry docking due to fault and mishandling of the shipyard staff. During the period management hired a pilot boat, Ocean Prince on Rs. 84,000/ per day for the period of three month on 16.10.2021for Rs.5.04 million (84,000*60 days).

Audit is of the view that due to delay in dry docking by Karachi shipyard, PQA paid an extra cost of Rs.5.040 million which was un-justified and may be calimed from shipyard.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. Management stated that extension of contract was given due to delayed repair of PQA lahoot vessel to keep smooth operation. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.49 Loss due to waiver of charges against the encroached area - Rs.4.564 million

As per article 7.5(e) of Implementation Agreement (IA) between PQA and PIBTL, PQA IM department will provide/allocate an area for establishing of temporary site office, outside the boundary of PIBTL Site (i.e. 61.775 acres).

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the management waived dues of Rs.4.564 million against the encroached area by M/s Pakistan International Bulk Terminal Limited (PIBTL). However, it was observed that contractor, M/s. China Harbour Engineering & Construction Company (CHEC) of Pakistan International Bulk Terminal Limited (PIBTL), encroached an area of 4.529 acres for the period from August, 2014 to January, 2015 (06 months). The management issued letter on 21st January, 2015 to the PIBTL to deposit the rental charges of Rs 4,564,295 against occupied area, but PIBTL did not pay the same.

Audit is of the view that management waived-off the charges irregularly.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

14.4.4.50 Loss on account of stolen vehicles - Rs.4.000 million

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

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that following vehicles of PQA were stolen.

S #	Vehicle No.	Make	Model	Est: Cost
1	AZF 071	Toyota Corolla	2013	2,000,000
2	ARQ-472	Toyota Corolla	2009	1,500,000
3	GA-5272	Suzuki Bolan	2006	500,000
			Total	**4,000,000**

Audit is of the view that due to weak internal controls, three vehicles were stolen. Neither the insurance claims were lodged nor were efforts for the recovery of the assets made by the management.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC that all three vehicles were stolen from outside of PQA area and FIR were lodged in the nearest police station. However, internal inquiry of two vehicles were carried out. DAC directed the management to pursue the case for recovery of vehicles and directed to ensure all the vehicles insured from NICL.

Audit recommends implementation of the DAC directives.

14.4.4.51 Non-imposition of Liquidity Damages charges - Rs.3.050 million

Clause 17(b) of MoU dated 16.12.2021 provides that delay in docking as per schedule provided by KS&EW will entitle PQA to liquidated damages @ Rs 50,000 per day (after 07 days grace period) for delay in completion of repair /works within the completion deadline agreed between the parties.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that M.T Mohna, vessel of PQA, was dry-docked at KS&EW on 16.09.2021 for repair of oil leakage and un-docked on 09.02.2022 with delay of 68 days. However, it was observed that the management did not impose LD charges amounting to Rs.3.050 million on account of delay in completion of work on M/s KS&EW.

No. of Days (due)	No. of Days (actual)	Delay period (68-7)
75	143	61

Audit is of the view that the management extended undue favour to the contractor and did not impose LD charges amounting to Rs.3.050 million on account of delay.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The

management informed the DAC that the work was completed within stipulated time. DAC directed the management to provide the record for verification.

Audit recommends implementation of the DAC directives.

14.4.4.52 Non-allotment of cancelled plots

According to Land Allotment Policy, 2005;

- The allottee shall complete / commission the proposed unit within the time specified sin PQA's Land Allotment Policy, 2000. In case of failure, the allotment of plot shall be cancelled and 25% of total Peripheral Development Charges shall be forfeited.
- The allotment of plot shall be cancelled and 10% of total PDCs of whole plot area shall be forfeited against PQA administrative charges and also annual land rent will be charged for the period the plot is retained by you.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that since cancellation, the management did not make re-allotment of 193 plots which compromised revenue amounting to Rs. 8,200.000 million on account of potential PDC income. The details are as under;

S#	Zone Name	No. of Cancelled Plots	Total Acres/Area	PDC Rate /Acre	Amount in Rs.
01	NWIZ	5	15	60,000,000	900,000,000
02	EIZ	171	181	40,000,000	7,240,000,000
03	SWIZ	1	1	60,000,000	60,000,000
04	SWIZ/OSP	16	04	60,000,000	240,000,000
		193	**201**	**Total**	**8,440,000,000**

Furthermore, the management transferred most of cancelled plots merely on the payment of cancellation charges instead of allotting a plot on current PDC charges.

Audit is of the view that the management fialed to cancel the allotment of plots which reflects negligence and ill-planning.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the plots have been cancelled and would be re-allotted through advertisement. DAC directed the management to allot the plots as per policy and on the current PDC rates.

Audit recommends implementation of the DAC directives.

14.4.4.53 Non-appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor

Rule 13 of Public Sector Companies (Corporate Governance) Rules, 2013, provides that the Board shall appoint a chief financial officer (CFO), a company secretary and a chief internal auditor (CIA).

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that contrary to above the management did not appoint the mandatory officers of the company. The functions of the CFO were carried out by the PQA employee having post of Director General. The post of the CIA was held by Director Mr. Tipu Sultan whose qualification was M.A and was also serving as Company Secretary.

Audit is of the view that non-appointment on the crucial posts and getting services of the non-qualified employees on such key posts was in violation of rules and affected performance of the Board.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that Code of Corporate Governance is not applicable on PQA. DAC directed the management to seek clarification on the matter from SECP.

Audit recommends implementation of the DAC directives.

14.4.4.54 Nomination of Board Members in violation of PQA Act

Section 6 (1) of PQA Act 1973, states that the Board shall consist of not less than three and not more than seven members, including the Chairman, to be appointed by the Federal Government.

The Honorable Supreme Court of Pakistan defined the Federal Government, which is reproduced as under:

- "The Federal Government is the collective entity described as the Cabinet constituting the Prime Minister and Federal Ministers."
- Neither a Secretary, nor a Minister and nor the Prime Minister are the Federal Government and the exercise, or purported exercise, of a statutory power exercisable by the Federal Government by any of the, especially, in relation to fiscal matters, is constitutionally invalid and a nullity in the eyes of the law. Similarly, budgetary expenditure or discretionary governmental expenditure can only be authority by the

> Federal Government i.e. the Cabinet, and not the Prime Minister on his own."

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that the Board Members required to be appointed by the Federal Government were appointed by the Ministry of Maritime Affairs on the approval of the Prime Minister instead of approval of the Federal Government.

Hence, the nomination of the Members of the Board of Directors is not in line with relevant provision of the PQA Act 1973.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that Code of Corporate Governance is not applicable on PQA. DAC directed the management to seek clarification on the matter from SECP.

Audit recommends implementation of the DAC directives.

14.4.4.55 Appointment of Board Member without considering the element of conflict of interest

Rule 5 (5B) (i) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors and executives of a Public Sector Company do not allow a conflict of interest to undermine their objectivity in any of their activities, both professional and private and that they do not use their position in the Public Sector Company to further their private gains in a social or business relationship outside the Public Sector Company. If a situation arises where an actual or potential conflict of interest exists, there shall be appropriate identification, disclosure and management of such conflict of interest;

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that management appointed Mr. Mahmood Baqi Moulvi as Board member, Chairman of both Board’s Planning & Infrastructure Technical Committee and Marine Ops Committee during 2021-22 without taking into account his personal and family business (Ghee and Oil Mills, Flour Mills, Rice Mills, Commodity Ventures and Warehouses) within premises of the Authority.

Audit is of the view that appointment of Board Member and Chairman of the Committees of the Board with personal and family stakes in the Authority was in violation of Corporate Governance Rules.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The

management informed that Code of Corporate Governance is not applicable on PQA. DAC directed the management to seek clarification on the matter from SECP.

Audit recommends implementation of the DAC directives.

14.4.4.56 Non-preparation of annual accounts

According to Section 233 of the Companies Act, 2017, the company should finalize its annual accounts within four months after closing date of accounts for the year.

During the audit of Port Qasim Authority (PQA) for the year 2021-22, 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 non-finalization of audited annual accounts reflected weak internal controls and violation of rules.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that PQA finalized the audited accounts till 2016 and accounts for the years 2017 - 2021 will be completed in January, 2024. DAC directed the management to complete the reports within 02 months and submit to Audit for verification.

Audit recommends implementation of the DAC directives.

Note: The issue was also reported earlier in the Audit Report(s) for Audit Year 2022-23 vide para(s) number 14.4.4.35. Recurrence of same irregularity is a matter of serious concern.

14.4.4.57 Non-implementation of Board decision causing significant increase in estimated cost of capital dredging

Board vide Br # 16/2020 dated 21.02.2020 approved following three (3) courses of actions regarding capital dredging & maintenance of dredging;

a) That the dredging may be arranged through M/s QICT/third party financing.
b) That the dredging may be financed by PQA, if no financing is arranged through M/s QICT/Third party.
c) That the dredging may be financed by PQA

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was noted that consultant M/s HR Wallingford & M/s Techno-Consultant International Pvt. Ltd (Joint Venture), submitted its feasibility report amounting to US$ 268.07 million (reflecting cost of dredging on a to c options) in February, 2020, for deepening, widening & straightening of the existing navigational channel, commissioning of alternate inner navigation channel and supervision of capital dredging work. The feasibility study was submitted to the Ministry for Federal Government approval in March, 2020.

However, it was observed from a brief of PQA dated 16 May, 2022 submitted to the Ministry that there was an increase of about 33% over and above the estimated cost (recorded in feasibility study) US$ 268.07 million. The details is hereunder;

			(Amount in USD million)
Estimated cost	**Current estimated cost**	**Increased cost**	**% increase**
268.07	356.3	88.23	33%
Rs.23,822 million (88.23*270)			

Audit is of the view that significant increase in estimated cost of capital dredging reflected due to ill-planning and lack of co-ordination.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed that the implementation of dredging project is dependent upon approval from MOMA/Federal Government. DAC directed the management to pursue the case for early approval of Federal Government.

Audit recommends implementation of the DAC directives.

14.4.4.58 Non-formulation of Service Rules

Notification F.No.6/4/96-R-3 dated 02 Nov, 2021 of Establishment Division, Government of Pakistan, states that soon after an organization is established, it is mandatory to frame service rules in order to run the organization in a legal manner. All Autonomous Bodies/Corporations need to be submit its draft Rules for approval to the Competent Authority as specified in their respective Act/Ordinance. However, these Rules are required to be submitted to Establishment Division for vetting /concurrence.

During audit of Port Qasim Authority (PQA) for the year 2021-22, it was observed that contrary to above, the management did not formulate Service Rules. The organization was established under PQA Act, 1973 and service matters were being dealt through PQA Employees Regulations, 2003 (Draft), PQA Employees Service Regulations, 2011 and PQA Employees Service Regulations, 2013.

Besides, PQA Board through its resolutions (BRs) has amended / revised the terms and conditions of the service [BR. No 39/2019 dated 26.11.2019 (future appointments be made on contract basis) and BR No 40/2019 dated 26.11.2019 (changes in qualification, age and experience] without approval of Establishment Division.

Audit is of the view that non-formulation of Service Rules since establishment of the organization in 1973 reflected negligence.

The matter was reported to the management on June 06, 2023. The irregularity was discussed in the DAC meeting held on December 29, 2023. The management informed the DAC that, PQA Service Regulations are formulated and implemented in the PQA. DAC directed the management to get the record verified from Audit.

Audit recommends implementation of the DAC directives.

Chapter-15

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 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	3	1	1,985.475	-
2	Assignment Accounts (excluding FAP)				-
3	Authorities /Autonomous Bodies etc. under the PAO	3	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 17548.691 million were raised as a result of this audit. This amount also includes recoverable of Rs 1,505.139 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	42.010
B	Procurement related irregularities	266.849
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	13,318.000
5	Others	3,921.832

15.1 Pakistan Agricultural Storage and Services Corporation Limited

15.1.1 Introduction

Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) was incorporated on August 31, 1973 as a non-listed public limited company. It is involved in the implementation of the Federal Government's policy of support price program of food grains, equitable distribution of food commodities and maintenance of their reserve stock.

The objectives of the Corporation are to purchase, acquire, sell, supply, market, distribute, exchange, and dispose of, import, export and store agricultural commodities. The Corporation is under the administrative control of Ministry of National Food Security and Research.

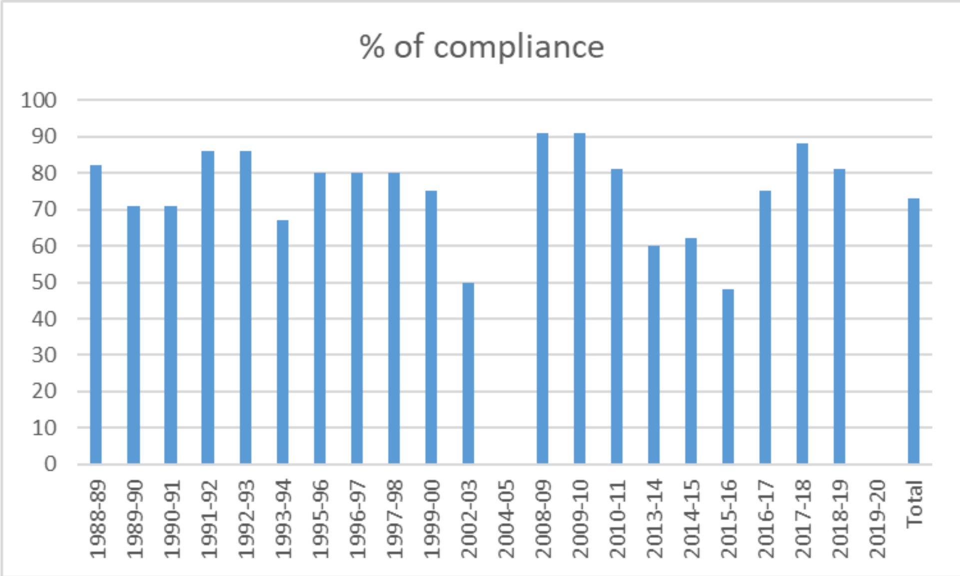
15.1.2 Comments on Audited Accounts

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 year 2022-23 till December 31, 2023.

Audit recommends that the annual audited accounts of 2022-23 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts ***(refer Annex-2).***

15.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1988-89	11	09	02	297, 300	82
1989-90	07	05	02	318, 319	71
1990-91	07	05	02	233, 237	71
1991-92	07	06	01	222	86
1992-93	14	12	02	121, 122	86
1993-94	06	04	02	100, 102	67
1995-96	15	12	03	105, 106, 108	80
1996-97	15	12	03	118, 122, 123	80
1997-98	05	04	01	98	80
1999-00	04	03	01	141	75
2002-03	04	02	02	82.1, 82.3	50
2004-05	03	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.

15.1.4 Audit Paras

15.1.4.1 Non-withholding of Punjab Sales Tax (PST) from M/s National Logistic Cell - Rs 1,071.500 million

According to clause 14(2) of the Punjab sales tax on services Act 2012, the authority may require any person or class of persons whether registered or not for the purpose of this Act to withhold full or part of the tax charged from such person or class of persons on the provision of any taxable service or class of taxable services and to deposit the tax so withheld, with the government within such time and in such manner as it may, by notification in the official Gazette.

During audit of PASSCO Lahore for the year 2022-23, it was observed that the management made an agreement with M/s National Logistic Cell (NLC) for shifting of 500,000 M. Tons imported wheat from Karachi Port Trust to PASSCO designated zones on September 05, 2022 and did not withhold Punjab Sales Tax of Rs 1,071.500 million (Rs 7,145,000,000 x 15%).

Weak financial control was the cause of non-deduction of PST.

Audit is of the view that management was required to withhold PST at the time of payment to said company.

The matter was reported to the management and PAO on December 22, 2023. The management replied that according to PST rule 3(1) being a company no withholding of PST was required. The reply was not convincing as management was required to withhold the PST.

DAC in its meeting held on February 09, 2024 directed the management to seek clarification from PRA whether sales tax on services was required to be deducted while making payment to NLC.

Audit recommends compliance of DAC directives.

Para-7 (PASSCO- 2022-23)

15.1.4.2 Non deduction of general sales tax from jute mills - Rs 396.741 million

According to Section 3(7) of Sales Tax Act 1990, the tax shall be withheld at the rate as specified in the eleventh schedule by any person or class of persons being purchasers of goods, as withholding agents for the purpose of depositing the same. As per eleventh schedule 1/5th of Sales Tax as shown on invoice is to be deducted.

During audit of PASSCO Lahore for the year 2022-23, it was observed that jute bales of 100 Kg each bag valuing Rs 11,668.852 million were purchased from various mills during April 01, 2022 to March 31, 2023. The management did not withhold GST of Rs 396.741 million (11,668.852 million x1/5) from suppliers in violation of rules. Detail is given at Annex-91.

Non-compliance of tax rules caused non-deduction of general sales tax.

Audit is of the view that the management was required to withhold the General Sales Tax amount of Rs 396.741 million at source before making payment but the same was not done.

The matter was reported to the management and PAO on December 22, 2023. The management replied that as per Sales Tax Special Procedure (Withholding Rules) 2007 allows the supplier to charge a certain amount of tax and the rule-5, a new clause-xii of the same clearly states that “supplies made by an active payer as defined in the Sales Tax Act, 1990 to another registered person" is exempted. The reply was not convincing as sales tax @1/5th was applicable to withhold as per schedule-11 inserted in Finance Act 2019.

DAC in its meeting held on February 09, 2024 directed the management to seek clarification from FBR whether 1/5th of sales tax was required to be deducted while making payments.

Audit recommends compliance of DAC directives.

Para-40 (PASSCO- 2022-23)

15.1.4.3 Excess charging of incidentals against supply of imported wheat – Rs 195.049 million

According to Finance Division OM dated June 18, 2020 regarding fixation of wheat incidentals of PASSCO, the following are to be charged alongwith support price of wheat:

Rs in million

Sr. No.	Components of Incidentals	Amount
1.	Gunny Bags	1162.74
2.	Delivery Charges (Payable to Growers)	82.45
3.	Market Fee etc.	13.09
4.	Transportation Cost	115.84
5.	Handling Charges/Labour	28.28
6.	Storage Cost	842.72
7.	Departmental Charges	911.86
8.	Financial Charges	3665.72
Total		**6822.7**

During audit of PASSCO Lahore for the year 2022-23, it was observed that imported wheat of 399,999.771 M. Ton and 522,741.534 M. Ton was lifted by Sindh and Khyber Pakhtunkhwa Governments respectively. The management claimed support price and incidentals charges @ Rs 6,822.730 per M. Ton and did not exclude delivery charges, market fee, and transportation charges of Rs 211.38 per M. Ton which were not applicable on imported wheat. Thus, a sum of Rs 195.049 million (922741.30 M Ton x 211.38) was excess claimed which was held irregular.

Weak financial controls were the cause of excess charging of incidentals.

Audit is of the view that incidentals charges were required to be claimed against imported wheat after excluding delivery charges, market fee, and transportation charges.

The matter was reported to the management and PAO on December 22, 2023. The management replied that PASSCO procured and sold wheat on the instructions of Federal Government and accordingly bills are issued to wheat recipient agencies. The reply was not convincing as the incidentals of imported wheat were not approved by the Finance Division.

DAC in its meeting held on February 09, 2024, directed the management to seek clarification from Finance Division whether the incidental charges for local and important wheat would be the same or otherwise.

Audit recommends compliance of DAC directives.

Para-2 (PASSCO- 2022-23)

15.1.4.4 Loss due to damage of wheat – Rs 2,423.704 million

According to BoD direction in its 146th meeting held on March 14, 2023 to dispose of fully damaged wheat in the first phase (unfit for human consumption, as confirmed through Lab Tests), other than to flour mills/grain dealers. The sorting of damaged wheat was to be completed at the earliest and process of its sale/auction was to be taken up on top priority.

During audit of PASSCO Lahore for the year 2022-23, it was observed that 345,791 M. Ton wheat was kept in three (3) zones to meet requirements of strategic reserve, out of which 44,067.340 M. Ton was found damaged due to flood in 2022. The BoD directed to auction the damaged wheat. Approval of the Federal Cabinet was also to be obtained prior to auction of the damaged stocks. Further, probe into the matter revealed that neither the matter had been reported to Federal Cabinet for obtaining approval nor wheat had so far been disposed of. Consequently, the Corporation sustained a loss of Rs 2,423.704 million (Rs 55,000 x 44,067.340 M. Ton) due to damage of wheat. Detail is as under:

Sr. No.	Name of Zone	Stock Position as on 31.03.2023	Quantity Damaged (M.Ton) as on 31.03.2023
1	Khairpur	184,463	7,959.678
2	Hyderabad	53,445	693
3	Dera Allah Yar	107,883	35,414.620
Total		**345,791**	**44,067.340**

Non-compliance of directives of BoD resulted into loss.

Audit is of the view that had the management followed instructions of BoD as well as committee constituted by Ministry of NFS&R, the damaged wheat would have been disposed off.

The matter was reported to the management and PAO on December 22, 2023. The management replied that loss was occurred due to an unprecedented rainfall/flood in Sindh and Baluchistan. The auction of damaged wheat is under process. The reply was not convincing as a considerable time has passed but damaged wheat was not auctioned.

DAC in its meeting held on February 09, 2024 directed the management to share the inquiry report on the subject conducted by Ministry of NFS&R and implement the decision of BoD to dispose of the damage wheat at the earliest.

Audit recommends compliance of DAC directives.

Para-1 (PASSCO- 2022-23)

15.1.4.5 Loss due to shortage of 89.344 metric ton wheat - Rs 9.827 million

According to clause 32 of Wheat Procurement Policy 2021, the incharge PC-cum-RV/Godowns/Silos and his Assistant will be responsible in person and ZH/PM in administrative role will be responsible for the security of wheat purchased/stacked at the store point. They will make proper measures to guard against the pilferage, theft, robbery and dacoity of wheat/dead stock.

During audit of PASSCO Lahore for the year 2022-23, it was observed that shortage of 89.344 M. Ton wheat amounting to Rs 9.827 million was reported by Zonal Head, Okara vide letter dated March 27, 2023 to DGM (Field). The concerned authority issued a show cause notice to Mr. Sami Ullah Jamil (PT

No.19179) on March 29, 2023 for submission of a reply about the shortages as detailed below:

Sr. No.	Detail	Qty. in M. ton
1.	Imported Quantity	7739.198
2.	Dispatched	7141.316
3.	Balance as per ledger	122.752
4.	Available	33.408
5.	Shortage of wheat	89.344

Further, it was revealed that the DGM (Field) being the authorized officer later on decided to postpone the inquiry proceeding till the clearance of imported wheat stock 2021 & 2022 in order to find out actual shortage.

Weak internal controls and negligence on the part of employees caused a loss to the Corporation.

Audit is of the view that the management was required to sort out the matter at the earliest to recover the loss.

The matter was reported to the management and PAO on December 22, 2023. The management replied that an inquiry committee has been constituted to probe into the matter. Exact shortages will be determined till the disposal of whole stock. The reply was not convincing as inquiry proceeding did not start even a lapse of considerable time.

DAC in its meeting held on February 09, 2024 directed the management to recover the amount at the earliest as the management apprised that subject inquiry has been finalized.

Audit recommends compliance of DAC directives.

Para-6 (PASSCO- 2022-23)

15.1.4.6 Irregular purchase of vehicles during ban period - Rs 71.800 million

According to clause 1(i), Finance Division vide letter dated July 07, 2022, there will be complete ban on the 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.

During audit of PASSCO Lahore for the year 2022-23, it was observed that twenty (20) new vehicles valuing Rs 71.800 million were purchased from M/s Pak Suzuki Motors Company Limited March 06, 2023 without the concurrence of Finance Division. Thus, purchase of vehicles during ban period was held irregular.

Non-compliance of Finance Division instructions caused of the irregularity.

Audit is of the view that the management was required to refer the matter to Finance Division for seeking concurrence before procurement.

The matter was reported to the management on December 30, 2023. The management replied that Cabinet Division has declared PASSCO as Autonomous Body and in the light of Memorandum and Articles of Association, the BoD was fully empowered. The reply is not convincing as Finance Division notification was applicable to all Ministries/Divisions, including autonomous bodies.

DAC in its meeting held on February 09, 2024 directed the management to get clarification from the Finance Division.

Audit recommends compliance of DAC directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2014-15 and 2016-17 vide paras number 13.1.4.3 and 9.1.4.14 having financial impact of Rs 18.88 million and Rs 4.989 million. Recurrence of same irregularity is a matter of serious concern.

Para-16 (PASSCO- 2022-23)

15.1.4.7 Unauthorized regularization of work charge employees – Rs 22.800 million

According to order of Supreme Court of Pakistan passed on in Human Rights Case No.104 of 1992 on December 26, 1992, the Court observed that Federal Government, Provincial Governments, Statutory bodies and Public Authorities are making initial appointments, both adhoc/regular without publicity and properly advertising the vacancies and at times by converting adhoc appointments into regular appointments. This practice is prima facie violation of

Fundamental Rights (Article-18 of the Constitution) guaranteeing every citizen's freedom of profession.

During audit of PASSCO Lahore for the year 2022-23, it was observed that 76 work charge employees were regularized as Assistant Purchase Inspector (API) BPS-07 w.e.f. November 01, 2022, without the approval of Board of Directors. These employees were recruited on work charge and regularized without provision in HR Policy. Thus, the payment on account of pay and allowances of Rs 22.800 million (average pay of Rs 50,000 x 76 employees x 6 months) to these employees was irregular.

Weak internal controls and managerial failure caused the irregularity.

Audit is of the view that the management was required to make appointments after fulfilling codal formalities.

The matter was reported to the management and PAO on December 22, 2023. The management replied that Cabinet Division has declared PASSCO as an Autonomous Body. Therefore, PASSCO has formulated its own rules and regulations in shape of HR Policy duly approved by BoD. The reply is not convincing as contingent paid staff was regularized without advertisement.

DAC in its meeting held on February 09, 2024 directed the management to seek clarification from the Law and Justice Division whether the Daily Paid Labour employees eligible for regularization/induction against permanent posts without advertisement/

Audit recommends compliance of DAC directives.

Para-8 (PASSCO- 2022-23)

15.1.4.8 Loss due to shortage of Wheat at Hyderabad - Rs 11.376 million

According to para -32 of Wheat Procurement Policy 2022, the incharge PC-cum-RV/Godowns/Silos and his Assistant will be responsible in person and ZH/PM in administrative role will be responsible for the security of wheat purchased/stacked at the store point. They will make proper measures to guard against the pilferage, theft, robbery and dacoity of wheat/dead stock. They will exercise proper control and check over the functioning of Chowkidar, laborers and other personnel working at the points.

During audit of PASSCO Lahore for the year 2022-23, it was observed that a quantity of 193.059 M. Tons Wheat (Local and Imported) was found short at Hyderabad (former Sakrand project) which has not so far been recovered although recovery orders were issued on October 01, 2023. Hence, the Corporation sustained a loss of Rs 11.376 million. Detail is as under:

Sr. No.	Crop	Qty.	Rate (Rs)	Total Rs
1.	Imported 2021	68.918	61,823	4,260,717
2.	Imported 2021	42.141	61,823	2,605,283
3.	Local 2022	82.000	55,000	4,510,000
Total		**193.059**		**11,376,000**

Slackness of management resulted non recovery of loss.

Audit is of the view that the management was required to make concrete efforts for early recovery of shortage.

The matter was reported to the management and PAO on December 22, 2023. The management replied that while dispatching the damaged wheat the shortage was found. The inquiry committee was constituted to inquire the shortages. The reply was not convincing as corrective measures were not taken up.

DAC in its meeting held on February 09, 2024 directed the management to effect the recovery at the earliest.

Audit recommends compliance of DAC directives.

Note: The issue was also reported earlier in the Audit Reports for Audit Years 2014-15, 2015-16, 2017-18, 2019-20 and 2022-23 vide paras number 13.1.4.8, 12.1.4.1, 16.1.4.1, 12.1.4.3 and 15.1.4.3 having financial impact of Rs 35.10 million, Rs 23.152 million, Rs 2.448 million, Rs 12.539 million and Rs 4.190 million. Recurrence of same irregularity is a matter of serious concern.

Para-28 (PASSCO- 2022-23)

15.1.4.9 Irregular appointment of Deputy General Manager – Rs 8.973 million

According to clause (10) (a) of HR Policy of PASSCO, the joining report of newly inducted shall be accepted subject to the prior provision of academic credential duly verified by the Board/University.

During audit of PASSCO Lahore for the year 2022-23, it was observed that Mr. Shahid Ibrahim was appointed as Deputy General Manager (Accounts) (BPS-19) on July 04, 2006, without verifying his credentials. Further, it was revealed that his date of birth as per Secondary School certificate was February 18, 1966, whereas on CNIC was June 06, 1967. It was concluded that his credentials were not verified at the time of the appointment. Thus, appointment and payment of Rs 8.973 million (Rs 747,718 x 12 month) was held irregular.

Due to weak internal control, the said appointment was made in violation of rules.

Audit is of the view that the management was required to get verified the credentials completely at the time of appointment.

The matter was reported to the management and PAO on December 22, 2023. The management replied that the date of birth once recorded at the time of entry into service shall be final. The reply was not convincing as date of birth should be matched with Secondary School certificate as well as CNIC.

DAC in its meeting held on February 09, 2024 directed the management to get the date of birth rectify in record as per matriculation certificate.

Audit recommends compliance of DAC directives

Para-26 (PASSCO- 2022-23)

15.1.4.10 Excess payment of Leave Encashment to ex-Managing Director – Rs 6.373 million

According to rule – 6 of Leave Encashment Rule 2012, leave pay for the purpose of encashment of LPR shall be computed on the basis of pay and allowances reckonable towards pension as shown in the last pay certificate of a civil servant.

During audit of PASSCO Lahore for the year 2022-23, it was observed that Capt.(R) Saeed Ahmad Nawaz (BPS-21) was posted as Managing Director vide notification dated July 13, 2022. The officer retired on attaining age of superannuation vide notification dated July 20, 2023. The officer was paid leave encashment on gross pay & allowances instead of basic pay. Thus, excess payment of leave encashment of Rs 6.373 million was made to the officer which was held irregular. Detail is as under:

Leave Encashment to be paid			
Pay & Allowances	**Amount (Rs)**	**No. of Months**	**Total Payable (Rs)**
Basic Pay	262,190		
Qualification Pay	3,000		
Total Pay	265,190	12	3,182,280
Actual Paid			
Pay & Allowances	796,233	12	9,554,796
Excess Paid			**6,372,516**

Due to weak financial and managerial controls, the officer was paid excess amount of leave encashment.

Audit is of the view that the management was required to pay leave encashment as per Civil Servant Rules.

The matter was reported to the management and PAO on December 22, 2023. The management replied that the officer was eligible for encashment of LPR as per PASSCO rules and amount was paid. The reply was not convincing as the ex-MD was not an employee of PASSCO and was not eligible to withdraw leave encashment more than entitlement.

DAC in its meeting held on February 09, 2024 directed the management to recover the amount of Rs 6.373 million immediately from the person concerned and deposit into the PASSCO account within 30 days.

Audit recommends compliance of DAC directives.

Para-22 (PASSCO- 2022-23)

15.1.4.11 Loss due to shortage of wheat during annual stock taking - Rs 5.458 million

According to clause 32 of Wheat Procurement Policy 2022, the incharge PC-cum-RV/Godowns/Silos and his Assistant will be responsible in person and ZH/PM in administrative role will be responsible for the security of wheat purchased/stacked at the store point. They will make proper measures to guard against the pilferage, theft, robbery and dacoity of wheat/dead stock.

During audit of PASSCO Lahore for the year 2022-23, it was observed that 99.229 M. Ton wheat valuing Rs 5.458 million was found short as a result of physical stock taking as on March 31, 2023.

Weak internal controls were the cause of irregularity.

Audit is of the view that the management was required to recover loss on account of shortage.

The matter was reported to the management and PAO on December 22, 2023. The management replied that an inquiry committee has been constituted to probe into the matter. Exact shortages will be determined till the disposal of whole stock. The reply was not convincing as inquiry proceeding did not start even a lapse of considerable time.

DAC in its meeting held on February 09, 2024 directed the management to recover the amount at the earliest.

Audit recommends compliance of DAC directives.

Para-3 (PASSCO- 2022-23)

15.1.4.12 Irregular payment of executive allowance to ex-Managing Director – Rs 3.864 million

According to clause (iii) of Finance Division memo dated July 19, 2022 regarding grant to executive allowance, those officers posted on deputation against posts identified in (i) and (ii) above shall not be entitled to draw deputation allowance as well as any other allowance or emoluments, by whatever name called, specific to their cadre or organization. Further, according to clause (v) this allowance shall be discontinued upon officer’s transfer/posting outside the posts identified in (i) and (ii) above.

During audit of PASSCO Lahore for the year 2022-23, it was observed that Capt. (Rtd) Saeed Ahmad Nawaz (BPS-21) was posted as Managing Director, vide Establishment Division notification dated July 13, 2022. The officer was not drawing executive allowance as per his LPC but the management paid this allowance in violation of Finance Division rule as the said allowance was not applicable to the employees of the organization. Resultantly, a sum of Rs 3.864 million (Rs 257,580 x 15 months) paid to the officer as executive allowance which was held irregular.

Weak internal control was the cause of irregular payment as executive allowance.

Audit is of the view that the management was required to make payment of pay& allowances according to rules and regulations.

The matter was reported to the management on December 30, 2023. The management replied that the ex-MD, had only drawn Executive Allowance instead of deputation allowance according to the notification. The reply was not convincing as Executive Allowance is only allowed in Federal Secretariat, Islamabad as mentioned in the Finance Division notification.

DAC in its meeting held on February 09, 2024 directed the management to recover the amount of Rs 3.864 million immediately from the person concerned and deposit into the PASSCO account within 30 days.

Audit recommends compliance of DAC directives.

Para-18 (PASSCO- 2022-23)

15.1.4.13 Loss to due to non-replacement of damaged Gunji Kits – Rs 3.226 million

According to para – 8 of agreement between PASSCO and M/s KSF Trizone Industries, Lahore dated February 23, 2022, the buyer shall indicate from time to time to the supplier the destinations wherein new Woven High Density Polyethylene Stack Packages (Gunji Kits) are to be delivered and quantity of Woven High Density Polyethylene Stack Packages (Gunji Kits) to be supplied at each such destination. The supplier shall be responsible where so intimated to deliver the required quantity of Woven High Density Polyethylene Stack Packages (Gunji Kits) at the destinations within Pakistan. The supplier will be responsible for safe delivery, (both quality and quantity) of new/approved Woven High density Polyethylene Stack packages (Gunji Kits) till their receipt at PASSCO destinations. The supplier will be responsible for repair/replacement of torn-out or defective Gunji Kits for a period of two years i.e. during usage.

During audit of PASSCO Lahore for the year 2022-23, it was observed that the management purchased 3,500 Gunji Kits @ Rs 189,786 each for the Wheat Crop 2022, from M/s KSF Trizone Industries Lahore vide agreement dated February 23, 2022. Out of that purchase, 939 Gunji Kits were found deteriorated during their use and vendor was asked on February 18, 2023 to replace the same. The vendor replaced 905 Gunji Kits, while 17 Gunji Kits are still pending for replacement. Consequently, the Corporation has to sustain a loss of Rs 3.226 million (17 x Rs 189,786).

Loose internal controls and not timely action taken by the management was cause of loss.

Audit is of the view that the management should replace all deteriorated Gunji Kits from supplier according to agreement but the same was not done and obliged the vendor.

The matter was reported to the management on December 30, 2023 but no reply was received.

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

Audit recommends to explain the reasons of non-replacement of 17 Gunji Kits. Fix responsibility on the person(s) at fault.

Para-48 (PASSCO- 2022-23)

15.1.4.14 Non finalization of pending inquiries

According to para – 5(ii) major penalties, Efficiency & Discipline Rules – 2016, the minor and major penalties to be imposed, after holding a Regular Inquiry on the PASSCO serving accused employees:

During audit of PASSCO Lahore for the year 2022-23, it was observed that an inquiry committee was constituted vide office order dated November 05, 2021 to probe the difference of quantity regarding construction of plinths, supply of dunnage material & sale of bhoosa between Works Wing and Zonal Offices for the period April 01, 2020 to March 31, 2021. The inquiry committee recommended to impose major penalties to various Zonal Heads but no action was taken till to date.

Due to weak internal controls, the management did not impose penalties.

Audit is of the view that the management was required to take action immediately in the light of the inquiry report.

The matter was reported to the management on December 30, 2023. The management replied that a regular inquiry committee was constituted on November 05, 2021 and the committee submitted report on December 08, 2021 and recommended for major penalties to be imposed. The reply is not convincing as imposed penalties were required to be recovered.

DAC in its meeting held on February 09, 2024, pended the para till finalization of inquiry decision by the MD PASSCO.

Audit recommends to take action in the light of the inquiry report.

Para-44 (PASSCO- 2022-23)

15.1.4.15 Irregular dispatch of wheat without signing of MOU with Government of Sindh – Rs 13,318.00 million

According to para–33 of Wheat Procurement Policy 2022, imported and fair average quality (FAQ) wheat in sound bardanda, correct in quality and quantity, will be handed over to authorized representative of Food Department / Agencies after proper documentation strictly in accordance with the instructions of Field Wing.

During audit of PASSCO Lahore for the year 2022-23, it was observed that Ministry of National Food Security & Research directed to provide 200,000 M. Ton imported wheat to Sindh Food Department vide letter dated April 14, 2023, subject to the fulfillment of standard terms and conditions. Further, it was revealed that 99,781.062 M. Ton imported wheat amounting to Rs 13,318.00 million was provided without signing of MOU in violation of Ministry's direction.

Non-compliance of Ministry's instruction was the cause of irregularity.

Audit is of the view that the management was required to provide imported wheat in compliance of Ministry's instruction after fulfillment of codal formalities.

The matter was reported to the management and PAO on December 22, 2023. The management replied that wheat was provided to the Government of Sindh on the direction of the Ministry of NFS&R. PASSCO tried its efforts to get signed MOU with the Food Department, Government of Sindh. The reply was not convincing as wheat was provided without the fulfillment of codal formalities.

DAC in its meeting held on February 09, 2024 directed the management to place the matter before BOD in upcoming meeting to apprise the BOD about sensitivity of the matter to avoid recurrence of such practice in future. DAC further directed to pursue Sindh Govt. for earliest realization of outstanding receivables of Rs 13.318 billion.

Audit recommends compliance of DAC directives.

Para-4 (PASSCO- 2022-23)

15.2 Pakistan Tobacco Board

15.2.1 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.

15.2.2 Comments on Audited Accounts

15.2.2.1 The working results of the Company for the year 2022-23 as compared to the preceding years were tabulated below:

(Rs in millions)

Particulars	2022-23	%Inc/ (Dec)	2021-22	%Inc/ (Dec)	2020-21
INCOME					
Tobacco Cess	407.96	(1.28)	413.25	38.13	299.17
Farm produce	12.10	24.87	9.69	81.98	5.33
Profit on short term investments	317.84	78.47	178.09	-	-
Export Development Fund Income	0.17	(15.00)	0.20	(13.04)	0.23
Misc. Income	3.72	(9.49)	4.11	(32.73)	6.11
Total	**741.80**	**22.54**	**605.34**	**27.01**	**476.61**
EXPENDITURE					
Administrative Expenses	106.60	4.62	101.89	(41.35)	173.73
Research and Development	154.85	6.52	145.37	25.33	115.99
Marketing Expenses	22.68	34.28	16.89	1.26	16.68
Finance Expenses	18.05	19.30	15.13	0.07	15.12
Provision for expected credit loss	40.36	188.90	13.97	-	-
Provision for Staff Retirement benefits	-	-	1,354.68	-	-
Total	**342.53**	**(79.21)**	**1,647.93**	**412.53**	**321.53**
Surplus / (Deficit) for the year before tax	**399.26**	**(138.30)**	**(1,042.59)**	**(772.29)**	**155.08**
Taxation	-	-	-	-	-
Surplus / (Deficit) for the year	**399.26**	**138.30**	**(1,042.59)**	**(772.29)**	**155.08**

(Source: Annual Audited Accounts 2022-23)

Total income of the Board was increased by 22.54% to Rs 741.80 million during the year 2022-23 (2021-22: Rs 605.34 million). The increase was mainly due to increase in profit on Short Term Investment, which increased by 78.47% to Rs 317.84 million in 2022-23 (2021-22: Rs 178.09 million). Revenue collected from operational activities shows increase in income from Farm Produce by 24.87% to Rs 12.10 million (2021-22: Rs 9.69 million). On the other hand, there was decrease in income from Tobacco Cess by 1.28% to Rs 407.96 million in 2022-23 (2021-22: Rs 413.25 million). The management is stressed for strengthening its core activities to earn revenue. Reasons due to which, the income from Cess was decreased needs to be justified.

15.2.2.2 Other receivables increased by 94% to Rs 275.16 million as on June 30, 2023 (2021-22: Rs 142.00 million). A provision was made against doubtful debts of Rs 51.017 million in 2022-23 (2021-22: Rs 13.97 million), figures were silent by means of notes. Abnormal increase in doubtful debts during the year needs clarification along with reasons of non-recovery.

15.2.2.3 Other receivables included an amount of Rs 9.10 million due from ex-employees on account of embezzlement and Rs 4.88 million from contractor. The NAB has decided the case in favour of PTB for recovery from ex-employee. However, the ex-employees filed an appeal against that decision in Peshawar High Court, which is still pending. The management is stressed to pursue these cases and expedite the matter for early recovery. The outstanding amount against contractor needs clarification as the figure is silent by means of notes.

15.2.2.4 According to Note-11, management revalued the land and building of the Board on 25th February, 2022. The revaluation appraisal resulted in surplus of Rs 3,209.44 million and Rs 55.64 million over the book value of land and building respectively. The Board was unable to value the land situated at Jampur as the land is in occupation of illegal occupants. The Board approached to Ministry of National Food Security & Research via its letter dated 25.10.2021 to De-Notify the land and refund the amount paid to acquire the same. As the matter is still un-resolved after lapse of two years, management is stressed to expedite the case for early settlement.

15.2.2.5 Current Liabilities included accrued expenses of Rs 4.741 million as on June 30, 2023 against accrued expenses of Rs 2.143 million in 2021-22 registering an increase of more than 121%. Abnormal increase under the head needs clarification along early settlement of liability.

15.2.2.6 Contingencies and Commitment showed that the PTB is involved in three major cases which have material effect on financial position as well as the performance of the Board. The management is stressed to pursue the cases and expedite the recovery; in addition to that the financial effect needs to be evaluated and reflected in financial statements under relevant head of accounts, in case the management has sufficient claims against said cases.

15.2.2.7 Management carried out an independent revaluation of lands and buildings situated at different stations of the country through M/s SMASCO on February 25, 2022; however, expenditure booked against said activity are not appearing in the accounts, position needs clarification.

15.2.2.8 Administrative Expenses increased by 4.6% to Rs 106.599 million in 2022-23 (2021-22 – Rs 101.886 million. The figure included legal & consultant fee of Rs 2.232 million showing increasing by 107% over previous year i.e. Rs 1.078 million. The figure is silent by means of notes, abnormal increase under the head need justification.

15.2.2.9 Finance Expenses increased by 57.51% to Rs 18.047 million in 2022-23 (2021-22 – Rs 15.134 million). The figure included consultation fee of Rs 236,256 in 2022-23 (2021-22 – Rs Nil). Payment needs to be justified as the figure is silent by means of notes.

15.2.2.10 The External Auditors issued qualified opinion on the accounts of the Board during the year under review on the basis of following points:

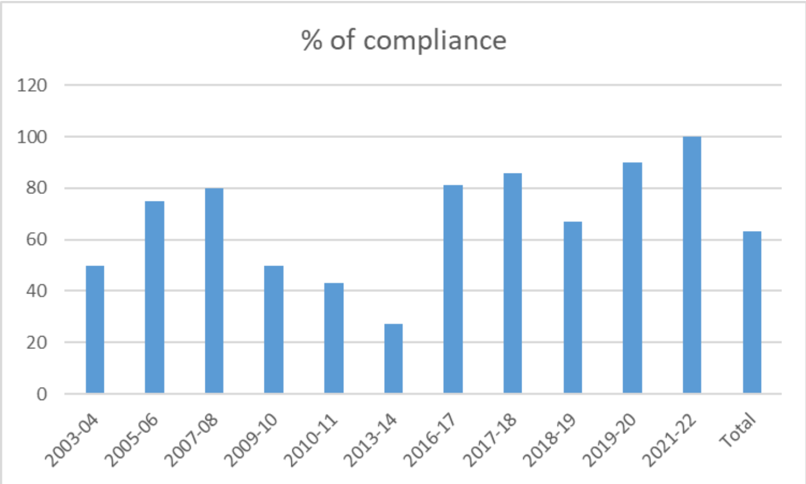
i. Staff Retirement Benefits have been recorded as per Actuarial Valuation Report carried out as on June 30, 2022. However, no Actuarial Valuation has been carried out for staff retirement benefits as on June 30, 2023 as per
IAS-19 Employee Benefits (Note-12) as a result, unable to determine any adjustment required thereon.

ii. The Board has maintained General Provident Fund for its employees under the General Provident Fund as per Federal Government rules, while the same has not been inserted in the accompanying financial statements of 2022-23.

The management is stressed for early removal of said qualifications.

15.2.3 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 very poor which needs immediate attention of PAO.

Chapter-16

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

- Rule of Business 1973

Audit Profile of Ministry of Science and Technology

(Rs in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	2	1	519.00	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	2	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 588.084 million were raised as a result of this audit. This amount also includes recoverable of Rs 71.65 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	2.750
B	Procurement related irregularities	81.750
C	Management of accounts with Commercial Banks	3.045
4	Value for money and services delivery issues	-
5	Others	500.539

16.1 Pakistan Science Foundation

16.1.1 Introduction

Pakistan Science Foundation was established on February 02, 1973 under PSF Act. It is working under the Ministry of Science and Technology. The organization has no share capital and it receives development and non-development grants from the Government of Pakistan. Its office is situated at G-5/1, opposite Supreme Court Building, Constitution Avenue, Islamabad.

The Foundation is functioning as a financing agency for:

- The establishment of comprehensive scientific and technological information and dissemination Centre;
- The promotion of basic and fundamental research in the universities and other institutions on scientific problems relevant to the economic development of the country;
- The utilization of the results of scientific and technological research including pilot plant studies to prove the technical and economic feasibility of processes found to be promising on a laboratory scale;
- The grant of awards, prizes and fellowships to individuals engaged in developing processes, products and inventions of consequence to the economy of the country.

16.1.2 Comments on Audited Accounts

16.1.2.1 The working results of the Foundation for the year 2021-22 as compared to previous years are as under:

(Rs in million)

	2021-22	%Inc / (Dec)	2020-21	%Inc / (Dec)	2019-20
Income					
Grant from Fed Government	342.497	27.75	268.085	32.05	203.015
Expenditure					
Statutory Scientific function	84.240	38.55	60.799	26.66	48.000
Administrative expenses	258.099	25.42	205.782	12.77	182.471
Total expenses	**342.339**	**28.31**	**266.581**	**31.01**	**203.471**
Prior year adjustment	-		-		
Surplus / (Deficit) for the year	0.158	(89.48)	1.503	-	(0.456)

(Source: Annual Audited Accounts)

16.1.2.2 Management received development grant of Rs 342.497 million during the year 2021-22 as against Rs 268.085 million during the year 2020-21. However, the management utilized development grant of Rs 342.339 million that is 99.95% of whole grant. The reasons of utilization of development grant may be intimated to audit.

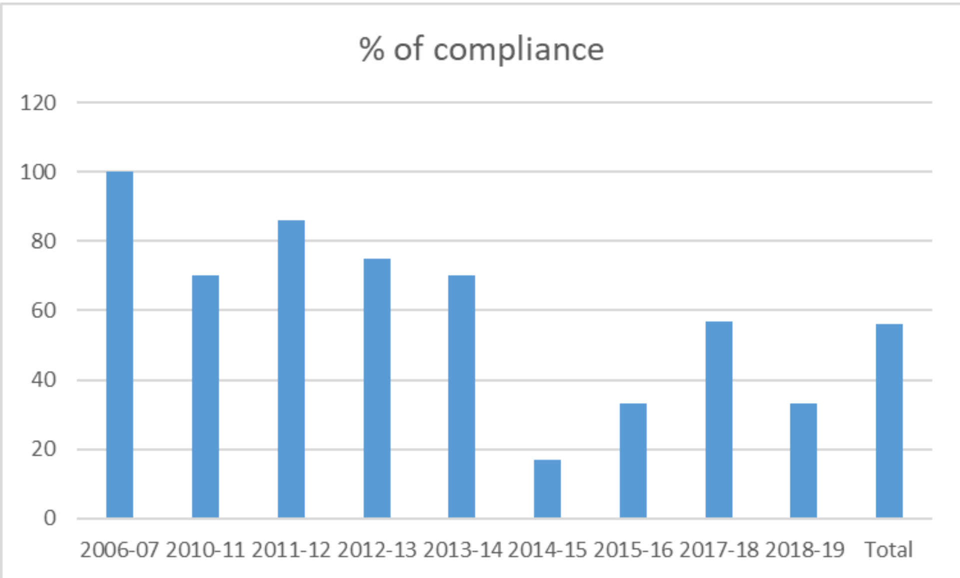
16.1.2.3 The management incurred Administration Expenses of Rs 258.099 million during the year 2021-22 as against Rs 205.782 million during the year 2020-21, which is increased 25.42 % during the year. The reason of abnormal increase in Administrative expenses needed justification.

16.1.2.4 At Sr. 13 the management paid Rs 44.550 million as Rent for Residential Building during 2021-22 as against Rs 26.1880 million in previous year 2020-21 which increased 70.16 %. This increased may be needed justification.

16.1.2.5 As Sr. 4.3 the management incurred an expenses of Rs 107.452 million in Talent Framing Scheme during the year 2021-22, as against Rs 56.285 million during the year 2020-21, which is increased 90.90 %. The abnormal increased in this head may be needed explanation to audit.

16.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2006-07	04	04	0	-	100
2010-11	10	07	03	22.1.2.3, 22.1.2.4, 22.1.4.1	70
2011-12	07	06	01	23.1.2.2	86
2012-13	04	03	01	23.1.2.2	75
2013-14	10	07	03	15.1.2.2, 15.1.4.4, 15.1.4.5	70
2014-15	06	01	05	17.1.2.1, 17.1.2.2, 17.1.2.3, 17.1.3, 17.1.4.1,	17
2015-16	12	04	08	18.1.2.2, 18.1.2.3, 18.1.2.4, 18.1.2.5, 18.1.2.6, 18.1.4.2, 18.1.4.3, 18.1.4.4,	33
2017-18	07	04	03	19.1.2.3, 19.1.2.4, 19.1.2.5	57
2018-19	09	03	06	17.1.2.1, 17.1.2.2, 17.1.3, 17.1.4.1, 17.1.4.2, 17.1.4.5	33
Total	**69**	**39**	**30**		**56**



Overall compliance of PAC directives was not satisfactory which needs immediate attention of PAO.

16.1.4 Audit Paras

16.1.4.1 Irregular award of Project in violation of PC-1 - Rs 19.943 million

According to PC-I for Competitive Research Programme, each proposal received by PSF shall be pre-screened by PSF staff for compliance with some basic parameters of the funding programme. The proposal shall be sent to at least 02 anonymous peer reviewers for their initial scientific and commercial evaluation. Once a proposal has been passed by peer reviewers, it will be put before Technical Committee for collective judgment of whether it should be funded by PSF or not. The proposal recommended by the Technical Committee, will be submitted to the Award Committee for a final decision/recommendation for approval. All funding decisions above Rs 8.00 million shall be finally approved by the Project Steering Committee by taking into consideration the recommendation of the Award Committee.

During the audit of Pakistan Science Foundation (PSF) for the year 2021-22, it was observed that Dr. Muhammad Yasir, Assistant Professor, Institute of Space Technology, Islamabad was awarded a Project "Development of a Novel Anti-corrosive and Anti-Fouling Amorphous Coating for Service in high Humidity and Hot Marine Environment" under the CRP 18th protocol through Institute of Space Technology, Islamabad at cost of Rs 19.943 million with completion period of 3 years on 03.06.2021.

As per record, the proposal was neither submitted for peer review nor recommended by the Technical Committee in its meeting held on 05.10.2020. The Project Award Committee approved the project budget of Rs 10.493 million on 28.01.2021 whereas, the Project Steering Committee in its meeting held on 08 & 15 March, 2021 approved the project with total cost of Rs 20 million with completion period of 3 years.

Audit is of the view that the award of project without review of 02 anonymous peer reviewers and without recommendation of the Technical Committee was against the prescribed procedure and tantamount to undue favour to Principal Investigator (PI) and award of project was irregular.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that in Steering Committee, the PI explained that anti corrosive and anti-fungal coating would be developed in collaboration with Chinese professors and requested to enhance the project budget to Rs 24.00 million. However, the committee unanimously increased the project cost upto 20.00 million.

The reply is not convincing as the project was processed in violation of prescribed procedure. Further, the project rejected by Technical Committee on 05.10.2020 was approved in violation of the laid down procedure.

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

Audit recommends investigating the matter and fixing responsibility.

Para-1 (PSF – 2021-22)

16.1.4.2 Extra expenditure due to irregular award of work without considering the observations of peer reviewers – Rs 8.715 million

According to PC-I for Competitive Research Programme, each proposal received by PSF shall be pre-screened by PSF staff for compliance with some basic parameters of the funding programme. The proposal shall be sent to at least 02 anonymous peer reviewers for their initial scientific and commercial evaluation. Once a proposal has been passed by peer reviewers, it will be put before Technical Committee for collective judgment of whether it should be funded by PSF or not. The proposal recommended by the Technical Committee, will be submitted to the Award Committee for a final decision/recommendation for approval. All funding decisions above Rs 8.00 million shall be finally approved by the Project Steering Committee by taking into consideration the recommendation of the Award Committee.

During audit of PSF for the year 2021-22, it was observed that two projects “Upscaling and Pilot Production of Life-Saving Portable Ventilator Device” and “Molecular Mapping and Map-Based Cloning of Disease Resistance Genes and Developing New Disease-Resistant Wheat Germ Plasm” were awarded to Dr. Murtaza Najabat Ali, Associate Professor, National University of Science & Technology (NUST), Islamabad and Dr. Awais Rasheed, Assistant

Professor, Quaid e Azam University, Islamabad at a total cost of Rs 14.242 million and Rs 11.181 million respectively. The projects were reviewed for technical merit, timelines, and suitability for financial assistance by Dr. Ahmed Shuja Syed, Advisor to Rector, International Islamic University, Islamabad and Mr. Muhammad Nauman Aftab, on 05.05.2020 and 26.06.2019 respectively.

Dr. Ahmed Shuja Syed advised to rationalize the budget by reducing expenses of Rs 4.00 million required for Machine Up-gradation and Software Development as dedicated machines were available in the parent institution at more than one place. Similarly, Mr. Muhammad Nauman Aftab suggested that instead of procurement of multi-mode plate reader for SNP genotyping valuing Rs 4.715 million, the samples could be to China sent for analysis and budget should be revised extensively and reduced considerably.

Audit observed that the remarks of the experts were neither pointed out on the file nor brought into the notice of any competent forum i.e. Technical Committee, Project Award Committee and Project Steering Committee and projects were awarded at the cost proposed/ demanded by P.Is.

Thus, by non-considering the review remarks of the technical expert, projects were awarded in excess of Rs 8.715 million (Rs 4.00 million + Rs 4.715 million).

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that due to acute shortage of ventilators during COVID-19 pandemic, the main objective of the project was to develop ventilators. The project underwent several stages of review, including presentations to the Technical Committee, Project Award Committee, and Steering Committee. As regards 2nd project, the Project Award Committee endorsed CRP scrutiny committee’s recommendations to reduce the project budget from Rs 18.74 million to Rs 13.73 million. However, after final rationalization, the budget was further decreased to Rs 11.181 million by the Project Award Committee.

The reply is not convincing as observations of the experts were neither pointed out on the file nor brought into the notice of any competent forum and projects were awarded at the cost proposed/ demanded by P.Is.

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

Audit recommends investigating the matter and complete record pertaining to agenda items of Technical Committee, Project Award Committee and Project Steering Committee meetings be provided to Audit for verification.

Para-2 (PSF – 2021-22)

16.1.4.3 Irregular procurement of permanent equipment for project in violation of PPRA rules - Rs 6.488 million

According to PPRA Rule – 38 (B)(1)(d), the procuring agency shall consider single bid in goods, works and services if it 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.

During audit of PSF for the year 2021-22, it was observed that a project "Evaluation of Key Technologies ETHANOL-FUELED SOFCs Power System of Extended Sailing-Range UAV" was awarded to Dr. Majid Khan, Abdul Wali Khan University, Mardan at a cost of Rs 9.695 million on 18.06.2021 with completion period of three years and first installment of Rs 7.420 million was released on 04.06.2021.

Audit observed that in response to advertisement for procurement of Lab equipment / permanent equipment dated 09.02.2022, two bidders participated in the bid. The Technical Evaluation Committee disqualified M/s Lab Care Enterprises for not meeting technical requirements and supply order was awarded to M/s Continental World Wide Trading Company Karachi without assessing financial conformance in terms of rate reasonability. Despite successful installation on 21.06.2022, the equipment faced operational issues due to high voltage. Further, first Fiscal Report for the period 31.08.2021 to 28.02.2022, total grant received during the period was Rs 7.420 million out of which Rs 6.963 million were utilized which included Rs 6.488 million for procurement of equipment. As per fiscal report, the equipment was procured upto 28.02.2022 whereas the procurement of said equipment was initiated in February 2022 and payment was made in the month of October, 2022.

Audit is of the view that the procurement was made without observing financial conformance in terms of rate reasonability as per rules hence procurement was held irregular.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that the financial proposal of M/s Continental Worldwide Trading Company Karachi was less than the estimated / budgeted price despite inflation and local currency devaluation. The delay in payment was due to administrative official processes of the grantee institute.

The reply is not convincing. As per PPRA, financial conformance in terms of rate reasonability was required to be ascertained. Further, as per advertisement, opening of bid date was 01.03.2022 whereas the first fiscal report for the period from 31.08.2021 to 28.02.2022 indicated expenditure of Rs 6.488 million for the procurement of permanent equipment prior to the opening of the bids. Nothing was intimated as regards application issues due to high voltage.

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

Audit recommends to investigate the matter and fix responsibility for non-observance of PPRA rules, intimate the exact date of receipt of equipment duly supported with documentary evidence and the status regarding application issue and certificate regarding functioning of the equipment be produced to Audit for verification.

Para-3 (PSF – 2021-22)

16.1.4.4 Non-execution of project and non-surrendering of funds – Rs 19.389 million

According to Para 4.6 (Chapter 4) of Guideline for Project Management issued by Planning Commission, all unspent balances/ funds should be surrendered finally by the 15th May of the financial year.

During audit of PSF for the year 2021-22, it was observed that a Project "STEM Education through Establishment of Space Museum / Planetarium / Moon Sighting Observatory in Islamabad" was awarded to Dr. Azmat Hayat Khan, Chief Meteorologist, Pakistan Meteorological Department, Islamabad on

22.02.2021 with a budget of Rs 19.603 million and a one-year completion period. However, due to Dr. Azmat Hayat Khan's impending retirement, Dr. Khalid Mehmood, Curator of PMNH, was nominated as the Principal Investigator. Contrary to the clauses of contract agreement and award letter, funds of Rs 19.389 million released vide Cheque dated 22.06.2021 were deposited in current account No. 1376010007000 of PMNH; maintained in UBL bank instead of the designated account.

Audit observed that the project was initially approved and funds released but in 6th Steering Committee meeting held on 06.09.2022, the Committee directed to drop the research grant. However, the un-spent funds remained in PMNH current account since 22.06.2021 whereas the same should have been surrendered to the government before 31st May, 2022.

Audit is of the view that non-utilization and non-surrender of funds was a serious lapse on the part of the management. Further, keeping the funds in current account was loss to the public exchequer.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that the project status was on-going on 22.06.2022. Following the 6th Steering Committee directives, the project fiscal scrutiny is in progress and project will be closed on adjustment of expenditures and depositing of unutilized amount to Government treasury as soon as possible.

The reply is not convincing as the 6th Steering Committee held on 6th September 2022 directed to drop this research grant from CRP but the project was still not closed. Further, no dedicated bank account for the said project was opened.

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

Audit recommends investigating why funds have not been surrendered despite a year passing since the 6th Steering Committee meeting, fixing responsibility for this delay. Further, the reason for not opening of dedicated project account be intimated and the funds be deposited into Government treasury without further loss of time.

Para-4 (PSF – 2021-22)

16.1.4.5 Irregular award of project in violation of PC-1 - Rs 19.00 million

According to PC-1, grant for individual scientists/technologist working in the R&D/S&T organizations and Universities will not exceed Rs 8 million and Consortium Research Grants for addressing National Challenges and Issues awarded to joint ventures of the public sector organizations with each other or with private organizations, the limit of funding will be upto Rs 20 million.

According to Clause 4 of the contract agreement, the party shall spend funds strictly in accordance with detail shown in project budget attached as annexure A to the agreement. Any deviation in this regard would require prior approval of the Foundation without which all un-authorized expenditure will be disallowed.

During audit of PSF for the year 2021-22, it was observed that a project "Development of Artificial Intelligence Based CADx system for Rapid Diagnosis of COVID-19 patients using Chest-X (CXR) and Computer Tomography (CT) Scans" was awarded to Dr. Ayesha Isani Majeed, Associate Professor/ Head of Department of Radiology, Pakistan Institute of Medical Sciences Hospital (PIMS)/SZABMU, Islamabad as Principal Investigator (PI) at a cost of Rs 19.00 million on 23.06.2020 with stipulated completion period of one(01) year.

Audit observed that the project was awarded to an individual as a consortium for Rs 19 million. Audit also observed that the PI published tender for procurement of X-ray Films, Hard Drive and CPU with Graphical Processing Unit for the project. M/s Medequip quoted lowest rates of Rs 15,000 for X-ray films per packet and Rs 60,000 for hard drive whereas M/s Cloud Enterprises quoted the lowest rates of Rs 410,000 for CPU with GPU. The PI issued supply order for X-ray films to M/s Medequip but did not issue supply order for hard drive. M/s Cloud Enterprises also refused to supply the CPU with GPU. The PI by floating a new tender procured hard drive and CPU with GPU from M/s Islamabad Medical Engineering at a cost of Rs 154,000 and Rs 1,496,000 respectively which resulted into loss of Rs 1,180,000 {(i.e. Rs 154,000 - Rs 60,000) + (Rs 1,496,000 – Rs 410,000)}.

It was also observed that the PI procured the equipment in May and July 2022 after the project's intended completion date of 22.06.2021. The Principal Investigator informed the Foundation that final technical and fiscal report was submitted to subject expert on 20.05.2022 whereas procurement was made in May and July 2022 which created doubt about the project's completion.

Audit is of the view that the award of project of Rs 19 million to an individual above the limit of Rs 8 million was irregular due to violation of PC-1 provisions. Further, procurement was made after submission of final technical and fiscal reports, revealing delays in project completion and failure to meet objectives within the specified timeframe.

The matter was pointed out to the management on 09.06.2022. The management in its reply dated 13.07.2023 stated that the said project involved two Co-PIs from different organizations which meet the requirements of consortium research grant. The bids received in response to earlier tender for CPU were not as per required technical requirements, therefore, new tender was floated by observing the PPRA Rules and M/s Islamabad Medical Engineering were awarded the contract being technical qualified lowest bidder. The final technical report was received and sent for evaluation to subject expert in September 2022. Therefore, the procurement of permanent equipment was done before the submission of final Technical Report and report was adopted by 30thTechnical Committee held on 20.02.2023 as satisfactory.

The reply is not convincing as the project was not a consortium as functions to be performed by Co PI had not been defined in the project proposal. Further, as per technical evaluation report, M/s Cloud Enterprises had qualified for CPU with GPU but the purchase order was not given and due to delay in procurement, the project delayed.

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

Audit recommends to investigate the matter to ascertain the reasons for award of project as a consortium and why supply order for the procurement of hard drive was not issued to M/s Mediequip and CPU with GPU to M/s Cloud

Enterprises at lower rates which resulted into loss of Rs 1,180,000 and fix responsibility on the person(s) at fault.

Para-5 (PSF – 2021-22)

16.1.4.6 Irregular payment of honorarium from development fund to PSF regular staff - Rs 2.75 million

According to approved PC-1 of Development Project "Science Talent Farming Scheme (STFS)" honorarium will be paid to its project staff, university mentors and Science Teachers.

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 PSF for the year 2021-22, it was observed that PSF management paid honorarium of Rs 2.75 million from development project "Science Talent Farming Scheme (STFS)" to its regular staff in violation of the approved PC-1 of the project. The said staff was also paid honorarium from the regular budget of PSF.

Honorarium paid to the regular staff of PSF was held as irregular in Audit.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that as per approved PC-I, 14 posts were allocated in the STFS project. There were only two officers hired whereas the remaining 12 posts were vacant. Due to shortage of project staff, services of regular officers/officials of PSF were obtained for smooth execution of the project activities.

The reply is not convincing as honorarium was paid to 141 officers and staff whereas the total sanctioned posts of the project were 14. Further, payment of honorarium was also made to the staff from the regular budget of PSF.

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

Audit recommends fixing responsibility on the person(s) at fault for grant of honorarium to irrelevant staff and recovering the amount from the employees concerned or the person(s) held responsible.

Para-6 (PSF – 2021-22)

16.1.4.7 Non-execution of project activities as per approved revised PC-I– Rs 82.940 million

According to activity plan of Revised PC-1 of the Development Project "Science Talent Farming Scheme (STFS)" section 6(xiv)) "For developing research aptitude, STFS students will be attached with university faculty for undertaking research in science subjects viz. Physics, Chemistry, Biology/ Computer Sciences and Mathematics. Furthermore, science teachers will be selected from/nearby colleges to supplement their formal education."

According to (Annexure VIII-A) "The selected students for STFS will be attached from very beginning i.e. from the 1st year of their selection. Each student will complete a research project in one academic year, no matter in which class or grade he/she might be. The expenditure on the research projects by the students will be borne out of the STFS funds. The students will use the laboratories of the research organizations/ academic institutions as well as expertise of the teachers and researchers".

During audit of PSF for the year 2021-22, it was observed that as per activity plan of the development Project "Science Talent Farming Scheme (STFS)" all the 300 students of 4th batch and 300 students of 5th batch (Total 600) would participate in research projects from the 1st year of their selection supervised by the mentors/Science teacher, and PSF management.

The record revealed that only 166 and 115 students completed their research projects in 4th and 5th batch respectively while 319 students of both batches did not respond. As per activity plan of the revised PC-I, PSF management paid Rs 260,000 (@ Rs 130,000 for 1st and 2nd year) to each student. Total amount paid by PSF management to all 600 students was Rs 156.00 million.

Audit is of the view that PSF should not have paid to those students who did not participate in their research projects in the first year. Thus, an amount of

Rs 82.940 million (319 students x Rs 260,000 per student) paid to the students who did not complete their research projects in both batches was held irregular in Audit.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that in accordance with approved PC-I, all the students of STFS 4^{th}& 5^{th} batch were on individual basis. Most of the students undertook research work in groups of 2-5 students per group and submitted the research report to PSF. However, some of them did not submit their research work/posters to PSF and the remaining students were being pursued to complete their research work and submit reports.

The reply is not convincing as the task had already been delayed but the research work of the students was still awaited which indicated that the students were not pursued properly from the 1^{st} year and payments were also made to them despite the fact that they were not involved in research work.

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

Audit recommends recovery either from the students concerned or the person(s) responsible for making payment to the students who did not start research work from the 1^{st} year of their studies.

Para-7 (PSF – 2021-22)

16.1.4.8 Irregular payment to the failed students of the STFS project - Rs 68.9 million

According to S. No. IV of terms & conditions of bond of scholarship given at Annex-V of Revised PC-1 of the Development Project “Science Talent Farming Scheme (STFS)” in case the Student fails to qualify the course for which he/she was awarded Scholarship, the PSF/STFS reserves the right to recover all the payment received and or a penalty equal to total Scholarship amount from the Party-II. According to S. No. XIII of terms & conditions of bond of scholarship, in case the Student “fail” or obtain below satisfactory score in 1st year or 2nd year, the STFS facilities shall be withdrawn immediately.

During audit of PSF for the year 2021-22, it was observed that as per activity plan of the revised PC-1 of “Science Talent Farming Scheme (STFS)”, monetary benefits @ Rs 10,000 per month (for books/note books and some personal allowances) along with tuition fees @ Rs 10,000 per year to each student of batch-IV & V, i.e. Rs 130,000 had to be paid to each student.

The record revealed that management paid Rs 156 million (@ Rs 130,000 per student x 300 students for batch-IV& V including passed and failed). Audit observed that 247 students passed in 4th batch and the remaining 53 students' results were not found. In 5th batch, only 88 students passed while the remaining 212 students' results were also not found. Total number of 335 students in both batches completed their HSSC degrees while 265 students' results were not provided by the management.

Audit is of the view that PSF should recover Rs 68.9 million (156.00 – 87.1) from 265 students in both batches who failed to complete their studies in batch-IV and V.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that no one of STFS students failed in F.Sc. However, some students had not submitted their result cards and STFS-PMU was pursuing the remaining students to submit result cards at the earliest.

The reply is not convincing as the results cards should have been obtained immediately after the announcement of results.

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

Audit recommends to provide the result cards of all the students to Audit otherwise recovery be made from the students who failed or did not provide their result cards without further loss of time.

Para-8 (PSF – 2021-22)

16.1.4.9 Poor execution of projects and non-appointment of project staff resulting into surrender of funds - Rs 281.652 million

According to Project Management Guideline 3.3 after the opening of Project Account, the next step should be the hiring of office space and appointment of key project staff. The appointment of project staff under the project should be made through open competition and in transparent manner. In this connection, a recruitment committee for the selection of Project Director chaired by the Principal Accounting Officer along with members from Planning Division, Finance Division and Establishment Division already notified by the Planning Commission should be considered. Approval for the recruitment of project staff is the responsibility of Project Director. No approval is required from any forum if the TORs are provided in the approved PC-I.

During audit of PSF for the year 2021-22, it was observed that DDWP approved a project "National Technology Innovation Through Industry Research Centers and other Stakeholders Collaboration" on 10.12.2020 at cost of 1,959.496 million to be executed within 60 months. During the FY 2021-22, an amount of Rs 200 million was released on 06.11.2021 out of which an amount of Rs5.834 million could only be utilized and balance amount of Rs 194.166 million was surrendered.

Similarly, another project "Launching of STEM in Pakistan Phase-I" was approved by DDWP on 04.08.2021 at a cost of Rs 993.784 million. The budget for the FY 2021-22 was approved as Rs 180.00 million out of which an amount of Rs 90.00 million was released on 10.01.2022. However, only Rs 2.514 million were spent, leading to the surrender of the remaining balance of Rs 87.486 million.

Audit is of the view that due to failure of management to hire the services of essential staff, projects' execution was hindered which resulted into non-achievement of projects' objectives. Consequently, a total amount of Rs 281.652 million (Rs 194.166 million + Rs 87.486 million) was surrendered for both projects respectively.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that on 11.11.2021, a recruitment advertisement was released for project staff, followed by shortlisting and tests for applicants. However, the Ministry of Science and Technology stopped the process of appointment due to the non-observance of quota. Subsequently, a new recruitment case was initiated and quota was observed and the recruitment process for the said projects was completed in 2022-23.

The reply of the management is not convincing because as per standing instructions of the Government, provincial quota had to be observed which was not done which resulted into delay in recruitment, non-execution of projects and surrender of funds.

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

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

Para-9 (PSF – 2021-22)

16.1.4.10 Irregular procurement of Projects' equipment in violation of PPRA rules - Rs 56.357 million

According to rule 12 (1) of 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 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. According to rule 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.

According to the annexure-A of project budget, all procurement over Rs 100,000 and up to the limit of Rs 2 million shall be advertised on PPRA's website in the manner and format specified by the regulation, by the Authority from time to time while that over Rs 2 million shall also be advertised in print media or Newspapers.

During audit of PSF for the year 2021-22, it was observed that the management released financial assistance for procurement of equipment for "Research Projects under International Liaison" and "Research Support Program" to different Universities/ Principal Investigators. The Universities/ Principal Investigators did not share the procurement process / record with Foundation which depicts that the procurements were made without observing Public

Procurement Rules and in violation of clauses of contract agreements. Hence, the procurement of permanent equipment of Rs 56.357 million (Annex-92) made for the projects was held irregular in Audit.

Audit is of the view that the procurement of Rs 56.357 million made in violation of clauses of contract agreements was irregular.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that the matter of procurement was dealt in the respective grantee organization (Public Sector University or R&D institution), which were also liable to follow the GoP rules/PPRA rules in accordance with their own rules. In this connection, the fiscal reports duly vetted by their own concerned departments/officials were shared with PSF.

The reply is not convincing as the documents provided with the reply did not indicate that the procurements were made observing PPRA rules.

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

Audit recommends investigating the matter for procurement of equipment in violation of procurement rules and fixing responsibility thereof.

Para-12 (PSF – 2021-22)

16.1.4.11 Irregular procurement of Projects' equipment in violation of PPRA rules - Rs 14.125 million

According to rule 13 of PPRA, the procuring agency may decide the response time for receipt of bids or proposals (including proposals for pre-qualification) from the date of publication of an advertisement or 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 rule 38B (1)(d) of PPRA, the procuring agency shall consider single bid in goods, works and services if it has financial conformance in terms of rate reasonability.

During audit of PSF for the year 2021-22, it was observed that the management released financial assistance for procurement of equipment to different Universities/ Principal Investigators. The record pertaining to the following projects revealed the discrepancies as mentioned there-against:

S. No.	University	Project	Date of approval	Item	Cost (Rs in million)	Remarks
1	University of Engineering & Technology, Peshawar	Design & Structure modulation of Nano-Composite Membrane with Bi-Intersection for juice concentration. {PSF/NSFC-II/Eng/KP-UET (09)}	01.03.2018	Design and Fabrication / purchase of FO system for testing ceramic membranes	2.477 (approx.)	- Only single bidder participated who was awarded the supply order without assessment of rate reasonability as per PPRA rules. - Only fifteen days' response time was allowed for international bidding. - LC was opened by the University.
2	University of the Punjab, Lahore	Solar-Light-Driven Simultaneous Hydrogen Generation and Water Purification by Synergetic Adsorption and Photo catalysis {PSF/NSFC-IV/Phys/P-PU (31)}	01.12.2021	Solar Simulator and Gas Chromatograph	11.648	

Audit holds the view that procurement of Rs 14.125 million made in violation of procurement rules was irregular.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that in compliance of PPRA Rule 38B (1) (d), the fair price certificate was obtained from the concerned bidder on legal paper. Further, the advertisement was given in the daily Jang Lahore on February 20, 2022. In this case, 24 days were given for bidding due to Punjab

University Central Purchase Committee fixed dates of meeting during covid-19, the dates were slightly shifted and to put the maximum cases into early meetings.

The reply is not convincing as the rate reasonability was to be determined by the Universities concerned in the case of single bidders which was not done. Further, the response time was also in violation of the PPRA rules.

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

Audit recommends investigating the matter for procurement in violation of PPRA rules and fixing responsibility thereof.

Para-13 (PSF – 2021-22)

16.1.4.12 Irregular procurement on quotation basis by splitting the demand - Rs 2.53 million

According to Rule (9) of PPRA rules, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During audit of Pakistan Museum of Natural History (PMNH) for the year 2021-22 it was observed that different items valuing Rs 2.53 million (Annex-93) were procured on quotation basis by splitting the demand.

Audit is of the view that irregular procurement made was by splitting the demand in violation of the rules.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that the material was procured from local market on demand by the various Research Divisions of PMNH time to time on competitive rates by observing the PPRA rules from different vendors/suppliers and properly installed under the supervision of PMNH scientists.

The reply is not convincing as the procurement was made in piece meal by splitting the demand in violation of PPRA rules.

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

Audit recommends investigating the matter for procurements made in violation of PPRA and fixing responsibility on the person(s) at fault.

Para-14 (PSF – 2021-22)

16.1.4.13 Irregular procurement of permanent equipment for project in violation of PPRA rules - Rs 2.250 million

According to Rule-12 (1) of 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. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency. According to rule-20 of PPRA-2004, procuring agencies shall use open competitive bidding process as the principal method of procurement for goods, services and works.

During audit of PSF for the year 2021-22, it was observed that a project "Development of Inhibitors Targeting the Viral as well as Host Factors of Severe Acute Respiratory Syndrome Corona Virus-2 (SARS-CoV-2): A way forward to Develop a High Potency Treatment Therapy" was awarded to Dr. Mazhar Iqbal, TI, Professor and Deputy Chief Scientist Health Biotechnology Division, NIBGE-College PIEAS, Faisalabad at cost of Rs 9.840 million with completion period of one year.

The record revealed that Principal Investigator procured Chemistry High Vacuum System from M/s ATIS MAKINA IC VE DIS TICRET LTD STI vide supply order dated 23.07.2021 and payment of Rs 2.250 million was made to M/s Intra Link Incorporated, Islamabad from DGTP account No. 38-2 maintained with NBP Pakistan Atomic Energy Commission. The record related to procurement process of said equipment was not available in project file which showed that procurement was made without observing procurement rules. Further, there was no evidence of a separate project bank account being maintained as stipulated in the contract agreement and award letter.

Audit is of the view that the procurement was made without observing open competitive bidding process as the principal method of procurement. Thus, procurement of equipment of Rs 2.250 million was held irregular.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that purchase of Chemistry High Vacuum System was made through a limited tender basis. Furthermore, M/s Intra Link Incorporated, Islamabad was sole agent for Pakistan of M/s ATIS MAKINA IC VE DIS TICRET LTD STI. The receiving and disbursement of funds of PSF Project was done through a dedicated account (A/C No. 3139237376, NBP AARI Branch, Faisalabad) for PSF Projects awarded to NIBGE.

The reply is not convincing as procurement of Chemistry High Vacuum System was not made through open tender in violation of PPRA rules. Further, the bank statement showed that the dedicated account for the project was not opened.

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

Audit recommends investigating the matter regarding procurement without open advertisement and fixing responsibility thereof.

Para-15 (PSF – 2021-22)

16.1.4.14 Non-appointment of a regular incumbent against the post of Director General, PMNH

Estt. Division O.M.No.1/21/76-AR. I/R-II, dated 18.06.1980, as amended vide O.M. of even number dated 10.04.1981 states the conditions for appointment on current charge basis as follow:

(i) the arrangement should not be made for a period of less than one month and should not exceed three months. However, it may be extended by another three months with the approval of the next higher authority;

(ii) as soon as the current charge is given, a proposal for regular appointment should be initiated and referred to DPC/CSB within a month; and

(iii) in making current charge arrangement, the senior most officer available in the organization and present at the place where the vacancy may have occurred, if he is otherwise fit and eligible for promotion, should be considered.

According to Cabinet Division letter dated 12.07.2019, the Cabinet in its meeting held on 09.07.2019 under case No. 627/28/2019 reiterated its earlier decision whereby it had been desired that the existing practice to entrust additional charge to officers be discontinued and process to fill the vacant position in Federal Government be completed at the earliest.

During audit of PMNH for the year 2021-22, it was observed that no regular incumbent was posted against the post of Director General, PMNH since 29.04.2013 to date. The management filled the post on current charge basis from 29.04.2013 to 01.04.2017 continuously and since 02.04.2017 to date on look after basis to different officers. It was further observed that Dr. Saima Huma Tanveer was promoted in BS-20 against PASTIC promotion quota on 10.06.2021 and assigned her charge of the post of Director General PMNH on look after basis w.e.f. 26.08.2022 to date. This showed that the management failed to fill the key post on permanent basis.

Audit is of the view that filling of key post of Director General, PMNH on current & additional charge basis was contrary to the instructions of Cabinet and Establishment Division.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that multiple attempts were made to fill the post through advertisement in 2012, 2015, 2016 and 2021. The last advertisement was made on 13.04.2023 and selection process was in progress at PSF. The appointment of a regular incumbent against the vacant post of Director General PMNH would be made shortly.

The reply is not convincing as the post was advertised time and again but not filled since September 2012.

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

Audit recommends justifying the reasons / grounds due to which the appointment of the regular incumbent could not be made and the appointment of regular incumbent be made without further loss of time.

Para-16 (PSF – 2021-22)

16.1.4.15 Irregular transfer of funds from non-development funds to pay off the liability of development fund – Rs 2.496 million and exchange loss of Rs 0.549 million due to delay in payment

As per general instructions given at S. No. 5 of Annex-I to Delegation of Financial Powers issued vide Finance Division OM No. F.3(2) Exp.III/ 2006 dated 13.09.2006 no re-appropriation may be made: (i) from Development to Current Expenditure and vice-versa.

During the audit of PASTIC for the year 2021-22, it was observed that SAARC Development Fund Board in its 26th meeting held in Colombo, Sri Lanka from February10-11, 2017 approved a revised project proposal "Networking and Capacity Building of Women Entrepreneurs from SAARC Countries" including Afghanistan and Bhutan. Accordingly, a total sum of US$ 179,369 equivalent to Rs 27,437,322 {Rs 4,155,639 equivalent to US $ 30,000 (@ Rs 138.5213 per US$) and Rs 23,281,683 equivalent to US$ 149,369 (@ Rs 155.8669 per US$)} was received on 21.03.2019 and 25.10.2019 respectively. A sum of US$ 163,538 (equivalent to Rs 25,490,227) was spent upto 31.03.2020 leaving a balance of US$ 12,492 (equivalent to Rs 1,947,095). The unspent funds of US $ 12,492.04 (Rs 2,495,910) were transferred to SDF, Bhutan on 02.06.2022.

Audit observed that the unspent funds were transferred from the regular non-development budget of PASTIC for the year 2021-22.

Audit is of the view that instead of transferring the funds from the regular non-development budget, the unspent foreign exchange amount (US$ 12,492) available in the respective account of the project should have been transferred to SDF immediately after the closure of the project which was not done which resulted into payment of unspent amount from the regular non-development budget of PASTIC in violation of Government instructions. Further, exchange loss of Rs 548,815 was also sustained by the organization.

The complete record pertaining to the Project was demanded but the same was not produced for verification.

The matter was pointed out to the management on 07.06.2023. The management in its reply dated 13.07.2023 stated that after the arrangement of Foreign Exchange Budget, equivalent to Rs 2.300 million (Non-Development) for the F.Y 2021-2022 vide MoST letter dated 16.02.2022, the payment of Rs 2,495,910 was made on 02.06.2022 after completing the procedural and codal formalities with NBP, SBP and Finance Division. Due to gradual increase in dollar rates, exchange loss of Rs 548,815 was incurred.

The reply is not convincing because instead of returning the balance available amount, the payment was made from the regular non-development budget of PASTIC.

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

Audit recommends explaining the reasons due to which the balance amount available in the assignment account could not be returned to the donor agency.

Para-17 (PSF – 2021-22)

16.2 Pakistan Scientific and Technological Information Centre

16.2.1 Introduction

Pakistan Scientific and Technological Information Centre (PASTIC) is the premier organization established under the Pakistan Science Foundation Act, 1973 with the objectives of dissemination of scientific and technological information to the scientists, researchers, engineers, entrepreneurs, industries and citizens of Pakistan.

The organization is operating the following accounts through three funds.

1. Non Development Fund which is used for administrative expenses.
2. Reprographic and Documentation in which major source of income is reprography and documentation.
3. Development fund for strengthening and enhancement of reprographic service of PASTIC.

16.2.2 Comments on Audited Accounts

16.2.2.1 The working results of the Centre for the year 2021-22 as compared to previous years are given hereunder:

(Rs in million)

	2021-22	**% Inc /(Dec)**	**2020-21**	**% Inc /(Dec)**	**2019-20**
Income					
Government Grants- Non Development Account	209.383	12.39	186.297	6.39	175.100
Reprographic and Documentation and others	8.203	95.54	4.195	(46.27)	7.809
Total Income	**217.586**	**14.22**	**190.492**	**4.14**	**182.909**
Expenditure					
Non Development Account	209.106	12.24	186.297	7.07	173.980
Reprographic and Documentation	4.259	104.34	1.772	(63.98)	4.920
Depreciation	2.987	(10.84)	3.387	(7.61)	3.666
Total Expenditure	**216.352**		**191.456**	**4.86**	**182.566**
Surplus/ (Deficit) for the year	1.122		(1.102)		0.170

(Source: Annual Audited Accounts)

16.2.2.2 The management incurred expenditure of Rs 209.106 million during the year 2021-22 on employee related expenses out of total non-development expenditure of Rs 209.383 million incurred during the year, which was 99.86% of the total non-development expenditure, huge expenditure incurred during year, which needed clarification.

16.2.2.3 Total Expenses on Reprographic and Documentation of Rs 4.259 million during the year 2021-22 that is 51.92 % of total Rs 8.203 million. The management explained the utilization of reaming amount of Reprographic and Documentation, which needed justification.

16.2.2.4 An amount of Rs 0.426 million was added in intangible assets during the year 2021-22. The details of such assets may be provided.

16.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2013-14	02	0	02	15.2.1&15.2.2.1,15.2.2.2,	0
Total	02	0	02		0

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

16.3 Pakistan Museum of Natural History

16.3.1 Introduction

Pakistan Museum of Natural History (PMNH) is a science center of Pakistan Science Foundation established in 1976 under the patronage of Pakistan Science Foundation, Ministry of Science and Technology (Government of Pakistan). It has four principal divisions namely Botanical Sciences Division, Zoological Sciences Division, Earth Sciences Division and Public Services Division. The first three divisions are engaged in the collection, identification and research activities pertaining to plants, animals and mineral resources of Pakistan respectively, while the latter is responsible for mass education and popularization of natural history through various displays, exhibits and dioramas. In addition, various projects such as Virtual Orientation Gallery (VOG), Biodiversity Database and Global Networking (BGN) and Focus Baluchistan have also been initiated.

Organization's main activity is to research in the field of Natural History. Material collected from field is examined in laboratory and displayed for public in museum. Organization is operating accounts through two funds i.e. Development Fund and Non-Development Fund. Development Fund is used in collection, identification and research activities pertaining to plants, animals and mineral resources, while non-development fund is used only to meet the administrative expenses.

16.3.2 Comments on Audited Accounts

16.3.2.1 The working results for the year 2021-22 as compared to previous years are given below:

(Rs in million)

	2021-22	% Inc/ (Dec)	2020-21	% Inc/ (Dec)	2019-20
Income					
Grant from the Government – Non Development	178.678	11.94	159.619	12.48	141.448
Miscellaneous Receipts	6.992	(68.22)	22.003	344.77	4.947
Total Income	**185.670**	**2.22**	**181.622**	**2.062**	**146.395**
Expenditure					
Non-Development expenditure	183.715	13.40	162.002	8.49	149.313
Development expenditure	3.808	(7.86)	4.133	(11.25)	4.657
Miscellaneous payments	10.039	260.59	2.784	(13.08)	3.203
Total Expenditure	**197.563**	**16.95**	**168.920**	**7.47**	**157.173**
Surplus/(deficit) of income over expenditure	**(8.084)**		**16.836**		**(6.115)**

(Source: Annual Audited Accounts)

16.3.2.2 The management incurred expenditure of Rs 197.563 million during the year 2021-22 as against of Rs 168.920 million during the year 2020-21. This increased 16.95 % which needed justification.

16.3.2.3 An amount of Rs 178.678 million during the year 2021-22 appeared in non-development increased from Rs 159.619 million from previous year. The reasons of this abnormal increase needs to be ascertained and explained.

16.3.2.4 According to Note 11 an amount of Rs 110.235 million in Pay, Overtime and other allowance during the year 2021-22 as against Rs 82.555 million in 2020-21, which increased 33.52 % needs to be explained. On the other hand, the organization in loss. Hence, overtime allowance and pay of every contingent staff may be segregated in the financial statements.

16.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of compliance
2013-14	02	0	02	15.3.1&15.3.2.1, 15.3.2.2	-
Total	**02**	**0**	**02**		**-**

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

Chapter-17

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 2022-23	Revenue /Receipts audited FY 2022-23
1	Formations	2	1	102,832.063	113,948.921
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	1	1	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs 98,085.410 million were raised as a result of this audit. This amount also includes recoverable of Rs 834.998 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	29.294
B	Procurement related irregularities	6,710.47
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	2,706.270
5	Others	88,639.376

17.1 National Logistics Cell

17.1.1 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.

17.1.2 Comments on Audited Accounts:

17.1.2.1 The working results of the NLC for the year 2021-22 & 2022-23 as compared to the previous year are as follows:

(Rs in million)

	2022-23	% Inc/ (Dec)	2021-22	%Inc /(Dec)	2020-21
Revenue	113,948.92	81.401	62,816.10	32.554	47,389.08
Operating Costs	102,832.06	80.257	57,047.54	36.600	41,762.37
Gross Profit	**11,116.86**	92.715	**5,768.56**	2.521	**5,626.71**
Administrative expenses	2,125.80	26.488	1,680.63	24.905	1,345.53
Other operating Income	1,857.20	7.741	1,723.78	(67.111)	5,241.15
Operating profit	**10,500.33**	88.942	**5,557.45**	(40.114)	**9,279.99**
Finance costs	152.921	321.084	36.316	85.532	19.574
Net Profit	**10,347.34**	87.075	**5,531.13**	(40.271)	**9,260.42**
Reserves	59,347.05	20.781	49,136.25	12.725	43,589.46
Current Assets	63,146.26		53,007.12		49,104,740
Current Liabilities	41,491.90		36,186.53		29,637,896
Current Ratio	**1.52**		**1.46**		**1.65**

(Source: - Annual Audited Accounts)

The organization's revenue experienced a remarkable 81.401% increase in the fiscal year 2022-23. However, revenue from two specific sources witnessed a decline: rental income from freight trains decreased by 5.851%, and income from dry ports decreased by 14.251% compared to the previous financial year (2021-22). Additionally, tolling revenue showed a substantial decrease of 80.394% during the year 2021-22 as compared to the preceding year. The management is required to provide an explanation for the downward trend in revenue from the mentioned sources.

17.1.2.2 The operating cost of the NLC increase by 80.857% (Rs 102,832.06 for the year 2022-23) in comparison to the preceding year, with figures of Rs 7,047.54 for 2021-22 and Rs 41,762.37 for 2020-21. This extraordinary increase is attributed to the escalation in specific categories, namely: Cost of Construction Project (Rs 62,998.414 million), Hired mechanical transport charges (Rs 22,829.682 million), Salaries, wages, and benefits (Rs 4,632.568 million), and Vehicles and plant running expenses (Rs 7,291.859 million) during the financial year 2022-23. The substantial increase needs to be justified.

17.1.2.3 The net profit witnessed a decline of 40.271%, with figures of Rs 5,531.13 million for the year 2021-22 and Rs 9,260.42 million for the year 2020-21. The decrease in net profit during the financial year 2021-22 needs to be justified.

17.1.2.4 Retention money amounting to Rs 8,525.562 million is receivable for projects completed but not yet technically and financially closed as of June 30, 2023. The prolonged blockade of significant funds is a result of the poor execution of civil works. The management is urged to prioritize the early recovery of retention money and provide justification for the substantial amount blocked.

17.1.2.5 Trade debts stood Rs 16,525.7999 million as on 30th June, 2023 and Rs 11,574.067 million as on 30th June, 2022. The management is strongly encouraged to prioritize the early recovery of trade debts and detailed breakdown of trade debts, including aging be provided to audit.

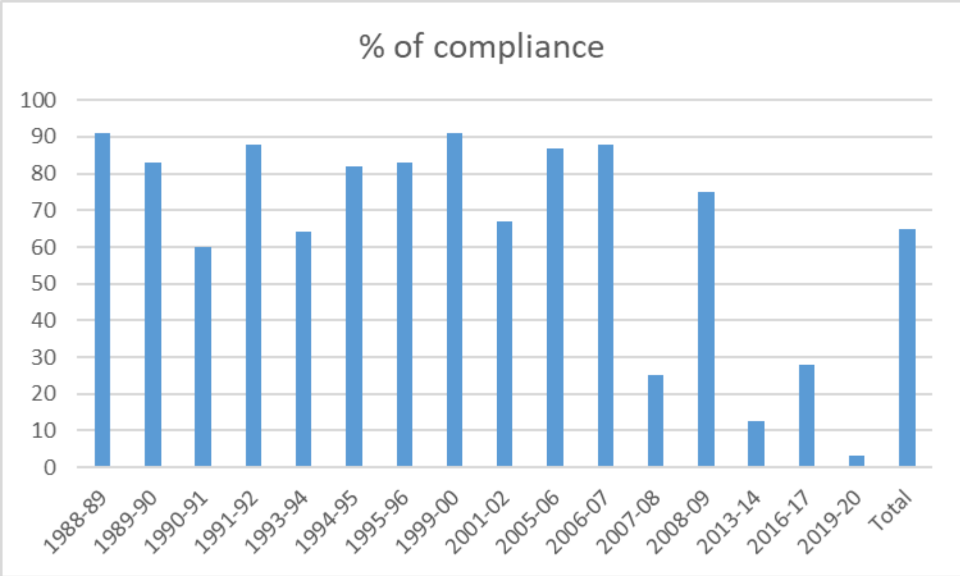
17.1.2.6 Advances, Deposits, Prepayment and other Receivables includes Rs 491.118 million as on 30th June, 2023 and Rs 251.401 million as on 30th June, 2022. The abnormal increase in other receivables requires justification, and the management is strongly urged to prioritize early recovery measures.

17.1.2.7 In the fiscal year 2022-23, the management invested Rs 482.220 million in Pakistan Investment Bonds and Rs 500 million in TDRs during the financial year 2021-22. Additionally, NLC holds cash in hand in the current account, amounting to Rs 12.278 million, and Rs 8,256.342 million in deposit accounts as of June 30, 2023. To ensure transparency in the investment process and prudence in treasury management, a complete record of investments made in each year, along with the determination of working capital balance, be provided to the audit.

17.1.2.8 Long Term Loan to wholly-owned subsidiary NLC Developer (Pvt.) Ltd stood at Rs 1,386.745 million as of June 30, 2023, as compared to Rs 1,379.358 million on June 30, 2022, and have been outstanding since February 2008. Additionally, the timing of the loan recovery is uncertain. Audit recommends expediting the early recovery of the loan from NLC Developer (Pvt.) Ltd and justifying the reasons for the long outstanding loan.

17.1.3 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.

17.1.4 Audit Paras

17.1.4.1 Irregular procurement of steel and enhancement of rates in violation of procurement rules - Rs 3,265.951 million

According to PPRA (Public Procurement Regulatory Authority) Rule 16A, procurement of recurrent or common use items, services, and commodities through framework agreements is allowed for a maximum period of three years. The procuring agency is required to prepare provisional annual estimates, initiate prequalification proceedings, and select suppliers based on rational demand estimates. The agency can also pre-qualify new suppliers during the continuity of framework agreements. Rule 16B allows for price adjustments during contract execution in case of above-normal price volatility. The procuring agency can accept requests for price adjustment, compare prices against national or international indicators, and determine the factor or percentage for adjustment, subject to approval by the Principal Accounting Officer (PAO). The Authority is authorized to establish regulations, regulatory guides, guidelines, or templates for procurement through framework agreements.

During the audit of NLC HQ for the year 2022-23, irregularities in the procurement process of deformed steel included:

1. The management did not prepare provisional annual estimates, including description, specifications, statement of requirements, and quantities based on rational demand estimates, as required under the rules.
2. The management increased the rates of deformed steel procured from M/s Faizan Steel Mills by 175%, from Rs 108,000 to Rs 298,000 per metric ton, with the approval of the Price Variation Committee, without seeking approval for price adjustment from the Principal Accounting Officer (PAO) as required by the rules.
3. The management granted an extension in the contract with steel mills without obtaining approval from the competent forum the Officer in Charge (OIC).

Audit is of the view that the procurement through the Rule-16A Rate Running Contract, the rate enhancement, and the extension in the contract period were irregular and did not follow the necessary procedures outlined in Rule 16B of the PPRA rules.

The management replied that annual estimates were assessed by HQ Engineers, and open framework contracts undergo periodic adjustments based on market rates. The management argues that despite steel rate increases, they monitor market rates continuously and secure extensions through the DG NLC under delegated powers. The audit deems the management's explanation unacceptable, highlighting the increase in rates without considering Rule 16B and granting extensions without approval from the competent authority.

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

Audit recommends an investigation at the administrative department level, fixing responsibility against the individuals held responsible, and regularizing the expenditure through the competent forum.

Para 16(NLC – 2022-23)

17.1.4.2 Loss due to execution of work over and above the BOQ - Rs 2,474.443 million

According to clause 51.1 of particular condition of Contract Agreement with Client (CDA), the word "qualify" is deleted in the first line and substituted with the word "quality", Para (a) is deleted and other paragraphs remarked from (a) to (e) and the word "design and" is added at the start of para (e) now para (d).

According to Engineers SOP para 35, “in case of variation between BoQs and construction drawings, the quantities will be pointed out and besides initiating Variation Orders / Deviation Order (VOs/DOs), a written consent of client be ensured if construction activity is continued”.

During audit of National Logistic Cell for the year 2022-23, it was noted that the project construction of Barakahu Bypass, Islamabad acquired on design and built basis at quoted cost of Rs 6,515.078 million from Capital Development Authority.

Audit observed that the said project was executed by NLC and NESPAK being JV partner. It is pertinent to mention here that the Design and Drawing was prepared by the JV partner. On the basis of that design and drawing, BoQ was prepared of Rs 6,515.078 million. Later on, during execution the quantities of items of work increased and scope of the work enhanced to Rs 8,827.395 million.

CDA vide its letter dated 22.12.2022 communicated that there was no provision of variation in contract agreement being Design & Build contract. The management of NLC issued Vo-1 dated 19.06.2023 to CDA for approval which was declined by CDA, resultantly management sustained loss of Rs 2,474.443 million

Audit is of the view that the management of NLC failed to include variation clause in the contract agreement and therefore sustained a loss of Rs 2,474.443 million.

The management, upon reporting of the issue on January 1, 2024, explained in their response dated January 10, 2024, that variation orders were communicated to the client during construction, as per the contract's Conditions. A variation order of Rs 3,257.00 million submitted on June 19, 2023 was under review by the supervising consultant and ECSP for third-party review. However, their reply was deemed unacceptable as the contract lacked clauses on variations, and no written consent from the client was obtained for these changes.

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

Audit recommends to investigate the matter regarding execution of quantities over and above BoQ, case of variation in scope of work be taken up with client through administrative ministry for approval of variations.

Para-17 (NLC – 2022-23)

17.1.4.3 Irregular procurement of tyres through splitting amounting to Rs 647.122 million resulting in a loss of - Rs 18.00 million due to purchases at a higher rate Irregular procurement of tyres amounting to Rs 356.935 resulted in a loss of - Rs 130.00 million

Rule 178 (i) of GFR Vol – I states that 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.

According to rule-29 of PPRA 2004, 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 unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

According to PPRA rule-9, save as otherwise provided and 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 procurement for each financial year and shall proceed accordingly without any splitting or regrouping of the procurement so planned.

During the audit of NLC HQ for the year 2022-23 it was observed that management procured 10,000 tyres through three tenders, raising several concerns. Administrative approval was obtained for the purchase of 8,000 tyres, but procurement was made for 10,000 tyres. The procurement amounting to Rs 647.122 million was split into three parts to avoid the higher authority's sanction, contrary to delegation of powers. The second and third tenders, awarded to the same contractor within two months, resulted in a loss of Rs 18.00 million due to higher rates in the third tender. Disqualification of certain bidders lacked a scoring/marking scheme, violating rules and deeming the action irregular as a vendor with no previous business record was subsequently given preference. The financial bid of an absent bidder was opened and declared the lowest, contrary to the requirement of all representatives being present, causing a loss of Rs 130 million.

Audit is of the view that the tenders were advertised without administrative approval, work was split to stay within financial limits, and a loss of Rs 18.00 million occurred due to the higher rates in the third tender. Moreover, work had to be completed in Rs 225 million. By not clear defining technical evaluation criteria in bidding documents the management deprived the organization of healthy competition and sustained a loss of Rs 130.00 million.

The management replied that a strategic approach was used in acquiring 13,000 tyres in two phases, aligning with fund availability and warranty periods. However, the audit deems the explanation untenable, emphasizing the loss sustained.

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

Audit recommends an investigation into the matter and fixing responsibility for the alleged irregularities at the administrative level.

Para 6 & 9 (NLC – 2022-23)

17.1.4.4 Loss incurred due to the waiver of liquidated damages and payment of additional freight charges - Rs 592.30 million

According to Contract Agreement clause 20.1, if supplier fails to deliver any or all of the goods or perform the services within the time period (s) specified in the Contract after the lapse of grace period as mentioned in the clause 4.1, Purchaser/ consignee shall without prejudice to its other remedies under the Contract, shall have the right to claim liquidated damages and the Supplier shall pay to Purchaser liquidated damages with respect to those delayed goods an amount equal to 2% of the value of the goods delayed for each month of delay or part thereof until actual delivery or performance up to a maximum deduction of 10% of the Contract Cost.

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

During the audit of NLC HQ for the year 2022-23, irregularities in the procurement process of 462 vehicles of CYZ 390 HP for Logistics Services by the National Logistics Cell (NLC) from M/s Ghandhra Industries Limited were highlighted. The observations include:

1. Direct contracting with M/s Ghandhra Industries Limited for the procurement of vehicles from October 2019 to March 2022 through six different contracts, totaling 7,713.98 million.
2. The agreements on Freight on Road (FOR) basis included a provision allowing the supplier to be reimbursed for freight charges exceeding Rs 500,000, resulting in additional freight charges of Rs 300 million, providing an advantage to the contractor.

3. The vehicles were not delivered within the stipulated time, and liquidated damage charges amounting to Rs 40 million were waived off by the Director General NLC, resulting in a loss to the organization.
4. A 50% advance payment of Rs 550.5 million made to the supplier during the financial year 2022-23 remained under the use of the contractor for almost one year.

Audit is of the view that the contractor benefited from the payment of additional freight charges and the waiver of liquidated damages, resulting in a loss of Rs 592.30 million.

The management replied that the procurement of ISUZU CYZ51 390 HP was based on a comprehensive 2018-19 test and trial for future needs on motorways, CPEC routes, and cross-border TIR operations. They defended the choice of M/s GIL, the local assembler of ISUZU Japan, citing adherence to PPRA Rule 42c (vii) to promote local assembly. Excess payments for freight charges over Rs 500,000 per PM were explained as part of the contract agreement. COVID-19-related delays led to the waiver of LD charges by DG NLC, and a 50% advance payment was negotiated due to trade practices for vehicles. The audit found the management's response untenable, emphasizing that the initial agreement was on a freight on road (FOR) basis, and the clause for additional freight charges was added later. Moreover, despite supply delays, DG NLC waived the liquidated damages (LD), raising concerns about adherence to contractual terms.

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

Audit recommends an investigation into the matter and fixing responsibility for the alleged violation of PPRA rules.

Para-8 (NLC – 2022-23)

17.1.4.5 Loss to public exchequer due to less recovery of income tax - Rs 384.195 million

According to section 153(1)(b) of the Income Tax Ordinance 2001, the rate of income tax deduction on specific services is 3%. While under second schedule (Exemptions & Tax Concessions) Part II (Reduction in Tax Rates) vide rule (28F), the rate of tax under clause (b) of sub-section (1) of section 153 in case of oil tanker contractor services shall be 2% for the year 2022-23.

During the audit of NLC HQ Logistics, Karachi for the year 2022-23, it was noted that the management entered into agreements with various departments for services related to freight for dry cargo, liquid cargo, and water. The management sub-let these works to 112 sub-contractors and made payments amounting to Rs 33,512.947 million during the year.

However, it was observed that the management while making payments did not deduct / less deducted the income tax of Rs 384.195 million.

Audit is of the view that income tax amounting to Rs 384.195 million at the prescribed rate of 3% on dry and 2% on liquid cargo was required to be withheld. Thus, due to less/non-deduction of income tax, the government exchequer was put to a loss of Rs 384.195 million.

The management replied that variations in tax deductions occurred due to payments including items related to Hired Mechanical Transport (HMT) contracts and timing differences were caused by funding shortages.

Reply is not acceptable because as per Income Tax Ordinance, 2001 the management was bound to deduct tax at the time of payment.

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

Audit recommends investigating the matter and effecting recovery from contractors or person(s) held responsible.

Para-48 (NLC – 2022-23)

17.1.4.6 Loss to public exchequer due to non-deduction of taxes – Rs 264.362 million

According to the Balochistan Finance Act (Act No. v of 2019). “Explanation - Notwithstanding the rate of 15% fixed in column 3 (rate of tax), the following reduced rate of 6%, will be applicable, for all services specified at tariff heading 9814.2000, contractor of roads and building, bridges etc. and tariff heading 9815.5000 engineering consultant.” Further, as per Rules 2(2) and (3) of the Sales Tax Special Procedure (Withholding) Rules, 2007 under S.R.O.

660(1)/2007, Islamabad, the 30th June, 2007, "A withholding agent shall deduct an amount equal to one fifth of the total Sales Tax shown in the Sales Tax invoice issued by the supplier and make payment of the balance amount to him." Moreover, according to Article 4 (22 A) Schedule I to Stamp Act, 1899, as amended vide Balochistan Act, 1994, "Stamp duty @ 0.25% should be recovered/obtained in the shape of stamp duty on non-judicial stamp papers from contractors on the total cost of the contract at the time of award of the work."

During the audit of NLC PD Balochistan for the year 2022-23, it was observed that the management failed to deduct BSTS @ 6% on civil works contracts, GST on supply items and stamp duty @ 0.25% in the shape of non-judicial stamp papers of the contract value which was not done. This resulted in non-realization of governmental taxes amounting to Rs 264.362 million, as detailed below.

(Rs in million)

S. No.	Name of formation	BSTS Rs	GST	Stamp Duty Rs
1	32 Nos. of Sub-let Contracts at BCF Chaman	243.050	0	15.716
2	Payment made to suppliers for purchase of construction material.	0	5.596	0

Audit is of the view that non-deductions of sale tax at the time of payment and stamp duty at the time of agreement caused a loss of Rs 264.362 million to public exchequer.

The management replied that recent legislative amendments under the Baluchistan Finance Act 2023, effective from July 01, 2023, stipulate a reduced GST rate of 4% for construction services and a Zero Percent (0%) rate for specific government civil works contracts initiated during the financial year 2016-17 onwards. This amendment signifies a change in the tax landscape, applicable from July 2023 onwards. Importantly, this legislative change cannot be applied retrospectively to previous financial years. The reply is not acceptable because prior to 1st July 2023, the management was bound to deduct tax @ 6% and stamp duty 0.25% of contract value which was not done.

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

Audit recommends that all government taxes may be recovered and deposited in government treasury under intimation to audit besides fixing responsibility.

<u>Note:</u> The issue of non-recovery of stamp duty was also reported earlier in the Audit Report for the year 2022-23 vide Para No. 16.1.4.9 having financial impact of Rs 16.469 million. Recurrence of same irregularity is a matter of serious concern.

Para-31 (NLC – 2022-23)

17.1.4.7 Loss due to issuance/ recovery of material below the purchase rate – Rs 231.827 million

According to Schedule B of contracts agreements with contractors, the rates for cement and steel were fixed @ Rs 575 per bag and @ Rs 109,000 per ton, respectively. According to Financial SoPs 7.1(b) Other Construction material including scaffolding will be purchased through board of officers including project manager who will fix the price of each item after obtaining quotations from suppliers in the vicinity of each project. The prices will be reviewed quarterly.

During the audit of NLC PD Baluchistan for the year 2022-23, it was noted that the contract for the construction of building and infrastructure for the Border Crossing Facility (BCF) at Chaman was initially signed between FBR and NLC on 20.08.2019, valued at Rs 12,576.501 million. Subsequently, NLC management sublet this work to 148 subcontractors with an amount of Rs 8,090.791 million. The audit observed that different types of construction materials were issued to 46 subcontractors.

It was found that the management fixed the rate of steel below the prevailing market rates in Schedule B of the contract with subcontractors and issued the material to them which is tantamount to under-invoicing, resulting in a loss of Rs 231.827 million.

Name of contractor	CA Date	Qty. issued (Ton)	Steel issued Rate Rs	Purchase Rate (Rs)	Recovery Rate (Rs)	Difference rate Rs	Loss of (Rs)
FK Builders	16.10.2021	1,163.03	109,000	184,000	109,000	75,000	87,227,250
Ayaz Khan & Builders	21.11.2021	290	109,000	184,000	109,000	75,000	21,750,000
Shahbaz Brothers & Co	11.02.2022	52.86	109,000	184,000	109,000	75,000	3,964,500
Geo Deep Rock	10.03.2022	267.68	109,000	184,000	109,000	75,000	20,076,000
Noor Builders	01.09.2022	544	109,000	184,000	109,000	75,000	40,800,000
Ayaz Khan & Builders	11.02.2022	327.05	109,000	184,000	109,000	75,000	24,528,750
Swabi Construction	11.02.2022	113.09	109,000	184,000	109,000	75,000	8,481,750
Al Sana Enterprises	20.04.2022	82	109,000	184,000	109,000	75,000	6,150,000
Shahbaz Brothers & Co	10.10.2023	251.32	109,000	184,000	109,000	75,000	18,849,000
Total							**231,827,250**

Audit is of the view that the rates fixed with contractors being below the purchase rates led to loss. Further, the material issuance/ recovery rates should be charged as per purchase rates of material to the organization.

The management replied that recovery rates for store items like cement and steel were fixed at Rs 575 per bag and Rs 109,000 per ton, in accordance with the Engineer SOP and BoO approved by Project Director Balochistan in 2021. The management highlighted that despite the pointed loss of Rs 231 million against 09 sublet contracts, NLC was entitled to escalation on certain items, covering purchase expenses and adding profit to NLC’s account.

The reply is not tenable as according to the agreement, the rates had to be reviewed quarterly. More importantly, there should have been a rate escalation clause in the agreement.

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

Audit recommends investigation to determine the exact loss to the organization, along with the recovery of the pointed amount from the contractors or persons held responsible.

Para-30 (NLC – 2022-23)

17.1.4.8 Loss due to de-scoping the contract agreement and award of work at higher rates to other contractors - Rs 91.649 million

According to clause 4.7 (a) (4) of Engineers SOP 2022, recoveries will also be made from the contractor bills before making payment to sub-contractors (4) penalties, in accordance with contract agreement, in case of delay/ poor quality work etc. Further, clause 34(a)(5) states that on the recommendations of board proceedings, left over work will be executed by NLC Engineers itself/ through subletting at the risk and cost of sub-contractors under the conditions of agreements and final bills of the sub-contractors will be processed accordingly.

During the audit of NLC PD Balochistan for the year 2022-23, the audit identified a discrepancy in the award of work at the Border Crossing Facility (BCF) Chaman Project, where certain works (Supply & Fixing of Doors, Windows, Kitchen Cabinets, HVAC work in Passenger Terminal & Admin Center, and Sub Base/Base Course) had initially been sublet to different contractors. However, these works were later on deleted from the scope of the original contractors and awarded to M/s Buildana Builders, M/s Iceberg, and M/s True Line Builders at higher rates. This resulted in a loss of Rs 91.649 million to the organization.

Audit is of the view that the management should have completed the work through original contractors. Due to the award of deleted work at higher rates to other contractors caused loss of Rs 91.649 million.

The management replied that the exclusion of certain works from the building Bill of Quantities (BoQs) was in line with client specifications and these works were required to be executed by specialized firms. For HVAC works, M/s Iceberg emerged as the lowest bidder and approved vendor, securing a profit for NLC, approximately 30% higher than previous contracts. The reply is not acceptable because at the time of initial award of contract the management should execute work through specialized contractors as required by the client. Furthermore, award of work at higher rates caused loss to organization.

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

Audit recommends to complete the de-scoped work at risk & cost of sublet contractors and justify as to why the deleted work was awarded at higher rates besides fixing responsibility thereof.

Para-34 (NLC – 2022-23)

17.1.4.9 Loss due to award of de-scoped work at higher rates and non-imposing of penalty - Rs 56.76 million

According to clause 4.7(a)(4) of Engineers SOP 2022, following recoveries will also be made from the contractor bills before making payment to sub-contractors (4) penalties, in accordance with contract agreement, in case of delay/ poor quality work etc. Further, clause 34(a)(5) states that on the recommendations of board proceedings, left over work will be executed by NLC Engineers itself/ through subletting at the risk and cost of sub-contractors under the conditions of agreements and final bills of the sub-contractors will be processed accordingly.

During the audit of NLC PD Balochistan for the year 2022-23, the audit identified several irregularities in the execution of external electrical works which are as follows:

i. M/s Electrix Traders initially quoted Rs 805 million, which was approved by the DG. The contractor requested a revision due to an increase in the dollar exchange rate, and a revised quotation of Rs 885 million was accepted. The initial lowest bidders were M/s Earth Enterprises (Rs 814.625 million) and M/s FK Builders (Rs 831.310 million). The award of the contract to M/s Electrix Traders is deemed irregular, causing a loss of Rs 70.375 million.
ii. The contractor, M/s Electrix Traders, refused to provide generators and transformers, leading to the de-scoping of work valued at Rs 267.625 million. The de-scoped work was awarded to M/s Jaffer & Co and M/s Schneider at a higher rate of Rs 297.62 million. The management did not invoke the risk & cost clause nor imposed penalties on the contractor.

iii. The management paid the contractor Rs 133.189 million on account of mobilization advance, exceeding the approved 10% of Rs 88.5 million. Granting excess mobilization advance of Rs 44.689 million was held unauthorized.

iv. The contractor completed only 50% of the scope of work since 08.11.2021 to date. The management had not initiated any remedial actions against the contractor.

Audit is of the view that the refusal by Electrix to fulfill its contractual obligations resulted in a delay in the project execution and a subsequent financial loss of Rs 30.00 million. The management should have imposed a penalty of 10% of the de-scoped contract amount, Rs 26.762 million (Rs 267.625 million x 10%). Therefore, the organization sustained a total loss of Rs 56.762 million (Rs 30.00 million + Rs 26.762 million).

The management replied that the procurement of Generators & Transformers awarded to M/s Electrix Traders faced delays in LC opening due to state bank restrictions. To mitigate project risks, NLC directly approached vendors and as per Engineer SOP, de-scoped works via min sheet approved by DG NLC. De-scoping resulted in increased profit margin from 33% to 54%, with a net increment of 21% in the target profit. Direct LC opening by NLC reduced overall project timelines, preventing potential delays caused by M/s Electrix. Penalty of Rs 26.76 million imposed on M/s Electrix, with delay charges of 10% to be recovered from withheld liabilities. The reply is not acceptable because the management was required to execute de-scoped work at the risk & cost of M/s Electrix Traders besides recovery of L.D charges on failure of delivery of said items.

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

Audit recommends completing the de-scoped work at the risk & cost of sublet contractors, justifying why the deleted work was awarded at higher rates, and recovering the penalty imposed on the contractor.

Para-36 (NLC – 2022-23)

17.1.4.10 Loss due to execution of additional work amounting to Rs 44.585 million

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

As per BoQ Vol – I, “infrastructure works” includes earth work, sub base & base course, surface course & pavement, retaining walls, drains, nullah works, bridges and box culverts, terminal parking area (rigid pavement) and ancillary works. Similarly, BoQ Vol – I & II, “Civil works” includes admin center, business center, passenger terminal, SPS/ Quarntine build, customs lab, office block, watch tower, canine main building, canine unit small, toll both (single), toll both (double), bomb disposal squad etc.

During audit of NLC Baluchistan, for the year 2022-23, it was observed that the EPC contract for Border Crossing Facilities at Chaman was signed between FBR and NLC on 20-08-2019 worth Rs 12,576.501 million the NLC management hired three consultants i.e. M/s. PID, Al-Imam and M/s. Cameos for design and supervision of the project.

During the scrutiny of record, it was observed that the management executed additional works “construction of NNDA-MI building” for Rs 14.993 million and “construction of subway/underpass” for Rs 68.592 million in deviation from the original BoQ due to engineering fault/ project requirements. The absence of project compliant design from the consultant led to the execution of additional work amounting to Rs 83.585 million, which was not received from the client upto the last interim payment certificate (IPC).

Audit is of the view that consultants failed to prepare the design and BOQ in alignment with project requirements, hence the management executed additional work and sustained a loss of Rs 83.585 million.

The management replied that reported matter involved additional works not initially included in the project's Bill of Quantities (BOQs), including a subway and other buildings. The management explained that the client instructed these works on March 16, 2023, with subsequent cost proposals and principal approval obtained. The additional works commenced at the site following client instructions and financial approval was pending. The management claimed entitlement to compensation for the overlooked subway/ underpass, citing standard EPC project practices and client directives. However, the audit found the reply unacceptable, noting that while the additional work was executed, required financial and technical approvals from the client were not obtained.

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

Audit recommends that additional work amounting to Rs 83.285 million should be regularized and executed at the risk and cost of the consultant. Further a thorough investigation into the consultant's performance be conducted besides imposing a penalty.

Para-33 (NLC – 2022-23)

17.1.4.11 Irregular procurement of Solar Systems by splitting purchase - Rs 36.450 million and subsequent loss due to purchase at higher Rate - Rs 2.965 million

According to PPRA clause-9, Save as otherwise provided and 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 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 in case the procuring agency has its own website.

During the audit of the NLC HQ for the year 2022-23, it was observed that tenders for installing solar systems on four sites were awarded to M/s Pantera Energy, amounting to Rs 36.450 million, through a split procurement process. The audit identified following irregularities:

1. The purchase of four solar systems, amounting to Rs 36.450 million, occurred during a span of two months through the splitting of the procurement process.

2. All contracts were granted to M/s Pantera Energy at different costs for solar panels, net metering, and syncing of the generator set, resulting in a loss of Rs 2.965 million for NLC.
3. M/s Pantera Energy was the sole bidder, quoting financial bids in two contracts, leading to questions about the transparency of the entire procurement process.

Audit is of the view that the absence of an annual procurement plan contributed to the split procurement amounting to Rs 36.450 million, causing a loss of Rs 2.965 million to NLC.

The management replied that the project-specific nature of the procurement with distinct requirements for each of the four separate projects. The tenders were retendered due to previous issues, adhering to PPRA Rule 36d, ensuring transparency through wide circulation.

The audit finds this reply unacceptable, asserting that the procurement for the projects occurred in the head office through four tenders with a 25-day gap, resulting in increased rates.

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

Audit recommends an explanation for not preparing an annual procurement plan, justification for the split procurement of solar systems, and an administrative-level inquiry. Additionally, it suggests assigning responsibility for the oversight to the person(s) at fault.

Para 3(NLC – 2022-23)

17.1.4.12 Irregular / unjustified escalation paid to the contractors - Rs 38.032 million

According to clause 1.9 of Engineers SoPs 2022 of NLC and Agreement, no escalation/de-escalation will be admitted for works of six months or less, however, if the same prevails over it and the client admits and makes payment against escalation claim to NLC, the sub-contractor would be permitted to claim the escalation against the works executed by them in the same proportion as that of quoted bid of sublet agreement and NLC's bid. Payment against escalation upto 70% will only be released upon receipt of funds from client with the approval of Dir Projects. Hand receipt for release of remaining 30% escalation will be processed with final bill to CFO through HQ Engineers NLC and payment will be made on issuance of payment authority by CFO.

During audit of NLC PD Balochistan for the year 2022-23, following irregularities in the payment of escalation claims were noticed:

i. An amount of Rs 8.913 million was paid to M/s. Shahbaz & Brothers on account of escalation despite the absence of an escalation caluse in contracts. The page carrying the escalation clause in the Contract Agreement seemed dubious due to a difference in signatures and stamps from the rest hence there was a possibility that this particular page was later replaced in the original contract agreement.
ii. An amount of Rs 5.896 million was paid to six sub-contractors despite the absence of steel, cement, and bitumen-related work in their scope of work.
iii. The organization received Rs 10.170 million against the escalation claim for steel and cement from the client. However, the management paid Rs 23.222 million to sub-contractors for the same items. The management procured steel and cement itself, making the payment unjustified.

Audit is of the view that the payment of Rs 38.032 million made on account of escalation violated the terms of the contract agreement. The payment of escalation at a rate of 15% against the value of work is deemed non-adherence to the price adjustment factor outlined in the client agreement. Moreover, the payment of Rs 38.032 million was held irregular and unjustified.

The management replied that an amount of Rs 137.536 million received for escalation payment certificate (EPC) 11 followed 10 prior EPCs amounting to Rs 515.12p million. An amount of Rs 8.913 million to M/s Shahbaz & Brother and Rs 5.896 million to six subcontractors were disbursed with detailed deductions for steel, cement, bitumen, NLC profit, and 30%. A disbursement of Rs 23.222 million underwent similar deductions, all transparently documented for scrutiny. The management's reply is deemed untenable as it fails to justify the payment made to the contractor on account of escalation, especially considering the absence of an escalation clause in the agreement, the absence of relevant work in the subcontractors' scope, and excess payment for steel and cement.

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

Audit recommends justifying the reason for the payment made to the contractor on account of escalation, expediting the recovery from the contractor, and fixing responsibility against the person(s) at fault.

Note: The issue was also reported earlier in the Audit Report for the year 2021-22 and 2022-23 vide Para No. 14.1.4.9 and 9.2.4.24 having financial impact of Rs 15.751 million and Rs 43.210 million respectively. Recurrence of same irregularity is a matter of serious concern.

Para-35 (NLC – 2022-23)

17.1.4.13 Undue favor to contractor during award of contracts in re-tendering - Rs 27.948 million and subsequent loss of - Rs 5.730 million

According to Rule-17 of Public Procurement Rules 2004, a procuring agency, at any stage of the procurement proceedings, having credible reasons for or prima facie evidence of any defect in supplier's or contractor's capacities, may require the suppliers or contractors to provide information concerning their professional, technical, financial, legal or managerial competence whether already pre-qualified or not: Provided that such qualification shall only be laid down after recording reasons in writing. They shall form part of the records of that procurement proceeding.

During audit of NLC HQ for the year 2022-23, it was observed that the management advertised two tenders for the procurement of ICT equipment. After the technical qualification and opening of financial bids, the management annulled the tendering process, citing that the rates quoted by firms were exorbitant. Subsequently, in the re-tendering process, the contracts were awarded to other firms at higher rates, as detailed below:

Description	Awarded to	Rates offered in 1st tender	Contract awarded at rate in re-tendering	Loss in re-tendering Rs
Supply/ Installation of Video Conference Equipment’s	M/s Commtel	20,561,618	25,498,272	4,936,654
Procurement of Walki Talkie Sets	M/s Spectrum 360	1,656,565	2,450,000	793,435
Total		**22,218,183**	**27,948,272**	**5,730,089**

It was further observed that NLC awarded contracts worth Rs 27.948 million to M/s Commtel and M/s Spectrum 360, neither of which had participated in the previous tendering process. The annulment of the initial tender due to high rates is questioned since the contracts were eventually awarded at even higher rates. This resulted in a loss of Rs 5.790 million.

Audit is of the view that the re-tendering of the works was arranged to undue favor certain firms, resulting in a loss of Rs 5.790 million.

The management replied that procurement for Video Conference Equipment was halted due to high rates and procurement of Walkie Talkie Sets was annulled due to brand issues. However, the audit deems the explanation unacceptable, emphasizing the loss of Rs 5.790 million due to rejecting lower rates and proceeding with retendering at higher rates.

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

Audit recommends an explanation for the reasons behind the re-tendering, an investigation into the matter, and fixing responsibility for the alleged irregularities.

Para 7(NLC – 2022-23)

17.1.4.14 Irregular appointment of employees without advertisement – Rs 29.294 million

According to rule 1(a)(2) of the NLC Policy Letter # 2006/E2/HR/NLC-4GNLXS dated 04-03-2022, it is stated that "Publication of all advertisements against the positions will be initiated at HQ NLC according to PPRA Rules."

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, are violation of fundamental rights. As such, no post could be filled without proper advertisement, even on ad hoc or contract basis.

During the audit of NLC PD North for the year 2022-23, it was observed that contract appointments of 52 employees for the Barakahu Bypass Project were made without advertising the job opportunities in newspapers, which was violation of prescribed criteria and Supreme Court's orders.

Audit is of the view that the management was required to get the advertising in the newspapers to fetch healthy competition. However, no advertisement in the newspapers was published which showed that individuals of personal choice were appointed. Thus, appointments of 52 employees and payment of Rs 29.294 million during 2022-23 was held irregular.

The management replied that the appointments were necessary for the swift execution of the Barakahu Bypass Project, which had a completion period of 120 days. Due to the urgency, advertisement of vacancies was deemed unfeasible within the time constraints. Candidates were selected from a pre-existing pool advertised centrally by HQ NLC, fulfilling the urgent project requirements. Audit finds the management's response unacceptable, emphasizing that the appointments were made without project-specific advertising, violating the instructions of the NLC and the judgment of the Honorable Court.

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

Audit recommends that the management should explain the reasons for the irregular appointments without advertisement, conduct inquiry, fix responsibility, and take necessary action against the officers responsible for the violation.

Para-21 (NLC – 2022-23)

17.1.4.15 Loss due to damaged works executed by other contractors - Rs 28.135 million

According to clause 7 of Contract Agreement Nos. Bara Kahu/08/2023/PDN/NLC and Bara Kahu/28/2023/PDN/NLC, damage works during the construction/execution will be attributed to the sub-contractor who stands responsible for rectification. Further clause 6 states that the sub-contractor, awarded sensitive structure like bridges, multi stories building, electrical, mechanical and high value projects, would abide by the insurance of work as that is incorporated in the main contract of NLC as per desires of concerned Project Director. The insurance should cover all losses or damages from whatsoever cause arising from the start of work at site till the relevant taking over certificate is finalized.

During the audit of NLC PD North for the year 2022-23, concerns about subletting of work for the Barakahu Bypass Project were raised. The key observations are as follows:

1. The execution of work, specifically the pouring of concrete for 05 Nos. pre-stressed RCC Girders and transom on pier No. 10, collapsed during the process. This work was sublet to M/s Khilji Builders and M/s Haji Muhammad Latif & Co.

2. Payments amounting to Rs 57.935 million and Rs 10.306 million were made to M/s Khilji Builders and M/s Haji Muhammad Latif & Co, respectively, against the collapsed work through Running Account Receipts (RARs).

3. Re-work for the damaged portion was awarded to M/s Haji Muhammad Latif & Co and M/s Qutab Din Khan for Rs 20.781 million and Rs 7.353 million respectively, through a labor agreement with material. This re-work was executed by other contractors instead of the original contractors, resulting in a loss of Rs 28.135 million.

Audit is of the view that the management should have executed the damaged work at risk and cost of the already deployed contractors instead of awarding new contracts.

The management replied that the collapse occurred due to a truck incident after 95% of the concrete pouring was completed by M/s Khilji Builders. No payment was made for the rework as it was covered in the subcontractor’s RAR. Insurance claims were finalized, and NICL is processing payment approval. Audit finds the management's response untenable, emphasizing that no documentary evidence supporting the reply was provided and the management’s response does not address the contention raised by the audit.

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

Audit recommends investigating the reasons for the non-completion of re-work through the same contractors, along with fixing responsibility for the incurred loss.

Para-23 (NLC – 2022-23)

17.1.4.16 Loss due to non-completion of scope of work by subcontractor amounting to - Rs 7.056 million

According to clause 2 (2.2) of subcontractor contract agreements states that NLC will not procure any material/stores/fixtures the timely procurement of material shall be ensured by subcontractor to avoid hamperage of work on this account. In this respect samples of all fitting/fixtures shall be got approved from the client/consultant through the Engineer-in-charge well in advance prior to incorporating in the work.

During the audit of NLC PD South for the year 2022-23, it was observed that a project for the construction of the “SIUT multi-organ transplant center & biotechnology at Kathore” was awarded by the Sindh Institute of Urology and Transplantation (SIUT). Further, it was observed that the management sublet the electrical works to M/s ZAK Associates for Rs 44.559 million and M/s R.I Associates for Rs 13.028 million, with a profit margin of 10%. Further, probe into the matter revealed that the management procured electric cables amounting to Rs 36.502 million for the said project from M/s FAST Cables Ltd due to which management sustained a loss of Rs 7.056 million as per details given below:

Item	Qty. Meter	Sub-contractor rate (Rs)	Purchase rate (Rs)	Difference (Rs)	Loss (Rs)
300 mm 2 4 core cu/pvc/swa/pvc cable	995	23,607.54	29,614	6,006.46	5,976,427
16mm^2 2 4 core cu/pvc/pvc/cable+1x10mm2 1 core cu/pvc/cable with 50mm dia pvc class d-pipe	520	2,034.25	2,110.55	76.3	155,213
25mm^2 4 core cu/pvc/pvc/cable+1x16sqmm 1 core cable with 50mm dia pvc class-d	520	2,735.05	3,073.20	338.15	924,857
Total					**7,056,497**

Audit is of the view that management was required to execute the work as per the contract agreement and due to non-implementation of the contract clause the organization sustained a loss of Rs 7.056 million.

The management replied that initial cost of the cable was already included in the rates specified for the subcontractor. However, to expedite work progress on-site, the NLC decided to procure the cable, which would subsequently be deducted from the subcontractor's running account receipts (RARs) at the purchase rate of the cable. Reply of the management is not acceptable because the management was required to execute work from already deployed contractors instead of making a purchase of cable at higher rates.

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

Audit recommends a thorough inquiry into the self-procurement of electric cables, which were originally part of the subcontractor's scope, and emphasizes the need to identify and hold responsible parties accountable for the incurred loss.

Para-45 (NLC – 2022-23)

17.1.4.17 Irregular procurement made without approved Annual Procurement Plan - Rs 85,907.122 million

Rule-8 of PPRA states that, within one year of commencement of these rules, 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. Further, rule-9 of PPRA states that, the annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

During the audit of NLC HQ for the year 2022-23, it was observed that the management of NLC procured various items amounting to Rs 85,907.122 million for the year 2022-23 and did not upload the annual procurement plan on the authority's as well as the agency's own website.

Audit is of the view that, the management should have uploaded the annual procurement plan on the agency's own website as well as the authority's website as required under above referred rules.

The matter was reported to the management and management stated that annual requirements are based on projects and business opportunities, not directed by the Government of Pakistan (GoP). Further management highlighted the emergence of unplanned needs throughout the fiscal year, requiring immediate attention to meet urgent project demands. Procurements are contingent on project progress, with potential impacts on planned Annual Procurement Plans if projects do not materialize. The FY 2022/23 budget was approved by the NLB on August 26, 2022, and project shortlisting followed. The introduction of EPAD by PPRA is pending staff training, and future procurement plans will be uploaded through EPAD. However, the reply is deemed unacceptable due to non-compliance with the rule requiring the preparation and uploading of the annual procurement plan on the Authority's and agency's website.

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

Audit recommends to explain the reasons of non-uploading annual procurement plan on PPRA website as well as NLC's own website, besides fixing responsibility on the person(s) at fault and ensure all types of procurements must be properly panned and uploaded on site.

Para-2 (NLC – 2022-23)

17.1.4.18 Irregular procurement of steel and cement in violation of PPRA rules - Rs 2,219.369 million

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. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

According to rule – 20 of PPRA, 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.

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 NLC PD North (Bharakahu Project) and PD South, Karachi for the 2022-23, it was observed that the management of NLC has procured steel and cement amounting to Rs 2,219,369,046 on quotation basis in violation of above referred rule.

Audit is of the view that procurement of steel and cement on quotation basis instead of open competitive bidding, deprived the organization of the benefits of competitive rates and value for money.

The matter was reported to the management and management stated that the nationally significant project, executed under emergency status, faced supply challenges necessitating local steel purchase for the Bhara Kahu Bypass. No centralized contract for steel was available, compelling the local purchase approval. The 'Execution Methodology' allowed expedited local purchases, with a board overseeing the process, actively soliciting quotes through a proper calling process for transparency. Reply is not acceptable because procurement was made through quotation in violation of the PPRA rules. Furthermore, the management could procure the steel and cement from centralized engaged firms.

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

Audit recommends to investigate the reasons for procurement on quotation basis instead of open competitive bidding process besides regularizing the matter from competent forum.

Para-22 (NLC – 2022-23)

17.1.4.19 Irregular execution of work without administrative approval and technical sanction of estimates of Rs 1,225.18 million

According to para-16 (a) of MES Regulation, 1998, no works/service will be executed without administrative and technical sanction having first been obtained from the authority appropriate in each case and without funds being available to meet expenditure on it.

According to Para-178 of GFR Vol-I, except in cases covered by any special rules or orders of the Government, no work should be commenced or liability incurred in connection with in 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; a properly detailed design and estimate has been sanctioned.

During audit of NLC PD (South) Karachi for the year 2022-23, it was observed that the management executed the work of "Development of Landhi Terminal" though different sub-let contractors on market based rate. The award of contract Development of Landhi Terminal worth Rs 1,225.18 million without administrative approval and technical sanction from competent forum, in violation of above referred rules was held irregular.

Further, it was observed that DG NLC approved the said work in three phases, i.e. Phase-I amounting to Rs 478.72 million on 08.07.2022, phase-II amounting to Rs 384.04 million on 18.07.2022 and phase-III amounting to Rs 362.42 million on 20.07.2022. It is pertinent to mention here that the work was awarded and executed through sublet contractors which comes to Rs 1,225.18 million. This state of affair raised concerns about management attempting to circumvent higher authority approval which held against the rules.

Audit is of the view that the management should have taken administrative approval and technical sanction prior to execution which was not done in instance case thus execution of work without administrative approval and technical sanction was held irregular.

The matter was reported to the management and management stated that the work for the subject project was executed in separate stages, with funds, technical sanctions, and execution for each phase obtained periodically. Administrative approval and corresponding technical sanctions were secured for each phase in alignment with the progressing work. The reply is not acceptable because approval of the work sought after completing the work and no technical sanction was obtained prior to the execution of work.

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

Audit recommends that execution of work without administrative approval and technical sanction be investigated at administrative department level, besides fixing responsibility on the persons at fault.

Para-38 (NLC – 2022-23)

17.2 Pakistan Institute of Development Economics

17.2.1 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.

17.2.2 Comments on Audited Accounts:

17.2.2.1 The working results of the Board 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
Revenue:					
Restricted					
Grant for PhD	5.00	0.00	5.00	0.00	5.00
Grant of COVID-19	2.258	185.101	0.792	319.05	0.189
Grant for HEC need based scholarship	8.905	611.830	1.251	(60.44)	3.162
Amortization of deferred grant	5.009	36.114	3.668	80.60	2.031
	21.172		**10.711**	**3.16**	**10.383**
General					
Government grants	593.742	1.484	585.067	75.75	332.897
Student fee	32.257	(29.223)	45.576	24.32	36.660
Other income and recoveries	29.811	(49.096)	58.564	381.41	12.165
			689.207	**80.55**	**381.722**
Less saving to be refunded to GoP	-		**50.00**	-	-
Total income	**676.983**	**4.164**	**649.919**	78.50	**392.106**
Expenditure:					
Restricted expenditure	21.172	97.647	10.712	3.17	10.383
General					
Employee related expenses	343.419	6.562	322.270	44.03	223.745
Project Pre-investment analysis	18.605	(46.847)	35.003	222.07	10.868
Operating Expenses	76.125	10.216	69.069	123.16	30.950
Employee retirement benefits	139.846	(20.041)	174.898	55.04	112.809
Total expenditures	**606.329**	**(2.577)**	**622.370**	56.78	**390.323**
Surplus of income over expenditure	70.654	156.466	27.549	4,833.60	1.783

Source: Annual Audited Accounts

17.2.2.2 Property & equipment-operating increased by Rs 11.201 million i.e. from 43.056 million (2021-22) to Rs 54.258 million (2022-23). An addition of Rs 1.007 million in "Furniture and fixture", Rs 7.904 million in "Office equipment" and Rs 22.755 million in computer equipment was made during the year under review. However, Government of Pakistan vide Finance Division (Expenditure Wing) letter No. F.7(1)Exp.IV/2016-340 dated 7th July, 2022 imposed complete ban on purchase of furniture & fixture, Office and Computer equipment under austerity measures. Thus the addition in these non-current assets of Rs 11.201 million was made in violation of the of the austerity measures of Government of Pakistan, thus held irregular and needs justification.

17.2.2.3 The income from "Student fee" was decreased by 29.22% i.e. from Rs 45.576 million (2021-22) to Rs 32.257 million (2022-23). This shows that number of less students were enrolled during the year under review. The reason for decrease in enrolment of students needs to be explained.

17.2.2.4 An amount of Rs 6.220 million was shown as "Salary recoveries" against "Other income". These recoveries were made from those employees who went for higher studies by providing a surety bond, but they did not join their duties after completion of their studies or expiry of study leaves. A complete data showing the number of such employees, total amount recoverable from them and total amount of recovery made so far from such employees may be provided for audit review.

17.2.2.5 An amount of Rs 111.898 million showing under the head of Cash at Bank as on 30.06.2023, this amount includes Rs 16.925 million kept in current account and Rs 94.972 million in saving accounts. 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 sustained loss against the surplus funds over the required working capital which needs to be justified.

17.2.2.6 Accrued and other liabilities are showing closing balance of Rs 13.613 million as on 30.06.2023, this amount includes Rs 6.414 million as Scholarship payable (Merit bases and Bait-ul-Mal). Non-payment of huge liability to deserving students' needs justification.

17.2.2.7 Accrued and other liabilities are showing closing balance of Rs 1.937 million against other payable as on 30.06.2023. Complete breakup along with reasons for non-payment may be elaborated for audit review.

17.2.2.8 An amount of Rs 17.260 million has been paid on account of honorarium to employees during the year under review. The complete detail along with justification of additional/ laborious work performed by the beneficiary employees which is laid down criteria for payment of honorarium, may be provided for audit review.

17.2.3 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.

Chapter-18

1. Thematic Audit - POF's Inventory Management System

1.1 Introduction

Thematic Audit on the Inventory Management System (IMS) of Pakistan Ordnance Factories (POFs) for the year upto 2022-23 was planned in the 1st phase of the Audit Plan for the year 2023-24. Accordingly, a thematic audit on the subject matter was carried out by the audit team of the Directorate General, Commercial Audit & Evaluation (North), Islamabad and its results have been incorporated in this chapter.

1.2 Corporate Information

POFs Board, Wah Cantt was established under the provisions of POFs Board Ordinance, 1961. POFs are governed by the Board of Directors. POF's Board consists of four members including the Chairman. Other members are Financial Advisor Ordnance Factories (FAOF), Director Industrial & Commercial Relations (DICR) and Member Production Co-ordination (MPC).

The objective of POFs is to meet the Arms and Ammunition requirements of Pakistan Armed Forces during peace and war.

POFs main source of funding is allocation of budgetary grant by Ministry of Defence Production. In addition to this, POFs also earn revenue from export and local sales of Arms and Ammunitions and related products. For receipts from local and export's sales, POFs are operating two public accounts funds:

1. Revenue, Debt and Remittance Fund (RD&R) for Civil Sales through WIL
2. Special Deposit Fund (SDF), for Export Sales

1.3 Establishing the Audit Theme

1.3.1 Reasons of selection

During the audit of previous years of POFs, a lot of Paras pertaining to the inventory management were developed and discussed in the DAC meetings. During a meeting, DAC directed to conduct audit of inventory management system of POFs.

Accordingly, the theme of "POFs Inventory Management System" was selected for thematic audit.

The following criteria were observed while selecting the subject audit topic:

- Areas of governmental priorities
- Issues of public importance
- Audit impact

1.3.2 Purpose /Objectives

- To ascertain effectiveness of Inventory Management System in POFs
- To check whether the System is functional at all levels i.e. at each factory and other services unit level
- To physically verify the stores with the financial records
- To examine the accuracy of the inventory counting system
- To check whether procurement of store is according to actual requirement
- To determine whether the inventory recorded by the formation is actually owned by POF
- To check whether the inventory is recorded at the correct / realizable values in the Store Ledger
- To check implementation of store purchase agreements

1.3.3 Scope of Thematic Audit

The scope of this audit was to ascertain the effectiveness of Inventory Management System (IMS) in the organization.

2. Legal framework governing the Theme

The Auditor-General conducts audit subject to Article 169 and 170 of the Constitution of Islamic Republic of Pakistan, 1973, read with Sections 8 and 12 of the Auditor-General's (Functions, Powers and Terms and condition of Service) Ordinance, 2001. The thematic audit of POF's Inventory Management System was carried out accordingly.

Under the directions of Director General, Commercial Audit & Evaluation, Islamabad, thematic audit of POF's Inventory Management System(IMS) was conducted during November to December, 2023 with a view to assess the effectiveness of IMS in the organization.

3. Stakeholders and governmental organization identified as directly /indirectly involved

Stakeholders directly or indirectly involved are as under:

1. Ministry of Defence Production
2. Defence Organizations (DOs) and Law Enforcement Agencies (LEAs)
3. Local and International Vendors

4. Role of Important Organizations

Ministry of Defence

MoDP is the parent ministry of POFs and the Secretary MoDP is the Principal Accounting Officer of the organizations.

Defence Organizations (DOs) and Law Enforcement Agencies (LEAs)

DOS and LEAs are the major purchasers of the products of POFs

Local and International Vendors

In addition to meeting the demands of Pakistan Armed Forces, POFs products are in services with many countries.

5. Organization's financials

Description	2022-23	% Inc/(Dec)	2021-22	% Inc/(Dec)	2020-21
Annual output /Production	30,435.58	14.10	26,675.55	30.34	20,466.05
Direct material cost	12,604.82	23.42	10,213.25	36.83	7,464.31
Direct Labor cost	5,740.94	10.54	5,193.42	18.17	4,394.92
Direct/Prime Cost	18,345.76	19.08	15,406.67	29.91	11,859.23
Overheads	29,582.91	20.98	24,453.54	4.97	23,296.71
Supplied to Army	13,833.93	(7.81)	15,006.34	10.10	13,629.63
Sales of Civil Products	12,826.41	204.67	4,209.92	(3.18)	4,348.01
Sale of store & machinery	581.75	(27.26)	799.75	30.22	614.13
Export sales	8,017.70	16.96	6,854.84	64.22	4,174.11
Finished goods stock as on 30th June	5,697.47	1.78	5,597.67	96.28	2,851.81
Store inventory	**37,992.08**	(0.28)	**38,100.46**	9.42	**34,821.06**
Net capital employed	135,646.75	12.28	120,815.95	16.64	103,577.96
Net profit (Consolidated).	4,491.18	140.16	1,870.05	(22.77)	2,421.55

Source: Annual Audit Accounts

6. Field Audit Activity

6.1 Methodology

The Thematic Audit taken up during 2023-24 with intensive application of desk audit techniques, which included examining of purchase files for inventory rates, computer generated data of inventories, Material Control (MC) Ledgers, Bin Cards and physical stocktaking. Risk assessment was carried out by performing analytical procedures and reviewing internal controls.

After collecting all relevant data, it was statistically analyzed to assess the effectiveness of the Inventory Management System (IMS) of the organization.

6.2 Audit Analysis

6.2.1 Review of Inventory Management System

Inventory Management System consists of Computerized Inventory System (CIS), Material Control (MC) Ledgers, Bin Cards, Demand Notes, Return Notes, Rate Cards, Material Abstracts and Cost cards which facilitates effective operation of the organization.

The audit team extensively studied and evaluated the components of IMS to obtain an adequate understanding of the systems. The objective was to evaluate the system and report to management with an overall purpose of improvement.

Realizing the importance of effective Inventory Management System for better visibility of material stock, quick disposal of surplus & slow moving items and ultimately effective procurement of bare minimum material. POF has gradually improved the existing inventory management system which is an extensive software application. Although, a lot of refinement is still required yet this software has helped a lot in managing stock material through effective tracking from requirement planning to receipt, usage, costing and dispatch. This software covers following modules:

i. Provisioning
ii. Purchase
iii. Supplier
iv. Stock management
v. Accounts
vi. Contract billing

This report mainly focuses on POFs Inventory Management System up to the year 2022-23, supported by System Generated Reports. Although, the system is at its nascent stage, after completing its two years of implementation, it started reaping multiple benefits as elaborated below;

i. Flow of Procurement
ii. Stock Position
iii. Queries
iv. Controls

i. Flow of Procurement

Process of e-procurement starts with the preparation of indent and after passing through various stages of e-bidding culminates at e-procurement by procuring LOI/Contract.

ii. Stock Position

This software is capable of providing complete layout of stock position by its name, item and aging reports etc.

iii. Queries

Software has capability to generate multiple queries e.g. overall stock status, factory-wise stock status, category-wise stock status, yearly average consumption rate and gaining reports etc.

iv. Controls

In order to address various data security challenges, multiple layers of control mechanism have been incorporated at each step in the Software. Every user at different tiers of the organization has been provided different passwords and nobody, even the official of the IT Department can infiltrate into the security domain once the user has modified its own password. Data once entered cannot be modified.

6.3 Significant Audit Observations

6.3.1 Functional status of Inventory Management System (IMS)

- In order to check functional status of IMS, Factory-wise list of all inventories (category-wise) with stock code, nomenclature, quantity, unit price and total amount were demanded.
- Detail of factories and services units/ groups not linked with IMS was also demanded.

6.3.1.1 Non-inclusion of inventory data of Services group in Inventory Management System

As per para-13 of GFR, every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization or systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officer and to guard against waste and loss of public money and store but also that the prescribed checks are effectively applied.

During Thematic Audit of POF Inventory Management System (IMS) upto the year 2022-23, it was noticed that management included POF units in Central Information system (CIS) whereas inventory status of Services Group Units such as Hospital, POFIT, Director Civil Works (DCW) and Station Engineer, showed that they were not linked with the Central Inventory Management System.

The non-inclusion/linking of inventory items of above-said service groups in IMS leads to multiple deficiencies. These include status of inventories of said units with reference to available inventory, requirement for future, obsolete items and slow moving items etc.

Audit is of the view that non-inclusion/linking of inventory of services groups of POF resulted in un-authentic figures of inventories appearing in system. Due to this flaw the comparison of inventories appearing in system and as portrayed in annual accounts was not possible.

Audit recommends updation of Inventory Management System (IMS) by including all the units of the POF maintaining its inventory in the system so that fair position of inventory of POFs could be assessed.

6.3.1.2 Un-justified by-passing/omitting the role of administrative tier

Federal Government (Ministry of Defense) vide Gazette Notification dated May 17, 2019 directed the POF Board for establishing the post of Director General- Commercial (DG-C) to work under the command of Chairman POF Board for an initial period of two years for performing the following functions:

a. All matters related to Companies including but not limited to procurement, purchase, store, marketing, sales, human resources management and other commercial activities.
b. All matters related to export.
c. All matters pointed to Finance, Accounts, Budget, Audit of Companies established and owned by POFs/Government and matters ancillary thereof.
d. Any other matter assigned by the Government.
e. Any task specifically assigned by Chairman POF Board.

During Thematic Audit of POF Inventory Management System (IMS) up to the year 2022-23, it was noticed that Federal Government vide Gazette Notification dated May 17, 2019 established the post of Director General-Commercial (DG-C) to perform above said functions including the matters of POF stores. Record revealed that Chairman POF Board vide letter dated June 5, 2020 withdrawn/ limited the functions of DG (C) w.r.t subsidiaries companies i.e. all matters of Wah Nobel (Pvt.) Ltd, functions of accounts, HR and sale of WIL, all functions of other subsidiaries such as WBM, WCL, WCFL, Clothing, HTP, SSPPL and Export Division.

The irregularity was occurred due to non- implementation of Government directives.

Audit is of the view that the Federal Government created the post of DG (C) and notified the functions, thus, any change in approved functions by the Chairman POF Board without the approval of Government is termed as un-justified. The act affected the matters of Inventory Management.

Audit recommends to investigate the matter at ministry level beside fixing responsibility.

6.3.2 Physical existence of financial record with physical counts

- In order to compare the inventory balances appearing in system and actually available, five units (POF Filling, Fy. SAA, Fy. MAA, Fy. Sanjwal Fy. and Weapons Fy.) were selected.
- Copies of stock taking reports of CMA were also demanded.

6.3.2.1 Huge shortage/excess of inventory on spot stock taking due to inefficient store management system - Rs 85.59 million

According to Para 22 (1&4) of Factory Accounting Rules, the price store ledger is balanced daily and the balances there in are systematically agreed by the accounts office with those on Bin cards maintained by the factory so that every item is agreed twice a year. The management will be referred to where discrepancies are found and will be responsible for their adjustment. Further the balances in Bin Card must at should all time agree with actual stock and ledger balances. To ensure that ledger balances do not fall out of line with bin cards balances. The factory management must ensure that where the physical receipt is different from the quantity shown on the vouchers, an adjustment voucher is prepared.

During physical stock count of inventories of Filling Factory with inventory appearing in system, it was noticed that seven items valuing Rs 59.22 million were found short and five items valuing Rs 26.38 million were found in excess.

The shortage and excess of inventory showed underutilization of IMS which needs up-dation with actual inventory available in stores.

The irregularity occurred due to non-conduct of physical counter check of inventories appearing in Inventory Management System (IMS) and those lying in stores.

Audit recommends linking of inventories appearing in Inventory Management System (IMS) and those lying in stores by the management for the accuracy of the system.

6.3.3 Procurement of store based on actual requirement

Following record was demanded;

- Complete break up of regular inventories, which could not be utilized during last three (3) years.
- List of obsolete/slow moving inventories with complete break up.
- List of inventories proposed for disposal with complete breakup.
- Complete breakup of inventories disposed of during last two years.
- Detail of generic (common) inventories lying in stores of different factories.
- Detail of inventories procured during last two years.

6.3.3.1 Non-identification of un-necessary procurement of store - Rs 14.38 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 Thematic Audit of POF Inventory Management System (IMS) upto the year 2022-23, it was observed that POF Filling Factory procured some Brass Link Single Eye valuing Rs 14.385 million through Inter Factory Demand (IFD) from 2014 to 2017 but were lying in store without utilization since procurement. Management failed to enter the procurement and utilization dates into the IMS.

Audit is of the view that the non-appearing of such type of inventory items in the system showed lack of data entry into IMS.

Audit recommends addressing of said flaw in managing data entry.

6.3.4 Accuracy of inventory counting system

Following record was demanded;

- Recording of store in cost / bin card as per purchased/ received quantity.
- Issuance and receipt of store as per demand and return notes.
- Proper addition /deletion of store on bin card and MC ledger.

6.3.4.1 Unverified inventory prices in IMS - Rs 135.06 million

According to Factory Accounting Rules, Chapter 2 - Para 25, “The receipts in the Priced Store Cum Provision Ledger will be entered from the receipt vouchers or M.I. Slips (if the receipt vouchers are not available).”

During Thematic Audit of POF Inventory Management System (IMS) up to the year 2022-23, it was noticed from the Rate Cards of Brass Mill (SAA Fy) that the management priced 13 items of inventories valuing Rs 135.06 million in its system without any source document such as Receipt Voucher, MI Slips or

Contracts. In the absence of relevant supporting record/evidence, the authenticity of price, mentioned in the system, could not be considered as authentic.

The irregularity occurred due to non-availability of source documents for counter check of the prices of inventories appearing in Inventory Management System (IMS).

Audit is of the view that valuation of inventory without any basis is a serious lapse on the part of the management.

Audit recommends provision of evidence for verification of prices of inventory in IMS.

6.3.5 Ownership rights of the inventories

- Factory-wise list of inventories received but their payment still not made was demanded.
- Status of brought on charge inventories and their entry in MC ledger and bin card was checked.

6.3.5.1 Non–identification of expiry period and shelf life of inventories in Inventory Management System

Rule 4(3) of the Corporate Governance Rules, 2013 states that the chief executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During Thematic Audit of POF Inventory Management System (IMS) upto the year 2022-23, it was observed that IMS had a flaw of non-reporting of the shelf life or expiry period of inventory items having limited shelf life such as chemicals, oil & lubricants, paint, cement etc.

Audit is of the view that non-identification of expiry period or shelf life of inventories having limited life leads to imperfection in the Inventory Management System (IMS) which might cause loss to the formation.

Audit recommends updation of Inventory Management System (IMS) by addressing the said flaw.

6.3.6 Evaluation of reliable/correct value of inventories recorded in the General Ledger/Annual Accounts

- Purchase prices of inventories were checked.
- Issuance of inventories for production on weighted average was verified.
- Rate cards of inventories were checked.

6.3.6.1 Non-authenticity of value of inventory reported in annual accounts of POF – Rs 2,525.27 million

Rule 89 (4) (viii) of GFR states that the head of the department and the accounts office will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those that appear in the accounts books.

During Thematic Audit of POF Inventory Management System (IMS) upto the year 2022-23, it was observed that CMA reported inventory valuing Rs 13,951.98 million in the annual accounts against Filling Factory, SAA Factory and Brass Mill, whereas, IMS reported value of said inventory items Rs 11.673.83 million with a difference of Rs 2,525.27 million. Detail is as under:

(Rs in million)

S. No.	Name of Factory	Value of Inventories as per CMA as on 30.6.2023	Value of Inventories as per IMS as on 30.6.2023	Difference
1	Filling Factory	4,781.71	4,905.27	123.56
2	SAA Factory	5,320.74	5,313.21	7.53
3	Brass Mill	3,849.53	1,455.35	2,394.18
	Total	**13,951.98**	**11,673.83**	**2,525.27**

The difference in inventory items appearing in annual accounts and recorded in IMS showed lack of coordination between CMA and POF.

Audit is of the view that huge difference of Rs 2,525.27 million in inventory items record of CMA and IMS created doubt about the Inventory Management System (IMS).

Audit recommends reconciliation of record between CMA and IMS of POFs.

6.3.7 Actual deliverables fulfill the terms and condition of promised deliverables

- In order to check if inventories were utilized for the purpose purchased, relevant record was demanded.

6.3.7.1 Unjustified conversion of strategic reserves into normal reserves - Rs 4,000 million

As per Para-3 of SOPs framed for utilization of Strategic Reserves, following guidelines / parameters are laid down:

a. Revolving Funds will only be utilized for procurement of raw material which will be maintained as Working (strategic) Reserves.
b. Raw material will be procured in advance to lessen the effect of inflation. Financial benefits thus accrued will be passed on to Armed Forces by regulating the cost of ammunition.
c. Working Reserve of raw material will only be utilized for timely supply of ammunition to Armed Forces and usages will immediately be recouped.

During Thematic Audit of POF Inventory Management System (IMS) upto the year 2022-23, it was observed that the Ministry of Finance approved Rs 4,000 million as Revolving Fund for maintenance of strategic reserves in 2013. However, the POF management with the approval of Chairman vide circulation note dated November 26,2021 converted these strategic reserve into normal reserves and utilized the maximum store without approval of Finance Division which was not justified. Furthermore, the IMS did not identify the stock code of strategic reserves separately.

Audit is of the view that IMS should show strategic reserves for which separate fund was approved and allocated by the Finance Division.

Audit recommends maintaining a separate pool of inventory items being procured from the funds allocated for strategic reserves.

6.3.7.2 Non-utilization of slow moving inventories for intended purpose - Rs 94.98 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 Thematic Audit of POF Inventory Management System (IMS) upto the year 2022-23, it was observed that POF SAA Factory and Filling Factory had declared inventory valuing Rs 72.12 million and Rs 22.86 million, respectively, as slow moving. The position showed that the inventory was procured without assessing the actual requirement or the reasons well known to the management. Unnecessary procurement of inventory resulted into blockage of funds to the tune of Rs 94.98 million.

The irregularity occurred due to non-vigilance of the system in observance of inventories lying since long.

Audit recommends that the system needs to be updated by addressing the flaw of store purchased un-necessarily.

7. Conclusion

The software has elaborated the user to make inventory system much more efficient as compared to the manual system. For instance, preparation of stock ledger balance at the end of financial year takes months in manual system, whereas, similar information from system generated reports takes few hours. Other benefits include data security and backup, workload measurement, tracking and visibility of progress to the management.

The benefit of the software especially in financial terms is that the software has helped POF management reduce redundant inventory.

However, efforts have been made to prepare comprehensive software by incorporating elaborated requirements of all stakeholders, CMA should also become a part of the digital inventory management system as they still require hard copies of different digitized transactions.

8. Departmental Response

Replies of the management are awaited.

9. Recommendations

After having covered limited record as an audit exercise and after a series of discussions held with representatives of POF following recommendations are offered:

- A serious effort needs to be undertaken in POF for sensitization on IMS.
- Inclusion of inventories data of services groups in IMS.
- Assuring accuracy in recording of inventories with authentic evidences.
- Identification of un-necessary inventories and obsolete items.
- Identification of expiry period of inventories having shelf life.
- Assuring that correct and reliable values are reported.
- Utilization of inventories purchased for the intended purpose.
- Assuring that inventories recorded in IMS and actual available in store are same.

Chapter-19

Up-gradation of Berthing Facility for Boats at Gwadar Port Authority

1. Introduction:

Gwadar is a port city on the southwestern coast of the Pakistani province of Balochistan. The city is located on the shores of the Arabian Sea, opposite Oman. Strategically placed at the entrance of the Persian Gulf, Gwadar emerged as a key player in regional geopolitics and economic development. It has the potential to become a major trading hub connecting South Asia, the Middle East, and Central Asia. Gwadar forms the southern endpoint of the China-Pakistan Economic Corridor (CPEC), and its deep-sea port is a focal point of the project.

Gwadar miniport also known as Gwadar fish harbor is a smaller port facility adjacent to the main Gwadar Port. It was constructed by M/s. BESIX, a Belgian civil works company from 1988 to 1992, to enhance the local fisheries industry. While not as large or developed as the main Gwadar Port, the Miniport serves as a hub for the local fishing community, providing a central location for the fishermen to bring their catch for sale and distribution, as 85% of Gwadar's population relies on fisheries as their main source of income. It has facilities for handling fish and seafood, including storage and processing facilities. However, efficiency of the port was reduced due to non-up gradation of berthing facility since long. Thus, it was inevitable and imperative to invest in up gradation of the berthing facility to extend support to traders and fishermen. In this background, the Government initiated the up gradation of berthing facility for boats at Gwadar Port Authority (GPA) amounting to Rs.131.975 million. The up gradation of the miniport began in 2020. The main objective of the project was to facilitate local fish industries by providing efficient berthing and auctioning facilities. The total land area of the harbor/mini port is 37 acres (excluding 8.0 acres of jetty area). The reinforced concrete jetty (416 meters long and 64.7 meters) is resting on 1,407 numbers of tubular steel piles driven up to 30-40 meters into the sea bed. The jetty is connected to the shore through 84-meter-long earthen embankment.

The whole structure is seismic resistant. Impact Audit was undertaken to assess whether the project produced results that create impact to the masses.

2. Background:

Impact audit was started fro the audit year 2023-24, by office of the Auditor General of Pakistan. The aim was to evaluate the effects of initiatives or programs, focusing on identifying the outcomes directly linked to a new initiative, program, or recent change to an existing program, while isolating other contributing factors or variables. Impact audit reports will help stakeholders understand the net results of programs and initiatives more systematically. Timely action based on these reports can improve service delivery, financial management, and governance.

The up-gradation of three berths at Gwadar Harbor cum Miniport was aimed at providing safe berthing space to fishing boats and enhancing fish harbor efficiency to make it at par with the other ports of the world, thereby addressing the major grievances of the local fishermen. The project started on July 01, 2020, and was completed on June 30, 2021. During the year 2022-23, Gwadar Fish Harbor/Miniport generated an income of Rs.34.414 million from port operations, fish marketing and auctioning activities which was higher than the targeted income of Rs.17.945 million. The quantity of fish catch per boat increased by 5% to 10% per annum and fish catch increased to 4,622 tons in 2022 as compared to 1,889 tons in year 2021. The revenue from sale of fish also increased to Rs.629.391 million in 2022 as compared to Rs. 330.555 million in 2021. This resulted in reduction of poverty through increased trade activities.

Objectives:

As per PC-1, the Financial, Socio-Economics &Sectoral objectives of the projects were;

Financial objectives

- Increase the income and enhance the livelihoods of poor fishermen households in Gwadar
- Provision of safe berthing space for fishing boats
- Offers safety to fishermen
- Provision of facilitates to make handling of fish catch safe

- Creation of business opportunities
- Safe berthing and uploading of fish catch 24/7
- Enhancement of commercial activities and income opportunities for local fishermen and Port Authorities.
- Delivery of improved handling & marketing facilities to the fishermen to increase their income
- Generation of employment opportunities and full operationalization of fish harbor

Socio-Economic objectives

- Social uplift of locals by creating employment opportunities
- Provision of better marketing facilities for the fish catch 24/7.
- Poverty alleviation through trade & commerce
- Socioeconomic integration of Gwadar to the rest of the country
- Growth in the export of fish and other seafood
- Make the port self-sufficient

Sectoral objectives

- To comply with International Maritime Organization (IMO) rules, which warrant the safety of life and property at sea
- To integrate the connectivity of Gwadar port with the other ports

3. Scope and Methodology

a. Scope:

The audit's focus was confined to the evaluation of impact of up-gradation of berthing facility for boats at Gwadar port which was launched at initial cost of Rs.128.050 million for 2020-21.

b. Methodology:

The methodology of impact audit consists of qualitative and quantitative approaches based on obtaining both primary and secondary data. Following techniques were used to gather the data;

- Understanding the audit entity
- Physical visit of the Gwadar port and mini fish harbor

- Questionnaires were served to the management and discussions were held with management and their responses were gathered.
- Interviews of fishermen were conducted and their responses were recorded.
- Apart from this, other secondary data sources like websites, PC-I & IV, tender files, correspondence files, financial statements and other miscellaneous resources were used.

4. Findings (Impact Analysis of the Project/ Actual Achievements)

The berthing up-gradation facility was based on its original design capacity which was planned and approved in 1988 – 1992. By restoring the facilities to their original design capacity, the project intended to bring back the original optimal functioning state of the harbor. However, since then (1988-92), the population of Gwadar and the number of boats has increased. According to the Directorate of Fisheries Balochistan, there were 2,021 registered fishing vessels in 2014 in Gwadar which increased to 3,291 in 2022. The project facilitated in the connectivity of Gwadar port with other local and regional ports.

During the field visits following findings were observed on up-gradation:

4.1 The feasibility study of the up-gradation of berthing facility design was not conducted before start of the project. The matter was reported to the management in November, 2023. The management replied that the requirement of feasibility study was not mandatory for rehabilitation work. The reply was not tenable as with the feasibility study more berthing capacity could have been achieved.

4.2 The new rubber wooden fenders and vertical ladders were installed at existing floating pontoon to further improve the safety and protection of boats. However, capacity to accommodate the maximum number of vessels remained the same 05 boats (120 tons each) at one time, whereas the frequency of docking of boats at miniport increased over time and there was a long queue of boats waiting for their turn. This unnecessary time lag was negatively impacting the earning capacity of the fishermen as they had to wait for longer duration. The matter was reported to the management in November, 2023. The management replied that 100 boats per day were docking at the port. The reply of management was not tenable as only 05 boats could dock at one time.

4.3 The design capacity of fenders was not tolerant enough to handle the boats safely, further reducing the impact of the project on the livelihood of the fishermen. During the visits, it was observed that the boats parked at the miniport were pressing hard against the rubber fenders. Due to this, many boats had suffered accidents and were broken while mooring. Fishermen tried to overcome this limitation by mounting tractor tires on their vessels. Simultaneously, truck tires were also mounted as additional buffers all over the berthing area for extra protection of the boats and to avoid friction/collision. The matter was reported to the management in November, 2023. The management replied that the rubber tires were mounted on boats for extra safety protection against the collision. The reply was not tenable as the mounted fenders should have been more strengthened.

4.4 The up-gradation included the replacement of 35 vertical stairs with fittings costing Rs. 5.950 million as against the budgeted amount of Rs.3.500 million. However, the new stairs were already started rusting due to a lack of proper maintenance and the low-quality substandard of the stairs. The matter was reported to the management in November, 2023 but no reply was received.

4.5 To ensure the quality and safety of fish catch proper storage facilities were essential. However, mini port did not have a proper cold storage facility due to this fish could not be stored for longer time. The matter was reported to the management in November, 2023 but no reply was received.

4.6 The project was awarded to M/s R.A.B Construction Company SMC-Private Ltd amounting to Rs.128.050 million. The company neither had a valid certificate from the Pakistan Engineering Council nor possessed relevant experience in similar nature of projects. It was also observed that management incurred excess expenditure against the approved PC-I cost under the various head of accounts as detailed below:

				Rs in million
S.No.	**Description**	**Approved PC-I cost**	**Actual expenditure**	**Excess cost**
1	Wood fenders	9.100	13.650	4.550
2	Vertical stairs/ ladder with fitting	3.500	5.950	2.450
3	Replacement of fenders of existing floating pontoon	3.500	9.000	5.500
	Total	16.100	28.600	12.500

4.7 It was also observed that the management un-authorizedly utilized an amount of Rs. 2.996 million from the head of miscellaneous charges of Rs.3.925 million for rehabilitation of workshop, office stationery and other items which were not included in the project or approved in PC-I. The matter was reported to the management in November, 2023 but no reply was received.

4.8 Objectives of the up-gradation of berthing facility for Boats

Objectives	Description	Audit Findings
a. Financial objectives	1. Growth in the income and enhancement in livelihoods of poor fishermen households in Gwadar	Before the project, the mini port was not capable to accommodate the vessels for berthing to its original designed capacity. After rehabilitation, business growth has resulted in enhancing the revenue of the port and livelihood of fishermen. As the revenue from fish catch almost doubled from Rs.330.555million to Rs.629.391million in 2022, which resulted in betterment of living condition of fishermen.
	2. Provision of safe berthing space to fishing boats	After rehabilitation the safe berthing space to fishing boats has improved however, still fishermen themselves managed

		the safety of their boats by mounting the giant tractor tires around the boats and at the port side to avoid accidents and breakage of ships.
	3. Offers safety to fishermen	With installation of new rubber mounted wooden fenders the safety of fishermen has improved due to less chance of accidents. It was also reported that no accident occurred in recent times.
	4. Provision of facilitates to make handling of fish catch safe	The berthing facility has a maximum capacity of providing anchorage to 05 boats at one time, so the fishermen have to wait in queue for longer time and there was no proper arrangements for storage of fish catch.
	5. Creation of business opportunities	With improved berthing facility up to 100 boats per day and the fish catch was transported to auction hall with more ease and certainty, which was subsequently transported to other ports and cities for exports and local consumption. So, it generated direct and indirect employment.
	6. Safe berthing and uploading of fish catch 24/7	The port remained operational for 24/7 hours and no major incident was reported since long.

	7. Enhancement of commercial activities and income opportunities of locals and for Port Authorities.	As earlier mentioned the Gwadar Fish harbour/miniport generated an income of Rs.34.414 million from port operations and fish marketing and auctioning activities against target of Rs.17.945 million after completion of project.
	8. Delivery of improved handling & marketing facilities to the fishermen to increase their income	It was observed that the auction hall remained operational for 24 hours. However, it lacked basic facilities of clean drinking water, washroom, cold storage etc. which needed to be improved.
	9. Generation of employment opportunities by fully operationalization of fish harbour	Though port income has increased, but the impact on fishermen remained limited due to poor law and order, absence of facilities like cold storage and other related infrastructure.
b. Socio-economic objectives	**Quantifiable and non-quantifiable factors**	
	1. Social uplift of locals by creating employment opportunities	Gwadar port has the potential to transform Pakistan's economy by creating jobs, attracting foreign investment and promoting trade. Even after almost a decade of initiating the development of Gwadar, only three berths of the port are operational, the volume of shipping to and from the port is negligible, and the people of Gwadar feel little change in their socio-economic conditions. Local

		communities occasionally protest over the provision of clean drinking water, and electricity. Preventing the incursion of Chinese trawlers in the territorial waters of the province and facilitating fishing. Progress on the Eastbay Expressway remained in a deadlock for months due to the concern of fishermen to build bridges that allow passage to their fishing vessels.
	2. Provision of better marketing facilities of fish catch 24/7.	The marketing facilities and auction hall were available for 24/7 and fish was also transported to up country. However, due to poor law and order conditions the fish catch was not marketed timely.
	3. Poverty alleviation through trade & commerce	As reported by the GPA the quantity of fish catch per boat increased by 5% to 10% per annum and fish catch increased to 4,622 ton in 2022 as compared to 1,889 ton in year 2021. The revenue from sale of fish also increased to Rs.629.391 million in 2022 as compared to Rs.330.555 million in 2021. This also impacted in reduction of poverty through increased trade activities.

	4. Socioeconomic integration of Gwadar with the rest of country	Most of the catch from Balochistan is sent by road to Karachi by Makran Highway to be exported to international market and some fish goes directly to Iran. The Gwadar port is also connected with Jiwani, Pasni, Ormara and Sonmiani in Balochistan. This helps in socio-economic integration of the port with the rest of the country. However, the poor law and order situation is major handicap.
	5. Growth in the export of fish and other seafood	According to bureau of statistics Pakistan exported Fish and fish products of US dollars.500 million during 20203. Frozen flat fish, shrimps and prawns are mainly exported from Pakistan to rest of world. Though there has been substantial increase in fish catch at Gwadar port and exports from Karachi port but there is a serious problem of poaching in Balochistan's territorial sea with trawlers from China using banned gill nets etc. Moreover, Baloch fishermen have limited access to credit facility, ship repair workshops andother modern facilities especially presence of cold storage facility at mini port.

c. Sectoral objectives	1. To comply with international Maritime organization (IMO) rules, which warrants safety of life and property at sea	The IMO standards entail the safe management and operation of ships and for managing pollution prevention and safety of life at sea. The GPA management informed that every effort was made for compliance of the IMO rules. However, The Project was unable to offer safety of life and property to fishermen at sea and spillage of oil was also observed at the port due to smuggling of Iranian oil in unsafe containers at the port.
	2. To integrate the connectivity of Gwadar port with the other ports	The project facilitated in the connectivity of Gwadar port with other local and regional ports for exports of fish catch through Makran coastal Highway and to Iran.
d. Environmental objectives	1. No environmental harm	It was observed that there was no proper waste management system at the miniport. Apart from boats with fish catch the Audit team also observed boats with smuggled Iranian oil at the mini port. There were also instances of oil spill at the mini port which were harming the marine environment. The big trawlers on Balochistan coast with banned gill nets were also harming the aquatic life along the Balochistan coast.

5. Conclusion

The project of up-gradation of the berthing facility for boats was taken up to improve the working conditions of fishermen and to ensure the safety & protection of the fishermen operating at the Gwadar coast. However, the effectiveness of the project was not maximized as it did not offer enough safe space to most of the vessels at one time. Moreover, there was dearth of basic facilities like cold storage, proper waste management system, workshop for repair and maintenance of boats, poor law and order were affecting overall performance of the port. Despite, all these issues the overall income and fish catch at the port has increased after the rehabilitation of berths which has positively impacted the lives of fishermen.

Recommendations

- Capacity of the miniport cum harbor needs to be enhanced ensuring safety of fishermen.
- The rubber and wooden fenders might be properly fixed as per the size of boats.
- Better marketing facilities and cold storage be provided on an emergency basis.
- Focus should be on the enhancement of the income of fishermen.
- Efforts should be taken to discourage the smuggling of Iranian oil affecting coastal environment.
- Provide adequate security for fishermen and traders with improved law and order situation.
- Procurement process needed to be fair and transparent.

Annexure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ANNEXURE

Annex-1

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 2010-21, 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.

S.#	Title of Para	Rs in million
	Aviation Division	
	Pakistan International Airlines	
1	Non-utilization of the capital budget – Rs. 38.650 million	38.650
2	Non-preparation of Consolidated Financial Statement of the subsidiaries of PIA in violation of Companies Act 2017	-
3	Weak monitoring due to non-reconciliation of cash transaction and outstanding against Air Passage Warrant (APT) at PIA stations amounting Rs.17.397 million	17.397
4	Loss due to short deposit of amount from daily counter cash sale at foreign stations of PIA equivalent to -PKR 19.316 million approximately	19.316
5	Non replacement/transfer of the physical shares into book entry form	-
6	Unauthorized Refund Of Tickets With Flown Coupon Status In HITIT System By Agents And Piac Counter Staff	-
7	Fragile state of financial affairs in PIAC with annual Loss-Rs 88,008.42 million	88,008.42
8	Non-utilization of effective tools to cater Exchange loss-Rs 25,229.81 million	25,229.81
9	Climbing obligations of Loan and Finance cost-Rs 742.640 million	742.640

10	Non-conducting of physical verification of Assets-Rs 96,135.02 million	96,135.02
11	Non-existence of Approved IT Outsourcing policy and Due diligence Report for acquiring Outsourced Cloud arrangement	-
12	Non-implementation of Corporate Business Plan resulted in wastage of funds - USD 822,500 equivalent to PKR 131.600 million	131.600
13	Non-compliance of the lease agreement resulted into creation of huge liability - USD 31.3 million equivalent to PKR 7,825.0 million	7,825.00
14	Irregular extension of contract-Rs.32.487 million	32.487
15	Irrational rejection of bidders on technical grounds - Rs.80.690 million	80.690
16	Irregular award of Manpower contract & extension -Rs.2,518.965 million	2,518.965
17	Loss due to unnecessary purchase and non-utilization procured items-Rs.1.219 million	1.219
18	Irregular award of annual contract-Mayonnaise on higher rates-Rs.53.276 million	53.276
19	Irregular payment of custom duty already exempted -Rs.15.121 million	15.121
20	Irregular rejection of bidder on unjustified grounds (approximately)-Rs. 2 million	2.00
21	Loss due to advance 100% payment for foreign procurements-US$47,065.07-Rs.7.873 million	7.873
22	Procurement of sub-standard pot wash cleaner on higher rate - Rs.1.909 million	1.909
23	Non-conducting of Procurement Audit by Internal Audit, PIA	-
24	Unjustified expenditure on hiring of ground support equipments – Rs. 18.410 million	18.410
25	Loss due to ineffective inventory management caused accumulation of huge amount of obsolete inventory Rs. 102.6 million	102.6
26	Poor performance of the TGS Division	-
27	Loss due to non utilization of Land at different stations 28,123 Sq. Yard	-
28	Non utilization of 200 Acres open land at Super Highway, Karachi	-
29	Loss on account of rental income due to delay in possession - Rs.3.600 million	3.600
30	Expected loss due to non-payment of land lease rent charges - Rs.2,647.000 million	2,647.00

31	Wasteful expenditure due to non-construction of Hospital Project -Rs.20.695 million	20.695
32	Un-productive Investment in Various Plots –PKR 7,161.847 million	7,161.847
33	Undue favour to the Licensee due to Non revocation of License Agreement of PIA Squash Complex Kashmir Road, Karachi	-
34	Outstanding rental amount resulted into huge liability	-
35	Revenue loss on inbound flights from foreign stations - Rs. 2,681.321 million	-
36	Wasteful expenditure on preparation of business plan - Rs.137.546 million	137.546
37	Unjustified expenditure of repair & maintenance due to absence of GSEs replacement plan – Rs.188.183 million	188.183
38	Loss due to unsettlement of Discrepancies Report (DRs) inventory – Rs. 26.043 million	26.043
39	Loss due to non-settlement of rejected/defective inventory – Rs.11.627 million	11.627
40	Irregular award of contract to 2nd lowest bidder - Rs.36.500 million	36.500
41	Irregular procurements on splitting basis - Rs.24.766 million	24.766
42	Irregular / unjustified free facility of cargo shipments - Rs.1.413 million	1.413
43	Irregular award of contract to a single qualified bidder - Rs.237.104 million	237.104
44	Non-compliance of Corporate Governance Rules	-
45	Undue favor to General Sale Agent	-
46	Heavy expenditure on delayed flights - Rs.81.672 million	81.672
47	Irregular expenditure in Finance Department	-
48	Irregular expenditure in Supply Chain Management	-
49	Cost over and above the approved budgeted ceiling - Rs.37,003.020 million	37,003.020
50	Loss of rental income due to non-construction of PIA Sialkot Plot -Rs.15.802 million approximately	15.802
51	Non-construction of project work of PIACL Islamabad Plot Rs. 2,985.984 million	2,985.984
52	Poor performance of Credit Control unit-Rawalpindi-Rs.1,756.61 million	1,756.61
53	Procurement of sub-standard frozen chicken items - Rs.426.557 million	426.557
54	Irregular award of contract to a single qualified bidder - Rs.33.475 million	33.475

55	Unjustified expenditure on procurement of aircraft model - Rs.5.733 million	5.733
56	Irregular / unjustified expenditure on repair maintenance of vehicles - Rs.5.417 million	5.417
57	Extra expenditure due to additional work on renovation without inclusion in BoQ –Rs.2.360 million	2.360
58	Irregular award of additional civil work for installation of A-320 Simulator & Development of Allied Facilities -Rs.2.119 million	2.119
59	Additional expenditure due to prolong grounding of aircrafts - Rs.4.300 million	4.300
	Cabinet Division	
	Pakistan Tourism Development Corporation (Head Office) Rawalpindi	
60	Unverified expenditure due to non-preparation of annual accounts for the years 2021-22 and 2022-23 - Rs 5,538.436 million	
	Printing Corporation of Pakistan	
61	Performance evaluation of members of the Board	
62	Non-submission of corporate compliance report to SECP for the years 2020-21 to 2022-23	
63	Non-intervention for the repair/ condemnation of inoperative machinery - Rs 4.24 million	4.24
64	Wasteful expenditure due to inefficient management of machinery - Rs 18.00 million	18
65	Non-submission of annual accounts leading to unverified expenditure of - Rs 532.73 million	532.73
66	Irregular grant of permanent advances to employees - Rs 11.99 million	11.99
	Ministry of Commerce & Textile	
	National Insurance Company Limited	
67	Un-authorized payment of salary to absentee - Rs.2.454 million	2.454
68	Irregular / unjustified procurement of Stationery items on splitting basis – Rs.0.999 million	0.999
69	Irregular payment of vehicle claim – Rs.2.800 million	2.800
70	Non-disposal of assets – Rs.5.369 million	5.369
71	Irregular procurements without quotations – Rs.2.139 million	2.139
72	Unjustified settlement of transit claim – Rs.2.082 million	2.082
73	Irregular settlement of delayed claim - Rs.22.319 million	22.319
74	Doubtful payment of claim amounting to Rs.1.391 million	1.391
75	Imprudent holding of shares resulting into persistent loss of Rs. 377.657 million	377.657
76	Irregular payment of theft claim - Rs.3.005 million	3.005
77	Irregular payment of accidental claim - Rs.2.300 million	2.300

78	Unjustified procurement against austerity measures of Finance Division Rs.7.317 million	7.317
79	Violation of rule due to delay in settlement amounting to Rs.1.500 million	1.500
80	Loss of revenue income on charging lesser rates - Rs.629.210 million	629.210
81	Violation of rule due to delay in settlement of re-insurance claim 491,024.50	-
82	Irregular investment of funds – Rs.23,300.000 million	23,300
83	Irregular procurement of diesel - Rs.7.538 million	7.538
84	Non-taking of any action against surveyors and no self-loss assessment mechanism of loss acknowledged by the surveyors	-
	Pakistan Re-insurance Company Limited	
85	Loss on investment in listed companies shares – Rs.83.595 million	83.595
86	Irregular award of contract for appointment of Chartered Accountant – Rs.1.545 million	1.545
87	Unjustified expenditure due to excess holding of BoD's meetings – Rs.6.700 million	6.700
88	Unjustified payment to Shariah Advisor – Rs.4.356 million	4.356
89	Unjustified excess expenditure - Rs.213.910 million	213.910
	State Life Insurance Corporation of Pakistan	
90	Loss due to negligence of the management - Rs.5.514 million	5.514
91	Mis-reporting of matured PIBs due to negligence of appointed actuary – Rs.2,761.000 million	2,761.00
92	Loss due to unsatisfactory performance of Gulf Zone- Rs.718.045 million	718.045
93	Irregular expenditure due to non-verification of degrees/certificates - Rs.43.219 million	43.219
94	Loss due to less charging of electricity units to tenants - Rs.39.710 million	39.710
95	Irregular wavier of late fee charges to policy holders – Rs.22.241 million	22.241
96	Loss due to imprudent investment in PIBs - Rs.10.180 million	10.180
97	Non-compliance of Federal Ombudsmen Act – Rs.29.972 million	29.972
98	Irregular / unjustified issuance of policies - Rs.8.476 million	8.476
99	Non-linking of key performance indicators with performance rewards - Rs.7.200 million	7.200
	Trading Corporation of Pakistan	
100	Loss due to non-availing forward sale of foreign exchange facility against letter of credit	-
101	Loss due to short receipt of urea – Rs.26.745 million	26.745

102	Non-recovery of dues from tenants of residential colonies – Rs.13.700 million	13.700
103	Irregular / unjustified expenditure on hiring Management Consultancy Services – Rs.9.100 million	9.100
104	Non-separation of post of Chairman (Board of Directors) and Chief Executive Director	-
105	Irregular / unjustified expenditure on deployed staff at port for operations - Rs.15.126 million	15.126
	Ministry of Defence	
	Institute of Space Technology	
106	Non-Production of record of SPD Grants and other auditable record - Rs 7,312.550 million	7,312.550
	Ministry of Defence Production	
	Karachi Shipyard and Engineering Works	
107	Inordinate delay in collection of amount - Rs.20.257 million	20.257
108	Un-justified payment on account of up-gradation project - Rs.275.482 million	275.482
109	Non-accountal of project funds - Rs.1,977.800 million	1,977.800
110	Irregular award of work due to undue favour to the surveyors - Rs.24.518 million	24.518
111	Irregular award of contract of co-sourcing of internal audit function – Rs.11.632 million	11.632
112	Loss on account of foreign exchange difference – Rs.162.313 million	162.313
113	Irregular investment in Microfinance Bank – Rs.1,100.000 million	1,100.000
114	Irregular payment of pay & allowances without concurrence of pay scale from Finance Division –Rs.38.555 million	38.555
	Ministry of Energy	
	National Engineering Services Pakistan (NESPAK)	
115	Non-addressing of client grievances during provision of consultancy services - Rs 37.196 million	37.196
116	Irregular appointment in non-transparent manner - Rs 7.800 million	7.800
117	Irregular re-designation of Chief Engineers as General Managers resulting into irregular payment of General Manger allowance - Rs 14.780 million	14.780
118	Non-payment of cost on account of consultancy services in violation of consultancy agreement - Rs 20.391 million	20.391
119	Irregular hiring of consultant due to non-registration with PEC - Rs 567.683 million	567.683
120	Irregular posting of employees in foreign based subsidiary	189.443

	companies without any devised criteria/merit - Rs 189.443 million	
121	Irregular appointment of Public Health Design Engineers - Rs 10.200 million	10.200
122	Irregular appointment of Health & Safety Expert Cum Social Development Officers- Rs 4.080 million	4.080
123	**Ministry of Federal Education and Professional Training**	
124	**National Textile University Faisalabad**	
125	Un-justified retention of Performance Security of the contractors – Rs 41.499 million	41.499
126	Loss due to theft of wire Rs 0.600 million	0.600
	Finance Division	
	House Building Finance Company Limited	
127	Irregular purchases without competitive bidding – Rs.33.813 million	33.813
128	Irregular award of work – Rs.4.138 million	4.138
129	Non-utilization of properties - Rs.2,662.000 million	2,662.000
130	Irregular settlement of EOBI contribution due to default - Rs.25.470 million	25.470
131	Variation in advances extended to customers - Rs.1,175 million	1,175
132	Irregular submission of multiple valuation reports of same properties by same bidder –Rs.588.952 million	588.952
133	Irregular excess electricity bill of Rs.16.592 million	16.592
134	Rental agreements signed to landlords for more than 03 years - Rs.78.2913 million	78.2913
135	Unjustified salary increases to HBFC employees violating the SOPs of Privatization	-
136	Irregular payments in absence of significant policies in contradiction of Ministry and PAC directives	-
137	Irregular payment of advance rent and non-deduction of tax to co-owners of the HBFC branch office Rawalpindi North region Islamabad - Rs.4.646 million	4.646
138	Non-settlement / adjustment of Capital Work In Progress – Rs.41.646 million	41.646
	National Bank of Pakistan	
139	Irregular payment of Regional Management Team Allowance - Rs.9.000 million	9.000
140	Irregular payment of conveyance charges to employees of Legal Division- Rs.4.594 million	4.594
141	Loss due to non-submission of Fit and Proper Test Criteria - Rs.2.156 million	2.156
142	Imprudent decision of non-acceptance of funded offer - Rs.1.825	1.825

	million	
143	Unjustified appointment on acting charge basis beyond three months	-
144	Irregular chair of Board meetings by the President of the Bank	-
145	Less deduction of income tax from the salaries of officers-Rs.65.916 million	65.916
146	Under-achievement of women financing in Kamyab Jawan Program - Rs.64.525 million	64.525
147	Re-employment of officers after superannuation in violation of rules	-
148	Doubtful payment to District Police for deployment of Police Guards - Rs.65.806 million	65.806
149	Irregular donation to an un-certified organization - Rs.11.000 million	11.00
150	Unauthorized excess holding of cash in cash chest vault	-
151	Irregular waiver off notice period and pay in lieu thereof - Rs.20.415 million	20.415
152	Irregularities in cash pledge financing - Rs.11,434.000 million	11,434
153	Loss due to low return on equity investments - Rs.2,318.900 million	2,318
154	Irrational / imprudent loan settlement - Rs.2,020.398 million	2,020.398
155	Losses due to higher defaults– Rs.568.053 million	568.053
156	Export over-dues due to ineffective monitoring & controls-Rs.566.671 million	566.671
157	Irregular investments in violation of SBP guidelines - Rs.150.000 million	150.00
158	Loss due to unjustified sale of vehicles to employees at nominal rate – Rs.121.79 million	121.79
159	Unjustified utilization of costly/luxurious vehicles and sale at book value to the officers	-
160	Less payments to PLS deposit holders – Rs.12,510.000 million	
	National Security Printing Corporation	
161	Exchange Loss of Rs. 163.854 million due to inordinate delay in issuance of LC for procurement of electronic data page	163.854
162	Loss on investment - Rs.11.015 million	11.015
163	Irregular award of civil work contract - Rs. 31.441 million	31.441
164	Increase in pensions due to non-separation of pension fund - Rs.13.52 million	13.52
165	Non-utilization of e-paper Euro 1,031,000 equivalent to Rs.183.780 million	183.780
166	Irregular payment of additional duty allowances - Rs.60.155 million	60.155

	Pakistan Security Printing Corporation	
167	Blockade of funds due to non-utilization of approved Budget -Rs 3,108.868 million	-
168	Opportunity loss of Sales revenue due to Non-implementation of B.o.D directives by PSPC to Rs.2,396.000 million	-
169	Blockage of fund due to purchase of excessive stores – Rs. 958.236 million	-
170	Un-justified payment of Bonus & Ex-Gratia -Rs.233.600 million	-
171	Wasteful expenditure on purchase of stores, spares and obsolete stock of ink and paper – Rs. 136.644 million	-
172	Non-payment of stamp duty to Sindh Board of Revenue - Rs. 94.536 million	94.536
173	Rental loss due Non Execution of rental agreement with Tenant (NSPC)- Rs.30.00 million	30.000
174	Loss to National Ex-Chequer, Govt. of Sindh (Excise & Taxation Deptt.) - Rs.19.769 million	19.769
175	Irregular procurement of vehicles without press tender -Rs 19.571 million.	19.571
176	Wasteful/avoidable expenditure/Non-Observance of Austerity measures–Rs. 9.0 million	9.000
177	Loss due to non-disposal of obsolete machines Rs.7.500 million approximately.	7.500
178	Loss of revenue due to Non revision of rental policy & rates of DSG Guards regarding accommodation policy since 2004 Rs. 5.50 million	5.500
179	Irregular & Un-authorized allotment of bungalow to CEO, SPL–3.80 Million	3.800
180	Violation of HR Policy- Irregular HC&PA loan amounting to Rs. 3.56 Million	3.560
181	Non recovery of HC&PA Rs.2.10 million	2.100
182	Loss due to purchase of similar/identical item NYLO Printing plates on higher/excess rate by M/s FlECBON Corporation PKR 1.922 million	1.922
183	Loss due to non-recovery of rent of Bungalow's at PSPC–Rs. 1.98 million	1.980
184	Non-Observance of Austerity measures–Rs. 1.70 million	1.700
185	Non Settlement of Claims of Ex-employees Rs.1.120 Million	1.120
186	Non-asserting/performance & proper functioning of internal audit department:-	-
187	Violation of Public Sector Companies Corporate Governance Rules 2013, due to non-appointment of (CIA).	-
188	Undue Favor By Pspc Management To Bogus Degree/Certifcate	-

	Holder Employee	
189	Non implementation on the recommendation of the Internal Audit Department	-
190	Non-production of record resulting in unsatisfactory completion of audit	-
191	Violation of rule due to Non-preparation of annual accounts & abnormal delay in Finalization of annual accounts:-	-
192	Non-compliance of the Public Accounts Committee (PAC) directive.	-
193	Irregular award of contract to M/s Azam Enterprises – Rs 2.772 million	2.772
194	Non Compliance of Sindh Environmental Protection Agency (SEPA) resolutions & non-reporting of water sewerage	-
195	Poor planning due to non-execution of Projects – Rs.2,707.830 million	2,707.830
196	Loss due to less revenue against production orders – Rs.316.442 million	316.442
197	Non-compliance of fire safety codes – Rs.94.830 million	94.830
198	Non up-gradation of R.O plant - Rs.17.645 million	17.645
199	Non-utilization of property - Rs.2.916 million	2.916
	State Bank of Pakistan	
200	Awarding of legal vases without any established standards	-
201	Abnormal increase in interest on bilateral currency swap - Rs.10,218.589 million	10,218.589
202	Non recovery of rent from Standing Committees of National Assembly – Rs.37.950 million	37.950
203	Non-recovery of utility charges - Rs.14.190 million	14.190
204	Undue favor extended on refund / waiver of penalties - Rs.6.131 million	6.131
205	Irregular procurement of furniture items on splitting basis – Rs.3.296 million	3.296
206	Award & extension of contract without obtaining of valid Performance Guarantee-Rs.0.435 million	0.435
207	Irregular procurement of services without quotations - Rs.0.625 million	0.625
208	Irregular procurement of services without competitive process - Rs.0.797 million	0.797
209	Irregular procurement of hotel services – Rs.0.848 million	0.848
210	**Zarai Taraqiati Bank Limited (ZTBL)**	
211	Non-conducting of Performance evaluation of members of the Board	
212	Losses due to yearly additions in non-performing loans - Rs	1,265.762

	1,265.762 million	
213	Loss due to addition in Special Asset Management defaulters in 2022 – Rs 593.035 million	593.035
214	Irregular Islamic banking operation in violation of Islamic Sharia'h resulting in non-treatment of Interest - Rs 303.422 million	303.422
215	Loss to bank due to zero disbursement- Rs 254.28 million	254.28
216	Loss due to Agri-Banking Personnel deputed in Commercial Banking- Rs 14.042 million	14.042
217	Unjustified award of contract to head hunting firm - Rs 5.00 million	5.00
218	Irregular appointment of legal advisor - Rs 3.60 million	3.60
219	Loss due to non-recovery of official vehicle – Rs 1.01 million	1.01
220	Non-appointment of Chairman of the Board of Directors	
	Ministry of Industries & Production	
	Export Processing Zones Authority	
221	Loss of foreign exchange earnings due to management's delay - USD 12,730 (Equivalent to Pak Rs. 3.692 million)	3.692
222	Management's failure to control Used Textile Clothing business	-
223	Unjustified charging of extra units in monthly electricity bills to investors – Rs. 112.345 million	112.345
224	Doubtful expenditure on fixed assets due to non-conducting of physical verification – Rs. 392.309 million	392.309
225	Weak internal control environment due to in-effective Internal Audit Department	-
226	Irregular procurements through splitting basis – Rs.4.775 million	4.775
227	Irregular procurement of services/repairs of vehicles - Rs.6.219 million	6.219
228	Loss on account of missing/theft of fire hydrants Rs 0.720 million	0.720
229	Irregular auction of industrial waste - Rs. 12.001 million	12.001
	Karachi Tools Dies & Moulds Centre	
230	Non-Compliance of Public Sector Companies Guidelines, 2015.	-
231	Appointment of External Auditor without concurrence of the Auditor General of Pakistan - Rs.0.765 million	0.765
232	Non-uploading of BoD Minutes on the Official website of the Organization	-
	Pakistan Industrial Development Corporation	
233	Non-achievement of receipt / recovery and sales targets	-
234	Non-charging of rent from subsidiary - Rs.31.468 million	31.468
235	Irregular extension of services of CEO, PIDC -Rs.19.256 million	19.256
236	In-ordinate delay in appointment of Executive - Rs.19.256 million	19.256

237	Unjustified posting / non-utilization of lift operators at project - Rs.4.272 million	4.272
238	Non-recovery of rental income & utility charges– Rs.4.009 million	4.009
239	Excess payment of fuel cost to CEO - Rs.2.106 million	2.106
240	Irregular purchases through splitting - Rs.1.713 million	1.713
241	Inconsistency in eligibility criteria and the terms and conditions for appointment of Executive	-
242	Non-consideration of Charter of Demand of Unionized Staff / non-adherence of Industrial Relations Act, 2012	-
243	Award of Contracts to Companies not Registered with Pakistan Engineering Council	-
244	Non-inclusion of revenue from Projects in Taxable Income- Rs. 792.642 million	792.642
245	Irregular award of contracts to Unregistered Firm	-
246	Non-renewal of Contract of Consultant	-
247	Irregular award of consultancy work- Rs. 12.485 million	12.485
248	Loss due to abnormal increase in construction supervision cost- Rs.35.656 million	35.656
249	Non-payment of Super Tax – Rs. 86.85 million	86.850
250	Award of Contracts to Companies not Registered with Securities and Exchange Commission of Pakistan	-
251	Non- meeting of Pakistan Engineering Council Requirements by Contractors	-
252	Loss due to award of Consultancy Contract at higher rates Rs. 78.216 million	78.216
253	Irregular pooling by Contractors in an Industrial Park	-
254	Irregular Adjustment of Refund in Annual Tax Returns– Rs.70.438 million	70.438
255	Estimates Prepared at Higher Rates by Consultant	-
256	Non-Verification of Vehicles	-
257	Start of construction in Bin Qasim Industrial Park without approval of environmental impact assessment report from Sindh Environmental Protection Agency	-
258	Irregular award of work- Rs. 3,406.997 million	3,406.997
259	Unjustified Inclusion of Underground Water Tanks in Package VII-BQIP- Rs. 261.696 million	261.696
260	Unreliable Performance Securities Submitted by Contractors/Consultants- Rs. 695.854 million	695.854

261	Unjustified closure of various subsidiaries	-
262	Variation in Financial Statements' and Income Tax Returns' Figures-Rs. 1,319.235 million	1,319.235
263	Control weakness in multiple departments of company	-
264	Unjustified Payment to contractor Rs. 8.490 million	8.490
265	Award of contracts in excess of financial limit	-
266	Non-conductance of Physical Verification of Stores/ Assets - Rs.682.830 million	682.830
267	Non-observance of quota and non-determination of sanctioned strength	-
268	Irregular disposal of fixed assets	-
269	Estimates Prepared at Higher BOQ Rates than CSR 2014 by consultant	-
270	Variation of Quantities in Package V & VI-Phase II of Bin Qasim Industrial Park	-
271	Irregular award of contract for re-evaluation of properties	-
272	Irregular submission of lab test reports	-
	Pakistan Institute of Management	
273	Delay in registration of Institute's Board of Governors	-
274	Irregular provision of Leave Fare Assistance - Rs 4.467 million	4.467
	Pakistan Steel Mills Corporation (Pvt.) Limited	
275	Irregular / unjustified Posting of Incharge (Law)	
	Pakistan Steel Fabricating Company Limited	
276	Opportunity loss due to incomplete submission of the bidding documents – Rs 2,314.000 million	2,314
277	Unjustified / doubtful transactions reflected in the Suspense Account- Rs. 6.492 million	6.492
278	Loss due to cancellation of the vehicle's hoods job tender - Rs. 1.012 million	1.012
279	Non preparation of Proper Fixed Assets Register and physical verification of Fixed Assets	-
280	Non-disposal of condemned / unserviceable vehicles - Rs. 2.700 million	2.700
	National Fertilizer Marketing Limited (NFML)	
281	Loss due to damage of TWPP bags - Rs 1.832 million	1.832
282	Irregular procurement of postage, stationery, printing and periodicals in violation of PPRA - Rs 5.898 million	5.898
283	Blockage of funds due to non-lifting up of Urea by Agriculture Department - Rs 15.584 million	15.584
284	Non-payment of social security contribution by the security	6.852

	contractors - Rs 6.852 million	
285	Unverified distribution of urea through Farms Services Centers Khyber Pakhtunkhwa - Rs 765.344 million	765.344
	Pakistan Engineering Company Limited (PECO)	
286	Irregular payment of Executive Allowance to Ex-Managing Director – Rs 0.535 million	0.535
287	Non-preparation of annual accounts	
288	Irregular payment of salaries to terminated employees – Rs 45.626 million	45.626
289	Irregular opening of bank account without approval of BoDs – Rs 95.015 million	95.015
290	Irregular payment in violation of joint venture agreement – Rs 14.055 million	14.055
291	Non-conduction of physical verification of assets since five years – Rs 622.512 million	622.512
	Pakistan Hunting and Sporting Arms Development Company PHSADC	
292	Non-transfer of PHSDAC to KP-Government resulting into increase in accumulated loss and liabilities of Rs 252.065 million	252.065
293	Un-justified procurement of vehicle for Additional Secretary Ministry of Industries & Production - Rs 2.049 million	2.049
	Utility Stores Corporation	
294	Non-transparent expenditure on operation of free Atta during Ramzan, 2023 – Rs 20.776 million	20.776
295	Irregular credit sale of Rs 1,846.808 million and non-inclusion of penalty and interest clause in contract	1,846.808
296	Unauthorized payment to Flour Mill – Rs 847.467 million	847.467
297	Non-delivery/supply of pulses of Rs 647.383 million resulting into revenue loss - Rs 73.086 million	720.469
298	Loss due to non / less supply of ghee – Rs 294.001 million	294.001
299	Non-delivery/supply of rice of Rs 128.740 million resulting into revenue loss - Rs 13.034 million	141.774
300	Loss due to short supply of Ghee to USC – Rs 64.226 million	64.226
301	Loss due to less supply of pulses valuing Rs 7.904 million and non-recovery of penalty amount – Rs 2.274 million	10.178
302	Loss due to non-supply of dates to different regions – Rs 5.208 million	5.208
303	Loss due to less supply of dates to different regions – Rs 2.456 million	2.456
304	Operational loss due to poor management of stores – Rs 66.268 million	66.268
305	Sale of subsidized items without any record through mobile stores	30.893

	– Rs 30.893 million	
306	Unjustified return of goods from various stores – Rs 308.093 million	308.093
307	Loss due to excess payment of loading and unloading charges of wheat - Rs 5.774 million	5.774
308	Extra expenditure due to grant of free Atta in excess of prescribed limit – Rs 1.885 million	1.885
309	Loss due to non-placement of order for the purchase of Moong Washed – Rs 1.436 million	1.436
310	Loss due to embezzlement of cash by USC employees at Sahiwal Region – Rs 1.359 million	1.359
	Ministry of Information, Broadcasting and National History & Literature, Heritage Division	
	Pakistan Television Corporation Limited	
311	Non-Finalization of Annual Audited Accounts for the Years 2019-20 to 2022-23	
312	Irregular creation of a post of in violation of Finance Division's instructions - Rs 2.40 million	2.40
313	Irregular hiring of a sports expert on a pick and choose basis on monthly basis payment - Rs 76.400 million	76.400
314	Non-Uploading of Annual Procurement Plan on PPRA website - Rs 69.407 million	69.407
315	Irregular payment of recorded program to a host against live morning show - Rs 12.186 million	12.186
	Ministry of Information Technology and Telecommunication	
	Pakistan Software Export Board (Guarantee) Limited	
316	Un-authorized appointment of external auditors – Rs 0.949 million	0.949
317	Irregular appointment of chief commercial officer– Rs 6.374million	6.374
	Ministry of Interior	
	National Database and Registration Authority	
318	Non-production of auditable record	
319	Irregular appointment and payment of salary – Rs7.800 million	7.800
	NADRA Technologies Limited	
320	Irregular procurement of common use items without annual procurement plan – Rs 38.886 million	38.886
321	Non-assessment and non-monitoring of the performance of the Board by the Government and senior management by the Board in violation of Corporate Governance Rules	
322	Non-submission of the Annual Audited Financial Accounts to the Audit	

323	Blockage of funds in trade debts - Rs 523.887 million	523.887
324	Expected loss on accounts of doubtful receivables - Rs 19.948 million	19.948
325	Non-deposit of Withholding Income Tax and Sales tax into Government treasury – Rs 31.066 million	31.066
326	Poor assessment in the franchise selection process resulted in blocked of franchise licenses	
327	Non-conducting annual physical verification of fixed assets and inventory - Rs 72.578 million	72.578
	Ministry of Housing & Works	
	Pakistan Environmental Planning & Architectural Consultant (Pvt.) Limited	
328	Non-maintenance of the project accounts by the company	
329	Non-submission of the Annual Audited Financial Accounts to the Audit	
330	Poor performance of the company due to non-winning of the projects from clients	
331	Non-appointment of the Regular Chief executive for the company	
332	Loss due to the irregular award of the works to M/s Design Inn. - Rs 2.45 million	2.45
	Ministry of Maritime Affairs	
	Korangi Fisheries Harbour Authority	
333	Non transparent Bid Evaluation Process – Rs.110 million	110.000
334	Loss due to Violation of the GOP Instructions for crediting the approved rate of return on a CPF investment: Rs 0.46 million	0.460
335	Not maintenance of fixed asset register and non-conduction of physical verification of fixed assets: Rs. 1,204.11 million	1,204.110
336	Non-abolition of various vacant posts resulted in blockage of funds Rs. 8.260 million	8.260
337	Irregular or unjustified payment on account of repair and maintenance in violation of PPRA rules amounting to Rs. 119.60 million	119.60
	Pakistan National Shipping Corporation	
338	Non-availing of Long Term Finance Facility despite signing of agreement with bank– Rs.13,138.000 million equivalent to USD 60 million	13,138
339	Non-availing of finance facility for purchase of vessel– USD 29.5 million equivalent to Rs.4,696 million	4,696
340	Non-accountable of payment reflected in two statements – USD 42.750 million equivalent to Rs.9,361 million	9,361
341	Non-adjustment of advances – Rs.62.000 million equivalent to USD 0.281 million	62.00

342	Advance payment without approval and non-receipt of recoverable amount from Insurance Company - Rs.46.000 million equivalent to US$ 0.260,200 million	46.00
343	Loss due to imposition of penalty by Foreign Port Authority - AED 308,963.75 equivalent to Rs.14.992 million	14.992
	Port Qasim Authority	
344	Appointment of Security Guards in excess of sanctioned strength- Rs 242.854 million	242.854
345	Un-authorized exemption/waiver of electricity and water bills in respect of Pakistan Customs – Rs.57.587 million	57.587
346	Irregular purchase of 04 ASD tugs & 02 boats without approval of the Government and in violation of rules - US$ 33.46 million	33.46
347	Grant of allowances without prior approval of Finance Division – Rs.25.101 million	25.101
348	Irregular hiring of advocates / counsel - Rs.15.584 million	15.584
349	Difference in gate passes cargo collection – Rs.4.349 million	4.349
350	Non-evaluation of Board members performance	-
351	Non-formulation of Board Committees	-
352	Non-insurance of floating vessels /tugs/boats	-
	Ministry of National Food Security and Research	
	Pakistan Agricultureal Storage & Services Corporation Limited PASSCO	
353	Loss due to construction of new plinths instead of old ones – Rs 1.436 million	1.436
354	Irregular procurement of internet services due to non-compliance of Govt. instructions –Rs 1.184 million	1.184
355	Non-recovery of cost of wheat from various Government agencies – Rs 5,241.850 million	5,241.850
356	Non recovery against donation of wheat through World Food Programme – Rs 1,460.42 million	1,460.42
357	Loss due to missing/shortage of empty gunny bags at various zones – Rs 77.615 million	77.615
358	Unjustified increase of delivery charges to growers – Rs 66.309 million	66.309
359	Blockage of funds due to non-auction of dead stocks – Rs 43.553 million	43.553
360	Wasteful expenditure due to excess purchase of dunnage material – Rs 29.464 million	29.464
361	Non reconciliation of Head Office & Zonal offices wheat procurement record – Rs 21.521 million	21.521
362	Irregular award of construction work to non-responsive bidder – Rs 6.906 million	6.906

363	Loss due to non-lifting of whole auctioned stock - Rs 3.854 million	3.854
364	Less deduction of monthly EOBI contribution - Rs 2.290 million	2.290
365	Irregular allocation of a vehicle and payment of bonus to legal advisor – 1.032 million	1.032
	Ministry of Science & Technology	
	Pakistan Science Foundation	
366	Irregular award of research project "Insect Resistance Management by Vegetative Insecticidal Protein (VIP) Based Bio pesticide"- Rs4.6 million	4.6
367	Inordinate delay in completion of project due to non-procurement of permanent equipment - Rs 1.750 million Non-opening of Separate Bank Account for the Project - Rs 8.073 million	9.823
368	Irregular appointment to the post of Assistant Private Secretary – Rs 0.937 million	0.937
	Ministry of Planning, Development and Special Initiatives	
	National Logistic Cell (NLC)	
369	Unnecessary delay in procurement of batching plant to avoid PPRA – Rs 76.980 million	76.980
370	Irregular award of purchase order to single responsive bidder without financial conformance in term of rate reasonability - Rs 199.313 million	199.313
371	Unjustified procurement of LEDs amounting to Rs 13.786 million and loss to public exchequer due to non-deduction of income tax - Rs 0.551 million	14.337
372	Non obtaining performance guarantee from sub-contractors amounting to - Rs 197.882 million	197.882
373	Irregular procurement of construction material in violation of PPRA rules amounting to Rs 691.166 million	691.166
374	Irregular payment to contractors without approval of the client and variation order - Rs 28.135 million	28.135
375	Overpayment to sub-contractors due to non-receipt from client Rs 111.754 million	111.754
376	Overpayment to sub-contractors above the agreement rate - Rs 217.092 million	217.092

Annex-2

Non-submission of Audited Accounts

Annual audited accounts of Public Sector Enterprises for the year 2022-23, were required to be submitted to the Directorates General of Commercial Audit and Evaluation, Islamabad by December 31, 2023. 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
	Aviation Division (Cabinet Secretariat)	
1.	Skyrooms (Pvt.) Limited	2020 to 2023
	Cabinet Division	
2.	Printing Corporation of Pakistan (Pvt.) Limited	2020-21 to 2022-23
3.	Islamabad Employees Social Security Institution	2018-19 to 2022-23
4.	Pakistan Tourism Development Corporation	2021-22& 2022-23
5.	Pakistan Tours (Pvt.) Limited	2020-21 to 2022-23
	Ministry of Commerce & Textile	
6.	Natioal Insurance Company Limited	2018-2022
7.	Pakistan Expo Centers (Pvt.) Limited	2020-21 to 2022-23
	Ministry of Defence	
8.	Heavy Mechanical Complex (Pvt.) Limited	2015-16 to 2022-23
9.	Institute of Space Technology	2016-17 to 2022-23
	Ministry of Defence Production	
10.	Wah Brass Mills (Pvt.) Limited	2022-23
11.	Wah Nobel (Pvt.) Limited	2021-22 & 2022-23
	Ministry of Energy (Power Division)	
12.	National Engineering Services Pakistan (Pvt.) Ltd	2019-20 to 2021-23
	Ministry of Federal Education and Professional Training	
13.	National Book Foundation	2021-22 & 2022-23
14.	National Endowment Scholarships for Talent (NEST)	2019-20 to 2022-23
	Finance Division	
15.	National Security Printing Corporation	2021-22 to 2022-23

16.	Pakistan Security Printing Corporation	2022-23
	Ministry of Industries & Production	
17.	Export Processing Zones Authority	2010-11 to 2022-23
18.	Pakistan Institute of Management	2012-13 to 2022-23
19.	Pakistan Steel Mills	2022-23
20.	Furniture Pakistan (Pvt.) Limited	2019-20 to 2022-23
21.	Industry Facilitation Centre (Pvt.) Limited	2017-18 to 2022-23
22.	Heavy Electrical Complex (Pvt.) Limited	2022-23
23.	National Fertilizer Corporation of Pakistan	2022-23
24.	Pakistan Gems & Jewelary Development Company	2020-21 to 2022-23
25.	Pakistan Steel Fabricating Company Ltd.	2016-17 to 2022-23
26.	National Fertilizer Marketing (Pvt.) Ltd.	2018-19 to 2021-23
27.	Pakistan Engineering Company Limited	2017-18 to 2021-23
28.	Pakistan Hunting and Sporting Arms Development Company	2019-20 to 2021-23
29.	Small and Medium Enterprise Development Authority (SMEDA) & its allied projects.	2020-21 to 2021-23
30.	Utility Stores Corporation of Pakistan (Pvt.) Limited	2020-21 o 2022-23
	Ministry of Information, Broadcasting and National History & Literary, Heritage Division	
31.	Associated Press of Pakistan Corporation	2013-14 to 2022-23
32.	Pakistan Broadcasting Corporation	2019-20 to 2022-23
33.	Pakistan Television Corporation Limited	2019-20 to 2022-23
34.	Shalimar Recording and Broadcasting Company limited	2019-20 to 2022-23
	Ministry of Interior	
35.	National Database & Registration Authority (NADRA)	2022-23
36.	NADRA Technologies Limited	2022-23
	Ministry of Maritime Affairs	
37.	Gwadar Port Authority	1986-87 to 2022-23
38.	Korangi Fisheries Harbour Authority	2015-16 & 2022-23
39.	Port Qasim Authority	2006-07 to 2022-23
	Ministry of National Food Security And Research	
40.	Livestock and Dairy Development Board	2018-19 to 2022-23
41.	Agribusiness Support Fund	2017-18 To 2022-23

42.	Pakistan Agricultural Storage and Services Corporation Limited (PASSCO)	2022-23
	Ministry of Science and Technology	
43.	Pakistan Science Foundation	2022-23
44.	Pakistan Scientific & Technological Information Centre	2022-23
45.	Pakistan Museum of Natural History	2022-23
46.	STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited	2020-21 to 2022-23
	Ministry of National Health Services Regulation and Coordination	
47.	National Institute of Health Biological Production Division	2018-19 to 2022-23
	Pakistan Institute for Parliamentary Services (PIPS)	
48.	Pakistan Institute for Parliamentary Services (PIPS)	2018-19 to 2022-23

Annex-3

Organizations under liquidation / closed

The under-mentioned Corporations/Units have closed their operational activities. In some cases, decision about their privatization/liquidation has already been taken but implementation of the same was awaited.

S. No.	Name of Ministry/Division/Organization	Status/Remarks
CABINET DIVISION		
Pakistan Tourism Development Corporation		
	AVIATION DIVISION (CABINET DIVISION)	
1	Midway House (Pvt.) Limited	Business closed since 2000; however, liquidation is still in process.
2	PTDC Motels South (Pvt.) Limited	Operational activities closed since 1990
3	Malam Jabba Resorts Limited	Operational activities closed since May 2008
4	Associated Hotel of Pakistan Limited	Operation closed since long
FINANCE DIVISION		
	Pakistan Automobile Corporation Limited	
5	Pakistan Motorcar Company (Pvt.) Limited	Operation closed since 1992; however, liquidation is still in process.
6	Republic Motors (Pvt.) Limited	Operation closed since 1986; however, liquidation is still in process.
7	Agricultural Marketing and Storage (Pvt.) Ltd.	Under liquidation since 1993
\	**Ministry of Industries & Production**	
8	Aik Hunar Aik Nagar (AHAN)	
9	Federal Bank for Co-operatives	Under liquidation since 2002
PLANNING DIVISION		
10	National Construction Company of Pakistan Limited	Under Liquidation Since September, 1990
	State Cement Corporation of Pakistan (Pvt.) Limited	
11	Associated Cement Limited, Rohri	Operation closed since 1998. The Company was placed under liquidation on June 28, 2005, which is still in process.

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 37,860.761 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
	Ministry of Defence Production		
1.	POF	Loss due to non-recovery of rent from private parties - Rs 3.443 million (4.2.4.23 – 2021-22)	0.043
2.	POF	Loss due to non-recovery of sale proceeds of uniforms – Rs 25.554 million (4.2.4.3 – 2021-22)	25.699
3.	POF	Sale of scrap without open tenders and loss due to non-deposit of sale proceed into government treasury – Rs 193.149 million (4.2.4.1 – 2021-22)	201.735
4.	POF	Non-recovery of space and stall fabrication charges of exhibition from participants - Rs 3.443 million (4.2.4.4 – 2021-22)	3.443
5.	POF	Loss due to non-recovery of advance and non-encashment of bank guarantee – Rs 12.558 million (4.2.4.21 – 2021-22)	7.119
6.	POF	Loss due to non-deduction of Sales Tax - Rs 1.24 million (6.2.4.24 – 2018-19)	0.513
7.	POF	Non-recovery of sales revenue of stores supplied to Sri Lanka - Rs 3.35 million (6.2.4.15 – 2018-19)	3.35
8.	POF	Non valuation of plant & machinery on market rate and non- recovery of cost of assets/machinery transferred to a private company - Rs 359.841 million (4.2.4.4 – 2019-20)	56.230
9.	POF	Non-receipt of sale proceeds from Kenya -US$ 140,637 (Pak Rs 14.837 million (4.2.4.17 – 2019-20)	20.706

10.	POF	Loss due to non-recovery of General Sales Tax and payment of Surcharge - Rs 6.072 million (4.2.4.21 – 2019-20)	6.072
11.	POF	Non valuation of plant & machinery on market rate and non- recovery of cost of assets/machinery transferred to a private company - Rs 359.841 million (4.2.4.4 – 2019-20)	18.750
12.	POF	Loss due to non-deduction of Sales Tax - Rs 1.24 million (6.2.4.24 – 2018-19)	0.311
13.	POF	Non valuation of plant & machinery on market rate and non- recovery of cost of assets/machinery transferred to a private company - Rs 359.841 million (4.2.4.4 - 2019-20)	323.857
14.	POF	Irregular / unjustified procurement of Kalashnikov (AK-103) – Rs 6,868.884 million Loss of bank service charges without maturing of contract – Rs 77.547 million (4.2.4.20 - 2019-20)	12,760.097
15.	POF	Loss due to non-recovery of cost of Weapons - Rs 6.811 million (4.2.4.22 – 2018-19)	6.430
16.	WBM	Over payment due to payment of double bonus - Rs 1.00 million (5.4.4.15 – 2022-23)	0.93
17.	WBM	Loss due to non-forfeiture of call deposit of the defaulting bidder- US$ 11,000 (Pak Rs 1.729 million) (5.4.4.13 – 2022-23)	1.729
18.	POF	Loss due to non-recovery of rent from employees amount of Rs 2.167 million (17- 2021-22)	0.669
19.	POF	Loss due to non-encasement of Bank Guarantee amount of Rs 13.96 million (06- 2021-22)	13.960
20.	POF	Non-recovery of government of dues amount of Rs 1.859 million (06 - 2021-22)	2.00
		Finance Division	0
21.	HBFC	Non-recovery of default amount from various clients against loans Rs 3,293.985 million	750.000
22.	SBP	Non-recovery of outstanding amount Rs. 20,619.138 million	19,459.680
23.	GPA	Non-recovery rent from Bahria Foundation Rs. 25.613 million	19.780
24.	SLIC	Non-recovery of outstanding rent of various tenants Rs. 236.837 million	18.000
25.	GPA	Non-recovery of rent from Bahria Foundation Rs. 25.673 million	9.590
26.	PRCL	Non-recovery of premium from various companies Rs.	1,552.400

		3,509.915	
27.	EPZA	Irregular appointment of daily wages employees Rs. 8.486 million	6.008
28.	PSM	Non-recovery of water supply charges Rs. 119.945 million	68.384
29.	KS&EW	Non-recovery of due from customer Rs. 838.441 million	16.562
30.	KS&EW	Non-recovery of service charges from customer Rs. 337.607 million	76.758
31.	KS&EW	Non-recovery of outstanding dues from different clients Rs. 526.646 million	410.000
32.	NIPD&MC	Non-recovery from investors Rs. 1,107.635 million	818.050
33.	PNSC	Non-recovery of dues Rs. 4,393,793 million	1,021.820
34.	EPZA	Non-recovery of outstanding dues Rs. 79.685 million	9.500
35.	GPA	Non-recovery of outstanding dues from various tenants Rs.4.790 million	4.790
36.	KS&EW	Non-recovery of services charges Rs. 1,734.331 million	23.350
37.	SLIC	Non-recovery of outstanding rent from various tenants Rs. 236.83 million	21.052
38.	ZTBL	Non-recovery of loans decided / decreed by courts in favor of bank - Rs 69.449 million (5.6.4.2 – 2021-22)	15.926
39.	ZTBL	Loss due to misplacing of loan files – Rs 15.131 million (5.6.4.3 – 2021-22)	1.645
40.	ZTBL	Loss to the bank due to certain irregularities committed in ZTBL branch - Rs 34.050 million (5.6.4.7 – 2021-22)	0.685
41.	ZTBL	Loss due to irregular entertainment of loan cases by the MCO for himself and his family - Rs 5.179 million (5.6.4.14 – 2021-22)	4.475
42.	ZTBL	Loss due to misplacing of loan case files – Rs 25.009 million (5.6.4.15 – 2021-22)	2.747
		Ministry of Energy (Power Division)	
43.	NESPAK	Non-recovery of retention money from clients since long - Rs 199.92 million (6.1.4.7 – 2021-22)	37.099
44.	NESPAK	Loss due to non-recovery of disputed receivables - Rs 1,077.022 million (6.1.4.12 – 2021-22)	25.344
		Ministry of Industries & Production	
45.	PASDEC	Loss due to non-recovery of rent of machinery from contractor -Rs 12.712 million and non-imposition of penalty on contractor -Rs 1.271 million (9.6.4.5 - 2022-23)	12.713

		Ministry of Planning, Development & Special Initiatives	
46.	NLC	Irregular purchase of old tyres - Rs 50.76 million (16.1.4.8 - 2018-19)	20.760
			37,860.761

Annex-5

	Loss due to prolonged grounding of aircrafts - Rs.21,817.772 million							
							(Rs in million)	
	REG#	Status	Check	Planned	Actual	Delay	Avg. Daily Revenue	Total revenue
				Date Out	Date Out	Days		PKR
1	BMG	Own	3C+MIC	18-Dec-21	14-Aug-22	239	19.990	4,777.61
2	BGK	Own	3C+MIC	25-Aug-22	12-Mar-23	199	19.990	3,978.01
3	BMG	Own	A6	5-Aug-22	15-Oct-22	71	19.990	1,419.29
4	BHV	Own	A6	4-Nov-22	15-Dec-22	46	19.990	919.54
5	BGK	Own	A6	6-May-22	19-Jun-22	44	19.990	879.56
	TOTAL							**11,974.01**

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	15,060.84	557,251.08
3	BLB	A-320-Leased	C2+MIC	16/Dec/22	28/Jan/23	43	4,500	5,413.59	9,913.59	426,284.37
	Total					**732**			**30,240.53**	**4,417,032.65**
Total-PKR(@ Rs 204.5654)										**903,572,205.86**

Annex-6

Non-recovery of various outstanding dues - Rs.10,260.084 million		
Non-recovery from Airlines-Rs.102.393 million		
S. No.	**Airlines**	**Receivable Amount in Rs.**
1	Philippines Airlines Cargo	8,934,832
2	United Airlines Cargo	7,831,860
3	Ethiopian Cargo	15,048,914
4	China Southern Cargo	454,744
5	Kenya Airways Cargo	1,662,140
6	British Airway Cargo	59,083,066
7	Egypt Air Cargo	6,347,108
8	Saudia Cargo	1,533,210
9	Iceland Air Cargo	190,757
10	Tap Cargo	399,513
11	Air Canada Cargo	38,490
12	Air China Cargo	599,640
13	Malaysian Cargo	25,679
14	Sir Lankan Cargo	217,871
15	Swiss Cargo	25,415
	Total	**102,393,239**

Non-billing of GHS from Air China-Rs.149.834 million					
S#	**Period**	**Total number of aircrafts ground handled (A-330)**	**Handling charges per aircraft in USD to be collected from AC**	**Charges in USD**	**Total Charges in PKR (Conversion Rate Rs. 305/= per USD not billed by the cargo complex**
1	17-01-2020 to 04-04-2021	69	2,420	166,980	50,928,900
2	21-04-2021 to 05-04-2022	41	2,420	99,220	30,262,100
3	12-04-2022 to 25-04-2023	54	2,420	130,680	39,857,400
4	02-05-2023 to 22-08-2023	39	2,420	94,380	28,785,900
				Total	**149,834,300**

Annex-7

Un-reconciled balances with customers and banks – Rs.6,335.920 million				
				Amount in Rs
S#	**Description**	**As per PIAC**	**As per PSO**	**Difference**
1	Principal Balance	9,630,730,849	13,616,915,024	3,986,184,175
2	Late Payment Interest	10,159,866,184	12,432,672,502	2,272,806,319
	Total	**19,790,597,033**	**26,049,587,526**	**6,258,990,494**

Bank Nam	Account No	Cu	Adjusted Bank E	Total Ledger Bal	Difference
BoP-DHA-K	6010003861800050	PKR	213,995,809.71	221,267,242.05	-7,271,432.34
UBL-Corpor	52567033696	PKR	0	681,701.40	-681,701.40
AL-Baraka	PK08AIIN000010224	PKR	144,994,865.28	145,059,181.98	-64,316.70
Askari Bank	PK95ASCM0000150	PKR	502,103,363.92	502,121,513.29	-18,149.37
BoP-DHA K	6010003861800020	PKR	7,093,803.74	7,096,038.37	-2,234.63
SCB-London	1266994301	GBP	313,619.47	314,144.33	-524.86
Faysal Bank	1102143577138	PKR	565,401,901.95	565,402,303.13	-401.18
UBL-Bur Du	200285984	SAR	2.78	91.8	-89.02
UBL-Karach	52512000197	PKR	103,401.16	103,455.12	-53.96
Credit Card	0001-019551-002	GBP	0	32.1	-32.1
SCB-London	1266994351	USD	7,709,152.56	7,709,153.02	-0.46
NBP-Karach	4099092394	PKR	4,588,202.46	4,588,202.65	-0.19
UBL-Bur Du	200286178	SAR	71.96	72.02	-0.06
Citi-New Yo	30610686	USD	0	0.01	-0.01
Bank Islam	109200079000136	PKR	3,174,640.01	3,174,640.01	0
JS-Bank-KH	1966066	PKR	870,147.11	870,147.11	0
MCB-PKR-P	PK22MUCB1428863	PKR	1,357,827.70	1,357,827.70	0
Habib Allie	10389501	USD	2,424.98	2,424.98	0
Mashreq-D	19000020779	USD	46,511.41	46,511.41	0
Citi-London	11632353	AED	19,691.76	19,691.73	0.03
HBL-CSC Pl	0048-00171801-03	PKR	7,402,055.90	7,402,055.86	0.04
Mashreq-D	19000023092	USD	66.87	66.82	0.05
Citi-Karach	300041035	PKR	1,593,000.00	1,592,999.73	0.27
Citi-London	17765886	USD	0	-0.31	0.31
Emirates N	71436802	AED	1,221,595.70	1,221,588.38	7.32
Credit Card	0001-019551-003	EUR	22,574.76	22,531.67	43.09
SCB-London	1266994350	USD	28,859.40	28,326.45	532.95
SCB-Karach	1111357701	PKR	472,134.09	470,787.09	1,347.00
Soneri Bank	24902013310938	PKR	3,613,711.42	3,610,973.35	2,738.07
JS BANK LT	926621	PKR	100,406,634.95	100,401,162.68	5,472.27
Bank Islam	109200079000001	PKR	575,346.40	518,670.62	56,675.78
Citi-London	11632671	USD	-106,745.24	-206,769.66	100,024.42
NBP-Chapp	6045426113	PKR	-528,331,867.16	-528,449,309.68	117,442.52
BoP-DHA K	6010003861800040	PKR	8,665,725.65	1,396,896.75	7,268,828.90
Habib Allie	10389515	EUR	219,270.01	-94,589,028.90	94,808,298.91
TOTAL					**94,322,475.65**

Annex-8

Revenue loss due to flights flown with zero load factors - Rs.1,680.744 million					
S. No.	**Months**	**Numbers of Flight flown in the month**	**Numbers of Flight Flown with Zero Load Factor**	**Percentage of Zero Load factor flight against the Total Flight Flown in the month**	**Pay load Available in Kg.**
1	January, 2022	650	223	34%	1,144,000
2	June, 2022	569	145	26%	662,500
3	July, 2022	711	229	32%	1,029,200
4	August, 2022	702	212	30%	1,130,500
5	December, 2022	762	208	27%	1,215,500
				Total	**5,181,700**

S. No.	Months	Numbers of Flight Flown with less than 50% Load Factor	Total Payload available (PLU) in KG	Total Sold out space as against the PLU	Unsold cargo space in Kg.	Reference
1	January, 2022	133	258,500	51,658	206,842	Annex-B
2	June, 2022	101	533,000	139,718	393,282	-do-
3	July, 2022	148	978,000	192,385	785,615	-do-
4	August, 2022	101	746,000	151,146	594,854	-do-
5	December, 2022	162	1,243,500	207,037	1,036,463	-do-
				Total utilized cargo space	**3,017,056**	
Cargo Revenue Loss due to less than 50% cargo space utilized (PLA in kg. = 3,017,056 * 1 USD per kg @ 205/ =) Rs. 618,496,480/=						

Annex-9

Non-receipt & in-ordinate delay in aircraft engines, auxiliary power units & aircraft parts– Rs.1,205.986 million

Non-receipt of Aircraft Engines and Auxiliary Power units – Rs.705.986 million

S/N	RO DATE	VENDOR NAME	PART NUMBER	SERIAL NO.	AIRCRAFT	NED / LEA	Awaiting Return Since	Capital cost
1	20190522	GE A/C ENGINE(KB098)	GE90-94B	900-406	B777	LEASED	51 months	27,50,000
2	20190917	AIR FRANCE IND.	CFM56/5B4/P	575-819	A320	LEASED	47	10,000,000.00
3	20190917	AIR FRANCE IND.	CFM56/5B4/P	575-794	A320	LEASED	47	10,000,000.00
4	20200127	GE A/C ENGINE(KB098)	GE90-94BG12	900-464	B777	LEASED	46	27,500,000.00
5	20200225	PRT&WHITNEYCANADA	PW127M	PCE-ED0480	ATR	LEASED	43	1,000,000.00
6	20210623	GE ENGINE SERVICES	CFM56-5B6/P	577781	A320	LEASED	26	10,000,000.00
7	20220614	GE A/C ENGINE(KB098)	GE90-94B	900-471	B777	LEASED	14	27,500,000.00
	Total-US $							**86,000,000.00**
	Total-US PKR	**(113.5*226.75)**						**25,736,125,000**

Auxiliary Power Units-A-320

S/N	REPAIR ORDERS	RO DATE	VENDOR NAME	PART NUMBER	SERIAL NO.	STATUS	COST(Est)
1	202209036	20220912	TURBINEAERO REPAIR L	3800708-1	P-3002	OWNED	$1,000,000
2	202209037	20220912	TURBINEAERO REPAIR L	3800708-1	P-3128	OWNED	$1,000,000
3	202209039	20220912	TURBINEAERO REPAIR L	3800708-1	P-4473	LEASED	$1,000,000
	Total in US$						**3,000,000**
	Total in pkr(@ Rs 226.75)						**680,250,000.00**

Aging reports **Rs in million**

S#	Description	Past due		Total
		1-3 years	Above 03 years	
01	Outstanding PAX Sale	2,351.60	4,423.12	6,774.72
02	Cargo Sale	295.85	402.29	698.14
03	PEC receivables	218.40	618.26	836.66
04	PM General Receivable	30.45	24.79	55.24
05	Others	86.18	46.62	132.80
06	Government-Ministry of foreign affairs	Outstanding dues includes pending since last three (03) years or more.		550.490
07	BSA-Cargo	Outstanding dues includes pending since last three (03) years or more.		734.270
08	Speedex	Outstanding since 2020		157.990
09	M/o Religious Affairs	Outstanding since 2010-2022		166.680
10	M/s Oasis Travels	Penalty recoverable since 2020		3.260
11.	Air China	Non-billing of ground handling charges.		149.834
	Total			**10,260.084**
	(Source: General Ledger & Trial Balance of PIAC)			

Annex-10

Irregular procurement of medicines - Rs.268.853 million				
S#	**Name of Distributor/Supplier**	**Technical marks obtained as per documented**	**PIA technical committee awarded marks**	**Audit Remarks/observation**
1.	M/s. Khyber Optical & Dental Clinic	20	60	Supplier was not even registered with Ministry as Drug Supplier and also was supplier of foreign items without certification of the same.
2.	M/s. Pioneer Distributors	40	80	The supplier registered as whole sale during 2020 but management gave marks upto 10 years registration.
3.	M/s. Crystal agencies	35	70	The supplier did not provide financial capability as well as experience and even submitted the blank documents but awarded contract to supply the same.
4.	M/s. Askari Pharmacy	40	70	The supplier submitted blank tender documents even did not signed the proforma of evaluation but the contract was awarded
5.	M/s. Jawed Trader, M/s. Wazir Trader, M/s. Hussain Trader	35	70	All the supplier were not even registered were newly registered as wholeseller and but contracts for supply of medicines were awarded.
6.	M/s. Shadani Enterprises, M/s. Rabka Enterprises, M/s.INI Enterprises	40	65	All the supplier were not experienced as required by the contract and even newly registered whole seller.

Section-A	All prospective bidders are required to have a valid drugs manufacturing license from Drug Regulatory Authority of Pakistan while agents shall provide valid Drug Sale License.		Mandatory
Section-B	Experience/Setup		
Serial No.	**Particulars**	**Max. Marks**	**Marks Obtained**
B-1	Length of registration of company from Ministry of Health	10	
	1-10 years (1 mark for each year)	1-10	
B-2	Contacts with other Public Sector Organization: 10 or more years. 05 to 09 years 04 to 08 years No contract	 15 10 05 0	
B-3	No. of Qualified Pharmacist (D.Pharm/B.Pharm) Greater than or equal 10 Between 5 and 10 Below 5	 15 10 05	
B-4	Quality Certification: ISO certification Goods Manufacturing Certification (GMP) from Ministry of Health	 10 15	
B-5	Financial Standing (Annual Turnover of Bidder): 100 million or above Between 50 million and 75 million Less than 50 million	 15 10 05	

- For distributors/suppliers, Technical Evaluation of parent manufacturing company will be done.
- Technical Qualifying Marks =48 out of 80

Evaluation Weightage: Technical=40%, Financial=60%.

Annex-11

Loss due to imposition of immigration fines / penalties - Rs.33.947 million					
S #	**Transaction Number**	**Line Description**	**Party name**	**Debit**	**Credit**
1	1302202200	inad passenger immigration fine at doha	Mr. Ejaz ibrahim wahab	485487	
2	2402202200	fine paid to immrigation due inad paxs. of pk flights	Mr. Ejaz ibrahim wahab	291292	
3	IMMIG-FINE	immigration fine	Director immigratio n kaia	3301207	
4	PROV/DXB/FEB/2022/DC A-FINE	prov/dxb/feb/2022/dca-fine	Dubai airport income	86611	
5	220185500	inadmissible passengers /immigration fines-dxb-dec-2021	Dubai airport income	940786	
6	1002202200	inad fine paid immigration	Mr. Ejaz ibrahim wahab	780085	
7	251563300	dcr 2006 flat charge, pax imran khan ,pk 701-13apr2019	Accounting officer home office	52580	
8	MN2/5241490	immigration fine-mn2/5241490	Accounting officer home office	474720	
9	MN2/5233800	immigration fine-mn2/5233800	Accounting officer home office	474720	
10	MN2/5243969	immigration fine-mn2/5243969	Accounting officer home office	474720	
11	TN3/5250228	tn3/5250228 mariam imran	Accounting officer home office	474720	

12	TN3/5154956	maham khalid tn3/5154956	Accounting officer home office	474720	
13	PROV/DXB/FEB/2022/DCA-FINE	prov/dxb/feb/2022/dca-fine	Dubai airport income		86611
14	220347300	inadmissible passengers /immigration fines-dxb-jan-2022	Dubai airport income	2379365	
15	254955800	muhammad azeem abbas dcr 2006 flat charge	Accounting officer home office	118091	
16	220507800	inadmissible passengers /immigration fines-dxb-feb-2022	Dubai airport income	734776	
17	IMMIG-FINE.	immigration fine	Director immigration kaia	3628128	
18	IMMIG-FINE	immigration fine	Director immigration kaia		3301207
19	2209171-2211151	inadmissible passengers /immigration fines-dxb-jun-2022	Dubai airport income	830461	
20	2209171-2211151	inadmissible passengers /immigration fines-dxb-may-2022	Dubai airport income	1569089	
21	IMMIGRATION FINES	immigration fines	Director immigration kaia	565252	
22	PROV/DXB/SEP/2022/DCA-FINE	prov/dxb/sep/2022/dca-fine	Dubai airport income	2179104	
23	PROV/DXB/SEP/2022/DCA-FINE	prov/dxb/sep/2022/dca-fine	Dubai airport income		2179104
24	220914500	inadmissible passengers /immigration fines-dxb- apr-2022	Dubai airport income	2018170	
25	PROV/DXB/OCT/2022/DCA-FINE	prov/dxb/oct/2022/dca-fine	Dubai airport income	2379356	
26	221412200	inadmissible passengers /immigration fines-dxb- jul	Dubai airport income	2590881	
27	IMMIG-FINES	immigration fine payment already recovered from pax	Director immigration kaia	29429	

28	PROV/DXB/OCT/2022/DCA-FINE	PROV/DXB/OCT/2022/DCA-FINE	Dubai airport income		2379356
29	PROV/DXB/NOV/2022/DCA-FINE	prov/dxb/nov/2022/dca-fine	Dubai airport income	6555870	
30	FIN/OASIS/GROUP/20062022-A	inad charges - jagirani abdul rahim 214-5371724881	Oasis travels (pvt) ltd		47298
31	FIN/OASIS/GROUP/20062022-A	inad charges - muhammad sabir bashir ahmed 2142126779869	Oasis travels (pvt) ltd		27847
32	FIN/OASIS/GROUP/20062022-A	inad charges - allah bakhsh 214-9048207327	Oasis travels (pvt) ltd		24768
33	FIN/OASIS/GROUP/20062022-A	inad charges - ghulam jan mubarak 214-9048163435	Oasis travels (pvt) ltd		22217
34	FIN/OASIS/GROUP/20062022-A	inad charges - ahmed shafiq tkt 214-2126308464	Oasis travels (pvt) ltd		17179
35	P-66362/01	denied boarding expenses pk9702/03aug22 hotel & transport provided	Mr. Mohammad farooq	57651	
Total				**33,947,271**	**8,085,587**

Annex-12

Unjustified payment of incentives to cargo agents - Rs.22.956 million								
Agent: DAMCO			**Incremental Sales in Rs. (a-b)**	**% Incr.**	**Agent: Inter Fret Consolidator**		**Incremental Sales in Rs. (c-d)**	**% Incr.**
Months	**Sales first Qtr 2022 in Rs. a**	**Sales first Qtr 2023 in Rs. b**			**Sales first Qtr 2022 in Rs. c**	**Sales first Qtr 2023 in Rs. d**		
Jan 1-15	0	11,406,060.35	11,406,060.35	100%	3,094,246.37	11,085,844.07	7,991,597.70	72%
Jan 16-31	383,408.11	12,470,891.79	12,087,483.24	96.93%	2,048,673.79	10,297,108.37	8,248,434.58	80%
Feb 1-15	0	11,668,213.74	11,668,213.74	100%	565,367.82	14,539,043.47	13,973,675.65	96%
Feb 16-28	0	10,422,917.72	10,422,917.72	100%	1,075,088.96	11,535,030.12	10,459,941.16	91%
Mar 1-15	0	6,634,719.65	6,634,719.65	100%	2,390,159.64	13,062,211.04	10,672,051.40	82%
Mar 16-31	835,660.89	11,015,980.83	10,180,319.94	92.41%	2,408,510.71	16,204,571.73	13,796,061.02	85%
Total	**1,219,069**	**63,618,784.08**	**62,399,714.64**		**11,582,047.29**	**76,723,808.8**	**65,141,761.51**	
Incentive in %			3%				3%	
Incentive			**1,954,253**				**1,871,991**	
Total incentives paid to the agents of Rs. 3,826,244/= at Cargo Sales Karachi Station								
Approximately first quarter sales 2023 average incentive payment of 6 stations i.e. Lahore, Islamabad, Multan, Faisalabad, Sialkot &Multan was about to Rs. 22.956 million = (Rs. 3.826 * 6 = Rs. 22.956 million)								

Whereby, the cargo incentive scheme based on 03 tiers and terms and conditions are below;

Proposed incentive 2023 based on additional productivity against 2022 Revenue		
Incentive based on Quarterly Revenue		
Tires	**Agent's Target Based On**	**PKR Revenue Incentive**
1	10% of incremental revenue	1.00%
2	20% of Incremental revenue	2.00%
3	30% of Incremental revenue	3.00%

Annex-13

Loss of revenue due to short collection of cargo rate – Rs.6.382 million								
Loss of revenue due to short collection of cargo rate – Rs.25.520 million								
Date	**Flight**	**Dest**	**Avg. rate USD/kg**	**difference per kg against fixed rate i.e. 6.5 per kg**	**Revenue loss in USD**	**Revenue Loss due to short collection of cargo rate**	**Load Factor %**	**Revenue approx. USD**
5-Jun	**783**	**YYZ**	**6.35**	**0.15**	**1378.05**	**272302.68**	**100**	**59,134**
7-Jun	**783**	**YYZ**	**6.43**	**0.07**	**709.65**	**140226.84**	**100**	**69,952**
12-Jun	**783**	**YYZ**	**6.44**	**0.06**	**569.10**	**112454.16**	**100**	**66,504**
14-Jun	**783**	**YYZ**	**6.47**	**0.03**	**294.90**	**58272.24**	**100**	**76,184**
19-Jun	**783**	**YYZ**	**6.47**	**0.03**	**355.65**	**70276.44**	**100**	**92,048**
21-Jun	**783**	**YYZ**	**6.49**	**0.01**	**153.45**	**30321.72**	**100**	**90,054**
26-Jun	**783**	**YYZ**	**6.42**	**0.08**	**1125.60**	**222418.56**	**100**	**89,608**
28-Jun	**783**	**YYZ**	**6.45**	**0.05**	**678.75**	**134121.00**	**100**	**89,931**
5-Jul	**783**	**YYZ**	**6.44**	**0.06**	**921.75**	**188562.40**	**100**	**98,983**
10-Jul	**783**	**YYZ**	**6.43**	**0.07**	**543.30**	**111142.88**	**100**	**48,057**
17-Jul	**783**	**YYZ**	**6.48**	**0.02**	**228.75**	**46795.39**	**100**	**70,621**
19-Jul	**783**	**YYZ**	**6.50**	**0.00**	**47.10**	**9635.25**	**100**	**62,216**
24-Jul	**783**	**YYZ**	**6.43**	**0.07**	**857.25**	**175367.63**	**100**	**78,800**
31-Jul	**783**	**YYZ**	**6.44**	**0.06**	**685.05**	**140140.68**	**100**	**72,485**
2-Aug	**783**	**YYZ**	**6.42**	**0.08**	**550.05**	**130999.91**	**100**	**46,685**
7-Aug	**783**	**YYZ**	**6.43**	**0.07**	**506.10**	**120532.78**	**100**	**47,880**
9-Aug	**783**	**YYZ**	**6.48**	**0.02**	**104.25**	**24828.18**	**76**	**29,471**
14-Aug	**783**	**YYZ**	**6.44**	**0.06**	**426.75**	**101634.78**	**100**	**42,408**
16-Aug	**783**	**YYZ**	**6.43**	**0.07**	**659.55**	**157078.43**	**100**	**61,818**
21-Aug	**783**	**YYZ**	**6.44**	**0.06**	**318.90**	**75949.22**	**89**	**34,300**
23-Aug	**783**	**YYZ**	**6.46**	**0.04**	**155.85**	**37117.24**	**100**	**27,528**
28-Aug	**783**	**YYZ**	**6.39**	**0.11**	**522.30**	**124390.97**	**76**	**29,066**
30-Aug	**783**	**YYZ**	**6.38**	**0.12**	**635.40**	**151326.86**	**89**	**33,919**
					12,427.50	**2,635,896.23**		1,417,654
18-Jul	**797**	**YYZ**	**6.47**	**0.03**	**133.50**	**27310.09**	**69**	**26,582**
21-Jul	**789**	**YYZ**	**6.47**	**0.03**	**254.25**	**52011.92**	**100**	**59,708**
25-Jul	**797**	**YYZ**	**6.40**	**0.10**	**462.90**	**94695.45**	**77**	**29,671**
28-Jul	**789**	**YYZ**	**6.49**	**0.01**	**96.15**	**19669.41**	**100**	**49,050**
1-Aug	**797**	**YYZ**	**6.37**	**0.13**	**994.50**	**236850.12**	**100**	**47,236**
4-Aug	**789**	**YYZ**	**6.35**	**0.15**	**1538.55**	**366421.07**	**100**	**65,132**

8-Aug	**797**	**YYZ**	**6.42**	**0.08**	**492.15**	**117210.44**	**100**	**41,504**
15-Aug	**797**	**YYZ**	**6.39**	**0.11**	**514.95**	**122640.49**	**75**	**28,820**
18-Aug	**789**	**YYZ**	**6.42**	**0.08**	**537.30**	**127963.37**	**100**	**44,716**
22-Aug	**797**	**YYZ**	**6.35**	**0.15**	**766.80**	**182621.09**	**85**	**32,461**
29-Aug	**797**	**YYZ**	**6.35**	**0.15**	**989.25**	**235599.78**	**100**	**41,878**
					13989.60	**3,022,882.13**		1,091,280
3-Jun	**781**	**YYZ**	**6.43**	**0.07**	**521.10**	**102969.36**	**100**	**44,914**
10-Jun	**781**	**YYZ**	**6.48**	**0.02**	**83.85**	**16568.76**	**100**	**35,790**
24-Jun	**781**	**YYZ**	**6.46**	**0.04**	**242.70**	**47957.52**	**100**	**40,506**
1-Jul	**781**	**YYZ**	**6.44**	**0.06**	**687.00**	**140539.59**	**100**	**71,710**
8-Jul	**781**	**YYZ**	**6.48**	**0.02**	**207.90**	**42530.10**	**100**	**61,737**
15-Jul	**781**	**YYZ**	**6.40**	**0.10**	**303.15**	**62015.40**	**52**	**19,931**
29-Jul	**781**	**YYZ**	**6.39**	**0.11**	**414.15**	**84722.67**	**65**	**25,124**
5-Aug	**781**	**YYZ**	**6.48**	**0.02**	**111.15**	**26471.48**	**76**	**29,665**
12-Aug	**781**	**YYZ**	**6.35**	**0.15**	**440.55**	**104921.39**	**49**	**18,650**
19-Aug	**781**	**YYZ**	**6.35**	**0.15**	**473.55**	**112780.67**	**53**	**20,047**
26-Aug	**781**	**YYZ**	**6.35**	**0.15**	**669.15**		**74**	**28,327**
					3633.15	**638,507.57**		351,488
17-Jun	**781**	**YYZ**	**6.41**	**0.09**	**432.90**	**85541.04**	**100**	**32,301**
					432.90	**85,541.04**		32,301

Annex-14

Loss on procurement of crockery items - Rs.3.411 million						
Description	**Qty**	**Rate Rs.**	**Total Amount**	**Rate Rs.**	**Total Amount**	**Difference**
TEA CUP - ABS (Rotable Crockery)	84000	30.30	2,545,200	25.50	2,142,000	403,200
	36000	35.45	1,276,236	29.835	1,074,060	202,176
		Total	**3,821,436**		**3,216,060**	**605,376**
Description	**Qty**	**Rate Rs.**	**Total Amount**	**Rate Rs.**	**Total Amount**	**Difference**
SALAD BOWL ABS (Rotable Crockery)	168,000	30.50	5,124,000	24.60	4,132,800	991,200
	72,000	35.68	2,569,320	28.78	2,072,160	497,160
	Total		**7,693,320**		**6,204,960**	**1,488,360**
Description	**Qty**	**Rate Rs.**	**Total Amount**	**Rate Rs.**	**Total Amount**	**Difference**
Snack Plate	84,000	47.85	4,019,400	37.60	3,158,400	861,000
	36,000	55.98	2,015,442	43.290	1,558,440	457,002
	Total		**6,034,842**		**4,716,840**	**1,318,002**

Annex-15

Expenditure without approval of the Board - Rs.625.034 million

			(Rs in million)
Description	**2020**	**2021**	**2022**
	Rs	**Rs**	**Rs**
Misc expense	224,667	396,269	384,338
License Fees	-	-	166,800
PPRA Fees	-	-	230,000
Food Cost	16,823,822	20,158,150	27,495,151
perquisites expense	5,203,396	1,487,227	4,184,023
Salaries	31,700	191,520	104,000
Salaries & wages exp	59,287,408	62,184,586	82,733,152
Staff Medical	136,412	3,060	1,366
Staff Conveyance	172,357	64,488	42,754
Staff Group Insurance	297,316	736	142,951
Staff EOBI	1,166,720	1,111,890	1,987,310
Staff SESSI	1,743,903	1,480,361	3,190,176
Staff Education Cess	25,200	850	38,400
Staff Uniforms	3,900	-	-
Festival Allowance	7,827,949	533,488	-
Staff Gratuity	6,104,129	28,882,846	5,400,000
Leave Fare Assistance	430,302	-	52,000
Staff welfare	40,750	78,000	52,000
Heat, Light and Power	38,631,507	35,891,375	43,862,767
Replacement	3,720,931	3,424,861	2,568,878
Food and Beverage	1,728,779	1,462,517	1,609,530
Rooms Expenses	1,010,000	912,268	871,820
Repair &Maintenance	7,376,861	20,230,345	9,708,037
Laundry	1,502,912	1,515,619	1,525,155
Marketing Expenses	-	7,800	65,800
Lease Rent – CAA	14,382,000	20,304,000	20,304,000
Property Tax	3,414,624	2,020,216	2,614,976
Advertising & Entertainment	460,264	2,405,250	862,340
Telephone	372,328	343,900	503,882
Legal & Professional	1,424,625	4,498,731	4,352,835
Transportation	4,263,620	3,601,528	3,975,093
Auditors	394,672	-	553,700

Remuneration			
Insurance Expenses	-	-	176,314
Printing & Stationery	922,814	1,846,788	1,262,738
Admin and General	1,779,887	1,612,141	2,521,077
Bank Charges	109,206	326,463	522,292
Security Expenses	2,479,235	35,000	462,355
TOTAL AMOUNT	**183,494,196**	**217,012,273**	**224,528,010**
Grand Total			**625.034**

Annex-16

Loss of revenue due to vacant rooms - Rs.245.639 million

Total Rooms = 310

Total Beds = 538

							(Rs in million)
Month	**Total Days**	**Available Rooms (Total Days * 310)**	**Rooms Occupancy %**	**Rooms booked**	**Vacant Diff Rooms**	**Average Rate of Room**	**Loss**
Jan-2022	31	9610	31%	2970	-6640	2,376	(15,776,945)
Feb-2022	28	8680	30%	2644	-6036	2,988	(18,036,356)
Mar-2022	31	9610	34%	3303	-6307	2,680	(16,904,333)
April -2022	30	9300	25%	2320	-6980	2,266	(15,819,224)
May-2022	31	9610	22%	2078	-7532	2,826	(21,287,717)
June-2022	30	9300	21%	1938	-7362	2,921	(21,502,986)
July-2022	31	9610	23%	2175	-7435	3,104	(23,075,764)
Aug-2022	31	9610	22%	2128	-7482	3,220	(24,091,424)
Sep-2022	30	9300	23%	2185	-7115	2,795	(19,885,229)
Oct-2022	31	9610	22%	2107	-7503	3,270	(24,538,138)
Nov-2022	30	9300	25%	2309	-6991	3,051	(21,331,489)
Dec-2022	31	9610	26%	2467	-7143	3,275	(23,390,287)
Total Rooms		**113,150**		**28,624**	**(84,526)**		**(245,639,890)**

Annex-17

Non-recovery from various parties - Rs.75.068 million			
S. No.	A/C ID	Descriptions	**Amount in Rs.**
1	37100	PIAC	8,350,359
2	37150	PIA Others	7,537,544
3	37200	Other Airlines	763,034
4	37250	Other companies	699,272
5	37300	Shops	8,109,340
Total			**25,459,549**

Customers	**Amount**
Finance Manager PIAC –JIAP	2,029,480
Finance Pax Layover (Indian Block)	36,359,106
PIA Cabin Crew	3,354,806
PIA Cockpit Crew	2,307,998
Flight Operation Department	40,800
Manager Flight Services	393,500
CFO PIA	261,016
Deputy Chief Engineer	627,298
DGM, Cockpit Crew Planning and Scheduling	44,000
Food Bill PIAC	1,779,895
Other Parties (Shops)	2,410,928
Total	**49,608,827**

Annex-18

Irregular / un-justified re-tendering of contracts - Rs.33.050 million

S#	Name of bidder/supplier	Description	Date letter of intent	Withdraw dated	Total Cost (Rs)
1	Muzammil Trader Company	Supply of Electronic item	17-06-2022	7-03-2023	1,733,970
2	M/s M.Z Enterprise	Supply of Electronic item	17-06-2022	02-03-2023	640,000
3	M/s Al-Maimoon Trader	Supply of Air Conditioning & Tools item	17-06-2022	3-3-2023	2,620,935
4	M/s Muzammil Trader Company	Supply of Carpenter Item	20-06-2022	07-03-2023	980,380
5	M/s M.Z Enterprise	Supply of Carpenter Item	20-06-2022	02-03-2023	4,491,571
6	M/s M.S Enterprise	Supply of Computer & stationery Item	20-06-2022	03-03-2023	8,656,800
7	M/s M.Z Enterprise	Supply of Computer & stationery Item	17-06-2022	02-03-2023	2,660,193
8	M/s Al-Maimoon Traders	Supply of Carpenter Item	17-06-2022	03-03-2023	1,332,195

9	M/s M.S Enterprises	Supply of Crokery &Mics Item	17-06-2022	03-03-2023	3,733,300
10	M/s M.Z Enterprises	Supply of Crokery & Mics Item	17-06-2022	02-03-2023	6,201,373
				Total	**33,050,717**

Annex-19

Non-obtaining of performance guarantee - Rs. 3.103 million

				(Rs in million)
S #	**Name of bidder**	**Description**	**Evaluated Cost**	**5% Security Deposit**
1	Muzammil Trader Company	Supply of Electronic item	1,733,970	86,698
2	M/s M.Z Enterprise	Supply of Electronic item	4,862,186	243,109
3	M/s Al-MAIMOON Trader	Supply of Air Conditioning & Tools item	2,620,935	131,046
4	M/s Muzammil Trader Company	Supply of Carpenter Item	980,380	49,019
5	M/s M.Z Enterprise	Supply of Carpenter Item	4,491,571	224,578
6	M/s M.S Enterprise	Supply of Carpenter Item	8,656,800	432,840
7	M/s M.Z Enterprise	Supply of Computer & stationery Item	2,660,193	133,009
8	M/s Al-Maimoon Traders	Supply of Computer & stationery Item	1,332,195	66,610
9	M/s M.S Enterprises	Supply of Crokery&Mics Item	3,733,300	186,665
10	M/s M.Z Enterprises	Supply of Crockery & Mics Item	6,201,373	310,068
11	M/s Rohail Enterprises	Supply of Crockery & Mics Item	953,064	47,653
12	M/s Universal Transport Services & Deals	Shuttle Service	5,752,800	287,640
13	M/s Great Professional Service s (Pvt.) Ltd	Room renovation	18,090,660	904,533
	Grand Total Rs		**39,756,581**	**3,103,468**

Annex-20

Non-deduction of tax - Rs.1.755 million

						(Amount in Rs)
S#	**Name of supplier**	**Description**	**Letter of intent**	**Cost**	**Sales tax invoice @17%**	**1/5th sales tax**
1.	M/s Great Professional Service s (Pvt.) Ltd	electronic item	26.11.2021	14,922,549	3,056,426	611,285
2.	M/S Muzammil Trader Company	electronic item	17.06.2022	1,439,195	294,775	58,955
3.	M/S M.Z Enterprises	electronic item	17.06.2022	4,862,186	826,572	165,314
4.	M/S Manoshaal& Brothers	electronic item	17.06.2022	622,500	127,500	25,500
5.	M/S H.M Traders	electronic item	17.06.2022	531,773	108,917	21,783
6	Hashim Distributor	Electric cable	18.01.2022	4,362,228	741,579	148,316
9	M/s quick enterprises	Disposable Item	10.09.2021	3,205,840	544,992	108,998
10	M/s Great Professional Service s (Pvt.) Ltd	Room renovation	23.08.2021	18,090,660	3,075,412	615,082
			Total	**48,036,931**	**8,776,173**	**1,755,233**

Annex-21

Outstanding claims due to delay in submission of survey reports – Rs.27,651.768 million					
In-ordinate delay in completing survey reports - Rs.433.391 million					
S#	**Name of insured**	**Surveyor name**	**Commencement of survey**	**Completion of survey**	**Survey completed in**
01	NBP	M/s. P I C L	16-09-216	22-062017	9 month
02	SLIC	M/s. N&CL & M/s. A S L	04-12-2012 & 27-12-2012	30-08-2017	Almost 5 years
03	PPL	M/s. N& C L &M/s. RAssoc	08-09-2010	09-02-2017	Almost 7 years
Total claim					**56.821**

S #	Name of Insured	Name of Vessel	Date of Loss	2019	2020	2021	2022	Remarks
01	PNSC	M.T Hyderabad	23-12-20	-	38.50	-	-	In process of recovery
02	PNSC	M.T Karachi	17-01-21	-	49.80	-	-	Final survey Report of the claim is pending
03	PNSC	M.T Quetta	09-09-21		37.10			In process
04	PQA	M.T Mohna	05-08-19	2.500	-	-	-	Claim amount is reported by client M/s PQA, but surveyor has not issued/finalized survey report due to client has not provided the information/data required to surveyor
05	PQA	P.B Amber	16-12-20	-	52.29	-	-	
06	PQA	P.B Amber	16-12-21	-	-	13.19	-	
07	PQA	M.T Mohna	10-9-21	-	-	152.41	-	-
08	PQA	P.B Lahoot	17-02-22	-	-	-	18.38	-
	PQA	P.B Heer	02-08-22	-	-	-	2.40	-
	PQA	P.B SASSI	10-11-22	-	-	-	10	-
		Sub-Total		2.500	177.69	165.60	30.78	-
		Grand Total					**376.57**	

Annex-22

Non-recovery of outstanding rent from tenants – Rs.77.438 million		
		(Rs.in million)
S#	**Name of tenants**	**Outstanding Rent**
01	M/s Sindh Education Foundation	3.480
02	M/s Nespak	41.293
03	M/s Zeeruk International (Pvt) Ltd	2.544
04	M/s Federal Tax Ombudsman	3.476
05	M/s Pakistan Software	1.738
06	M/s Universal Services Fund	3.756
07	M/s Information Technology	1.878
08	M/s Population Welfare	3.370
09	M/s Sofstica Solution (Pvt) Ltd	1.643
10	NIC Bungalow No 41/A-2	0.270
	Total	**63.448**

		Amount in AED
S#	**Name of tenants**	**Outstanding Rent**
01	M/s Global Market Access Network	129,324
02	M/s Dun Bradstreet Bureaus ltd	72,804
03	M/s Jupiter Wealth Advisors Ltd	18,342
04	M/s Esyasoft holding Ltd	30,619
	Total	**251,089**
	AED 251,089*Rs.55.742	**Rs.13.990 million**

Annex-23

Irregular award of civil works in piecemeal - Rs.18.454 million			
S #	**Name of Contractor**	**Detail of Contract**	**Value of Contract**
1	Sky Line	Renovation addition work at 2nd floor	1,816,052
2	Sky line	Maintenance of CEO Executive washroom work at 4th floor	146,250
3	Sky line	Additional work of renovation at 2nd floor right wing	499,064
4	Sky line	Repair of executive dining hall and polish of CEO room4th floor	257,400
5	Sky line	Renovation work for change work station wallet fabric at 2nd floor right wing	74,880
6	Sky line	Renovation/ addition work at 2nd floor	2,210,818
		Sub-Total	**5,004,464**
1	AB Services	Excavation and fixing of pipe in Gen room	65,000

2	AB Services	Paint work at sports hall, Gem area 12th floor	168,500
3	AB Services	Providing & Appling chemical polishing on12th floor Gem area	83,620
4	AB Services	Repair of vehicle parking shade on ground floor	262,200
5	AB Services	Repair work of walk way envicrete, flower pot area, main sewerage wall	49,500
6	AB Services	Coloring the frount wall with distemper along with oil paint at main gate of 10 Acre plot	305,000
7	AB Services	Renovation work at wash room at 14th floor	475,000
			1,408,820

Annex-24

Revenue loss by excessive retrocession in foreign insurance companies - Rs. 29,952.780 million (US$ 203.110 million)

Table-1

(Rs. in millions)

Description	Total	2021	2020	2019	2018	2017	2016	2015
G Premium	91,256.56	20,993.56	16,896.00	17,655.00	10,734.00	8,036.00	8,807.00	8,135.00
Net Premium	42,330.33	7,225.62	6,708.83	6,905.15	5,463.58	5,006.37	5,801.84	5,218.94
Retro Premium	48,926.23	13,767.94	10,187.17	10,749.85	5,270.42	3,029.63	3,005.16	2,916.06
Retro Percent	53.6	65.58	60.29	60.88	49.10	37.70	34.12	35.84
Net Claims	24,801.16	3,777.80	3,924.58	4,258.86	2,989.58	3,739.97	3,335.55	2,774.82
Claim Percent of Gross Premium	27.17	17.99	23.22	24.12	27.85	46.54	37.87	34.10
60% of GP	54,753.94	12,596.14	10,137.60	10,593.00	6,440.40	4,821.60	5,284.20	4,881.00
Net saving (60% of GP - claim paid)	**29,952.78**	**8,818.34**	**6,213.02**	**6,334.14**	**3,450.82**	**1,081.63**	**1,948.65**	**2,106.18**
US$	**203.11**	**49.8**	**38.83**	**40.86**	**24.64**	**9.82**	**18.91**	**20.25**

Impact of two segment for the four years from 2018 to 2021 is given as under:

Table-2

(Rs. in millions)

Description(s)	Total	2021		2020		2019		2018	
		Aviation	Engg	Aviation	Engg	Aviation	Engg	Aviation	Engg
Premium	34,151.60	3,093.74	8,729.49	3,093.74	8,729.49	2,011.95	4,891.32	1,036.74	2,565.10
Reinsurance ceded expenses	30,269.24	2,735.58	7,964.17	2,735.58	7,964.17	1,686.55	4,173.10	882.32	2,127.74
Retrocede in terms of %		88%	91%	88%	91%	84%	85%	85%	83%

Annex-25

Non recovery from various parties–Rs.11,845.043 million			
			Rs in million
S#	**Name of Insurance Company**	**Aging-wise**	**Total Amount as on 31.12.22**
1.	Adamjee Insurance Company	1-2 years	1,790.774
2.	Alpha Insurance Company	1-2 years	16.500
3.	Century Insurance Company	3-12 months	88.089
4.	E.F.U. General Insurance Limited	3-12 months	1,142.178
5.	Habib Insurance Company	3-12 months	240.575
6.	Jubilee General Insurance Company	1-2 years	877.649
7.	Premier Insurance Company	1-2 years	384.645
8.	Reliance Ins Company Limited	1-2 years	185.164
9.	Shaheen Insurance Company	1-2 years	18.136
10	Sindh Insurance Limited	1-2 years	67.587
11.	TPL Insurance Limited	1-2 years	152.971
12.	UBL Insurers Limited	Over 03 years	54.455
13	CHUBB Insurance Pakistan Limited	Over 03 years	0.883
14	Commercial Union	Over 03 years	8.338
15.	Norwich Union Fire Ins. Society	Over 03 years	3.462
16.	National Insurance Company Limited	03-12 months	3,515.902
		1-02 years	1,248.745
		2-03 years	141.374
		Over 03 years	416.343
		(Original amount in DP Rs.21,061.17 million) Total	**10,353.77**

		(Rs in million)
S#	**Head of Account**	**Outstanding Amount**
01	Treaty Takaful	361.612
02	Facultative Takaful	154.844
	Total	**516.457**
03	Provision for doubtful debts	(12.821)
	Grand Total	**503.635**

Non recovery of insurance claim from foreign non-resident companies - Rs.721.718 million		
S#	**COMPANIES**	**(Rs. in million)**
1.	AFRO-ASIAN INSURANCE SERVICE LTD	9.393
2.	ALLIANZ DUBAI U.A.E	0.337
3.	AON GROUP LIMITED	170.676
4.	ARAB RE	0.185
5.	ARAB UNION OF DEMASCUS	0.211
6.	ARIG REINSURANCE COMPANY B.S.C	0.011

7.	ASIAN RE.	7.936
8.	ASSICURAZIONI GENERALI (MEO)	0.553
9.	BRAEMAR TECHNICAL SERVICES LTD.	0.258
10.	CARPENTER BOWRING LTD.	1.189
11.	COLOGNE RE	0.380
12.	COOPER GAY (ASIA) PTE LTD	0.072
13.	E.C.O. REINS. POOL	5.038
14.	FAIR AVIATION POOL (MOROCCO)	4.734
15.	GUY CARPENTER	486.902
16.	MISR INS COMPANY LTD	9.427
17.	NASCO KARAOGLAN FRANCE	1.948
18.	SOCIET CENTRAL DE REASS (MOROCO)	13.593
19.	SOCIETE CENTRALE DE REASSURANCE	0.023
20.	SWISS REINSURANCE CO.	2.417
21.	TRUST INTERNATIONAL INS CO E.C	5.393
22.	UNITED INSURANCE BROKERS LTD.	0.825
23.	WIGHAM POLAND	0.217
	TOTAL	**721.718**

Stuck up recovery on account of insurance premium - Rs.265.920 million		
		(Rs. in million)
S#	**Name of Company**	**Total**
1.	Business & Industrial Ins.	20.258
2.	Beema Pakistan	0.954
3.	Continental Insurance Co. Ltd	0.005
4.	Crescent Star Ins. Co.	53.027
5.	Dadabhoy Insurance Co.	4.868
6.	Delta Insurance Co.	28.711
7.	Gulf Insurance Co. Ltd	6.487
8.	Indus Assurance Co.	0.575
9.	National General Ins Co.	11.293
10.	National Security Ins Co.	20.782
11.	Pakistan General Insurance	29.247
12.	Pakistan Guarantee Ins.	0.811
13.	PICIC	75.820

14.	Progressive Ins Co. Ltd	2.301
15.	Raja Insurance Co.	3.681
16.	Standard Ins Co. Ltd	0.301
17.	Streling Insurance Company	5.624
18.	Union Insurance	1.173
	Total	**265.920**

Annex-26

Loss of revenue due to excessive retrocession – Rs.3,540.195 million (US$ 17.700 million)					
S#	**Type of Policy**	**Gross Premium in US$**	**Recovery from NICL in US$**	**Payable to reinsurer M/s. AJG in US$**	**Business retained by PRCL in US$**
1.	Hull all risk	7,316,210.40	6,410,829.36	5,907,839.90	502,989.46
2.	Liabilities	11,151,437.17	9,771,446.82	9,004,785.51	7,66,661.31
3.	Hull War	1,926,393.37	1,688,002.19	1,555,562.64	132,439.55
4.	Hull Deductible	995,428.24	895,882.71	803,805.88	92,076.83
5.	Excess War AVN52E	501,597.91	440,089.46	426,483.62	13,605.84
Total Premium		**21,891,064.07**	**19,206,250.54**	**17,698,477.55**	**1,507,772.99**
6.	Broker	2,500	2,500	2,500	0
Total		**21,893,564.07**	**19,208,750.54**	**17,700,977.55**	**1,507,772.99**

Annex-27

Loss on investment in mutual funds and shares - Rs.399.865 million					
S#	**Description**	**Total number of shares**	**Total Book value (Rs)**	**Total book value as on 31st Dec, 2022 (Rs)**	**Loss due to decrease share price in market-(Rs)**
1.	NIT Units	8,292,733	800,000,000	572,364,466	227,635,534
2.	NBP Stock Fund	20,671,728	400,000,000	323,516,678	76,483,322
3.	HBL Growth Fund	30,406721	284,541,230	197,643,687	86,897,544
4.	HBL investment Fund-Class A	17,246	47,697	40,528	7,169
				Total	**391,023,569**

S #	**Description**	**Total number of shares**	**Total Book value in December, 2021- Rs.**	**Total book value as on 31st December, 2022- Rs.**	**Loss due to decrease in share price in market- Rs.**
1.	NBP	399,266	13,782,662	12,453,107	1,329,556
2.	UBL	250,000	34,145,000	34,097,500	47,500
3.	Attock Cement Limited	69,000	9,588,240	8,729,880	858,360
4.	OGDCL	350,000	30,170,000	29,095,500	1,074,500
5.	PPL	350,000	27,664,000	25,480,000	2,184,000
6.	Aisha Steel Mills Limited	700,000	10,542,000	9,968,000	574,000
7.	Pak Electron Limited	550,000	12,386,000	9,091,500	3,294,500
8.	PTCL	319,500	2,779,650	2,492,100	287,550
				Total	**8,842,366**

Annex-28

Non-recovery of rent from active tenants – Rs.384.730 million							
Non-recovery of rent from active tenants - Rs.240.365 million							
BLDG No.	**TENANT NAME**	**Status**	**O/S Balance OPENING**	**Rent Charged (Pvt.)**	**Total Rcv'able**	**Total Rcvd.**	**O/S Balance CLOSING**
SLB 1	Akhtar Hasan 3rd floor	A	-	2,149,560	2,149,560	1,970,662	178,898
SLB 1	Akhtar Hasan (45KVA)	A	-	627,264	627,264	574,992	52,272
SLB 1	Akhtar Hasan (Pvt)Ltd.New 3rd Floor	A	-	825,984	825,984	757,152	68,832
SLB 1	Bank Alfallah Ltd. (200 KVA)	A	-	263,544	263,544	153,734	109,810
SLB 1	Eximp Ent.	A	26,794	366,009	392,803	366,009	26,794
SLB 1	G & A Corp.	A	112,068	272,832	384,900	362,162	22,738

SLB 1	Islamuddin s/o Peer Muhd.	A	-	84,531	84,531	78,636	5,895
SLB 1	Islamuddin s/o Peer Muhd.	A	-	121,774	121,774	116,904	4,870
SLB 1	Infotech (Pvt) Ltd.	A	869,022	5,462,424	6,331,446	4,965,840	1,365,606
SLB 1	N.C.R. (new)	A	482,440	6,469,120	6,951,560	6,367,872	583,688
SLB 1B	Alpha Insurance Co.Ltd.	A	217,500	2,610,000	2,827,500	2,610,000	217,500
SLB 1A	A.F.Fergusons 3rd floor	A	470,166	6,958,128	7,428,294	6,958,128	470,166
SLB 1A	A.F.Ferguson 1st floor	A	129,154	3,368,844	3,497,998	3,332,112	165,886
SLB 1C	A.F.Ferguson (300 KVA)	A	54,000	595,344	649,344	540,000	109,344
SLB 1C	A.F.Ferguson (100 KVA)	A	26,400	291,060	317,460	264,000	53,460
SLB 1A	A.F.Ferguson (135 KVA)	A	42,000	463,056	505,056	420,000	85,056
SLB 1A	NCR	A	26,678	156,816	183,494	155,610	27,884
SLB 1A	NCR	A	839,614	4,930,809	5,770,423	4,720,609	1,049,814
SLB 1B	Ali Gohar & Co	A	981,792	4,844,988	5,826,780	4,844,988	981,792
SLB 1B	Ali Gohar & Co	A	660,194	5,517,804	6,177,998	5,518,140	659,858
SLB 1B	Bank Alfalah Ltd.	A	-	3,730,320	3,730,320	828,627	2,901,693
SLB 1B	Bank Alfalah Ltd. DG SET 50 KVA	A	118,580	159,720	278,300	-	278,300
SLB 1B	J & S Corp.(Broadway Pizza)	A	299,115	2,392,920	2,692,035	2,392,920	299,115
SLB 1B	Feroze K. Khambhata	A	72,612	1,132,728	1,205,340	1,132,728	72,612
SLB 1B	NCR (150 KVA)	A	-	1,367,472	1,367,472	1,171,333	196,139
SLB 1B	NCR	A	624	146,908	147,532	134,028	13,504
SLB 1B	NCR	A	-	5,741,181	5,741,181	5,330,696	410,485
SLB 1B	Alpha Insurance co (100KVA)	A	4,075,242	330,000	4,405,242	-	4,405,242
SLB 2	I.D.B.P (300 KVA)	A	34,948	1,400,640	1,435,588	1,400,640	34,948
SLB 2	U.Fone (PTML) (500 KVA) NEW	A	-	1,229,844	1,229,844	703,409	526,435
SLB 2	U.Fone (PTML)(ANTENA) 25 KVA	A	589,833	2,272,800	2,862,633	2,624,784	237,849
SLB 2	U.Fone (PTML)	A	2,710,118	20,411,160	23,121,278	20,411,161	2,710,117
SLB 2	Prime Minister (NAVTEC)	A	1,161,721	2,340,000	3,501,721	2,370,000	1,131,721
SLB 2A	SPI Insurance Co.	A	1,108,403	254,100	1,362,503	-	1,362,503
SLB 2A	Femco Associates (Pvt) Ltd.	A	17,636	198,816	216,452	215,384	1,068
SLB 2A	Equity Textile (Pvt)Ltd.	A	371,371	1,241,437	1,612,808	1,408,209	204,599
SLB 2A	Equity Textile (Pvt)Ltd. (DGSET)	A	90,970	339,405	430,375	374,011	56,364
SLB 2A	SPI Insurance Co. 4TH FLOOR	A	660,557	3,709,190	4,369,747	2,906,652	1,463,095
SLB 2A	Saudi Pak Insurance (100kva)	A	-	1,322,192	1,322,192	1,304,740	17,452
SLB 2B	SPI INSURANCE	A	-	518,334	518,334	384,729	133,605
SLB 3	Asif General Store	A	34,080	141,000	175,080	32,724	142,356
SLB 3	Baluchistan Wheels	A	-	6,633,600	6,633,600	5,810,390	823,210
SLB 3	Commercial Court of Sind	A	9,210,802	635,376	9,846,178	-	9,846,178
SLB 3	Sindh Information Comm.Govt. of Sindh	A	924,000	1,680,000	2,604,000	2,557,800	46,200
SLB 3	Civil Service Co-	A	-	1,420,723	1,420,723	1,326,282	94,441

	Opert.Housing Society						
SLB 3	Govt.Of Pak.Intellectual Pro.Tri.Kar.(EPTK)	A	11,875,456	3,964,740	15,840,196	-	15,840,196
SLB 3	Govt.Of Sindh Ser.Gen.Adm.Cord.Dep t EO	A	11,218,136	5,280,000	16,498,136	6,956,401	9,541,735
SLB 3	Sindh Environment Prot.Trib.Kar.	A	3,131,692	3,013,920	6,145,612	2,268,124	3,877,488
SLB 3	Govt.of Sindh Energy Dept.	A	18,063,182	17,718,120	35,781,302	17,202,058	18,579,244
SLB 3	National Comm.of Human Rights	A	1,185,840	2,687,904	3,873,744	2,569,320	1,304,424
SLB 3	Insurance Appellate	A	6,175,560	761,148	6,936,708	-	6,936,708
SLB 3	Masood Aziz	A	871,971	1,072,716	1,944,687	589,992	1,354,695
SLB 3	Masood Aziz new	A	817,564	1,157,172	1,974,736	636,402	1,338,334
SLB 3	Global Business Lynx	A	2,179,774	769,332	2,949,106	760,000	2,189,106
SLB 3	Mian Mushtaq Ahmed	A	126,288	248,160	374,448	322,608	51,840
SLB 3	C.M.Pak Ltd. (DG SET Anttena)	A	376,433	1,052,316	1,428,749	983,921	444,828
SLB 3	Plasticpack New	A	1,544	112,248	113,792	9,354	104,438
SLB 3	Saeed Zuberi	A	-	634,908	634,908	633,966	942
SLB 3	B.B.S.H.R R.D.B. 5th floor	A	4,899,938	10,213,272	15,113,210	8,756,700	6,356,510
SLB 3	B.B.S.H.R R.D.B. 5th floor	A	380,576	1,516,128	1,896,704	1,012,296	884,408
SLB 3	B.B.S.H.R R.D.B. (100KVA)	A	307,000	677,948	984,948	838,536	146,412
SLB 3	Govt.of Sindh Dire.of Sports	A	3,964,417	3,666,612	7,631,029	3,532,875	4,098,154
SLB 3	Dir.Ombudsman (Moht.)Reg.Off.	A	846,955	1,243,236	2,090,191	1,370,675	719,516
SLB 3	Thar Coal & Energy	A	9,791,175	11,171,448	20,962,623	5,500,000	15,462,623
SLB 3	W & A Law Associates	A	173,635	1,229,844	1,403,479	1,127,337	276,142
SLB 4	Ahmed Haji Yousuf	A	79,632	261,837	341,469	325,701	15,768
SLB 4	Aksah Inter.	A	-	2,325,942	2,325,942	2,270,678	55,264
SLB 4	Agrico (Shop#12)	A	70,702	207,876	278,578	225,199	53,379
SLB 4	Agrico (Shop#02)	A	28,496	327,048	355,544	299,794	55,750
SLB 4	Arsalan Enterprises(New)	A	164,435	146,016	310,451	100,000	210,451
SLB 4	AMK International	A	587,070	261,360	848,430	-	848,430
SLB 4	Al Hussaini Mills Store	A	6,314	292,964	299,278	287,436	11,842
SLB 4	Al Madina Trader Shop 8	A	33,000	273,900	306,900	275,000	31,900
SLB 4	M.Anees General Trade	A	260,200	320,328	580,528	355,082	225,446
SLB 4	The Beauty Shop	A	397,250	1,081,476	1,478,726	1,190,123	288,603
SLB 4	Bashir Traders Shop 9	A	575,305	278,700	854,005	554,103	299,902
SLB 4	Bashir Traders SHOP 14 -15	A	797,630	370,692	1,168,322	825,000	343,322
SLB 4	Bashir Traders 2 F 2nd floor	A	1,838	180,048	181,886	54,026	127,860
SLB 4	Bilal Traders godown 2	A	151,893	343,428	495,321	266,369	228,952
SLB 4	Bilal Traders SHOP 7	A	186,503	187,968	374,471	368,263	6,208
SLB 4	Express Logistics Cell	A	671,220	178,992	850,212	-	850,212
SLB 4	Dawood Trader Shop 3	A	82,642	186,672	269,314	223,455	45,859
SLB 4	Dawood Trader Shop 5	A	66,117	166,356	232,473	194,082	38,391
SLB 4	Dawood Trader Shop 4	A	66,117	166,356	232,473	194,082	38,391
SLB 4	Farah Inter.	A	-	2,325,942	2,325,942	2,270,678	55,264

SLB 4	Inc.Tax App. Tribunal 5th	A	4,065,103	3,427,320	7,492,423	1,976,704	5,515,719
SLB 4	Inc.Tax Tribunal(State off) 2nd	A	555,239	163,872	719,111	-	719,111
SLB 4	Machinery Co.	A	740,637	552,708	1,293,345	-	1,293,345
SLB 4	Muneeb Traders(New)	A	208,004	212,088	420,092	212,088	208,004
SLB 4	S.J.Nizamuddin Co. shop 16	A	-	273,424	273,424	271,914	1,510
SLB 4	S.J.Nizamuddin Co. Godw.8	A	2,695	183,624	186,319	182,610	3,709
SLB 4	Soneri Bank Ltd.	A	87,396	930,120	1,017,516	-	1,017,516
SLB 4	S.Qutbuddin Traders	A	71,595	219,504	291,099	181,891	109,208
SLB 4	S.A. & CO.	A	190,923	208,116	399,039	157,304	241,735
SLB 4	Time Business Aids godw. 3	A	146,416	371,760	518,176	426,347	91,829
SLB 4	Banking Tribunal	A	3,332,722	655,200	3,987,922	-	3,987,922
SLB 4	Anti-Corruption Court I & II	A	-	1,021,464	1,021,464	627,301	394,163
SLB 5	Fakir Trust (Indus Hospital)	A	953,114	2,048,039	3,001,153	1,688,672	1,312,481
SLB 5	Hilal Brands (Pvt) Ltd.	A	-	2,607,381	2,607,381	2,381,550	225,831
SLB 5	Monitoring Eval.& Coord.Unit Dept.Of.Sindh	A	310,000	840,000	1,150,000	900,000	250,000
SLB 5	Fair Water Risk 13	A	2,964,932	745,416	3,710,348	102,486	3,607,862
SLB 5	Human Rights Comm. 8	A	761,171	917,065	1,678,236	737,511	940,725
SLB 5	Kunwer Idrees 11	A	532,450	585,768	1,118,218	585,768	532,450
SLB 5	MCB (20 KVA)	A	1,633,500	198,000	1,831,500	-	1,831,500
SLB 5	MCB	A	1,628,995	2,879,460	4,508,455	4,077,243	431,212
SLB 5	S.M.Latif 21	A	4,400	52,800	57,200	52,800	4,400
SLB 5B	NBP	A	174,775	1,031,364	1,206,139	687,568	518,571
SLB 5B	Haroon Rashid	A	280,700	24,000	304,700	-	304,700
SLB 5C	Tariq Ali	A	40,161	90,000	130,161	-	130,161
SLB 5C	Fakhir Hussain	A	3,108	84	3,192	-	3,192
SLB 6	Habib Bank Ltd. F.E	A	1,122,634	4,083,672	5,206,306	3,506,792	1,699,514
SLB 6	Ahsan Corporation	A	-	579,768	579,768	433,751	146,017
SLB 6	China Centre	A	-	1,292,544	1,292,544	1,184,832	107,712
SLB 6	Grant Thornaton	A	123,200	672,000	795,200	784,000	11,200
SLB 6	Taj Cloth Store	A	-	105,408	105,408	-	105,408
SLB 6	Raziq Dad	A	134,975	440,136	575,111	396,952	178,159
SLB 6	Riaz Bakers	A	8,200	492,000	500,200	369,000	131,200
SLB 6	M.Salman	A	199,943	429,360	629,303	521,963	107,340
SLB 6	Madina impex	A	-	66,300	66,300	61,200	5,100
SLB 6	New Ghosia Bedding	A	88,550	212,520	301,070	194,810	106,260
SLB 6	Iqra Enterprises New	A	130,815	229,680	360,495	131,000	229,495
SLB 6	Pak Trader	A	398,222	104,952	503,174	100,000	403,174
SLB 6	Hasan Dari Store	A	158,224	512,930	671,154	291,737	379,417
SLB 6	Madina Dari Store	A	56,859	268,120	324,979	150,040	174,939
SLB 6	Zaib Enter.	A	1,175,238	727,536	1,902,774	586,000	1,316,774
SLB 6	Central Store (New)	A	2,223,000	1,216,800	3,439,800	912,600	2,527,200
SLB 6A	A.S.Engineering	A	154,494	130,944	285,438	30,000	255,438
SLB 6A	Director of National Sav	A	21,942	1,056,276	1,078,218	677,160	401,058
SLB 6A	Director of National Sav	A	936,119	518,292	1,454,411	431,910	1,022,501
SLB 7	Awami Fire & Safety Service (Pvt) Ltd.	A	128,591	181,642	310,233	294,594	15,639
SLB 7	Abid Logistic (Pvt)	A	256,597	508,620	765,217	540,000	225,217

	Ltd.						
SLB 7	Hadi Logistic	A	11,060	297,514	308,574	121,660	186,914
SLB 7	H.F.Corporation Intertrade Sverices Co.	A	-	792,000	792,000	660,000	132,000
SLB 7	Sealion Logistic	A	37,800	336,420	374,220	152,460	221,760
SLB 7	Ideal Cargo Carrier Service	A	-	324,000	324,000	270,000	54,000
SLB 7	Indus Movers (pvt) Ltd	A	288,405	76,908	365,313	-	365,313
SLB 7	Junaid Brothers	A	1,046,713	544,332	1,591,045	1,100,000	491,045
SLB 7	MAM & Co.	A	-	810,216	810,216	405,108	405,108
SLB 7	Reliance International.	A	2,841,644	496,944	3,338,588	-	3,338,588
SLB 7	Rehman Enterprises	A	-	204,000	204,000	93,500	110,500
SLB 7	Sajid Int'l	A	-	265,860	265,860	156,895	108,965
SLB 7	Saas Shipping	A	666,364	386,874	1,053,238	540,000	513,238
SLB 7	Urooba Inter.	A	174,101	326,916	501,017	490,374	10,643
SLB 7	Purbani Traders	A	115,451	152,121	267,572	-	267,572
SLB 8	Raja Tayyab / Cotton Web	A	103,000	72,000	175,000	40,000	135,000
SLB 8	Ghayas & Sons Tailors	A	298,124	302,148	600,272	471,154	129,118
SLB 8	Ghayas & Sons Tailors Grd & Mezz.	A	455,692	333,840	789,532	494,368	295,164
SLB 8	Younus Khan Durani	A	2,036	18,504	20,540	10,000	10,540
SLB 9	Habib Bank	A	607,417	7,944,072	8,551,489	7,944,072	607,417
SLB 9	Habib Bank (22KVA)	A	375,263	405,456	780,719	405,456	375,263
SLB 11	Fed.Ombudsman	A	402,104	1,347,024	1,749,128	880,560	868,568
SLB 11	E.O.Ser.Gen.Adm.& Co.Or.Dep.G.of Sindh.	A	24,311,383	14,792,736	39,104,119	7,986,330	31,117,789
SLB 11	Habib Bank	A	281,022	10,410,720	10,691,742	10,411,080	280,662
SLB 11	MCB Islamic Bank Ltd.(20KVA)	A	638,717	193,260	831,977	-	831,977
SLB 11	Women Devlp.Dept.	A	3,201,912	4,541,328	7,743,240	4,409,056	3,334,184
SLB 11	Social Protection Strategy Unit Chief Minister 5th	A	-	4,916,184	4,916,184	2,384,349	2,531,835
SLB 11	Social Protection Strategy Unit	A	2,555,488	4,154,904	6,710,392	3,858,501	2,851,891
SLB 12	Shandaar Corp.	A	-	698,775	698,775	686,070	12,705
SLB 12	Fahad Electronic 6th New	A	-	1,145,290	1,145,290	1,120,392	24,898
SLB 12	Ashraf Electronics	A	56,802	503,100	559,902	373,744	186,158
49 A QR.	Altaf Ahmed GM Audit (FLAT # 1) (2 BED)	A	569,812	702,000	1,271,812	338,400	933,412
1 B QR.	Israr Mehmood (FLAT # 12) (2 BED)	A	-	475,906	475,906	300,560	175,346
SLB-2.HYD	Al Wasiu Enter.	A	36,034	90,576	126,610	25,000	101,610
SLB-2.HYD	Dogma Security	A	83,576	967,231	1,050,807	800,000	250,807
SLB-2.HYD	Dogma Security	A	48,362	372,492	420,854	100,000	320,854
SLB-2.HYD	Security 2000	A	-	179,634	179,634	153,978	25,656
SLB-2.HYD	S.J.S.M.Education Soc.	A	2,959,694	1,433,964	4,393,658	-	4,393,658
SLB-2.HYD	S.J.S.M.Education Soc.	A	5,255,429	6,031,495	11,286,924	1,000,000	10,286,924
SLB	Pakistan State Oil (50	A	297,395	618,756	916,151	625,759	290,392

3.Hyd	KVA)						
SLB 3.Hyd	Federal Ins.Ombdusman	A	-	662,400	662,400	496,800	165,600
SLB 3.Hyd	ICPA	A	-	1,474,200	1,474,200	1,412,775	61,425
SLB 3.Hyd	H & I Builders	A	925,291	338,016	1,263,307	-	1,263,307
SLB 3.Hyd	Orix Leasing	A	-	6,122,493	6,122,493	5,786,668	335,825
SLB 3.Hyd	Planning & Devol.	A	2,616,581	2,083,728	4,700,309	-	4,700,309
SLB 3.Hyd	SSGC Ltd	A	5,047,963	9,647,880	14,695,843	11,323,670	3,372,173
SLB 3.Hyd	Multinet (50KVA)	A	-	2,079,657	2,079,657	1,826,416	253,241
SLB 3.Hyd	Multinet	A	-	4,516,317	4,516,317	3,286,643	1,229,674
Larkana	Tower Media	A	324,480	648,960	973,440	648,960	324,480
Larkana	Tower Media (30KVA)	A	263,640	527,280	790,920	527,280	263,640
Sukkur	SSGC Ltd	A	378,480	638,064	1,016,544	-	1,016,544
MPKhas	Tower Media	A	280,480	648,960	929,440	648,960	280,480
MPKhas	Tower Media (30KVA)	A	307,640	527,280	834,920	527,280	307,640
	Total	**182 tenants**	**190,902,926**	**316,853,642**	**507,756,568**	**267,390,809**	**240,365,759**

Annex-29

Imprudent investment in shares of companies - Rs.161.042 million							
S	**Name of company**	**Date of Suspension**	**Reason for Suspension**	**No. of shares held**	**Cost of investmen t (Rs)**	**Market value (Rs)**	**Net Diminution (Rs)**
1	Dewan Salman Fiber	20-02-2018	Winding-up petition filed by the creditor(s)	2,109,634	50,834,802	2,911,294	47,923,507
2	Al-abid Silk Mills Ltd.	20-02-2018	Winding-up petition filed by the creditor(s)	236,994	20,431,798	1,237,108	19,194,689
3	Japan Power Generation Ltd.	18-12-2017	SECP has passed order for Winding-up of the company and Hon’ble High Court has passes winding-up order / appointed official liquidator(s)	300,000	3,229,045	795,000	2,434,045
4	Crescent Jute Products Ltd.	18-12-2017	SECP has passed order for Winding-up of the company	203,154	2,071,435	662,282	1,409,153
5	Mohd. Farooq Textile Mills Ltd.	16-10-2017	Winding-up proceedings have been initiated by the Commission	994,947	10,358,571	4,198,676	6,159,895
6	Paramount Spinning Mills Ltd.	12-01-2016	SECP for initiating winding-up proceeding.	576,961	12,520,184	1,569,333	10,950,850
7	Dadabhoy	13-04-2015	SECP for initiating	79,400	580,069	190,560	389,509

	Cement Industries Ltd.		winding-up proceeding.				
8	Gulistan Textile Mills Ltd.	06-01-2014	Official liquidator has been appointed by the Hon'ble High Court of Sindh.	35,010	631,575	560,160	71,415
	Gulistan Spinning Mills Ltd.	-	-	263,326	3,842,687	539,818	3,302,869
9	Pak Leather Crafts Ltd.	11-04-2013	-	167,800	5,206,429	2,057,228	3,149,201
10	Taj Textile Mills Ltd.	01-08-2012	Winding-up petition has been filed in Court.	322,864	6,366,308	255,062	6,111,245
11	Security Leasing Corporation	19-089-2011	-	455,565	2,994,877	1,457,808	1,537,069
12	Quality Steel Works Ltd.	16-08-2010	Appointment of official liquidator	-	-	-	-
13	English Leasing Ltd.	16-08-2010	Winding-up proceedings have been initiated.	480,500	11,613,860	456,475	11,157,385
14	Suraj Ghee Industries Ltd.	16-08-2010	SECP for initiating winding-up proceeding and appointment of official liquidator.	-	-	-	-
15	Usman Textile Mills Ltd.	17-11-2009	Winging-up petition has been filed in Court.	68,481	1,044,719	108,199	936,519
16	First Investec Modaraba	17-11-2009	Winding-up proceedings have been initiated.	12,719	11,447	4,451	6,995
17	Nina Industries Ltd.	26-10-2009	SECP for initiating winding-up proceeding	2,000,000	20,020,300	4,500,000	15,520,300
18	Pakistan Industrial & Commercial Leasing Ltd.	26-10-2009	-	133,686	1,859,151	100,264	1,758,887
20	Zeal Pak Cement Factory Ltd.	13-07-2009	-	142,508	5,402,460	65,553	5,336,906
21	Regal Ceramics Ltd.	18-07-2005	Winding-up proceeding and appointment of official liquidator.	38,300	418,521	137,880	280,641
22	Azmat Textile Mills Ltd.	18-07-2005	appointment of official liquidator	12,100	165,669	114,950	50,719
23	Mohib Export Ltd.	16-07-2001	Winging-up proceedings have been initiated.	77,225	1,438,196	11,583	1,426,612
			Total	**8,711,174**	**161,042,103**	**21,933,684**	**139,108,411**

Annex-30

Recurring loss due to excess deployment of officers/staff- Rs.153.720 million				
Zones	**Designation**	**Approved**	**Existing**	**Excess**
Principal Office Karachi				
G & P (Div. off) PO	Asst. Sup.	2	3	1
G &P Khi zone	Supr.	4	5	1
	SS-III	0	1	1
G & P Lahore	D.G.M.	1	2	1
	Supr.	5	7	2
G & P Rawalpindi	A.G.M	1	5	4
G & P Rawalpindi	Manager	4	6	2
Health Insurance Div	D.M.	6	7	1
	Supr.	0	1	1
	Asst. Supr	0	2	2
R.E.D. KHI	G.M	1	2	1
R.E.D. KHI	A.M	17	19	2
R.E.D. LHR	Manager	1	5	4
R.E.D. ISLB.	A.G.M	1	2	1
R.E.D. ISLB.	Manager	1	4	3
Karachi Central Zone	A.G.M	1	2	1
Karachi South	Supr.	23	24	1
	Asst Supr	29	32	3
Quetta Zone	A.G.M.	1	2	1
Hyderabad Zone	D.M	8	16	8
Mirpurkhas Zone	A.G.M	1	2	1
	D.M	5	9	4
Sukkur	Manager	7	8	1
	D.M	7	17	10
	A.M	9	12	3
Larkana	Manager	5	7	2
	D.M	5	18	13
Benazirabad	D.M	3	5	2
Regional Office Central	D.G.M.	2	5	3
	Manager	0	6	6
	D.M.	2	4	2
	A.M.	4	6	2
	E.O.	0	1	1
Lahore Central	A.M	29	35	2
Lahore Western	A.G.M	6	8	2
	D.M.	9	13	4
	A.M	17	20	3
Gujranwala	D.G.M	0	1	1
	A.G.M	2	3	1

	Manager	12	13	1
	D.M.	6	8	2
Sialkot	A.G.M	1	2	1
Narowal	Manager	5	6	1
	A.M	6	7	1
Jhang	A.G.M	1	3	2
	Manager	5	8	3
	A.M.	6	10	4
Regional Office Multan	D.G.M.	2	3	1
	A.G.M	2	4	2
	Manager	0	3	3
	D.M	2	4	2
Multan Zone	D.M	14	18	4
Sahiwal	A.G.M	2	3	1
	D.M	6	8	2
R.Y.Khan	A.G.M	1	3	2
	D.M	6	10	4
Bahawalpur	D.M	6	8	2
Deraghazi Khan	A.G.M	1	4	3
Vehari	Manager	5	6	1
	D.M	3	6	3
R.O. North	D.G.M.	2	3	1
	A.G.M	2	4	2
	Manager	0	1	1
Rawalpindi	A.G.M	1	2	1
Gujrat	A.G.M	2	3	1
Islamabad	A.G.M	1	5	4
	D.M	6	14	8
	A.M	19	21	2
Jehlum	D.M	3	4	1
Regional Office KPK	A.G.M	2	4	2
	Manager	0	1	1
Abbotabad	Manager	9	12	3
	D.M	7	12	5
	A.M	16	17	1
Kohat	A.M.	6	7	1
			Total	**183**

Annex-31

Non-recovery from various parties - Rs.123.851 million		
S#	**Description**	**Rs.**
1	Health Insurance	4,773,083,435
2	Takaful	11,254,151
3	Karachi	10,185,552
4	Hyderabad	3,113,994
5	Mirpurkhas	3,052,706
6	Larkana	2,469,704
7	Lahore C	1,143,103
8	R_Estate PO	97,831,125
9	R Estate Lahore	21,607,319
10	R Estate Islamabad	96,940,366
9	GRP-PEN	48,029,937
10	Gujranawala	1,854,113
11	Sialkot	5,384,461
12	Sargodh	1,010,321
13	Islamabad	1,288,925
14	Kohat	7,170,116
15	Multan	1,150,592
16	P.O.	200,896,706
Total		**5,287,466,626**

Non-recovery from Re-insurance Company-Rs 46.208 million			
S#	**Policy No.**	**Name of Policy Holder/Claimant**	**Amount Claimed (Rs)**
01	506847623	Late Tanveer Hussain	2,439,824
02	601135169	Late Sehar Shoaib	12,000,000
03	602319573	Ali Zahid	1,420,821
04	613004123	Sadiq Abid Hussain	3,625,000
05	618653387	Bodla Hafiz M.Azhar	2,004,196
06	607583068	Ali Ihsan	3,782,414
07	613218575	Late hamza Asif	4,625,000
08	613232471	Late hamza Asif	2,000,000
09	602382419	Mustafvi M.Ilyas	4,900,000
10	619530289	Hassan Syed Ameer ul	2,625,000
11	603799302	Sabir Fazal Inam	8,203,170
12	619189450	AA Khan M. Sabtain	376,854
13	603362629	Iqbal Javed	1,206,151
Total			**46,208,430**

Annex-32

Non-renting of godowns & non-recovery from tenants – Rs.345.770 million
Non-recovery of dues from godown tenants – Rs.57.657 million

						(Amount in Rs)
S #	**Name of Tenant**	**Godown**	**FBR Tax**	**Sindh Sales Tax**	**Net Rent**	**Total Rent**
1.	A One International	Korangi	98,412	66,844	47,595	212,851
2.	Al-Karam Textile Mills	Landhi	0	9,818,591	0	9,818,591
3.	Bismillah Electronics	Landhi	551,568	0	0	551,568
4.	Chappel Traders	Pipri	298,769	95,516	516,170	910,455
5.	City Pharmaceutical Lab	Korangi	176,786	17,551	258,994	453,331
6.	Clariant Chemical	Landhi	519,287	25,794	627,051	1,172,131
7.	Continental Distributor	Korangi	117,341	(3)	(1)	117,336
8.	Conwill	Pipri	58,998	24,588	0	83,587
9.	Core Integrated	Korangi	92,298	13	(8)	92,302
10.	Digital World	Korangi	4,442,220	862,567	17,961,798	23,266,585
11.	Dystar Chemicals	Landhi	230,363	44,731	22,938	298,032
12.	Fashion Knit	Pipri	198,283	(4)	4	198,283
13.	GEO	Korangi	78,225	0	0	78,225
14.	HiramalRewatmal	Korangi	243,477	1,406,208	5,200,137	6,849,822
15.	HSL Trading Co	Landhi	45,731	21,316	82,346	149,393
16.	Hyatt Logistic	Korangi	147,157	8,554	240,171	395,882
17.	Intertrade Distributor	Korangi	416,858	0	0	416,858
18.	Kassim Textile	Pipri	613,080	(59)	59	613,080
19.	Metro Pakistan	Korangi	73	935	(3)	1,005
20.	Mustafa Agri Trading	Pipri	355,212	68,973	1,943,895	2,368,080
21.	Nestle Pakistan Ltd	Korangi	753,259	0	0	753,259
22.	Orient Oils	Korangi	(10)	14,711	2,258	16,959
23.	Pakistan Central Cotton Committee	Landhi	401,975	78,053	1,889,933	2,369,961
24.	Provincial Election Commission	Pipri	443,705	24	(5)	443,725
25.	Regional Election Commissioner	Pipri	273,777	36,649	20,858	331,284
26.	T.I.S Electronics	Korangi	118,461	23,003	648,279	789,743
27.	TASC Logistic	Korangi	1,275,090	247,591	1,373,816	2,896,497
28.	TPL Logistics	Korangi	265,965	233,916	4,336	504,217
29.	Transworld	Korangi	336,369	6	(1)	336,374
30.	ZMN Corporation	Korangi	17,205	0	1,033,245	1,050,449
31.	BURAQ	Korangi	117,338	(4)	(1)	117,333
		Total	**12,687,282**	**13,096,174**	**3,187,883**	**57,657,198**

							Rs.in million
S#	**Location**	**Area Sq.ft**	**Rented out (Covered Area Sq.ft)**	**Occupancy % (C/B) x 100**	**Average rent per sq.ft per month (Rs)**	**Vacant area (B-C)**	**Loss due to vacant area (F x E) (Rs)**
	A	**B**	**C**	**D**	**E**	**F**	**G**
1.	KorangiGodown	911,680	200,000	21.94	60.00	711,680	42,700,800
2.	LandhiGodown	1,270,143	787,472	62.00	60.00	482,671	28,960,260
3.	PipriGodown	4,185,036	577,490	13.80	60.00	3,607,546	216,452,760
Total		**6,366,859**	**1,564,962**	**24.58**	**60.00**	**4,801,897**	**288,113,820**

Annex-33

Loss on charging lower rent - Rs.19.392 million

M/s Chappal Traders			
Possession Year	**Difference in Rate per sq. ft (Per anum) @ 10% (Rs)**	**Total area (sq.ft)**	**Difference of Rent (per anum) (Rs)**
2010	3.00	85,370.88	256,112
2011	3.30	85,370.88	281,723
2012	3.63	85,370.88	309,896
2013	3.99	85,370.88	340,629
2014	4.39	85,370.88	374,778
2015	4.83	85,370.88	412,341
2016	5.31	85,370.88	453,319
2017	5.84	85,370.88	498,565
2018	6.43	85,370.88	548,934
2019	7.07	85,370.88	603,572
2020	7.78	85,370.88	664,185
2021	8.55	85,370.88	729,921
2022	9.40	85,370.88	802,486
		Total	**6,276,461**

M/s Conwill Pakistan			
Possession Year	**Difference in Rate per sq. ft (Per anum) @ 10% (Rs)**	**Total area (sq.ft)**	**Difference of Rent (per anum) (Rs)**
2010	3.00	85,370.88	256,112
2011	3.30	85,370.88	281,723
2012	3.63	85,370.88	309,896
2013	3.99	85,370.88	340,629
2014	4.39	85,370.88	374,778

2015	4.83	85,370.88	412,341
2016	5.31	85,370.88	453,319
2017	5.84	85,370.88	498,565
2018	6.43	85,370.88	548,934
2019	7.07	85,370.88	603,572
2020	7.78	85,370.88	664,185
2021	8.55	85,370.88	729,921
2022	9.40	85,370.88	802,486
		Total	**6,276,461**

M/s Abu Bilal Trading			
Possession Year	**Difference in Rate per sq. ft (Per anum) @ 10% (Rs)**	**Total area (sq.ft)**	**Difference of Rent (per anum) (Rs)**
2010	3.00	93,025.48	279,076
2011	3.30	93,025.48	306,984
2012	3.63	93,025.48	337,682
2013	3.99	93,025.48	371,171
2014	4.39	93,025.48	408,381
2015	4.83	93,025.48	449,313
2016	5.31	93,025.48	493,965
2017	5.84	93,025.48	543,268
2018	6.43	93,025.48	598,153
2019	7.07	93,025.48	657,690
2020	7.78	93,025.48	723,738
2021	8.55	93,025.48	795,367
2022	9.40	93,025.48	874,439
		Total	**6,839,227**

Annex-34

(Rs in million)

Name of Private Industries	**2019-20**		**2020-21**		**2021-22**	
	Units	**Bill amount**	**Units**	**Bill amount**	**Units**	**Bill amount**
Wah Noble Offices (N-1)	120,842	3.484	179,261	4.280	218,038	5.484
Wah Noble Chemical (N-116)	168,082	6.306	146,864	3.950	0	0.350
Wah Noble Chemical (N-116A)	526,912	14.072	762,724	16.910	472,300	12.576
Wah Noble Dynamite (N-459)	262,464	8.017	302,277	7.329	219,762	5.273
Hi-Tech Plastic (N-103)	491,400	15.237	548,760	15.235	617,700	15.893
SGA 12 Bore (N-384)	344,640	10.162	555,200	13.141	508,800	12.634
Wah Brass Mills (N-543)	8,863,967	257.471	1,864,758	48.290	3,057,016	184.760
Total Consumed Units and	10,778,307	314.749	4,359,844	109.135	5,093,616	236.97

Billed Recovered on Self Generation Rate			
Total Units Vs Billed Amount	20,231,767 Units of Rs 660.854 million		
Year-wise average Self Generation Rate (Rs)	18.13	17.06	19.58
Year-wise average WAPDA Rate	27.49	29.53	34.78
Difference	9.36	12.47	15.20
Amount of Loss (in million) (WAPDA Rate –Self generation Ratex No. of Units sold)	100.885 (10,778,307 units x Rs 9.36)	54.367 (4,359,844 units x Rs 12.47)	77.423 (5,093,616 units x Rs 15.20)
Total Loss	**Rs 232.675 million**		

Annex-35

Sr. No.	Tender No.	Vendor Name	Tender Item#	Item	Amount (Rs)	Remarks
1	PGH-21/02-01	M/s Zia Enterprises	5	Programmable Humanoid Robot	1,050,000	Only single bidder submitted technical as well as financial bid. No any evidence of rate reasonability found in the record. Tender at serial 5&6, despite the comments of the internal auditor to follow Rule 38(b) of PPRA the purchase was made from single bidder.
2	PGH-21/02-01	M/s Kokusai Computers, Lahore	6	Network Switch	510,465	
3			7	Networking of Foreign Faculty Hostel	1,638,344	
4	PGH-20/03-01	M/s KZ Enterprises		Various Items	8,398,954	
5		M/s Assyst Apparel Solutions, Lahore		do	3,443,743	
6	GH-22/03-01	M/s KZ Enterprises, Faisalabad	3&5	3D Printer (170,000) Laser Cutter Machine (1,750,000)	1,920,000	Only single bidder submitted technical as well as financial bid. Further, no penalty charges imposed despite 55 days late delivery of items.
7	PGH-21/10-01 (Serial-G)	M/s Orient AV (Pvt.) Ltd.		Multimedia Projector	665,000	Only single bidder submitted technical as well as financial bid.
		Total			**17,626,506**	

Annex-36

Non-achievement of disbursement & loan reduction targets – Rs.4,117.000 million					
Management's failure to achieve the disbursement targets – Rs. 2,186 million (DP NO. 712)					
Region	**Branch**	**Annual Target**	**Achievement (Retail)**	**Less achieved**	**Excess Achieved**
South	Civic Centre Branch - Karachi	425	307	118	
	University Road Branch - Karachi	450	204	246	
	Hyderabad	275	180	95	
	Mirpurkhas	50	50	-	
	Nawabshah	75	77		-2
	Tando Adam	25	15	10	
	Thatta	25	8	17	
	Gwadar	25	6	19	
	Quetta	75	24	51	
	Sukkur	100	65	35	
	Khairpur	50	25	25	
	Larkana	75	22	53	
	Shikarpur	25	18	7	
	Dadu	25	10	15	
Corporate targets		400	0	400	
South Region Total		**2,100**	**1,011**	**1,091**	**-2**
Central	Chauburji Branch - Lahore	250	253		-3
	Defence Phase-3 Branch - Lahore	400	135	265	
	Johar Town Branch - Lahore	400	289	111	
	Kasur	75	61	14	
	Sheikhupura	75	61		-7
	Gujranwala	150	115	35	
	Gujrat	75	65	10	
	Sialkot	75	13	62	
	Faisalabad	200	185	15	
	Jhang	75	65	10	
	Sargodha	50	51		-1
	Sahiwal	200	195	5	
	Multan	250	225	25	
	Bahawalpur	125	127		-2

	Bahawalnagar	75	99		-24
	Muzaffargarh	75	68	7	
	Dera Ghazi Khan	50	53		-3
	Rahim Yar Khan	125	115	10	
	Vehari	75	100		-25
Corporate targets		250	0	250	
Central Region Total		**3,050**	**2,275**	**819**	**-65**
North	Islamabad	250	218	32	
	Rawalpindi	225	227		-2
	Attock	75	91		-16
	Abbottabad	75	100		-25
	Wah	75	149		-74
	Jhelum	50	33	17	
	Mansehra	50	51		-1
	Mirpur(AK)	25	21	4	
	Peshawar	150	91	59	
	Mardan	100	102		-2
	Swat	75	73	2	
	Chitral	75	63	12	
	Dera Ismail Khan	50	53		-3
	Kohat	50	67		-17
	Bannu	50	52		-2
	Gilgit	175	215		-40
	Hunza	75	82		-7
	Skardu	75	108		-33
Corporate targets		150	0	150	
North Region Total		**1,850**	**1,796**	**276**	**-222**
Grand Total		**7,000**	**5,082**	**2,186**	**-289**

Non-achievement of NPLs reduction targets – Rs.274 million

(Rs. in million)

Region	S#	Branch	Total	Total reduced	% Achievement	Reduction required
Central	1	JOHAR TOWN BRANCH-LAHORE	23.41	(3.21)	-13.73	20.20
	2	MUZAFFARGARH BRANCH	7.07	(2.54)	-35.96	4.53
	3	BAHAWALPUR BRANCH	3.86	(1.46)	-37.91	2.40
	4	MULTAN BRANCH	28.51	(14.34)	-50.29	14.17
	5	SAHIWAL BRANCH	23.91	(12.28)	-51.36	11.63
	6	KASUR BRANCH	8.49	(4.83)	-56.83	3.67
	7	RAHIM YAR KHAN BRANCH	7.75	(4.74)	-61.18	3.01
	8	JHANG BRANCH	11.79	(7.24)	-	4.55

					61.43	
	9	BAHAWALNAGAR BRANCH	9.39	(5.83)	-62.12	3.56
	10	CENTRALIZED RECOVERY UNIT LAHORE	54.80	(46.63)	-85.09	8.17
	11	SARGODHA BRANCH	1.03	(0.91)	-88.64	0.12
	12	SHEIKHUPURA BRANCH	4.98	(4.44)	-89.16	0.54
	13	FAISALABAD BRANCH	33.29	(30.47)	-91.52	2.82
North	14	DERA ISMAIL KHAN BRANCH	3.63	(0.34)	-9.30	3.29
	15	SWAT BRANCH	0.50	(0.23)	-45.92	0.27
	16	MARDAN BRANCH	3.67	(1.82)	-49.56	1.85
	17	GILGIT BRANCH	27.00	(14.07)	-52.11	12.93
	18	ISLAMABAD BRANCH	10.00	(6.67)	-66.67	3.33
	19	HUNZA BRANCH	3.00	(2.53)	-84.21	0.47
	20	MIRPUR (AJK) BRANCH	1.00	(0.88)	-88.30	0.12
South	21	THATTA BRANCH	13.14	(1.29)	-9.78	11.85
	22	QUETTA BRANCH	1.79	(0.20)	-11.01	1.59
	23	NAWABSHAH BRANCH.	22.92	(3.34)	-14.59	19.57
	24	HYDERABAD BRANCH	36.22	(12.94)	-35.74	23.27
	25	DADU BRANCH	8.49	(3.87)	-45.56	4.62
	26	KHAIRPUR BRANCH	17.50	(8.18)	-46.74	9.32
	27	LARKANA BRANCH	15.58	(8.99)	-57.68	6.59
	28	SHIKARPUR BRANCH	8.08	(4.77)	-59.01	3.31
	29	SUKKUR BRANCH	23.35	(14.56)	-62.37	8.79
	30	UNIVERSITY ROAD BRANCH-KARACHI	100.09	(71.34)	-71.28	28.75
	31	CENTRALIZED RECOVERY UNIT KARACHI	146.86	(105.74)	-72.00	41.12
	32	CIVIC CENTRE BRANCH-KARACHI	46.77	(34.40)	-73.54	12.37
	33	TANDO ADAM BRANCH	4.08	(3.03)	-74.40	1.04
		Total	**711.93**	**- 438.11**		**273.83**

Irregular reporting of disbursement targets – Rs. 1,657 million (DP NO. 721)

(Rs. In million)

Regions	Statement-I	Statement-II	Difference
South	**1,011**	182.2914	829
Central	**2,296**	2497.374	-201
North	**1,796**	2423.419	-627
Total	**5,103**	**5,103**	**1,657**

Annex-37

Non-recovery of loans & outstanding penalties - Rs.3,734.054 million

Non recovery of outstanding penalties Rs.346.054 million DP NO. 728

Row Labels	Penalty Charged	Penalty Waived	Penalty Recovered	Penalty Outstanding
CENTRAL REGION	50,601,947	114,924	5,327,338	45,159,685
BAHAWALNAGAR BRANCH	879,560	-	73,270	806,290
BAHAWALPUR BRANCH	735,430	-	92,595	642,835
CHAUBURJI BRANCH-LAHORE	6,796,437	6,500	628,061	6,161,876
DEFENCE PHASE-3 BRANCH-LAHORE	4,854,540	15,500	424,310	4,414,730
DERA GHAZI KHAN BRANCH	426,925	-	33,470	393,455
FAISALABAD BRANCH	2,925,044	16,000	427,587	2,481,457
GUJRANWALA BRANCH	5,215,360	2,924	834,657	4,377,779
GUJRAT BRANCH	464,500	37,000	9,000	418,500
JHANG BRANCH	1,554,455	2,000	147,976	1,404,479
JOHAR TOWN BRANCH-LAHORE	2,444,921	1,500	366,338	2,077,083
KASUR BRANCH	5,895,355	-	369,753	5,525,602
MULTAN BRANCH	3,252,075	3,000	386,785	2,862,290
MUZAFFARGARH BRANCH	2,750,910	500	173,959	2,576,451
RAHIM YAR KHAN BRANCH	1,802,310	28,500	90,719	1,683,091
SAHIWAL BRANCH	4,653,190	-	576,123	4,077,067

SARGODHA BRANCH	547,415	-	74,020	473,395
SHEIKHUPURA BRANCH	2,632,010	1,500	378,396	2,252,114
SIALKOT BRANCH	1,752,150	-	157,924	1,594,226
VEHARI BRANCH	1,019,360	-	82,395	936,965
NORTH REGION	116,820,727	93,020	4,785,670	111,942,037
ABBOTTABAD BRANCH	16,859,353	10,500	937,476	15,911,377
ATTOCK BRANCH	5,749,048	-	344,509	5,404,539
BANNU BRANCH	1,464,965	-	79,217	1,385,748
CHITRAL BRANCH	375,000	-	21,000	354,000
DERA ISMAIL KHAN BRANCH	863,600	24,000	68,480	771,120
GILGIT BRANCH	7,207,874	26,520	887,494	6,293,860
HUNZA BRANCH	2,317,655	-	329,489	1,988,166
ISLAMABAD BRANCH	1,567,050	-	100,310	1,466,740
JHELUM BRANCH	521,930	-	72,291	449,639
KOHAT BRANCH	358,815	2,000	18,700	338,115
MANSEHRA BRANCH	532,230	11,000	62,060	459,170
MARDAN BRANCH	7,763,930	5,500	326,722	7,431,708
MIRPUR (AJK) BRANCH	1,297,885	-	37,514	1,260,371
PESHAWAR BRANCH	8,992,510	11,000	126,148	8,855,362
RAWALPINDI BRANCH	51,613,270	-	831,500	50,781,770
SKARDU BRANCH	866,020	-	92,872	773,148
SWAT BRANCH	419,030	2,500	44,500	372,030
WAH BRANCH	8,050,562	-	405,388	7,645,174
SOUTH REGION	202,624,857	168,179	13,503,680	188,952,998
CIVIC CENTRE BRANCH-KARACHI	16,730,572	36,940	1,877,024	14,816,608
DADU BRANCH	38,781,352	-	681,253	38,100,099
GAWADAR BRANCH.	13,000	-	-	13,000
HYDERABAD BRANCH	15,028,089	41,292	1,021,428	13,965,369
KHAIRPUR BRANCH	15,314,589	2,760	924,848	14,386,981

LARKANA BRANCH	9,954,357	-	544,287	9,410,070
MIRPURKHAS BRANCH	2,274,974	-	47,964	2,227,010
NAWABSHAH BRANCH.	23,812,078	-	964,606	22,847,472
QUETTA BRANCH	764,900	-	29,657	735,243
SHIKARPUR BRANCH	10,846,359	-	200,534	10,645,825
SUKKUR BRANCH	7,957,587	1,000	676,728	7,279,859
TANDO ADAM BRANCH	749,112	1,000	42,962	705,150
THATTA BRANCH	2,425,005	-	138,524	2,286,481
UNIVERSITY ROAD BRANCH-KARACHI	57,972,883	85,187	6,353,865	51,533,831
Grand Total	**370,047,531**	**376,123**	**23,616,688**	**346,054,720**

Loss due to less recovery of NPLs - Rs.307 million (DP NO. 713)			
			(Rs. in million)
Description	**Target**	**Achieved**	**Less Achieved**
Target	700	393.43	306.57
Total NPLs as on 31.12.2022	**3,081**		
% of target on total NPLs	23		

Regions	**Total Legacy Loans**		**Total Operative**	
	Acs	**Amount**	**Acs**	**Amount**
South	14,459	1,433	2,456	4,136
Center	3,697	477	4,674	6,925
North	8,188	557	3207	4510
Other	3	15	0	0
Total	**26,347**	**2,482**	**10,337**	**15,571**
Total as on 31.12.2022		**3,081**		**15,596**
Difference		**-599**		**-25**

Annex-38

Loss due to defaulted loans against in-adequate guarantees - Rs.190,710.790 million					
					(Rs. in million)
S#	**Product**	**Group dealing loan**	**Principal amount**	**Provision**	**Percentage**
1.	Agriculture	IDG	4,964.20	3,326.91	67.02
2.	ARD Head Office	Corporate	53,717.62	52,351.03	97.46
3.	ARD SAM	Corporate	610.77	610.77	100.00
4.	ARG	ARG	40,902.26	40,902.26	100.00
5.	Commercial	IDG	1,807.27	1,573.67	87.07
6.	Consumer	RBG	17.18	13.43	78.17
7.	Corporate	Corporate	24,119.38	19,242.38	79.78
8.	Golden Loan	RBG	274.3	153.19	55.85
9.	Islamic	Islamic	654.98	654.98	100.00
10.	OBG	IFRG	27,191.29	25,214.25	92.73
11.	PMSES	IDG	178.1	178.1	100.00
12.	SAIBAN	RBG	764.29	743	97.21
13.	SME	IDG	7,616.70	6,931.12	91.00
14.	Staff Loan	RBG	417.32	415.77	99.63
15.	Bangladesh	IFRG	26,535.38	26,535.38	100.00
16.	FE-25	IDG	5,593.80	4289.11	76.68
17.	Karobar	IDG	1,141.13	1,141.13	100.00
18.	Advance Salary	RBG	2,634.86	2,477.10	94.01
19.	PMYBL	IDG	5,516.45	3,728.07	67.58
20.	KJL	IDG	629.35	208.38	33.11
21.	Margin Fin	IDG	20.76	20.76	100.00
		Total	**205,307.39**	**190,710.79**	**92.89**

Annex-39

Loss due to granting financing / credit facilities to the company involved in fraudulent activities – Rs.23,866.381 million	
FIA submitted challan against these employees and recently on bail.	
1	Mr. Usman Shahid (Group Chief, CIBG and Member CC)
2	Syed Ahmed Iqbal Ashraf (President & Chairman Credit Committee)
3	Mr. Akbar Hassan Khan, Regional Corporate Head & amp; Head CIBG,
4	Ms Rima Athar, Corporate Head,
5	Mr. Jamal Baquar, SEVP, Group Chief, CIBG & Member CC
6	Mr. Wajahat A Baqai, Group Head CMG
7	Mr. Tariq Jamali, SEVP, Chairman CC & Member CC
8	Mr. Muhammad Saleem Saleemi, Credit analyst wing head CMG

9	Mr. Muhammad Asmar Atique, Credit anayst, wing head CMG
10	Mr. Saeed Ahmed (President & Chairman CC)
11	Syed Hassan Irtiza kazmi, corporate head, member cc by invitation
Employees have left NBP through resigning from the services before the case surfaced and their resignations were accepted instead of terminating them due to which they all availed their end service benefits	
1	Mr. Usman Shahid (Group Chief, CIBG and Member CC)
2	Syed Ahmed Iqbal Ashraf (President & Chairman Credit Committee)
3	Mr. Akbar Hassan Khan, Regional Corporate Head & amp; Head CIBG,
4	Ms Rima Athar, Corporate Head,
5	Mr. Jamal Baquar, SEVP, Group Chief, CIBG & Member CC
6	Mr. Wajahat A Baqai, Group Head CMG
7	Mr. Saeed Ahmed (President & Chairman CC)
8	Syed Hassan Irtiza kazmi, corporate head , member cc by invitation
The Bank has issued charge sheet against the following employees involved in the case	
1	Mr. Asad Saleemi
2	Mr. Muhammad Saleem Saleemi
3	Mr. Nabeel Zahoor
4	Mr. Shakeel hayat Mir
5	Mr. Parwaiz Ahmed Memon
6	Syed Muhammad Akber Zaidi
7	Mr. Bharat Kumar
8	Syed Ali Amir
9	Syed Waseem Hassan Rizvi
10	Mr. Osama Ghazi

Annex-40

Default of loan by sugar mills - Rs.23,348.040 million		
		(Rs.in million)
Row Labels	**Sum of Principal**	**Sum of Markup**
ABDULLAH SUGAR MILLS LTD	755.279	404.761
Alarabia Sugar Mills Ltd	443.725	188.592
ANSARI SUGAR MILLS PVT LTD	2172.984	1298.301
BANDHI SUGAR MILLS PVT LTD	602.47	325.655
BAWANY SUGAR MILL PVT LTD	1018.92	579.976
BROTHERS SUGAR MILLS LTD	250	0
CONSOLIDATED SUGAR (NBP)	0.214	11.059
Dewan Sugar	683.191	0.576
DIGRI SUGAR MILLS PVT LTD	926.216	369.466
HASEEB WAQAS SUGAR MILLS LIMITED	380	11.365

Ittefaq Sugar Mills Ltd	400	229.892
Kashmir Sugar Mills Ltd	372.871	207.083
KHOSKI SUGAR MILLS PVT LTD	1296.118	726.919
KIRAN SUGAR MILLS	74	462.219
Larr Sugar Mills	42	155.744
M/S DIGRI SUGAR MILL LIMITED	135.336	0
NAJMA SUGAR MILLS	356.497	228.835
NAUDERO SUGAR MILLS PVT LIMITED	1416.775	815.929
NEW DADU SUGAR MILLS PVT LTD	1299.594	740.013
PANGRIO SUGAR (NBP)	9.445	32.559
Ramzan Sugar	1999.98	597.307
SAKRAND SUGAR MILLS LTD	15	6.628
TANDO ALLAYAR SUGAR MILLS PVT LTD	575.173	348.494
THARPARKAR SUGAR (NBP)	0.001	312.54
THATTA SUGAR MILLS (NBP)	57.209	11.124
Grand Total	**15,283.00**	**8,065.04**

Annex-41

(**Non-recovery of loan from borrowers of various categories – Rs.17,120.710 million**	
Description	**Outstanding amount (Rs)**
AGF gold (dev)	956,802,703.80
AGF-gold (prod)	3,471,420,075.40
Demand finance (gold)	5,038,107,824.00
Nbp - advance salary	6,747,794,114.00
NBP LCHP-low cost housing cons	101,142,654.13
NBP LCHP-low cost housing lpc	48,862,671.00
NBP LCHP-low cost housing pur	195,726,752.00
Saibaan home construction	80,015,573.40
Saibaan home purchase	182,939,594.74
Saibaan land purchase + construction	20,345,666.90
Sunehri sahulat	277,554,506.47
Grand total	**17,120,712,134.99**

Annex-42

Default of loan regarding import financing and investment– Rs.9,055.680 million									
Finance	**Purpose**	**Limit Amt**	**Install-ment Type**	**Finance Date**	**Default Date**	**Expiry Date**	**Princi pal**	**Markup Suspens e**	**total (P+M)**
Demand fin corp a/c.	Fixed investments	862	Half-Yearly	10-02-12	30-09-18	10-08-26	861.58	651.93	1,513.52
Demand fin corp a/c.	Fixed investments	800	Half-Yearly	30-06-19	17-06-20	07-08-28	797.70	293.88	1,091.59
Bills of	Import	358.11	Monthl		27-12-19		550.20	186.12	736.32

exchange a/c.	financing		y						
Running finance a/c.	Working capital	500		04-08-21		31-12-21	499.11	98.49	597.61
FATR	Working capital	400	Half-Yearly	24-07-13	19-01-14	19-01-14	391.19	317.78	708.99
P.l.s. Trust receipt.	Import financing	296.92	Quaterly	04-08-21		31-12-21	389.67	65.54	455.23
Demand fin corp a/c.	Fixed investments	365.15	Half-Yearly	07-08-13	30-09-18	07-02-27	354.87	272.14	627.02
Fin against import mar	Working capital	551.60			30-06-21	31-12-21	331.10	253.26	584.37
Running fin a/c.	Working capital	300			30-06-20	31-12-21	300.00	70.38	370.38
Demand fin corp a/c.	Fixed investments	250	Half-Yearly	14-09-18	13-12-19	14-12-26	250.00	109.49	359.50
Demand fin corp a/c.	Fixed investments	236.90		01-11-13	01-11-19	30-03-28	230.32	154.17	384.50
Demand fin corp a/c.	Fixed investments	350		07-08-19	30-06-21	31-12-28	228.76	44.48	273.25
P.l.s. Trust receipt.	Import financing	184.76	Half-Yearly	15-04-21	15-04-21	31-12-21	179.73	18.44	198.18
Demand fin corp a/c.	Fixed investments	130.43	Half-Yearly		26-10-19	30-03-28	119.54	73.46	193.01
Cash finance a/c.	Working capital	293.73		01-03-19	01-05-19	31-12-21	104.82	126.21	231.05
Running finance a/c.	Working capital	100	Yearly	25-04-13	31-01-14	31-01-14	100.00	51.25	151.25
Demand fin corp a/c.	Fixed investments	87.5	Half-Yearly	18-06-15	18-12-19	30-03-28	82.64	54.21	136.86
Demand fin corp a/c.	Fixed investments	354.44	Quaterly	10-06-15	31-01-20		-	352.44	352.45
Demand fin corpa/c.	Fixed investments	90.62	Quaterly	10-06-15	31-01-20		-	90.62	90.62
Total							**5771.2**	**3284.29**	**9,055.68**

Annex-43

Loss due to default in repayment of salary advances – Rs. 1,827.05 million Loss due to default in repayment of salary advances - Rs.1,616.700 million								
								(Rs.in million)
S #	**Region**	**Account No**	**Borrower Name**	**Borrower CNIC**	**Sanction**	**Disb Date**	**Outstanding**	**Reason for NPL (Plesae mention exact reason of default)**
1	Hyd	5168830445	MR. AIJAZ ALI	4220152613691	2,000,000	11/13/20	l,868,906	Salary Stopped by the Department due to Enquiry
2	Khi Wst	5158093510	PRINCE RAJPAL	4230101426557	2,000,000	12/12/2019	1,371,248	Transfer / Posting
3	Larkana	5168348155	KHU DEJA	4120505941404	3,000,000	11/17/20	2,839,876	Salary Transfer
4	Larkana	5168862812	AMEER ALI	4310224556659	3,000,000	11/12/2020	2,595,292	Early Retirement
5	Larkana	5170284513	JAWEED H	4320362476587	2,218,002	01/08/2021	1,994,159	Absconder
6	Larkana	5147206203	ABDUL NABI	4120272953483	2,000,000	09/03/2018	1,729,341	Suspended
7	Larkana	5163482849	ABDULSATTAR	4320738526603	2,000,000	03/03/2020	755,874	Salary Stopped from Department due to Enquiry
8	Sibi	5156263205	HABIB ULLAH	5630293890793	2,000,000	11/27/20	1,645,013	Dismissed from Service
9	Sukkur	5168309769	TALIB ALI SHAH	4520355581249	2,660,000	12/07/2020	2,020,048	Early Retirement
						Total	**14,950,851**	

Non-recovery of salary advances categorized as sub-standard from employees – Rs.210.35 million							
							(Rs.in million)
Region	**Account No**	**Borrower name**	**Borrower CNIC**	**Sanction Amount**	**Disb Date**	**Expiry Date**	**Outstanding Amount**
Sukkur	5168309769	Talib ali shah	4520355581249	2,660,000	07/12/2020	2025-12-07	2,020,048

Hyd	5173715533	Muhammad ali	4110360555049	1,890,000	02/09/2021	2026-09-02	1,679,057
Vehari	5168303845	Amir hussain	3650134334993	2,000,000	09/11/2020	2025-11-09	1,532,139
Khi South	5161859624	S arsalan ahmed	4210115790871	2,000,000	02/06/2020	2025-06-02	1,324,620
Sukkur	5170220671	Mr. Aamir saeed	3740581882827	1,600,000	12/03/2021	2026-03-12	1,307,972
Larkana	5168613671	Lutif ali odho	4310171818985	1,786,000	16/11/2020	2025-11-16	1,264,921
Khi West	5169937463	Ghulam shabbir	4250189907167	1,440,000	18/02/2021	2026-02-18	1,211,403
Sibi	5163970875	Mr. Dost ali	5340314305677	1,500,000	31/12/2020	2025-12-31	1,200,925
Hyd	5173214468	Bilawl khushik	4140994133727	1,200,000	17/09/2021	2026-09-17	1,181,643
Sukkur	5168428005	G muhammad	4530207413579	1,500,000	22/12/2020	2025-12-22	1,166,383
DG Khan	5172307182	Mrs bushra	3220311945968	1,235,000	02/09/2021	2026-09-02	1,097,785
Sukkur	5171174112	Qalander bux	4520602879859	1,450,000	28/04/2021	2025-01-28	1,052,636
Sukkur	5170221152	Tariq sharif	3740639194155	1,225,000	06/05/2021	2026-05-06	1,042,543
Larkana	5168184957	Nabi bux bhayo	4310205208197	1,379,000	16/10/2020	2025-10-16	1,036,063
Khi South	5150377111	Riaz ahmed	4550411140091	1,958,000	23/05/2019	2024-05-23	1,019,597
Vehari	5163941076	Fozia umbreen	3610346312408	1,450,000	22/04/2020	2025-04-22	1,012,958
Khi South	5168879500	M shareef	4170205874433	1,100,000	31/07/2021	2026-07-31	1,010,065

Annex-44

	Inordinate delay in recovery of outstanding house building finance loan - Rs.449.662 million Statement of Non-Performing Loan (NPL) House Building Finance (HBF) NBP STAFF LOANS position as of 31.07.2023						
S. No.	**SAP ID**	**Name of Employee**	**Grade**	**Date of Separation**	**Out standing Loan amount in Rs.**		
					Principal Amount	**Markup amount**	
1	10528	Muhammad Mufeed Khan	OG-II	02.01.2015	1,380,274	1,689,967	Dismissed from Bank service
2	N/A	Salamat Ali Shah	OG-I	23.02.2016	703,951	870,530	Dismissed from Bank service
3	NA	Abid Hussain	OG-III	08/03/2011	1,045,472	120,705	Dismissed from Bank service
4	NA	Azam Khan	OG-III	31-Aug-03	22,191		Dismissal
5	12479	Kashif Akhtar	OG-I	03-Jan-13	745,406		Dismissal 26.02.2013
6	12612	Muhammad Asghar	OG-III	31-Mar-19	2,197,439	118,806	Dismissal
7	11969	Tauseef Ahmad		29-Feb-20	4,339,135	626,754	Dismissal
8	11970	Umer Asghar Qureshi	VP	25-Mar-22	11,541,819	1,516,872	Dismissal

9	1305	Asad Abbas	OGI	10.10.2022	515,311	343,319	Said employee has been retired w.e.f 10.10.2022, after service benefits are still pending
10	12545	Irfan Mahmood Zafar	OG-I	25.11.2019	3,574,650	594,378	Send for Suitfile
11	15068	Iqbal Ul Mulk	0G-III	2015	321,700	287,575	He is behind the bars in chitral jail
12	13560	Nawab Ali	OG-II		435,828	44,473	Deceased
13	N/A	Akbar Ali	OG-I	12/01/2013	38,718	200,357	Retirement
14	N/A	Syed Ismail Shah	OG-II	11/10/2012	685,183	24,991	Dismissed/ Deceased
15	14906	Arshad Hussain	OG-I	17/01/2019	2,652,432	601,828	Ex- Pakistan Leave Services at RO Mardan/ Terminated
16	13888	Barkat Ullah	OG-I	17/12/2020	5,367,597	817,042	Dismissed
17	15513	Muhammad Ishaq	OG-II	17/12/2020	2,910,427	470,955	Dismissed
18	N/A	Hassan Ali Khan	OG-III	18/08/2003	150,000	-	terminated from services
19	426	Khadim Hussain	OG-II	Nov-21	3,642,764	276,704	Markup applied 31.12.2021
20	2141	Samiullah Memon	OG-I		2,751,809	232,343	Dismissed
21	523	M. Yousuf S/O M. Nazeer	OG-III		2,480,200	323,075	Deceased
22	1123	Nadeem Ahmed Junejo			3,126,170	791,981	Dismissed
23		Mazhar Ali Baloch			404,529	229,946	Deceased
24		Mumtaz Ali Abro			700,720	278,317	Deceased
25		Manzoor Pathan			9,061,790	1,303,498	Deceased
26	N.A	Aftab Ali Shah			389,386	15,905	Dismissal from Banks Service
27	N.A	M.Iqbal Khatti			1,089,622	836,812	Dismissal from Banks Service
28	N.A	Ghulam Hussain	OG-III	N.A	157,317		Dismised from service
29	N.A	Farooque Ahmad	OG-III	N.A	323,840	12,098	
30	N.A	Nasr Ullah Khokhar	OG-II	N.A	2,163,755	119,960	Dimissed
31	N.A	Ghulam Rasool	OG-II	N.A	445,483	NIL	Deceased
32	11546	Rahim Nawaz 14972-4	OG-I	08.01.2014	758,126	32,145	
33	11441	Nadeem Akhter Butt	OG-II	31.08.2016	2,130,817	154,684	
34	11435	Syed Faisal Kazmi	OG-II	28.04.2016	2,046,154	132,514	
35	*0756*	*Mr. Achar*	Ex-OG-II	24-Apr-12	1,993,199	129,515	Dismissed
36	979	Abdul Majeed	OG-III	13.06.2016	1,248,422	18,957	Dismissed

		Bugti					
37	*982*	Waheed Mehmood Kiyani	OG-III	24.02.2022	3,769,000	234,540	Dismissed
38	19256	Asif Ali Khaskheli	AVP	06.01.2022	2,639,401	361,575	Resigned from service
39	16027	Mehboob Ali	OG-III (CONTRACTUAL)	24.02.2021	2,054,184	184,863	Dismissed
40	1761	Muhammad Essa Gaho	AVP (REGULAR)	24.02.2021	7,602,169	1,199,602	Dismissed
41	971	Naeem Ahmed	OG-I (REGULAR)	28.09.2020	3,786,173	489,705	Dismissed
42	1882	Aftab Ahmed Memon	OG-I (REGULAR)	04.02.2016	3,055,388	647,456	Dismissed
43	993	Amjad Ali Mastoi	OG-III (REGULAR)	24.01.2012	707,772	25,424	Dismissed
44	10266	M Aslam Minhas	OG-II	13.01.2017	1,711,031	694,470	Dismissed
45	10192	Syed Saif Ul Hassan Shah	OG-I	13.01.2017	3,621,850	480,324	Dismissed
46	9975	Zaka Ullah Cheema	OG-III	10.10.2014	241,941	-	Dismissed
47	10067	Rashid Irfan	OG-II	04.05.2015	1,639,510	51,765	Dismissed
48	10127	M Shahbaz Sheikhu	OG-II	20.11.2014	665,937	28,828	Dismissed
49	10173	Muhammad Bilal	NC-II	31/12/2019	1,683,200	156,500	Dismissed
50	4153	Asad Ali Khan	NC-II	29.03.2016	1,341,200	6,027	
51	5089	Muhammad Akram Mirani	OG-II	01.07.2012	2,037,460	66,161	
52	6082	Shakeel Ahmed Khan	OG-I	21.06.2016	1,132,921	286,378	
53	6124	Muhammad Rafiq	OG-II	07.02.2019	1,397,799	317,383	
54	6222	Safder Lashari	OG-II	25.05.2022	2,920,550	184,632	
55	6393	Rahat Ali Khan	OG-II	30.08.2019	135,471	317,053	
56	6616	Shoaib Ahmed Khan	OG-III	17.11.2016	1,289,200	22,561	
57	14218	Shariq Ali Khan	AVP	23.01.2021	10,177,000	407,531	
58	14287	Haroon Rustam	OG-I	11.03.2022	4,126,300	648,578	
59	560794	Tariq Mahmood Bhati	#N/A		124,765	-	
60	598589	Jan Muhammad Messenger	#N/A		406,140	-	
61	618962	Nadeem Durrani	#N/A		1,214,654	91,335	
62	620770	Mumtaz Ali S/O Asad Ali	#N/A		580,000	-	
63	621289	Raj Ali Khan	#N/A		462,500	-	
64	627252	Talha Shafiq	#N/A		1,201,562	37,115	
65	623265	Khalid Saleem	#N/A		1,045,800	-	
66	627783	Vijay Kumar	#N/A		1,887,202	97,647	
67	6282	Asrar Ahmed	AVP	06.05.2023	2,217,214	1,187,419	
68	5352	Tausfeef Ahmed	AVP	31.12.2022	2,294,400	287,087	
69	18370	Akram Ali Qureshi	OG-II	06.06.2022			

70	570838	Abrar Ahmed Aas Muhammad	#N/A		211,750	-	
71	#N/A	Arshad Qayum	CASHIER		168,343	-	Dismissed from bank service
72	#N/A	Arbab Muhammad Arshad	CASHIER		721,255	-	Dismissed from bank service
73	#N/A	Jamil Atimadi	CASHIER		261,053	-	Dismissed from bank service
74	2600650	Tahir Zaman	EX-OG-III	21.03.2007	-	1,344	Dismissed due to fraud case
75	11191	Nauman Saboor	EX-OG-II	03.09.2018	2,007,338	715,709	Terminated
76	11269	Arshad Saeed Khan	Ex-OG-I	30.03.2018	5,879,480	793,251	Dismissed due to fraud case
77	12332	Muhammad Ishaq	OG-II	16/05/2017	1,141,192	210,771	Fraud Case in FIA
78	Not Allotted	Allah Yar	OG-III	09/09/2006	813,512	715,760	Terminated in Fraud Case
79	11864	Ghulam Yaseen	NC-II	14/03/2012	339,034	166,310	Terminated in Fraud Case
80	5511	Rozudin	OG II	15/12/2020	958,100	25,295	Dismiss from bank service
81	17091	Abdul Samad	OG-III	Oct-19	928,500	26,016	Terminate from Service
82	5477	Hambir Khan	OGII	21.09.2021	1,674,486	665,970	Compulsary retaired.
83	5653	Shafi Muhammad	OGII	09.02.2018	5,000	224,979	Not recovered by previous manager.
84	5647	Sikander Ali	II	Aug-21	2,166,230	699,609	Compulsory Retirement from Service
85	5681	Asif Ali	II	Oct-20	2,000,500	152,398	Dismissal from Service
86		Imtiaz Ahmed	Assistant		519,942	-	Dismissal from Service
87	5650	Muhammad Mithal	Messenger	Sep-22	18,150	54,006	Retirement from service
88	17113	Atta Ullah	OG-III	31-08-2022	2,997,268	73,446	Branch has did not received death certificate, today called his friend and got death certificate, and marked deceased the account, also sent the email for adjusting the markup toward RDC. Keeping in view that

							branch has received the RBV amounting of 3007471/ these amount is kept in Branch Parking. There 89is a difference of Rs.63243.40/
89	8563	Luqman Khalid	OG-II	01.10.2021	775,519	110,048	Mr. Luqman was terminated from services and he has been died.
90		Ghulam Rasool Soomro	OG-I		670,125	-	Dismissed from Bank Service
91		Imdad Ali Sathio	OG-III		341,209	-	Dismissed from Bank Service
92		Muhammad Ali Otho	OG-III		109,199	-	Dismissed from Bank Service
93		Maqsood Ahmed Lund	OG-I		739,314	-	Dismissed from Bank Service
94		Liquat Ali Soomro	Cashier		144,841	-	Misplaced
95		Malhar Noonari	OG-III		387,509	-	Misplaced
96		Aneel Ahmed Buriro	OG-III	2004	335,000	-	Dismissed from Bank Service since 2004
97		Irshad Hussain	Ex-OG-II		256,673	-	Suit file Proposal under process at Regional office
98	2867	Muntazir Mehdi	Ex-OG-II		1,815,499	177,669	Suit file Proposal under process at Regional office
99	3446	Sharafat Ali	Ex-OG-III		789,211	-	Suit file Proposal under process at Regional office
100	3423	Qamar Uz Zaman	Ex-G/Chowkidar		233,355	2,066	Suit file Proposal under process at Regional office
101	3233	Muhammad Tariq	Ex-OG-III		1,775,113	158,783	Suit file Proposal under process at Regional office
102	9274	Karam Hussain Khosa	Ex-OG-I		2,478,392	510,578	Suit file Proposal under process at

								Regional office
103	3138	Muhammad Azam	Ex-OG-II			3,510,491	467,008	Suit file Proposal under process at Regional office
104	2860	Manazir Hussain	Ex-OG-I			1,987,867	526,973	Suit file Proposal under process at Regional office
105	4816	Khawar Javed	OG-1	16.05.2013		586,350	151,835	Dismissed from Bank's Service
106	12570	Imran Iqbal	OG-II	16/04/2014		2,064,336	104,583	Recovery suit has been decreed in bank's favor now execution is under process.
107	n/a	Muzammil Hussain Shah	OG-III	22/07/2003		370,060	96,638	Recovery suit has been dismissed being time barred.
108	22855	Asad Ali Raza	AVP	21.10.2015		25,566	39,196	Npl amount
109	46	Muhammad Saleem	OG-III	21.10.2011		616,795	27,923	Terminated from service
110	17-6	Salahuddin				1,439,744	80,642	
111	64-8	M Afzal				1,564,356	129,788	
112	7301	Abdul Wasif	OG-II			1,753,775	78,739	
113	125-5	Akber Ali				817,682	14,495	
114		Waqar Abid Shah	OG-III			863,440	33,531	
115	6011	Salman Shafi				712,324	311,588	
116	513-5	Syed Shahid Hussain	OG-III			762,171	12,834	
117	128-2	Asim Mehmood	OG-I			1,382,290	178,780	
118	6638	Sajid Ahmed Khan	OG-II			1,455,413	78,603	
119	7028	Sohailkamran	OG-I			4,725,749	368,123	
120	6670	M Yameen				3,540,930	274,761	
121	6754	Syed Faraz Alam	OG-III			1,222,227	77,686	
122	6487	Abdul Hafeez - Og-Iii				1,577,663		
123	14198	Noreen Zehra				3,560,930	58,010	
124	6275	Muhammad Bilal	OG-III			2,741,290		Not yet migrated
125	620237	Muhammad Azam / Nafeesa Aazam	OG-I			2,061,729		Not yet migrated
126	6624	Aslam Hassan	OG-II			1,246,958		Not yet migrated
127	16563	Saifuddin		N/A		3,234,800	247,642	Npl
128	6446	Faraz Ul Haq		N/A		2,769,876	72,743	Npl
129	7232	Tahir Masood		N/A		1,896,292	157,689	Npl
130	6579	Muhammad Azfar Ghazali		N/A		3,511,201	735,449	Npl

131	487074	Meraj Ahmed		N/A	789,571	16,228	Npl
132	490854	Haseeb Naimatullah		N/A	792,397	2,377	Npl
133	10429	Muhammad Khan	OG-III	17/03/2022	2,317,680	326,890	Loan Migrated to Main Branch Karachi-7242588593
134	10204	Basar Ali	OG-I	17/03/2022	2,298,430	443,532	Loan Migrated to Main Branch Karachi-7242588584
135	10008	Syed Raza Hussain Bukhari	OG-III	09/07/2020	1,577,034	137,602	Loan Migrated to Main Branch Karachi-7182626745
136	9164	Abdul Khaliq	OG-III	09/07/2015	882,527	-	
137	8151	Riasat Ali	OG-III	N/A	585,733	48,722	
138	PF 0832333	Iqbal Hussain	Sr. Asstt.	19/06/1997	170,112	-	HBF
139	N/A	Matloob Khan Bhatti	H/Cashier	29/06/2001	144,261	-	HBF
140	N/A	Farasat Ali Malik	OG-II	04/08/1998	86,769	-	HBF
141	PF 0813158	Syed Zafar Hadi Shah	OG-III	01/10/2003	275,078		HBF
142	8589	Nadeem Tufail(Terminate)	OG-I	18/03/2021	1,007,220	441,383	HBF
143	8600	Adnan Iftikhar Chema(Terminate)	OG0II	24/12/2018	2,364,237	235,661	HBF
144	N/A	Haroon Sahib	OG-III	25/08/2010	859,653	14,274	HBF
145	8594	Nadir Ali Khan(Terminate)	OG-II	18/03/2021	1,426,685	226,539	HBF
146	3285	M. Arshad Tabassum	Assistant	13/03/2008	801,821	31,650	HBF
147	8722	Muhammad Rafi	OG-II	15/03/2012	200,000	53,300	HBF
148	8242	Mian Karamat Ali	OG-III	27/01/2015	782,496	17,066	HBF
149	8417	Mian Imtiaz Ali	OG-III	02/07/2014	1,561,159	45,357	HBF
150	35196	Muhammad Shabbir	OG-I	09.05.2023	428,608	72,455	The delinquent Employee has been Terminated from Bank Services and Case is under Litigation
151	0	Abdul Hai Javid	0	0	95,759	-	0
152	0	Abdul Haq	0	0	8,715	-	0
153	0	Muhammad Yasin	0	0	25,966	-	0

154	0	Muhammad Yaqoob	0	0	50,010	-	0
155	0	Sundary Parties	0	0	19,123	-	0
156	0	Asghar Ali	0	0	230	6,667	0
157	0	Sadiq Masih	0	0	9,300	1,375	0
158	0	Muhammad Latif	0	0	54,100	-	0
159	0	Abdul Rashid	OG-III	37575	52,019	-	0
160	0	Safdar Samuel Mall	0	0	101,356	205,526	0
161	0	Zulfiqar Ali Kazmi	0	0	292,750	217,421	0
162	0	Anees Alam	0	0	205,400	-	0
163	0	Abdul Rehman	0	0	303,200	70,364	0
164	0	Zulfiqar Ali Awan	0	0	177,200	-	0
165	0	Qamar Tanveer	0	0	316,738	39,293	0
166	0	Zafar Iqbal	Sr. Cashier	36510	368,000	-	0
167	0	Dilshad Ahmad	Sr. Cashier	37096	383,800	-	0
168	0	Naeem Ahmad Zafar	Messenger	39185	350,100	-	0
169	0	Khalid Javaid	OG-III	0	428,000	110,464	0
170	8296	Muhammad Asif	OG-III	0	1,707,200	146,771	0
171	17713	Mrs. Shazia Wasim W/O M. Wasim Khan	0	0	3,792,978	1,316,429	0
172	0	Muhammad Naseer	0	0	1,622,540	150,973	0
173	9013	Ammar Saleem	OG-III	44869	1,206,870	188,149	0
174	7847	Shahid Rashid	OG-I	0	3,617,825	1,087,432	0
175	9511	Ijaz Hussain Khan	SVP	0	2,191,000	846,546	0
176	3179	Mubashar Ahmed Khan	OG-I	0	2,053,100	329,351	0
177	17730	Muhammad Yousaf Khan	0	0	728,195	90,906	0
178	7946	Mehboob Elahi	OG-III	0	941,650	47,791	0
179	7952	Waseem Maqbool	OG-III	0	1,150,000	43,312	0
180		Jehangir Khan			4,205,901		
181		Safeer Ahmed			1620875.00		
182		Muhammad Rashid			3,730,009		
183	2568	Muhammad Umer Khan	OG II	16.07.2012	742,239	102,487	
184	12413	Malik Tahir Khan	OG II	08.10.2007	495,105	8,640	
185	12172	Abdul Sattar Khan	OG II	13.02.2004	565,047	18,187	
186	N/A	Ghulam Mustafa	OG-II	14.07.2010	532,413	485,917	Dismissed from Bank's service. Suit file is in the court of law for recovery.

187	N/A	Amir Wali Khan	OG-II	14.07.2010	990,592	247,355	Dismissed from Bank's service. Suit file is in the court of law for recovery.
188	15646	Abdul Ghaffar	OG-II	20.02.2017	1,030,700	37,916	Dismissed from Bank's service. Suit file is in the court of law for recovery.
189	11538	Kifyatullah	OG-II	30.10.2019	971,255	177,352	Dismissed from Bank's service. Suit file is in the court of law for recovery.
190	7650	Shahab Ud Din	AVP	17.11.2016	0	-	Final Notice has been sent for recovery/ adjustment of loan
191	NIL	Muhammad Iqbal	OG-I	1993	0	0	Recovery Suit has been filed by Bank
192	16174	Zubair Sarwer	OG-III	07.01.2016	1	-	Recovery Suit has been filed by Bank
193	7684	Amanat Ullah	OG-II	23.05.2016	1	-	Recovery Suit has been filed by Bank
194	7742	Muhammad Zubair	OG-III	31.08.2022	0	-	Recovery Suit has been filed by Bank
195	10310	Shekeel Anwar	OG-II	23/05/2019	3,110,987	444,229	Terminated from service
196	10311	Syed Shafqat Hussain	OG-III	26/08/2016	1,181,941	100,142	Terminated from service
197	15478	Nadeem Abbas	OG-I	03/08/2022	8,841,400	919,486	Terminated from service
198	2988	Qamar Shahzad	ASSISTANT	20/02/2014	514,426	22,516	Terminated in fraud case
199	3491	Raja Naeem Iqbal	OG.II	25.10.2019	2,322,900	319,419	Terminated in the case of overassessment of gold ornaments
200	5658	Allaudin	Messenger	31/12/2018	1,847,886	150,483	Case wash under litigation and pension claimed lodged by the employee in May 2023.

201	16309	Naseem Ullah Khan	OG-III	31/12/2019	1,215,000	108,427	Contract No Renewed, matter is under litigation.
202	5740	Moula Baksh	OG-II		-	20,194	
203	5858	Muhammad Baqir Khan	Ex OG-I	03/03/2020	-	265,957	
204	16628	Mr. Attaullah	OG-II	15.04.2021	1,573,000	573,993	
205	3356	Muhammad Ashiq	EX-VP	05.04.2021	2,188,423	594,651	
206	3168	Muhammad Sharif	EX-OG-II	26.03.2021	5,600,955	910,903	
207	3354	Ahmad Hassan	EX-OG-II	26.07.2017	2,494,250	155,422	
208	2510	Abdul Shakoor	EX-OG-II	12.11.2021	3,238,756	324,791	
209	NYA	Tariq Murtaza Malhi	EX-OG-II	06.10.2003	89,937	89,937	
210	NYA	Aqeel Ahmed Sial	EX-ASSISTANT	02.05.2003	488,430	-	
211	NYA	Atta Muhammad	EX-HEAD CASHIER	20.01.2001	168,859	139,517	
212	10857	Muhammad Amin	NC-II	04.03.2023	942,261	138,593	Deceased
213	13788	Abdul Hameed	OG-I	06.08.2019	159,005	112,175	Dismissed from Bank's service
214	15111	Said Ullah Khan	OG-III	05.04.2021	2,146,355	327,962	Dismissed from Bank's service
215	13315	Shah Nawaz Khan	OG-I	27.07.2017	4,061,486	700,831	Dismissed from Bank's service
216	14588	Zile Huma	OG-I	19.11.2020	6,087,000	294,654	Dismissed from Bank's service
217	14581	Mushtaq Ali	OG-II	01.05.2020	1,050,607	78,270	Dismissed from Bank's service
218	18813	Huma Shah	OG-III	30.06.2022	2,306,500	84,068	Contract terminated
219	0	Sohail Ahmed		Not Traceable	803,103	54,934	
220	6021	Muhammad Younus		Not Traceable	4,559,504	992,761	Last installment received date is 31.10.2016
221	0	Muhammad Kamran		Not Traceable	1,308,960	165,248	
222	0	Hashim Raza Rizvi		Not Traceable	669,982	55,013	
223	0	Salahuddin		Not Traceable	1,826,276	326,375	
224	0	Allah Divaya Bhutto		Not Traceable	870,640	66,003	
225	6502	Asif Khan		Not Traceable	1,085,280	69,547	Last installment received date is 25.03.2016
226	0	Iqbal Ahmed Zubairi		Not Traceable	784,958	20,459	
227	6132	Muhammad		Not Traceable	671,206	49,187	Last

		Farooq					installment received date is 25.009.2015
228	6067	Muzaffar Ali Zubairy		Not Traceable	1,016,998	230,271	Last installment received date is 25.05.2016
229	6544	Imtiaz Ahmed Khan		Not Traceable	1,461,494	184,538	Last installment received date is 25.06.2016
230	4327	Muhammad Ibrahim		Not Traceable	5,949,200	1,113,619	Last installment received date is 25.08.2019
231	6129	Khalid Rasheed		Not Traceable	3,206,939	679,118	Last installment received date is 25.01.2019
232	6279	Mujeeb Ur Rehman		Not Traceable	1,826,638	393,571	Retired from 25.03.2019. Retirement benefits were short only Rs. 2000,000/- was received.
233	6835	Nasir Ahmed Farash		Not Traceable	1,041,825	137,428	Retired on 25.04.2020. Disbursement branch did not remit funds to clear his HBF Loan.
234	7279	Syed Jaffar Raza - Og Ii		Not Traceable	3,722,453	659,271	Last installment received date is 25.02.2018
235	438	Mushtaque Ahmed	OG-II	31.08.2016	797,827	238,905	Dismiss from banks service
236	14431	Nadeem Ali Tanweri	OG-II	31.08.2016	1,460,355	172,727	Dismiss from banks service
237	14432	Kamaluddin Jamro	OG-III	31.08.2016	1,553,117	122,196	Dismiss from banks service
238		Zafar Ali Bozdar			643,576	54,517	
239	1613	Nazeer Ahmed Khaskheli	OG-II		382,816	131,215	
240	1911	Mr. Tanweer Abbas Rajper	OG-I	28/09/2022	531,891	581,881	
241	0	Ghulam Murtaza Solangi	OG-III	04/09/2006	411,385	15,078	
242	1262	Ahmed Khan Solangi	OG-II	31.03.2022	1,276,261	362,125	The employee is forcedly retired from Bank services.
243	1068	Imdad Ali Soomro	OG-II	-	2280877/-	300,963	Terminated and his case is being proceeded in

							Litigation in Court of Law.
244	2069	Abdul Waheed Memon	OG-II	-	2007275/-	210,559	Terminated and his case is being proceeded in Litigation in Court of Law.
245	943	Mian Asif Ali	OG-III	-	2241294/-	152,835	Terminated and his case is being proceeded in Litigation in Court of Law.
246	719	Muhammad Arif Teeveno	OG-I		2,862,273	397,233	Dismissal from Service and Death Account holder
247	N/A	Muhammad Hussain	EX-OG-III	05.03.2002	405,391	-	The Branch Manager has conveyed that suit was filed by Bank in Banking Court Sahiwal against the terminated employee which was decided in Bank's favor and reportedly Branch Management in the past have initiated the auction of mortgaged property but effort was unsuccessful. The Branch Manager has been advised to make all out efforts for adjustment of outstanding amount to secure the Bank interest.
248	N-A	Javed Mashkoor	CASHIER	28/10/1998	175,774	-	He was terminated on 28.10.1998. NPL is outstanding with Depalpur Branch (0498) under legacy

							portfolio.
249	8643	Aftab Ahmad Khan	II	03/01/2017	1,948,952	86,336	He was terminated on 03.01.2017. NPL is outstanding with Main Branch Karachi under account No. 7046065355
250	3659	Jam Muhammad	NC-II	19/01/2020	76,435	-	Retired from NBP Chishti Chowk Haroonabad Branch (1614). He is in litigation with Bank reportedly in Labour Court, Lahore. NPL is outstanding with Main Branch Karachi under account No. 7245960915.
251	3490	Asif Ali Wareich	OG-I	POSTING AT IBB BR OKARA	-	51,106	Mr.Asif Warriach/SAP ID-3490 in an employee with IBG these days. Principal of said account is NIL. Only M-Up amounting to Rs.51,106/-is outstanding A/C No. 7246065266.
252	2537	Muhammad Naeem Wattoo S/O Muhammad Yar	dismiss from service	04.04.2016 VIDE LTR. NO. ROM/ HRM / DCS/ RAO/ 2704 DATED 04.04.2016 IN CONNECTION HEAD OFFICE LETRE NO. PMW / EMPLOYEEE/UA/41/4 314 DATED 30.03.2016	146,872	41,098	He was terminated from Bank service. Suit filed by terminated employee agai nst the Bank reportedly in High Court & Banking Court Sahiwal. Recovery efforts are in progress by the branch to regularize the

							position. NPL is outstanding with Main Branch Karachi under account No. 7246065257.
253	8010	Muhammad Iqbal (Late)	AVP	09.05.2012 DEATH	NIL	227,053	Decease case of Muhammad Iqbal (LATE). Principal is NIL. Only M-Up amount is outstanding. NPL is outstanding with Main Branch Karachi under account No. 7180072016
254	17921	Nadeem Haroon Jameel	OG-III	08.12.2021	4,049,905	447,709	Dismissed from Bank's service.
			Total Rs.		**382,402,237**	**55,295,392**	
			HYDERABAD				
S No.	**Br Code**	**Party Name**	**Finance Date**	**Default Date**	**Disbursed Amount**	**Out-standing Amount**	
1	4	Khadim Hussain Farooqui	09-04-2021	01-11-2021	5.422	3.643	
2	14	Abdul Latif Shahani	14-05-2019	01-12-2021	13.070	11.075	
3	14	Aftab Hussain Shaikh	15-10-2015	01-08-2022	1.800	1.119	
4	14	Samiullah Memon	28-01-2015	30-06-2017	3.932	2.752	
5	21	Mazhar Baloch	21-07-2003	14-04-2008	0.760	0.635	
6	21	Mumtaz Ali Abro	14-04-2008	31-05-2012	2.511	0.979	
7	70	Aftab Shah	30-09-2007	28-02-2013	1.000	0.662	
8	70	Manzoor Ahmed Khatti	30-12-2006	28-02-2013	0.600	0.373	
9	70	Muhammad Iqbal Khatri	30-07-2007	28-02-2013	1.353	1.089	
10	76	Farooque Ahmed		30-06-2011	0.425	0.336	
11	76	Ghulam Hussain		30-06-2011	0.215	0.157	
12	77	Ghulam Rasool	11-12-2010	11-01-2011	0.444	0.444	
13	77	Nnasarullah Khokhar	26-02-2014	18-08-2017	2.550	2.282	
	Total				**34.082**	**25.546**	

Loss due to non-recovery of loans from terminated employees - Rs.11.972 million (NBP-HO)								
S. No.	**Name**	**Designation**	**Location**	**Termination letter date**	**Date of unauthorized absence**	**House building finance (Rs.)**	**Motor car finance (Rs.)**	**Total outstanding (Rs.)**
1	Zeeshan Hussain	OG-III	Head Office Karachi	15.03.2021	13.03.2020	1,740,661	1,265,025	3,005,686
2	Irfan Raza	OG-I	RO Karachi-S	23.09.2020	26.02.2020	-	988,000	988,000
3	Waqas Rashid	AVP	Commercial Lahore-C	01.04.2021	17.07.2018	5,770,977	868,390	6,639,367
4	Fatima Zehra	OG-III	Head Office Karachi	12.05.2022	01.04.2021	-	382,790	382,790
5	Fiza Chandio	OG-II	Site area Branch-HYD	05.07.2022	21.02.2022	-	956,800	956,800
Total						**7,511,638**	**4,461,005**	**11,972,643**

Annex-45

Un-justified payment to employees/ ex-employees for coverage of legal cost, bail security, TA/DA bills and any other costs for inquiries-Rs.109.130 million					
S#	**Name**	**Designation**	**Employee Status**	**Amount of Surety**	**Arrest / Pre Arrest / Protective Bail / Trial**
1.	Hidayat Ali Shar	Ex-EVP	Ex	500,000	200,000
2.	Muhammad Saleem Saleemi	SVP	Serving	1,500,000	3,350,000
3.	Muhammad Asmar Atique	AVP	Serving	1,500,000	3,350,000
4.	Nabeel Zahoor	SVP	Serving	500,000	720,000
5.	Nawabzada Akber Hassan Khan	Ex-SEVP	Ex	1,500,000	3,550,000
6.	Osama Ghazi	OG-I	Serving	500,000	720,000
7.	Syed Hassan Irtiza Kazmi	Ex-EVP	Ex	1,500,000	4,900,000
8.	Saeed Ahmed	Ex-President	Ex	1,500,000	4,600,000
9.	Syed Ahmed Iqbal Ashraf	Ex-President	Ex	1,520,000	11,050,000
10.	Syed Misbah Hussain		Ex	500,000	495,000
11.	Syed Muhammad Akbar Zaidi	VP	Serving	500,000	720,000
12.	Syed Shamim Bukhari	SVP	Serving	500,000	720,000
13.	Tariq Jamali	Ex-SEVP	Ex	1,500,000	4,875,000
14.	Usman Shahid	Ex-SEVP	Ex	1,500,000	2,800,000
15.	Wajhat A. Baqai	Ex-SEVP	Ex	1,500,000	3,550,000
16.	Syed Jamal Baquar	Ex-SEVP	Ex	1,500,000	3,350,000
				18,020,000	**48,950,000**

S#	Name of counsels/Firms/Staff	Amount	Yet to be paid	Remarks
1	Mohsin Tayebally & Co.	1,800,000	-	Interim Bail
2	Nuruddin Sarki & Co.	10,895,000		Bails & Trial
3	Nawabuddin Law Associates	700,000		Bail proceeding
4	Afaq Ahmed	500,000		Bail proceeding
5	Masood & Masood	170,000		Protective Bail
6	Haider Waheed Partners	1,175,000		Protective & Pre-Arrest Bail
7	Muhammad Wasif Riaz	2,900,000	2,200,000	Post Arrest Bail
8	Adnan Shuja Butt	-	3,000,000	Post Arrest Bail
9	Syed Iqbal Ashraf	10,150,000		Criminal proceeding
10	Saeed Ahmed	1,100,000		Cr. Bail Application + Surety
11	Usman Shahid	670,000		Reimbursed
12	Shahzeb Akhtar Khan	3,700,000		(Cr. Bail / Post Arrest Bail / Trial)
13	Vellani & Vellani	2,000,000	200,000	(Suit Filing /Hascol Pertoleum /
14	Mohsin Shahwani (Hascol Petroleum)	500,000	500,000	(Suit Filing /Hascol Pertoleum
		36,260,000	**5,900,000**	

Annex-46

Non-recovery of commission - Rs.45.103 million		
Date	**Particulars**	**Debit**
31/01/2022	Provision for the month of February-2022 on Govt:Tr, Other Govt Tr and Railway Collection	3,021,960
28/02/2022	Provision for the month of February-2022 on Govt:Tr, Other Govt Tr and Railway Collection	4,687,036
31/03/2022	Provision on railway collection for the month of March 2022	235,004
31/05/2022	Provision for the month of May-2022 on Other Govt Tr and Railway Collection	1,219,320
30/06/2022	Provision for the month of June-2022 on Govt:Tr, Other Govt Tr and Railway Collection	6,209,741
30/07/2022	Provision for the month of July-2022 on Govt:Tr, Other Govt Tr and Railway Collection	855,371
31/08/2022	Provision for the month of August-2022 on Govt:Tr, Other Govt Tr and Railway Collection	1,072,311
30/09/2022	Provision for the month of September-2022 on Govt:Tr,	2,511,676

	Other Govt Tr and Railway Collection	
01/11/2022	Provision for the month of October-2022 on Govt:Tr, Other Govt Tr and Railway Collection	3,327,692
30/11/2022	Provision for the month of November-2022 on Govt:Tr, Other Govt Tr and Railway Collection	7,483,499
Total Rs. (A)		**30,623,610**
04/01/2022	Commission on govt receipt paid to link branches period from Jul-20 to Jun-2021	3,186,492
31/03/2022	Provision on Govt Draft Commission for the month of March 2022	32,347
31/05/2022	Provision for the month of May-2022 on Govt: Receipt	523,327
Total Rs. (B)		**3,742,166**
31/03/2022	Provision on IDA and Assignment payment for the month of March 2022	3,267,759
Total Rs. (C)		**3,267,759**
Total Misc. Rs. (D)		**7,470,097**
Grand Total Rs. (A+B+C+D)		**45,103,632**

Annex-47

Irregular fixation of pay & allowances of newly appointed officers - Rs.38.044 million																			
S #	**Name**	**Designation**	**Date of appointment**	**Allowed pay & allowances**						**Approved pay & allowances**							**Difference**	**Period (months)**	**Total amount (Rs.)**
				Basic pay	**House rent allowance (55%)**	**Utilities (17%)**	**Cost of medicines (6.5%)**	**Medical consultation (6%)**	**Total**	**Basic pay**	**House rent allowance (55%)**	**Utilities (17%)**	**Cost of medicines (6.5%)**	**Medical consultation (6%)**	**Total**				
1	Muhammad Nauman	EVP	15.02.2022	377,282	207,505	64,138	24,523	22,637	696,085	219,000	120,450	37,230	14,235	13,140	404,055		292,030	10	2,920,303
2	Sohail Shahzad Shahid	EVP	24.05.2022	631,978	347,588	107,436	41,079	37,919	1,165,999	219,000	120,450	37,230	14,235	13,140	404,055		761,944	7	5,333,611
3	Shoaib Anwar	EVP	20.01.2022	648,699	356,784	110,279	42,165	38,922	1,196,850	219,000	120,450	37,230	14,235	13,140	404,055		792,795	11	8,720,741
4	Noman Muzaffar	EVP	27.06.2022	392,992	216,146	66,809	25,544	23,580	725,070	219,000	120,450	37,230	14,235	13,140	404,055		321,015	6	1,926,091
5	Shaikh Ausaf Ahmed	EVP	12.12.2022	307,046	168,875	52,198	19,958	18,423	566,500	219,000	120,450	37,230	14,235	13,140	404,055		162,445	0.5	81,222
6	Muhammad	EVP	06.02.20	647,734	356,2	110,1	42,10	38,864	1,195,	219,0	120,4	37,2	14,23	13,140	404,		791,0	10	7,910,14

	Faisal		22		54	15	3		069	00	50	30	5		055	14		2
7	Raheel Saghir Khan	SVP	09.12.2022	357,767	196,772	60,820	23,255	21,466	660,080	142,000	78,100	24,140	9,230	8,520	261,990	398,090	0.5	199,045
8	Muhammad Sohail	SVP	27.09.2022	248,186	136,502	42,192	16,132	14,891	457,903	142,000	78,100	24,140	9,230	8,520	261,990	195,913	3	587,740
9	Bashir Ahmed	SVP	15.09.2022	243,937	134,165	41,469	15,856	14,636	450,064	142,000	78,100	24,140	9,230	8,520	261,990	188,074	3	564,221
10	Malik	SVP	09.05.2022	265,613	146,087	45,154	17,265	15,937	490,056	142,000	78,100	24,140	9,230	8,520	261,990	228,066	7	1,596,462
11	Muhammad Imran Taqi	SVP	20.06.2022	260,943	143,519	44,360	16,961	15,657	481,440	142,000	78,100	24,140	9,230	8,520	261,990	219,450	6	1,316,699
12	Babar Mushtaq Mangi	SVP	28.06.2022	255,213	140,367	43,386	16,589	15,313	470,868	142,000	78,100	24,140	9,230	8,520	261,990	208,878	6	1,253,268
13	Syed Faizan Ali Kazmi	SVP	17.06.2022	222,253	122,239	37,783	14,446	13,335	410,057	142,000	78,100	24,140	9,230	8,520	261,990	148,067	6	888,401
14	Noman Saeed Khan	SVP	10.02.2022	218,792	120,336	37,195	14,221	13,128	403,671	142,000	78,100	24,140	9,230	8,520	261,990	141,681	10	1,416,812
15	Syed Salman Shah	SVP	25.02.2022	212,033	116,618	36,046	13,782	12,722	391,201	142,000	78,100	24,140	9,230	8,520	261,990	129,211	10	1,292,109
16	Irfan	SVP	12.12.2022	176,195	96,907	29,953	11,453	10,572	325,080	142,000	78,100	24,140	9,230	8,520	261,990	63,090	0.5	31,545
17	Muhammad Faisal Khan	SVP	21.03.2022	171,209	94,165	29,106	11,129	10,273	315,881	142,000	78,100	24,140	9,230	8,520	261,990	53,891	9	485,015
18	Zeeshan Muhammad Shareef	SVP	08.04.2022	158,305	87,068	26,912	10,290	9,498	292,073	142,000	78,100	24,140	9,230	8,520	261,990	30,083	8	240,662
19	Ahmed Waqas	SVP	09.03.2022	211,412	116,277	35,940	13,742	12,685	390,055	142,000	78,100	24,140	9,230	8,520	261,990	128,065	10	1,280,651
Total (Rs.)																		**38,044,740**

Annex-48

Irregular disbursement of loans to employees without obtaining required documents - Rs.34.493 million							
Non-marking of lien on properties secured against House Building Advance Loan-Rs.414.112 million (HYD)							
S.#	**SAP ID**	**CNIC NO**	**Name of Staff**	**Grade**	**Limit**	**Disbursement Date**	**Remarks**
1	4596	4130673993427	Rafiq Ahmed Bhurgari	SVP	34,701,300	24.03.2022	
2	5060	4550402075077	Aurangzeb Ahmed Shaikh	EVP	30,105,400	08.09.2023	Letter for Lien issued on 15-09-23
3	6362	4130399990965	Noman Kazi	SVP	29,078,100	19.05.2023	
4	463	4130314846229	Aslam Khan	VP	25,571,160	01.06.2023	
5	1038	4130444997065	Babar Jawaid	VP	24,752,100	04.05.2023	
6	1885	4130430339277	M.Sabir Khanzada	VP	23,529,895	13.04.2022	
7	1837	4130330367345	S.Ali Raza Shah	VP	23,305,800	04.02.2023	Letter for Lien issued on June 2021
8	4964	4130678323232	Sidra Isellahuddin	VP	22,100,000	19.09.2023	
9	4352	4130351186089	Muhammad Arif Memon	VP	22,013,400	31.07.2023	Letter for Lien issued on 09-10 2023
10	1809	4130613137329	Hamid Ali kalhoro	VP	22,013,068	30.05.2023	
11	475	4130422843811	Noushad-ul-Haq Siddiqui	VP	21,800,000	12.09.2022	
12	501	4230189827493	Isellahuddin Nizamani	AVP	21,465,440	14.07.2023	
13	1819	4130713961187	Mashooq Ali Khowaja	VP	21,312,678	17-05-2019	Mortgage Deed in July 2015
14	15142	4130420067899	Manthar Ali	VP	21,063,980	23.08.2023	

			Jamali				
15	4838	4130783938289	Nizamuddin Nizamani	VP	21,015,776	08.06.2023	Mortgage Deed October 2020
16	465	4130398604755	Zahoor Ahmed Bhatti	AVP	20,700,000	19.06.2023	
17	1964	420005665669	Abdul Samee Shaikh	VP	20,017,800	15.05.2023	Letter for Lien issued on 13-10-23
18	1031	4120539749061	Javaid Akhtar Bhutto	AVP	19,726,560	26.07.2023	Mortgage Deed in Dec 2002
19	14447	4130638781510	Hira Nizamani	VP	19,099,000	01.06.2023	
20	900	4130350547103	Aftab Hussain Shaikh	OG-III	1,800,000	15-10-2015	

Annex-49

Irregular conversion of termination into resignation and non-taken of disciplinary action-Rs.29.823 million
SJB being Group Chief CIBG recommended and allowed routing of credit proposal through his own group instead of routing it through Investment Banking Group. Being member Credit Committee & Group Chief CIBG, he recommended and allowed enhancement in LC lines from Rs.7,000 million to Rs.12,000 million. Being member Credit Committee & Group Chief CIBG, he recommended and allowed release of personal guarantee of Mr. Mumtaz Hassan, CEO in the company Being member Credit Committee & Group Chief CIBG, he recommended and allowed additional Running Finance Facility of Rs.1,000 million against the security of stocks and receivable that were already encumbered against LC lines. Being member Credit Committee & Group Chief CIBG, instead of working on exposure reduction strategy, he re-approved the term loan of Rs.1,050 million and Rs.600 million on revised terms. The tangible security of land and building was removed from term loan of Rs.1,050 million whereas direct payments to company were also allowed instead of disbursement through vendors. Fixed assets from security of letter of credit facility was also removed in the same memo.

SHIK being Corporate Head, instead working on exposure reduction strategy, he re-approved the term loan of Rs.1,050 million and Rs.600 million on revised terms.

Tangible security of land and building was removed from term loan of Rs.1050 million whereas direct payments to company were also allowed instead of disbursements through vendors.

Fixed assets from security of Letter of Credit Facility was also removed in the same memo

In 2018 oil industry was facing many challenges in the form of Rupee devaluation against US$ interest rates were rising, and there was volatility in international oil prices. These factors resulted in decline in profitability of most of il refineries and others at that time including HPL. Being Regional Corporate Head, instead of reducing exposure, he recommended aggressive increase in exposure on HPL by increasing Letter of Credit Facility from PRs.12000 million to Rs.18000 million.

Being Regional Corporate Head, he recommended restructuring of facilities i.e. conversion of short term facilities into long term facilities and securing those long term restructured facilities against fixed assets.

Defaulted LCs of Rs.8000 was allowed to be converted into long term loan.

Criminal reach of trust in failing to analyze the price and foreign exchange risks while approving credit facilities to HPL, granting extended tenor in LCs way beyond the Cash Conversion Cycle of the customer as well and the industry, granting trade facilities in excess of the genuine working capital requirement of HPL.

Jamal: (Rs.1,493,890*3=Rs.4,481670) three months pay in lieu of resignation & end service benefits of Rs.8.239 million

Irtiza: payment of three months' salary and end service benefits amounting to Rs.16.677 million.

Annex-50

	Unjustified increase in basic pay as special increase - Rs.18.088 million (Amount in Rs)								
S#	**Name**	**Grade**	**Group**	**2020**	**2021**	**2022**	**Special Increase 2022**	**%**	**Gross Pay in Dec 2022**
1.	Abdul Hadi Palekar	SVP	Treasury & Capital	27,954	44,013	49,734	38,257	10	728,343
2.	Javid Iqbal Bangash	SVP	Compliance	22,529	27,335	41,699	83,161	35	460,878
3.	Danish Bin Inbsat	SVP	HRM	29,555	35,860	40,522	123,279	35	597,596
4.	Abdul Waheed Sabir	EVP	HRM	26,940	32,687	36,937	112,373	35	594,218
5.	Muhammad Azmat Zuberi	VP	Litigation Head	N/A	N/A	N/A	13,612	20	313,454

6.	Sabghatullah Shaikh	AVP	-	N/A	N/A	N/A	8,814	35	167,091
7.	Noman Ali Bhutta	OG-I	Litigation Head	N/A	N/A	N/A	3,628	30	N/A
8.	Sheikh Zeeshan Ali	OG-I	Litigation Officer	N/A	N/A	N/A	3,136	35	N/A
9.	Masood Zaman Khan	OG-II	Litigation Officer	N/A	N/A	N/A	2,500	20	N/A
10.	Muhammad Ismail Usuf	SEVP	Treasury & Capital	62,874	83,098	126,766	252,810	35	1,894,106
11.	Rehmat Ali Hasnie	SEVP	IDG	77,561	93,935	123,994	206,657	20	2,317,689
12.	Abdul Wahid Sethi	SEVP	Financial Control	55,447	87,298	102,441	265,587	35	1,985,032
13.	Karim Akram Khan	SEVP	Logistics	45,338	59,947	82,427	164,855	25	1,615,783
14.	Asma Shaikh	SEVP	HRM	86,808	105,327	36937	183,106	20	2,121,984
15.	Raheel Iqbal	SVP	Business Analyst	N/A	N/A	N/A	23,074	65	N/A
16.	Muhammad Umair	AVP	Quality Assurance	N/A	N/A	N/A	13,538	49	N/A
17.	Syed Faheem Haider	AVP	Business Analyst	N/A	N/A	N/A	8,983	49	N/A
From S# 1 to 9 were increased without approval of any competent forum and S# 10 to 17 were approved by the Board.							**1,507,370*12= Rs.18,088440**		

Annex-51

Loss of funds due to losses by fund manager - Rs.6,198.048 million								
M/s. UBS								
Description of head in monthly statement of change in net assets in USD								
Period	**Realized loss**	**Realized loss-currency**	**Realized loss-settlement**	**Realized loss-FEX Contracts**	**Realized loss-non-base currency**	**Realized loss on TIPS Adj.**	**Realized currency GL Interest**	**Total loss**
1-7-2021 to 30-6-2022	764,171.44	4,056,064.65	239,974.92	4,206,981.40	967,907.79	8,623.33	28,461.24	**USD 10,272,184.77 @ Rs 230/- = Rs 2,362,602,497/-**
Loss of Rs 2,362.602 million against allocated amount of US$ 546.023 million								

M/s. PIMCO							
	Description of head in monthly statement of change in net assets in USD						
Period	**Realized loss**	**Realized loss-currency**	**Realized loss-settlement**	**Realized loss-FEX Contracts**	**Realized loss-non-base currency**	**Realized currency GL Interest**	**Total loss**
1.7.2021 to 30.6.2022	7,297,084.66	6,868,882.45	420,995.97	3,378,256.03	688,925.71	55,345.77	**18,709,490.59 @ Rs 205/- = Rs 3,835,445,570/-**
Loss of Rs 3,835.446 million against allocated amount of US$ 540.632 million							

Annex-52

Loss of rental income due to charging of nominal rent and non-vacation / non-renovation of flats – Rs.133.203 million Loss of rental income due to charging of nominal rent - Rs.120.840 million								
Description	**2019**		**2020**		**2021**		**2022**	
Category	C	D	C	D	C	D	C	D
Monthly rent Charged	8000	4000	8000	4000	8000	4000	8000	4000
Average Market Rent PM	20224	12904	22828	14685	25625	16454	31210	19991
Difference PM	12225	8904	14829	10685	17625	12454	23210	15991
Yearly Impact (Diff. PM per flat x allotted Flats C-96 & D 34x 12 Months)	14,082,681	3,623,628	17,082,950	4,359,521	20,305,094	5,081,069	26,738,611	6,524,165

Annex-53

Loss of funds on account of imprudent forex swap transactions- Rs 51.549 million							
M/s. PIMCO							
	Description of head in monthly statement of change in net assets in USD						
Period	**Realized loss**	**Realized loss-currency**	**Realized loss-settlement**	**Realized loss-FEX Contracts**	**Realized loss-non-base currency**	**Realized currency GL Interest**	**Total loss**
1-7-2021 to 30-6-2022	7,297,084.66	6,868,882.45	420,995.97	3,378,256.03	688,925.71	55,345.77	**18,709,490.59 @ Rs 205/- = Rs 3,835,445,570/-**
Loss of Rs 3,835.446 million against allocated amount of US$ 540.632 million							

Sold					Bought					Difference (Rs)
ID	**Deal date**	**Counter-party**	**Amount Sold (USD)**	**Deal rate (Rs)**	**ID**	**Deal date**	**Counter-party**	**Amount Bought (USD)**	**Deal rate (Rs)**	
FX2132300011	19-11-20	Habib Metropolitan Bank	2,000,000	175.235	FX2132300012	19-11-20	Habib Metropolitan Bank	2,000,000	177.7613	2.3779 * 2,000,000= Rs 4,755,800
FX2132300013	19-11-20	Askari Bank	2,000,000	175.235	FX2132300014	19-11-20	Askari Bank	2,000,000	181.0842	5.8491 * 2,000,000= Rs 11,698,200
FX2132300015	19-11-20	Bank Al-Habib	2,500,000	175.235	FX2132300016	19-11-20	Bank Al-Habib	2,500,000	181.0842	5.8491 * 2,500,000 = 14,622,750
FX2132300017	19-11-20	Habib Metropolitan Bank	1,000,000	175.235	FX2132300018	19-11-20	Habib Metropolitan Bank	1,000,000	181.0842	5.8491 * 1,000,000 = Rs 5,849,100
FX2132300019	19-11-20	Allied Bank	1,000,000	175.235	FX2132300020	19-11-20	Allied Bank	1,000,000	181.0842	5.8491 * 1,000,000 = Rs 5,849,100
FX2132300021	19-11-20	Habib Bank	1,500,000	175.235	FX2132300021	19-11-20	Habib Bank	1,500,000	181.0842	5.8491 *1,500,000 = Rs 8,773,650

Total										**51,548,600**
ID	**Deal date**	**Counter-party**	**Amount bought (USD)**	**Deal rate (Rs)**	**ID**	**Deal date**	**Counter-party**	**Amount Sold (USD)**	**Deal rate (Rs)**	**Difference (Rs)**
FX2132300003	19-11-20	Citi Bank	2,000,000	175.2351	FX2132300004	19-11-20	Citi Bank	2,000,000	175.2351	000
FX2132300005	19-11-20	Citi Bank	2,500,000	175.2351	FX2132300006	19-11-20	Citi Bank	2,500,000	175.2351	000
FX2132300007	19-11-20	Summit Bank Ltd.	1,000,000	175.2351	FX2132300008	19-11-20	Summit Bank Ltd.	1,000,000	175.2351	000

Annex-54

Irregular procurement of medicines – Rs.46.290 million					
S.#	**Name of Supplier**	**Amount (Rs)**	**S.#**	**Name of Supplier**	**Amount (Rs)**
1.	Masood Medika	335,406	12.	Adler International	369,864
2.	Askari Pharmacy	9,116,851	13.	Hussain Traders	200,908
3.	Well Care Pharma	1,602,915	14.	Allons Enterprises	404,833
4.	ZuisPharmaland	1,091,640	15.	Sky Ways Intern.	364,140
5.	Care & Cure Marketing	10,598,255	16.	Platinum Pharma	213,302
6.	Amin Agencies	2,344,255	17.	Al Karim Distributors	5,386
7.	Muller and Phipps Pak	8,797,082	18.	Vikor Enterprises	909,731
8.	Ali Gohar& Company	2,238,648	29.	Health Supplements	182,330
9.	Jawed Traders	854,040	20.	Medicate International	1,583,261
10.	Premier Sales (Pvt) Ltd	85,292	21.	Noor Enterprises	162,749
11.	Novartis Pharma	3,063,142	22.	Al Waqar Trading	1,766,289
				Total	**46,290,319**

Annex-55

	Unjustified disbursement of loans to the exporter under Export Finance Scheme despite repetitive fines			
	2019-2020			
S#	**Description of Fine**	**L.D. No.**	**Date**	**Amount (Rs)**
1.	Delay repayment charges	LD1824000002	26-08-2019	362
2.	Delay repayment charges	LD1824000002	26-08-2019	320
3.	Delay repayment charges	LD1824000002	26-08-2019	410
4.	Delay repayment charges	LD1824000002	26-08-2019	343
5.	Delay repayment charges	LD1824000002	26-08-2019	4,105
6.	Delay repayment charges	LD1824000002	26-08-2019	1,672
7.	Delay shipping documents by the export	LD2007800002	17-11-2020	2,600
8.	Fine for non-submission of EPRC	LD1902200001	14-01-2021	20,000
9.	Incorrect reporting /entry	LD1931600006	09-12-2020	300
10.	Late /less adjustment of export proceeds Annex-D	LD1824000002	17-08-2019	1,433.98
11.	Late /less adjustment of export proceeds Annex-D	LD1824000002	17-08-2019	577.59
12.	Late adjustment of funds by a bank	LD2003700001	21-07-2020	51,628
13.	Late/less adjustment	LD1919100001	24-12-2019	65
14.	Late/less adjustment	LD1919100001	02-01-2020	75
15.	Late/less adjustment of export proceeds in applicable Annex-A	LD1919100001	28-07-2020	141.07
16.	Mismatch shipment reported in Annex-D and EPRCS	LD1824000002	17-08-2019	500
17.	Mismatch shipment reported in Annex-D and EPRCS	LD1824000002	17-08-2019	100
18.	Misreporting in Annex-D	LD1828300002	10-05-2019	300
19.	Misreporting in Annex-D	LD1824000002	26-08-2019	500
20.	Misreporting in Annex-D	LD1824000002	26-08-2019	100
21.	Misreporting in Annex-D	LD1824000002	26-08-2019	400
22.	Misreporting in Annex-D	LD1824000002	17-08-2019	400
23.	Misreporting in Annex-D	LD1902200001	26-08-2019	200
24.	Misreporting in Annex-D	LD1902200001	06-03-2020	100
25.	Misreporting in Annex-D	LD1919100001	18-02-2020	100
26.	Wrong information and incorrect reporting /entry	LD2014100003	11-01-2021	100
			Total	**86,832.64**

2020-21 & 2021-22			
S#	**Description of Fine**	**L.D. No.**	**Amount (Rs)**
1.	Short shipment	LD2116800006	135
2.	Late shipment of support documents	LD2116800006	200
3.	Misreporting in Annex-D	LD2116800012	3,100
4.	Late submission of Shopping Docs	LD2027800012	200
5.	Misreporting in Annex-D	LD2014100003	100
6.	Late submission of Shopping Docs	LD2105400004	100
7.	Misreporting in Form-EPRC	LD1922000001	15,000
8.	Short Shipment	LD1922000001	20,068
9.	Delayed Repayment	LD2003700001	51,628
10.	-	LD1919100001	66
11.	Late submission of Shipping Docs	LD2108300003	300
12.	Misreporting in Annex-D	LD1931600006	300
13.	Non-submission of PRC	LD1922000001	20,000
14.	Late submission of Shipping Docs	LD2033100001	200
15.	Short Shipment	LD2007800002	274
16.	Short Shipment	LD2027600012	3,839
17.	Short Shipment	LD2007800002	430
18.	Delayed Repayment	LD2003700001	74,696
19.	Short Shipment	LD1922000001	235
20.	Late submission of Shipping Docs	LD1931600006	400
21.	Late submission of Shipping Docs	LD2007800002	200
22.	Late submission of Shipping Docs	LD2007800002	2,600
23.	Short Shipment	LD1922000001	26,523
24.	Short Shipment	LD2027600012	564
25.	Misreporting in FORM-EPRC	LD2033100001	20,000
26.	Short Shipment	LD1922000001	500
		Total	**241,658**

Annex-56

Sr. #	CA Unit	Total Loan Files of Zone	Provided file	Not provided	Reason of Variance
1	Bahawalpur	22850	16195	6655	52 Files missing
2	D.I. Khan	22983	22728	255	250 Files missing
3	D.M.Jamali	2670	2006	664	27 Files missing, 409 Damaged, 212 Fake
4	Hyderabad	11298	11262	36	36 Files missing
5	Lahore	14797	13751	1046	1046 Files missing
6	Larkana	21032	16962	4070	223 Files missing, 3720 Burnt, Damaged 127
7	Mirpurkhas	15538	15396	142	142 Files missing
8	Peshawar	8801	8749	52	52 Files missing
9	S. Benazirabad	9409	8919	490	46 Files missing, 128 Burnt, Damaged 316
10	Sahiwal	22563	22262	301	348 Files missing
11	Sargodha	18185	18166	19	19 Files missing
12	Sukkur	24737	16333	8404	7260 Files missing, Burnt files 1144

Annex-57

Irregular export in tariff area in excess of allowed limit – Rs.1,956.05 million (Equivalent to USD 6.745 million)

Investor Name	Export to Tariff Area (in USD)	Export Abroad (in USD)	Total Export (in USD)	Excess export to Tariff (in USD)
Denim Clothing & Company (Pvt.) Ltd.	780,780.00	5,770.00	786,550.00	623,470.00
Pak Hua Industrial Co (Pvt.) Ltd. (PH-II)	522,650.64	1,548,416.47	2,071,067.11	108,437.22
United International Industries	197,506.05	597,200.00	794,706.05	38,564.84
Home Furnishing Ltd	1,357,519.54	0.00	1,357,519.54	1,086,015.63
General Tobacco Company	29,800.00	61,640.00	91,440.00	11,512.00
Paradise Industrial Corp	29,167.00	0.00	29,167.00	23,333.60
Zaf Polymers	268,012.12	14,755.30	282,767.42	211,458.64
Combine Holding (Pvt.) Ltd. (PH-II)	136,452.45	542,897.80	679,350.25	582.40
Afuso Packaging & Printing Industry. (PH-II)	98,437.20	0.00	98,437.20	78,749.76
Ghia Industries (Pvt.) Ltd. (P.P. /Plastic Products, Canvas Cloth, Paper/Printing and Packaging)	324,329.03	662,566.30	986,895.33	126,949.96
N.S. Enterprises (Pvt.) Ltd.	104,119.00	141,800.00	245,919.00	54,935.20

Jubilee Knitwear Industries	622,036.24	1,334,632.39	1,956,668.63	230,702.51
S.H. Packages (Pvt.) Ltd. (PH-II)	2,311,940.08	30,249.67	2,342,189.75	1,843,502.13
Mahnoor Food Industries. (PH-II)	96,040.00	176,984.00	273,024.00	41,435.20
IF Zipper Pakistan (Pvt.) Ltd	1,021,588.46	3,910.40	1,025,498.86	816,488.69
Eram Fashions (Pvt) Ltd.	329,800.00	0	329,800.00	263,840.00
FUJIPLUS INTERNATIONAL (SMC-PRIVATE) LTD	135,805.00	0.00	135,805.00	108,644.00
Allied Trading (Fidai)	104,848.20	123,391.54	228,239.74	59,200.25
Steel Vision (Pvt.) Ltd.,	582,560.30	0.00	582,560.30	466,048.24
Royal Impex (Pvt.) Ltd.,	688,095.20	24,414.16	712,509.36	545,593.33
H. Nizam Din & Sons (Pvt.) Ltd	7,488.00	0.00	7,488.00	5,990.40
Total	**9,748,975**	**5,268,628**	**15,017,603**	**6,745,454**

Annex-58

Non-recovery of outstanding dues from various investors – Rs.173.962 million							
A. Annual Ground							
S. No	**Investor Name**	**Opening Balance**	**Current Invoice Amount**	**LPS**	**Receivable amount**	**Received**	**Out standing in USD**
Litigation							
1	A.K Lubricants	1,890.56	844.00	101.28	2,835.84	-	2,835.84
2	Achak Enterprises	42,030.00	2,250.00	270.00	44,550.00	-	44,550.00
3	Diamond S Trading (SMC-PVT) Ltd	8,836.80	1,188.00	142.56	10,167.36	-	10,167.36
4	Japan Packages	5,040.00	750.00	90.00	5,880.00	-	5,880.00
5	Japan Packages II	5,040.00	750.00	90.00	5,880.00	-	5,880.00
6	Saltex (Pvt) Ltd	157,631.68	12,000.00	1,440.00	171,071.68	-	171,071.68
7	Uzair Export (Pvt)	178,828.16	12,000.00	1,440.00	192,268.16	-	192,268.16
8	Zaf Polymer (TU)	29,102.08	1,633.00	195.96	30,931.04	-	30,931.04
	Total (A)	**428,399.28**	**31,415.00**	**3,769.80**	**463,584.08**	**-**	**463,584.08**
Taken Over Units							
9	AAA Packages	-	1,019.00	122.28	1,141.28	-	1,141.28
10	Crescent Chemical Company	-	1,250.00	150.00	1,400.00	-	1,400.00
11	MOC Industries	-	750.00	90.00	840.00	-	840.00
	Total (B)	-	**3,019.00**	**362.28**	**3,381.28**	**-**	**3,381.28**
For more than Two Years							
12	Bin Ahmed Engineering Industry	12,279.68	2,741.00	328.92	15,349.60	-	15,349.60
13	Converpak International (TU)	5,050.00	502.00	60.24	5,612.24	-	5,612.24
	Total (C)	**17,329.68**	**3,243.00**	**389.16**	**20,961.84**	**-**	**20,961.84**
For One Year							
14	Maraya Int`l (Pvt) Ltd	1,960.00	1,750.00	210.00	3,920.00	-	3,920.00
15	Laiba Industries (Pvt) Ltd	840.00	750.00	90.00	1,680.00	-	1,680.00
	Total (D)	**2,800.00**	**2,500.00**	**300.00**	**5,600.00**	**-**	**5,600.00**

Current							
16	City Clothing (Pvt) Ltd	-	1,250.00	150.00	1,400.00	-	1,400.00
17	Opulent Industries (Pvt) Ltd	-	1,644.00	197.28	1,841.28	-	1,841.28
18	Steel Vision (Pvt) Ltd (Ex Raja Shakeel)	-	1,750.00	210.00	1,960.00	-	1,960.00
	Total (E)	**-**	**4,644.00**	**557.28**	**5,201.28**	**-**	**5,201.28**
GRAND TOTAL (A+B+C+D+E)		**448,528.96**	**44,821.00**	**5,378.52**	**498,728.48**	**-**	**498,728.48**

B. Water Charges

S. No.	Name of Investor	Opening Balance	Bill Raised In B/M May-2023	Receivable Amount	LPS	Outstanding Amount USD
1	Ahmed food Int`l	355.53	21.71	377.24	2.17	379.41
	Total	**355.53**	**21.71**	**377.24**	**2.17**	**379.41**

S. No.	Name of Investor (Electricity Charges)	Opening Balance	Bill Raised In B/M June - 2023	Receivable Amount	LPS	Out standing USD
1	Achak Enterprises	10.84	1.75	12.59	0.18	12.77
2	Steel Vision (Pvt.) Ltd. (ex RajaShakeel	13.3	96.11	109.41	9.61	119.02
3	Post Office KEPZ	100.89	1.90	102.79	0.19	102.98
4	AAA Packages	712.51	7.01	719.52	0.70	720.22
5	Ahmed Foods Int`l	2,045.86	183	2,228.86	18.30	2,247.16
6	Crescent Chemical Company	22.24	1.75	23.99	0.18	24.17
7	Diamond S Trading (SMC-PVT) Ltd	120.6	1.75	122.35	0.18	122.53
8	Japan Packages	2,712.44	7.01	2,719.45	0.70	2,720.15
9	Japan Packages II	770.54	7.01	777.55	0.70	778.25
10	Pak Birtish Safety Glass Co.	3,382.31	7.01	3,389.32	0.70	3,390.02
11	MOC Industries	223.39	7.01	230.4	0.70	231.10
12	Khan Enterprise (Canteen)	315.65	32.0	347.65	3.20	350.85
	Total	**10,430.57**	**353.31**	**10,783.88**	**35.33**	**10,819.21**

Name of Investor (Change of name)	Outstanding USD	Outstanding in PKR
M/s Ali Industries Pvt. Ltd	10,000	1,600,000

Name of Investor (Workers' pays)	Outstanding USD	Outstanding in PKR
M/s Casual Sportwear	-	24,483,000

Annex-59

Non-execution of License Agreement with allottees – Rs.5,775.095 million (268.280 Acres)				
Construction Completed and operational				**Annex**
S#	**Name of Allotee**	**Date of Allotment**	**Plot Size (Acre)**	**Sale Value (Rs.)**
1	Yamaha Motor Pakistan Pvt.	08-Nov-13	50.275	427,337,500
2	MID Pakistan Coil Center Pvt	25-Apr-14	5.027	67,864,500
3	Horizon Steel Pvt. Ltd.	25-Sep-14	6.072	81,972,000
4	Barkat Frisian Pasteurized Egg Company Pvt. Ltd.	23-Jan-17	2.5	45,000,000
5	Lucky Motor Corporation Ltd. (Formerly, Kia Lucky Motors Ltd.)	23-Jan-17	100	1,800,000,000
6	Ahmad Glass Industries Pvt.	22-Mar-17	4.426	79,668,000
7	Tecno Auto Glass Pvt. Ltd.	22-Mar-17	10.784	194,112,000
8	International Steels Pvt. Ltd.	20-Apr-18	15	525,000,000
9	Crafters Polypropylene Packages (Pvt.) Ltd.	01-Nov-21	5	225,000,000
Under Construction			0	0
1	Gasco Engineering Pvt. Ltd.	21-Sep-15	2	27,000,000
2	Hi-Tech Auto Parts Pvt. Ltd.	23-Jan-17	12.006	216,108,000
3	Kum Yang Pakistan Light Industry Pvt. Ltd.	28-Jan-20	3.69	134,685,000
4	Lily International	02-Feb-21	5	185,440,000
5	Chemical Hub Pvt. Ltd.	26-Apr-21	2	74,176,000
6	Kanco Steel Pvt. Ltd.	26-Apr-21	3	111,264,000
7	Bilal Metal Engineering SMC	17-May-21	11	407,968,000
8	Grainsbury Foods (Pvt.) Ltd.	01-Nov-21	10	450,000,000
9	H.H.K. Oil Industries (Pvt.) Ltd.	01-Nov-21	5	225,000,000
		04-Nov-22	5	225,000,000
10	Kriall (Pvt.) Ltd.	01-Nov-21	3	135,000,000
11	Aria Packages (SMC-Pvt.) Ltd.	21-Mar-22	2.5	112,500,000
12	Sam Hygiene (Pvt.) Ltd.	22-Mar-22	5	25,000,000
	Total		**268.28**	**5,775,095,000**

Annex-60

S#	Name of Allotee	Date of Allotment	Plot Size (Acre)	Sale Value	Remarks
1.	Gasco Engineering Pvt. Ltd.	21-Sep-15	2	27.000	Construction started
2.	Hi-Tech Auto Parts Pvt. Ltd.	23-Jan-17	12.006	216.108	
3.	Kum Yang Pakistan Light Industry Pvt. Ltd.	28-Jan-20	3.69	134.685	
4.	DE Automotive Pvt. Ltd.	21-Sep-15	3.27	44.145	Building Plan Approved but Construction
5.	Central Ventilation System Pakistan Pvt. Ltd.	21-Sep-15	3.467	46.804	
6.	Lucky Motor Corporation Ltd.	17-May-19	5	180.000	
7.	Pinnacle Biotech Pvt. Ltd.	22-Mar-17	10	180.000	
8.	Master Auto Engineering SMC - Pvt. Ltd.	20-Dec-17	15	525.000	
9.			**Total**	**1,353.742**	

Non-operational of Projects by allottees–Rs.489.468 million						
S#	**Name of Allottee**	**Date of Sale**	**License Agreement Executed**	**Date of Completion**	**Plot Size/Acre**	**Price of Plot (Rs.)**
	Avant Ventures-Unit-1	18-Jun-13	09-Jul-18	Jun-21	0.53	15,635,000
	Avant Ventures-Unit-2	18-Jun-13	09-Jul-18	Jun-21	0.434	12,803,000
	Avant Ventures-Unit-3	18-Jun-13	12-Sep-17	Oct-19	0.392	11,564,000
	Bliss Industries (Pvt) Ltd	30-Aug-13	22-Jan-15	Nov-21	0.468	13,806,000
	Elite Hosiery Mills Unit-3	16-Mar-12	29-Dec-20	Jun-21	0.529	12,960,500
	Faruk Impex Corporation	02-Sep-10	14-Feb-13	Jan-22	1.042	25,529,000
	Faruk Impex Corporation	27-Dec-12	03-Sep-18	Mar-22	0.988	29,146,000
	Mehran Commercial Enterprises	02-Sep-10	22-Oct-14	Jan-18	0.531	13,009,500

	Oncogen Pharma Pvt Ltd	18-Apr-18	16-jun-20	Sept-21	2.529	151,740,000
	Tufail Chemical & Surfactants (Pvt) Ltd	18-Oct-16	29-Jun-18	Jan-21	2.211	187,935,000
	Unico Paints Industries (Pvt) Ltd	11-Apr-13	24-Aug-17	Dec-19	0.52	15,340,000
				Total	**10.174**	**489,468,000**

Annex-61

Non-submission of Building Plans by investors for construction of plots – Rs.602.528 million (132.764 Acres)						
Building Plans not submitted at KCIP						**(Annex)**
Sr. No.	**Name of Allottee**	**Date of Sale**	**Date of Allotment**	**Date of issuance Site Plan**	**Plot Size/Acre**	**Price of Plot (Rs.)**
1	Akkar International (Pvt) Ltd	28-Jul-22	28-Jul-22	29-Sep-22	1.175	185,062,500
2	Al Baraka Apparel (Unit-2)	30-Aug-13	30-Aug-13	5-Nov-13	0.794	23,423,000
3	Al Rehman Lubricants (Pvt) Ltd (Unit-2)	19-Jun-13	19-Jun-13	4-Jul-13	0.52	15,340,000
4	Al Shaheer Corporation (Pvt)	19-Jun-13	19-Jun-13	19-Jul-13	1.401	41,329,500
5	Ali Corporation	02-Sep-10	02-Sep-10	27-Jan-11	0.985	24,132,500
6	Amkorp Garments	02-Sep-10	02-Sep-10	21-Feb-11	0.426	10,437,000
7	Continental Trading Co	02-Sep-10	02-Sep-10	27-Jan-11	1.18	28,910,000
8	Continental Trading Co	06-Dec-10	06-Dec-10	27-Jan-11	0.89	21,805,000
9	Cotton & Silk	02-Sep-10	02-Sep-10	21-Feb-11	0.466	11,417,000
10	Crafter International Unit-1	11-Apr-13	11-Apr-13	21-May-13	0.399	11,770,500
11	Crafter International Unit-2	11-Apr-13	11-Apr-13	21-May-13	0.413	12,183,500
12	Dewan Development (Pvt) Ltd	22-Jun-18	22-Jun-18	19-Jul-18	0.988	148,200,000
13	Elite Hosiery Mills Unit-1	16-Mar-12	16-Mar-12	2-Nov-12	0.529	12,960,500
14	Elite Hosiery Mills Unit-2	16-Mar-12	16-Mar-12	2-Nov-12	0.529	12,960,500
15	Elite Hosiery Mills Unit-4	16-Mar-12	12-Sep-14	2-Nov-12	0.529	12,960,500
16	Flexchem Polyurethanes	12-Sep-14	12-Sep-14	1-Oct-14	0.90	26,550,000
19	H.S. Manufacturing & Trading Company Pvt Ltd	19-Aug-22	19-Aug-22	29-Sep-22	1.618	254,835,000
20	Kauser Chemicals	18-Nov-15	18-Nov-15	17-Dec-15	0.801	31,639,500
21	LE Mendoza (Pvt) Ltd	22-May-12	May-12	28-Sep-12	1.977	58,321,500
22	Maskatiya Industries (Pvt) Ltd - Unit 2	15-Aug-22	15-Aug-22	07-Sep-22	0.5	78,750,000
23	Nexus Pharma (Pvt) Ltd	16-Mar-12	16-Mar-12	24-Apr-22	1.03	25,235,000
24	Osmani & Company	02-Sep-10	02-Sep-10	27-Jan-11	0.722	17,689,000
25	Plastech Solutions (Pvt) Ltd	16-Mar-22	16-Mar-22	12-Apr-22	0.582	87,300,000

26	Rayyan Sciences (Pvt) Ltd	11-Apr-13	11-Apr-13	30-Apr-13	0.473	13,953,500
27	Reliance Services Company	19-Jun-13	19-Jun-13	4-Jul-13	0.468	13,806,000
28	Studio 146	22-Sep-15	22-Sep-15	28-Dec-16	0.613	52,105,000
29	United King Foods (Pvt) Ltd	02-Sep-10	02-Sep-10	9-Sep-14	0.468	13,806,000
30	United Trading & Manufacturing (Pvt) Ltd (3)	06-Dec-10	06-Dec-10	27-Jan-11	0.508	12,446,000
31	W. Woodword Pak (Pvt) Ltd	16-Mar-12	16-Mar-12	24-Apr-12	1.977	48,436,500
32	Warm Steps (Pvt) Ltd	25-Mar-22	25-Mar-22	06-Apr-22	0.582	87,300,000
	Total (A)				**24.443**	**1,395,065,000**

Annex-62

Award and execution of various consultancy works with irregularities- Rs. 558.037 million

S.#	Project	Brief Description	Remarks
	2019-2022		
1	BQIP Phase II-2nd Consultant	• No Tender was published. The leftover work of BQIP Phase II was conducted by M/s Asian without any tender.	
2	NFIP Consultant	• Date of Advertisement was 04-03-2021 and closing date was 24-03-2021. • No Pre-qualification was done. • Least Cost Based Method Used. • M/s Asian was awarded the contract for Rs. 12,185,258.	• The Advertisement was not widely circulated. • M/s Asian secured 89 marks and M/s EA secured 77 marks while M/s ZCL who had earlier worked on BQIP Phase II (830 Acres) couldn't qualify in NFIP where experience of only 80 acres was required.
3	BQIP-Phase III Consultant	• Date of Advertisement was 04-03-2021 and closing date was 25-03-2021. • No Pre-qualification was done. • Least Cost Based Method Used. • M/s Asian was awarded	• The Advertisement was not widely circulated. • M/s Asian secured 94.5 marks and M/s NESPAK secured 91.5 marks. • M/s EA consultants couldn't qualify but would later be awarded the consultancy in KIP

		the contract for Rs. 12,485,258.	1500-acre project as JV partner of Surbana Jurong. • M/s EA was awarded consultancy of Turbat Project. The firm was disqualified in BQIP Phase III tender.
4	KIP Consultant-1st Tender	• Date of Advertisement was 10-10-2021, a Corrigendum was issued, closing date was 21-11-2021. • Two Technical Evaluations were carried out. • Quality and Cost Based Method QCBS with ratio of (80:20). • Tender was scraped.	• M/s Surbana was declared qualified despite not having SECP, PEC, NTN, and SRB Registration. • M/s EA, which was disqualified in BQIP Phase III tender, was part of Surbana JV in this tender. • M/s OMS which was unsuccessful in 132 KV Grid Project was also part of Surbana JV. • M/s NESPAK qualified while M/s Asian couldn't qualify which was given consultancy contracts in NFIP & BQIP Phase III. • A second round of technical evaluation between M/s Nespak and M/s Surbana was held again before opening of financial bids. • M/s Barqaab working as consultant for 132 KV Grid Project was part of a JV led by M/s Meinhardt but was disqualified.
5	KIP Consultant-2nd Tender	• Date of Advertisement was 24-01-2022, no Corrigendum was issued, closing date was 09-02-2021. • No Pre-qualification was done.	• Response time of only 16 days was given wherein 30 days minimum is the requirement for International Tenders as per PPRA rules. • The entire tendering process

		• Only M/s Surbana Jurong participated which was awarded the contract for Rs. 430,702,041.	should have been done from scratch when Scope and Criteria were changed. Instead, Revised RFPs were issued to same two bidders who participated in first tender. • Tender was awarded to an unregistered foreign firm who didn't even meet mandatory criteria at the time of first evaluation in 1st tender. • The amount of Bid Security was fixed and only one bidder participated.
6	BQIP 132 KV Grid Consultant	• Date of Advertisement was 05-05-2021, no Corrigendum was issued, closing date was 27-05-2021. • No Pre-qualification was done. • Quality and Cost Based Method QCBS with ratio of (70:30). • M/s Barqaab was awarded the contract for Rs. 22,600,000.	• M/s Barqaab, which was disqualified in KIP 1500 Acre, secured 94 marks while M/s OMS secured 85 and NESPAK secured 84 marks.

Annex-63

Exchange Loss due to delay in Letter of Credit (LC) - Rs.16.582 million				
Product	**Name of Bidder**	**Technical (3-11-21 11:00 am)**		**Financial (3-11-21 03:00 pm)**
		Make	**Country of origin**	**US$**
3D Scanner (1 set)	Ultimate CAD (option 1)	GOM (option 1)	Germany	110,200
	Ultimate CAD (option 2)	GOM (option 1)	Germany	115,500
	Dynamic Tooling	Hexagon	Germany	123,290
	D2M solutions	Creaform	Canada	131,600
CNC Machine (1 set)	Dynamic Tooling	Sun mill	Taiwan	93,161
	KTD (Pvt) Ltd.	Feeler	Taiwan	101,200
	Capricorn Engineering	Paofong	Taiwan	112,300
	Jaffer Brothers	Prompt Int.	Taiwan	137,365
CNC Machine (2 set)	Dynamic Tooling	Sun mill	Taiwan	178,576
	KTD (Pvt) Ltd.	Feeler	Taiwan	187,200
	Capricorn Engineering	Paofong	Taiwan	214,000
	Jaffer Brothers	Prompt Int.	Taiwan	262,778
ZNC/CNC EDM 3 Meter	Dynamic Tooling	JSEDM	Taiwan	176,110
	KTD (Pvt) Ltd.	Maxsee	Taiwan	176,400
	Capricorn Engineering	Prompt Int.	Taiwan	235,168
	Jaffer Brothers	Not Participated		

(Annex-5)

Product	**Offered Cost US$**	**Dollar Rate in Rs. when Contract was Awarded (January 2022)**	**Total value in Rs. during month of January 2022**	**Dollar Rate in Rs. when LCs were opened (June 2022)**	**Total value in Rs. during month of June 2022**	**Exchange Loss in Rs.**
	1	**2**	**3(1*2)**	**4**	**5(1*4)**	**(3-5)**
GoM 3D	104,400	177	18,478,800	209	21,819,600	-

Scanner						3,340,800
CNC Machine (1 set)	85,720	177	15,172,440	209	17,915,480	- 2,743,040
CNC Machine (2 set)	163,280	177	28,900,560	209	34,125,520	- 5,224,960
ZNC/CNC EDM 3 Meter	164,800	177	29,169,600	209	34,443,200	- 5,273,600
Total	518,200	177	91,721,400	209	108,303,800	- 16,582,400

Annex-64

Non-recovery of various dues - Rs.1,161.628 million						
		Previous Balances (As on 30-06-2022)	Fiscal Year 2022-23		Closing Balance (As on 30-06-2023)	
S.#	Name of Ins.		Receivables	Received	Remaining	
1	Madar-e-Millat Girls Degree College	-522,020	6,247,690	4978579	-1269111	-1,791,131
2	Allama Iqbal Girls Sec. School	-3,171,601	10,333,080	7458864	-2874216	-6,045,817
3	Shah Lateef Boys Sec. School	-2,654,942	7813250	5694230	-2119020	-4,773,962
4	Sir Syed Primary School (Campus - I)	-1,415,295	6460110	5083912	-1376198	-2,791,493
5	Sir Syed Primary School (Campus - II)	-711,717	3989240	3510818	-478422	-1,190,139
6	Institute of Computer Science	-182,960	979160	581825	-397335	-580,295
7	Madar-e-Millat College of Education	-238,320	1408310	831580	-576730	-815,050
8	Aghosh Special Children Sch./college	-44,474	743920	661832	-82088	-126,562
9	RanaLiaquat Sec. School	-392,938	3117240	2799608	-317632	-710,570
Total		**-9,334,267**	**41,092,000**	**31,601,248**	**-9,490,752**	**-18,825,019**

Description	Amount (Rs. in million)
Commercial Shops / Flats / FTC / Banks / Schools / Canteens / Hafta Bazar / Quid-e-Azam Park / TV Cables etc	29.587

S.No	M/s Insurance Co.	Name & Designation	Date of Death	Amount in Rs.
1.	EFU Life Assurance 2018-19	Ghulam Siddique (D.M)	03-07-2018	400,000
		Muhammad Akhtar (A.M)	12-10-2018	300,000
		Muhammad Sohail (D.M)	07-10-2018	400,000
		Muhammad Sirajuddin (D.M)	27-12-2018	400,000
		Muhammad Yamin (D.M)	01-01-2019	400,000
		Total (A)		**1,900,000**
2.	State Life Insurance Co. 2019-20	Muhammad Wajid Khan	14-04-2019	300,000
		Muhammad Shahid	26-06-2019	300,000
		Inayatullah	21-05-2019	300,000
		Khan Muhammad	05-11-2019	300,000
		Sabee-ul-Hassan	27-03-2020	300,000
		Muhammad Altaf	24-03-2020	300,000
		Total (B)		**1,800,000**
3.	State Life Insurance Co. 2022-23	KhadimHussain	01-02-2022	300,000
		Imtiaz Ali	24-02-2022	300,000
		Wali Muhammad	14-02-2022	300,000
		GhulamRasool	31-05-2022	300,000
		Muhammad Younus	18-07-2022	300,000
		Syed Shazaman Khan	18-07-2022	300,000
		Dildar Ahmed	21-07-2022	300,000
		Saadia	21-04-2022	300,000
		DilMurad	14-12-2022	300,000
		Nihal Khan	13-01-2023	300,000
		Aijaz Ahmed	05-02-2023	300,000
		Yousuf Ali	25-04-2023	300,000
		Qari Shah Muhammad	15-03-2022	300,000
		Liaquat Ali	12-05-2023	300,000
		Muhammad Ilyas	30-06-2023	300,000
		Total (C)		**4,500,000**
		Grand Total (A+B+C)		**8,200,000**

S#	Name	Amount in Rs.
1.	Pak Slag Cement	255,438
2.	Axle Products	73,274
3.	Engine System	100,376
4.	Sinopak	54,726
5.	Banbhore Ceramics	138,058
6.	Multipole	1,100,316
7.	Maggi Engg.	318,761
8.	Twins Egg	29,325
9.	Asif Rubber	125,551
10.	Al-Hadeed Ind. Ltd	83,480
11.	Microwave Exchange	1,027,006
12.	PSFCL	10,645,422
13.	Arabian Sea Country Club	6,702,993
14.	KESC Thermal	124,276,084
15.	KESC Grid Station	1,159,085
16.	Agricultural Farm	133,728
17.	Telephone Exch. GHD	152,180
18.	KESC Colony (GHD)	4,454,014
19.	Kashana Nursery	111,333
20.	Askari College	341,803
21.	Hotel Gate – 9	2,499
22.	Aslam Restaurant (H.O)	44,883
23.	Hill Top Tuck Shop (Disc)	8,262
	Total	**151,338,597**
24.	Gulshan-e-Hadeed	134,166,075
	Grand Total	**285,504,672**

S #	**Name of downstream industries**	**Tenure**	**Maintenance Charges**		**Ground Rent**		**Total**		**Outstanding dues in Rs**
			Principal	**Surcharge**	**Principal**	**Surcharge**	**Principal**	**Surcharge**	
1	Pak Slag Industries Limited	2021 to 30-06-2023	1,698,488	286,257	1,355,683	147,137	3,054,171	433,394	3,487,565
2	Sino Pak Electro Chemical	2021 to 30-06-2023	800,269	119,260	327,183	16,359	1,127,452	135,619	1,263071
3	M/s Asif Rubber	2022 to 30-06-2023	81,962	9,016	65,424	3,271	147,386	12,287	159,673
4	Trans mobile Limited	1998 to 30-06-2023	20,049,690	21,524,977	13,230,766	12,646,718	33,280,456	34,171,696	67,452,152
5	Engine System	1995 to 30-06-2023	5,133,489	5,873,124	3,321,037	3,217,195	8,454,526	9,090,319	17,544,845
6	Axle	1995 to	5,133,489	5,873,124	3,321,037	3,217,195	8,454,526	9,090,319	17,544,845

	Products Limited	30-06-2023							
7	Megi Engineering	2011 to 30-06-2023	4,246,506	2,935,008	2,848,688	1,519,543	7,095,194	4,454,551	11,549,745
8	Multipole Industries	1993 to 31-05-2004	561,000	741,843	352,912	305,435	913,912	1,047,278	1,961,190
			37,704,893	**37,362,609**	**24,822,730**	**21,072,853**	**62,527,623**	**58,435,463**	**120,963,086**

S#	Location	Amount in Rs.
1	Gulshan-e-Hadeed	34,989,308
2	Steel Town	118,329,369
3	Arabian Sea Country Club	61,307,534
	TOTAL	**214,626,211**

Rs.in million

S#	Name of Allottees	Area in Acres	Date of Allocation	PSM share of land/acre	Total Dues	Recovered	Receivable against M/s.NIP
01	Aqsa Industries	10	03-11-2021	24.690	156.370	153.901	2.469
02	Kangore Traders	05	03-11-2021	24.690	70.640	65.154	5.486
03	Player One	05	22-03-2022	24.690	86.415	43.207	43.207
04	CCI Industries	05	22-03-2022	24.690	86.415	43.207	43.207
05	Master Auto Engg.	05	17-03-2022	24.690	86.415	43.207	43.207
06	Grainbury Foods	10	01-11-2021	24.690	175.573	172.831	2.743
07	Aria Packages	2.50	21-03-2022	24.690	43.207	21.603	21.603
08	Sun Aluminium & Allied	05	22-03-2022	24.690	86.415	43.207	43.207
09	Universal Arooma	05	02-08-2022	25.307	31.633	-	31.633
10	Integrated Eggs	2.5	15-08-2022	25.307	15.816	-	15.816
11	Apricus Pharma	15	16-09-2022	25.307	94.901	-	94.901
12	HHK Oil Industries	05	04-11-2022	25.307	31.633	-	31.633
13	Chemical Hub	02	24-04-2021	24.088	48.176	42.102	6.073
14	Kanco Steel	03	24-04-2021	24.088	72.264	50.584	21.679
15	United Germs Industries	2.5	07-11-2022	25.307	15.816	-	15.816
16	Crafters Polypropylene	05	01-11-2021	24.690	93.753	88.266	5.486
17	Lucro (Pvt)	03	28-04-2021	24.088	72.264	66.821	5.442
18	Sogo Group of Co.	06	01-11-2021	24.690	148.140	103.698	44.442
	Total	**96.5**					**478.05**

Annex-65

Non-auction of condemned vehicles - Rs.80.585 million						
S.#	**Lot No.**	**Description of items**	**Reg.No.**	**Chasis No.**	**Engine No.**	**Reserve Price**
1	TPT-309	Suzuki swift car Token no.9222 Model 1988 Without engine	H-1935	114898	227850	110,000
2	TPT-310	Suzuki swift car token no. 9227 model 1988 (without engine)	IDB-8136	112966	219950	110,000
3	TPT-327	Toyota van ambulance token no. 1179 model 1984	CB-3459	0014504	0778677	240,000
4	TPT-344	Suzuki van hi-roof token no. 2813 model 1983 (engine changed 509624)	CB-3166	700928	506127	130,000
5	TPT-354	Toyota hiace van (ambulance) token no. 1225 model 1991 (without engine)	CG-7188	6019084	2756043	45,000
6	TPT-355	Master truck token no. 2261 model 2004 (engine changed)	JU-1743	MMC-01YL-00346	413717	600,000
7	TPT-356	Master truck token no. 2262 model 2004 (without engine)	JU-1554	MMC-01-YL-03354	413705	400,000
8	TPT-357	Zabardast adam truck token no. 3303 model 2004	JY-1609	B-000337	319132-A	450,000
9	TPT-358	Zabardast adam truck token no. 3307 model 2004	JY-1619	B-000341	0317769-A	450,000
10	TPT-359	Zabardast adam truck token no. 3311 model 2004	JY-1628	B-000345	0311793-A	450,000

11	TPT-361	Zabardast adam truck token no. 3317 model 2004 (engine changed)	JY-1622	B-000351	0320306-A	400,000
12	TPT-385	Toyota pickup token no. 2616 model 1983	CB-3538	124485	0658622	250,000
13	TPT-387	Toyota pickup token no. 2677 model 1989	CB-3593	0004123	1802108	400,000
14	TPT-388	Nissan pickup token no. 2667 model 1986	CB-3584	400196	094035	300,000
15	TPT-389	Mazda pickup token no. 1403 model 1990	CD-3663	201407	265833	410,000
16	TPT-390	Master truck token no. 2255 model 2004	JU-1567	MMC-01YL-00335	403166	600,000
17	TPT-391	Hino coaster token no. 1293 model 1995	JA-7003	15070	12552	850,000
18	TPT-392	Hino coaster token no. 1295 model 1996	JA-7006	14994	12484	400,000
19	TPT-393	Master truck Token no. 2253 Model 2004	-	-	-	600,000
20	TPT-394	Suzuki mehran car token no. 9355 model 1996	AB-0316	705791	B-167118	120,000
21	TPT-395	Suzuki mehran car token no. 9392 model 1996	AB-7029	708680	B-170126	120,000
22	TPT-396	Toyota pickup token no. 2661 model 1984	CB-3578	12113	883902	100,000
23	TPT-397	Hino bus token no. 1933 model 1990	JA-0853	41218	200126	1,500,000
24	TPT-398	Hino bus token no. 1940 model 1990	JA-0861	41229	200373	1,500,000
25	TPT-399	Hino bus token no. 1942 model 1990	JA-0863	41230	200406	1,500,000
26	TPT-400	Hino bus token no. 1943 model 1990	JA-0868	41232	200408	1,500,000

27	TPT-401	Hino bus token no. 1946 model 1990	JA-0872	41238	200292	1,500,000
28	TPT-402	Hino bus token no. 1948 model 1990	JA-0879	41243	200628	1,500,000
29	TPT-403	Hino bus token no. 1949 model 1990	JA-0901	41234	200440	1,500,000
30	TPT-404	Hino bus token no. 1963 model 1990	JA-5370	41583	10693	1,500,000
31	TPT-405	Hino bus token no. 1966 model 1990	JA-5374	41619	10883	1,500,000
32	TPT-406	Hino bus token no. 1970 model 1990	JA-5383	41624	10888	1,500,000
33	TPT-407	Hino bus token no. 1973 model 1990	JA-5387	41629	10892	1,500,000
34	TPT-408	Hino bus token no. 1977 model 1990	JA-5391	41811	11553	1,500,000
35	TPT-409	Hino bus token no. 1983 model 1990	JA-5394	41815	11557	1,500,000
36	TPT-410	Hino bus token no. 1993 model 1991	JA-5462	41940	11630	1,500,000
37	TPT-411	Hino bus token no. 1995 model 1991	JA-5464	41946	11636	1,500,000
38	TPT-412	Hino bus token no. 1998 model 1991	JA-5467	41957	11647	1,500,000
39	TPT-420	Hino bus token no. 1931 model 1990	JA-0851	41224	200206	1,500,000
40	TPT-421	Hino bus token no. 1934 model 1990	JA-0854	41220	200129	1,500,000
41	TPT-422	Hino bus token no. 1959 model 1990	JA-5249	41579	10689	1,500,000
42	TPT-423	Hino bus token no. 1962 model 1990	JA-5368	41582	10692	1,500,000
43	TPT-424	Hino bus token no. 1972 model 1990	JA-5385	41627	10891	1,500,000

44	TPT-425	Hino bus token no. 1984 model 1991	JA-5399	41816	11558	1,500,000
45	TPT-426	Hino bus token no. 1986 model 1991	P-0156	41817	11559	1,500,000
46	TPT-427	Hino bus token no. 1990 model 1991	JA-5459	41932	11622	1,500,000
47	TPT-428	Hino bus token no. 1991 model 1991	JA-5460	41933	11623	1,500,000
48	TPT-437	Isuzu bus token no. 2067 model 2008	JB-2061	7-7000015	0069EP	1,500,000
49	TPT-438	Isuzu bus token no. 2069 model 2008	JB-2063	7-7000018	0072EP	1,500,000
50	TPT-439	Isuzu bus token no. 2070 model 2008	JB-2067	7-7000068	0122EP	1,800,000
51	TPT-440	Isuzu bus token no. 2073 model 2008	JB-2064	7-7000071	0125EP	1,800,000
52	TPT-441	Isuzu bus token no. 2075 model 2008	JB-2071	7-7000076	0130EP	1,800,000
53	TPT-442	Isuzu bus token no. 2077 model 2008	JB-2076	7-7000078	0132EP	1,800,000
54	TPT-443	Isuzu bus token no. 2078 model 2008	JB-2078	7-7000081	0135EP	1,800,000
55	TPT-444	Isuzu bus token no. 2081 model 2008	JB-1841	8-700003	0153EP	1,800,000
56	TPT-445	Isuzu bus token no. 2088 model 2008	JB-1848	8-7000020	0170EP	1,800,000
57	TPT-446	Isuzu bustoken no. 2089 model 2008	JB-1849	8-7000021	0171EP	1,800,000
58	TPT-447	Isuzu bustoken no. 2092 model 2008	JB-1854	7-700008	0158EP	1,800,000
59	TPT-448	Suzuki van t. No 2858 Model 1988	CB-3209	806153	577641	130,000
60	TPT-449	Suzuki van t. No 2871 Model 1989	CB-3222	807440	585702	130,000

61	TPT-450	Suzuki van t. No 2878 Model 1989	CB-3229	807427	585572	130,000
62	TPT-451	Suzuki vant. No 2890 Model 1989	CB-3240	807812	586188	130,000
63	TPT-453	Suzuki van T. No 2900 Model 1989	CB-3250	807823	586595	130,000
64	TPT-454	Suzuki van T. No 2910 Model 1989	CB-3260	807600	585976	130,000
65	TPT-455	Suzuki van T. No 2922 Model 1989	CB-3272	807882	586757	130,000
66	TPT-456	Suzuki van T. No 2931 Model 1989	CB-3281	808995	588450	130,000
67	TPT-457	Suzuki van T. No 2940 Model 1989	CB-3290	808980	588468	130,000
68	TPT-458	Suzuki van T. No 2944 Model 1989	CB-3294	809642	590449	130,000
69	TPT-459	Suzuki van T. No 2955 Model 1991	CD-3751	817848	T-701720	140,000
70	TPT-460	Suzuki van T. No 2964 Model 1991	CD-3760	817825	T-708116	140,000
71	TPT-461	Suzuki van T. No 2966 Model 1991	CD-3501	8179999	T-702162	140,000
72	TPT-462	Suzuki van T. No 2974 Model 1991	CD-3509	817994	T-702094	140,000
73	TPT-463	Suzuki van T. No 2979 Model 1991	CD-3514	817975	T-702116	140,000
74	TPT-464	Suzuki van T. No 2983 Model 1991	CD-4776	818033	T-702155	140,000
75	TPT-465	Suzuki van T. No 2994 Model 1991	CG-7308	822186	T-706271	140,000
76	TPT-466	Suzuki van T. No 2995 Model 1991	CG-7554	822539	T-706631	140,000
77	TPT-467	Suzuki van T. No 2997 Model 1991	CG-7668	822838	T-706940	140,000

78	TPT-469	Suzuki van T. No 3606 Model 2008	CS-3606	912632	T-769142	250,000
79	TPT-470	Mazda car T. No 9293 Model 1991	IDJ-2992	GD-1062-203679	F-6355391	200,000
80	TPT-471	Suzuki khyber car T. No 9333 Model 1995	Z-9422	434034	A-121736	150,000
81	TPT-472	Suzuki khyber car T. No 9338 Model 1995	Z-9473	434049	A-121743	150,000
82	TPT-473	Suzuki khyber car T. No 9340 Model 1995	Z-9470	434077	A-1217776	150,000
83	TPT-474	Suzuki khyber car T. No 9344 Model 1995	Z-9563	433961	A-121670	150,000
84	TPT-475	Suzuki Khyber Car T. No 9346 Model 1995	Z-9757	433723	A-121484	150,000
85	TPT-476	Suzuki Khyber Car T. No 9347 Model 1995	Z-9758	434312	A-122041	150,000
86	TPT-477	Suzuki Khyber Car T. No 9352 Model 1995	AB-3051	435164	A-122837	150,000
87	TPT-478	Suzuki Mehran Car T. No 9365 Model 1995	AB-0328	705893	B-167314	130,000
88	TPT-479	Suzuki Mehran Car T. No 9369 Model 1995	AB-0335	705881	B-167318	130,000
89	TPT-480	Suzuki Mehran Car T. No 9398 Model 1995	AB-7035	708469	B-170143	130,000
90	TPT-481	Toyota Corolla Car T. No 9374 Model 1996	AB-3057	9540607	2822542	400,000
91	TPT-482	Suzuki Pickup T. No 2452 Model 1996	CJ-9461	223445	T-118786	150,000
92	TPT-483	Mit. Pajero Jeep T. No 260 Model 1993	BC-3185	CONV-440 PJ00850	4D56-FF8878	800,000
93	TPT-486	Toyota Hisses Van T. No 1184 Model 1989	CB-3464	0041595	150081	450,000
94	TPT-487	Nissan Hisses Van T. No 1227 Model 1993	CJ-9088	021221	174630	450,000
95	TPT-	Toyota Pickup	CB-3603	0004058	1798860	450,000

	488	T. No 2687 Model 1989				
96	TPT-489	Toyota Pickup T. No 2689 Model 1989	CB-3605	0007621	1899976	450,000
97	TPT-490	Adam Truck T. No 3304 Model 2004	JY-1607	AMC-B000338	317809A	450,000
98	TPT-491	Adam Truck T. No 3306 Model 2004	JY-1618	AMC-B000340	0317854A	450,000
99	TPT-492	Adam Truck T. No 3308 Model 2004	JY-1631	AMC-B000342	0317760A	450,000
100	TPT-501	Bedford Water Tanker T. No 2212 Model 1983	Un-Regd.	602383	19579	400,000
101	TPT-502	Bedford Water Tanker T. No 2222 Model 1984	Un-Regd.	601472	CS-22700	400,000
102	TPT-503	Mazda Truck T. No 2228 Model 1987	877-526	100800	18052	800,000
103	TPT-504	Isuzu Truck T. No 2240 Model 1986	JT-7118	3480866	389021	800,000
104	TPT-505	Hino Truck T. No 2246 Model 1990	Un-Regd.	12059	10176	1000,000
105	TPT-507	Hino Coaster T. No 1257 Model 1995	JA-6910	14996	12486	800,000
106	TPT-508	Hino Coaster T. No 1258 Model 1995	JA-6911	15001	12501	800,000
107	TPT-509	Hino Coaster T. No 1277 Model 1995	JA-6987	15064	12546	800,000
108	TPT-510	Hino Coaster T. No 1281 Model 1995	JA-6991	14999	12489	800,000
109	TPT-511	Hino Coaster T. No 1294 Model 1995	JA-7004	14990	12480	800,000
						80,585,000

Annex-66

Irregular appointment of security guards – Rs.49.188 million						
S#	**Name**	**Father's Name**	**CNIC**	**Cat Code**	**Per Day wage**	**Initial Date of Joining**
1	Gulsher	Lemoon Khan	45403-2137166-1	00356	1167	11-Aug-21
2	Muhammad Iqbal	Muhammad Solangi	45402-9330460-3	00356	1167	11-Aug-21
3	Mushtaq Ahmed (Hav EME)	Muhammad Hassan	42501-0644936-3	00356	1167	14-Sep-21
4	Abdul Karim	Muhammad Hussain	42201-8213820-3	00356	1167	9-Nov-21
5	SaeedUllah Khan	Daulat Khan	21704-6696813-1	00356	1167	20-Dec-21
6	Alamgir Khan	SherAzam	217056-387112-5	00356	1167	22-Jul-22
7	Muhammad Ayaz	Abdul Sattar	42401-0836410-7	00356	1167	11-Nov-22
8	Rambail Khan (Hav AF)	RehmanGul	16201-4491792-1	00356	1167	11-Nov-22
9	Asghar Ali (Hav Air Def)	Ahmed Khan	45402-0730610-5	00356	1167	2-Jan-23
10	SuhrabBughio (Hav EME)	KhudaBux	45401-0888086-7	00356	1167	3-Feb-23
11	Aughan Ali	Buland Khan	42501-9649518-3	00369	1000	4-Dec-20
12	Mumtaz Ali	KarimBux	41409-1844388-5	00369	1000	4-Dec-20
13	Shahan Khan	Abdul Rasheed	42201-1690955-9	00369	1000	4-Dec-20
14	WaseefUllah	Mazullah Khan	17103-0414198-1	00369	1000	4-Dec-20
15	Hamza Ahmed	Aqeel Ahmed	42501-7030220-3	00369	1000	30-Jun-21
16	Zahid Ali Khokhar	Shah Nawaz Khokhar	425012-458256-3	00369	1000	13-Aug-21
17	QamarUddin	Ahmed Ali	43204-9118524-9	00369	1000	18-Nov-21
18	Ali Sher	Abdul Qaddous	42201-3733083-3	00369	1000	23-Nov-21
19	ShahidUl Huda	Aziz Ul Huda	35202-1826122-1	00369	1000	2-Jan-22
20	Muhammad Nazeer	Muhammad Uras	44107-4236349-7	00369	1000	26-Feb-22
21	SomarGabar	Abdul Ghafoor	41409-1424931-5	00369	1000	4-Mar-22
22	Rab Dino	Bhali Dino	41406-0240505-9	00369	1000	1-Apr-22
23	Khalil Ahmed	Muhammad Ismail	41409-1839650-9	00369	1000	4-Apr-22
24	Faisal Azad Bhatti	Muhammad Azad Bhatti	24501-3026628-7	00369	1000	30-Apr-22
25	Amir Khan	Allah Morayo	41409-3755867-3	00369	1000	17-May-22
26	Zahoor Ahmed	Muhammad Soomar	41406-0245051-1	00369	1000	17-May-22
27	Muhammad Arshad	Jang Wali Khan	42501-1471030-9	00369	1000	20-Aug-22
28	DauranGul	Rab Nawaz Khan	21704-8342042-1	00369	1000	20-Sep-22
29	Shalawar Khan	Shah Bat Khan	21704-1136704-9	00369	1000	20-Sep-22
30	Ali Khan	GhulamRasool	37203-8442791-3	00369	1000	1-Nov-22
31	Zaheer Ahmed	Asghar Ali	31203-1676788-1	00369	1000	1-Nov-22

32	Noor Ali	Muhabat Khan	42501-1547947-1	00369	1000	11-Nov-22
33	Ali Khan (Lnk BRC)	ShamasUd Din	32102-7400008-7	00369	1000	5-Dec-22
34	Sahib Khan (Sep PRC)	Sher Muhammad	45304-4689155-7	00369	1000	5-Dec-22
35	Raham Ali (Lnk Air Def)	GhulamRasool	45205-2837720-3	00369	1000	30-Dec-22
36	Habib Noor (Lnk FC)	Dilawar Khan	21704-5784987-9	00369	1000	3-Jan-23
37	Muhammad Hasnain	ManzoorHussain Shah	38401-0201201-7	00369	1000	10-Jan-23
38	Nabahat Ali Khan	SalamatUllah Khan	42501-1480312-3	00369	1000	10-Jan-23
39	Ghulam Mustafa Keerio	Muhammad KamilKeerio	45206-2117313-5	00369	1000	18-Jan-23
40	Muzaffar Ali	Ali BakhshMangi	43203-1364889-1	00369	1000	7-Feb-23
41	Muhammad Niaz	Allah Ditta	36202-6535028-5	00369	1000	10-Apr-23
42	Faheem Ali	Muhammad Sawan	45302-7023396-5	00369	1000	22-May-23
43	Imtiaz Ali	Faqeer Muhammad Jatoi	43201-1055194-5	00369	1000	24-May-23
44	Shan Muhammad	Haji Khan	41409-2036566-7	00371	1100	10-Nov-20
45	Inayat Ali	Muhammad Ayub	41409-1839942-7	00371	1100	4-Dec-20
46	Muhammad Arsalan	Salah ud din	42201-5606761-7	00371	1100	4-Dec-20
47	Muhammad Yaseen	Dad Muhammad	41409-8464224-1	00371	1100	4-Dec-20
48	Nawazish Ali	Muhammad Ayub	41409-7485625-5	00371	1100	4-Dec-20
49	AkhtiarHussain	GulSher	45201-7744950-3	00371	1100	26-Apr-21
50	Hassan Din	Noor uddin	42201-6926843-1	00371	1100	19-Jun-21
51	Ahsan Ali	Asghar Ali	41202-9527056-7	00371	1100	22-Jun-21
52	Mahir Ali	Ali Anwar	41201-2818770-1	00371	1100	22-Jun-21
53	Arbaz Khan	Abdul Ghafoor	42000-8018369-3	00371	1100	30-Jun-21
54	Muhammad Shan	Irshad Ahmed	42201-2753306-3	00371	1100	30-Jun-21
55	Umar Din	Balay Khan	425011-534927-9	00371	1100	30-Jun-21
56	Muhammad Arab	Usman	41102-4882553-3	00371	1100	14-Jul-21
57	Junaid	Muhammad Moosa Bhutto	42501-9295352-1	00371	1100	16-Jul-21
58	InayatUllah	Abbas Khan	12103-0628355-3	00371	1100	19-Jul-21
59	Muhammad Hassan	GhulamRasool	43102-2459758-9	00371	1100	19-Jul-21
60	Khalid Hussain	Abdul Khaliq	45102-2133954-5	00371	1100	25-Jul-21
61	Abdul Hameed	Muhammad Ali	41101-5250728-1	00371	1100	11-Aug-21
62	Rajab Ali Solangi	GhulamHaider	43201-5909876-7	00371	1100	11-Aug-21
63	NazeerHussain	Bagan Khan	43204-7563923-7	00371	1100	16-Aug-21
64	Muhammad Wali	Pizi Khan	21704-7573584-3	00371	1100	20-Aug-21
65	Rafique Ahmed	GhulamQadir	43503-0358565-5	00371	1100	20-Aug-21
66	Munir Ali	Bakhshal Khan	43201-5014874-9	00371	1100	3-Sep-21
67	Mushtaq Ahmed	Muhammad Hassan	43301-0992236-3	00371	1100	8-Sep-21
68	Allah Dewayo	DhaniBux	41406-3389769-9	00371	1100	11-Sep-21
69	Imtiaz Ahmed	Muhammad Umar	41409-0502911-9	00371	1100	11-Sep-21
70	Muhammad Aslam	Ali Muhammad	41409-0566894-7	00371	1100	11-Sep-21

71	Tarique	Abdul Karim	41409-1952190-7	00371	1100	11-Sep-21
72	Khan Muhammad Soomro	Sher Muhammad Soomro	43205-4147392-5	00371	1100	13-Sep-21
73	Ghanwar Khan	Muhammad Ramzan	41406-0237199-7	00371	1100	24-Sep-21
74	Asif	Abdul MajeedBaloch	41409-4154159-3	00371	1100	26-Sep-21
75	Muhabat Ali Shah	Mahboob Shah	14301-1948786-3	00371	1100	26-Sep-21
76	Iqbal Ahmed	Dad Muhammad	43104-4918948-7	00371	1100	27-Sep-21
77	Muhammad Siddique	Najam Din	45206-6281140-5	00371	1100	27-Sep-21
78	Raza Muhammad	PanjooKhaskheli	42301-8298162-9	00371	1100	27-Sep-21
79	Shah Muhammad Brohi	Muhammad Soomar Brohi	41409-1843959-7	00371	1100	27-Sep-21
80	Nasrullah Jan	Feroz Khan	21702-0830488-9	00371	1100	29-Sep-21
81	Shahbaz Ali	Shoukat Ali Solangi	41202-7116274-1	00371	1100	29-Sep-21
82	WaseemAkhtar (Sep DSG)	Alauddin	41201-2144255-1	00371	1100	29-Sep-21
83	ZahidHussain	Muhammad Roshan	41203-1686142-7	00371	1100	29-Sep-21
84	Noor UlZaman	QamarUlZaman	42501-9817979-5	00371	1100	1-Oct-21
85	Muhammad Hanif	Muhammad Khan	14301-2967954-1	00371	1100	5-Oct-21
86	GhulamRabbani	Muhammad Hassan	41406-3624788-7	00371	1100	7-Oct-21
87	Manthar Ali Rind	Muhammad Waris	41203-8772868-1	00371	1100	7-Oct-21
88	HizbullahShar	Muhammad Nawaz Shar	45201-5013933-1	00371	1100	11-Oct-21
89	AshfaqueBaig	FazalBaig	42501-2378059-7	00371	1100	14-Oct-21
90	Iqbal Khan	Bade Jan	21702-6419930-3	00371	1100	14-Oct-21
91	Muhkamdin	Gilat Khan	21704-7677723-7	00371	1100	18-Oct-21
92	Muhammad Alam	Natho Khan	42301-5325210-1	00371	1100	21-Oct-21
93	Allah Obhayo	EllahiBukhsh	45302-8950831-1	00371	1100	27-Oct-21
94	GulJaved	QadirBux	41409-7030192-1	00371	1100	27-Oct-21
95	Syed Manzoor Ali Kazmi	Syed Jalal HussainKazmi	42201-8407461-9	00371	1100	1-Nov-21
96	Abdul Rasheed	Allah Bakhsh	41409-3882946-3	00371	1100	13-Nov-21
97	Syed ShamimHaiderNaqvi	S. M. AtharHasnainNaqvi	42501-2520316-3	00371	1100	23-Nov-21
98	Kamran Soomro	Mehar Khan Soomro	42501-8590906-9	00371	1100	26-Nov-21
99	Waseem	Manzoor Ali	41202-0467110-1	00371	1100	26-Nov-21
100	Muhammad Saleem	Chanan Din	34402-2771061-9	00371	1100	2-Dec-21
101	Pir Ahmed Khan	Shah Zar Khan	12201-4133936-3	00371	1100	6-Dec-21
102	GulMachhi	Muhammad Siddiq	41901-0363143-1	00371	1100	28-Jan-22
103	Sabtain Ali	RasoolBux	42501-2027345-3	00371	1100	28-Jan-22
104	Noor Hussain	Muhammad Ayub	41406-1350373-7	00371	1100	3-Mar-22
105	MunwerHussain	Rashid Ahmed	42501-8608349-9	00371	1100	10-Mar-22

106	Abdul Qadir	Nadir Shah	21704-8264924-7	00371	1100	9-May-22
107	Asif Ali	Wali Muhammad	41702-0608543-5	00371	1100	18-May-22
108	Abdul Jabbar	GhulamRasool	45402-0954798-7	00371	1100	1-Jun-22
109	Amir Ali	KhudaBux	43204-9724443-1	00371	1100	7-Jun-22
110	Waseem Iqbal	Muhammad Iqbal	45404-0439616-9	00371	1100	20-Sep-22
111	Ali Gohar	Ali Muhammad	45402-9375820-7	00371	1100	14-Nov-22
112	Muhammad Qabil	Muhammad Usman	45402-2362539-5	00371	1100	1-Dec-22
113	Mehboob Ali	Muhammad Hakim	45403-4111264-3	00371	1100	5-Dec-22
114	Mumtaz Ali	Muhammad Talib	45402-2535921-9	00371	1100	5-Dec-22
115	Majid Ali	Ali Dost	45403-5311042-7	00371	1100	10-Jan-23
116	Zaheer Abbas	GhulamFareed	32203-6382004-3	00371	1100	10-Jan-23
117	Muhammad Jurial	Arbab Ali Bughio	42501-1581876-5	00371	1100	18-Jan-23
118	Yasir Khan	Abdul QadirSolangi	42501-4590707-5	00371	1100	23-Jan-23
119	GhulamShabbir	Khan Muhammad Korejo	41201-3791923-3	00371	1100	24-Jan-23
120	Mazhar Ali	Maqbool Ahmed	45402-7859194-1	00371	1100	1-Feb-23
121	Ghaffar Ali	ShamasUd Din	41201-1161785-5	00371	1100	6-Feb-23
122	Mahram Ali	Phull Khan Abro	41201-9199755-5	00371	1100	6-Feb-23
123	Sikandar Ali	Muhammad Ayoub	45207-6159053-3	00371	1100	8-Feb-23
124	Muhammad Affan, Sep SRC	Zahoor Khan	12201-5859588-7	00371	1100	24-Mar-23
125	Nisar Ahmed LakherLnk Air Def	Arbab Ali	45302-7578177-9	00371	1100	24-Mar-23
126	Dildar Ahmed Mallah	Ali Muhammad Mallah	41409-4257871-9	00371	1100	22-May-23
127	Roshan Ali	Muhammad Malook	41201-2878806-1	00371	1100	22-May-23
128	Abdul Rahim Abro	Muhammad Hassan	41203-1397490-7	00371	1100	25-May-23

Annex-67

S#	NAME OF EMPLOYEE	Date of Entry into Service	Date of Retirement	01 month Notice Pay	Leave Encashment	Any other benefits etc	Total Payroll dues
1	Saeed Akhtar	2/27/1979	2/28/2022	61,158	50,267	-	111,425
2	Sohail Ahmed Farooqi	9/17/1979	6/30/2022	64,938	431,259	-	496,197
3	Zaheer Khan	10/18/1979	12/31/2021	-	-	33,605	33,605
4	Attaullah Sharif	6/12/1980	2/28/2022	50,046	536,383	-	586,429
5	Abdul Fattah	10/26/1980	8/31/2022	62,103	287,886	-	349,989
6	Azizullah Bhutto	11/2/1980	12/31/2021	-	-	7,891	7,891
7	Muhammad Rafique	11/6/1980	12/31/2021	-	-	50,913	50,913
8	Iftikhar Ahmed	12/24/1980	5/31/2022	-	108,779	242,344	351,123
9	Muhammad Nadeem	12/18/1980	11/30/2022	62,103	298,094	-	360,197
10	Niamat Khan	12/8/1980	3/31/2022	59,695	331,675	-	391,370
11	Muhammad Haroon	2/2/1981	6/30/2022	54,190	226,262	-	280,452
12	Shamimraza	1/25/1981	7/31/2022	58,785	181,670	-	240,455

13	Kifayatullah Soomro	3/11/1981	11/30/2021	-	844,816	57,875	902,691
14	Inyatullah	12/31/1980	9/30/2021	-	-	104,877	104,877
15	Muhammad Arshad	12/24/1980	1/31/2023	62,103	471,643	-	533,746
16	Mansoor Ahmed Qureshi	12/22/1980	8/31/2022	51,275	474,600	-	525,875
17	Auragzeb	2/9/1981	1/31/2022	-	-	12,452	12,452
18	Nazir Hussain	4/5/1981	5/31/2022	61,158	14,075	-	75,233
19	Syed Muhammad Anwar	4/2/1981	8/31/2022	62,103	200,091	-	262,194
20	Zahid Ali	3/25/1981	9/30/2022	62,103	77,586	-	139,689
21	Muhammad Mohsin	4/30/1981	8/31/2021	-	-	57,769	57,769
22	Amanullah	4/29/1981	12/31/2021	-	-	9,712	9,712
23	Ghaffar Ahmed	3/16/1981	1/31/2022	-	-	7,891	7,891
24	Habibur Rehman	3/1/1981	8/31/2022	54,190	171,033	-	225,223
25	Abrar Hussain	3/25/1981	8/31/2022	61,158	122,651	-	183,809
26	Badshah Khan	3/1/1981	2/28/2022	62,103	120,463	-	182,566
27	Anis Ahmed	5/19/1981	2/28/2022	-	-	21,193	21,193
28	Ashraf Ali Khan	3/29/1981	4/30/2022	62,103	100,045	-	162,148
29	Karim Dino	6/11/1981	7/31/2022	-	1,212,888	309,680	1,522,568
30	Mukhtar Ahmed	5/17/1981	1/31/2022	-	-	3,496	3,496
31	Zahoor Ahmed	6/8/1981	10/31/2021	-	-	42,571	42,571
32	Muhammad Aslam	6/14/1981	6/30/2022	61,158	142,758	-	203,916
33	Mehmood Ahmed	6/18/1981	9/30/2021	-	-	61,158	61,158
34	Muhammad Tufail Khan	7/2/1981	5/31/2022	61,153	138,725	-	199,878
35	Zakirullah	5/18/1981	6/30/2022	62,103	242,967	-	305,070
36	Raees Ahmed Khan	6/30/1981	3/31/2022	55,145	97,901	-	153,046
37	Muhammad Yousuf	7/6/1981	1/31/2022	62,103	49,002	238,657	349,762
38	Amir Mukhtar	7/23/1981	2/28/2022	56,965	16,855	-	73,820
39	Khan Muhammad	7/7/1981	11/30/2022	61,158	154,822	-	215,980
40	Muhammad Sarfraz	3/26/1981	11/30/2022	62,103	867,741	-	929,844
41	Tehseen Ahmed	6/28/1981	9/30/2022	63,048	114,005	-	177,053
42	Arshad Hussain	5/10/1981	11/30/2022	57,875	203,593	-	261,468
43	Mirwas Khan	7/28/1981	3/31/2022	-	-	1,808	1,808
44	Muhammad Tufail	9/7/1981	2/28/2022	-	-	60,213	60,213
45	Muhammad Mustafa	7/21/1981	12/31/2021	-	105,153	55,145	160,298
46	Allah Dinno	7/20/1981	12/31/2022	-	634,545	32,020	666,565
47	Ghulam Hasnain	6/29/1981	12/31/2022	58,785	212,592	-	271,377
48	Maroof Khan	9/23/1981	11/30/2021	-	735,907	10,193	746,100
49	Shah Nawaz	9/29/1981	11/30/2022	59,695	1,285,487	-	1,345,182
50	Aleemuddin	10/1/1981	1/31/2022	63,048	381,397	-	444,445
51	M. Sajid Siddiqui	10/13/1981	1/31/2022	-	-	7,769	7,769
52	Muhammad Arif	10/5/1981	12/31/2021	-	757,290	57,875	815,165
53	Ali Bux Bhutto	11/4/1981	8/31/2022	59,695	945,961	-	1,005,656
54	Muhammad Mahmood	11/2/1981	4/30/2022	63,993	115,713	-	179,706
55	Zahoor Ahmad	11/10/1981	6/30/2022	58,785	249,313	-	308,098
56	Muhammad Ashfaq	11/11/1981	2/28/2022	58,785	146,882	-	205,667
57	Shahid Sultan	11/16/1981	6/30/2022	58,785	204,862	-	263,647

58	Mumtaz Ahmad	10/29/1981	2/28/2022	63,048	2,073	-	65,121
59	Muhammad Abbas	11/9/1981	11/30/2022	58,785	622,316	-	681,101
60	S-M-Tariq	11/15/1981	1/31/2022	-	-	24,270	24,270
61	Riasat Ali	11/15/1981	3/31/2022	63,048	105,713	-	168,761
62	Shabbir Ahmed	12/23/1981	2/28/2022	62,103	22,459	-	84,562
63	Muhammad Ali	11/17/1981	6/30/2022	57,875	254,967	-	312,842
64	Munir Hussain	11/3/1981	6/30/2022	52,563	271,311	-	323,874
65	Zahid Perviz	11/5/1981	6/30/2022	-	-	2,102	2,102
66	Rehman Ali	6/21/1982	12/31/2022	58,785	247,380	-	306,165
67	Muhammad Asghar	5/26/1982	4/30/2022	58,785	9,663	-	68,448
68	Mansoor Ahmed	11/22/1982	1/31/2022	-	-	29,135	29,135
69	Muhammad Ishaq	11/10/1982	12/31/2021	-	-	57,875	57,875
70	Muhammad Ashraf	11/10/1982	5/31/2022	57,875	258,773	-	316,648
71	Allah Ditta	3/14/1983	12/31/2022	56,965	41,202	-	98,167
72	Jahangir Alam	3/20/1983	3/31/2022	57,875	102,748	-	160,623
73	Muhammad Umer Khan	4/21/1983	6/30/2022	56,055	333,566	-	389,621
74	Muhammad Saleem	4/24/1983	12/31/2021	-	47,568	57,875	105,443
75	Daniel	3/27/1983	12/31/2022	53,234	80,507	-	133,741
76	Imtiaz Ali	6/8/1983	6/30/2022	53,945	67,394	-	121,339
77	Agha Munir	6/8/1983	9/30/2022	57,875	123,678	-	181,553
78	Muhammad Sabir	6/9/1983	6/30/2022	57,875	677,375	-	735,250
79	Muhammad Sohail Rana	6/13/1983	6/30/2022	57,875	190,274	-	248,149
80	Muhammad Mushtaq	5/26/1983	5/31/2022	57,875	184,566	-	242,441
81	Muhammad Ali	7/27/1983	9/30/2022	62,103	422,641	-	484,744
82	Muhammad Akram	7/21/1983	2/28/2022	63,048	-	-	63,048
83	Shahid Mahmood	9/13/1983	3/31/2023	54,190	188,848	-	243,038
84	Khalid Naeem	9/7/1983	12/31/2022	58,785	827,177	-	885,962
85	Muhammad Mehtab	10/3/1983	2/28/2022	-	-	57,875	57,875
86	Khalid Mahmood	9/25/1983	8/31/2021	-	-	42,940	42,940
87	Muhammad Paryal	10/3/1983	2/28/2022	-	-	54,190	54,190
88	Abdul Quddus	9/26/1983	10/31/2022	54,190	162,125	-	216,315
89	Sarfraz Khan	9/28/1983	12/31/2022	54,190	431,145	-	485,335
91	Zahid Khan	10/30/1983	6/30/2022	57,875	110,359	-	168,234
92	Munawar Ahmed	10/26/1983	5/31/2022	57,875	327,271	-	385,146
93	Muhammad Sadiq	11/1/1983	2/28/2022	57,875	300,633	-	358,508
94	Muhammad Rafiq	10/20/1983	4/30/2022	63,048	1,073,716	-	1,136,764
95	Muhammad Khan	10/19/1983	1/31/2022	63,993	443,919	-	507,912
97	Feroz Zafar	10/24/1983	11/30/2021	-	-	20,701	20,701
98	Zahoor Ahmed	10/18/1983	6/30/2022	63,048	97,422	-	160,470
99	Agha Tanveer Hussain	10/13/1983	6/30/2022	56,965	43,075	-	100,040
100	Iftikhar Ali	10/19/1983	9/30/2021	-	-	3,858	3,858
101	Alamgir	11/2/1983	12/31/2022	57,875	372,937	-	430,812
102	Abdul Hamid	11/8/1983	2/28/2022	53,234	21,002	-	74,236
103	Muhammad Anwar	11/15/1983	3/31/2022	-	-	6,992	6,992
106	Zulfiqar Ali	11/8/1983	6/30/2022	-	-	5,696	5,696
107	Muhammad Saleem	11/29/1983	5/31/2022	57,875	110,359	-	168,234
108	Iftikhar Hussain Alvi	1/10/1984	10/31/2021	-	-	57,875	57,875
109	Raees Ahmed	12/13/1983	10/31/2022	59,268	185,111	-	244,379

110	Shabbir Hussain	2/14/1984	1/31/2023	62,103	349,138	-	411,241
111	Aslam Pervez	2/16/1984	5/31/2022	52,279	453,753	-	506,032
113	Muhammad Akbar	3/5/1984	12/31/2021	-	52,577	-	52,577
115	Alam Khan	3/4/1984	6/30/2022	56,965	254,704	-	311,669
116	Iqbal Hussain	3/13/1984	12/31/2022	57,875	1,042,701	-	1,100,576
118	Mrs.Feroz Fatima	4/22/1984	6/30/2022	61,158	227,206	-	288,364
119	Munsif Khan	5/2/1984	8/31/2022	56,965	95,514	-	152,479
120	Akhtar Hussain	5/2/1984	12/31/2021	-	-	56,965	56,965
121	Muhammad Saleem	5/2/1984	4/30/2022	53,234	143,513	-	196,747
122	Syed Gohar Abbas Zaidi	5/6/1984	12/31/2022	50,913	406,746	-	457,659
124	Muhammad Arif	6/13/1984	10/31/2021	-	-	5,601	5,601
126	Muhammad Jawaid Khan	7/26/1984	2/28/2022	-	-	57,875	57,875
128	Ghulam Jaffar	9/13/1984	8/31/2021	-	-	33,020	33,020
129	Muhammad Arif	7/15/1984	1/31/2022	-	-	13,985	13,985
130	Abdul Hameed	9/4/1984	3/31/2022	52,279	575,785	-	628,064
131	Zia Usmani	8/5/1984	2/28/2022	61,158	251,334	-	312,492
132	Muhammad Latif	8/22/1984	1/31/2022	-	-	8,013	8,013
133	Ghulam Abbas	9/4/1984	10/31/2022	55,145	117,844	-	172,989
134	S Amjad Hussain Shah	10/2/1984	4/30/2022	61,158	739,928	-	801,086
135	Muhammad Akram	9/25/1984	9/30/2021	-	-	19,292	19,292
136	Saeed Ali	9/19/1984	8/31/2021	-	-	34,356	34,356
137	S-Iftikhar Hussain	9/30/1984	4/30/2022	54,190	5,345	-	59,535
138	Muhammad Yasin Bhatti	10/2/1984	6/30/2022	57,875	13,319	-	71,194
139	Ejaz Hussain	10/3/1984	10/31/2022	56,965	123,606	243,818	424,389
140	Khaliq Yar	10/2/1984	6/30/2022	58,323	53,689	-	112,012
142	Aftab Hussain Shah	11/4/1984	6/30/2022	56,965	309,016	-	365,981
143	Ahmed Bakash	9/26/1984	8/31/2022	62,103	345,054	-	407,157
144	S-Muhammad Akhtar	10/25/1984	3/31/2023	58,785	119,825	-	178,610
145	Mukhtar Ahmed	11/6/1984	9/30/2021	-	-	34,689	34,689
146	Muhammad Ashraf	10/2/1984	6/30/2022	57,875	260,675	-	318,550
147	Muhammad Anwar	11/13/1984	9/30/2021	-	-	45,308	45,308
148	Muhammad Iqbal	10/11/1984	5/31/2022	-	-	34,345	34,345
149	Muhammad Afzal	10/21/1984	2/28/2022	54,190	165,688	-	219,878
150	Muhammed Hanif Shahid	10/31/1984	9/30/2021	-	-	57,875	57,875
151	Allah Rakha Anjum	11/5/1984	5/31/2022	56,055	187,976	-	244,031
152	Nadir Ali	10/31/1984	3/31/2022	-	-	1,867	1,867
154	Syed Mehdi Hassan	12/18/1984	11/30/2021	-	302,178	60,033	362,211
155	Iqbal Shafi	2/17/1985	9/30/2022	56,055	503,113	-	559,168
156	Muhammad Ashraf	3/18/1986	10/31/2022	58,323	1,029,681	-	1,088,004
157	Muhammad Farooq	3/9/1986	9/30/2022	55,145	121,470	-	176,615
158	Sabir Muhammad.	2/11/1987	10/31/2022	55,145	734,259	-	789,404
159	Qasim Pervez	8/4/1987	1/31/2022	-	-	15,733	15,733
160	Ghulam Qadir.	3/12/1989	2/28/2022	-	-	37,131	37,131
161	Mukhtar Ahmed	7/20/1989	6/30/2022	55,145	835,787	-	890,932
163	Barkat Ali Memon	8/16/1989	4/30/2022	53,234	316,779	-	370,013
164	Jamil-Ur Rehman	8/4/1983	12/31/2021	-	-	20,859	20,859

	Naz						
165	Muhammad Siddique	1/13/1983	1/31/2022	63,048	68,403	-	131,451
166	Muhammad Javed	9/21/1989	3/31/2022	53,234	554,800	228,173	836,207
167	Muhammad Aslam	11/1/1983	6/30/2022	59,695	123,642	-	183,337
168	Sabiha Shafiq	10/10/1989	9/30/2021	-	-	8,513	8,513
171	Muhammad Saleem	10/11/1989	3/31/2022	-	-	40,992	40,992
172	Syed Muhammad Asif	8/24/1983	12/31/2021	-	-	56,055	56,055
173	Aziz Akhtar	4/23/1988	3/31/2022	-	-	25,726	25,726
174	Noor Jahan Mahar	1/17/2003	11/30/2021	-	-	1,489	1,489
176	Rao Pervaiz Hafeez	1/24/1990	6/30/2022	53,234	341,281	-	394,515
177	Mst.Rukhsana Rehman	9/27/1990	12/31/2021	-	-	52,279	52,279
178	Zulfiqar Haider	10/30/1984	6/30/2022	56,965	112,369	-	169,334
179	Binyamin	11/25/1990	10/31/2021	-	-	8,278	8,278
180	Abdul Khalid Baig	11/26/1990	9/30/2022	52,279	171,876	-	224,155
181	Ramoo	6/3/1991	6/30/2022	43,036	830,536	-	873,572
182	Sohail Pervaiz	6/3/1991	4/30/2022	52,279	180,470	-	232,749
183	Muhammad Ayaz	5/30/1991	10/31/2022	53,234	1,027,343	-	1,080,577
184	Muhammad Khan	7/28/1983	8/31/2022	58,323	504,294	-	562,617
185	Muhammad Arif	9/28/1983	5/31/2022	63,048	661,227	-	724,275
186	Syed Muhammad Ali Shah	11/1/1983	5/31/2022	64,938	377,886	-	442,824
187	Shaukat	10/30/1984	6/30/2022	56,965	65,549	-	122,514
188	Jawwad Ahmed Khan	2/15/2010	3/31/2022	30,103	-	30,103	60,206
189	Rana Abdul Jabbar	2/15/2010	9/30/2022	32,867	86,445	-	119,312
190	Muhammad Haroon	2/15/2010	5/31/2022	32,867	91,848	-	124,715
191	Gorge Masih	2/15/2010	5/31/2022	-	-	15,903	15,903
192	Sarwar Khan	2/15/2010	4/30/2022	32,085	18,987	-	51,072
193	Jamshaid Hussain	2/15/2010	6/30/2022	31,667	11,452	-	43,119
194	Ghulam Shabbir Panhwar	2/15/2010	6/30/2022	25,382	132,682	-	158,064
195	Tahir Abbas	2/15/2010	6/30/2022	29,763	15,656	-	45,419
196	Ghulam Akber	2/15/2010	6/30/2022	30,456	153,198	-	183,654
197	Muhammad Nawaz	2/15/2010	6/30/2017	26,206	-	-	26,206
198	Anwar	2/15/2010	6/30/2022	25,382	120,999	-	146,381
199	Rakhm-Uddin	2/15/2010	11/30/2022	25,382	188,592	-	213,974
				6,773,617	**38,804,648**	**3,156,767**	**48,735,032**

Annex-68

	Irregular re-hiring of services of officers / officials on contract basis under Retrenchment Scheme - Rs.33.014 million						
S#	**Name**	**Father Name**	**Department**	**Category**	**Initial Date of Joining**	**Rate Rs. Per Day**	
1	ALI BUKSH	MUHAMMAD HASSAN	WWC&TP	JOB SPECIALIST	3/1/2022	2000.00	712,000
2	MUHAMMAD FAYYAZ	LAL MUHAMMAD	WWC&TP	LABOURER	3/1/2022	1000.00	356,000
3	MUKAISH KUMAR	DAHRO	WWC&TP	LABOURER	3/1/2022	1000.00	356,000
4	JUMMA	KARO	WWC&TP	LABOURER	10/24/2022	1000.00	356,000
5	SALLU	WAILO	WWC&TP	LABOURER	3/1/2022	1000.00	356,000
6	SALEEM MASIH	BUGGA MASIH	TOWNSHIP	SEWERMAN-A	4/3/2022	834.00	296,904
7	MR. ZAHID HUSSAIN	GHULAM NABI	TOWNSHIP	PLUMBER	6/26/2022	1000.00	356,000
8	MR. ANWAR UL HAQ	QAZI GHAFOOR UL HAQ	STORES	JOB SPECIALIST	3/15/2022	2700.00	961,200
9	Abdul Rehman	Gulo Khan	SECURITY	Security Guard (1)	2/4/2022	834.00	296,904
10	Aftab Iqbal	Muhammad Iqbal	SECURITY	Security Guard (1)	12/27/2021	834.00	296,904
11	Ali Khan	Ghulam Rasool	SECURITY	Special Security Guard	11/1/2022	1000.00	356,000
12	Ali Sher	Abdul Qaddous	SECURITY	Special Security Guard	11/23/2021	1000.00	356,000
13	Allah Dino	Ali Muhammad	SECURITY	Security Guard (1)	12/4/2020	834.00	296,904
14	Allah Wasayo	Dhani Bux	SECURITY	Security Guard (1)	12/4/2020	834.00	296,904
15	Asif Raza	Abdul Razzaq	SECURITY	SECURITY GUARD	11/4/2021	1334.00	474,904
16	Aughan Ali	Buland Khan	SECURITY	Special Security Guard	12/4/2020	1000.00	356,000
17	Bashir Ahmed	Muhammad Saddiq	SECURITY	Security Guard (1)	1/12/2022	834.00	296,904
18	Ijaz Ahmed Khan	Muhammad Siddiq Ali	SECURITY	Security Guard (1)	2/3/2022	834.00	296,904
19	Fazal Mabood	Fazal Habib	SECURITY	Security Guard (1)	9/7/2022	834.00	296,904
20	Fida Hussain	Ali Bux	SECURITY	Security Guard (1)	12/11/2021	834.00	296,904
21	Imtiaz Ahmed Bhutto	Muhammad Urs Bhutto	SECURITY	Security Guard (1)	4/7/2023	834.00	296,904
22	Javed Chohan	Barkat Masih	SECURITY	Security Guard (1)	12/4/2020	834.00	296,904
23	Kafeel Sarwar	Ghulam Sarwar	SECURITY	Security Guard (1)	12/1/2021	834.00	296,904
24	Khalid Umar	Muhammad Malik	SECURITY	Security Guard (4)	11/30/2021	834.00	296,904

25	Khan Saeed	Yaqoob Khan	SECURITY	Security Guard (1)	9/1/2022	834.00	296,904
26	Muhammad Haroon Zardari	Ghulam Rasool	SECURITY	Security Guard (1)	11/14/2022	834.00	296,904
27	Muhammad Jurial	Arbab Ali Bughio	SECURITY	Special Security Guard	1/18/2023	1100.00	391,600
28	MUHAMMAD ANWAR	MUHAMMAD ASGHAR	SECURITY	Security Guard (1)	3/30/2023	834.00	296,904
29	MAHRAM ALI	PHULL KHAN ABRO	SECURITY	Special Security Guard	2/6/2023	1100.00	391,600
30	Muhammad	Arbab Ali	SECURITY	Security Guard (1)	2/4/2022	834.00	296,904
31	Muhammad Arif Khan	Kala Khan	SECURITY	Security Guard (1)	11/26/2021	834.00	296,904
32	Muhammad Ashraf	Muhammad Ramzan	SECURITY	Security Guard (1)	11/28/2021	834.00	296,904
33	Muhammad Ejaz	Aziz Ul Haq	SECURITY	Security Guard (4)	12/4/2020	834.00	296,904
34	Muhammad Hasnain	Manzoor Hussain Shah	SECURITY	Security Guard (1)	1/10/2023	1000.00	356,000
35	Muhammad Iqbal	Feroaz Ali	SECURITY	Security Guard (1)	12/4/2020	834.00	296,904
36	Muhammad Ishaq	Allah Obhayo	SECURITY	Security Guard (1)	4/12/2022	834.00	296,904
37	Muhammad Nawaz	Muhammad Khan	SECURITY	Security Guard (1)	12/4/2020	834.00	296,904
38	Muhammad Rahim	Abdul Karim	SECURITY	Security Guard (1)	5/9/2022	834.00	296,904
39	Muhammad Saleem	Chanan Din	SECURITY	Special Security Guard	12/2/2021	1100.00	391,600
40	Muhammad Usman Shar	Shoukat Ali Shar	SECURITY	Security Guard (1)	12/2/2022	834.00	296,904
41	Muhammad WafaBrohi	Fateh Uddin	SECURITY	Security Guard (4)	9/7/2022	834.00	296,904
42	Waseem	Allah Ditta	SECURITY	Security Guard (1)	11/19/2021	834.00	296,904
43	Munawar Hussain	Rashid Ahmed	SECURITY	Special Security Guard	3/10/2021	1100.00	391,600
44	Naseebo Khan	Ali Hassan	SECURITY	Security Guard (4)	12/4/2020	834.00	296,904
45	Nasir Ahmed	Raza Bahadur	SECURITY	Security Guard (1)	5/9/2022	834.00	296,904
46	Nisar Ahmed	Raj Ali Khan	SECURITY	SECURITY GUARD	11/4/2021	1334.00	474,904
47	Noor Ul Zaman	Rashid Ahmed	SECURITY	Special Security Guard	10/11/2021	1100.00	391,600
48	Qamar Uddin	Ahmed Ali	SECURITY	Special Security Guard	11/18/2021	1000.00	356,000
49	Syed Ikhlaq Tabbassum	Syed Muhammad Rafeeq	SECURITY	Security Guard (1)	5/11/2022	834.00	296,904
50	Muhammad Arshad	Sultan Ahmed	SECURITY	Security Guard (1)	12/23/2021	834.00	296,904
51	Syed Saqlain Abbas	Ghulam Abbas	SECURITY	Security Guard (1)	2/7/2022	834.00	296,904

52	Saeed Ullah Khan	Daulat Khan	SECURITY	Special Security Guard	12/20/2021	1167.00	415,452
53	Sajjad Haider	Nawab Khan	SECURITY	SECURITY SUPERVISOR	11/12/2021	1400.00	498,400
54	Shafique Ahmed Abro	Meer Muhammad Abro	SECURITY	SECURITY GUARD	1/13/2023	1334.00	474,904
55	Sikandar Ali Baloch	Habibullah Baloch	SECURITY	Security Guard (4)	11/9/2022	834.00	296,904
56	Sultan Ahmed Chandio	Khadim Hussain	SECURITY	Security Guard (1)	1/18/2023	834.00	296,904
57	Zain ulAabiden	Jan Muhammad	SECURITY	Security Guard (4)	12/4/2020	834.00	296,904
58	Zia Ul Mustafa	Muhammad Bashir	SECURITY	Security Guard (1)	11/18/2021	834.00	296,904
59	Zulfiqar Ali Dars	Muhammad Ismail Dars	SECURITY	Security Guard (4)	12/1/2022	834.00	296,904
60	AHMED ALI	WAHID BUX THARANI	SECURITY	Security Guard (1)	6/20/2023	834.00	296,904
61	FAHEEM ALI	MUHAMMAD SAWAN	SECURITY	Special Security Guard	5/22/2023	1000.00	356,000
62	MR. RIAZ AKBER	GUL AKBAR	REFRACTORIES	JOB SPECIALIST	2/1/2023	2000.00	712,000
63	MR. FAREED AHMED	BASHIR AHMED	MERS	JOB SPECIALIST	6/1/2022	1400.00	498,400
64	GHULAM MUHAMMAD	GHULAM MUSTAFA	MEDICAL	PLUMBER	3/1/2022	834.00	296,904
65	MR. MUSHTAQ ALI SOOMRO	KHADIM ALI SOOMRO	MDD	JOB SPECIALIST	6/16/2022	2000.00	712,000
66	MR. AKBAR ALI	NOOR DAD	GUEST HOUSE	MASON	1/12/2021	834.00	296,904
67	MR. GULZAR	ABDUL AZIZ	GUEST HOUSE	DISH WASHER-I	12/1/2020	834.00	296,904
68	MR. NOOR WAHAB	SAWAB GUL	GUEST HOUSE	PAINTER	5/12/2022	834.00	296,904
69	PHILIPS NAVEED	ASHIQ MASIH	GUEST HOUSE	AC Technician	4/26/2021	834.00	296,904
70	MR. RIAZ HUSSAIN	QAISAR KHAN	GUEST HOUSE	ROOM BOY	12/1/2020	834.00	296,904
71	SYED UMER FAROOQ	SYED TASLEEM SHAH	GUEST HOUSE	ROOM BOY	12/1/2020	834.00	296,904
72	MR. ZAMEER HUSSAIN JAMALI	ALI NAWAZ	GUEST HOUSE	PLUMBER	12/1/2020	834.00	296,904
73	SYED WAHID ALI	S. M. KHALID HUSSAIN	GUEST HOUSE	WAITER	5/18/2021	834.00	296,904
74	KHALIL MASIH	ALLAH DITTA	GHC	GARBAGE COLLECTOR	7/1/2021	834.00	296,904
75	MR. ZAMEER HUSSAIN	SHABAN ALI	EDUCATION	LIBRARY ATTENDANT	10/25/2022	834.00	296,904
76	MR. RIAZ ALI	JAN MUHAMMAD	CORPORATE SECTT.	JOB SPECIALIST	11/7/2022	3000.00	1,068,000
77	ARSHAD MASIH	DHONDA MASIH	BWSD	LABOURER	11/1/2022	1000.00	356,000

78	JAHANGIR	ABDUL REHMAN	BWSD	LABOURER	12/1/2022	1000.00	356,000
79	LIAQUAT ALI ASIF	FAZAL KARIM	BWSD	JOB SPECIALIST	11/25/2021	2200.00	783,200
80	MUHAMMAD ARIF	BAIG MUHAMMAD	BWSD	LABOURER	12/23/2022	1000.00	356,000
81	NIAZ HUSSAIN	ABDUL KAREEM LANGHA	BWSD	LABOURER	12/1/2022	1000.00	356,000
82	MAQSOOD AHMED	MUHAMMAD YAQOOB	BWSD	JOB SPECIALIST	3/28/2022	2000.00	712,000
83	ALI SHER MEMON	GHULAM RASOOL MEMON	BWSD	JOB SPECIALIST	3/1/2023	2000.00	712,000
84	MR. RAHAT BAZ	MUHAMMAD BAZ	Accounts	JOB SPECIALIST	7/9/2021	3000	1,068,000
85	MR. MOBIN AHMED	MUHAMMAD YASIN	Accounts	JOB SPECIALIST	9/13/2021	2500.00	890,000
			Total				**33,013,660**

Annex-69

Loss due to non-recovery of rent occupied by Pakistan Steel Mills – Rs. 972.943 million									
S. No.	**Years**	**Area in Sq. Ft**	**Per Sq. Ft Area and including 10% annual increased after 1985**	**Annual Rent in Rs.**	**S. No.**	**Years**	**Area in Sq. Ft**	**Per Sq. Ft Area and including 10% annual increased after 1985**	**Annual Rent in Rs.**
1	1985	4843	50.00	2,905,200.00	20	2003	4843	277.97	16,154,504.52
2	1985	4843	55.00	3,196,380.00	21	2004	4843	305.767	16,154,504.52
3	1986	4843	60.50	3,516,018.00	22	2005	4843	336.3437	19,546,950.47
4	1987	4843	66.55	3,867,619.80	23	2006	4843	369.97807	21,501,645.52
5	1988	4843	73.205	4,254,381.78	24	2007	4843	406.975877	23,651,810.07
6	1989	4843	80.52	4,679,500.32	25	2008	4843	447.673465	26,016,991.07
7	1990	4843	88.57	5,147,334.12	26	2009	4843	492.440811	28,618,690.18
8	1991	4843	97.43	5,662,241.88	27	2010	4843	541.684892	31,480,559.20
9	1992	4843	107.17	6,228,291.72	28	2011	4843	595.853382	34,628,615.12
10	1993	4843	117.89	6,851,295.24	29	2012	4843	655.43872	38,091,476.63
11	1994	4843	129.68	7,536,482.88	30	2013	4843	720.982592	41,900,624.30
12	1995	4843	142.65	8,290,247.40	31	2014	4843	793.080851	46,090,686.72
13	1996	4843	156.91	9,118,981.56	32	2015	4843	872.388936	50,699,755.40
14	1997	4843	172.6	10,030,821.60	33	2016	4843	959.627829	55,769,730.94
15	1998	4843	189.86	11,033,903.76	34	2017	4843	1055.59061	61,346,704.03
16	1999	4843	208.85	12,137,526.60	35	2018	4843	1161.14967	67,481,374.43
17	2000	4843	229.73	13,350,988.68	36	2019	4843	1277.26464	74,229,511.88
18	2001	4843	252.7	30,302,442.00	37	2020	4843	1404.99111	81,652,463.07
19	2002	4843	277.97	16,154,504.52	38	2021	4843	1545.49022	89,817,709.37
			Sub Total	**164,264,161.86**				**Sub Total**	**808,679,802.92**
			Grand Total					**Rs. 972,943,965**	

Annex-70

Loss due to shortage of materials – Rs. 67.733 million						
S. No.	**Description(s)**	**Qty as per tender in KGs**	**Material Lifted by Contractor in Kgs**	**Shortage of materials in Kgs**	**Rate per Kgsof materials in Rs,**	**Value of short material in Rs.**
1	Motop& Rope Gaintry Crane (without Motor & Rope)	100,000	42,570	57,430	51/-	2,928,930
2	03 Nos Press Machine (without Gear &Pully)	20,000	15,310	4,690	51/-	239,190
3	08 Nos Electric Trolly(without Electric Motor)	80,000	19,300	60,700	50/-	3,035,000
					Total	**6,203,120**

No.	**Description(s)**	**Qty as per tender in KGs**	**Material Lifted by Contractor in Kgs**	**Shortage of materials in Kgs**	**Rate per Kgs of materials in Rs,**	**Shortage of materials in terms of percentage**	**Value of short material in Rs.**
1	M.S Angle, I Beams etc	400,000	292,370	107,630	121.90	26.91	13,120,097
2	M.S Heavy Scrap	300,000	150,140	149,868	92.95	50.00	13,930,230
						Total	**27,050,327**

S. No.	**Description(s)**	**Qty as per tender in KGs**	**Material Lifted by Contractor in Kgs**	**Shortage of materials in Kgs**	**Rate per Kgs of materials in Rs.**	**Shortage of materials in terms of percentage**	**Value of short material in Rs.**
1	Fabricated Items Category D	350,000	151,910	198,810	102.30	57	20,338,263
2	HR Sheets Category C	200,000	95,750	104,250	135.65	52	14,141,512
						Total	**34,479,775**

Annex-71

Un-justified issued of open cheques and cash deposits into bank accounts – Rs. 10.205 million				
S. No	**Transaction's Date**	**Particulars of Transaction**	**Instrument / Cheque No**	**Amount (Rs.)**
1	02-05-2018	Cash Withdrawal	88673788	40,000
2	19-07-2018	-do-	37912722	50,000
3	24-12-2018	-do-	37912724	1,249,591
			Grand Total	**1,339,591**

S. No	Transaction's Date	Particulars of Transaction	Instrument / Cheque No	Amount (Rs.)
1	04-03-2020	Cash Withdrawal	64162638	355,000
2	13-04-2020	-do-	64162657	325,000
3	13-04-2020	-do-	64162658	220,000
4	20-04-2020	-do-	64162662	620,000
5	18-05-2020	-do-	64162670	220,000
6	18-05-2020	-do-	64162667	350,000
7	06-07-2020	-do-	91081684	330,000
8	22-12-2020	-do-	12946559	287,813
9	31-12-2020	-do-	12946575	319,150
10	01-02-2021	-do-	12946594	324,877
11	01-02-2021	-do-	12946586	291,074
12	01-02-2021	-do-	12946593	456,313
13	01-03-2021	-do-	12946610	319,150
14	29-03-2021	-do-	23318918	1,851,018
15	01-03-2021	-do-	23318958	369,271
16	03-05-2021	-do-	23318991	324,462
17	24-06-2021	-do-	29462065	300,000
18	28-06-2021	-do-	29462069	310,000
19	06-07-2021	-do-	29462081	1,000,000
20	02-09-2021	-do-	29462117	293,309

S. No	Transaction's Date	Particulars of Transaction	Amount (Rs.)
1	06-08-2019	Cash Deposit	150,000
2	16-09-2019	-do-	150,000
3	21-05-2020	-do-	148,000
4	08-07-2020	-do-	161,250
5	15-07-2020	-do-	300,000
6	20-10-2020	-do-	200,000
7	28-10-2020	-do-	250,000
8	03-12-2020	-do-	242,000
9	29-12-2020	-do-	322,500
10	05-01-2021	-do-	245,226
11	21-01-2021	-do-	202,130
12	03-02-2021	-do-	300,000
13	15-02-2021	-do-	200,000
14	22-03-2021	-do-	462,508
15	31-03-2021	-do-	500,000
16	28-06-2021	-do-	300,000
17	01-10-2021	-do-	500,000
18	08-10-2021	-do-	300,000
			4,933,614

Annex-72

Sr. No.	Year	Name of Ship	Missing bags (A)	Average Cost of Imported Urea per bag (B)	Average Incidental Charges per Bag (Rs 620.47+ Rs 1008/2= C)	Total cost of missing Urea (A*B*C)
1.	2022-23	MV Brodo Mavi	52	6,800	814.235	395,940.2
2.		African Isabelle	76	6,800		578,681.9
3.		Josco Dazhou	45	6,800		342,640.6
4.		Ning Yui Hui	48	6,800		365,483.3
5.		Venture G	39	6,800		296,955.2
6.		Altus	29	6,800		220,812.8
7.		Clipper Palma Hui	34	6,800		258,884.0
8.		Nord Sonda	56	6,800		426,397.2
9.		King Wing	15	6,800		114,213.5
10.		Ultra E	26	6,800		197,970.1
Total Missing Bags			420			
Total						**3,197,978.8**

Annex-73

Name of district	Total approved quota of Urea (M.Ton)	Total award of Urea (M.Ton)	Excess award of Urea (M.Ton)	Price of one Urea bag (Rs)	Total price of excess award of Urea
0	**1**	**2**	**3**	**4**	**5 (3*4*20)**
Khanewal	6,446	6,807.95	361.95	2,340	16,939,260
Muzaffar Garh	8,330	8,484	154		7,207,200
Lodhran	3,588	3,754	166		7,768,800
Ghotki	3,420	3,425	05		234,000
Mirpur Khas	2,427	2,430	03		140,400
Sanghar	3,584	3,588	04		187,200
Shikarpur	2,720	2,740	20		936,000
T.M.Khan	1,172	1,176	04		187,200
Total	**31,687**	**32,404.95**	**717.95**		**33,600,060**

Annex-74

S. No.	Agency No.	Agency Name	Date of Supply order	Order and supplied quantity of Urea bags	Amount (Rs)
1	486419	Riaz Ahmed & Company	07.07.2022	840	1,516,200
			04.11.2022	740	1,591,000
			21.12.2022	60	129,000
			03.01.2023	580	1,247,000
2	486448	Jalal & Company	04.08.2022	800	1,720,000
			20.12.2022	740	1,591,000
			21.12.2022	60	129,000
			27.01.2023	580	1,357,200
3	486383	Qadri Traders	07.07.2022	650	1,173,250
			13.07.2022	190	342,950
			05.12.2022	740	1,591,000
			30.12.2022	580	1,247,000
4	486341	Shahabal Khan	27.01.2023	580	1,357,200
5	486354	Mian Traders	30.05.2022	600	1,030,800
			02.07.2022	240	433,200
			07.11.2022	740	1,591,000
			28.12.2022	60	129,000
			06.01.2023	580	1,247,000
6	486367	Al-Hajveri Agri Complex	29.06.2022	600	1,083,000
			06.07.2022	240	433,200
			05.11.2022	740	1,591,000
			04.01.2023	580	1,247,000
7	486370	Al-Madina Fertilizer	30.06.2022	600	1,083,000
			06.07.2022	240	451,250
			09.12.2022	740	1,591,000
			30.12.2022	580	1,247,000
8	486406	Naeem Brothers	05.07.2022	840	1,516,200
			05.11.2022	740	1,591,000
			21.12.2022	60	129,000
			04.01.2023	580	1,247,000
9	486396	Zameer Traders	01.07.2022	600	1,083,000
			14.07.2022	240	433,200
			13.12.2022	740	1,591,000
			30.01.2023	580	1,357,200
10	486215	Nouman Traders	30.05.2022	600	1,030,800
			05.07.2022	240	433,200
			07.11.2022	740	1,591,000

			22.12.2022	60	129,000
			29.12.2022	580	1,247,000
			01.03.2023	40	93,600
			24.03.2023	350	819,000
11	486228	Hassan Traders	30.05.2022	600	1,030,800
			05.07.2022	240	433,200
			08.11.2022	740	1,591,000
			22.12.2022	60	129,000
			25.01.2023	580	1,357,200
12	486231	Sukhera Traders	30.05.2022	600	1,030,800
			06.07.2022	240	433,200
			07.11.2022	740	1,591,000
			21.12.2022	60	129,000
			03.01.2023	580	1,247,000
13	486244	Kamboh Fertilizer	30.05.2022	600	1,030,800
			05.07.2022	240	433,200
			08.11.2022	740	1,591,000
			22.12.2022	60	129,000
			03.01.2023	300	645,000
			05.01.2023	280	602,000
14	486257	Feridia Fertilizer	30.05.2022	600	1,030,800
			30.07.2022	600	1,030,800
			05.07.2022	240	433,200
			05.11.2022	740	1,591,000
			23.01.2023	580	1,357,200
15	486260	Fasil & Company	25.06.2022	600	1,083,000
			05.07.2022	240	433,200
			14.07.2022	800	1,444,000
			04.11.2022	740	1,591,000
			20.12.2022	60	129,000
			03.01.2023	580	1,247,000
16	486286	Adnan Traders	25.06.2022	600	1,083,000
			04.07.2022	240	433,200
			07.11.2022	740	1,591,000
			21.12.2022	60	129,000
			03.01.2023	580	1,247,000
17	484352		30.05.2022	600	1,030,800
			04.07.2022	240	433,200
		Umair Traders	04.11.2022	740	1,591,000
			04.01.2023	580	1,247,000
18	486338	Waseem Raza Khad Dealer	27.06.2022	600	1,083,000
			06.07.2022	240	433,200
			08.11.2022	740	1,591,000
			20.12.2022	60	129,000
			03.01.2023	580	1,247,000

			09.03.2023	40	93,600
			24.03.2023	350	819000
19	486325	Abu Bakar Fertilizer	28.06.2022	600	1,083,000
			07.07.2022	240	433,200
			08.11.2022	740	1,591,000
			23.12.2022	60	129,000
			03.01.2023	580	1,247,000
20	486312	Musa Fertilizers	30.05.2022	600	1,083,000
			05.07.2022	240	433,200
			07.11.2022	740	1,591,000
			22.12.2022	60	129,000
			03.01.2023	580	1,247,000
21	486309	Shahid Traders	30.05.2022	600	1,030,800
			07.11.2022	740	1,591,000
			22.12.2022	60	129,000
			04.01.2023	580	1,247,000
22	486299	Chaudhary Traders	30.05.2022	600	1,030,800
			07.11.2022	740	1,591,000
			22.12.2022	60	129,000
			04.01.2023	580	1,247,000
	486273	Hafeez Traders	05.07.2022	840	1,516,200
			09.12.2022	740	1,591,000
			21.12.2022	60	129,000
			22.02.2023	580	1,357,200
			Total	**50,720**	**102,950,250**

Annex-75

Irregular execution of agreements for grinding of wheat and undue favor to the specific flour mills -Rs 147.450 million

Sr. No.	Region	Name of Pre-qualified Flour Mills by Head Office	Sr. No.	Name of Flour Mills to whom allocated wheat quota and executed agreements	Atta supplied M.Ton	Payment of grinding charges @ Rs 4.36/kg
1	Lahore (N)	New Punjab FM	1	New Punjab FM	10,937.00	47,685,320
2		Ali Hajveri FM	2	Ali Hajveri FM	224.00	976,640
3		Awami FM				
4		Kamal Zamindar FM				
5		Sayyal FM				
6		Tawaqal FM				
7		Nasir FM				
8		Sumaira FM				
9		Ramzan FM				
10		Khursheed FM				
11		Noor Mushtaq FM				
12		Diyan FM				
13		Modem FM				
14		Qaiser FM				
15		Nasir FM				
1	Lahore (S)	Kamal Zamindar FM	1	Kamal Zamindar FM	10,468.00	45,640,480
2		Sayyal FM	2	Sayyal FM	287.00	1,251,320
3		Awami FM				
4		Tawaqal FM				
5		Nasir FM				
6		Diyan FM				
7		Khursheed FM				
8		Data Foods				
9		Noor Mushtaq FM				
10		Ramzan FM				
11		Sumaira FM				

12		Ali Hajveri FM				
13		Nasir FM				
1	Sheikhupura	Ibrahim FM	1	Ibrahim FM	560.00	2,441,600
2		New Punjab FM	2	New Punjab FM	1,591.19	6,937,588
3		Sayyal FM				
4		Summaira FM				
1	Sahiwal	Baba Farid FM	1	Baba Farid FM	1,720.00	7,499,200
2		New Capital FM	2	New Capital FM	391.18	1,705,545
3		Al Hamad FM	3	Al Hamad FM	80.00	348,800
4		Sharq Pur FM				
5		Zahoor FM				
6		Sayyal FM				
1	Okara	Sharq Pur FM	1	Sharq Pur FM	2,153.34	9,388,562
2		Baba Farid				
3		Al Hamad FM				
4		New Capital FM				
5		Zahoor FM				
1	Gujranwala	Al-Fateh FM	1	Al-Fateh FM	160.00	697,600
2		Al-Rehmania FM	2	Al-Rehmania FM	1,675.82	7,306,575
3		Marhaba FM	3	Marhaba FM	40.00	174,400
4		Sagar FM	4	Sagar FM	80.00	348,800
5		Tawaqal FM	5	Tawaqal FM	80.00	348,800
6		Punjab FM				
7		OK FM				
8		Zamindar FM				
1	Sialkot	Sadiq FM	1	Sadiq FM	1,271.64	5,544,350
2		Punjab FM	2	Punjab FM	1,939.70	8,457,092
3		Al Rahmania FM	3	Al Rahmania FM	160.00	697,600
4		Sayyal FM				
5		Bajwa FM				
	Total					**147,450,273**

(Source: Agreements signed with flour mills)

Annex-76

S. No.	Region	Quantity (Kg)	S. No.	Region	Quantity (Kg)
1	Abbottabad	858,283	33	Layyah	410,000
2	Attock	665,919	34	Mandi Bahauddin	405,917
3	Badin	243,655	35	Mansehra	1,188,364
4	Bahawalnagar	593,084	36	Mardan	567,225
5	Bahawalpur	596,887	37	Mianwali	587,813
6	Bannu	352,944	38	Mirpur Khas	291,792
7	Chakwal	674,149	39	Multan	939,340
8	Chitral	194,765	40	MuzzafarGarh	400,446
9	Dera Ghazi Khan	392,857	41	Muzaffarabad	463,289
10	Dera Ismail Khan	726,721	42	Nawabshah	415,410
11	Dadu	210,384	43	Nushki	134,498
12	Faisalabad	776,063	44	Okara	654,776
13	Ghotki	225,522	45	Pishin	287,574
14	Gilgit	297,231	46	Peshawar - South	1,000,262
15	Gujranwala	488,548	47	Peshawar - North	870,276
16	Gujrat	523,161	48	QilaSaifullah	108,763
17	Gawadar	69,710	49	Quetta	638,632
18	Haripur	385,658	50	Rahim Yar Khan	593,846
19	Hyderabad	529,518	51	Rawalpindi-Ii (S)	412,310
20	Islamabad	767,000	52	Rawalpindi-I (N)	759,000
21	Jhelum	611,754	53	Sahiwal	600,903
22	Jhang	585,625	54	Sargodha	778,463
23	Karachi - South	484,217	55	Sheikhupura	537,088
24	Karachi - North	424,138	56	Shikarpur	281,120
25	Khanewal	534,050	57	Sialkot	599,467
26	Khushab	535,846	58	Sibbi	364,059
27	Khuzdar	74,793	59	Sukkur	510,088
28	Kohat	230,491	60	Swabi	510,884
29	Lahore - South	837,614	61	Swat	508,529
30	Lahore - North	837,837	62	Toba Tek Singh	536,661
31	Larkana	306,892	63	Lower Dir	166,829
32	Loralai	106,780	64	Vehari	536,060
	Total (A)	**15,142,096**		**Total (B)**	**17,059,684**
	Grand Total (A)+(B)	**32,201,780 (Or 32,201.78 M.Ton)**			

Annex-77

Detail of Shortage of Sale from Q.E 09/2021 to 06/2023								
S. No.	**Region**	**Name of Store**	**Name of I/C**	**Date of Checking**	**Physical Balance**	**Ledger Balance**	**Shortage (Rs)**	**% age of Shortage to Inventory**
1	Mansehra	Abbottabad Road	Rashid Naseem	12.10.2022	9,421,645	10,525,927	1,104,242	10.49
2	Mansehra	Al-Fakhar Plaza	ArifAftab	18.09.2022	6,034,887	8,197,062	2,162,175	26.38
3	Khushab	29 Block J.Abad	Amir Abbas	30.07.2022	5,360,754	6,830,829	1,470,075	21.52
4	Khushab	NBP Joharabad	Ansar Nawaz	05.12.2022	5,568,544	6,592,305	1,023,761	15.53
5	T.T.Singh	Tandla Road Samundri	M. Imran Rafique	QE 03/23	1,348,282	2,583,626	1,235,344	47.81
6	Islamabad	NIH	Attiqur Rehman	22.06.2022	8,187,184	13,946,734	5,759,550	41.3
				02.08.2022	3,685,613	9,148,098	5,462,485	59.71
7	Chakwal	Danda Shah Bilawal	Abdul Malik	12.08.2022			4,195,828	
8	Chakwal	Pichnand	M. Ehsan ul Haq	29.08.2022	3,764,560	4,808,515	1,043,955	21.71
9	Rawalpindi-S	Girja Road	Anees Hussain Shah	13.09.2022	8,042,893	10,792,543	2,749,650	25.47
10	Layyah	MM Road Fatehpur	Kausar Abbas	05.11.2021	1,618,417	5,162,472	3,544,055	68.65
11	Bahawalpur	Super Chowk	Farrukh Iqbal	29.10.2021	2,873,060	4,170,495	1,297,435	31.11
12	Bahawal Nagar	Fort Abbas-III	Ghulam Murtaza	26.04.2023			5,677,302	-
13	Quetta	Spini Road	Khalil Ahmed Bugti	19.04.2022	1,345,178	2,613,298	1,268,120	48.53
14	Quetta	Railway Station	Abid Hussain	24.06.2022	755,785	1,797,330	1,041,545	57.95
15	Khuzdar	Mini Market KZR	Abdul Malik	20.02.2022	1,246,779	2,818,661	1,571,882	55.77
16	Ghotki	Main Road Ubauro	Amir Hussain Dahar	13.09.2022	1,286,955	2,352,586	1,065,631	45.3
17	Sukkur	Gambat-1	Abdul Rauf Solangi	11.05.2022	2,347,305	4,658,580	2,311,275	49.61
		Total					**43,984,310**	

Annex-78

S. No.	Date	Qty. of 20-Kgs Bags (Nos)	Wheat Rate (Rs)	Grinding Charges (Rs)	Carriage (Rs)	Rate Paid (Rs)	Rate to be Paid (Rs)	Excess Paid per Bag (Rs)	Total Payment (Rs)
0	**1**	**2**	**3**	**4**	**5**	**6 (3+4+5)**	**7**	**8 (6-7)**	**9 (8*2)**
	Lahore North								
1	13/09/2021	2,975	1,369	83	36	1,488	1,161	327	972,825
2	14/09/2021	2,899	1,369	83	36	1,488	1,161	327	947,973
3	15/09/2021	2,297	1,369	83	36	1,488	1,161	327	751,119
4	16/09/2021	2,000	1,369	83	36	1,488	1,161	327	654,000
5	17/09/2021	755	1,369	83	36	1,488	1,161	327	246,885
6	17/09/2021	780	1,369	83	36	1,488	1,161	327	255,060
7	21/09/2021	2,000	1,369	83	36	1,488	1,161	327	654,000
8	22/09/2021	1,100	1,369	83	36	1,488	1,161	327	359,700
9	23/09/2021	1,250	1,369	83	36	1,488	1,161	327	408,750
10	25/09/2021	1,550	1,369	83	36	1,488	1,161	327	506,850
11	26/09/2021	2,199	1,369	83	36	1,488	1,161	327	719,073
12	27/09/2021	674	1,369	83	36	1,488	1,161	327	220,398
13	27/09/2021	1,275	1,369	83	36	1,488	1,161	327	416,925
14	28/09/2021	1,950	1,369	83	36	1,488	1,161	327	637,650
15	29/09/2021	1,000	1,369	83	36	1,488	1,161	327	327,000
							Total		**8,078,208**
	Lahore South								
1	01/07/2021	600	1,260	83	36	1,379	1,161	218	130,800
2	02/07/2021	899	1,260	83	36	1,379	1,161	218	195,982
3	03/07/2021	598	1,260	83	36	1,379	1,161	218	130,364
4	05/07/2021	1,000	1,260	83	36	1,379	1,161	218	218,000
5	06/07/2021	534	1,260	83	36	1,379	1,161	218	116,412
6	06/09/2021	2,992	1,369	83	36	1,488	1,161	327	978,384
7	07/09/2021	2,985	1,369	83	36	1,488	1,161	327	976,095
8	08/09/2021	3,594	1,369	83	36	1,488	1,161	327	1,175,238
9	09/09/2021	2,968	1,369	83	36	1,488	1,161	327	970,536
10	10/09/2021	3,183	1,369	83	36	1,488	1,161	327	1,040,841
11	11/09/2021	2,791	1,369	83	36	1,488	1,161	327	912,657
12	13/09/2021	3,045	1,369	83	36	1,488	1,161	327	995,715
13	14/09/2021	2,793	1,369	83	36	1,488	1,161	327	913,311
14	15/09/2021	2,949	1,369	83	36	1,488	1,161	327	964,323
15	17/09/2021	3,593	1,369	83	36	1,488	1,161	327	1,174,911
16	16/09/2021	3,091	1,369	83	36	1,488	1,161	327	1,010,757
17	04/09/2021	221	1,369	83	36	1,488	1,161	327	72,267
18	24/09/2021	1,500	1,369	83	36	1,488	1,161	327	490,500
19	25/09/2021	800	1,369	83	36	1,488	1,161	327	261,600
20	28/09/2021	799	1,369	83	36	1,488	1,161	327	261,273
21	27/09/2021	996	1,369	83	36	1,488	1,161	327	325,692
							Total		**13,315,658**
							Grand Total		**21,393,866**

Annex-79

Sr. No.	Name of Flour Mill	Amount of Security
1	Esmail Flour Mill, I-9, Islamabad	500,000
2	Nusrat Farooq Flour Mill, Rawat, Rawalpindi	500,000
3	Al Harmain Flour Mill, NIZ Rawat, Rawalpindi	500,000
4	Mehboob Flour Mill, I-9/3, Islamabad	500,000
5	Sihowal Roller Flour Mill, Dhamial Camp, Rawalpindi	500,000
6	Al Karim Flour Mill, Rawat, Rawalpindi	500,000
7	Hassan Roller Flour Mill, Rawat Industrial Estate, Rawalpindi	500,000
8	Al-Mehraj Roller Flour Mill, Kala Gujra, Jhelum	500,000
9	Kamran Flour Mill, GT Road Lala Musa, Gujrat	500,000
10	Al Karam Flour Mill, Brahma Interchange, Attock	500,000
	Total	**5,000,000**

Annex-80

Sr. No.	Region	Name of Pre-qualified Flour Mills by Head Office	Amount of Security
1	Gujranwala	M/s OK FM	500,000
2	Lahore (N)	M/s Awami FM	500,000
3	Lahore (N)	M/s Modem FM	500,000
4	Lahore (N)	M/s Qaiser FM	500,000
5	Lahore (N)	M/s Ramzan FM	500,000
6	Lahore (S)	M/s Data Foods	500,000
7	Lahore (S)	M/s Diyan FM	500,000
8	Lahore (S)	M/s Khursheed FM	500,000
9	Lahore (S)	M/s Nasir FM	500,000
10	Lahore (S)	M/s Noor Mushtaq FM	500,000
11	Lahore (S)	M/s Tawaqal FM	500,000
12	Okara	M/s Al Hamad FM	500,000
13	Okara	M/s New Capital FM	500,000
14	Sahiwal	M/s Zahoor FM	500,000
15	Sialkot	M/s Bajwa FM	500,000
		Total	**7,500,00**

Annex-81

S.No.	Name	Designation	Current Pay Package	Period	Total salary paid (Rs)
1	Zafar Ullah Khan	In charge PTV Parliament	Not provided	04.07.2022 30.11.2023	-
2	Muhammad Irfan Khan	Anchor for Current Affairs	275,000	05.07.2022 30.11.2023	4,675,000
3	Madiha Abid Ali	Anchor for Current Affairs	349,000	04.08.2022 30.11.2023	5,584,000
4	Muhammad Umar Aslam	Anchor for Current Affairs	200,000	27.10.2022 30.11.2023	2,800,000
5	Saqib Hassan Qureshi	Manager Events Resource	130,000	08.11.2022 30.11.2023	1,560,000
6	Maryam Zia	Anchor for Current Affairs	195,000	27.12.2022 30.11.2023	2,145,000
7	Muhammad Hamza	IT Professional (Photoshop/Viz Art Executor)	`	05.01.2023 30.11.2023	586,300
8	Ali Gohar	IT Professional (Photoshop/Viz Art Executor)	53,300	05.01.2023 30.11.2023	586,300
9	Junaid Iqbal	IT Professional (VSS Designer)	88,000	06.01.2023 30.11.2023	968,000
10	Mirza Khubaib Baig	Anchor for Programmes Department	175,000	10.01.2023 30.11.2023	1,925,000
11	GhufranYounas Kaka Khel	Hire for special distribution projects	200,000	13.01.2023 30.11.2023	2,200,000
12	Mahrukh Hameed	Anchor/Host for PTV World (English Channel)		15.06.2023 30.11.2023	-
	Total				**23,029,600**

Annex-82

Sr#	Name of officer	Designation	Amount paid (Rs) million	Remarks/ shortcomings
1	Mr. Zain-Ul-Abidin	Resident Engineer	7.597	1. The officer had been promoted twice from G-8 (a) to G-09 and then G-09 to G-10 (equivalent to BPS 18 to BPS 20) within a gap of two years and 04 months since regularization of the services on 14.02.2014. 2. The services of the officer were adjusted in the G-9 (equivalent to BPS-19) without advertising the post in the newspaper for proper competition. 3. The services of the officer were regularized in G (8) (a) on 14.02.2014 whereas the officer was already adjusted in G-9 on 16.09.2011 i.e. 03 years prior to regularization in higher grade. 4. The officer got B.Sc. civil engineering degree from the University of Kabul, Afghanistan in 1998 which did not fall under the relevant criteria for appointment to the post. 5. The degree was not got verified by HEC.
2	Mr. Nawazish Iqbal	Civil Engineer	6.103	1. The officer had a total 10 years and 06 months' approximate length of service from the date of appointment to the last promotion on 30.09.2019 therefore had a lack of experience for the post

				of Principal Engineer/ Deputy Managing Director. 2. The officer had been regularly promoted in the higher grades with a gap of two to three years without observing the minimum length of service. 3. For promotion to the grades 20 and 21, approval of the prime Minister was required. 4. The degree was not got verified by HEC.
3	Mr. Aamir Abbas	Civil Engineer	4.958	1. The officer had a total 12 years of service from the date of appointment to date of audit i.e. May 2023. As per C.V., the officer had an experience of 03 years w.e.f. May 2006 to June 2009. 2. For promotion to grade-19 and re-designation to grade-20, approval of the prime Minister was required. 3. The post of the officer was re-designated as Principal Engineer in G-10, by the acting charge Managing Director without any justification. 4. The degree was not got verified by HEC
4	Mr. Shad Muhammad	Assistant Manager Admn	2.445	1. The officer had been promoted twice from G-6 to G-7 and then G-7 to G-8 within a gap of two and 03 years respectively since the regularization of the services on 14.02.2014. 2. The degree was not got verified by HEC.
5	Miss Hifsa	Architect	3.758	1. The officer got bachelor's

	Abid Malik			degree in the year 2007 to 2013 and was also appointed in the same year therefore was not eligible for the post of Architect. 2. The officer was on probation therefore regularization of the officer in higher grade after 08 months. 3. The officer was further promoted in G-9 after a period of 04 years and 08 months since her regularization w.e.f. 01.07.2014. As per the appointment criteria of PEPAC, the minimum experience for the post of senior architect was 10 years. 4. The post of the officer was re-designated as Principal Engineer in G-10, by the acting charge Managing Director without any justification. 5. The degrees of the officer were also not got verified by HEC.
			24.861	

Annex-83

Non-mentioning rates and tariffs of the port operations by the Concession holder – Rs. 58.770 million

S.No.	Description	Period	Gross Revenue	GPA Share 15%	GPA Share 9%
1	Gwadar Free Zone Company Ltd	Jan-2022 to April -2023	44,850,278	6,727,542	
2	Gwadar International Terminal Limited	April, 2022	129,576,856		11,661,917
3		March, 2022	126,768,346		11,409,151
4		February, 2022	3,442,260		309,803
5		January, 2023	105,977,990		9,538,019
6		December, 2022	7,037,623		633,386
7		November, 2022	13,532,713		1,217,944
8		October, 2022	4,679,514		421,156
9		September, 2022	6,015,032		542,353
10		August, 2022	3,297,658		296,789
11		July, 2022	17,056,660		1,535,099
12		June, 2022	11,311,596		1,018,044
13		May, 2022	2,890,549		260,149
14		April, 2022	3,402,153		306,194
15		March, 2022	3,354,325		301,889
16		February,2022	4,915,673		442,411
17		January, 2022	11,562,315		1,040,608
18	Gwadar Marine Services Limited	April, 2023	9,896,905		890,721
19		March, 2023	15,511,837		1,396,065
20		February,2023	471,040		42,394
21		January, 2023	12,895,267		1,160,574
22		December, 2022	2,125,110		191,260
23		November, 2022	11,400,791		1,026,071
24		October, 2022	5,017,992		451,619
25		September, 2022	3,657,838		329,205
26		August, 2022	4,560,525		410,447
27		July, 2022	11,850,292		1,066,526
28		June, 2022	15,271,996		1,374,480
29		May, 2022	5,243,542		471,919
30		April, 2022	5,506,563		495,591
31		March, 2022	6,911,514		622,036
32		February, 2022	5,438,071		489,426
33		January, 2022	7,655,964		689,037
		Total	**623,086,788**	**6,727,542**	**52,042,283**
		Total share of GP	**(Rs.52.042+Rs. 6.727=Rs. 58.770 million)**		

Annex-84

Non-recovery of various dues - Rs.101.194 million						
Opening Balance 01.07.2022	**Ground Rent**	**Occupancy**	**LPS**	**Total**	**Received**	**as per Rs.150 as on 06.03.2023**
256,286	112,500	-	51,194	419,980	-	419,980
3,606,312	600,000	-	761,777	4,968,089	-	4,968,089
3,380,917	562,500	-	714,166	4,657,583	-	4,657,583
752,136	150,000	-	162,334	1,064,471	-	1,064,471
2,212,916	504,300	- -	486,373	3,203,589	-	3,203,589
758,399	127,050	-	147,946	1,033,396	-	1,033,396
1,020,988	187,500	-	200,653	1,409,141	-	1,409,141
324,162	60,000	-	63,749	447,911	-	447,911
-	30,000	-	-	30,000	30,000	-
177,762	30,000	-	24,324	232,087	232,087	(0)
-	20,700	-	1,863	22,563	-	22,563
	-	-	-	-	-	-
-	761,100	-	-	761,100	761,100	-
2,211,323	428,178	-	457,797	3,097,298	115,666	2,981,632
1,916,627	305,625	-	366,508	2,588,760	66,565	2,522,195
1,279,572	225,000	-	250,573	1,755,145	-	1,755,145
1,556,475	300,000	-	307,165	2,163,640	-	2,163,640
160,356	30,000	-	15,040	205,396	205,400	(4)
584,087	150,000	-	54,360	788,448	685,000	103,448
1,503,768	300,000	-	325,914	2,129,682	57,120	2,072,562
756,124	150,000	-	163,755	1,069,878	28,884	1,040,994
762,171	150,000	-	164,919	1,077,090	27,565	1,049,525
697,680	120,600	-	136,436	954,716	-	954,716
-	-	-	-	-	-	-
-	30,000	-	900	30,900	-	30,900
-	260,625	-	-	260,625	260,625	-
-	75,000	-	10,663	85,663	80,000	5,663
-	75,000	-	3,375	78,375	78,375	-
1,256,261	150,000	-	253,127	1,659,388	-	1,659,388
7,117	469,500	-	78,642	555,259	555,259	0
		-		-		-
-	271,050	-	0	271,050	271,050	0
840,600	-	-	-	840,600	-	840,600
5,798	82,500	-	8,499	96,797	40,000	56,797

-	37,650	-	1,694	39,344	39,344	0
429,231	60,000	-	82,662	571,892	-	571,892
852,579.63	150,000	-	166,964	1,169,544	-	1,169,544
-	301,350	-	-	301,350	301,350	-
375,289.55	91,350	-	84,331	550,970	200,000	350,970
-	-	-	-	-	-	-
120,954	30,000	-	27,944	178,899	5,000	173,899
7,887	30,000	-	-	37,887	37,887	(0)
1,386,011	301,200	-	101,233	1,788,444	1,788,444	(0)
2,567,561	450,000	-	531,837	3,549,399	72,800	3,476,599
2,841,518	450,000		580,593	3,872,111	66,000	3,806,111
2,391,678	424,350	-	470,002	3,286,029	68,603	3,217,426
619,158	150,000	-	134,650	903,807	48,400	855,407
-	326,625	-	-	326,625	326,625	-
-	30,000	-	-	30,000	30,000	-
-	60,000	-	2,700	62,700	62,700	0
1,286,117	237,765	-	251,645	1,775,527	-	1,775,527
1,187,785	300,000	-	267,801	1,755,586	-	1,755,586
6,140,119	1,254,900	-	1,298,542	8,693,561	222,278	8,471,283
966,138	825,000	-	295,538	2,086,676	-	2,086,676
61,800	60,000	-	14,886	136,686	-	136,686
157,969	60,000	-	38,641	256,611	22,000	234,611
77,172	30,000	-	19,291	126,463	-	126,463
(5,942)	30,000	-	2,165	26,223	-	26,223
305,955	60,000	-	65,893	431,848	-	431,848
524,099	75,000	-	101,088	700,186	-	700,186
1,540,066	600,000	-	90,000	2,230,066	1,540,066	690,000
3,277,735	600,000	-	697,992	4,575,727	-	4,575,727
179,772	30,000	-	33,259	243,031	-	243,031
36,569	34,500	-	4,140	75,209	38,639	36,570
471,468	420,750	-	50,669	942,887	1,000,000	(57,113)
-	150,000	-	-	150,000	150,000	-
2,193,567	300,000	-	448,842	2,942,409	-	2,942,409
56,020,090	**14,679,168**	**-**	**11,077,056**	**81,776,314**	**9,514,832**	**72,261,482**

Shop Mole & Plots	Opening Balance	During The Year	LPS	Received	Balance Amount
Old KoFHA Office Building	450,835	1,078,930	34,051	1,545,729	18,088
Shop . # 1	25,804	162,728	3,681	149,979	42,234
Shop . # 2	257,455	-	-	-	257,455
Shop . # 3	(8,000)	96,000	-	88,120	(120)
Shop . # 4	-	-	-	-	-
Shop . # 5	8,120	96,000	969	105,091	(2)
Café	525,618	359,975	112,189	-	997,782
Mole No,2	85,191	60,000	10,052	125,000	30,243
Mole No,4	-	-	-	-	-
Mole No,5	-	-	-	-	-
Mole No,6	-	-	-	-	-
Mole No,10	40,154	60,000	2,337	95,000	7,492
Mole No,08	-	-	-	-	-
Mole No,15	90,930	60,000	17,545	40,000	128,475
Mole No,16	176,149	60,000	40,642	-	276,791
Mole No, 14	-	-	-	-	-
Mole No, 11	-	-	-	-	-
Mole No, 12	-	-	-	-	-
	1,652,255	**2,033,633**	**221,467**	**2,148,919**	**1,758,436**

Sr #	Description	Opening Balance Water	During the period	LPS	Received Amount Water	Balance Amount Water	Remarks
1	Cash water sale for Fishing Boats M.# 1	-	-		-		
2	Bahria Boat Building Yard	9,803	67,462	653	77,918	1	operational
3	Business Engg. Trends C-39 & 40	8,693	109,661	-	118,347	8	operational
4	Marina Sea Craft C-37 & 38	11,195	111,637	84	122,915	1	operational
5	Botan Corporation	85,736	31,896	2,990	119,840	783	operational
6	ABC Fisheries (Pvt) Ltd. Unit-I	1,178,284	436,105	217,235	622,184	1,209,440	operational

7	Aqua Pearl 3362	142,772	1,041,289	17,259	1,199,233	2,087	operational
8	Legend International A-11 to A-13	1,210,046	688,315	141,770	1,623,502	416,629	operational
9	Mukhinoordin & Sons A-29 To A-31	245,530	3,681,490	-	3,927,020	0	operational
10	Mukhinoordin & Sons A-45	36,561	1,002,054	-	1,038,615	1	operational
11	Maritime Security Agency C-36-A	19,834	133,937	-	126,109	27,662	operational
12	Maritime Security Agency C-2	648	70,426	(0)	49,339	21,735	operational
13	Seo Young International	59,750	289,607	17,589	359,796	7,151	operational
14	Al Habib Hotel Shop #1	51,877	162,214	9,648	111,685	112,054	operational
15	Kanishero	19,035	92,302	1,180	112,516	0	operational
16	HAJI MUHAMMED SADIQ	111,737	4,153,585	3,330	4,268,652	1	operational
17	La Candila Pvt LTD (Reliable)	54,380	84,116	1,903	140,400	(1)	operational
18	Al Malik Traders (Kanta) A-41	6,577	14,396	602	19,973	1,601	operational
19	Hei - 5 International A-43	55,354	519,657	-	575,010	1	operational
20	Ghulam Azhar Commercial D-3	131,894	234,800	11,530	287,000	91,225	operational
21	Meccon Engineering C-10 & C-11	0	-	0	-	0	operational
22	Falcon Fisheries Pvt Ltd.A-40	28,649	201,117	292	230,059	(2)	operational
23	Shahid Tanki Wala	(0)	-	(0)	-	(0)	operational
24	Morawala Engineering C-3, C-4	2,852	13,266	339	16,432	25	operational
25	Friends Sea Food A-44	127	675,752	2,236	678,115	(1)	operational

26	Badsha Company C-35	263	141	29	434	(0)	operational
27	Blue Lagoon Fisheries	105,701	919,350	15,719	818,500	222,270	operational
28	Muhammad Sabir Shop #5	15,911	140,790	1,133	146,559	11,275	operational
30	Ather Ali LPG Unit	4,278	47,985	416	43,994	8,686	operational
31	Hussain Engineering Works	18,782	2,964	1,760	23,507	(1)	operational
32	Shaheen Diesel Services- D-8	0	8,186	6	8,192	0	operational
	Suhbat Khan (Atta Muhammad)	28,994	151,296	1,206	166,829	14,667	operational
33	Commercial Center D-2	-	71,555	1,165	49,847	22,873	operational
34	Zia ul Haq A-39	-	-	-	-	-	Closed
35	Bismillah Petroleum Services PP-1	441,299	-	81,534	-	522,833	Closed
36	Falcon Oils Filling Station-D-1	21	-	1	-	22	Closed
37	UNSA SERVICE STATION (PSO)	5,883	-	1,087	-	6,970	Closed
38	Trans Power Logistic C-23	(0)	-	(0)	-	(0)	Closed
39	Colonel Seafood A-9 to A-10	1,873	-	314	2,157	30	Closed
40	Ali Ice Factory A-37	2,329	57,583	7,903	2,333	65,482	Closed
41	Bismillah Café (Shokat Khati)	-	-	-	-	-	Closed
42	Shaikh Rehman Engineering Works	(1)	-	(0)	-	(1)	Closed
43	Kissa Engineering Works	-	-	-	-	-	Closed
	Grand Total	**4,096,668**	**15,214,934**	**540,914**	**17,087,012**	**2,765,504**	

	Operational	**3,645,265**	**15,157,351**	**450,075**	**17,082,522**	**2,170,169**	
	Closed	**451,404**	**57,583**	**90,838**	**4,490**	**595,335**	
	Total;-	**4,096,668**	**15,214,934**	**540,914**	**17,087,012**	**2,765,504**	

S#	Name of Party	Opening Balance	During The period	LPS	Received Amount	Balance Amount	Remarks
1	National Bank Of Pakistan , KoFHA Branch	43,937	473,164	0	517,102	(0)	Operational
2	Bahria Boat Building Yard	112,885	797,904	9,783	896,865	23,707	Operational
3	Business Engg. Trends C-39 & 40	78,895	706,144	496	785,514	21	Operational
4	Marina Sea Craft C-37 & 38	142,845	805,057	-	947,903	(1)	Operational
5	Botan Corporation	3,396,476	963,294	109,464	4,428,988	40,246	Operational
6	ABC Fisheries (Pvt) Ltd. Unit-I	1,866,001	-	281,153	500,000	1,647,154	Operational
7	Mukhinoordin & Sons A-45	(0)	-	-	-	(0)	Operational
8	Maritime Security Agency C-36-A	172,186	895,917	-	979,949	88,153	Operational
9	Maritime Security Agency boat	3,414	46,010	-	43,637	5,787	Operational
10	Maritime Security Agency C-2	8,649	86,931	-	79,076	16,505	Operational
11	Seo Young International	1,680,101	5,316,983	237,959	7,085,050	149,994	Operational
12	Morawala Engineering C-3, C-4	4,867	39,260	709	35,195	9,641	Operational
13	Al Habib Hotel Shop #1	81,631	234,064	6,815	203,836	118,674	Operational
14	La Candila Pvt LTD	2,414,216	2,692,409	93,870	5,200,496	(1)	Operational
15	Al Malik Traders (Kanta) A-41	35,037	87,487	6,308	123,052	5,781	Operational
16	Hei - 5 International A-43	-	-	-	-	-	Operational
17	Imdad Hussain	4,362	36,634	448	37,890	3,554	Operational

	LPG C-22						
18	Zulfiqar Ali Shop #3	20	68,744	206	62,068	6,902	Operational
19	Ghulam Azhar Commercial D-3	729,300	1,328,808	134,109	1,320,000	872,217	Operational
20	Falcon Fisheries Pvt Ltd.A-40	-	-	-	-	-	Operational
21	Khadim Hussain Mole #2	4,221	30,769	567	31,363	4,194	Operational
22	blue Lagoon Mole.# 10	12,572	15,379	2,401	15,000	15,351	Operational
23	Blue Lagoon Fisheries	1,924,999	15,584,595	912,213	8,993,000	9,428,807	Operational
24	Nazir Ahmed Mole No.15	2,061	8,602	176	8,071	2,769	Operational
25	Meccon Engineering C-10 & C-11	2,590	240	55	2,649	236	Operational
26	Friends Sea Food A-44	-	-	-	-	-	Operational
27	Badsha Company C-35	6,255	14,641	287	21,183	(0)	Operational
28	Amjad Shafqat C-6	86,056	73,511	6,870	163,299	3,138	Operational
29	Muhammad Sabir Shop #5	6,730	72,552	395	73,255	6,422	Operational
30	Sindh Fisheries Mole Building	70,390	5,776	14,215	-	90,381	Operational
31	Trans Power Logistic C-23	41	240	28	-	308	Operational
32	Atta Muhammad Dry Cleaner	35,933	267,251	1,400	279,542	25,041	Operational
33	Ather Ali LPG Unit	11,036	366,530	28,094	11,036	394,623	Operational
34	Fouji Enterprises C-1	(0)	6,396	599	7,000	(4)	Operational
35	Dynamic LPG unit	9,303	28,151	1,300	29,928	8,827	Operational
	Muhammad Arif C-8	-	82,492	1,298	33,950	49,840	Operational
38	Shaheen Diesel Services- D-8	444	14,702	303	15,449	(0)	Operational
45	Shaikh Rehman Engineering Works	208	347	59	-	614	Closed

	Amjad Shafqat D-2	-	-	-	-	-	
	Shahid Tanki Wala-C-14						
36	UNSA SERVICE STATION (PSO)	2,027	240	395	-	2,662	Closed
37	Falcon Oils Filling Station- D-1	80	293	-	-	373	Closed
39	Colonel Seafood A-9 to A-10	30,510	14,576	8,148	52,428	806	Closed
40	Ali Ice Factory A-37	484,320	2,634,712	292,684	1,084,320	2,327,395	Closed
41	Kanishero	-	-	-	-	-	Closed
42	Searevo Custom	-	-	-	-	-	Closed
43	Zia ul Haq A-39	-	-	-	-	-	Closed
44	Haidery Eng.MW C-26 & 27	52,163	240	9,657	-	62,061	Closed
46	Nisar Engg Works C-24 & C-25	26,674	2,162	5,042	10,000	23,879	Closed
47	Bismillah Café (Shokat Khati)	-	-	-	-	-	Closed
48	Jahangeer Shop No.2	(0)	-	-	-	(0)	Closed
49	AR Traders Shop #8	10,922	-	-	-	10,922	Closed
50	AR Traders Shop #9	6,131	-	-	-	6,131	Closed
51	Jam Ameer Ahmed Shop #4	-	-	-	-	-	Closed
52	Jam Ameer Ahmed Mole #1	0	-	-	-	0	Closed
53	Shop # 6	-	8,602	526	-	9,128	Closed
54	Shop # 7	-	-	-	-	-	Closed
	Total	**13,560,490**	**33,811,809**	**2,168,034**	**34,078,094**	**15,462,239**	

Annex-85

Loss due to line leakages in electricity supply – Rs.11.130 million				
S#	**Period**	**Electricity line losses (in units)**		**Total units**
		Sold Units	**Own consumption**	
1	July 2022	18,363	2,292	20,655
2	August 2022	21,382	3,193	24,575
3	Sept-2022	19,883	2,476	22,359
4	Oct 2022	17,322	2,168	19,490
5	Nov 2022	36,616	6,333	42,949
6	Dec 2022	17,278	13,545	30,823
7	Jan 2023	14,153	42,460	56,613
8	Feb 2023	-	38,144	38,144
9	March 2023	3,049	575	3,624
10	April 2023	4,209	955	5,164
11	May 2023	1,325	296	1,621
12	June 2023	5,472	1,329	6,801
	Total	**159,052**	**113,766**	**272,818**
Grand Total		**(Units 272,818*Rs / unit 40.81)**		**Rs.11,133,702.58**

Annex-86

	Loss of interest due to delay in deposit collection - Rs.5.431 million					
S#	**Description (Due as of March 31,23)**	**Amount (Rs)**	**Received on**	**Delay in days**	**Working**	**Recoverable interest Rs**
A.						
01	Principal recoverable	310,000,000	17-4-23	19	310m*11.7%*19/365*0.7	1,321,619.14
02	Interest Recoverable	4,869,301.37	12-4-23	14	4.86m*11.7%*14/365*0.7	15,296.23
	Total					**1,336,915.33**

S#	**Description**	**Dated**	**Amount (in Rs)**
01	Principal amount	-	350,000,000
02	Interest Recoverable	-	18,375,000
	Total recoverable as of March 31, 22	31-03-22	368,375,000
03	Interest income (368,375 m@ 7.5%*20/365*0.70)	20-4-22	1,059,708.86
04	Total recoverable (with interest) (as of April 20, 22)	20-4-22	369,434,708.86
	Recovered	**20-04-22**	**(350,924,623)**
05	Total recoverable (with interest) (as of April 20, 22)	20-4-22	18,510,085.86
06	Interest income (at 7.5%)	31-5-22	159,163.23
	Total recoverable (with interest) (as of May 31, 22)	31-5-22	19,051,696.23
	Recovered	**31-05-22**	**(18,375,000)**
07	**Outstanding recovery**	**20-4-22**	**676,696.23**

S#	**Description (Due as of April 17,23)**	**Amount Rs**	**Received amount**	**Received on**	**Delay in days**	**working**	**Recoverable interest Rs**
01	Principal recoverable	340,000,000	340,000,000	29-5-23	43	340m*0.12*0.7*43	3,363,026.68
02	Interest Recoverable	30,702,000	27,000,000	17-4-23	-	-	-
03	Interest Recoverable		3,702,000	29-5-23	43		56,260.34
	Total	370,702,000					**3,419,287.02**

Annex-87

	Non-recovery of dues from parties - Rs.8,072.149 million						
S. No.	**Company Name**	**DSLI**	**Control Code**	**Control**	**Subs. Code**	**Subs.**	**Closing**
1	Quetta	contractors and suppliers	1460	Deck repairs a/c	FJ60	Deck repairs a/c	15,000
2	Quetta	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	26,703,260
3	Karachi	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	4,714,000
4	Lahore	contractors and suppliers	1425	Advances	FH58	Advance to agent against port charges	270,000
5	Lahore	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	11,046,766
6	Shalamar	contractors and suppliers	1425	Advances	FH58	Advance to agent against port charges	235,000
7	Shalamar	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	46,572,927
8	Sibi	contractors and suppliers	1425	Advances	FH25	Travelling advance	12,746,000
9	Sibi	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	7,306,017
10	Multan	contractors and suppliers	1425	Advances	FH25	Travelling advance	12,282,000
11	Multan	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	8,373,307
12	Malakand	contractors and suppliers	1425	Advances	FH25	Travelling advance	8,200,000
13	Malakand	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	4,510,999
14	Khairpur	contractors and suppliers	1425	Advances	FH58	Advance to agent against port charges	6,871,000
15	Khairpur	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	961,049
16	Hyderabad	contractors and suppliers	1425	Advances	FH58	Advance to agent against port charges	8,623,000
17	Hyderabad	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account –	28,228,284

						khi	
18	Chitral	contractors and suppliers	1425	Advances	FH58	Advance to agent against port charges	8,727,000
19	Chitral	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	53,174,672
20	Bolan	contractors and suppliers	1425	Advances	FH58	Advance to agent against port charges	2,467,000
21	Bolan	contractors and suppliers	1385	Others	FA05	Sundry debtors & advance account – khi	231,535
22	PNSC	contractors and suppliers	1425	Advances	FH20	Sundry advances – others	19,777,208
23	PNSC	contractors and suppliers	1422	Advance to suppliers-ssd	R088	Royal airport services pvt ltd	2,305
24	PNSC	contractors and suppliers	1422	Advance to suppliers-ssd	G135	Gerry dnatapvt ltd	827
	Contractors and Suppliers Total						**272,039,156**
25	PNSC	Others	1430	Port Qasim Authority	FI00	PORT QASIM AUTHORITY	21,000,000
	Others Total						**21,000,000**
	Grand Total (Rs.)						**293,039,156**

Statement of Rent receivable from tenants as on 30th June, 2022.

S. No.	Name of Tenant	Name of Buildings	Out Standing Balance (Rs.)
1	BuareuVeritas	PNSC Building	791,166
2	COMMISSIONER OF AEOI	PNSC Building	690,535
3	AEQUITAS INFORMATION SERVICES	PNSC Building	374,858
TOTAL (A)			**1,856,559**
4	Qurban Sons	Old Rally Building	827,200
5	Associate Wine Store	Old Rally Building	48,089
6	Agha Food Beverage (1530 SQ FT)	Old Rally Building	3,358,700
7	Agha Food Beverage (180 SQ FT)	Old Rally Building	603,243
8	BHOMBAL & CO	Old Rally Building	72,360
9	Cool Point	Old Rally Building	833,332
10	Darayus T Sethna	Old Rally Building	2,994,196
11	ASHA Enterprises	Old Rally Building	250,713
12	Enbee Corporation	Old Rally Building	160,990
13	MARINE INSTITUTE	Old Rally Building	341,576
14	MARINE SUPERITENDENCE	Old Rally Building	362,260
15	Fund International 714 sqft	Old Rally Building	22,941
16	Fund International 1335 sqft	Old Rally Building	32,254

17	Fund International 900 sqft	Old Rally Building	25,659
18	Fund International 466sqft	Old Rally Building	12,083
19	Fund International 400 sqft	Old Rally Building	14,140
20	Fund International 1094 sqft	Old Rally Building	29,121
21	Highland MFS (1700 SQFT)	Old Rally Building	85,000
22	Marine consultant	Old Rally Building	117,510
23	Berger Fast Food	Old Rally Building	564,000
24	Sajjad Akhtar	Old Rally Building	4,622
25	world Zone	Old Rally Building	27,830
26	Servicemen ltd 35 sqfi	Old Rally Building	12,078
27	AL Hassan Cargo 2944 sft	Old Rally Building	382,293
28	AL Hassan Cargo 2220 sft	Old Rally Building	182,293
29	Terra Marine Agencies 4100 SQ FT	Old Rally Building	254,895
30	Eastern Estate Associates	Old Rally Building	1,981,983
TOTAL (B)			**13,601,332**
31	NayabuddinIqbaluddin (Vacant From 21.01.21)	Muhammadi House Building	166,145
32	ArtalRestorant (K.F.C)	Muhammadi House Building	622,258
33	New Cofee Club	Muhammadi House Building	1,467,045
34	Hilton pharma	Muhammadi House Building	90,781
35	Khan H R	Muhammadi House Building	196,009
36	Beema Pakistan ltd 6917 SQFT	Muhammadi House Building	5,327,658
37	Beema Pakistan ltd 4000SQFT (VACANT)	Muhammadi House Building	3,334,100
38	BEEMA PAKISTAN 2369 SFT	Muhammadi House Building	2,681,772
39	Pioneer Steel Mills	Muhammadi House Building	202,749
40	Rotary club	Muhammadi House Building	59,092
41	SAJJID TEXTILE INDUSTRIES	Muhammadi House Building	63,664
42	Terry Towellers 976 sqft	Muhammadi House Building	1,163,244
43	Terry Towellers 971 SQFT	Muhammadi House Building	1,159,483
44	Chain of Biryani	Muhammadi House Building	2,499,897
45	Khairullah& co	Muhammadi House Building	1,359,133
46	Agha Foods Beverage	Muhammadi House Building	3,183,601
47	Outriders	Muhammadi House Building	109,895
48	ALLIED BANK	Muhammadi House Building	40,762
49	MR.MANZOOR HUSSAIN	Muhammadi House Building	1,848,584
50	POLY FLY TRAVELS 4000 SFT	Muhammadi House Building	2,721,120
51	SAG PAKISTAN	Muhammadi House Building	1,995,958
52	POLANI PARKING	Muhammadi House Building	124,820
TOTAL (C)			**30,417,770**
53	MARVI INDUSTRIES /MUHAMMED ADIL	NTC House	6,100,941
TOTAL (D)			**6,100,941**
54	FUTURO DIGITAL PVT LTD	Lahore Office	479,160
TOTAL (E)			**479,160**
GRAND TOTAL (A+B+C+D+E) (Rs.)			**52,455,762**

Statement of Agents & Owners (Chartered Tankers) balances receivable from tenants as on 30th June, 2022.

Code No.	Description	Name of agent	Amount (Rs.)
D137	Agents Balances	M/s. Burger Rotterdam	2,122,323
P033	Agents Balances	M/s. Peter W. Lampke Bremen	932,063
S232	Agents Balances	M/s. Scan Shipping Copenhagen Denmark	17,209
S237	Agents Balances	M/s. Society Maritime International Marseilles	1,137,141
T153	Agents Balances	M/s Transcorma Barcelona	1,064,834
S236	Agents Balances	M/s. Seas Ark Tehran	10,642,448
Total (A)			**15,916,019**
4DHQ	Owners Balances	M.T. EURO INTEGRITY	183,071
JWHQ	Owners Balances	M.T. Euro Brave	447,112
GEHQ	Owners Balances	M.T. ASTRO SCULPTOR	723,137
SFHQ	Owners Balances	M.T. M SPIRIT	1,109,117
0FHQ	Owners Balances	M.T. SEAWAYS REYES	2,038,666
TYHQ	Owners Balances	M.T. PACIFIC PIONEER	2,897,601
50HQ	Owners Balances	M.T. JAG LAVAMYA	3,034,333
Total (B) (Chartered Tankers under agency Business)			**10,433,036**
Grand Total (A+B) amount in PKR			**26,349,055**

Statement of Freight Bills outstanding as at 30th June, 2022.

S. No.	A/C CODE	PARTY	Total (Rs.)
1	1106	C063 CALDER SEACARRIER	4,408,025
2		L041 LIGURNAVI GENOVA	1,108,940
3		L050 LAND SALE SHIPPING S.A	1,542,408
4		G062 GARIBSONS	1,024,388
5		S238 S.N.G.P.L	950,425
6		W053 W.A.P.D.A	36,201
1106 Total (A)			**9,070,386**
7	1108	PARCO	1,190,527,591
8		N.R.L	175,245,396
9		P.R.L	152,301,442
1108 Total (B)			**1,518,074,429**
10	1109	PAKISTAN STATE OIL	10,020,457
11		CSSA CHARTERING AND SHIPPING SERVICES SA	314,066,025
12		CORAL ENERGY PTE LTD	2,045
1109 Total (C)			**324,088,527**
13	1111	D135 DIST CONTROLLER OF STORES (PWR)	4,920,414
14		E047 EMBARKATION COMMANDANT	156,135,930
15		N098 NAVAL STORES	78,064,967
16		O046 OFFICER COMMANDING PAF EMBK UNIT	56,690,001
17		P084 PAKISTAN ORDINANCE FACTORY (POF)	11,300,250
18		S230 STORES LIASION OFFICERS (PAF)	4,897,431
19		H078 HEAVY INDUSTRIES (P-711) TAXILA CANTT	1,628,845
1111 Total (D)			**313,637,838**
Grand Total (A+B+C+D)			**2,164,871,180**

Statement of Freight Bills (others) outstanding as at 30th June, 2022.

S. No.	A/C CODE	CATEGORY	PARTY	Amount (Rs.)
1	1102	HEATING CLAIM	PAKISTAN STATE OIL	65,114,531
Total (A)				**65,114,531**
2	1103	MISCELLANEOUS CLAIM	PARCO	2,761,782
3			P.R.L	402,825
4			PAKISTAN STATE OIL	9,453,618
5			VITOL BAHRAIN EC	49,562,354
6			TURBO ASIA	6,345,020
7			CSSA CHARTERING AND SHIPPING SERVICES SA	319,053,699
8			MAX ENERGY FUEL TRADING LLC	6,379,797
9			OQ TRADING LIMITED	31,187,085
10			CORAL ENERGY PTE LTD	3,569,283
Total (B)				**428,715,463**
11	1130	HIRE	FLINDTHOLT	16,733,021
12			SEA FRONT MARINE S.A	39,092,581
13			SEA PORT MARINE	62,804,692
Total (C)				**118,630,294**

14	1131	HIRE (BULK CARRIER)	JH SHIPPING	53,087,720
15			SEACOST	4,979,420
16			YANGTZE	398,932
Total (D)				**58,466,071**
17	1158	ADD WAR RISK	PARCO	29,294,692
18			N.R.L	3,927,608
19			SAUDI ATC	4,090,400
20			VITOL BAHRAIN EC	11,738,630
21			ENOC SUPPLY & TRADING L.L.C	2,045,200
22			CSSA CHARTERING AND SHIPPING SERVICES SA	13,293,800
23			OQ TRADING LIMITED	5,697,314
24			CORAL ENERGY PTE LTD	5,174,561
25			M/S ADNOC	5,113,000
Total (E)				**80,375,204**
Grand Total (A+B+C+D+E) (Rs.)				**751,301,564**

Statement of non-recovery from Government parties outstanding as at 30th June, 2022.

S. No.	Name of Party / Company	Outstanding amount
1.	M/s Karachi Port Trust	4,535,649
2.	M/s Port Qasim Authority	85,183,416
3.	M/s Port Qasim Authority Manning Account	9,888,196
4.	Government of Pakistan (Steel Mills)	81,247,913
5.	Government of Pakistan (MoMA)	2,610,418
6.	Sindh Revenue Board (SRB)	13,667,153
Total (Rs.)		**197,132,745**

Statement of non-recoveryof outstanding Demurrage as at 30th June, 2022.

S. No.	PARTY	Total (Rs.)
1	PAKISTAN STATE OIL	2,351,576,106
2	PARCO	348,789,349
3	N.R.L	163,688,711
4	P.R.L	83,753,144
5	SAUDI ATC	116,688,677
6	VITOL BAHRAIN EC	819,780,975
7	INTERNATIONAL OIL OVERSEAS	502,921
8	TURBO ASIA	2,096,330
9	CSSA CHARTERING AND SHIPPING SERVICES SA	307,027,659
10	PETROINEOS TRADING LIMITED	971,441
11	CORAL ENERGY PTE LTD	219,778,624
12	M/S ADNOC	79,947,277
13	CORAL SHIPPING NG DUBAI	92,413,180
Grand Total		**4,587,014,394**

Annex-88

S#	Cargo code	Vessel Name	Gross B/L quantity (MT)	Shore landed quantity (MT)	Difference in %	Allowable Ocean Loss to Carrier (%)	Excess in Ocean Loss (%)	Freight loss due to less supply of quantity (Rs.)	FOB loss due to less supply of quantity (Rs.)	Ocean loss (Rs.)
	Loss of revenue due to Ocean Losses - Rs.223.152 million									
								(A)	(B)	(A+B)
1	MA-36/21	MT PS Pisa	74,336.42	73,904.85	0.57%	0.40%	0.17%	117,707	4,474,735	4,592,442
2	MU-37/21	MT Shalamar	71,174.00	70,792.84	0.53%	0.40%	0.13%	77,080	8,152,038	8,229,118
3	MD-10/22	MT Eurobrave	70,283.00	69,381.24	1.05%	0.40%	0.655	544,637	43,712,141	44,256,778
4	MAXL-14/22	MT Quetta	71,226.92	70,731.62	0.74%	0.40%	0.34%	302,396	27,642,243	27,944,639
5	MU-43/21	MT Shalamar	68,954.00	68,639.24	0.45%	0.40%	0.05%	29,222	2,971,615	3,000,837
6	MAXL-48/21	MT Willowy	71,615.54	71,118.70	0.69%	0.40%	0.29%	201,637	9,517,082	9,718,719
7	MD-60/21	MT Quetta	3,397.00	3,365.69	0.92%	0.40%	0.52%	17,419	1,638,899	1,656,318
			67,023.00	66,407.87	0.92%	0.40%	0.52%	353,866	32,247,072	32,600,938
8	MAXL-21/22	MT Lahore	71,233.22	70,558.71	0.93%	0.40%	0.53%	546,621	46,603,030	47,149,651
9	N/A	MT Lahore	-	-	-	-	-	-	-	11,992,000
10	N/A	MT Karachi	-	-	-	-	-	-	-	9,397,000
11	N/A	MT Shalamar	-	-	-	-	-	-	-	22,614,000
		Total amount (Freight + FOB) deducted from PNSC by Clients/PARCO (PKR)								**223,152,440**

Annex-89

Loss due to non-charging of rent at market rate since long - Rs.1.086 million				
Year	**Annual Rent charged**	**Increment @ 10%**	**Rent to be charge for subsequent next year**	**Loss amount (Rs.)**
1985	3,000	-	3,000	-
1986	3,000	300	3,300	300
1987	3,000	330	3,630	630
1988	3,000	363	3,993	993
1989	3,000	399	4,392	1,392
1990	3,000	439	4,832	1,832
1991	3,000	483	5,315	2,315
1992	3,000	531	5,846	2,846
1993	3,000	584	6,430	3,430
1994	3,000	643	7,073	4,073
1995	3,000	707	7,780	4,780
1996	3,000	778	8,558	5,558
1997	3,000	855	9,413	6,413
1998	3,000	941	10,354	7,354
1999	3,000	1,035	11,389	8,389
2000	3,000	1,138	12,527	9,527
2001	3,000	1,252	13,779	10,779
2002	3,000	1,377	15,156	12,156
2003	3,000	1,515	16,671	13,671
2004	3,000	1,667	18,338	15,338
2005	3,000	1,833	20,171	17,171
2006	3,000	2,017	22,188	19,188
2007	3,000	2,218	24,406	21,406
2008	3,000	2,440	26,846	23,846
2009	3,000	2,684	29,530	26,530
2010	3,000	2,953	32,483	29,483
2011	3,000	3,248	35,731	32,731
2012	3,000	3,573	39,304	36,304
2013	3,000	3,930	43,234	40,234
2014	3,000	4,323	47,557	44,557
2015	3,000	4,755	52,312	49,312
2016	3,000	5,231	57,543	54,543
2017	3,000	5,754	63,297	60,297
2018	3,000	6,329	69,626	66,626
2019	3,000	6,926	76,552	73,552
2020	3,000	7,655	84,207	81,207
2021	3,000	8,420	92,627	89,627
2022	3,000	9,262	101,889	98,889
2023	3,000	10,189	112,078	109,078
Total (Rs.)	**117,000**	**-**	**1,203,351**	**1,086,351**

Annex-90

Non-accountal of electricity units - Rs 122.037 million							
S.#	**Billing Month**	**Total Units Charged by K-Electric**	**Total amount Charged by K-Elec. (Rs)**	**Total Units Charged by PQA to Consumers**	**Total amount by PQA to Consumers (Rs)**	**Difference in**	
						Units	**Amount**
		A	B	C	D	E (A-C)	F (B-D)
01	Jul-2021	1,521,637	41,781,182	836,804	31,740,789	684,833	10,040,393
02	Aug-2021	1,409,154	39,800,468	817,960	30,892,642	591,194	8,907,826
03	Sep-2021	1,244,390	35,611,925	783,120	29,619,010	461,270	5,992,915
04	Oct-2021	1,188,822	33,906,065	726,000	27,768,777	462,822	6,137,288
05	Nov-2021	1,107,433	34,058,469	662,250	25,490,950	445,183	8,567,519
06	Dec-2021	850,033	31,194,416	600,275	23,059,183	249,758	8,135,233
07	Jan-2022	805,297	25,307,513	514,525	20,075,830	290,772	5,231,683
08	Feb-2022	821,638	23,205,445	562,834	21,781,559	258,804	1,423,886
09	Mar-2022	1,072,375	28,604,431	698,332	27,439,344	374,043	1,165,087
10	Apr-2022	1,202,440	38,461,773	n/a	n/a	1,202,440	38,461,773
11	May-2022	1,401,925	42,403,274	785,000	32,160,717	616,925	10,242,557
12	Jun-2022	1,276,599	43635537	603,000	25,904,411	673,599	17,731,126
	Total	**13,901,743**	**417,970,498**	**7,590,100**	**295,933,212**	**6,311,643**	**122,037,286**

Annex-91

S. No.	**Name of Suppliers**	**Total value of Invoices (Rs)**	**Value of Sales Tax 17% (Rs)**	**1/5 Sales Tax to be deducted (Rs)**
1	M/s Sargodha Jute Mills Limited	3,531,823,800	600,410,046	120,082,009.20
2	M/s Thal Limited	4,540,193,650	771,832,921	154,366,584.10
3	M/s White Pearl Jute Mills Limited	985,721,400	167,572,638	33,514,527.60
4	M/s Madina Jute Mills Limited	1,232,159,400	209,467,098	41,893,419.60
5	M/s Millennium Industries	292,614,300	49,744,431	9,948,886.20
6	M/s Ashraf Poly Ltd	4,719,600	802,332	160,466.40
7	M/s Starline Packing Ltd	404,418,350	68,751,120	13,750,223.90
8	M/s KSF Trizone Ind.	89,108,100	15,148,377	3,029,675.40
9	M/s Mayani Poly Packages Ltd	588,093,750	99,975,938	19,995,187.50
	Total	**11,668,852,350**	**1,983,704,901**	**396,740,979.90**

Annex-92

S. No	Project No.	Project	Project approval Date	Estimated Cost (Rs)	Budget approved (Rs)	Permanent equipment (Rs)
01	PSF/NSFC-IV/Eng/C-NUST (22)	Research Projects under International Liaison	29.09.2021	15,772,000	15,772,000	10,522,000
02	PSF/NSF-IV/Chem/C-QAU (27)	-do-	29.09.2021	15,300,000	15,300,000	9,700,000
03	PSF/NFCC-IV/Eng/C-COMSATS (24)	-do-	31.08.2021	11,770,800	11,600,000	5,500,000
04	PSF-TUBITAK/Med/C-QAU (15)	-do-	04.06.2019	8,954,722	8,954,722	4,734,990
05	PSF-TUBITAK/Eng/C-NCP (07)	-do-	04.06.2019	7,587,678	6,059,678	3,447,600
06	PSF/NSFC-II/Eng/C-NUST (11)	-do-	16.02.2018	4,923,540	3,870,900	2,815,000
07	PSF/NSFC-IV/Bio/C-QAU (32)	-do-	29.09.2021	7,810,150	7,810,150	2,610,150
08	PSF-TUBITAK/Eng/KP-GIKI (12)	-do-	04.06.2019	5,722,200	5,722,200	2,372,200
09	PSF-TUBITAK/Env/C-COMSATS-Isb (14)	-do-	14.06.2019	8,073,096	8,073,096	1,749,600
10	PSF/Res/C-QU/Biotech (241)	Research Support Programme	29.09.2021	8,530,000	8,452,000	5,360,000
11	PSF/Res/S-ICCBS/Chem (610)	-do-	29.09.2021	6,392,600	6,392,600	4,321,600
12	PSF/Res/P-PCSIR/Chem (606)	-do-	29.09.2021	4,994,675	4,966,740	3,224,140
	Total					**56,357,280**

Annex-93

S. No	Vendor	Items purchased	PV No. / Date	Bill Date	Amount (Rs)
1	M/s Islamabad General Order Suppliers (Pvt. Ltd), Islamabad	Lasani sheets for Diorama	15.06.2022	13.06.2022	359,190
2	M/s United Corporation, Rwp	Lasani sheets and Hardware materials	08.03.2022	24.02.2022	147,400
3	M/s United Corporation, Rwp	Lasani sheets and Hardware materials	03.06.2022	12.05.2022	51,620
4	M/s Ittehad Timber Store	Yellow pine wood	16.06.2022	04.06.2022	495,378
5	M/s Ittehad Timber Store	Yellow pine wood	08.03.2022	01.03.2022	144,641
6	M/s Ittehad Timber Store	Yellow pine wood	12.05.2022	11.04.2022	144,641
7	M/s Ittehad Timber Store	Yellow pine wood	23.02.2022	18.02.2022	144,641
8	M/s Jamal khattak & Co	Preparation of canopy at VOG Gallery	69B/ 15.06.2022	10.06.2022	330,115
9	M/s Jamal khattak & Co	Preparation of iron folding for VOG Gallery	69B/ 15.06.2022	10.06.2022	166,900
10	M/s Jamal khattak & Co	Preparation of truss at Ocean Diorama	69B/ 15.06.2022	13.06.2022	122,576
11	M/s Perfect Aluminum Islamabad	vertical blinds	01.11.2021	11.10.2021	50,000
12	M/s Etihad Traders Rawalpindi	vertical blinds	27.05.2022	24.05.2022	149,344
13	M/s Etihad Traders Rawalpindi	Blinds on windows in Paleo Butterfly and Eco Galleries	2.06.2022	26.05.2022	148,999
14	M/s Fazal Auto worksRawalpindi	Installation of vertical blinds	03.06.2022	25.05.2022	73,151
	Total				**2,528,596**