



**AUDIT REPORT
ON
THE ACCOUNTS OF
DEFENCE SERVICES
AUDIT YEAR 2013-14**

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

AGP	Auditor-General of Pakistan
AHQ	Air Headquarters
AMF	Aircraft Manufacturing Factory
BTS	Base Trans receiver Station
CBR	Cantonment Board Resolution
CLAR	Cantonment Lands Administration Rules
CMA	Controller of Military Accounts
CEO	Cantonment Executive Officer
CMH	Combined Military Hospital
CNE	Civilian Non-Entitled
CNA	Controller of Naval Accounts
CRV	Certified Receipt Voucher
DAC	Departmental Accounts Committee
DG DP	Directorate General Defence Procurement
DGP (Army)	Directorate General Procurement (Army)
DP (Air / Navy)	Directorate Procurement (Air / Navy)
DP	Draft Para
DHA	Defence Housing Authority
DSR	Defence Services Regulations
E-in-C	Engineer in Chief
FA	Financial Advisor
FAM	Financial Audit Manual
FBR	Federal Board of Revenue
FOB	Free on Board
FOR	Free on Rail
FR	Financial Regulations
GE	Garrison Engineer
GHQ	General Headquarters
GST	General Sales Tax
HIT	Heavy Industries Taxila
HRA	House Rent Allowance
INTOSAI	International Organization of Supreme Audit Institutions

JCOs	Junior Commissioned Officers
JSHQ	Joint Staff Headquarters
JSI	Joint Services Instruction
KARF	Kamra Avionics and Radar Factory
LC	Letter of Credit / Local Currency
LD	Liquidated Damages
MAG	Military Accountant General
MEO	Military Estate Office
MES	Military Engineering Services
MFDAC	Memorandum for Departmental Accounts Committee
MH	Military Hospital
ML&C	Military Lands and Cantonments
MoD	Ministry of Defence
MoDP	Ministry of Defence Production
NDU	National Defence University
NHQ	Naval Headquarters
NOC	No Objection Certificate
NLC	National Logistics Cell
PAC	Public Accounts Committee
PAC	Pakistan Aeronautical Complex
PAF	Pakistan Air Force
PAO	Principal Accounting Officer
PNS	Pakistan Naval Ship
PPRA	Public Procurement Regulatory Authority
QMG	Quarter Master General
R&E	Risk and Expense
RV&F	Remount Veterinary and Farms
SOP	Standing Operating Procedure
SRO	Statutory Regularity Order
STA	Special Transfer Account
TIP	Transfer of Immovable Property
TO&E	Table of Organization and Equipment
UA	Unit Accountant
UNRA	United Nations Reimbursement Account

PREFACE

Articles 169 and 170 of the Constitution of Islamic Republic of Pakistan, 1973 read with Sections 8 and 12 of the Auditor-General's Ordinance, 2001 require the Auditor-General of Pakistan to conduct audit of receipts and expenditure from the Federal Consolidated Fund and Public Account.

The Directorates General Audit Defence Services have conducted the Audit of the accounts of Defence Services for Financial Year 2012-13. This Report is based on audit of receipts and expenditure of the Ministry of Defence and Ministry of Defence Production. The Audit Report includes systemic issues and audit findings and relatively less significant issues are listed in the annexure-I & II of the Audit Report which shall be pursued in the Departmental Accounts Committees. In the cases where Principal Accounting Officer does not initiate appropriate action, the audit observations will be included in the Audit Report of the following year for consideration of the Parliament.

The Audit findings indicate the need for adherence to the regularity framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities. Most of the observations included in this Report have been finalized in the light of discussions in the DAC meetings.

The Audit Report is submitted to the President in pursuance of Article 171 of the Constitution of Islamic Republic of Pakistan, 1973 for causing it to be laid before the Parliament.

(Muhammad Akhtar Buland Rana)
Auditor-General of Pakistan

Islamabad

Dated

EXECUTIVE SUMMARY

The Directorates General of Audit Defence Services (North and South) are Field Audit Offices (FAOs) of the Department of Auditor-General of Pakistan responsible for conducting the audit of budgetary grants of Defence Services (Except Pakistan Ordnance Factories Wah) and Federal Government Educational Institutions in Cantonments & Garrisons, managed by Ministry of Defence (MoD) and Ministry of Defence Production (MoDP). Audit of other allocations made to Defence Services like Special Transfer Account, United Nations Reimbursement Account and Defence Pension is also conducted by these FAOs. Moreover audit of the entities which are under these Ministries but do not get allocation from the Government e.g. Cantonment Boards, Frontier Works Organization are also under the audit purview of these offices.

The jurisdiction of Directorates General Defence Services (North & South) has been made on geographical basis. Audit of 361 formations of MoD and 34 formations of MoDP was carried out during the audit year 2013-14.

a. Scope and Objectives of Audit

The audit was conducted in accordance with auditing standards of International Organization of Supreme Audit Institutions (INTOSAI) adopted by the Auditor General of Pakistan. Overall audit objective was to assess compliance with financial rules and adequacy of internal controls and examine the issues of propriety and economy of expenditure.

An amount of Rs 570.265 billion was allocated to the Defence Services for the financial year 2012-13 under Grant No. 23 and another amount of Rs 131.425 billion was allocated for Defence Pensions under Grant No. 33. A sum of Rs 3.575 billion was allocated under Grant No. 23 to Federal Government Educational Institutions in Cantonments and Garrisons and Cantonment Boards budget was Rs 16.760 billion in 2012-13.

An amount of Rs 30.603 billion was allocated under United Nations Reimbursement Account (UNRA) and Rs 116.677 billion in

Special Transfer Account (STA) during the financial year 2012-13. Audit of STA for the financial years 2004 to 2013 is being done as a special study. The total auditable amount for the financial year 2012-13 was Rs 869.304 billion out of which an expenditure of Rs 373.827 billion was audited during the period from January to December, 2013 which comes to 43.18% of auditable amount.

b. Recoveries at the Instance of Audit

A recoverable amount of Rs 55.884 billion was pointed out during audit conducted. The executives have accepted Rs 16.734 billion as recoverable amount and recovered an amount of only Rs 2.764 billion.

c. Audit Methodology

The Activities, policies, procedures and internal control systems of auditee organizations were reviewed for identifying risk areas, where occurrence of irregularities and misappropriation could be possible, and for devising strategy for audit scrutiny. Desk audit was conducted in case of big projects only because of non-availability of computerized data online and the audit was conducted on the test-check basis with emphasis on high monetary value and risk areas which were prone to irregularities. Budgeted allocations made by Services Headquarters were compared and verified with the actual expenditure.

d. Audit Impact

The issue of unauthorized use of A-I Land by Defence Services for commercial purpose has been raised by Audit since 1986. The MoD framed in April, 2008, a Policy on the use of A-I Land for Welfare and other Projects of Armed Forces and Canteen Stores Department (CSD). This policy is in conflict with CLAR, 1937 framed under the Cantonment Act, 1924 and allows use of the government land for commercial purposes without approval of the Parliament. It was an effort to legalize misuse of A-I Land committed in the past.

Audit expressed serious reservations on the provisions of the policy. Accordingly the Ministry of Defence constituted a committee to review the policy on use of A-I Land in 2013. In its meeting held in

September, 2013 audit asked for the information such as total area of Class-A Land, present purpose for which the land has been used and income earned from commercial and other activities on this land. This information has not been provided to Audit as yet.

In view of the proactive working of the Public Accounts Committee (PAC) and professional role of Audit, the MoD has set up audit committees at service headquarters and also at lower formations to deal with the audit observations but scope of these committees, hitherto, has been limited to coordination between executives and Audit for settlement of the observations.

e. Comments on Financial and Accounting Management

- i. The Appropriation Accounts for the Financial year 2012-13 were not prepared and maintained on the format prescribed by the Auditor General of Pakistan therefore did not disclose amounts for employee related expenses, operating expenses, physical assets and civil works in respect of three armed services and DP Establishment/ISOs/Accounts Organizations. Further cases involving regularization from Ministry of Defence were not disclosed as required.
- ii. The Pakistan Military Accounts Department was unable to ascertain number and total amount of cheques that were not cashed by the payees and therefore lapsed during financial year 2012-13. The amounts of these cheques were booked in the accounts of 2012-13 as expense. Fresh cheques of same amount in lieu of lapsed cheques were again issued from the budget of next financial year 2013-14 and expenditure again booked leading to serious financial indiscipline and mismanagement rendering the accounts inaccurate and misleading.
- iii. A technical supplementary grant amounting to Rs 82.500 million was provided to Army under the head 'Fresh Imports' on 11 June 2013 however, revised budget estimates for FY 2012-13 approved

by the Parliament did not include this amount, therefore, remained unauthorized by the Parliament.

- iv. MoD final grant No. 23 Defence Services for financial year 2012-13 was Rs 570,265.500 million against which expenditure of Rs 570,263.880 million was incurred showing a saving of Rs 1.620 million which was not surrendered in time.

f. Comments on Internal Controls

- i. An elaborate structure comprising rules, regulations and procedures specifying internal checks regarding procurements, personnel payments and receipts are available in MoD, MoDP and MAG. An Internal Audit Department (Controller Local Audit, Defence Services) also exists to check irregularities and violation of rules and regulations in Defence Services. Despite this arrangement, irregularities are repeated.
- ii. Payment function of the Pakistan Military Accounts Department is the most vulnerable area where unauthorized payments are made frequently. Post review of the payments is also not conducted properly by CsMA, CLA and MAG resulting in lack of improvement in this regard.
- iii. Scope of existing internal audit department does not include information system audit of Management Information Systems (MIS) being operated by Defence Services Organizations.
- iv. There is no internal audit structure in Military Lands and Cantonments therefore, occurrence of errors / irregularities and their persistence is very high.

g. Key Audit Findings

This Audit Report contains 115 (139 DPs) audit paras categorized as under:

- i. Fraudulent / Embezzlement of Rs 36.504 million in 03 cases¹

¹ 1.3, 1.7

- ii. Recoverables / Overpayments of Rs. 28,360.535 million, US \$ 1.194 million, € 4.479 and DM 0.013 million in 61 cases²
- iii. Loss to State valuing Rs 1,162.991 million, US \$ 0.020 and £ 0.046 million were observed in 16 cases³
- iv. Misprocurement of Stores of Rs. 552.923 million was made in 08 cases⁴
- v. Unauthorized / Irregular Expenditure of Rs. 27,540.626 million, US \$ 1.452 and € 0.125 million in 23 cases⁵
- vi. Non-production of Auditable Record of Rs. 90.000 million was pointed out in 03 cases⁶
- vii. Mismanagement of Contract of Rs 1.077 million was observed in 01 case⁷

² 1.4, 1.8, 1.11, 1.16, 1.21, 1.26, 2.3

³ 1.5, 1.9, 1.12, 1.17, 1.22, 2.4

⁴ 1.18, 1.23

⁵ 1.6, 1.10, 1.14, 1.19, 1.24, 2.5

⁶ 1.20, 1.25

⁷ 1.25

g. Recommendations

- i. Misappropriation and embezzlement cases need to be investigated to fix responsibility and to take remedial steps including strengthening of internal controls, and revision of rules and procedures keeping in view the Government policy, to avoid such instances.
- ii. The management should take serious practical steps to recover large amounts of Government dues and exercise more vigilance to determine clear line regarding responsibilities to recover outstanding dues against various firms and individuals.
- iii. Funds to MES formations should be allocated timely allowing sufficient time for spending allocations. The allocations should be made to Engineer-in-Chief instead of directly to the formations for proper financial discipline and control.
- iv. There is dire need to establish proper coordination between Central Procurements and Central Stock Depots to ensure good management and utilization of procurement and supply of material for execution of works contracts. The supply and fixing of MES stores, other than the strategic stores, should be the responsibility of contractors for execution of works instead of the department.
- v. Scope of Internal Audit department should be reviewed and strengthened to include review of Management Information Systems (MIS) in Defence organizations and accuracy of accounts of Defence Services.
- vi. A proper setup of internal audit should be instituted in Military Lands and Cantonments Department.
- vii. Proper utilization of Annual Training Grant should be ensured avoiding its misuse for irrelevant purposes.
- viii. The scope of the audit committees at service headquarters should be widened to include fixing responsibilities for willful violations of the rules and occurrence irregularities and also to suggest amendments in the procedures where found outdated / required

revision. The Purchase Procedure and Instructions as well as DP-35 should be reviewed, especially with reference to payment clauses regarding LCs by CMA without sufficient assurance from the procurement agency about receipt of stores.

- ix. The unauthorized/unlawful use of A-I land should be checked limiting the use to the specified purposes only.
- x. The income earned from the use of A-I land should be made transparent and disclosed in the public accounts and provided to Audit for scrutiny.

AUDIT STATISTICS

Table-1: Audit Work Statistics

(Rs in Million)

Sr #	Description	No	Budget/Actual Expenditure
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction	2	869,304.000
2	Total formations in audit jurisdiction	3637	
3	Total Entities (Ministries/PAOs) audited	2	373,827.297
4	Total Formations audited	395	
5	Audit and Inspection Reports (LTAR)	395	
6	Special Audit Reports	0	-
7	Performance Audit Reports	0	-
8	Other Reports	0	-

Table-2: Audit Observations by Categories

(Rs in Million)

S #	Description	Amount placed under Audit Observation
1	Unsound asset management	32,494.249
2	Weak financial management	78,821.465
3	Weak internal controls	39,276.027
4	Others	22,470.748
Total		173,062.489

Table-3: Outcome Statistics**(Rs in Million)**

Sr #	Description	Expenditure on acquiring Physical Assets	Civil Works	Others	Receipts	Total current year	Total last year
1	Outlays Audited	22,519.461	113,010.496	193,038.262	45,259.078	373,827.297	324,177.236
2	Amount under Audit observation	7,302.495	26,629.929	79,988.714	59,140.732	173,062.489	289,949.641 US\$ 2.771 £ 0.135
3	Recoverables pointed out by Audit	757.154	3,235.247	12,973.103	38,918.926	55,884.430	39,017.686
4	Recoverables accepted	208.971	1,339.143	14,477.425	708.529	16,734.068	6,210.755
5	Recoverables realized	0.964	3.715	2,683.126	35.192	2,763.913	1,283.061

Table-4: Irregularities Pointed Out**(Rs in Million)**

S #	Description	Amount under Audit Observation
1	Violation of rules and regulations as well as principle of propriety and probity	89,270.654
2	Cases of fraud, embezzlement, thefts and misuse of public resources	32.094
3	Misclassification of expenditure and receipts.	93.774
4	Weaknesses of internal control system	33,491.541
5	Established recoverable and overpayments, or misappropriation of public money	16,733.886
6	Non-production of record	1,941.235
7	Others, including cases of accidental loss, negligence etc.	31,499.294
Total		173,062.489

Table-5: Cost-Benefit Analysis**(Rs in Million)**

S #	Description	Amount
1	Outlays audited (Item 1 of Table 3)	373,827.297
2	Expenditure on audit	227.116
3	Recoverable realized at the instance of audit	2,763.913
4	Cost - Benefit Ratio	12:1

CHAPTER-1

Ministry of Defence

1.1 Introduction

Ministry of Defence (MoD) deals with all policy and administrative matters pertaining to the three armed forces, defence treaties, defence agreements with other Governments and military assistance to foreign countries. MoD also administers Inter Services Organizations, Pakistan Military Accounts Department, Military Lands & Cantonments and Federal Government Educational Institutions in Cantonments and Garrisons.

1.2 Status of Compliance of PAC Directives

The status of compliance of Public Accounts Committee (PAC) directives for the Audit Reports from 1987-88 to 2012-13 discussed during its various meetings held from July, 1992 to December, 2013 is given below:-

Audit Year	Paras Discussed by PAC	Actionable Points	Full Compliance	Partial Compliance	Nil Compliance
1	2	3	4	5	6
1985-86	76	05	0	02	03
1986-87	36	06	02	01	03
1987-88	31	08	01	01	06
1988-89	44	15	02	01	12
1989-90	03	03	0	0	03
1990-91	03	03	01	0	02
1991-92	05	05	0	01	04
1992-93	91	12	05	0	07
1993-94	198	83	17	04	62
1994-95	91	0	0	0	0
1995-96	102	09	01	02	06
1996-97	106	104	11	25	68
1997-98	651	05	0	0	05
1998-99	Report not yet discussed				

1999-00	264	166	30	12	124
2000-01	699	85	32	05	48
2001-02	570	12	0	0	12
2002-03	Report not yet discussed				
2003-04	Report not yet discussed				
2004-05	54	41	15	05	21
2005-06	41	25	06	08	11
2006-07	95	29	09	07	13
2007-08	Report not yet discussed				
2008-09	29	08	0	03	05
2009-10	Report not yet discussed				
2010-11	Report not yet discussed				
2011-12	Report not yet discussed				
2012-13	Report not yet discussed				
Total	3189	624	132	77	415

MoD fully complied only 132 PAC directives out of 624 which indicates that compliance of PAC directives was very slow and the Principal Accounting Officer should take serious steps to expedite compliance of PAC directives.

Military Accountant General

Audit Paras

1.3 Fraudulent Payment / Embezzlement – Rs 33.531 Million

1.3.1 Fraudulent Payments on Fake Documents – Rs 29.031 Million

According to Rule-6(a) of Financial Regulations (Vol-I), 1986, every officer 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.

Director General Procurement (Army), Rawalpindi concluded a contract agreement No. 28-1613-01 dated June 30, 2010 with M/s Kahuta Gases (Pvt) Ltd Islamabad for supply of medical gases to Combined Military Hospitals (CMHs). According to Clause 19 (a & b) of the contract agreement, payment was to be made by the Controller Military Accounts, Defence Purchase (CMA DP), Rawalpindi on presentation of bills supported by warranty and receipt vouchers issued by the unit concerned, copy of relevant Military Credit Note and letter of intimation containing contract number duly signed by the officer authorized to sign such documents whose specimen signatures were to be kept in the office of CMA (DP) for necessary verification before making payments.

a) An amount of Rs 20,650,415 was paid to the contractor by CMA (DP) during 2010-11 & 2011-12 on production of Certified Receipt Vouchers (CRVs) and invoices whereas these CRVs were disowned by the respective CMHs. The amount was therefore fraudulently paid by CMA (DP) on fake CRVs without verifying the signatures as detailed below:-

S No.	Name of CMH	Oxygen Gas (Rs)	Nitrous Oxide (Rs)	Total Amount (Rs)
1	CMH Gujranwala	1,349,808	0	1,349,808
2	CMH Gilgit	9,626,396	0	9,626,396
3	CMH Attock	388,002	0	388,002
4	CMH Rawalpindi	1,554,558	0	1,554,558
5	CMH Jhelum	90,320	78,089	168,409
6	CMH Murree	945,771	397,700	1,343,471
7	CMH Rawalakot	1,886,022	425,610	2,311,632
8	CMH Muzafarabad	180,650	0	180,650
9	MH Rawalpindi		313,897	313,897
10	CMH Kohat	570,982	0	570,982
11	CMH Sialkot	0	19,357	19,357
12	CMH Lahore	0	294,128	294,128
13	CMH Bahawalpur	0	309,144	309,144
14	CMH Okara	1,106,069	130,559	1,236,628
Total				19,667,062
5% maintenance charges				983,353
Grand Total				20,650,415

b) Further CMA (DP) made payments of Rs 8,380,738 fraudulently against repeated copies of various CRVs stamped as original against each supply during 2009 to 2012 as detailed below:-

S. No.	Name of CMH	Oxygen Gas (Rs)	Nitrous Oxide (Rs)	Total Amount (Rs)
1	CMH Gujranwala	488,103	206,888	694,991
2	CMH Murree	173,809	14,507	188,316
3	CMH Sargodha	0	67,161	67,161
4	CMH Nowshera	0	138,091	138,091
5	CMH Lahore	0	29,779	29,779
6	CMH Abbottabad	0	73,307	73,307
7	CMH Bahawalpur	792,842	218,891	1,011,733
8	CMH Okara	326,457	62,997	389,454
9	CMH Multan	0	54,955	54,955
10	CMH Rawalakot	744,231	170,045	914,276
11	CMH Attock	187,017	61,088	248,105
12	CMH Muzafarabad	348,065	58,461	406,526
13	CMH Jhelum	130,132	81,728	211,860
14	MH Rawalpindi	0	1,592,161	1,592,161
15	CMH Kohat	230,498	0	230,498
16	CMH Sialkot	424,250	30,241	454,491

17	CMH Gilgit	0	191,514	191,514
18	CMH Rawalpindi	0	1,084,437	1,084,437
Total				7,981,655
5% maintenance charges				399,083
Grand Total				8,380,738

The matter was pointed out in May, 2013, in response Medical Directorate, GHQ, Rawalpindi made a reference to all CMHs to confirm authenticity of CRVs. It was confirmed by the CMHs that the above referred CRVs were not issued by them except CMH Sialkot.

CMA (DP) informed that a Board of Officers was constituted by GHQ to investigate the matter. The Board decided to hold a meeting of all stake holders. It was also decided that CMA (DP) would withhold 50% payments against old contracts and 40% against fresh contracts of the supplier. The CMA reported that payment of Rs 25.565 million on this account was withheld and an inquiry was under way to fix responsibility for fraudulent payment.

The DAC in its meeting held on February 18, 2014 directed CMA (DP) to hold fact finding inquiry and further action would be taken in the light of its recommendations.

No further progress was intimated till finalization of this Report.

Audit stresses to immediate full recovery of the fraudulently paid amount from the suppliers, blacklist the firm, take disciplinary action against officials responsible for the fraudulent payment besides identifying the failure of internal controls in MAG, CMA (DP), DGP (Army) and respective CMHs and adopting measures to check future occurrence.

DP-98, 99 &100 (N)/2013-14

1.3.2 Fraudulent Payment of Special Annual Training Grant – Rs 4.500 Million

According to Rule-47(e) of Financial Regulations (Vol-I) 1986, the most careful supervision over expenditure shall be exercised and on no account shall money be spent simply because it is available.

The record of payment on account of Special Annual Training Grant made to Headquarters Special Services Group, Tarbela, by Controller Military Accounts Peshawar Command (CMA PC) revealed that:-

a) HQ SSG Tarbela gave a purchase order to the supplier M/s Dost Traders Peshawar vide letter No. PV/2976-8/Accounts dated March 25, 2011 for supply of miscellaneous stores valuing Rs 450,000. The HQ SSG submitted claim of same supply of stores five (5) times on different dates and the payment was also repeatedly made by CMA (PC) vide payment vouchers No. 48 to 52 without verifying the claim originally admitted and paid. Therefore, an amount of Rs 1.800 million was fraudulently paid against the supplies.

b) In another case relating to same formation one supply order of miscellaneous stores valuing Rs 450,000 was claimed by the formation five (5) times against one supply and the payment was also repeatedly made by CMA (PC) vide payment vouchers No. 53 to 57 without verifying the claim originally admitted and paid. Therefore another amount of Rs 1.800 million was fraudulently paid.

c) Similarly, in yet another case of the formation one supply order of miscellaneous stores valuing Rs 450,000 was claimed and admitted for payment by CMA three times, resulting into fraudulent payment of Rs 900,000 paid vide PV-6 to 8.

Total Rs 4.500 million was fraudulently paid by the CMA (PC) on the 10 fraudulent claims submitted by HQ SSG Tarbela during financial year 2011-12.

The fraud was pointed out in November, 2012 and CMA (PC) admitted the fraudulent payment of Rs 4.500 million on 10 fake claims of HQ SSG and stated that the audit objections against the HQ SSG Tarbela would be communicated to the executive authority.

In DAC meeting on February 18, 2014, Deputy MAG admitted the fraudulent payment stating that CMA (PC) was not involved and held the HQ SSG Tarbela responsible for the fraud. DAC directed to constitute an inquiry committee for the investigation of facts.

No further progress was reported till finalization of this Report.

Audit stresses for implementation of the DAC recommendations, fixing responsibility and recovery of the amount involved.

DP-92 (N)/2013-14

1.4 Recoverables / Overpayments – Rs 9.843 Million

1.4.1 Non-Deduction of General Sales Tax from Suppliers during Three Months – Rs 4.420 Million

In terms of Government of Pakistan Ministry of Finance SRO 660 (1) 2007, a withholding agent shall deduct an amount equal to one fifth of the sales tax shown in the sales tax invoice issued by the supplier and make payment of the balance amount to him”. Further, “if purchase was made from unregistered person, entire amount of sales tax shall be withheld.

In Pakistan Air Force (PAF) Base Faisal, Karachi, huge procurement of miscellaneous stores, stationery, POL store, MT store etc. were made by Logistic Squadron (Log Sqn) during January, February and March, 2012, but no GST was deducted from suppliers at source, causing loss to state amounting to Rs 4.42 million (Rs 26.005 million @ 17%).

The irregularity was reported to Base Commander of PAF Base Faisal, in October 2012, to which it was replied that GST from the contractors will be centrally controlled and paid to Federal Board of Revenue (FBR) by the Military Accountant General (MAG) as per Air Headquarters letter No AHQ/10754/Accts dated January 10, 2012 with effect from January to March, 2012.

DAC in its meetings on January 6 and 7, 2014, directed the PAF to shift the Draft Para to the MAG. No progress has been reported till finalization of this audit report.

Audit requires implementation of DAC directive, besides, recovery and deposit of GST in Government treasury.

DP-83(S)/2013-14

1.4.2 Overpayment of Pay & Allowances Due to Negligence of CNA Staff and Abnormal Delay in Its Recovery – Rs 3.250 Million

According to Rule 0140 (5) of Financial Regulations (FR) Navy 1993, the Controller of Naval Accounts (CNA) have no discretion to authorize payments which are not permissible under the rules.

In C.N.A, two cases of excess payment of Pay & Allowances valuing Rs 3.250 million were identified. In 1st case, Commodore Suhail Hameed P.No.3195 was posted as Naval attaché in Embassy of Pakistan at Paris (France), but in this regard no last pay certificate (LPC) was issued by the office of the CNA Karachi, therefore, credit of salary into bank account was continued with effect from July 16, 2009 to July 31, 2012 (36 months), resulting in an overpayment of Pay and Allowances amounting to Rs 2,122,420. In 2nd case, Lt. Ayesha Tariq (P.No.PSS-105106) proceeded on ex-Pakistan leave at Muscat (Oman) for 2 months P/leave, 3 months Furlough leave and 2 years extra ordinary leave (EOL) without pay with effect from December 26, 2010, but credit of salary into bank account was continued upto April 30, 2012, resulting in an overpayment

of Pay & Allowances amounting to Rs 1,127,117. Therefore, total outstanding amount Rs 3,249,537 needs recovery at the earliest.

The overpayment payment was reported to the CNA Karachi in Nov 2013, to which it was replied that Pay & Allowance were erroneously remitted to those officers during their posting abroad, however, a sum of Rs 1,507,578 has been recovered and action is in progress for remaining recovery of Rs 1,741,959. Reply is an admission of excess payment and not tenable.

DAC in its meetings on January 6 and 7, 2014 directed to the CNA Karachi to affect the recovery from concerned officers, within one month. Remedial measures be adopted to avoid recurrence of such incidents in future. To held inquiry to probe into the matter and fix responsibility against the person(s) at fault.

No further progress was reported till finalization of this report.

Audit requires expeditious implementation of DAC directives.

DP-108 (S)/2013-14

1.4.3 Overpayment of House Rent Allowance to Civilian Officials Residing in Government Accommodation – Rs 2.173 Million

According to Para 26 (5) of Accommodation Allocation Rules, 2002, a Federal Government Servant (F.G.S) who vacates a house or quarter or flat or government accommodation shall be allowed house rent allowance only after obtaining a certificate from concerned Estate Office that the official is not occupying a Government or hired accommodation. Rule 66 of Pay & Allowances Regulations, Army Vol-II, 1999, also provides that any Government servant residing in Government accommodation shall not be entitled for House Rent Allowance.

In Controller of Naval Accounts (C.N.A), Karachi, in contrary to the rules, Rs 0.435 million on account of House Rent Allowance was

paid to 305 civilian officials during 2012-13 and an estimated amount Rs 2.173 million was overpaid during last five years.

The overpayment was reported to the CNA in November 2013, to which it was replied that after audit observation, remedial measures have been taken. They further added that the issue was communicated to allotment authorities and computer section to disallow the house rent allowance to these officials.

DAC in its meetings on January 6 and 7, 2014 directed to the CNA Karachi to affect recovery from concerned individuals within one month and provide certificate to audit and Ministry of Defence having no such case in future. All actions be completed within one month and produce relevant record to audit for verification.

Further progress was not reported till finalization of this report.

Audit requires stoppage of illegal practice forthwith and recovery of overpaid amount for all past transactions from concerned, besides, improvisation of software module.

DP-110(S)/2013-14

1.5 Loss to State of Rs 27.676 Million

1.5.1 Execution of unlawful Contracts at Higher Rates Despite Validity of Existing Contract, Loss of Rs 20.005 Million

As per Clause-2 of contract No. 28-1612-01 dated June 30, 2010 for supply of medical gases by M/s Kahuta Gases (Pvt) Ltd, Islamabad, the contracted rates were fixed for three years from July 1, 2010 to June 30, 2013.

DGP (Army) concluded with M/s Kahuta Gases (Pvt) Ltd, Islamabad two new contracts bearing No. 28-1685-00 dated June 30, 2012 for supply of oxygen gas and No. 28-1686-00 dated June 30, 2012 for

supply of nitrous oxide when the contract period of one year of the original contract was still valid and not cancelled. The stores were purchased according to the new contract and at higher rates while the rates of the existing contract were still applicable. The undue favour was given to the firm at the cost of state exchequer resulting in loss of Rs 20.005 million.

It was pointed out in May, 2013 and CMA (DP) replied that conclusion of contract was responsibility of procurement agencies. CMA is supposed to make payments according to contractual obligations.

The DAC on February 18, 2014 directed to refer the para to DGP (Army) for response.

Audit would stress to fix the responsibility for concluding necessity new contracts on higher rates of supplies while the period of existing contract was still valid for another year and to take disciplinary action, to recover the loss of Rs 20.005 million from the persons responsible and deposit into Government treasury under intimation to Audit.

DP-101 (N)/2013-14

1.5.2 Loss to State Due to Procurement of Ration Stores at Exorbitant Rates – Rs 7.671 Million

According to Rule 0705 (2) Financial Regulation (F.R), Navy 1993, if at any stage, it is found that the terms of a contract are contrary to the original intention, steps may be taken forthwith to revise it in a suitable manner. According to Rule 0715-A (2) (Note), in additions to the security over tenders prescribed by this rule, Audit officers have power to examine contractors and to bring to the notice of the Military Accountant General (MAG), for the information of the Public Accounts Committee, any cases where competitive tenders have not been sought, or where high tenders have been accepted.

In Controller of Naval Accounts, Karachi, 162,000 Kg Dall Channa and 79,000 Kg Dall Mong were purchased by victualing store depot (VSD), Karachi vide Contracts No.K/247063/712 dated September 20, 2012, and No.K/247073/722 dated October 20, 2012 from M/s Shafi & Co @ Rs 107 and Rs 136 per Kg respectively whereas the same items were purchased by PAF vide their Contract No. AHQ/75718/12/S&T/RTN/SAC dated June 13, 2012 for 109,102 kg of Dall Channa and 54,526 kg of Dall Mong, during same period at same station @ Rs 87 and Rs 97 per Kg. If procurement was managed properly with due vigilance, lower rates could easily be achieved and a sum of Rs 6,321,000 ($(Rs\ 107 - Rs\ 87 = Rs\ 20 \times Rs\ 162,000\ Kg = Rs\ 3,240,000) + (Rs\ 136 - Rs\ 97 = Rs\ 39 \times 79,000\ Kg = Rs\ 3,081,000)$) could be saved, hence state suffered hefty loss.

Similarly, victualing store depot (VSD), Karachi purchased mutton dressed during 2012-13 from M/s Frontier Eggs Co. @ Rs 424 per kg to supply at Karachi station and from M/s Umer Hayat & Sons @ Rs 421 per kg to supply at coastal area. Usually the rates are on higher side at coastal area due to hard area, whereas in this case lower rates were offered by M/s Umer Hayat & Sons, needs proper investigation as to where the supplier fulfilled his commitment during the period of contract at quoted rates or he defaulted. Therefore, recovery of Rs 1.350 million (@ Rs 424 per kg - @ Rs 421 per kg = @ Rs 3 x 45,000 kg = Rs 1.350 million) may be affected from M/s Frontier Eggs Co., besides, audit may be informed about quality of meat supplied by M/s Umer Hayat & Sons @ 421 per kg at Ormara station to ensure best utilization of public money in a transparent, economic and efficient way.

The loss was pointed out and reported to the CNA in Nov 2013, to which it was replied that contract was concluded on open tender basis and awarded to lowest bidder. Reply furnished by the CNA is not tenable as the comparative analysis was not properly carried out as per spirit of the rules and undue favoritism was extended to contractors by accepting exorbitant rates.

DAC in its meetings on January 6 and 7, 2014 directed to recover the amount and hold an inquiry for fixation of responsibility against the persons at fault for non-observance of rules.

No further progress was intimated till finalization of this report.

Audit requires expeditious implementation of DAC directives.

DP-146(S)/2013-14

1.6 Unauthorized / Irregular Expenditure – Rs 59.923 Million

1.6.1 Unauthorized Payment of Internal Security Allowance – Rs 59.923 Million

According to Para-3 (c) of JSI 4/78, daily allowance would be paid to service officers and all the categories of personnel at normal rates for the entire period of their employment in aid of civil power.

Military Operations Directorate (GS Branch) GHQ Rawalpindi letter No. 4036/24/MO-3/DDFT dated October 23, 2012 and No. 4036/24/MO-3/MERFT dated October 25, 2012 deployed certain units of 11 Corps Peshawar on operational activities and Internal Security (IS) Duty allowance was admissible to them.

Controller of Military Accounts, Peshawar Command (CMA PC) also paid an unauthorized amount of Rs 59,923,446 on account of Internal Security (IS) Duty allowance / daily allowance to the officers / personnel of those units of 11 Corps, Peshawar which were not deployed on operational activities. Therefore the payment of Rs 59.923 million is required to be recovered and deposited into Government account.

Unauthorized payment was pointed out by Audit in November, 2012 and CMA (PC) admitted unauthorized payment stating that Rs 2,232,889 would be recovered from some units. Reply was not acceptable because entire amount is required to be recovered.

DAC in its meeting held on January 10, 2014 directed MAG to reconcile payments and intimate position to the audit.

Further progress was not intimated to Audit till finalization of this Report.

Audit suggests that responsibility should be fixed for the unauthorized payments and recovery be effected from the concerned individuals.

DP-46(N)/2013-14

Military Lands and Cantonments

1.7 Fraudulent Payment/Embezzlement – Rs 2.973 Million

1.7.1 Embezzlement in Collection of Rent of Commercial Building – Rs 2.973 Million

According to Rule-12 of Cantonment Account Code, 1955, any loss to Cantonment fund, stores or property shall be immediately reported to the President, the Board, the Director and the Audit. The matter will be fully investigated and a complete report will be submitted accordingly.

The Cantonment Board, Murree vide its letter No. D-11/67/3038 dated January 10, 2011 directed its tenant, the management of Marhaba Hotel & Restaurant, the Mall Murree, to deposit the outstanding rent of six years amounting to Rs 2,247,360 for the period from July, 2004 to June, 2010. In response, the management of the hotel replied vide letter dated January 11, 2011 that all the dues up to January 31, 2011 had already been paid and provided receipts of deposits with the above letter.

In the cash book of the Board, an amount of Rs 2,973,120 was shown deposited in cash on account of rent of the hotel on January 13, 18, 20 & 21, 2011. The record of the Cantonment Board was silent about this recovery and there was no evidence about the source of recovery of this amount. Receipts for deposit of this amount were requisitioned by Audit but the same were not provided. This made the transaction doubtful but the matter was investigated and not reported to the higher management of the Board or Audit in violation of the above rule.

The irregularity was pointed out in May, 2013 and it was replied by the management of Cantonment Board, Murree that management of Marhaba Hotel had wrongly stated that the rent had been deposited on time. Actually the outstanding rent had been deposited by

them on January 13, 18, 20 & 21, 2011 in cash in National Bank of Pakistan. Therefore, no receipts were available in the record of the Cantonment Board. The reply was not acceptable as the tenant confirmed vide letter dated January 11, 2011 that all dues had already been deposited and provided receipts of the deposits made. However the same were not provided to audit.

The DAC on January 22, 2014 was apprised by the management of Cantonment Board, Murree that the amount was embezzled by an employee of the Cantonment Board and the amount had been recovered. The DAC directed to take disciplinary action against the responsible person.

Audit stresses that proof of recovered amount be shown to audit and that such embezzlement was not possible without connivance of Cantonment Board staff, therefore matter be thoroughly investigated and action taken against the responsible and amount be recovered along with interest because huge amount was retained outside the Cantonment fund for 07 years.

DP-140 (N)/2013-14

1.8 Recoverables / Overpayments – Rs 1,310.022 Million

1.8.1 Unlawful Occupation and Renting Out of A-1 Land, Non-Deposit of Receipts – Rs 446.551 Million

According to Rule-14 (5) of Cantonment Land Administration (CLA) Rules 1937, no building of any kind, either permanent or temporary, shall be erected on Class “A” land except with the previous sanction and subject to such conditions as may be imposed by the Central Government or by such other authority as the Central Government may appoint for the purpose.

An A-1 Land area measuring 56 kanal 18 marlas comprising old Revenue Khasra No. 659 and new Khasra No. 760 situated in village Chohddo (Panjan Kasana), GT Road, Kharian was illegally encroached by Tourism Development Corporation of Punjab (TDCP) and further unlawfully rented out to a private person Mr. Zahid Aziz for period of five years from October 5, 2002 to October 5, 2007 at total rent of Rs 3,100,000 as per agreement concluded on October 5, 2002 between TDCP and Mr. Zahid Aziz as evident from MEO Gujranwala letter No. KH-8/ACQ /TDCP/22/9 dated November 6, 2012 and Ministry of Defence (ML&C Deptt) letter No. 47/113/Land/ML&C/2012 dated December 11, 2012. Mr. Zahid Aziz has been using the Government land for commercial business comprising hotel, restaurant, marriage hall and play land ever since and despite expiry of his illegal agreement has not vacated the A-1 Land. No action was taken by the concerned Army authorities to get the illegal occupation of A-1 Land vacated from TDCP and commercial user Mr. Zahid Aziz.

Audit holds that illegally occupied A-1 Land by TDCP and its further unlawful renting out to a private person for commercial business was required to be repossessed whereas no action was taken in this regard for several years. Moreover, the estimated amount of rent Rs 446,551,200 million for the period from 2002 to 2013 earned from the private commercial use of A-1 Land was also not deposited into Government account by the concerned authorities.

The unlawful occupation was pointed out in February, 2013 and it was replied by MEO, Gujranwala that the land in question was under litigation in the court and this office took up the matter for filing of fresh civil suit against the TDCP, Lahore for declaration/recovery of possession/permanent injunction and realization of amount so far received from the occupant on account of rent/premium by the TDCP authorities.

The reply is misleading therefore not tenable. No efforts were made to repossess the A-1 Land unlawfully encroached by TDCP and rented out to a private person. No documentary proof of legal action was

provided. Further no amount was recovered and deposited into Government account for last 12 years.

The DAC in its meeting held on January 2, 2014 directed the department to hold fact finding inquiry as to why encroachment made by TDCP was not known to army authorities and report to MOD/Audit.

No progress was reported to Audit till finalization of this Report.

Audit suggests that unlawfully occupied A-1 Land should be immediately repossessed, illegal commercial business should be demolished, the amount of Government revenue deposited into Government account and disciplinary action initiated against the officials of ML&C who cannot manage and protect the state land under their management and allow illegal commercial business and agreements without any action against the occupants.

DP-30 (N)/2013-14

1.8.2 Loss Due to Non-conversion of Residential Properties into Commercial Lease – Rs 161.736 Million

According to Para-1(b) (2) of the Policy framed by the Government of Pakistan, Ministry of Defence Rawalpindi letter No. 3/6/D-12/ML&C/97-2007, dated December 31, 2007 for conversion of properties held as Old Grant / Cantonment Code Leases into regular leases, the owners were made liable to get fresh commercial leases on payment of premium to be worked out @ 50% of the revenue rate of the land. In case of non-compliance of Government orders, the owner had to surrender their properties to Central Government at equivalent value. Under Para-7 (e) of above letter, all consequential action in respect of change of purpose of expired leases and conversion of leases from one Schedule to another in respect of CLA Rules, 1937 should be taken by respective MEO.

In Military Estate Office (MEO), Gujranwala ten residential properties were being used for commercial purposes without getting them converted to commercial leases as was required under the government orders. The department also did not proceed against the lessees for surrender of properties. This resulted into loss of revenue amounting to Rs 161,735,717 on account of premium.

The irregularity was pointed out in July, 2013 and it was replied by the MEO, Gujranwala that notices have already been served to the grantees. Further, case had been forwarded to the competent authority for determination of the leases. Final outcome of the case was yet to be intimated. The reply was not tenable as no action had been taken despite lapse of considerable time.

The DAC in its meeting held on January 22, 2014 was informed that case for conversion of residential properties into commercial are under process and are being finalized on case to case basis. The DAC directed the audit to keep watching the cases till their finalization.

No further progress was intimated to Audit till finalization of this Report.

Audit advises for early finalization of conversion cases.

DP-33 & 106 (N)/2013-14

1.8.3 Loss Due to Unauthorized Establishment of School on A-1 Land – Rs 81.619 Million

According to Rule-5(i) of Cantonment Land Administration (CLA) Rules 1937, Class A-1 land can only be used or occupied by the Military Authorities for the purposes of fortifications, barracks, stores, arsenals, aerodromes, bungalows for military officers which are the property of Government, parade grounds, military recreation grounds, golf courses, rifle ranges, grass farms, dairy farms, brick fields, CNG station, soldiers and hospital gardens as provided for in Paragraph-525 of the

Army Regulations and other official requirements of the Military Authorities.

According to Para-3 of Policy on Use of A-1 Land, issued by Ministry of Defence vide letter No. F.2/5/D-12/ML&C/99 dated April 2, 2008, Category-B activities like education/training Institution were allowed purely for welfare of troops on no profit no loss basis within formation/unit area. According to Para-7 of this policy, all such welfare activities should be managed by the respective formation under direct supervision of concerned Formation Commanders and would be governed by a policy duly approved by the respective Service Chief.

As per record held by Military Estate Section, Wah, a private educational institution known as 'Quality School' along with ten shops has been established on A-1 Land measuring 7.72 kanals situated at Anwar Chowk, Wah since 2005. The school is being run on commercial basis by "Quality School Foundation" a company registered under the Companies Ordinance, 1984. The school has been established in violation of the rules and A-1 Land policy as it was being run on commercial basis by a Company not under management of concerned Formation Commander. Despite the fact that it was a commercial activity, Cantonment dues i.e. premium, development charges, ground rent, taxes etc. amounting to Rs 81,619,608 had not been recovered from it.

When pointed out in February, 2013 it was replied that the school was established for provision of affordable quality education to the wards of low paid employees of POF. It is being managed as a charitable organization on no profit no loss basis and the usage of the land in accordance with Para-05 of the A-1 policy. The reply is not tenable because welfare activities have to be undertaken by the formation itself, whereas in this case the school is being run by a private company in violation of the policy. Further rent is also not being recovered in line with the policy.

In the DAC meeting held on March 6, 2014 the Chairman settle the Para. However, Audit did not agree as the school was being run on A-I land in violation of the Policy and rent was also not being recovered as required under the policy.

No further progress was shown till completion of this report.

Audit stresses that the unlawful occupation of A-1 Land be got regularized and all dues be recovered from the management of the school.

DP-154 (N)/2013-14

1.8.4 Non-recovery of Premium and Rent of A-1 Land Used for Commercial Purpose - Rs 63.416 Million

The policy on use of A-1 Land for welfare and other projects of the armed forces issued by Ministry of Defence Rawalpindi vide letter No. F.2/5/D-12/ML&C/99 dated April 2, 2008 stipulates that the rent shall be charged @ 6% per annum of existing revenue rates of the land used in commercial projects. Out of total amount so calculated, 25% will be deposited into Government Treasury and 75% balance will be utilized by the respective formation. Moreover, Rule-14(3) of Cantonment Land Administration (CLA) Rules 1937 provides, land in Class-A shall not be used or occupied for any purpose other than those stated in Sub-Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf.

In the area of jurisdiction of Military Estate Office, Karachi, Naval Housing Scheme authorities unauthorizedly converted approximately 3000 square yards of A-I land from residential to commercial by installing a petrol pump and a commercial building as is evident from MEO letter No. C-15/NHS/102 dated September 16, 2011. Board proceedings were not held to workout 6% rent as is required according to A-1 Land policy. This omission resulted into non-recovery of rent amounting to Rs 9,315,000. Similarly, Bahria University Faisal Cantonment Karachi was established on A-1 Land under command of

Naval Headquarter, Karachi. In this case also no Board proceedings were held to workout 6% rent as per A-1 Land policy. This resulted into non-recovery of Government dues of Rs 54,101,520.

The violation of mandatory provision of policy and resultant non-recovery of Government dues was pointed out in March, 2013, it was replied that case would be referred to the quarters concerned and results would be intimated in due course.

The DAC in its meeting held on January 10, 2014 directed to refer the para to Naval Headquarters.

No progress was intimated to Audit till finalization of this Report.

Audit stresses for immediate recovery of Government dues and fixing of responsibility for non-recovery of Government dues in time.

DP-61 (N)/2013-14

1.8.5 Non-recovery of Dues from Housing Society – Rs 54.896 Million

According to Ministry of Defence Rawalpindi letter No.75/853/Lands/92/4970/ D-12/ML&C/94 dated November 6, 1994, the unauthorized construction requires composition.

a) In Cantonment Board Lahore, Eden Avenue Extension Housing Society had been established and in that society houses and shops were constructed without approval of the Cantonment Board composition fee was not imposed. An amount of Rs 30,181,817 was recoverable on account of composition fee and taxes.

When pointed out in September, 2010, it was replied that actual recoverable amount was Rs 28,004,082. Party had challenged this levy in the court of law. Court dismissed the appeal as withdrawn. Director Military Lands and Cantonments Lahore as appellate authority reduced it to Rs 14,047,782. An amount of Rs 4.00 million had been paid by the developer. Remaining amount was in the process of recovery.

b) According to SRO No.918/(I)/78 dated July 20, 1978, the Cantonment Board, Lahore, with the previous sanction of the Federal Government, imposed a tax to be paid by a person on presentation of an application to the Cantonment Board, Lahore, for sanction to erect or re-erect a building in the Lahore Cantonment at the rates specified in the schedule as Rs 4 per thousand.

It was noticed at Cantt Board Lahore that 212 houses were unauthorizedly constructed at Eden Avenue extension without approval of the building plans. The total area of plots was 204 kanal & 13 Marlas. The building application tax, development charges and cost of Form A & B amounting to Rs 15,624,241 were not recovered.

It was replied that amount of building application tax and cost of form A&B was already included in the Part-A of DP. As regards developmental charges, development was made by the developer himself. The Board therefore considered revision of this levy and original demand of Rs 13,619,364 was reduced to Rs 2,042,905. This amount was also included in Part-A of the Para.

c) According to CBR No.45, dated June 26, 1993 external development charges @ Rs 10 per square yards was imposed on Housing Schemes and was recoverable at the time of approval of lay out plans.

It was noticed at Cantt Board Lahore that Eden City Housing Scheme lay-out plan was approved vide Cantt Board letter No.235/Eden/6104 dated August 30, 2008, but external development charges amounting to Rs 9,089,500 were not recovered.

It was replied that recoverable amount was reduced from Rs 10 per Sq yds to Rs 2 per Sq Yds and it was also decided to recover these charges from the individual allottees instead of developer. An amount of Rs 4,314,562 had been recovered. Balance amount was also in the process of recovery.

Reply was not acceptable as charges leviable on the developer could not be passed on to the allottees by the Board. Reduction in recoverable amount was also not supported with any Board resolution. The DAC on 02 January, 2014 directed to recover total amount part A & B of para by May, 2014 and to be got verified from audit and for part C directed that objected amount be reconciled and recovered accordingly.

No further progress was intimated to Audit till finalization of this Report.

The DAC meeting was not convened on this para till finalization of this report.

Audit stresses for verification and early recovery of long outstanding government dues.

DP-21 (N)/2013-14

1.8.6 Non-deposit of Rent of Land Used for Agricultural Purposes – Rs 25.497 Million

According to the policy on use of A-1 Land for welfare and other projects of the armed forces issued by Ministry of Defence vide letter No. F.2/5/D-12/ML&C/99 dated April 2, 2008, the complete rent realized from land used for agricultural purposes shall be deposited into Government treasury.

In Military Estate Officer (MEO) Sargodha, A-1 Land measuring 1468.406 acres was under occupation of Military Farm Sargodha. It transpired from rotation programme for the period 2011-12 that only 448.5 acres land was shown as used for agriculture purpose and buildings etc. by the Military Farm. The use of remaining 1019.90 acres land was not made known to Audit. This land should have been used for agriculture or other useful purpose. In this way government sustained a loss of Rs 25,497,500 per year @ Rs 25,000 per acre per annum.

When pointed out in February, 2013 it was replied that the objection was being referred to Military Farms authorities for appropriate reply.

The DAC on January 2, 2014 directed to refer the Para to Army for response. Further progress was not reported till finalization of this report.

DP-27 (N)/2013-14

1.8.7 Non-recovery of Road Cutting Charges – Rs 13.27 Million

According to Rule-2(A) (1) of Cantonment Accounts Code 1955 the Executive Officer of the Board had been entrusted by the Government with the responsibility of assessing and collecting cantonment revenues.

In Cantonment Board Karachi, Headquarters Signals 5 Corps, Karachi started a venture of laying fiber optic cable through private contracting firms. Under Cantonment Board policy road cutting charges amounting to Rs 13,267,300 were required to be recovered but the Board failed to effect the recovery.

Non-recovery of Cantonment dues was pointed out in October, 2012 and it was replied that Army authorities had agreed to pay road cutting charges. Reply was not tenable because recovery had not been effected despite lapse of considerable time.

The DAC on November 7, 2013 directed the Cantonment Executive Officer to approach HQ ML&C Department to recover the amount from Headquarter Signals 5 Corps.

No further progress was intimated to Audit till finalization of this report.

Audit stresses for immediate recovery of the Cantonment dues.

DP-171 (N)/2012-13

1.8.8 Non-recovery of House Tax – Rs 7.734 Million

According to Section-92 (1) of the Cantonments Act, 1924, if the person liable for payment of any tax does not, within 30 days from the service of the notice of demand, pay the amount due or shows sufficient cause for non-payment of the same to the satisfaction of the Executive Officer, such sum, with all cost of the recovery may be recovered under a warrant by distress and sale of the moveable property of the defaulter.

Cantonment Board, Murree assessed house tax in respect of Presentation Convent School, Murree @ Rs 7,734,469 per annum w.e.f. July 1, 2011. However, recovery was not effected and action according to above quoted rule was also not taken.

Non-recovery of Cantonment dues was pointed out in May, 2013 and it was replied that the management of the school had filed a case in the court of Civil Judge Rawalpindi against the assessment of the tax.

The reply was not satisfactory as after the assessment of the tax, no legal action was initiated by the Board to effect recovery as was required to be taken according rules.

The DAC in its meeting held on January 22, 2014 directed to pend the para as the case was subjudice.

No further progress was intimated to Audit till finalization of this Report.

Audit advises that the court case be got finalized and Cantonment dues recovered from the management of the school.

DP-126 (N)/2013-14

1.8.9 Non-recovery of Premium and Development Charges – Rs 6.308 Million

According to Para-3(d) (1) of Ministry of Defence letter No. 3/6/ D-12/(ML&C)/97-2007 dated December 31, 2007, land in excess of

the recorded area shall be offered to the grantee / lessee @ 125% of the current revenue rate.

In Cantonment Board Quetta, the recorded area in respect of three properties leased out under Government sanction was in excess of the sanctioned area as detailed below:-

S No.	Property No.	Recorded Area (Sq yds)	Sanctioned Area (Sq yds)	Difference (Sq yds)	Premium and Development Charges (Rs)
1	35-B Model Town	833.6	610.70	222	4,218,000
2	8-D, Model Town	600	522.40	78	1,482,000
3	11-A Model Town	684.7	653	32	608,000
Total					6,308,000

This omission resulted into non-recovery of Rs 6,308,000 on account of premium and development charges of excess area, which was in possession of lessees.

Non-recovery of Cantonment dues was pointed out in March, 2013 and it was replied that the case to obtain sanction for excess area was under process.

The DAC in its meeting held on January 2, 2014 directed that either the amount of premium be recovered or Government land be vacated within three months.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses for immediate compliance of the recommendations of the DAC.

DP-15 (N)/2013-14

1.8.10 Non-recovery of Electricity Charges from Residents of Cantonment – Rs 5.350 Million

According to Rule-4(i) of Cantonment Account Code 1955, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The Cantonment Board Malir, Karachi paid a sum of Rs 5,350,000 to Military Engineering Services (MES) on account of outstanding electricity charges which pertained to residents of staff quarters of Cantonment Board Malir, Karachi, This was not a legitimate charge against Cantonment Fund but instead recoverable from the residents.

Non-recovery of electricity charges was pointed out in September, 2012 and it was replied by the management of Cantonment Board, Malir that the exact amount would be recovered from the users/officials after reconciliation with MES authorities. The reply was not satisfactory as the amount had not been recovered despite lapse of considerable time.

The DAC in its meeting held on November 7, 2013 directed the management of Cantonment Board, Malir that electric meter be installed in all quarters and recovery be effected. Report may be provided to MoD / Audit within one month.

No progress was reported to Audit till finalization of this Report.

Audit endorse the DAC directive advises for disciplinary action against those officials who have not charged the bills of electricity to the residents.

DP-163 (N)/2012-13

1.8.11 Loss to Cantonment Fund – Rs 5.091 Million

As per Rule-2(A) (1) of Cantonment Accounts Code 1955, the Executive Officer of the Board has been entrusted by the Government with the responsibility of assessing and collecting cantonment revenues.

The Cantonment Board Karachi concluded a contract for collection of car parking fee with M/s Leather Inn for Rs 16,000,000 for the financial year 2011-12. The contractor had to pay said amount @ Rs 1,333,333 per month in twelve equal installments. According to Clause-1 of the contact agreement, the contractor had to pay Rs 4.000 million as security deposit which was to be refunded after one month from the date of satisfactory completion of the contract and to be forfeited if it remained unsuccessful.

The Board cancelled the contract with effect from January 6, 2012. An amount of Rs 8,258,064 was recoverable on account of outstanding installments and security deposit of Rs 4.00 million was to be forfeited for unsuccessful contract execution. A sum of only Rs 3,166,666 was paid by the contractor on account of monthly installments. Security money of Rs 4.00 million was adjusted by the Board against the monthly installments which was violation of the clause-1 of the contract. Against total recoverable amount of Rs 12,258,064, an amount of only Rs 7,166,666 was recovered thereby leaving a balance of Rs 5,091,398, as recoverable against the contractor which was not done. The Clause-11 of the contract, under which the contract was cancelled, required recovery of Risk and Cost from the defaulting contractor which was also not done.

Non-recovery of Cantonment dues was pointed out in October, 2012 where it was replied that efforts were being made to recover the remaining amount from defaulting contractor. The reply was not satisfactory as immediate steps were not taken to recover cantonment dues.

The DAC in its meeting held on November 6, 2013 directed to hold fact finding inquiry and fix responsibility. The report of the inquiry be submitted to MOD / Audit within 3 months.

No further progress was received till finalization of the Report.

Audit advises that compliance of the recommendations of DAC be ensured and Cantonment dues recovered from the defaulting contractor promptly.

DP-174 (N)/2012-13

1.8.12 Non-recovery of Ground Rent from Avari Hotel - Rs 3.994 Million

According to lease agreement made on April 25, 2005 between Military Estate Office (MEO) Karachi and M/s Avari Hotel Ltd, sanction was accorded for renewal of lease in respect of the site comprising Survey No. 242-243, Staff Lines, Karachi Cantonment for a period of thirty years from April 16, 2005 to April 15, 2035 on payment of an annual rent of Rs 653,585.

Military Estate Officer (MEO) Karachi issued notices to management of the hotel for depositing a sum of Rs 4,575,095 on account of ground rent for the period from April 16, 2006 to April 16, 2013 as evident from letter No. K-7/242-243/38 dated January 3, 2013. The hotel management deposited only Rs 580,966. This resulted into less recovery of rent amounting to Rs 3,994,129 which requires prompt recovery.

Non-recovery of Government dues was pointed out in March, 2013, it was replied that the management of hotel had been served with notice for recovery of the remaining amount with 10% interest. Reply was not tenable as no recovery had been effected so far.

The DAC in its meeting held on January 2, 2014 directed to recover the total amount within one month and get it verified from Audit.

No progress was intimated to Audit till finalization of this Report.

Audit emphasizes for immediate compliance of the recommendations of the DAC.

DP-39 (N)/2013-14

1.8.13 Unlawful Collection of Car Parking Fee by the Station Headquarters – Rs 3.640 Million

As per Rule-2(A) (1) of Cantonment Accounts Code 1955, the Executive Officer of the Board has been entrusted by the Government with the responsibility of assessing and collecting cantonment revenues.

The Cantonment Board, Murree concluded a contract for collection of car parking fee for Rs 910,000 during financial year 2009-10. The Station Headquarters, Murree intimated Cantonment Board vide letter dated October 13, 2009 that due to prevailing security environment, it had been decided that with effect from October 16, 2009 Cantonment Board parking agreement must be terminated. From that date onwards the contract for collection of parking fee had been awarded by the Station Headquarters and all the proceeds had been retained by them.

Audit holds that collection of parking fee by the Station Headquarters in the Cantonment area was unauthorized and hence was recoverable from them. As contracts concluded by the Station Headquarters for collection of parking fee from October 16, 2009 onwards were not available, hence the recoverable amount was determined as Rs 3,640,000 for four years from the year 2009-10 to 2012-13 at the rate of Rs 910,000 concluded by the Board in 2009-10.

The unlawful collection was pointed out in May, 2013 and it was replied by the management of Cantonment Board, Murree that Station Headquarters had been asked vide letter No. B-39/268 dated May 23, 2013, October 3, 2013 and January 1, 2014 to pay all receipts on account of parking fee. The reply was not satisfactory as no recovery was effected.

The DAC in its meeting held on January 22, 2014 directed the management of Cantonment Board to get the possession of car parking operations from the Station Headquarters and recover the amount collected by it.

No further progress was intimated to Audit till finalization of this Report.

Audit suggests that unlawful occupation be got vacated and all previous dues recovered and disciplinary action taken against those who are responsible for this occupation.

DP-139 (N)/2013-14

1.8.14 Non-recovery of Rent from Illegally Occupied Shops – Rs 2.946 Million

According to Para-92 (1) of the Cantonment Act 1924, if a person liable of the payment of any tax, does not within 30 days from the receipt of notice of demand, pay the amount due or show sufficient cause of nonpayment of the same to the satisfaction of the Cantonment Executive Officer, such sum with all costs of recovery may be recovered under warrant by distress and sale of the movable property of the defaulter.

In Cantonment Board Rawalpindi six shops situated at Railway Road Rawalpindi have been occupied by some persons without legal authority. The Board stopped recovery of rent from July 1, 1990. The occupants continued carrying out their business without paying rent. This resulted into loss to the Cantonment Fund amounting to Rs 2,946,300 from July, 1990 to June, 2013.

The unlawful occupation and non-recovery of rent was pointed out in April, 2012 and it was replied that the case was under consideration of the Board to recover / fix the rent. The reply is not acceptable because the Board has not taken any action for recovery of rent or vacation of illegally occupied shops since July 1990.

The DAC on January 2, 2014 directed to hold fact finding inquiry within three months and report to Ministry of Defence / Audit.

No progress was intimated to audit till completion of this report.

Audit suggests that inquiry be finalized within the stipulated period and responsibility be fixed for non-recovery of rent for last 23 years.

DP-31 (N)/2013-14

1.8.15 Unauthorized Use of A-1 Land for Agricultural Purpose and Non-Deposit of Agricultural Income – Rs 2.319 Million

Under Rule-14 (3) of Cantonment Land Administration (CLA) Rules 1937, land in class “A” shall not be used or occupied for any purpose other than those stated in Sub Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf.

According to the policy on use of A-1 land for welfare and other projects of the armed forces issued by Ministry of Defence vide letter No. F. 2/5/D-12/ML&C/99 dated April 2, 2008, the whole income relating to A-1 Land used for agricultural purposes, poultry farms etc would be deposited into Government treasury.

As per record of 3-IABG Chunian, 98 acres of A-1 Land was under unauthorized occupation of Soldiers Welfare Organization, Lahore (SWOL) without sanction of competent authority and was used for agricultural purposes as evident from SWOL letter No. 502/SWOL/Land dated May 31, 2012. Moreover the revenue derived from agriculture activities’ amounting to Rs 2,319,600 for the period 2011 to 2013 was not deposited into Government treasury.

Unauthorized occupation and non-recovery of receipts of Government land was pointed out in April, 2013 to which it was replied

that Board of Officers was detailed in the light of A-1 Land policy and the amount will be deposited into Government treasury as per recommendations of the Board.

The DAC in its meeting held on November 6, 2013 directed that audit para will be discussed in the DAC meeting of A-1 Land cases.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that the unauthorized occupation of Government land be regularized and revenue be recovered as per Government policy.

DP-81 (N)/2013-14

1.8.16 Illegal Conversion of Residential Lease to Commercial Business and Loss Due to Non-Recovery of Ground Rent – Rs 0.726 and Premium – Rs 250.470 Million

According to Para 2 of Ministry of Defence letter No. 3/6/D-12/(ML&C)/97-2007, dated December 31, 2007 and corrigendum issued vide letter No. 3/6/D-12(ML&C)/97-2007 dated March 27, 2008, sites held for residential purpose may be leased for commercial purpose subject to NOC from GHQ in consultation with Service Headquarters concerned from military security point of view, premium @ 50% of the revenue rate (commercial) will be charged and ground rent at the rate of Rs 4/- per sq yd per annum.

MEO, Karachi extended the lease of 1.25 acres B-3 land of survey No 249, Staff Lines, Zaib-un-Nisa Street, Saddar, Karachi Cantt. for the third term of thirty (30) years on 19/01/2005 to M/s Regent Properties (Pvt) Ltd for the purpose of Marina Hotel, shops, residential houses and out houses. The lessee illegally constructed Atrium cinema, food courts, offices and auditorium. MEO did not take any action against the illegal conversion of residential lease into commercial lease and did

not recover the premium causing loss of Rs 125.235 million to state {(1.25 Acres x 4840 sq yd per acre = 6,050 sq yds @ Rs 41,400 per sq yd (DC rates) = Rs 250,470,000} and ground rent amounting to Rs 726,000 (6,050 sq yd @ Rs 4/- per sq yd per annum * 30 years).

It was pointed out in November, 2013, to MEO to which it was replied that the site was leased to M/s Regent Property (Pvt) Ltd on payment of ground rent @ Rs 56/- per annum hence recovery of premium and ground rent as pointed out by audit is not tenable. As the audit objected correctly, however, the reply of MEO was misleading and not tenable. The lessee unlawfully constructed commercial structure on residential leased site and earned millions of rupees per year by commercial activities without obtaining fresh lease.

DAC was apprised by the Director Military Lands and Cantonments, Karachi Region that lessee has been asked either to apply for commercial lease or to discontinue commercial use of property, therefore, DAC in its meetings on January 6 & 7, 2014, directed to pursue the lease determination. No action has been taken as yet and illegal protection has been given to the conversion of residential plot to commercial use.

Audit requires recovery of the entire amount besides taking disciplinary action against the officers responsible for non-recovery within one month under intimation to audit.

DP-153(S)/2013-14

1.8.17 Undue Favor to Defence Personnel and Non-recovery of Outstanding Dues – Rs 128.143 million

Under Rule 16 (2) of Cantonment Land Administration Rules 1937, the lease shall be subject to an annual rent which shall be liable to revision at each renewal of the lease. An initial premium shall be charged.

MEO, Karachi leased out 7,164.63 acres land including commercial area 532.65 acres, residential area 3,832.49 acres and amenity

area 2,799.49 acres to Defence Housing Authority for sub-lease to various Defence personnel but ground rent and premium amounting to Rs 128.143 million for over fifty years were not recovered. The non-recovered amount included Rs 100.261 million on account of ground rent and premium of Rs 27.884 million not recovered till 2012-13 from DHA at the cost of public exchequer.

The matter of non-recovery for many years was reported in November 2013. MEO, Karachi admitted that land was allotted to various Defence personnel for residential purpose on form “B” and for commercial purpose on form “C” on payment of ground rent fixed by the government since 1972 but a sum of Rs 13,648,420 on account of premium of DHA land consisting of all phases i.e. I to VII was recovered through Treasury Receipts (TRs).

Reply of MEO, is misleading and not tenable as no proof of amount recovered was produced to DAC to substantiate the claim of recovery. MEO, concealed the non-recovered amount of Rs 114.495 million outstanding for many years and giving undue favor to the defence personnel.

DAC meeting was held on January 6 and 7, 2014. MEO, stated that DHA was asked to deposit the amount of premium and ground rent. The DAC instead of issuing directive for immediate recovery and disciplinary proceeding against person responsible for non-recovery of huge amount of Rs 114.495 million, opted to direct MEO, to initiate a proposal to Ministry of Defence regarding recovery of amount in question from DHA.

Audit requires recovery of the entire amount and produce substantiating proof of recovery besides taking disciplinary action against the officers responsible for non-recovery within one month under intimation to audit.

DP-129(S)/2013-14

1.8.18 Illegal Conversion of Residential Building to Commercial Business and Loss Due to Non-Recovery of Premium – Rs 41.400 Million

According to Ministry of Defence letter No 72/45/Land/87/3035/ D-12/ML&C, dated August 1, 1989, no commercial building can be constructed on residential holdings without obtaining fresh commercial lease on payment of prescribed premium. According to Ministry of Defence letter No 3/6/D-12/(ML&C)/97-2007, dated December 31, 2007, premium @ 50% of the revenue rate (commercial) will be charged for conversion from residential to commercial lease in Schedule IX-C.

In MEO, Karachi a residential plot No 197/1 measuring 1,000 sq yds in Defence Officers Housing Society (DOHS) of Mrs. Syriaya Jabeen was classified as B-3 for residential purpose. The owner of plot illegally changed the purpose of residential lease into commercial by establishing business for car tracking, sub-dividing into three portions with three independent gates. MEO did not take any action against the illegal action of conversion of residential lease into commercial lease and did not recover the premium causing loss of Rs 41.400 million to state (1,000 sq yds @ Rs 41,400 per sq yd).

This loss was reported in November, 2013, to which MEO, Karachi stated that Cantt Board Karachi has issued notices to stop the unauthorized use of plot and change it for commercial purpose. Reply furnished by the MEO is an admission of loss but failed to stop illegal conversion of residential building into commercial and also could not recover dues.

DAC in its meetings on January 6 and 7, 2014, directed to pursue the lease determination case and get it finalized. No action has been taken as yet and illegal protection has been given to the conversion of residential plot to commercial use.

Audit requires implementation of DAC directive, besides, fixing responsibility and recovery of total dues amount along with interest on the amount for the period of illegal conversion within one month.

DP-133(S)/2013-14

1.8.19 Non-recovery of Ground Rent – Rs 5.842 Million

Under Rule 16 (2) of Cantonment Land Administration Rules 1937, the lease shall be subject to an annual rent which shall be liable to revision at each renewal of the lease.

In the office of MEO, Karachi an amount of Rs 5,842,274 was outstanding during 2012-13 on account of ground rent against sixteen residential and commercial properties, which was not recovered causing a loss of revenue. Further Military Estate Officer's Land Revenue Register to record the recovery of the revenue was also not maintained by the MEO in violation of Government rules causing permanent, improper maintenance of record and non-accountal of actual amounts.

Audit pointed out the loss and non-maintenance of permanent record in November, 2013, to which MEO stated that notices are being issued regularly regarding amount of ground rent. However, the important observation on non-accounting of actual amounts and non-maintenance of important record was not replied.

DAC in its meetings on January, 6 & 7, 2014, directed the MEO to affect recovery in question within two months. However, no progress has been reported yet.

Audit requires implementation of DAC directive, besides, fixing responsibility regarding non-maintenance of Military Estate Officer's Land Revenue Register and reporting recovery of total due amount.

DP-125(S)/2013-14

1.9 Loss to State – Rs 4.027 Million

1.9.1 Loss Due to Award of Two Similar Contracts at Different Rates – Rs 4.027 Million

According to Rule-4(i) of Cantonment Account Code 1955, 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.

In Cantonment Board Malir, Karachi two similar contracts for dualization of roads with same specifications of work i.e. road and drain works were awarded to the same contractor. The contract of Iqbal Road was awarded at 60% above whereas the contract of Aziz Bhatti Road was awarded at 75% above of the Military Engineering Services (MES) Schedule of Rates, 2000. This resulted into loss to Cantonment Fund amounting to Rs 4,027,516.

The loss was pointed out in September, 2012 and it was replied that two contracts were awarded after due process of tendering. The rates quoted by the lowest bidder were scrutinized and the Board awarded contract @ 75% due to more expensive items of work. Rate of Aziz Bhatti Road already negotiated and a sum of Rs 4.4 million was saved on negotiation. Reply was not tenable as both the contracts were executed on MES schedule of rates and in such cases change in specification do not change percentage above / below. Further the recovery effected by the Board was on account of low quality of work executed by the contractor in case of both the contracts.

The DAC on November 7, 2013 directed to hold inquiry to probe matter within three months. No further progress was intimated till finalization of this report.

Audit suggests that inquiry be finalized expeditiously and responsibility be fixed for causing loss by awarding similar contracts at different rates.

DP-159 (N)/2012-13

1.10 Unauthorized / Irregular Expenditure – Rs 68.75 Million

1.10.1 Unauthorized Transfer of Federal Government Land to Provincial Government – Rs 68.75 Million

According to Rule-3(2) of the Cantonment Land Administration (CLA) Rules 1937, no addition or alteration shall be made in General Land Register (GLR) except with the previous sanction of the Federal Government or such other authority as the Federal Government may appoint for this purpose. According to Rule-14 (1) of these Rules, the administrative control of Class A-1 Land including the detection and prevention of encroachment thereon, shall vest in the Military authorities for the time being in occupation of the land. The administrative control of Class A-2 Land shall vest in the Federal Government.

Federal Government allowed District Council, Abbottabad to develop a park on government land measuring 1,434 kanals 13 marlas, (Khasra No. 2) located at Rakh Civil Military Land Shimla Hills, Abbottabad. As per record of Military Estate Office, Abbottabad, out of this land, 50 kanals was transferred/allotted by Secretary Local Government & Rural Development Department Khyber Pakhtunkhwa for establishment of Ameer Haider Khan Hoti Media Colony without sanction of the Federal Government. The Military Estate Office failed to retrieve the land valuing Rs 68,750,000.

Unauthorized transfer/allotment of Federal Government Land was pointed out in February, 2013 to which it was replied that the case was in process with Provincial Government for cancellation of the

mutation. The possession of the land in coordination with the local revenue authorities is under process.

The DAC in its meeting held on January 22, 2014 directed to complete the possession of the land on priority.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that the land be immediately retrieved from the Provincial Government.

DP-152 (N)/2013-14

Pakistan Army

1.11 Recoverables / Overpayments – Rs 26,087.92 Million

1.11.1 Non-recovery of Premium and Ground Rent from NLC – Rs 14.685 Billion

According to Rule-14 (3) of Cantonment Land Administration (CLA) Rules 1937, land in class “A” shall not be used or occupied for any purpose other than those stated in Sub Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf. Further, according to Ministry of Defence letter No. 3/6/D-12/(ML&C)/97-2007 dated December 31, 2007, ground rent at the rate of Rs 4 per square yard per annum on commercial properties will be charged.

In Military Estate Office (MEO) Gujranwala, A-1 Land measuring 107.29 acres (Survey No. 9) was occupied by the NLC since 1989 and was being used for commercial purposes without approval of the Government. The GHQ issued the NOC for transfer of 91.77 acres land to NLC on payment of premium and ground rent vide letter No. 3615/16/109/Land-I dated February 29, 2008 whereas 107.29 acres land was in occupation of NLC. The MEO assessed Rs 6,359.62 million as premium and ground rent for 91.77 acres instead of 107.29 acres and sent the case to DG ML&C on April 21, 2009. Later on MEO revised the claim of premium and ground rent to Rs 14,685,042,743 and sent to DG ML&C on October 15, 2010. Despite lapse of more than two years, sanction was not granted by the competent authority because of which Government dues could not be recovered. This resulted into loss of Rs 14,685,042,743.

Non-recovery of Government dues was pointed out in February, 2013 to which it was replied that the case had already been forwarded to NLC for obtaining willingness regarding payment of full market rate for

transfer of the land. However, response is still awaited. The reply is not tenable because effective steps were not taken for recovery of government revenue despite lapse of many years.

The DAC in its meeting held on January 2, 2014 directed to refer the audit para to Army for comments.

No Progress was intimated to Audit till finalization of the Report.

Audit stresses that either Government dues be recovered from the concerned quarters or Government land got vacated.

DP-80 (N)/2013-14

1.11.2 Non-recovery of Dues from NLC and Coast Guards – Rs 11,293.37 Million

According to Rule-14(3) of Cantonment Land Administration (CLA) Rules 1937, land in class 'A' shall not be used or occupied for any purpose other than those stated in Sub-Rule (i) of Rule-5 without previous sanction of the Government or such authority as they may appoint in this behalf.

The GHQ issued the NOC for transfer of 25.5 acres A-1 Land to National Logistic Cell (NLC) on payment of premium and ground rent vide letter No. 3615/16/109/Land-I dated February 29, 2008. According to record of MEO Karachi land measuring 53.59 acres (Survey No. 39 & 45) was in occupation of NLC since 1989. This land was being used for commercial purposes without Government approval. The MEO did not claim the premium and ground rent despite lapse of more than five years of the issuance of NOC by GHQ. The MEO also did not take appropriate action for resumption of 28 acres extra land in unauthorized possession of NLC. This resulted into loss of Rs 8,972,320,762.

Similarly, 11.55 acres land (survey No. 58, 59 & 66) was occupied by the Coast Guards. This land was used for Officers Mess,

Coast Guard Plaza and Offices without Government approval. This resulted into loss of Rs 2,321,051,040 on account of ground rent and premium.

Non-recovery of Government dues was pointed out in March, 2013 to which it was replied that since the policy on use of A-1 Land has been formulated by the Government therefore, audit para may be shifted to Army for recovery.

The DAC in its meeting held on January 2, 2014 directed to shift the para to Army for response.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that either Government dues be recovered from the concerned quarters or Government land got vacated.

DP-37 (N)/2013-14

1.11.3 Unauthorized Occupation of A-1 Land and Non-Recovery of Government Dues – Rs 36.570 Million

According to Rule-14(3) of Cantonment Land Administration (CLA) Rules 1937, land in class "A" shall not be used or occupied for any purpose other than those stated in Sub- Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf.

According to the policy on use of A-1 Land for welfare and other projects of the armed forces issued by Ministry of Defence vide letter No. F.2/5/D-12/ML&C/99 dated April 2, 2008, complete rent from agriculture land shall be deposited in Government treasury.

In Military Estate Office (MEO) Gujranwala, 1,590 acres A-1 Land of Military Farm, Gujranwala was under unauthorized occupation of Army and being used for agriculture purposes without Government sanction. The income from agriculture operations was never deposited to

Government account. This caused a revenue loss of Rs 36,570,000 at the rate of Rs 23,000 per acre for the year 2012-13.

Non-recovery of Government dues was pointed out in July, 2013 to which it was replied that the matter was referred to Army authorities vide letter dated January 15, 2014 for recovery of the amount involved. Further as the para pertains to use of A-1 land, therefore, it may be shifted to Army.

The DAC in its meeting held on January 22, 2014 directed to shift the audit para to Army.

No further progress was intimated to Audit till finalization of this Report.

Audit suggested that total recoverable amount be ascertained for the entire period for which the land was unauthorizedly used by the Army and recovery be effected along with getting the land vacated from the Army.

DP-103 (N)/2013-14

1.11.4 Unauthorized Occupation of A-1 Land and Less recovery of Rent of Land Used for Agriculture Purpose – Rs 23.921 Million

Under Rule-14 (3) of Cantonment Land Administration (CLA) Rules 1937, land in class “A” shall not be used or occupied for any purpose other than those stated in Sub Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf.

According to the policy on use of A-1 Land for welfare and other projects of the armed forces issued by Ministry of Defence vide letter No. F.2/5/D-12/ML&C/99 dated April 2, 2008, the whole income relating to A-1 Land used for agriculture purpose, poultry farms etc will be deposited into Government treasury.

In Military Estate Office (MEO), Gujranwala, A-1 Land measuring 1048.267 acres was under occupation of HQ Arty 30 Corps and was used for agriculture purpose during 2011-12. The Board of Officers worked out the annual contract rate as Rs 750 per acre, whereas, the actual rate in the vicinity was Rs 23,000 per acre per annum as confirmed by the 82 (SP) Med Regt Arty Gujranwala Cantonment letter No. 8242/Q-2CBJWI dated August 24, 2012. Audit worked out total recoverable amount as Rs 24,111,303. The formation deposited Rs 189,750 into Government treasury as income from only 8.25 acres. This resulted into loss of Rs 23,921,553 to Government.

The loss of Government revenue was pointed out in February, 2013 to which it was replied that the case has been taken up with HQ 30 Corps Gujranwala Cantonment vide letter dated May 21, 2013. Further as the audit para pertains to use of A-1 Land, therefore, it may be shifted to Army.

The DAC in its meeting held on January 2, 2014 directed to shift the audit para to Army for early response.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that Government revenue be recovered as per prevailing market rate immediately.

DP-74 (N)/2013-14

1.11.5 Non-recovery of Risk and Expense Amount – Rs 16.920 Million

According to Clause-7 of General Tender Form, in case of declining, neglecting or delaying to comply with any demand or requisition or otherwise not executing the same in accordance with the term of contract, the officer operating the contract shall be at liberty to purchase or to procure or to arrange from Government stocks or otherwise, any excess cost so incurred in purchasing, procuring or arranging for such

services or their authorized substitute shall be recoverable from the defaulting contractor.

The management of Reserve Supply Depot (RSD), Sialkot concluded a contract CD-4406 of 2009 with M/s Pak Diamond Services, Karachi vide letter No.08/ HMT/ ST6A dated December 21, 2011 for Hired Mechanical Transport (HMT) services. The contractor did not provide the requisite services and these services were arranged by the Depot from another contractor at the risk and expense of the defaulting contractor. An excess expenditure of Rs 16,918,757 on account of risk & expense was incurred which was not recovered from the defaulter.

The non-recovery of risk and expense amount was pointed out in October, 2012 and it was replied that the case for recovery was under process.

The reply is not acceptable as effective steps for recovery of risk and expense amount was not taken despite lapse of considerable time.

The DAC in its meeting held on November 6, 2013 directed the department to complete the procedure of recovery.

No progress was intimated till finalization of this Report.

Audit suggests for recovery of the amount immediately besides blacklisting the defaulting firm.

DP-157 (N)/2012-13

1.11.6 Unlawful Use of A-1 Land for Cellular Boosters of Private Commercial Companies, Non-deposit of Government Receipts – Rs 10.621 Million

According to Rule-14 (3) of Cantonment Land Administration Rules, 1937, Class A-1 Land shall not be used or occupied other than the authorized purpose.

As per policy / guidelines for installation of BTS towers issued vide Ministry of Defence (ML&C Department) letter No. 51/411/Lands/ML&C/2005 dated June 24, 2005, the cellular companies are required to pay an antenna fee @ 20,000 per month with annual enhancement @ 10% in addition to rent for use of Government land.

The Director General Veterinary & Farms (DG RV&F) approved lease of A-1 Land of Military Farm, Lahore measuring 23.44 marlas to HQ 4 Corps, Lahore for 5 years @ Rs 1,000 per marla per annum with 3% annual increase vide letter No. 5828/11/Farms dated July 15, 2009, on which 5 cellular boosters of private commercial companies were already installed. The Director General (RV&F) was not competent to accord approval for such lease and the sanction was required to be obtained from the Ministry of Defence.

The HQ 4 Corps, Lahore further transferred this land to the Soldiers Welfare Organization, Lahore (SWOL) who concluded agreements with the cellular companies for recovery of charges in respect of boosters installed on the land. The HQ 4 Corps directed SWOL to pay Rs 1,000 per marla per annum to Military Farm, Lahore.

Audit holds that recovery of tower fee in addition to rent of Government land was required to be made at the rates fixed by the Government vide above referred policy. However, no recovery on this account was made. This resulted into non-recovery of tower fee amounting to Rs 10,621,613 for the period from the date of installation up to June 30, 2013 along with non-recovery of rent of the land.

The loss was pointed out in August, 2012 to which it was replied by CO Military Farm, Lahore that SWOL is a welfare organization looking after needs of in service and Shaheed soldiers and their families. Therefore, it should not be taken as a commercial entity. An amount of Rs 71,633 @ Rs 1,000 per marla per annum on account of rent had been deposited in Government treasury.

The reply is not acceptable because the boosters were already installed by the cellular companies for several years and the land was later acquired by HQ 4 Corps, Lahore. Therefore the public receipts for several years were not deposited into Government account and instead diverted to SWOL.

The DAC on November 6, 2013 decided that the para would be discussed in the DAC meeting to be held to discuss A-1 land cases.

No further progress was intimated to Audit till finalization of this Report.

Audit suggests that the unauthorized lease of A-1 land for private commercial use should be cancelled forthwith and occupation of the land be transferred back, disciplinary action be taken against the responsible officers and total amount of tower fee along with rent of land for the entire period be calculated at prevailing market rate and deposited into Government account.

DP-214 (N)/2012-13

1.11.7 Non-recovery of Share of Income of Use of A-1 Land - Rs 10.512 Million

According to the policy on use of A-1 Land for welfare and other projects of the Armed Forces issued vide Government letter No. F.2/5/D-12/ML&C/99 dated April 2, 2008, the rent shall be charged @ 6% per annum of existing revenue rate of the said land used in commercial projects. Out of total amount so calculated, 25% will be deposited into Government Treasury and the 75% balance will be utilized by the respective formation. Entire income relating to A-1 Land used for agro-based activities will be deposited into Government treasury.

In Military Estate Office (MEO) Gujranwala, a Board held under Command HQ 1 Corps Mangla assessed 6% rent of commercial projects running on A-1 Land in Kharian and Mangla Cantonments amounting to Rs 6,724,414. Similarly another Board held under HQ 8

Independent Armed Brigade (IABG) Kharian assessed 6% rent of commercial projects running on A-1 Land in Kharian Cantonment amounting to Rs 3,153,576 for the period 2007-08 to 2010-11. In the same Board, rent of agriculture land amounting to Rs 634,372 was assessed for the same period. The Government dues, however, were not deposited into Government treasury.

Non-recovery of Government dues was pointed out in February, 2013 and it was replied by the MEO that the case pertained to HQ 1 Corps Mangla Cantt and it would be forwarded to the formation for clarification. The reply is evasive because MEO is responsible for effecting the recovery. He was supposed to contact the Army authorities if they were not depositing the Government dues.

The DAC in its meeting held on January 10, 2014 directed to refer the para to Army.

No further progress was intimated till finalization of this Report.

Audit suggests immediately recovery of Government dues and disciplinary action against those who are responsible for not deposit of Government dues in public account.

DP-62(N)/2013-14

1.11.8 Non-recovery of Electricity Charges – Rs 1.031 Million

Under Para-442 of Defence Services Regulations 1998, Garrison Engineer is responsible for making monthly demand and prompt realization of rent and allied charges from users of military building and allied services.

In 702 Pak Works Section (PWS), Bhimber an amount of Rs 1,030,684 on account of electricity charges for the period from April, 2007 to July, 2012 was outstanding against Army Public School Jarikas

and Federal Government School & College Kotli. Efforts were not made to recover the outstanding amount by the concerned Garrison Engineer.

Non-recovery of Government dues was pointed out in March, 2013 and it was replied by the GE that case had been taken up with the concerned authorities for recovery of outstanding amount. Reply was not acceptable as non-recovery of long outstanding Government dues was not justified.

The DAC in its meeting held on February 18, 2014 directed to the management of the formation to intimate the update on recovery position to Audit.

No further progress was intimated to Audit till finalization of this Report.

Audit suggests that the Government dues be recovered immediately and disciplinary action be taken against the officials responsible for not effecting the recovery for so many years.

DP-84 (N)/2013-14

1.11.9 Non-deposit of Government Share of Commercial Activities – Rs 9.936 Million

According to Para 9(c) of A-1 Land Policy 2009, the Controller of Military accounts (CMA) shall immediately credit the 25% government share out of the rent of Category ‘A’ Activities, so received from the concerned Service, to above Government / Defence receipt Head under FCF with intimation to all concerned as per this Government Policy.

MEO Karachi allotted plot No.252/A, R.A Lines, Karachi measuring 1,600 Sq Yards situated on A-I land to Pakistan Ordnance Factory on 25/9/1997 for residential purpose for construction of flats. The allottee of plot illegally changed the purpose of residential lease into commercial by renting out to National Bank of Pakistan, National Testing System and many other commercial offices. MEO neither took any action

against the illegal use of A-1 land for commercial purposes nor Government due share was deposited into Government treasury causing loss of Rs for 10 years with effect from 1997 to 2007{(1,600 sq. yds. @ Rs 41,400 per sq. yd. = Rs 66,240,000 * 6% = Rs 3,974,400 * 25%)= Rs 993,600 * 10 = Rs 9,936,000). It is further pointed out that POF encroached some area by installing grill on the western side of building, but neither the encroachment has been removed by the MEO nor it has been regularized.

This loss was reported in November, 2013, to which MEO, Karachi stated that objection pertains to A-1 land under the management of army authorities, therefore, point may be taken against Defence forces. However, a notice will be served to POF Board for removal of grill. Reply of MEO, is misleading and not tenable as neither recovery of premium plus ground rent with effect from 1997 to 2007 has been affected nor the encroached land by installing grill has been removed/regularized and giving undue favor to the defence organization.

DAC in its meetings on January, 6 & 7, 2014, directed the MEO to shift the DP to Pak Army. No action has been taken as yet and illegal protection has been given to the conversion of residential plot to commercial use.

Audit requires fixing responsibility against MEO for not taking appropriate steps to stop/regularize encroachment and recovery of total due amount along with interest on the amount for the period of illegal conversion within one month.

DP-145(S)/2013-14

1.12 Loss to State for Rs 50.000 Million

1.12.1 Loss Due to Death of Animals in Flood Due to Negligence - Rs 50.000 Million

According to Rule-38(b)(1)(a) of Financial Regulations (Vol-1) 1986, if the court of inquiry finds that the loss is not due to theft, fraud or neglect it will be written off by the competent financial authority in consultation with Financial Advisor.

In July 2010, heavy rains struck Nowshera which resulted in a flood in the area. More than 1000 animals of the Military Farm Nowshera were not removed by the management to a safer place. These animals were padlocked and were not even let loose so that they could move out to save their lives by themselves. As a result, all these animals died at the spot with chains around their necks. Negligence of the management resulted in death of animals in pitiful conditions and a loss of approximately Rs 50 million.

The loss was pointed out in July, 2012 and it was replied that due to flood, all the roads were overflowing suspending all kind of communications. In such situation it was not humanly possible to rescue 1057 animals by farm chowkidars. Hence there was no negligence on the part of farm management. A station court of inquiry was conducted to assess the loss. Actual book value of those animals came to Rs 4.72 million as per loss statement.

The reply was not tenable because flood did not come abruptly. Proper flood warnings were issued and it took many days for flood to reach Nowshera and rise high to drown the animals.

The DAC in its meeting held on November 6, 2013 directed for regularization of loss.

No further progress was intimated to Audit till finalization of this Report.

Audit suggests that before regularizing the loss, disciplinary action should also be taken against the officials responsible for Government loss and painful death of large numbers of animals. The loss may also be got written off from the competent authority.

DP-217 (N)/2012-13

1.13 Misprocurement of Stores – Rs 108.044 Million

1.13.1 Loss Due to Mis-procurement of Medicines – Rs 2.635 Million

According to Rule-40 of Public Procurement Rules, 2004, save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

As per Rule-6 of Financial Regulations (Vol-I), 1986, in incurring or sanctioning expenditure, every officer should exercise the same vigilance in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The management of Combined Military Hospital (CMH) Abbottabad awarded a contract to M/s Malik Traders, Rawalpindi for supply of medicines to meet its daily requirement for the year 2010-11. The contractor was third lowest bidder but the contract was awarded to him after negotiations in violation of above rule.

Further M/s Malik Traders, Rawalpindi was awarded same nature of contract in the year 2009-10 with rebate @ 16.50% on retail price of all medicines. In the subsequent years i.e. 2010-11 & 2011-12, the contract was awarded to the same contractor at lesser rebate despite the fact that there was about 100% increase in purchase of medicines. Due to lesser rebate, an extra amount of Rs 2,634,916 was paid to the contractor as tabulated below:

Year	Rebate	Difference in Rebate	Total Expenditure (Rs)	Excess (Rs)
2009-10	16.50%	--	24,453,000	--
2010-11	13.55%	2.95%	46,459,000	1,370,540
2011-12	13.56%	2.94%	43,006,000	1,264,376
Total				2,634,916

It is worth mentioning that in the year 2012-13, another firm M/s Laraib Pharma, Rawalpindi was awarded the same contract at the rebate of 17.40%.

The irregularity was pointed out in April, 2013 and it was replied that the lowest and second lowest firms participating in the competition were found unable to run their business. Negotiation was held with 3rd lowest who enhanced rebate from 13.50% to 13.55% and contract was awarded to him.

The reply was not satisfactory because the contract was awarded to the third lowest bidder without a solid reason. Further, increase in volume of purchase should have earned extra rebate.

The DAC in its meeting held on February 18, 2014 directed to hold facts finding inquiry and fix responsibility.

No further progress was intimated to Audit till finalization of this report.

Audit recommends that responsibility be fixed for award of the contract to other than lowest bidder on lesser discount. The amount received by the contractor for lesser discount is recovered from him or from the authority awarding the contract. The irregular action be got regularized from the competent authority.

DP-130 (N)/2013-14

1.13.2 Irregular Award of Contracts in Violation of Public Procurement Rules – Rs 105.409 million

According to Rule 12(2) of Public Procurement Rules, 2004, all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu language. According to Rule 13 (1), under no circumstances the response time shall be less than fifteen days.

Thirty Six contracts valuing Rs 105.409 million pertaining to CMES (Army) Malir Cantt, Karachi were concluded without observing laid down procedure of Public Procurement Rules 2004. Details of contracts are listed below.

S #	DP #	Name of MES Formation	No. of Contracts	Amount in Million (Rs)	Nature of Violation
1	80	CMES (Army) Malir Cantt, Karachi	14	39.013	6 to 11 days response time was given instead of stipulated period of 15 days.
2	82	-do-	22	66.397	Neither advertised in newspaper nor floated on PPRA website.

The violation of Public Procurement Rules was pointed out to CMES (Army) Malir Cantt, Karachi during 2012-13, to which furnished different un-justified reasons for non-observance of Public Procurement Rules.

DAC in its meetings on January 6 and 7, 2014 directed for verification of record.

No further progress was intimated till finalization of this report.

Audit requires regularization of mis-procurement from competent authority.

DP-82 & 80(S)/2013-14

1.14 Unauthorized / Irregular Expenditure – Rs 196.976 Million

1.14.1 Blockade of Public Money due to Excess Purchase of Medicines – Rs 9.832 Million

According to Rule-47 (e) Financial Regulation Volume-I 1986 careful supervision over expenditure shall be exercised and on no account shall money be spent simply because it was available.

Medicine inventory of Combined Military Hospital (CMH) Rawalpindi for the year 2012-13 showed that certain medicines valuing Rs 8,491,296 were available in the hospital on July 1, 2012. The same medicines worth Rs 5,543,033 were further provided to the hospital during the year 2012-13 making the total value of the medicines to Rs 14,034,329. Medicines amounting to Rs 4,202,090 were consumed in the hospital during the year of 2012-13. Thus after meeting the annual requirement medicines amounting to Rs 9,832,238 was available in the hospital on June 30, 2013. The available medicines were 234% above the utilization of these medicines in the whole year. because of improper planning, certain medicines were procured in larger than required quantity without necessity which resulted into blockade of public money of Rs 9.832 million.

The blockade of public money was pointed out in March, 2013 to which it was replied by the hospital that the contracts were made centrally by DGP (Army) and medicines were issued by GHQ to various medical setups according to requirements. The reply was not tenable because DGP (Army) procured medicines on demand of Medical Directorate of GHQ.

The DAC in its meeting held on February 18, 2014 directed Medical Directorate GHQ to give reasons for raising the indent.

No further progress was intimated to Audit till finalization of this Report.

Audit suggests that proper coordination should be established between hospitals and Medical Directorate in order to assess the actual requirement of medicines and purchase should be made accordingly.

DP-159 (N)/2013-14

1.14.2 Unauthorized Payment of Pay and Allowances – Rs 5.992 Million

According to the clarification issued by Military Accountant General (MAG) vide letter No. 8/AI/POR/4356-NCB-M dated July 1, 2010, on Army Instruction 01/2004 regarding admissibility of batman / CILB and batman allowance, the officers / JCOs of Mujahid Force were not entitled to this facility / allowance.

The officers and JCOs of 657 Mujahid Force Battalion, Chirikot Azad Jammu and Kashmir (AJ&K), were unauthorizedly provided the services of Non-combatant Bearers (NCBs) or Compensation in Lieu of Batman (CILB) allowance and Batman allowance respectively. Therefore the expenditure of Rs 5,952,157 was unauthorizedly incurred on this account during the period from 2004 to 2010.

The unauthorized payment was pointed out in March, 2012 and it was replied by CO 657 Mujahid Battalion that amount was paid on account of CILB in the light of government orders issued vide AI-01/2004 and there was no objection raised on the subject during the period from 2004 to 2010. It was further stated that on receipt of clarification from MAG vide their letter No. 08/AT/POR/4356-NCB-M, dated July 1, 2010, said allowance was stopped. Moreover, most of the officers were discharged from service due to which it was very difficult for the unit to recover the said amount of CILB.

The reply is not acceptable because the payment of these allowances was made unauthorizedly and without entitlement therefore, was required to be recovered.

The DAC on November 6, 2013 directed that inquiry be conducted and report provided to MoD/Audit for verification and case would be processed in the light of inquiry report.

No further progress was intimated to Audit till finalization of this Report.

Audit suggests that recovery be effected for un-authorized payment.

DP-247 (N)/2012-13

1.14.3 Unauthorized Occupation and Use of A-1 Land for Private Commercial Business, Non-Deposit of Revenue Earned

According to Rule-14 (3) of Cantonment Land Administration Rules, 1937, Class A-1 land shall not be used or occupied for other than the authorized purpose.

An area of 15 acres A-1 Land of Military Farm, Lahore falling in Survey No. 126 was occupied by the Headquarters 4 Corps, Lahore for establishing a botanical garden. The A-1 Land can only be used for the specified active military purpose whereas above mentioned A-1 Land was unauthorizedly used to establish botanical garden in order to beautify and facilitate the unlawfully constructed commercial Marriage Halls and commercial Golf Course for public. The Government receipts earned from these unlawful private commercial activities has not been deposited ever since into the Government account.

In another case one Acre of A-1 Land of the Military Farm falling in the same survey was unauthorizedly occupied by the Army Housing Directorate, a quasi-commercial organization which constructed

its office there for managing affairs of Askari-X housing scheme Lahore. The occupation of A-1 Land by the Housing Directorate was appropriate.

The unauthorized use of A-1 Land was pointed out in August, 2012 and it was replied by Quartering and Land Directorate, GHQ that HQ 4 Corps initiated the case for establishment of botanical garden on A-1 land and approval was granted by GHQ (Qtg & Lands Dte). The case of establishment of office of Director Housing was rejected by the GHQ.

The reply is not tenable. The A-1 Land of Military Farm can only be used for specific military purposes whereas botanical garden was established adjacent to Marriage Halls with the sole objective to facilitate commercial business of unlawful marriage halls and Golf Club earning millions of rupees per month. The GHQ has already rejected the unlawful construction of office of Director Housing but the land has not been repossessed as yet.

The DAC on November 6, 2013 decided that para would be discussed in the DAC meeting to be held to discuss A-1 land cases.

No discussion was held till finalization of this Report.

Audit suggests that the A-1 Land be repossessed from the commercial concerns for proper use by the Military Farm, the amount earned from commercial business deposited into Government account and disciplinary action taken against the officers responsible for allowing A-1 Land for unlawful commercial activities.

DP-215 (N)/2012-13

1.14.4 Sanction of abnormal repair works by incompetent authority – Rs 64.615 million

As per rule 21(d), 29 & 163 read with table 'A' of Defence Service Regulation (DSR)-1998 revised vide Government letter dated June 12, 2006. All repair costing more than Rs 1.000 million fall under the category of abnormal repair which required Government sanction.

In Commander Military Engineer Services (CMES) Army and Garrison Engineer (GE) Army-I, Malir Cantt. Karachi, 23 administrative approvals for abnormal repairs each valuing more than Rs 1.000 million had been received, which were issued by Quarter Master General, GHQ and contract agreements amounting to Rs 64.615 million were awarded by CMES/GE for repair/maintenance/renovation of military buildings during 2012-13. Under the existing rules, QMG had no financial powers to sanction abnormal repairs hence the expenditure incurred stood as irregular.

The irregularity was reported in September/October, 2013 the GE/CMES stated that all works were executed after receiving admin sanctions issued by the QMG's Branch, General Head Quarter (GHQ). Reply furnished was not tenable as the QMG is not competent authority for sanctioning any abnormal repair work instead of Government.

DAC in its meetings on January 6 and 7, 2014 directed to refer the cases to Ministry of Finance (Regulation Wing) to obtain clarification of the rule.

No further progress was intimated till finalization of this report.

Audit requires expeditious implementation of DAC directives.

DP-81 & 68(S)/2013-14

1.14.5 Irregular Execution of Work from Operation Al-Mizan Grant –Rs 51.494 million

As per Para 1(v) of Ministry of Defence (MoD) letter No.7/6/2004-05/D-21 (Budget) dated November 30, 2004 the releases from "Special Transfer Account" shall be used for replenishment of stores and for procurement and according to Standing Operating Procedure of Al-Mizan Package-2008 Para 1(a) issued by General Head Quarter (GHQ), Chief of Logistics Staff Secretariat Monitoring and Budget Cell "This fund is utilized only for the procurement of store/equipment required for the troops deployed in operation Al-Mizan"

a) In Garrison Engineer (Army)–I, Malir Cantt, Karachi in contrary to above Government orders and Standard Operating Procedure of GHQ, Rs 41.247 million was allocated for the year 2012-13 to execute six works out of grant Operation Al-Mizan, which stood irregular, because, said grant could only be utilized for procurement of Defence Stores instead of construction works.

The irregularity was reported to the GE in September, 2013, to which it was replied that the said expenditure was incurred as per admin approvals. Reply was not tenable as the purpose of funds was shifted towards works unauthorizedly.

b) In Commander Military Engineering Services (CMES) Army Malir Cantt, Karachi, contrary to above Government orders and SOP of GHQ, four contracts valuing Rs 10.247 million for construction of store bock, MT shed etc. were concluded in 2013, out of grant of Operation Al-Mizan, which stood irregular, because, said grant could only be utilized for procurement of Defence Stores instead of construction works.

The irregularity was reported to the CMES in October, 2013, to which it was replied that all works executed on the direction received through admin channel and there were no irregular expenditure made against said head of account. Reply was not tenable as the purpose of funds was shifted towards works unauthorizedly.

DAC in its meetings held on January 6 and 7, 2014 directed to MES to initiate corrigendum with MoD through Military Accountant General to remove the conflict between both the Government letters on the subject.

No further progress was intimated till finalization of this report.

Audit requires issuance of clear policy letter from MoD to cover all aspects and issues on the subject.

DP-53 & 79(S)/2013-14

1.14.6 Unlawful Award of Contracts by an Unauthorized Authority – Rs 47.753 million

According to Rule 395 of Defence Services Regulations (DSR) 1998, the powers of acceptance of tenders are laid down in Table 'B' and as per Table 'B' the competent engineer authority to accept contracts is given below:

- | | |
|-------------------------|--|
| 1. E-in-C | (Engineer-in-Chief) |
| 2. DW & CE | (Director Works and Chief Engineer) |
| 3. CMES / SE | (Commander Military Engineer Services / Superintending Engineer) |
| 4. GE / XEN | (Garrison Engineer) |
| 5. AGE / Asstt XEN | (Assistant Garrison Engineer) |
| 6. SDO / Asstt Engineer | (Sub-Divisional Officer) |
| 7. Sub Engineer Gd-I & | Supervisor Gde-I |

In Garrison Engineer (GE) Army-I Malir Cantt, five contract agreements valuing Rs 47.753 million were awarded by ACE 5 Corps (Additional Chief Engineer) during 2012-13. Under existing rules the post of ACE does not exist, therefore, he has no legal authority to accept tender and award contract thereof, hence the said contracts have no legal standing, therefore, payments made to the contractors stood void and illegal.

The illegal action of ACE was reported to the GE in September, 2013, but no reply was furnished.

The GE apprised DAC in its meetings held on January 6 and 7, 2014 that the case is under process in MoD / Military Finance for approval. The DAC directed that approval of MoD be obtained along with regularization of past transactions. No further progress was intimated till finalization of this report.

Audit requires expeditious implementation of DAC directives.

DP-57(S)/2013-14

1.14.7 Irregular Payment of Pay and Allowances to RTE Staff - Rs 16.091 million

According to Rule 120 of DSR 1998, the establishments employed in the MES are divided as (a) permanent establishment, (b) temporary establishment and (c) casual personnel. The scales of permanent and temporary establishments are sanctioned by the Government of Pakistan. According to Rule 129, appointments of all non-gazetted categories (including clerical establishments) up to grade 11 posts may be made against the temporary sanctioned MES establishments by the DW & CE. Rule 560(b) provides that the pay and allowances of temporary personnel will, in the 1st instance, be charged to a separate detailed Head under the Establishment head concerned, but will be transferred at the end of each month as a charge against the installation.

A sum of Rs 16.091 million paid during 2012-13 to 87 regular temporary employees (RTE) on account of Pay & Allowances by Garrison Engineer (GE) Army-I Malir Cantt. Karachi, but all staff has been transferred to another GE office for repair/maintenance of military buildings at the same station during 2007-08. Under existing rules the staff has been sanctioned by Government for GE(Army)-I and being paid out of their budget but working with another office GE (Army) Services, which stood as irregular.

The irregularity was reported to the GE (Army)-I in September, 2013, to which it was replied that all RTEs are attached with GE Services, Malir for working purpose as per order of Commander Military Engineering Services (CMES), Malir and GE Army – I, Malir, only disbursed Pay & Allowances to all RTEs and maintains their record. Reply is an admission of irregularity, therefore, the staff in question either be excluded from the strength of GE (Army)-I to include in the strength of GE(Army) Services or the staff may be transferred back to their parent office.

DAC in its meetings on January 6 and 7, 2014 directed to take up the case with Ministry of Defence to amend Table of Organization and Equipment to address the complaints of Malir Cantt by provision of one window operation.

No further progress was intimated till finalization of this report.

Audit requires expeditious implementation of DAC directives.

DP-49(S)/2013-14

1.14.8 Irregular Payment of Minor Works Out of Savings of Specific Projects –Rs 1.199 Million

According to Rule 13 of Defence Service Regulation (DSR) 1998, any savings must not be applied to carry out additional work not contemplated in the approved project, its actual execution should not be undertaken without the sanction of competent authority.

In Garrison Engineer (GE) Army-I, Malir Cantt, Karachi, an amount of Rs 1.199 million was shown as saving after final payment of 3 contract agreements on 21-06-2013. The said amount was spent on the same date against additional minor works by preparing requisitions instead of surrendering those funds in-contradiction of above quoted rule.

The irregularity was reported to the GE in September, 2013, but no reply was furnished.

The GE apprised DAC in its meetings on January 6 and 7, 2014 that the case to obtain ex-post facto sanction is under process.

No further progress was intimated till finalization of this report.

Audit requires regularization of expenditure of Rs 1.199 million.

DP-62(S)/2013-14

1.15 Non-production of Auditable Record for Rs 90.000 Million

1.15.1 Non-Production of Auditable Record of Cattle Mandi - Rs 90.000 Million

Section-14 of the Auditor General's Ordinance, 2001 provides that the Auditor General has the authority to inquire that any accounts, books, papers and any other documents which deal with, or form, the basis of or were otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. Any person or authority hindering the auditorial functions of Auditor General regarding inspection of accounts shall be subjected to disciplinary action.

The contract deeds and allied documents pertaining to cattle mandi in the possession of the authorities of Heavy Industries Taxila (HIT) were demanded by Audit from Station Headquarters, Taxila vide letter No LTA-5(c)/DP-Establishment dated September 25, 2012 for audit scrutiny but were not provided.

The issue of non-production of record was pointed out to the management of HIT in September, 2012 and it was replied that the requisite information was with the Heavy Industries Taxila Education Welfare Trust (HITEWT) - a Non-Government Organization registered under Societies Registration Act-XXI of 1860 by Registrar Joint Stock Companies. Neither Government land nor public funds were involved in the Cattle Mandi. It had been established on a privately owned land which was taken on rent by HITEWT from a private owner of land. Further, the President of Pakistan visited HIT on February 26, 2004 and directed vide President Secretariat U.O. No 4(32)/Dir (CII)/2004 dated September 8, 2004 that proceeds derived from the cattle mandi be utilized by the HITEWT for meeting its laid down objectives. Consequently, Prime Minister issued directive to Ministry of Defence vide Prime Minister's

Secretariat U.O No 9-DP/DS (1A-2)/2004 dated September 22, 2004 to take further necessary action in the matter. Ministry of Defence accordingly conveyed Prime Minister's orders to HIT that proceeds derived from cattle mandi be utilized by HITEWT for meeting its laid down objectives vide U.O No 3354/D-12/04 dated October 5, 2004.

The reply was not tenable as no orders were given by the President but only above referred letter was issued to the Prime Minister Secretariat asking to consider issuing necessary instructions to Ministry of Defence for transfer of said land. Transparency International Pakistan has also filed a complaint for collection right of cattle mandi and raised objection on award of rights to private party for Rs 32.5 million without public auction.

Departmental Accounts Committee meeting was not convened on this para till finalization of this Report.

Audit suggests that disciplinary action may be taken against the officials who did not provide record to audit and thus hindered the auditorial functions of the Auditor-General of Pakistan. The requisite record be also provided to Audit for scrutiny.

DP-238 (N)/2012-13

1.15.2 Non-production of Record by Frontier Works Organization

Article-170 (2) of the Constitution of the Islamic Republic of Pakistan, 1973 provides that the audit of accounts of the Federal and of the Provincial Governments and the accounts of any authority or body established by or under the control of the Federal or Provincial Government shall be conducted by the Auditor General who shall determine the nature and extent of such audit". The contents of this constitutional provision were further confirmed by the order of the Supreme Court of Pakistan dated July 8, 2013 given in CMAs No. 3330, 3471, 3594/2013 which gave mandate to Auditor General of Pakistan to

conduct audit of all organizations established by or under the control of the Federal or Provincial Governments.

Section-14 of the Auditor General's Ordinance, 2001 provides that Auditor General has authority to inquire that any accounts, books, papers and any other documents which deal with, or form, the basis of or were otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. Any person or authority hindering the audit functions of Auditor General regarding inspection of accounts shall be subjected to disciplinary action.

Audit of Frontier Work Organization (FWO) Headquarters was planned in 2012-13, FWO authorities were intimated for conducting the audit but they did not respond in proper manner. They delayed and tried to get the audit pending in March, 2013 on the pretext that HQ FWO was in the process of the restructuring and the studies were under consideration in this regard in MOD.

The audit of FWO was again included in Audit Plan 2013-14. Audit team visited the formation and during a meeting with the executive on July 10, 2013 reluctance from FWO authorities to get accounts of HQ FWO audited was visible. FWO authorities expressed their apprehensions about audit of receipts of Government money pertaining to various projects of Federation or Provinces which were kept in unauthorized private bank accounts. On July 11, 2013, response which was earlier given in March, 2013, was repeated. It is important to mention that the management of FWO was reluctant regarding audit of their account since 2003-04. They backed out from their commitment expressed before PAC on December 14, 2012. The PAO had committed that they had no objection to audit of FWO accounts maintained at all formation.

The Frontier Works Organization is governed by a Board which is headed by the Engineer-in-Chief and includes following members:-

1. Financial Advisor (Army)
2. Director of Military Operations
3. Deputy Quarter Master General
4. Director General Frontier Works Organization

The FWO executes projects for Federal and Provincial Governments and the funds for these projects come from the Federal and Provincial Consolidated Funds.

In the light of above facts it is evident that the management of FWO, by not producing the accounts to audit, is hindering the constitutional responsibilities of the Auditor General of Pakistan. In that way it is evident that they are also violating the National Constitution and their financial affairs are not transparent.

The DAC meeting was not convened on this Para till finalization of this Report.

Audit recommends that disciplinary action be initiated against persons responsible for violating the Constitution by way of hindering the statutory mandate of the AGP and all books of accounts and relevant record be made available to audit for scrutiny.

DP-64 (N)/2013-14

Pakistan Air Force

1.16 Recoverables / Overpayment – Rs 354.861 Million

1.16.1 Unauthorized Occupation of A-1 Land and Non-recovery of Rent – Rs 92.115 Million

Under Rule-14 (3) of Cantonment Land Administration (CLA) Rules 1937, land in class “A” shall not be used or occupied for any purpose other than those stated in Sub Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf.

According to the policy on use of A-1 Land for welfare and other projects of the armed forces issued by Ministry of Defence vide letter No. F.2/5/D-12/ML&C/99 dated April 2, 2008, the whole income relating to A-1 Land used for agriculture purpose, poultry farms etc will be deposited into Government treasury.

In Military Estate Office, Sargodha, out of 1,195 acres A-1 Land only 319 acres situated at Lallian Range was shown as under agriculture use by PAF Base Mushaf, Sargodha. The documents relating to Civil Suit filed in the Civil Court Sargodha, ‘titled M/s Agridawan (Pvt) Islamabad against PAF Base Mushaf’ revealed that 1,120 acres was actually used for agricultural purpose since 2004. Thus, income of 1,120 acres instead of 319 acres agricultural land was required to be worked out which was not done. This resulted into less deposit of rent amounting to Rs 92,115,000 on account of agricultural income for remaining 801 acres for the period from 2008 to 2012.

Less recovery of Government dues was pointed out in February, 2013 to which it was replied that under the policy for use of A-1 land, responsibility for recovery of rent rests with the concerned unit therefore, audit para may be shifted to Air HQrs Islamabad.

The DAC in its meeting held on January 2, 2014 directed to shift the audit para to Pakistan Air Force.

No progress was intimated to Audit till finalization of this Report.

Audit stresses that actual amount of the entire agriculture land under utilization of the PAF be calculated and rent recovered accordingly.

DP-75 (N)/2013-14

1.16.2 Unauthorized Occupation of A-1 Land and Non-deposit of Rent Used for Agriculture – Rs 82.868 Million

Under Rule-14 (3) of Cantonment Land Administration (CLA) Rules 1937, land in class “A” shall not be used or occupied for any purpose other than those stated in Sub Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf.

According to the policy on use of A-1 Land for welfare and other projects of the armed forces issued by Ministry of Defence vide letter No. F. 2/5/D-12/ML&C/99 dated April 2, 2008, the entire rent realized from agricultural land shall be deposited into Government treasury.

As per the record of MEO, Sargodha, agriculture land measuring 946 acres irrigated and 215 acres barani situated at Lallian Range, Risalewala, Rakh Kirana and PAF Chander was under occupation of PAF Base Mushaf, Sargodha and used for agriculture purpose as evident from PAF Base, Mushaf letter No. MSF/332/10/Admin, dated April 12, 2011 and MEO Sargodha letter No. SG/10/195/1/20 dated April 12, 2011. The agriculture income was worked out as Rs 4,418,700 based on lesser rates for the period 2008 to 2012 instead of Rs 82,868,500 as per prevailing rates. However, no recovery was effected on this account.

Non-recovery of Government dues was pointed out in February, 2013 to which it was replied that under the policy for use of A-1 Land, responsibility for recovery of rent rests with the concerned unit therefore, audit para may be shifted to AHQ Islamabad.

The DAC in its meeting held on January 2, 2014 directed to shift the audit para to Pakistan Air Force.

No progress was intimated to Audit till finalization of this report.

Audit stresses that actual amount of the entire agriculture land under utilization of the PAF be calculated and rent recovered accordingly.

DP-76 (N)/2013-14

1.16.3 Non-recovery of Dues for Use of A-1 Land for Commercial Purpose - Rs 81.753 Million

The policy on use of A-1 Land for welfare and other projects of the armed forces issued by Ministry of Defence vide letter No. F.2/5/D-12/ML&C/99 dated April 2, 2008 stipulates, the rent shall be charged @ 6% per annum of existing revenue rate of the said land used in commercial projects. Out of total calculated rent, 25% will be deposited into Government treasury and balance 75% will be utilized by respective formation.

It was observed from record at (MEO) Karachi that ‘The City School’ was running on 20 acres of A-1 Land located at PAF Base Faisal, Karachi. The Board Proceedings were not prepared to work out 6% rent as per above A-1 Land policy. This resulted into non-recovery of Government revenue amounting to Rs 81,753,408.

Non-recovery of Government dues was pointed out in March, 2013 to which it was replied that since the policy on use of A-1 Land has been formulated by the Government therefore, audit para may be shifted to Pakistan Air Force for recovery.

The DAC on January 2, 2014 directed to refer the para to Pakistan Air Force for response.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that either Government dues be recovered from the concerned quarters or Government land got vacated.

DP-82 (N)/2013-14

1.16.4 Unauthorized Occupation of A-1 Land and Non-recovery of Rent of Land Used for Agriculture Purpose – Rs 70.396 Million

According to Rule-14 (3) of Cantonment Land Administration (CLA) Rules 1937, land in class A shall not be used or occupied for any other purpose other than those stated in Sub Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf.

According to the policy on use of A-1 Land for welfare and other projects of the armed forces issued vide Government of Pakistan Ministry of Defence Rawalpindi No. F.2/5/D-12/ ML&C/99 dated April 2, 2008, the whole income relating to A-1 land used for agriculture purpose, poultry farms etc would be deposited into Government treasury.

The PAF Base, Sargodha letter No. MSF/302/1/PSI dated February 25, 2010 and MEO Sargodha letter No. SG10/195/1/18 dated October 15, 2010 revealed that 1,035 acres A-1 Land was under occupation of PAF Base Mushaf Sargodha, PAF Base Mianwali and PAF Base Risalewala and was used for agricultural purposes without any Board of Officers or physical demarcation of defence land since 2008. The income of Rs 70,396,320 derived from agricultural land was not deposited into Government treasury.

Non-deposit of Government dues was pointed out in February, 2013 to which it was replied that under the policy for use of A-1 Land, responsibility for recovery of rent rests with the concerned unit therefore audit para may be shifted to AHQ Islamabad.

The DAC in its meeting held on January 2, 2014 directed to shift the audit para to Pakistan Air Force.

No progress was intimated to Audit till finalization of this Report.

Audit stresses that actual amount of the entire agriculture land under utilization of the PAF be calculated and rent recovered accordingly.

DP-77 (N)/2013-14

1.16.5 Unauthorized Occupation of A-1 Land and Non-recovery of Rent of Land Used for Agricultural Purpose – Rs 7.684 million

According to Rule-14 (3) of Cantonment Land Administration (CLA) Rules 1937, land in class “A” shall not be used or occupied for any purpose other than those stated in Sub Rule (i) of Rule-5 without previous sanction of the Central Government or such authority as they may appoint in this behalf.

According to the policy on use of A-1 Land for welfare and other projects of the armed forces issued by Ministry of Defence vide letter No. F. 2/5/D-12/ML&C/99 dated April 2, 2008, the while rent realized from agricultural land would be deposited into Government treasury.

In Military Estate Office (MEO) Sargodha, 113 acres A-1 Land situated at Chak No. 702/44 was under unauthorized occupation of PAF Base Rafique, Shorkot and used for agriculture purpose without Government sanction as evident from PAF Base letter No. RAF/184/1/SIF dated March 10, 2011. Neither Board of Officers was completed nor

physical demarcation of Defence Land for use as agricultural purposes was done since 2008. The income derived from agricultural land amounting to Rs 7,684,000 for the period 2008 to 2012 was also not deposited into Government treasury.

Unauthorized occupation and non-recovery of rent of Government land was pointed out in February, 2013 to which it was replied that under the policy for use of A-1 Land, responsibility for recovery of rent rests with the concerned unit therefore audit para may be shifted to AHQ Islamabad.

The DAC in its meeting held on January 2, 2014 directed to shift the audit para to Pakistan Air Force.

No progress was intimated to Audit till finalization of this Report.

Audit stresses that the occupation of Government land be regularized and actual amount be calculated and recovered accordingly.

DP-78 (N)/2013-14

1.16.6 Loss to State Due to Non-Deposit of Rent into Government Treasury Recovered from Officers Stayed at Visiting Officers Quarters (VOQ) and Guest Rooms – Rs 20.045 Million

As per Rule 442 of Defence Service Regulation (DSR) 1998, Garrison Engineer (GE) is responsible for making demands for payment of all revenues and for taking steps for its prompt realization.

In Garrison Engineer (Air) Chaklala, 34 Visiting Officers Quarters and 16 guest rooms were functioning under control of Pakistan Air Force (PAF) Base, Chaklala, but rent generated from the VOQs and guest rooms amounting to Rs 20,044,800 was not deposited into government treasury, causing loss to state.

The non-deposit of rent into Government treasury was pointed out and reported to GE in April, 2013, to which it was replied that rent from all are recovered regularly on monthly basis as per practice in vogue. Reply is evasive and not tenable as the recovered amount has not been deposited into Government treasury, which should be expedited.

DAC held on January 6 and 7, 2014 in which DAC was apprised that recovery is being affected from the officer(s) concerned and deposited into Government treasury. The DAC directed to the GE to reconcile the figures with audit. Further progress was not reported till finalization of this report.

Audit requires expeditious deposit of recovered amount into Government treasury, besides its verification from audit.

DP-119(S)/2013-14

1.17 Loss to State – Rs 438.529 Million

1.17.1 Loss to State Due to Un-Justified Air Movement of Non-Duty Passengers through C-130 – Rs 414.000 Million

As per Rule 5 (a) of Financial Regulations (F.R) Vol-I 1986, Defence expenditure may be sanctioned by the Ministry of Defence and by the authorities subordinate to it if it pertains to Defence. Rule 6 (a) of F.R Vol-I 1986 provides that every officer 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. Para 2 (b) of AFI 8/75 further provides that special flights arranged for conveying a particular individual/ individuals or a specific load for purpose other than Military will be sanctioned by the Ministry of Defence in consultation with the Ministry of Finance (Ministry). With the exception of supreme authorities, a debit will be raised against the government department concerned on the basis of the

charges including cost of flying meals, assessed from time to time by the air force authorities in consultation with the Financial Adviser (Air Force).

In Pakistan Air Force (PAF) Base Faisal, Karachi, total 46,021 passengers were traveled through C-130 cargo aircraft during 2011-12, out of which 4,580 (9.95%) were duty passengers and 41,441 (90.05%) were non-duty passengers. This unauthorized capacity utilization was manipulated through special arrangements of C-130 flights during eid holidays and other holidays on other occasions. The record of non-duty passenger has neither been integrated with respective orderly room to synchronize with the issuance of concessional vouchers nor did any debit raise for other departments, sister organizations who availed the facility frequently. Neither the quota of ACV (Air Concession Vouchers) of Defence Officers and their family members were surrendered nor any recovery made from them for frequent movement through C-130. Most of the flights of C-130 were from PAF Base Faisal, Karachi to PAF Base Chaklala, Islamabad. The minimum estimated financial effect of these non-duty passengers movements comes to Rs 414,410,000 (41,441 passengers @ Rs 10,000 per passenger) and due to non-observance of Government orders, the Government exchequer also bears extra burden of cost of Petrol, Oil and Lubricants (POL), additional maintenance cost and high risk of early completion of life cycle of precious Government aircrafts. The PAF authorities compel non-duty passengers to fill an indemnity form as per para 9 of AFI 8/75 that the passenger or their legal heirs will not make any claim against the Government of Pakistan in case of any loss, injury or death. In case of any accident, the issue of insurance claims and financial compensation for these non-duty passengers could create a negative impact against Government of Pakistan. As per statistics of Aviation Safety Network, from September 2, 1958 to February 11, 2014 total 294 accident cases including 9 cases pertaining to PAF C-130 aircraft has been reported. Instead of collecting a proportional amount including insurance premium from non-duty passengers the facility used at mass level without any proper policy. The PAF not exercised the options

available in para 6 and 8 of AFI 8/75 to devise a proper system to integrate the record of non-duty passengers having entitlement of six Air Concession vouchers (ACV 50% rebate), for himself and each family member in one calendar year.

The loss was reported to Base Commander, PAF Base Faisal, Karachi in October, 2012, to which it was replied that the movement of non-duty passengers is authorized to give incentive to Defence personnel on fill up basis. Reply furnished by the PAF is misleading and not tenable as AFI 8/75 containing no provision for free of cost movement of non-duty passengers.

DAC in its meetings on January 6 and 7, 2014 directed PAF to provide Air Force Instruction (AFI) indicating delegation of powers on the subject to audit for verification. However, no appropriate action was recommended by the DAC about the serious issue.

Audit requires immediate stoppage of movement of non-duty passengers through C-130 subject to recovery of cost of unauthorized use of C-130. The data of ACV be integrated with orderly room record as well as with C-130 flights record to discourage the unauthorized use of C-130 and ACV facility simultaneously without considering best use of meager Government resources. A proper policy covering all financial, legal and flight safety related issues by involving technical as well as financial experts be framed and issued to safeguard the public exchequer interest.

DP-76(S)/2013-14

1.17.2 Inordinate Delay in Regularization of Losses of Stores – Rs 13.960 Million

According to Rule 37(a) of Financial Regulations (FR) Vol-I 1986, all losses, whether of public money or of stores, shall be subject to a preliminary investigation by the officer in whose charge they were, to ascertain the cause of the loss and the amount involved. Further, Rule 38 (b) (1a) provided, if the investigation shows that the loss is not due to

theft, fraud or neglect, it shall be written off by the competent financial authority in consultation with his Financial Adviser.

In Pakistan Air Force (PAF) Base Faisal, Karachi, five loss cases of stores valuing Rs 13.960 million have been lying pending since 2001 for written off. Despite lapse of 12 years, cases could not be finalized, reflecting efficiency of PAF.

The inefficiency was reported to Base Commander, PAF Base Faisal in October 2012, to which it was replied that the regularization action is under progress. Reply is not tenable as after lapse of more than 11 years the regularization action has not been finalized as yet.

DAC in its meetings on January 6 and 7, 2014, directed to regularize the losses of stores. No progress has been reported till finalization of this audit report.

Audit emphasizes regularization without loss of further time, besides, initiation of disciplinary case against the person(s) responsible for inordinate delay.

DP-63(S)/2013-14

1.17.3 Loss to State Due to Low Recovery Rates of Water Charges – Rs 7.469 Million

As per Rule 1, Annex A (to Appendix ‘O’) of Defence Services Regulation (DSR) 1998, the All-Pakistan flat rate for water charges will be as notified from time to time in Joint Services Instruction (JSI) or other Government orders. Further according to Notes at the end of Rule 2 of Annexure-A (Appendix ‘O’) of DSR 1998, any increase of rates as and when notified/imposed by the Provincial Government/supplying agency shall be recovered in addition to the rates specified in this rule.

In Garrison Engineer (Air) Korangi Creek, Karachi, recovery on account of water charges is being affected @ Rs 8.50 per 1000 gallon from paying consumers on the basis of all Pakistan recovery rates notified

by the Government whereas the GE office making payment to supplying agency viz Karachi Water and Sewerage Board (KW&SB) @ Rs 100 per 1000 gallon. The legal burden of paying consumers of Rs 91.50 per 1000 gallon (Rs 100 – Rs 8.50) is being borne by the state, causing per annum estimated recurring loss to state for a sum of Rs 7.469 million. As the GE is legally bound to ensure actual recovery of water charges from paying consumers equal to supplying agency rates, but the recovery rates of water are not compatible with the rates of KW&SB. In order to save public exchequer from recurring loss enhancement of recovery rates of water charges is inevitable. It is further added that sister service i.e. Navy is being recovered water charges from their paying consumers equal to supplying agency (KW&SB) rates.

The less recovery of water charges was pointed out and reported to the GE in September 2013, to which it was replied that water charges are being recovered as per existing rules @ Rs 8.50 per 1000 gallon per month. The reply furnished by the GE is misleading as the rules are not being followed in its true spirit as a whole.

DAC in its meetings on January, 6 and 7, 2014, directed to the GE that rules may be implemented in letter and spirit regarding utilization of water. DAC also directed to work out the total quantity of water received from KW&SB plus fresh water purchased through contractor minus free consumption of water and charge to consumers as per existing rules. The AHQ may issue policy on the subject.

Audit requires implementation of DAC directive, besides, expeditious recovery at revised rates.

DP-40(S)/2013-14

1.17.4 Non Disposal of Surplus CNG Kits Mechanical Transport Stores – Rs 3.100 Million

As per Rule 45 (c) of Financial Regulations (FR) Volume-I 1986, obsolete stores are those which have become out of date in a

particular service and have to be withdrawn from equipment, aircraft or mechanical transport (MT) vehicles of that service and which cannot be used up, issued or utilized any longer in manufacturers.

In Pakistan Air Force (PAF) Base Faisal, Karachi, 62 CNG kits valuing Rs 3.100 million (@ Rs 50,000 per kit x 62 kits) were removed from vehicles in 2011, but since then lying unutilized, causing loss to state due to blockage of public money.

The irregularity was reported to Base Commander PAF Base Faisal in October 2012, to which it was replied that CNG kits were removed from Service Mechanical Transports, as per directives of Chief of Air Staff (CAS). Reply furnished by the PAF is irrelevant.

DAC in its meetings on January 6 and 7, 2014, directed to PAF that all relevant documents for utilization of CNG kits be provided to audit for verification. No progress has been reported till finalization of this audit report.

Audit requires implementation of DAC directive, besides, expeditious disposal of CNG Kits.

DP-41(S)/2013-14

1.18 Misprocurement of Stores – Rs 35.202 Million

1.18.1 Irregular Award of Contracts Due to Violation of Public Procurement Rules – Rs 27.116 Million

As per Rule 12 of PPRA, 2004, states that procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website. Likewise Rule 12(2) of 2004, states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in

English and the other in Urdu language. Also, 13(1) of PPRA, 2004, states that under no circumstances the response time shall be less than fifteen days for national competitive bidding from the date of publication of advertisement or notice.

a) In Commander Military Engineer Services (Air) Faisal, Karachi, in contrary to Public Procurement Rules an expenditure of Rs 23.323 million was incurred against 14 contracts which were awarded by CMES (Air) to various contractors for construction, repair and purchase of fresh water.

The violation of rules was reported to the CMES in October 2012, to which it was replied that PP rules have not been received from higher authorities, however, as per advice of audit authorities the same has now been implemented in all cases. Reply is not tenable as admission of violation of PPRA rules is serious offence, which cannot be ignored.

b) In Garrison Engineer (Air) Risalpur, a contract for rehabilitation of instructor block No. 14 at 106, Air Engineering Depot, valuing Rs 3.793 million was awarded during 2012 without observing above quoted rules.

The violation of Public Procurement Rules was reported to the GE in May 2013, to which it was replied that the omission occurred due to meager difference between provisions of Defence Services Regulations, 1998 and Public Procurement Rules, 2004. Reply is not tenable as compliance of PP Rules is mandatory.

DAC in its meetings on January 6 and 7, 2014, directed to hold inquiry for not following PP Rules and fix responsibility against the responsible person(s). No progress has been reported till finalization of this audit report.

Audit requires issuing policy instructions to all concerned to implement Public Procurement Rules in letter and spirit and to hold fact

finding inquiry to probe into the matter and fix responsibility against the person(s) at fault.

DP-102 & 130(S)/2013-14

1.18.2 Irregular Award of Contract Rs 22.930 Million for Procurement of LPG and Loss to State Due to Higher Rates – Rs 4.874 Million

According to Rule 12 of Public Procurement Rules, 2004, all procurements over Rs 2.000 million be advertised on the PPRA website. Rule 25 stipulates that procuring agency may require the bidders to furnish a bid security not exceeding 5% of the bid price. Rule 39 provides 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 10% of the contract amount.

In Garrison Engineer (Air) Shahbaz, Jacobabad, procurement of Liquefied Petroleum Gas (LPG) costing Rs 22.930 million was done during 2011-12 in violation of Public Procurement Rules by calling tenders without publishing advertisements in print media and on PPRA website, without obtaining 5% bid money and 10% performance guarantee. The purchases were done from other than authorized dealers of Oil and Gas Regulatory Authority (OGRA), causing over payment of Rs 4.874 million to contractor due to higher rates.

The irregularity was reported to the GE in April, 2013 to which it was replied that LPG was purchased by Base authorities through a board of officers. However, violation of Public Procurement Rules was due to lack of understanding which has been removed and noted for strict compliance in future. Reply furnished by the MES is an admission of irregularity. If fair competition was exercised the lesser rates would be achieved. Due to unauthorized breach of Public Procurement Rules the

said procurements stood as mis-procurement as per Public Procurement Rule 50.

DAC in its meetings on January 6 and 7, 2014, directed to MES to reconcile the matter with audit along with necessary verification.

Audit requires holding fact finding inquiry to probe into the matter and fix responsibility against the person(s) at fault besides, prompt recovery of overpayment from the beneficiary.

DP-150(S)/2013-14

1.18.3 Contract Awarded in Violation of Public Procurement Rules – Rs 3.212 Million

As per Rule 13(1) of Public Procurement Rules 2004, response time of 15 days for national competition bidding be allowed. Rule 12 (1) PPRA 2004 provides that the procurement opportunity be advertised on PPRA's website. Rule 6 (a) of Financial Regulations (F.R) Vol-I 1986 states that every officer 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.

a) In PAF Base Peshawar, a tender for conservancy contract valuing Rs 1.980 million for the year 2011-12, was advertised in Daily Pakistan, Peshawar, on March 23, 2011 mentioning the date of opening as March 28, 2011, which indicates response time as 5 days instead of at least 15 days. The advertisement for contract was not advertised on PPRA's website as well. The contract was concluded on April 01, 2011 prior to the date (April 05, 2011) of No Objection Certificate received from Cantonment Board, Peshawar. The schedule of conservancy was also not obtained from the contractor to justify the payments. In addition to that, PAF Base Peshawar, had two tractors and 142 sanitary workers, paid from public fund, used for conservancy services. In the presence of such manpower and equipment conservancy contract is unjustified.

The illegal actions were reported to Base Commander PAF Base Peshawar in December 2012, to which it was replied that the advertisement in daily news was skipped by the editor due to clerical mistake and response time was, therefore, less than required period. The NOC was furnished late by Cantt Board. Local contractors are illiterate, therefore, they hired the same person for filling quotations of all participating bidders. Reply furnished by the PAF is an admission of violation of PP rules that is serious offence, which cannot be ignored.

DAC in its meeting on January 6 and 7, 2014, directed to take remedial measures to avoid such occurrence again. No progress has been reported till finalization of this audit report.

Audit requires issuing policy instructions to all concerned to implement Public Procurement Rules in letter and spirit and to hold fact finding inquiry to probe into the matter and fix responsibility against the person(s) at fault.

b) In PAF Base Kalabagh, Rs 1.233 million was paid for conservancy services. Tender was not floated on Public Procurement Regulatory Authority's website and only 03 days response time (date of advertisement was April 23, 2011 & opening of tender was April 26, 2011) was given to contractor.

The irregularity was pointed out in June 2013, the Pakistan Air Force (PAF) stated that hoisting of tender on PPRA's website is in practice from 2012-13. The point regarding response time has been noted for strict compliance in future. Reply is not tenable as compliance of PP Rules 2004, was mandatory.

DAC in its meetings on January 6 and 7, 2014, directed PAF for regularization of the matter.

Audit requires implementation of DAC directive along with fixation of responsibility against the person(s) at fault.

DP-124 & 75(S)/2013-14

1.19 Unauthorized / Irregular Expenditure – Rs 25,622.316 Million

1.19.1 Unauthorized Holding of Generator Sets by PAF and Illegal Generation of Electricity Instead of MES – Rs 50.000 Million

As per Annex-A to Rule-9 of Financial Regulations (FR) Vol-I 1986, revision of TO&E (Table of Organization and Equipment's) requires prior approval of Government of Pakistan. According to Rule 720 of DSR 1998, the Electricity Act, 1910, together with its subsequent amendments, wherever applicable, is binding on Military Engineer Services (MES) installations. Section 3(2) (a) of this Act provides that a local Government shall not grant a license to supply electric energy in any station in occupation for military purposes without reference to the Engineer in Chief (E-in-C). Rule 721 of DSR 1998, also provides the responsibilities of the MES for Defence Installations for the supply of electric energy, water, refrigeration and for censuring apparatus connected therewith.

In PAF Base Korangi Creek, Karachi, 10 generators valuing Rs 50.000 million were installed at various places of the Base and held at the charge of Base since 2008, without inclusion in the TO&E of the Base. 3,493 liter diesel valuing Rs 0.349 million were consumed and Rs 0.117 million has been incurred on repair/maintenance during 2012-13. As per existing rules distribution of electricity and recovery of its charges is the responsibility of MES and MES has also running many generator sets at various places of the Base, therefore, running of generator sets by the PAF is neither legal nor justified. In order to avoid duplication and stream lining the system all generator sets of PAF may be transferred to MES. It is, therefore, requested that authorization of Government of Pakistan in this regard may also be obtained.

The irregularity was reported to Base Commander PAF Base Korangi Creek in August, 2013, to which it was replied that 10 generator sets at this Base were temporarily allotted as standby power sources by Air Headquarters (AHQ) in June, 2008. These generators could not be transferred to MES because these generators were declared surplus by Headquarters only for peace time utilization and same might be made available to Air Defence units for exercise, deployment and operational contingencies. Reply furnished by the PAF is not tenable as all authorizations have been issued by the AHQ whereas under existing rules only Government is competent to issue such authorization. As per Electricity Act MES is competent to generate and supply electricity and AHQ is not competent to override the mandate of MES.

DAC in its meetings on January 6 and 7, 2014, directed to Base authorities to provide authorization of all items to audit. No progress has been reported till finalization of this audit report.

Audit requires transfer of generator sets to MES and responsibility in terms of violation of rules may be fixed against the person(s) at fault.

DP-86(S)/2013-14

1.19.2 Illegal Purchase of Mechanical Transport Stores – Rs 31.630 Million

According to Rule 43 of Equipment Regulations (EQ) Volume-I (Rules), the Commanding Officer will ensure that all transactions are brought to account as soon as they occur and that the accounts are always kept accurate and up-to date. The accounts will be subject to audit check, from time to time, and until these accounts have been examined and accepted by audit, he and the officer in charge of the stores will not cease to be responsible for them. Further, as per Para 5, Annexure ‘A’ to Rule 9 of Financial Regulations (FR) Volume-I 1986, (Army and Air Force), in

the case of variation in purchase procedures laid down by Government, prior reference will have to be made to the Government.

In PAF Base Korangi Creek, Kalabagh and Rafiqui, spare parts for repair maintenance of mechanical transport (MT) costing Rs 31.630 million were locally purchased for replacement during 2012-13. According to laid down procedure of local purchase, quotations/tenders are called for by procuring agency to exercise proper competition. LPO is issued in favour of lowest bidder. On receipt of store from lowest bidder, taken on charge in MT ledger and subsequently same spare parts have been used in vehicles and repair entries are made in the relevant log book of vehicle. On comparisons of local purchase orders (LPO), MT ledger and log books it was noticed that stores were taken on charge in MT ledger and entries were made on log books prior to issuance of Local Purchase Orders (LPO) whereas as per rules LPOs should have been issued first. The enumerated actions revealed that all the process of calling quotations/tenders, preparation of comparative statements and issuance of LPOs are mere formality/paper work and no real competition was done. The laid down procedure was violated intentionally to extend favor to the selected suppliers with manipulation of record.

The manipulation of record was reported to the concerned PAF Base in August, June and July 2013, to which it was replied that in some cases it is possible due to misunderstanding of sequence of dates. Replies furnished by the PAF Bases are an admission of violation of procedure and not tenable as no properly defined procedure has been adopted and in most of the procurements, items/ parts have been fitted in vehicles one month prior to local purchase.

DAC in its meeting on January 6 and 7, 2014, directed the Base authorities to get the past transactions regularized from Government and to issue policy instructions to all concerned to implement the rules in letter and spirit to avoid such recurrence in future. DAC further directed to get it verified from audit. No progress has been reported till finalization of this audit report.

Audit requires holding fact finding inquiry to probe into the matter and fix responsibility against the person(s) at fault.

DP-87, 91 & 106(S)/2013-14

1.19.3 Unauthorized Holding of Electrical Equipments and Free Consumption of Electricity – Rs 31.319 Million

As per Rule 1 (b), Notes below 11(b) and 17(f) of Defence Services Accommodation Scales 2000, all proposals for air conditioners, refrigerators, deep freezers and electric water coolers require the approval of the Government of Pakistan. Further, Rule 772 of Defence Service Regulation, 1998, energy for any unauthorized appliances will be charged for. As per Rule 86 of Quarters & Rents 1985, non-military consumers even though in occupation of buildings which are authorized to have electrical installations are non-entitled to a free supply of electric energy for any purpose.

In Pakistan Air Force (PAF) Base Korangi Creek, Karachi, contrary to the above provisions, 2,082,791 units of electricity costing Rs 31.319 million was authorized as free for the year 2012-13 by board of officers dated June 19, 2012 to 232 air conditioners, 119 electric water coolers, 08 deep freezers & 18 refrigerators, Pakistan Air Force Women Association (PAFWA) and Estillamaris School. As the stated electrical articles and two establishments were not authorized by Government of Pakistan, therefore, payment out of public fund on account of free supply of electricity as per board of officers stood illegal and unauthorized.

The illegal payment against unauthorized electrical articles and two establishments was reported to Base Commander, PAF Base Korangi Creek in August, 2013, to which it was replied that all ACs are installed under the approval of Air Headquarters (AHQ) through Board of Officers. Hospitals & Barracks are authorized for electric water coolers. PAFWA is established for welfare of troops on no profit no loss basis. Estillamaris

School is established for Christian community in Military Engineer Service building. Reply furnished by the PAF is not tenable as the AHQ is not competent to sanction installation of air conditioners, electric water coolers, deep freezers and refrigerators even though on authorized places except prior approval of Government of Pakistan. Only military consumers are authorized for free consumption of electricity, water and gas whereas Troops Welfare Center (being run by PAFWA) and Estillamaris School are non-military organizations.

DAC in its meeting on January 6 and 7, 2014, directed to the PAF that authorization of all the equipments and establishments be shown to audit for verification. No record produced to audit till finalization of this audit report.

Audit requires either approval of Government or recovery may be affected expeditiously.

DP-51(S)/2013-14

1.19.4 Unlawful Contract of Consultancy Services Valuing Rs 429.234 Million Awarded by PAF to Kashif Aslam & Associates (Private) Limited by Overriding the Mandate of Military Engineer Services (MES) for Shahbaz Project Jacobabad Costing Rs 25.489 Billion

a) As per Para 2, 3 and 4 of Defence Services Regulations (DSR) 1998, only MES shall carry out engineering services for the Armed Forces of Pakistan Engineering related capital and maintenance services. Para 1 of DSR provides that the organization of MES functions on an inter-services basis. It consist of the office of the chief implementing authority the Engineer-in-Chief (E-in-C) who is the head of the whole organization and the MES wings of the Army, Navy, Air Force and Defence Production (DP) each headed by a Director of Works and Chief Engineer (DW & CE).

b) Para 98 of DSR 1998 also provides that the Director Planning and Works, Engineer in Chief, General Headquarters (GHQ) will be responsible for design, consultancy, inspection and evaluation of all development works of Defence Services and as per Para 3(a), table “C” the Director Works and Chief Engineer of MES (Air) is responsible for planning, designing, contracting and Execution of all works of the Air Force.

On March 12, 2008, Ministry of Defence (MoD) notified to constitute the “Shahbaz Development Board” (SDB) for infrastructure development of PAF Base Shahbaz at Jacobabad to convert it from Forward Operating Base (FOB) into Main Operating Base (MOB) for housing F-16 C&D aircrafts within 2 years up to Jan 2010 and MoD made it mandatory to exercise technical, financial and administrative powers as per DSR 1998. For this purpose, SDB was established and a non-technical Air Commodore of PAF was posted as Chief Project Director as Head of this highly sophisticated technical project. The E-in-C of MES, GHQ, on March 18, 2008 vide Para (g) of Minutes of Inaugural meeting of SDB, suggested unlawfully to hire a local consultancy firm for master planning and designing of the Shahbaz Project by over riding the lawful mandate of the MES.

Consequently, the PAF awarded unauthorizedly and incompetently the contract No, 08/2008 valuing Rs 429.234 million to M/s Kashif Aslam & Associates (Pvt) Ltd for architecture and engineering consultancy services of this project in violation of the rules by excluding the responsible and competent forum MES for the purpose. As per rules and mandate, only MES is responsible for such sophisticated and secret construction works of Defence Services but PAF assumed unlawfully the mandate of MES for this Project. Initially the Project Shahbaz was approved by the Prime Minister at the cost of Rs 7.000 billion and financing of this development project through the sale of non-operational land owned by PAF, excluding the cost of F-16, to be completed in 2 years up to January, 2010 but extended to Dec 2011. Later on the total cost of

project has been raised up to Rs 25.489 billion to be completed in 2014-15.

Unlawful award of contract was reported to the Chief Project Director in January 2013, to which it was replied that the infrastructure development of PAF Base Shahbaz was constructed as per specifications given by the USA for housing F-16 Aircrafts. Specialized designing considering the severe weather conditions of that particular area and salinity of soil etc. were the main factors. On a suggestion from E-in-C, the CAS directed that a local consultancy firm may be hired as the present arrangement of vetting the drawings by CMES Islamabad was not viable. The conclusion of consultancy contract has been authorized and approved by Shahbaz Development Board duly empowered by the President of Pakistan. Reply furnished by the executive was not tenable as PAF has no mandate to change design, drawings, area and specifications of residential accommodation and common furniture which have already been approved by the Government of Pakistan. Under existing rules and regulations MES is responsible to do such works.

DAC in its meeting held on January 20, 2014, directed to shift the Para to E-in-C MES as to why did they show their inability to execute this job which was his legal responsibility. No progress has been reported till finalization of this audit report. PAF has not shifted the case as yet to E-in-C MES GHQ, therefore, the same unauthorized consultancy services are still going on and illegal practice extended towards other similar projects without initiating corrective remedial and lawful measures.

Audit requires:-

- a) Immediate termination of existing consultancy contract, fix responsibility of such unlawful award of contract, recover full amount paid to the contractor and deposit the same into Government treasury.
- b) Immediate stoppage of such unlawful practice for Project Shahbaz as well as for other up-coming similar projects of armed forces for

optimum use of precious Government assets and human resources to ensure transparency, economy, efficiency and secrecy.

- c) The E-in-C of MES should be dealt with under the rules as to why did they show their inability to execute their statutory job which was his legal responsibility. All the consultancy services offered by the consultant like drawing, design, evaluation and inspection of bungalows, houses, flats, barracks etc. are quite a daily routine job of MES and no extra technicalities are involved.
- d) MES HQ should constitute a high powered Board of reputable professionals / experts to visit the completed works, examine 100% the expenditure incurred on Project so far, evaluate the planning and execution, sort out the excess and unjustified expenditure as per rates of MES, pin point the recoveries from responsible person(s) and report to Ministry of Defence under intimation to audit.
- e) As the preliminary assessment and feasibility report within available resources to accomplish the vital task was not carried out and state organization MES was excluded, the undue favoritism was extended to a private consultancy firm which increases the security risk for the national asset and wastage of Government exchequer up to Rs 429.234 million unnecessarily.
- f) There is no provision in Government order for shifting of MES area of responsibility to private consultant and thus the version of PAF in this regard is not only misleading but also wrong and baseless.
- g) As per para 2 of summary for the Prime Minister submitted vide MoD U.O. No. 12/27/D-10(AF-II)/2007/2277/Secy/08 dated February 29, 2008, the infrastructure development of MOB is of a special nature and there is a time constraint whereby the conversion to MOB is required to be completed by January 2010. This necessitates constitution of a high powered Board for time

completion of the Project. The in time housing of F-16 aircraft at Jacobabad was the basic plea and essence for the constitution of SDB to complete the task within 2 years upto 2010 at a cost of Rs 7.000 billion, whereas the project would be completed upto 2014-15 at a cost of Rs 25.489 billion. Resultantly the time lines for completion of project has been delayed 300% and cost of project increased 264%. Beside that the SDB has also failed to generate finance by sale out non-operational land owned by PAF, as per initial proposal. The due diligence was not exercised by SDB for timely completion of project within the allocated financial resources needs proper justification and fixation of responsibility.

DP-156(S)/2013-14

1.19.5 Irregular Expenditure on Abnormal Repair Due to Sanction of Incompetent Authority – Rs 12.777 Million

As per Rule 29 & 163 read with Table “A” of Defence Services Regulations (DSR), 1998, repair & maintenance of buildings roads etc. over Rs 1.000 million falls under the category of abnormal repair and require sanction of Government of Pakistan.

In Commander Military Engineer Services (CMES) Air Faisal, Karachi, six administrative approvals for abnormal repairs each valuing more than Rs 1.000 million were issued by Deputy Chief of Air Staff (DCAS Admin) and five contract agreements amounting to Rs 12.777 million were awarded by Commander Military Engineer Services (Air) Faisal for repair/maintenance/renovation of military buildings. Under the existing rules, DCAS (Admin) had no financial powers to sanction abnormal repairs hence the expenditure incurred stood as irregular.

The incompetency of DCAS to sanction abnormal repairs was reported to the CMES in October, 2012, to which it was replied that contract agreements in question were concluded by him after receipt of

administrative approvals from competent authority i.e. Air Headquarters. Reply is not tenable as Government of Pakistan is only competent to sanction abnormal repairs.

DAC in its meetings on January 6 and 7, 2014, directed the CMES to obtain clarification from Ministry of Finance.

Audit requires implementation of DAC directive.

DP-105 & 109(S)/2013-14

1.19.6 Procurement of Unauthorized Electro Medical Equipments – Rs 4.386 Million

As per Para 1 of Chapter 22 and Section 10, Scale 465 of the summary of Medical Store Procedure 1977, if a unit considers that a particular expendable or non-expendable item is essential for their efficient functioning they should initiate a case for its inclusion in the Medical Mobilization Equipment (MME) Scale.

In Pakistan Air Force (PAF) Hospital, Islamabad, 10 electro-medical equipments (i.e. Electronic Hospital Beds, EMS Machines etc) valuing Rs 4.386 million were procured in 2012 through local purchases without inclusion in the MME Scale.

The irregularity was reported to the Commandant PAF Hospital Islamabad in December, 2012, to which it was replied that the purchase of electro-medical equipments were made after the approval of Directorate of Medical Services. They further informed that the case for scaling of Electro-Medical Equipments was taken up with Air Headquarters (Medical Directorate) on July 27, 2012.

DAC in its meetings on January 6 and 7, 2014, directed that all documents be provided to audit for verification.

No progress has been reported till finalization of this audit report.

Audit requires implementation of DAC directive, besides, expeditious finalization of scaling of Electro-Medical Equipments.

DP-02(S)/2013-14

1.19.7 Incorrect Issuance of Flying Clothing to Personnel Deputed on Non-Flying Duties – Rs 1.699 Million

As per Air Force instruction (AFI) 58/60 revised scales of flying clothing for officers of general duty branch and other officers are given as Appendices-A, B and C to this instruction. According to these scales, flying clothing will be issuable to all air crew personnel including officers of general duty branch under training as well as to officers of non-flying branches and air men of non-flying trades who are required to fly regularly on duty.

In 21 cases, Pakistan Air Force (PAF) Base Faisal, Karachi, issued flying clothing costing Rs 1.699 million during 2011-12 incorrectly to general duty branch officers while they were deputed at Air War College, Karachi whereas flying clothing could only be issued to crew members who fly regularly on duty.

In October 2012, PAF Base Faisal replied that officers deployed on non-flying duties were authorized to draw flying clothing items in term of AFI 58/60.

The reply furnished by the PAF Base Faisal is misleading and non-tenable as the AFI 58/60 clearly provides that flying clothing will only be issued to officers who are required to fly regularly on duty.

DAC in its meetings held on January 6 and 7, 2014 directed to the PAF to provide AFI to audit for verification. The contents of AFI clearly supports to audit contention hence contention of PAF is incorrect.

Audit requires immediate stoppage of un-authorized issuance of flying clothing to personnel deputed on non-flying duties. In this regard instructions may be issued for implementation in entire PAF.

DP-54(S)/2013-14

1.19.8 Unauthorized Purchase of Overcoats – Rs 1.505 Million

As per Air Force Instruction (AFI) 39/75, field jackets are authorized to all PAF officers”.

In Pakistan Air Force (PAF) Base Peshawar, an amount of Rs 1.505 million was incurred during 2011-12 on local purchase of overcoats for PAF officers whereas as per Government orders field jacket is authorized hence local purchase of overcoats is unauthorized.

The irregularity was reported to the Base Commander PAF Base Peshawar in December, 2012, to which it was replied that overcoats were authorized in lieu of Field Jackets by Air Headquarters (AHQ). Reply furnished by the PAF is not tenable as the AHQ is not competent authority to overrule AFI issued by Government.

DAC in its meetings on January 6 and 7, 2014, directed to the PAF to provide documents/record to audit regarding authorization of Chief of Air Staff approval, revised / amended Table of Organization and Equipment. No progress has been reported till finalization of this audit report.

Audit requires implementation of DAC directive.

DP-61(S)/2013-14

1.20 Non-production of Auditable Record

1.20.1 Non-production of Auditable Record

As per section 14 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, “To inspect any office of accounts, under the control of the Federation or of a Province or of a district, including treasuries and such offices responsible for the keeping of initial or subsidiary accounts. Any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person”.

In PAF Base Korangi Creek, Karachi, record was demanded from the Base authorities pertaining to receipts and expenditure accounts and vouchers (in original), of all Category ‘B’ activities, specially 02 commercial activities namely GOLF COURSE and Pakistan Air Force, Karachi Institute of Engineering and Technology (PAF KIET), along with expenditure accounts of Base Commander Welfare Account, which was not provided. The action of Base authorities was the violation of above mentioned Ordinance.

The non-production of auditable documents was reported to Base Commander of PAF Base Korangi Creek in August, 2013, to which it was replied that the status of Golf Course is a sports field for a recognized and legitimate sports activity and of PAF KIET is a Cat ‘B’ Educational Institute and both are not auditable. Reply is not tenable as A-1 Land Policy does not prohibit public auditors to check accounts of Cat ‘B’ activities and as per Section 14 of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, audit has the mandate to inspect and demand any accounts, books, papers and other documents for the purpose of audit. The denial of requisite documents pertaining to Cat ‘B’ activities, Golf Club and PAF KIET is liable to disciplinary action under relevant Efficiency and Discipline Rules.

DAC in its meetings on January 6 and 7, 2014, pended the para.

Audit requires production of auditable documents, besides, fixing responsibility against the person(s) at fault under intimation to audit.

DP-85(S)/2013-14

Pakistan Navy

1.21 Recoverables / Overpayments – Rs 359.651 Million

1.21.1 Non-recovery of training and allied charges from international trainees – Rs 170.198 million (US \$ 1.702 million)

As per Joint Services Instruction (JSI) No.4/2006, training and allied charges contained in Annexure A, B, C & D of Para-I would be recovered from the Government of International Trainees as per agreement / instructions.

In PNS Jauhar, Karachi 11 Saudi Arabian officers have been attending the course of B.E. (Mechanical) S-VII with effect from 26/07/2010 to 18/01/2014. Training charges \$ 161,600 (Rs 16,160,000) & allied charges \$ 100,375 (Rs 1,003,750) were lying outstanding. No concrete steps were taken for recovery of said charges by PNS Jauhar, causing blockage of public money valuing Rs 170.198 million (\$ 1.702 million).

Non- recovery of training and allied charges was reported to PNS Jauhar in December, 2012, to which it was replied that all training charges / bills have been forwarded to Naval Headquarters (NHQ) for Government to Government adjustment duly verified from Controller Naval Accounts (CNA).

DAC in its meetings held on January 6 and 7, 2014 directed to PNS Jauhar, to get the record verified from audit. No record was produced to audit for verification till finalization of this audit report.

Audit requires recovery of outstanding amount at the earliest.

DP-16(S)/2013-14

1.21.2 Loss to State Due to Non-Deposit of Rent of Commercial Shops into Government Treasury – Rs 105.400 Million

As per Para 442 of Defence Services Regulations (DSR) 1998, Garrison Engineer (GE) is responsible for making demands for payment of all revenue and for taking steps for its prompt deposit in public accounts.

a) In the jurisdiction of Garrison Engineer (Navy) Maintenance, Islamabad 148 commercial shops {(116 at Naval Shopping Centre, 30 at opposite to PNS Zafar, Bahria Fast Foods & Pakistan Navy Welfare Association (PNWA) (Gift Center)} were existed on A-I land since 2009, but approximately Rs 79.920 million (Rs 15,000 per month x 148 shops x 3 years x 12 months) was retained in non-public fund account instead of depositing into Government treasury causing loss to state.

b) In Garrison Engineers (Navy) Maintenance, Islamabad 20 Annexes and one VIP suit were held and used by Pakistan Navy Central Mess but no rent, electric and gas charges thereof, were being recovered from the mess for the period July 1, 2011 to June 30, 2012, causing loss of Rs 22.680 Million (Rs 30,000 per month x 21 x 12 months x 3 years).

The non-recovery of rent and allied charges was reported in January 2013 but no reply was furnished by the Garrison Engineer.

Both paras were examined by the DAC on 6 and 7, 2014 and the DAC was apprised by the Garrison Engineer that the para pertains to HQ COMNOR. The DAC directed to shift the para to respective unit / formation of Pakistan Navy.

Further progress was not reported till finalization of this audit report.

Audit emphasizes deposit of rent into Government treasury.

c) The Garrison Engineer (Navy) Logistic Dockyard, Karachi, did not affect the recovery of Rs 2.800 on account of rent & allied charges

with effect from July 1, 2011 to June 30, 2012 from 14 private consumers and 12 commercial ventures, causing loss to state.

Non-recovery from consumers was reported to the Garrison Engineer in September, 2012 but no reply was furnished by the Garrison Engineer.

DAC in its meetings held on January 6 and 7, 2014 directed to expedite the recovery.

No recovery was reported till finalization of this audit report.

Audit emphasizes recovery at the earliest.

DP-11, 12, 117, 136(S)/2013-14

1.21.3 Non-Recovery of Rent from Land at Rawat – Rs 22.500 Million

As per Para 442 of Defence Services Regulations (DSR)-1998, the Garrison Engineer (GE) is responsible for making demands for payment of all revenue and for taking steps for its prompt realization.

The Garrison Engineer (Navy) Maintenance, Islamabad rented out approximately 25 acres A-I land to Bahria Foundation at Rawat for Bahria Dairy Farm since 2008 but recovery on account of rent amounting to Rs 22.500 million (25 acres x Rs 15,000 x 60 months) was not made, causing loss to state.

The non-recovery of rent was pointed out in January, 2013 but no reply was furnished by the Garrison Engineer.

DAC in its meeting held on January 6 and 7, 2014, directed Garrison Engineer (Navy) to recover and deposit the amount into Government treasury. The relevant record was, however, not produced to audit for verification till finalization of this audit report.

Audit requires expeditious deposit of rent of Government land into Government treasury.

DP-132(S)/2013-14

1.21.4 Loss to State Due to Non-Deposit of Revenue Generated From State Resources into Government Treasury – Rs 22.148 Million

As per Rule 626(i) of Financial Regulations (FR) (Navy) 1993, all transactions to which any officer of the Government, in his official capacity is a party may without any reservation be brought to account and all, money received be paid in full, without undue delay, into the State Bank or Government treasury to be credited to the appropriate head of account.

PNS Jauhar Karachi had utilized A-I land for different commercial activities like sign boards, bill boards, canteens, etc. The revenue generated for a sum of Rs 22.148 million from these commercial activities with effect from July 1, 2012 to June 30, 2013 was not deposited into Government treasury, but the same has been retained illegally in non-public fund.

The matter of non-deposit of public revenue in Government treasury was reported to PNS Jauhar in December 2012, to which it was replied that no rent was charged and recovered from these activities as those are only for welfare of troops. Reply furnished by the PNS Jauhar is misleading and concealing the facts as revenue generated from the commercial activities was diverted towards non-public funds, therefore, it is reiterated that the income generated from these commercial activities needed to be deposited into Government treasury in line with A-1 land policy.

DAC in its meetings held on January 6 and 7, 2014 directed to effect recovery under intimation to audit.

Audit requires deposit of Government share in Government treasury.

DP-17(S)/2013-14

1.21.5 Loss to State Due to Non-Deduction of House Rent Allowance despite Occupation of Married Officers' Accommodation – Rs 19.230 Million

As per Rule 4 of Quarters and Rents 1985, married commissioned officers are not entitled for free accommodation and as per Rule 442 of Defence Services Regulation (DSR) 1998, Garrison Engineer (GE) is responsible for making demands for payment of all revenues and for taking steps for its prompt realization.

As per record of Garrison Engineer (Navy) East, Karachi 18 married officers were residing in Government accommodation but no recovery of House Rent Allowance was made by the local office causing loss to state of Rs 19.230 Million.

The non-recovery of rent was reported in October, 2012, to which GE replied that 5% rent has been deduced and shown in ledger. Reply furnished by the GE was not tenable as recovery of House Rent Allowance (HRA) along with 5 % of pay is mandatory to affect.

DAC in its meeting held on January 6 and 7, 2014, apprised that the case is under process in Ministry of Defence and Finance Division to formulate policy on the subject.

Audit emphasizes recovery of House Rent Allowance from married commissioned officers as per existing rule till finalization of policy.

DP-44(S)/2013-14

1.21.6 Non-Deposit of Rental Income into Government Treasury – Rs 9.300 Million

As per Rule-626 (1) of Financial Regulations (F.R) (Navy) 1993, all transactions to which any officer of the Government, in his official capacity is a party may without any reservation be brought to account and all money received be paid in full, without undue delay, into the State Bank or Government treasury to be credited to the appropriate head of account or taken on charge in the Public fund (Main Cash) account and deposited with the Supply Officer. The appropriation of departmental receipts to departmental expenditure, except when specially authorized, is strictly prohibited.

PNS Raza Karachi, let out a piece of A-I land for commercial business to M/s Hyundai Apollo Motors for 20 years @ Rs 0.775 million per month with effect from 27 June, 2009, but revenue generated out of it was not deposited into Government treasury, causing loss to state for a sum of Rs 9.300 million {Rs 0.775 million monthly rent x 48 months (from July, 2009 to June, 2013) = Rs 37.200 million x 25% (Government Share)}, whereas the same was deposited into Commanding Officer PNS Raza Account No. 10833-3 National Bank Pakistan Majeed Sailors Residential Estate Branch, Karachi.

The non-deposit of Government share into Government treasury was pointed out and reported to PNS Raza in July, 2013, to which it was replied that the Government share is held up awaiting Ministry of Defence (MoD) approval. Case for approval from MoD has been taken up by Directorate of Estate & Civil Works since 2011, however, the case is still under process. The amount due has been reserved in account and will be deposited in accordance with the contents of MoD letter. Reply furnished by the PNS Raza is misleading as there is no need of reference to MoD in presence of crystal clear standing Government orders.

DAC in its meetings held on January 6 and 7, 2014 directed to Pak Navy to implement A-I Land Policy and record be got verified from audit. The relevant record was not produced to audit for verification till finalization of this audit report.

Audit requires expeditious deposit of due Government share into Government treasury.

DP-77(S)/2013-14

1.21.7 Non-Recovery of Rent from Mobile Companies – Rs 7.200 Million

As per Para 442 of Defence Services Regulations (DSR) 1998, the Garrison Engineer (GE) is responsible for making demands for payment of all revenue and for taking steps for its prompt realization.

In Garrison Engineer (Navy) Maintenance Islamabad, 4 mobile towers were installed on A-I land since 2009-10 and a sum of Rs 7.200 million approximately (Rs 50,000 per month x 4 towers x 3 years x 12 months) was retained in non-public fund account instead of depositing into Government treasury causing loss to state.

The non-recovery of rent from mobile companies was pointed out in January, 2013 but no reply was furnished by the Garrison Engineer.

DAC in its meetings held on January 6 and 7, 2014 decided to shift the draft para to respective unit / formation of Pakistan Navy.

Audit emphasizes deposit of ground rent into Government treasury.

DP-118(S)/2013-14

1.21.8 Loss to State Due to Non-Deposit of 25% Government Share into Government Treasury – Rs 3.675 Million

According to A-1 Land Policy issued vide Ministry of Defence letter No. F.2/5/D-12/ML&C/99 dated April 2, 2008 and accounting procedure vide letter No. F.2/5/D-12/ML&C/99 dated November 20, 2009, the rent of commercial activities fall under the category “A” shall be calculated @ 6% per annum of existing revenue rate (earlier known as DC rates) of the said land used in commercial projects and 25% of the calculated rent will be deposited into Government treasury.

A case for four category ‘A’ commercial activities on A-1 land was sent by Commander Karachi vide letter dated July 26, 2013 to Military Estate Officer, Karachi for scrutiny and an amount of Rs 3,675,802/- on account of 25% Government share of 4 commercial activities under the management of commander Karachi was required to be deposited in Government treasury under appropriate head of Pak Navy operative in CNA Karachi, which was not done.

This loss was reported in November, 2013, to which MEO, Karachi replies that letter in this respect would be written to Commander Karachi for early payment.

DAC in its meetings on January, 6 & 7, 2014, directed MEO to shift DP to Pak Navy.

Audit requires deposit of Government share in Government treasury of total due amount within two months.

DP-147(S)/2013-14

1.22 Loss to State – Rs 359.065 Million

1.22.1 Blockage of Public Money Due to Non-Disposal of 3 Grounded Lynx Helicopters Rs 255.12 Million (£ 2.4 Million) and their Surplus Spares – Rs 355.000 Million

As per Rule 0214 (3) (a) (2) of Financial Regulation (FR) Navy – 1993, unserviceable, waste and scrap stores of any value held on charge of various Pakistan Navy Store Depots, will be arranged by the commanding officers of the respective stores depots through public auction and under Rule 0405(1) of FR Navy 1993, the most careful supervision over expenditure is to be exercised and on no account money is to be spend simply because it is available.

In PNS Raza Karachi, 3 Lynx helicopters were grounded in June, 2005 for sale to foreign countries vide Naval Headquarters letter dated June 29, 2005. The assessed value was Rs 255.12 million @ Rs 85.04 million (£ 0.8 million) for each Lynx Helicopter. Despite lapse of more than 8 years disposal/sale of said Lynx helicopters has yet to be finalized. Abnormal delay of sale of helicopters will cause in reduction in assessed value, because, of continuous deterioration/depreciation and change in latest technologies took place in last decade. It was further noticed that 3305 spares of said helicopters were procured from United Kingdom in 2000 as a package, out of which only 3 items of very minor nature were consumed by PNS Mehran and remaining spares were almost intact. Additional procurement of 1406 items was also made through different Rate Running Contract (RRC) firms amounting to Rs 355,912,272 (£ 3,295,484). The procurement of these 1406 items was unjustified and unnecessary.

The irregularity was pointed out to PNS Raza, Karachi in July 2013, to which it was replied that the case lodged with Director General Defence Production (DGDP) for further disposal of Lynx helicopters and

their related inventory. Reply furnished by the PNS Raza was evasive and not tenable as procurement of 1406 additional items in presence of huge balance of previous package spares 3302 spares for grounded helicopters was absolutely unnecessary and unjustified which resulted in wastage of public money and loss to state. The action shows inefficiency, ill planning and mismanagement of Naval authorities.

DAC in its meetings held on January 6 and 7, 2014 apprised that cases are with Ministry of Defence Production (MoDP) for disposal of helicopters but all relevant record pertaining to procurement of 1406 items of Rs 355 million through RRC contracts be provided to audit for verification. The record was not produced to audit for verification till finalization of this audit report.

Audit emphasizes to hold inquiry to fix responsibility for non-disposal of obsolete Government assets in time and un-necessary procurement of spares against the person(s) at fault.

DP-95(S)/2013-14

1.22.2 Loss to State Due to Unauthorized Excess Supply of Water to a Naval Residential Estate – Rs 4.065 Million

As per Para-6(a) of Financial Regulation (FR) Vol-I 1986, every officer should exercise the same vigilance in respect of expenditure incurred from Government revenue as a person of ordinary prudence would exercise in respect of expenditure of his own money.

In the area of Assistant Garrison Engineer (Navy) Maintenance Manora, Karachi, three contracts were concluded by Commander Military Engineer Services for supply of 2,591,823 gallons fresh water valuing Rs 5.000 million. The water was supplied from February 17, 2012 to June 8, 2012 (112 days) through bowzers for domestic use to 48 flats in 6 blocks (6 x 8) of Khalid Sailors Residential Estate, Younasabad. The Khalid SRE was handed over to the Garrison Engineer in March, 2012 and upto 8 June

2012, only 26 flats were occupied. Under existing rules, only 484,480 gallons of water valuing Rs 0.935 million was authorized to 26 flats during the said period. Hence supply of 2,107,312 gallons water valuing Rs 4.065 million stood as excess, unauthorized and doubtful.

The loss was pointed out in October, 2012, to which the AGE stated that besides these 06 blocks, one guard room and one retiring room were also existed. The water was stored for future consumption upto August 1, 2012, because, the next contract for water supply to Khalid SRE, was to be awarded in next financial year. Reply furnished by the AGE was evasive and misleading, because, they did not justify supply of water to 22 un-occupied flats during the contract period.

DAC in its meetings held on January 6 and 7, 2014, directed AGE to provide documents to audit for verification.

No record was produced to audit till finalization of this audit report.

Audit emphasizes for holding inquiry and amount of loss may be recovered from the person(s) held responsible.

DP-07(S)/2013-14

1.23 Misprocurement of Stores – Rs 409.677 Million

1.23.1 Contracts Awarded in Violation of Public Procurement Rules – Rs 394.623 Million

As per clause 12(1) of Public Procurement Rules 2004, procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency and as per clause 12 (2), all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers

having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Further as per clause 13(1), under no circumstances the response time shall be less than fifteen days for national competitive bidding from the date of publication of an advertisement.

Eighteen contracts valuing Rs 394.623 million pertaining to four MES (Navy) formations were concluded without observing laid down procedure of Public Procurement Rules 2004. Details of contracts are listed below.

S #	DP #	Name of MES Formation	No. of Contracts	Amount in Million (Rs)	Nature of Violation
1	S-05	AGE (Navy) Mehran, Karachi	01	2.145	Neither advertised in newspaper nor floated on PPRA website.
2	S-06	-do-	01	4.065	6 days response time given instead of 15 days. The tender was not floated on PPRA website
3	S-09	AGE (Navy) Maripur	01	325.166	9 days response time given instead of 15 days. The tender was not floated on PPRA website
4	S-47	GE (Navy) Construction Dockyard, Karachi	06	43.169	Tenders were not advertised on PPRA website as well as in print media.
5	S-148	GE (Navy) Construction Islamabad	09	20.078	Tenders were not advertised on PPRA website as well as in print media. Bid security @ 5% was also not obtained from the said contractors.

The violation of Public Procurement Rules was pointed out to MES (Navy) formations during 2013, to which they furnished different un-justified reasons for non-observance of Public Procurement Rules.

DAC in its meetings held on January 6 and 7, 2014 directed to MES to issue policy instructions to all concerned to implement Public Procurement Rules in letter and spirit, to hold fact finding inquiry to probe into the matter and fix responsibility against the person(s) at fault. No further progress has been intimated till finalization of this audit report.

Audit requires implementation of DAC directive, besides, fixing responsibility against the person(s) at fault.

DP-05, 06, 09, 47 & 148(S)/2013-14

1.23.2 Local Purchase of Training Aid Articles Without Calling Open Tenders and Without Obtaining NOC from Source of Supply – Rs 13.01 Million

As per Public procurement Regulatory Authority (PPRA) Rule-12 of 2004, procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website in the manner and format specified by regulation by the Authority from time to time. All procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu language.

In PNS Jauhar, Karachi an expenditure of Rs 13.010 million was incurred vide voucher No.21 dated June 25, 2012 against fifteen local purchase orders for procurement of training aid articles like desktop computers, printers, DVD players/writers, UPS etc for all Naval training units without calling open tenders through newspapers, without placing advertisement on PPRA website and without obtaining N.O.C. from source of supply, i.e. General Store Depot (GSD), Dockyard Karachi.

The violation of rules was reported to PNS Jauhar in December 2012, to which it was replied that the expenditure was incurred for purchase of training aid items in accordance of Para 0202 of Financial

Regulation (Navy) 1993. Reply furnished by the PNS Jauhar is not tenable as Public Procurement Rules have superseded all provisions of regulations if contrary to the provisions of PPRA Ordinance. Thus all purchases stood as mis-procurement vide Rule 50 of Public Procurement Rules 2004.

DAC in its meetings held on January 6 and 7, 2014 directed Pak Navy to get the record verified from audit. No record produced to audit for verification till finalization of this audit report.

Audit emphasizes action as per provisions of Public Procurement Rules 2004.

DP-15(S)/2013-14

1.23.3 Contract Awarded on Favoritism Basis – Rs 2.044 million

As per Rule 13 of PPRA Rules 2004, under no circumstances the response time shall be less than fifteen days for national competitive bidding from the date of publication of advertisement or notice.

Contract bearing No.GENC-02/2012 valuing Rs 2,043,873 was awarded by Garrison Engineer (Navy) Construction, Islamabad to M/s Jaspal Construction Company for execution of cutting/filling alongwith newly constructed guard room NHQ Islamabad. In order to award contract an advertisement was published in Daily Time on July 4, 2011 with the direction to submit bids upto July 20, 2011 whereas as per work order the work was commenced on July 4, 2011. In view of stated facts it has been established that the contract was awarded on favoritism basis prior to publish of tender notice in the newspaper, which also proves that there was no competition and the process of tendering was only a formality to deceive audit and other concerned authorities.

The cheating was pointed out and reported to the Garrison Engineer in March, 2013, but no reply was furnished by the Garrison Engineer.

DAC in its meetings held on January 6 and 7, 2014 and DAC was apprised that all tenders has been advertised on PPRA website as well as published in two leading newspapers before awarding the contracts and directed that the record regarding implementation of PPRA rules be got verified. The record, however, not produced to audit for verification till finalization of this audit report.

Audit emphasizes for holding inquiry to fix the responsibility so that responsible person(s) should be taken to task.

DP-149(S)/2013-14

1.24 Unauthorized / Irregular Expenditure – Rs 1,592.661 Million

1.24.1 Unlawful Establishing Commercial Business of NUST on A-I Land, Illegal Use of Infrastructure and Other State Resources for Last 13 Years Destroying the Functional Discipline of PNS Jauhar and Non-Deposit of Cost of Resources Utilized by NUST – Rs 992.740 Million

As per Rule 0104(b) of F.R (N) 1993, no authority should exercise its power of sanctioning expenditure to pass an order which will be indirectly or directly to its own advantage. Further, Rule 0104 (d) states that Government revenue shall not be utilized for the benefit of a particular person or section of the community. Rule 0110(2)(b) of FR(N) 1993, provides that nothing in these regulations shall be held to authorize an officer to sanction expenditure which is liable to establish a new rule or practice involving further expenditure in the future.

In PNS Jauhar, Karachi, Pakistan Navy Engineering College (P.N.E.C) of PNS Jauhar, Karachi was affiliated with National University of Science and Technology (NUST) on 08 February 1999 as per provision in PC-I (Phase-II) approved by ECNEC. Under the garb of affiliation,

NUST has unlawfully established complete private NUST campus on A-1 land in the same vicinity of PNEC and running its business venture other than the approved colleges.

NUST is, therefore, unlawfully using the infrastructure, human resources, transportation, generators and all other facilities of PNEC and PNS Jauhar including A-I Military land, PNEC hostel and medical facility etc. NUST has violated the provision of PC-1 and has adopted the policy of expanding its commercial business at the cost of PNEC and PNS Jauhar and making huge earnings from its illegal establishments since 1999. As a rough estimates of some of the facilities NUST has been utilizing unlawfully has costed over Rs 992.740 million whereas the cost of other facilities under the use of NUST business ventures could not be calculated.

The unlawful activities and misuse of Government properties and facilities by NUST business venture were reported in December 2012 to PNS Jauhar, to which it was replied that PC-I (Phase-II) of NUST has provided utilization of land and infrastructure of Military by NUST. The reply is misleading, incorrect and misinterpretation of the provision of PC-I. The affiliation of PNEC with NUST does not allow unlimited use of facilities, military land and infrastructure by NUST for its irrelevant commercial business activities other than the affiliated college.

Audit holds that the unlawful establishment of commercial business ventures of NUST on the A-I military land and illegal utilization of resources and infrastructure beyond the permissible extent of PNEC college should be removed forth with from the military land, the cost of resources and the land utilized so far for last 13 years should be deposited into Government treasury by NUST besides taking appropriate action against the Naval authorities for allowing misuse of facilities and extending cooperation for unlawful activities. PNS Jauhar should strictly confine to the provision of affiliation of PNE college as per PC-I.

In DAC meetings held on January 6 and 7, 2014, the unlawful use of A-I military land, facilities and other resources of PNS Jauhar by

the irrelevant commercial ventures of NUST were admitted by all the concerned authorities. However, DAC directed that NUST should deposit revenue earned from the commercial uses of A-I land and other facilities for last 13 years into Government treasury.

Audit requires removal of all unlawful establishments and commercial business ventures of NUST on the A-I military land and within the premises of PNS Jauhar, discontinue illegal utilization of resources and infrastructure beyond the permissible extent of PNE college forth with from the military land, deposit the cost of resources, infrastructure and land utilized etc. so far for last 13 years into Government treasury by NUST, take appropriate action against the Naval/ PNS Jauhar authorities for allowing misuse of facilities and extending cooperation for unlawful activities of NUST. PNS Jauhar should strictly confine to the provision of affiliation of PNE college as per PC-I. Compliance of above should be reported to audit within two months.

DP-31(S)/2013-14

1.24.2 Unlawful Project for Installation of Plant for Electricity Generation and Desalination of Water at PNS Karsaz beyond Functional Jurisdiction of Pakistan Navy – Rs 573.763 Million

As per Para 21 (c) (2) of Defence Services Regulation (DSR) - 1998, special work should not be approved if the effect would be to introduce a new practice. Clause 12 (2) of Public Procurement Regulatory Authority (PPRA) Rules 2004, stipulates that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu language. Rule 408-417 and 442 of DSR-1998 are also relevant.

Commodore Nasir Mehmood, Commandant PNS Karsaz signed a contract with M/s Aquagen (Pvt) Ltd (APL) on 4th June 2010 to install, operate and maintain power plant to generate electricity of 2.5 to 5 Mega Watt from Sui Gas for 50 years and to supply 290,000 gallons of desalinated water per day to meet the requirements of PNS Karsaz. As per contract agreement, the ownership of plant was to be transferred to PNS Karsaz after 11 years (amended July 2011) instead of transferring to Government of Pakistan.

The contract agreement was not only incomplete, improper, deficient but also dubious. Neither the total cost of the project nor period of completion nor the details in this regard were included in the contract agreement. The other details regarding fuel supply, water desalination, storage and supply were not included anywhere or any provision and purpose included in the contract. It was a full fledged project requiring approval of the Planning Commission, PC-1 and feasibility and authorization of Sui Southern Gas Company Limited. The details of the equipment, machinery and plant were not given in the agreement leading to serious question about the cost and whereabouts.

A sum of Rs 504.963 million was paid by the government through MES for supply of Electricity without giving any details for the period from November 2011 to June 2013 to APL on account of electricity charges in addition to Rs 68.800 million already paid to M/s APL in advance.

As per contract, the APL will leave after 10 years and handover the plant to Navy instead of handing over to government of Pakistan. In this regard following irregularities were also noticed:

- a) The generation of electricity was outside the laid down functions of the Pakistan Navy therefore the agreement was not warranted nor authorized by the Government of Pakistan.
- b) Contract was awarded to APL unilaterally in violation of all rules and regulations including publicity and inviting competitive bids.

The Tender Notice was neither displayed on PPRA website nor published in any newspaper.

- c) The performance guarantee and performance bond were not obtained from M/s APL and unduly favored.
- d) The infrastructure of KESC is unlawfully used by APL charging fixed charges and fuel adjustment charges in monthly bills.
- e) A-1 land was unlawfully provided without determining the area requirement and justification of location within the premises of PNS Karsaz.
- f) M/s APL was unlawfully paid advance of Rs 68.8 Million without any agreement, purpose and adjustment of the amount against equipment and services.
- g) The payment was rejected by CNA returning the contract on the plea that BOT contract was signed with M/s APL in private capacity. However, later on amount was released without ensuring the fulfillment of the requirements.

The unlawful actions as above were pointed out in August, 2013, to the MES Navy. It was stated by MES Navy that the agreement for utilization of land is in process with Naval Estate Officer and the rent will be got deposited into Government treasury. The statement is irrelevant, misleading and evasive. The entire activity, contract and expenditure, utilization of land and process is held dubious, beyond the jurisdiction and open to serious questions.

DAC in its meetings held on January 6 and 7, 2014 directed to Pak Navy to obtain Government sanction and provide a copy of court judgment, NEPRA tariff and breakup of per unit cost of electricity generated through APL plant to audit for verification. Decision of the DAC was violated and no record produced to audit till finalization of report.

Audit requires high level, impartial investigation into the entire matter, fixing responsibility for every unlawful act and favor, take disciplinary action and in case of establishing fraud register the case with the concerned agency.

DP-123, 154 & 155(S)/2013-14

1.24.3 Irregular Local Purchase of Security Safety Equipment Gears Out of Incidental and Miscellaneous Head – Rs 24.994 Million

As per Rule 0229 of Financial Regulation (FR) (Navy) 1993, the allowances and classifications of permanent and consumable stores for Pakistan Navy ships and submarines, self-accounting ships, crafts and establishment including attached organizations etc. are laid down in the respective warrants of stores. These be approved by the Government on the recommendations of Warrant of Stores Committee (WSC).

In PNS Iqbal, Karachi an expenditure of Rs 24.994 million was incurred on local purchase of security, safety equipment, gears and counter terrorism equipment from incidental & miscellaneous head during June 2012 and 2013, with the concurrence of Controller of Naval Account, Karachi without inclusion in the warrant of stores. Hence, the expenditure stood as irregular.

Unauthorized local purchase due to non-inclusion in warrant of stores and incorrectly purchased out of incidental and miscellaneous head was pointed out and reported to PNS Iqbal, in November, 2102 and August, 2013, to which it was replied that the items purchased from I & M fund are being included in unit warrant of store and once included the items will be purchased through normal central purchase channels. Reply furnished by the PNS Iqbal was an admission of irregularity. As the action is not covered under the rules, therefore, disciplinary action may be initiated against the person(s) at fault

DAC in its meetings held on January 6 and 7, 2014 directed PNS Iqbal to include all Local Purchase (LP) items in warrant of stores for regularization and Military Accountant General should investigate as to how Controller Naval Accounts, Karachi issued concurrences for the said items and other frequent concurrences since 01-07-2009 without authorization, be submitted to Ministry of Defence and to audit for verification.

Audit requires expeditious implementation of DAC directives.

DP-18 & 96(S)/2013-14

1.24.4 Irregular Payment of Daily Messing Allowance Rs 11.638 Million to Naval Personnel and Non-Recovery of Income Tax Rs 1.164 Million

As per Pay & Allowances Regulations, 1976 Rule 210 (b) and (c) “The Daily Messing Allowance (DMA) will be admissible w.e.f 01-08-1970 to officers and men (Chief Petty Officers (CPO’s), Petty Officers (POs) and Sailors) participating in exercise maneuvers orders by Naval Head Quarter/Administrative authorities viz Commander Pakistan, Commander Karachi and Commander logistics. Furthermore, in order to authorize for payment, Gen-form will be issued, which is to quote a reference to exercise order. All payment vouchers will be countersigned by the Commandant and supported by a copy of the relevant Gen-form. According to Section 12 of Income Ordinance 2001, (1) Any salary received by an employee in a tax year, other than salary that is exempt from tax under this Ordinance, shall be chargeable to tax in that year under the head Salary. (2) Salary means any amount received by an employee from any employment, whether of a revenue or capital nature, including (b) any perquisite, whether convertible to money or not; (c) the amount of any allowance provided by an employer to an employee including a cost of living, subsistence, rent, utilities, education, entertainment or travel allowance, but shall not include any allowance solely expended in the performance of the employee’s duties of employment.

In PNS Jauhar, Iqbal and Rahbar, Karachi a sum of Rs 11.638 million was paid in 2011-12 & 2012-13 to Officers, CPOs & Sailors on account of Daily Messing Allowance (DMA) on the basis of participation in exercises whereas the Officers, CPOS & Sailors had performed their routine duty as a regular function hence payment of DMA stood irregular. The routine function cannot be treated as part of exercise/maneuver. There was no separate budget allocation for payment of DMA from main cash account and its payment from main cash account stands irregular. Further, payment of DMA was not integrated with the regular Pay & Allowances, therefore, no deduction of income tax is being made from payment of DMA, causing loss to state of Rs 11.638 million.

In November and December, 2012 and July 2013 the irregularity was reported to PNS Jauhar, Iqbal and Rahbar and they replied that in the background of present law & order situation in the country, all units under COMKAR, COMPAK, COMLOG commands put on high alert. In this context exercises/training/maneuvers/security exercises have been conducted regularly on daily basis and watches put in to watches of all the ships company. Replies furnished by the Naval units were misleading and not tenable as the DMA is not admissible for watch duties and watch duties performed by the staff are the regular function and cannot be termed as exercise/maneuver. When any operational order is issued by armed forces, it carries specific time-bound operation mentioning name of the operation, persons deployed, period and vehicles required. In case of general duty, the payment of DMA is unjustified.

DAC in its meetings held on January 6 and 7, 2014 directed to PNS Jauhar, Iqbal and Rahbar that relevant record be produced to audit for verification.

The relevant record was not produced to audit for verification till finalization of this audit report.

Audit requires stoppage of irregular practice forthwith and immediate deposit of overpaid amount into Government treasury.

DP-38, 104 & 114(S)/2013-14

1.25 Mismanagement of Contract – Rs 1.077 Billion

1.25.1 Mismanagement in Execution of Naval Air Station at Turbat Causing Delay and Hike in Construction Cost – Rs 1.077 Billion

According to Rule 0140 (2) of Financial Regulations (F.R) (Navy) 1993, it is the duty of the Controller of Naval Accounts (C.N.A) to keep himself informed of the progress of and of all circumstances affecting the progress of the expenditure which he has finally to bring to account. According to Rule 15 (b) (1) (2) & (3) of Defence Services Regulation (DSR) 1998, the total estimate for each service is not exceeded beyond permissible limits. According to Rule 12(1) of Public Procurement Rules, 2004, procurements over one hundred thousand rupees shall be advertised on the authority's website in the manner and format specified by regulations by the authority from time to time. Complete detail procedure about development of Naval Air Station (NAS) at Turbat for Pakistan Navy is provided in Ministry of Defence, letter No. PD/EF/1008/F.2/17/2006/D-14/N-11 dated June 10, 2009.

In Controller of Naval Accounts (C.N.A), Karachi, Rs 1.077 billion was incurred against 14 contracts in connection with project Naval Air Station (NAS) at Turbat. The civil works were not launched through PPRA website. The pace of entire project is not in consistent with approved Government plan. Some jobs were amalgamated, in contrary to master plan, for example construction of phase-I and phase-V {CPO/Sailor Barracks (150 men)} were amalgamated in one Job for 300 men vide CA No. ENC-N-12/2011. The cost of flight line building was approved for Rs 35.207 million while actual cost of job vide contract No.

ENC-N-07/2012 was increased to Rs 92.336 million, which was 162 % higher than original plan. These few instances are portraying as to how the affairs of such a high value sensitive strategic national level project is being managed. The E-Section and Unit Accountant of CNA(KC) have failed to perform their basic internal audit function for this specific project.

Certain issues relating to NAS project were pointed out and reported to the CNA in Nov 2013, to which it was replied that the matter has been referred to concerned unit for clarification. Reply furnished by the Controller Office is not tenable as the issues have not been addressed during pre-audit.

DAC in its meetings on January, 6 & 7, 2014 directed to the CNA to shift the Para to the concerned Navel unit to provide all evidences to audit for verification.

No further progress was intimated till finalization of this report.

Audit requires implementation of DAC directives, besides effective pre-audit at unit accountant level and efficient post audit in 'E' Section of CNA Karachi to watch Government interest at preliminary stage.

DP-152(S)/2013-14

Inter Services Organizations

1.26 Recoverables / Overpayments – Rs 71.767 Million and US \$ 0.936 Million

1.26.1 Unauthorized Retention of Surplus Dues of CNE Patients and Government Dues – Rs 53.141 Million

In Armed Forces Institute of Cardiology (AFIC), Rawalpindi an account is maintained where the charges received as advance from Civilian Non-Entitled (CNE) patients are deposited. On completion of the treatment of CNE patients and after deduction of the total medical charges the remaining amount received from the patients as advance is refunded to the concerned patients.

In contravention to the above procedure, a surplus / unused amount of Rs 53.141 million after adjustment of treatment charges of CNE patients was retained as AFIC receipts without authority and not refunded to the patients being their legitimate right. The unlawfully retained amount of the patients was transferred to the private account of the hospital.

Non refund of unused amount to the patients was pointed out by Audit in January, 2013 and it was replied by the management of AFIC, that in case the amount is deposited into Government treasury it would not be possible to refund it to the depositor. The reply is not acceptable because it is the responsibility of AFIC management to ensure refund of the amount remaining after the adjustment of medical treatment of CNE patients to them then and there or within one month of the discharge of the patient.

The DAC in its meeting held on February 18, 2014 directed the management of AFIC, Rawalpindi to produce record to Audit for verification.

No further progress was intimated to Audit till finalization of this Report.

Audit advises that the AFIC management should ensure refund of the remaining amount after the adjustment of medical treatment to CNE patients within one month. The total amount unlawfully retained from the surplus / unused advance payment of CNE patients during last 10 years should be calculated and efforts made to refund the amount to the respective CNE patients or their families / institutions.

In future AFIC management should ensure refund of the amount remaining after the adjustment of medical treatment of CNE patients to them then and there or within one month of the discharge of the patients through contacting them on their given addresses.

DP-137 (N)/2013-14

1.26.2 Unauthorized Transfer of Profit to Private Fund – Rs 13.086 Million

According to Rule-2 of Financial Regulations (Vol-II) 1986, all transactions to which any officer of Government in his official capacity is a party, shall, without any reservation, be brought to account and all moneys received by or tendered to Government officer which are due to, or are required to be deposited with Government shall, without undue delay, be paid, in full, into a Government treasury.

In Armed Forces Institute of Cardiology (AFIC), Rawalpindi a Bank Account No. 004400-7 was being maintained in National Bank of Pakistan for depositing the collection made from Civilian Non-Entitled (CNE) patients. The share of the deposited amount is distributed as per policy approved by Ministry of Defence. Audit observed that profit earned on this account was transferred to a private fund. Audit is of the view that profit earned from public money should be deposited into Government account.

Non-deposit of amount was pointed out in January, 2013 and it was replied by the management of AFIC, Rawalpindi that as per SOP issued by GHQ, advance was received from CNE patients and deposited in

bank. Profit of this amount was also transferred to private fund and expended for the welfare of patients. Government rules were silent in this regard. The reply was not tenable as the expenditures on patients welfare was required to be incurred out of share of hospital amenities. Profit earned on “CNE” Bank Account was required to be deposited into Government treasury being public money.

The DAC in its meeting held on February 18, 2014 directed that SOP be formulated, duly approved from Government, for regulating the account and its Audit.

No further progress was intimated to Audit till finalization of this Report.

Audit suggests that the profit earned be deposited in Government account immediately. If any policy is formulated by the Government that will be applicable in future.

DP-115 (N)/2013-14

1.26.3 Unauthorized Retention of Government Revenue Earned on Account of Tuition Fees from Foreign Trainees – US \$ 0.936 Million

According to Rule-2 of Financial Regulations (Vol-II) 1986, all transactions to which any officer of government, in his official capacity is a party, shall without any reservations, be brought to account and all moneys received by or tendered to government office which are due to, or are required to be deposited with government shall, without undue delay, be paid in full, into government treasury or into the bank to be credited to the appropriate account.

According to Joint Services Instructions (JSI) 04/2006 tuition fees and medical charges received from the foreign trainees/students will be deposited in Government account.

The management of National Defence University (NDU) received tuition fee amounting to US \$ 936,000 from 39 foreign participants of National Security and War Course (NSWC) at the rate of US \$ 24,000 per participant during 2011-12. According to the above mentioned rules, this amount was required to be deposited into government account. However, entire amount was retained by NDU.

In a similar Para No. 2.1.8 of Audit Report 2009-10 (DP-261 of 2009-10), the DAC in its meeting held on January 27, 2010 directed the NDU to deposit the fee into Government treasury.

Non-deposit of tuition fee in Government account was pointed out by Audit in March, 2013 and it was replied that NDU was an autonomous institution. The tuition fee received from course participants was not public money and it was therefore being deposited in University fund. The reply was not acceptable as amount received from foreign course participants was public money and required to be deposited into Government treasury according to Government rules and directive of DAC mentioned above.

The DAC meeting was not convened on this para till finalization of this Report.

Audit suggests that tuition fee be deposited in Government account forthwith.

DP-158 (N)/2013-14

1.26.4 Non-recovery of Rent of Shops – Rs 4.320 Million

According to Rule-68 (b) of Quarter & Rent, 1985, in case of buildings occupied by private individuals, particularly if the individuals concerned use the accommodation for purposes of trade and make a profit out of it or otherwise derive some personal advantage there from, the full assessed rental or the market rent, as the case may be, shall be fixed.

In Armed Forces Institute of Cardiology (AFIC) Rawalpindi some shops situated inside hospital premises were allotted to individuals

for running their businesses. It was observed that no rent of the shops was recovered and deposited into Government account. An approximate rent of Rs 4,320,000 for the period from July 1, 2010 to June 30, 2013 is calculated as detailed below:-

Sr. No.	Name of Business	Market Rent/ month (Approx)	Amount (Rs) (36 months)
1.	Imran Pharmacy (Medical Store)	50,000	1,800,000
2.	Fast Food Centre	30,000	1,080,000
3.	M/s Folad Khan Canteen	20,000	720,000
4.	M/s Folad Khan Gift Shop	10,000	360,000
5	M/s Folad Khan Fruit Shop	10,000	360,000
Total			4,320,000

Non-recovery of rent was pointed out in January, 2013 and it was replied by the management of AFIC that a Board of Officers was being established for fixing of rent. The rent of shops would be recovered on the recommendations of the Board.

The DAC in its meeting held on February 18, 2014 directed the management of AFIC that a Board of Officers be constituted to assess the rent of the said shops.

No further progress was intimated to Audit till finalization of this Report.

Audit suggests that rent for the entire previous period be assessed keeping in view the market value of the shops and business being run on them. The entire amount of rent is deposited in Government account.

DP-151(N)/2013-14

1.26.5 Unauthorized Retention of Share of Medical Officers outside the Public Account – Rs 1.22 Million

According to Rule-2 of Financial Regulations (Vol-II) 1986, all transactions to which any officer of government, in his official capacity is a party, shall without any reservations, be brought to account and all moneys received by or tendered to government office which are due to, or are required to be deposited with government shall, without undue delay, be paid in full, into government treasury or into the bank to be credited to the appropriate account.

In Armed Forces Institute of Cardiology (AFIC), Rawalpindi an amount of Rs 1,225,195 on account of undisbursed share of Medical Officers on account of receipts from CNE patients was transferred to private account during financial years 2010-11 and 2011-12 on the plea that these MOs were in receipt of NPA. Audit holds that this amount was required to be deposited into Government treasury as the Medical Officers were receiving NPA from Government exchequer.

Non-depositing of Medical Officers' share in Government account was pointed out by Audit in January, 2013 and it was replied by AFIC management that in accordance with GHQ letter No. 3532/32/DMS-3(c) dated November 23, 2000, when specialists/Medical Officers not engaged in private practice, their share would be deposited in bank. Moreover during 2010-11 and 2011-12 due to shortage of Medical Officers in army, civilian Medical Officers were employed for smooth functioning of this Institute. The reply is not acceptable because share of Medical Officers in lieu of NPA paid to them is required to be deposited into Government account.

The DAC in its meeting held on February 18, 2014 directed to deposit the amount of MO Share in Government treasury.

No further progress was intimated to Audit till finalization of this Report.

Audit suggests that the amount of share of Medical Officers as pointed out by Audit be deposited into Government account besides working out the total amount on this account for the previous years and ensured to be deposited into Government account under intimation to Audit.

DP-121 (N)/2013-14

CHAPTER-2

Ministry of Defence Production

2.1 Introduction

Ministry of Defence Production deals with procurement, indigenous production and manufacture of defence equipment and stores. This Ministry negotiates agreements and Memorandums of Understanding (MoUs) for foreign assistance or collaboration, loans for purchase of military stores, technical knowledge and transfer of technology. It also deals with export of defence products, marketing, and promotion of activities relating to export of defence products and procurement and research & development related matters of the defence sector. Under Armed Forces Development Plan this Ministry has undertaken mega projects like JF-17, Al-Khalid Tank, F-22P Frigate and AWACS Air Refueling System as well as F-16 Block 52, Radar System etc.

2.2 Status of Compliance of PAC Directives

Status of compliance of directives of the Public Accounts Committee (PAC) while discussing Audit Reports from 1985-86 to 2012-13 is given in the following table:-

Audit Year	Total Paras Discussed by the PAC	Actionable Points	Full Compliance	Partial Compliance	Nil Compliance
1	2	3	4	5	6
1985-86	15	01	0	0	01
1986-87	12	0	0	0	0
1987-88	05	05	01	0	04
1988-89	05	03	0	0	03
1989-90	04	01	0	0	01
1990-91	03	03	01	0	02
1991-92	16	05	0	0	05
1992-93	15	03	0	0	03
1993-94	26	04	0	0	04
1994-95	22	0	0	0	0
1995-96	28	12	01	01	10
1996-97	91	63	02	02	59

1997-98	55	05	0	0	05
1998-99	89	07	0	02	05
1999-00	80	39	01	01	37
2000-01	140	17	0	04	13
2001-02	44	27	10	02	15
2002-03	0	0	0	0	0
2003-04	01	0	0	0	0
2004-05	08	08	04	01	03
2005-06	06	04	0	0	04
2006-07	07	05	01	0	04
2007-08	Report not yet discussed				
2008-09	16	03	0	02	01
2009-10	Report not yet discussed				
2010-11	Report not yet discussed				
2011-12	Report not yet discussed				
2012-13	Report not yet discussed				
Total	688	215	21	15	179

The above position shows that the compliance of PAC directive was very slow and the same was required to be expedited by the Principal Accounting Officer.

Audit Paras

2.3 Recoverables / Overpayment – Rs 166.267 Million, US \$ 0.258 Million, € 0.029 Million and DM 0.013 Million

2.3.1 Non-recovery of Risk and Expense Amount from Contractors – Rs 156.935 Million

According to Para-13 (d) of Chapter-XII of Purchase Procedure and Instructions 2002, in case firm does not deposit risk and expense amount in one year, procurement agency will institute suit in the civil court against the firm for recovery.

In Directorate General Procurement (DGP) Army, Rawalpindi an amount of Rs 156.935 million on account of risk and expense was lying outstanding against five contractors for a period from 1 to 15 years but no legal action was initiated to recover the same.

Recoverable amount was pointed out in November, 2012 to which it was replied that a court of inquiry was ordered to find out factual position. The same has still not been finalized by HQ Karachi Log Area. Further outcome will be considered in the light of recommendations of the court of inquiry.

The DAC in its meeting held on January 27, 2014 decided that further action will be taken in the light of report of the Court of Inquiry.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that all the risk and expense amount be recovered and deposited into Government Treasury within a month.

DP-49 (N)/2013-14

2.3.2 Loss to State Due to Non-provision of Stores to Indenter for Seven Years Due to Non-inspection – € 4.45 Million

As per Para-1(a) Chapter-V of Purchase Procedure and Instructions 2001, speedy procurement at the economical cost and in conformity with the specifications laid down by the Indenter / Chief Inspector is guiding principal of Defence purchases. Time will be taken as essence of all procurement process.

The Ordnance Services (OS) Directorate, GHQ Rawalpindi raised an indent on November 8, 2006 for procurement of certain stores including 5,407 numbers of Completely Knocked Down (CKD) kits for Infantry Directorate. The Directorate General Munitions Production (DGMP) concluded a contract with M/s PHOTONICS, France on June 30, 2007 for this purpose. Institute of Optronics (IOP) Chaklala was the consignee of the stores.

The stores in respect of above contract were received by IOP up to September 28, 2011. However, 1,607 CKD kits amounting to € 4,449,783 have not been inspected by the IOP and hence not issued to the indenter. Audit is of the view that if stores were not issued to indenter after seven years then its requirement for the indenter was questionable.

Non utilization of stores was pointed out in February, 2013 to which it was replied that 4992 NVDs have been delivered and IE&I is being offered the subject NVDs for inspection @ 200 per month and the project will be completed by the end of 2014. The reply is not tenable as Audit considers that the stores have lost its utility for the indenter if provided after lapse of seven years due to non-conducting timely inspection.

The DAC in its meeting held on March 06, 2014 directed that the store may be procured and got inspected.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that the matter regarding undue delay in inspection be investigated, fix responsibility and initiate remedial measures to avoid such lapses in future.

DP-135 (N)/2013-14

2.3.3 Loss Due to Non-conclusion of Contract on Risk and Expense – Rs 6.908 Million

BMP Directorate HIT, Taxila concluded a Contract Agreement No. 227/10/IT-3040/10/Multitech/CP/TM/Proc dated June 21, 2010 with M/s Multitech Engineers, Rawalpindi for supply of cutting tools for CNC machines for Tank Manufacturing Factory. According to Clause-11 of the contract, in the event of failure of the supplier to deliver the stores, the purchaser had the right to cancel the contract on risk and expense of the defaulting firm.

The supplier failed to deliver the stores costing Rs 1,504,545 on the plea that export license was not granted by the German Government. On failure to supply the stores against the above contract, BMP Directorate HIT concluded a new contract No. 147/2012/RT-3040/Zeeshan Trade/CP/TM/Proc dated June 14, 2012 with M/s Zeeshan Traders, Lahore at a total cost of Rs 8,412,990 for the supply of same stores. Therefore, an amount of Rs 6,908,445 was recoverable from the defaulting firm on account of risk and expense. However, no recovery was effected on this account.

Recoverable amount was pointed out in September, 2012 to which it was replied that the firm was approached time and against for deposit of Risk and expense (R&E) amount. However, the firm requested that the contract could not be completed due to changes in export rules and regulations by the German Government, therefore, case may be considered as Force Majeure in the light of Clause-10 of the contract. Reply was not

tenable as the risk and expense amount was not notified to the defaulting firm and CMA (HIT) in terms of Para-13 (a) of Chapter-XII of Purchase Procedure and Instructions, 2002.

The DAC in its meeting held on July 30, 2013 directed that liquidated damages be imposed on the firm in case of non-depositing of risk and expense amount and court case may be filed against the firm.

No progress was intimated to Audit till finalization of this Report.

Audit stresses for immediate recovery of the amount, fixing responsibility beside initiation of remedial measures to avoid such lapses in future.

DP-208 (N)/2012-13

2.3.4 Non-recovery of Risk and Expense Amount – Rs 2.424 Million

Heavy Industries (HIT) Taxila concluded Contract No. 179/2011/ IT-3042/18/AH Traders/CP/TM/Proc dated June 24, 2011 with M/s AH Traders, Lahore for procurement of stores valuing Rs 8,347,500. According to Clause-6 of the contract, in the event of non-supply of stores by the supplier; the purchaser had the right to cancel the contract at the risk and expense of the defaulting firm.

The supplier supplied stores of Rs 362,250 only and failed to supply the remaining stores valuing Rs 7,985,250. HIT Taxila concluded another contract No. 155/2012/RT-3042/18/NLH/CP/TM/Proc dated June 20, 2012 valuing Rs 10,409,724 for the remaining stores on the risk and expense of defaulting firm. The excess amount paid to the second firm amounting to Rs 2,424,474 was recoverable from the defaulting firm. However no recovery was effected.

The recoverable amount was pointed out in October, 2012 to which it was replied that actual recoverable amount was Rs 1,304,431 and

efforts are being made to compel the firm to deposit the amount on account of risk and expense.

The DAC in its meeting held on July 30, 2013 directed that actual amount be sorted out and facts got verified from audit.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that actual recoverable amount may be reconciled with Audit, recovery effected and deposited into Government treasury within a month.

DP-209 (N)/2012-13

2.3.5 Non-recovery of Cost of Deficient Stores – US \$ 0.071 Million

According to DPL-15 of contracts regarding warranty of stores, supplier is bound to make good the deficiency in supply, if any. Moreover under Clause-11 of contract, payment against letter of credit will be made by the bank after obtaining evidence of delivery of stores to the shipper.

In Directorate General Procurement (Army), an amount of US \$ 71,134 was outstanding against M/s Azkis Corporation, Karachi on account of deficient stores in different contracts as evident from DGP (Army) circular No. P-12/13 dated October 27, 2008 and letter No. 58120/A/P-13 dated November 25, 2009. Neither stores were procured nor cost of the deficient stores recovered from the firm.

Recoverable amount was pointed out in November, 2012 to which it was replied that being old contracts, the indenter EME Directorate is closing the case on loss statement. Reply was not tenable because the firm was still in business with DGP (Army) as evident from firm letter No. AC/DPA-4203-0448-07 dated June 6, 2011. Therefore recovery is required to be made.

The DAC in its meeting held on January 27, 2014 directed to effect recovery from the firm.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses for recovery and deposit of the amount into Government treasury within a month.

DP-01 (N)/2013-14

2.3.6 Non-replacement of Rejected Stores – USD 0.062 Million

Directorate General Munitions Production (DGMP) concluded a contact No. 296/EC/2006-07/Army dated June 30, 2007 with M/s Litton Systems, USA for purchase of stores including 75 No. of Image Intensifier Tubes of Aviator Night Vision Goggles for Institute of Optronics (IOP), Chaklala. According to Clause-6.2 of the contract, the supplier was required to repair or replace the material which proved defective.

The supplier supplied four Image Intensifier Tubes which were found defective. The firm was asked for rectification or replacement of these items vide letter dated March 19, 2012. However, neither these items valuing US \$ 62,000 were rectified/replaced nor cost thereof was recovered.

The above recoverable amount was pointed out in February, 2013 to which it was replied that OEM has been approached to replace the defective tubes and he has agreed to provide the store.. The reply is not tenable because neither the items were rectified / replaced nor cost thereof was recovered.

The DAC in its meeting held on March 06, 2014, directed to finalize the case and pended the para till receipt of the store and its inspection.

No progress was intimated till finalization of this Report.

Audit stresses the store may be acquired immediately or cost thereof may be recovered and deposit into Government treasury.

DP-118 (N)/2013-14

2.3.7 Non-recovery of Cost of Rejected and Deficient Stores – USD 0.057 million

According to Para-2 of DPL-15 of contracts, in case of failure to replace the defective stores free of cost within a reasonable period, the contractor will refund the relevant cost in the currency in which the same was received plus freight charges. Moreover according to Para-3 of DPL-15 supplier is bound to make good the deficiency in supply, if any.

Directorate General Procurement (DGP) Army, Rawalpindi executed the contract No. 55895/55897/Javed/DDP-II/P-12 dated June 30, 1988 with M/s Javed Traders, Karachi for procurement of parts of tractor valuing US \$ 88,000. The cost of 17 items which were found deficient and of three rejected items valuing US \$ 57,520 were outstanding against M/s Javed Traders, Karachi as evident from 303 Spares Depot EME Lahore letter No. 80401/2045/Javed/Veh/C/Veh receipt/EME dated April 8, 2010 and DGP (Army) letter No. 55895/55897/P-12 dated September 8, 2010 and even no dated November 25, 2010. However, neither stores were replaced nor cost thereof was recovered.

The above deficiency was pointed out in November, 2012 to which it was replied that the firm had gone underground and presently not in business. The indenter EME Directorate is closing the contract on loss statement.

The DAC in its meeting held on January 27, 2014 directed DGP (Army) to make effort for recovery from the firm. In order to trace out the firm a letter may be written to FBR to provide any particular of the firm in connection with the tax paid previously by the firm. Agencies may also be involved to trace out the firm.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses for recovery and deposit of the amount into Government treasury within a month.

DP-11 (N)/2013-14

2.3.8 Non-recovery of Cost of Deficient Stores – US \$ 0.042 Million

According to DPL-15 of contracts regarding warranty of stores, suppliers are bound to make good the deficiency in supply, if any. Moreover under Clause-11 of contracts, payment against letter of credit will be made by the bank after obtaining evidence of delivery of stores to shipper.

Directorate General Procurement (DGP), Army failed to recover an amount of US \$ 42,880 from M/s Farooq & Sons, Karachi on account of deficient stores since long as evident from letter No. Avn/15488/D/P-3 dated July 29, 1985 and even No. dated August 16, 2010. The same needs recovery.

Recoverable amount was pointed out in November, 2012 to which it was replied that case was taken up with the CMA (DP), Rawalpindi for recovery of overdrawn amount. However, CMA (DP) vide letter dated September 25, 2013 intimated that the firm was no more in business.

The DAC in its meeting held on January 27, 2014 directed DGP (Army) to make effort for recovery from the firm. In order to trace out the firm a letter may be written to FBR to provide any particular of the firm in connection with the tax paid previously by the firm. Agencies may also be involved to trace out the firm.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses for recovery and deposit of the amount into Government treasury within a month.

DP-02 (N)/2013-14

2.3.9 Loss Due to Non-recovery of Advance Payment – € 0.029 Million

Pakistan Aeronautical Complex (PAC) Kamra concluded a contract No. PACB/786/12180005/0049/P-1 dated June 30, 2002 with M/s FIAR, Italy for procurement of modules of automatic test equipment valuing € 107,800 for Avionics Production Factory (APF) Kamra. According to Clause-19, the contract was to be terminated by the purchaser in case supplier defaults in performance of the contract. Further contractor had to refund any payment received from purchaser along with interest at LIBOR rate plus one percent.

APF Kamra released advance payment of € 29,400 to the supplier on January 8, 2004. However, the supplier failed to supply entire stores. The advance payment was not recovered and the bank guarantee provided by the firm also expired on January 30, 2004. This resulted into non-recovery of the advance payment and loss to state exchequer of € 29,400.

The loss was pointed out in February, 2013 to which it was replied that CMA (DP) was approached vide U.O dated January 15, 2014 for recovery from the firm.

The DAC in its meeting held on March 06, 2014 directed to hold inquiry within six weeks as to why the bank guarantee had not been encashed and recovery be effected from the firm.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses immediate recovery of the whole amount, fixing responsibility beside initiation of remedial measures to avoid such lapses in future.

DP-147 (N)/2013-14

2.3.10 Non-recovery of Cost of Rejected and Deficient Stores – US \$ 0.026 Million

According to Para-2 of DPL-15 of contracts, in case of failure to replace the defective stores free of cost within a reasonable period, the contractor shall refund the relevant cost in the currency in which it was received plus freight charges. Moreover under Para-3 of DPL-15 supplier is bound to make good the deficiency in supply, if any.

Directorate General Procurement (Army), Rawalpindi concluded a contract No. 55900/55903/Javed/Motorex/DDP-II/P-12 dated June 2, 1988 valuing US \$ 41,671.00 with M/s Javed Traders, Karachi for purchase of spares of tractor. The firm drew 100% payment on presentation of shipment documents. However stores valuing US \$ 10,939 was rejected as reported by MGO Branch (OS Dte) GHQ, Rawalpindi vide letter No. 1517-0056/10/OS-8A dated June 1, 2000 while stores valuing US \$ 15,206 were not supplied by the contractor as reported vide letter No. 1519-0056/10/LS/OS-8A dated February 9, 2001. The cost of rejected and deficient stores valuing US \$ 26,145 was not recovered from firm as evident from DGP (Army) letter No. 55900/55903/Javed/Motorex/P-12 dated April 26, 2005. The same needed recovery.

The recoverable amount was pointed out in November, 2012 to which it was replied that the firm had gone underground and presently not in business. However the indenter EME Directorate is closing the contract on loss statement. Reply is not tenable as the required action was not taken in time for recovery.

The DAC in its meeting held on January 27, 2014 directed DGP (Army) to make effort for recovery from the firm. In order to trace out the

firm a letter may be written to FBR to provide any particular of the firm in connection with the tax paid previously by the firm. Agencies may also be involved to trace out the firm.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses for recovery and deposit of the amount into Government treasury within a month.

DP-53 (N)/2013-14

2.3.11 Non-recovery of Cost of Undelivered Stores - DM 0.013 Million

According to Para-2 of DPL-15 of contracts, in case of failure to replace the defective stores free of cost within a reasonable period, the contractor shall refund the relevant cost in the currency in which it was received plus freight charges. Moreover under Para-3 of DPL-15 supplier is bound to make good the deficiency in supply, if any.

Directorate General Procurement (Army), Rawalpindi concluded a contract No. 516-509/7/330-02 dated June 29, 1998 valuing DM 15,217 with M/s Westridge Enterprises, Rawalpindi, local agent of M/s Unex Handles, Germany for purchase of one electronics stethoscope model Un-Ex-500. The firm received 90% payment of DM 13,696 on presentation of shipment documents. The stores were found defective and returned to foreign principal for repair or replacement in April, 2000, as evident from GHQ LS Branch (OS Dte) letter No. 4249/6398/Prov/05-06 dated September 6, 2001. Despite lapse of 13 years neither stores were replaced nor its cost was recovered as was evident from DGP (Army) letter No. 7-330-06-02 dated August 15, 2002 and even No. letter dated April 5, 2006.

Moreover due to failure of firm, performance bank guarantee of DM 760.00 was required to be encashed which was not done in time and the same expired on August 1, 2000 as reported by DGP (Army) vide

letter No. 7-330-06-02 dated May 31, 2002 and HBL letter No. MB/7238 dated May 28, 2003.

The recoverable amount was pointed out in November, 2012 to which it was replied that stores were returned for replacement but not received back from the firm. Local representative of the firm had also died. CMA (DP) was asked to encash the bank guarantee in case of non-extension by July 26, 2000. However, letter was issued by CMA (DP) for encashment on September 13, 2000 i.e. after expiry of the guarantee.

The DAC in its meeting held on January 27, 2014 directed DGP (Army) to write a letter to Defence Attaché Germany to look into the matter. If not arrived at any conclusion the loss may be got written off.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses for recovery and deposit of the amount into Government treasury within a month.

DP-44 (N)/2013-14

2.4 Loss to State – 283.694 Million, € 0.020 and £ 0.046 Million

2.4.1 Loss Due to Procurement of Sub-standard Generators Costing Rs 183.593 Million

As per Clause-13 of the contract, on receipt of stores the consignee shall check the correctness against the invoice supplied by the suppliers. If any item/quantity is found short or any other discrepancies discovered in the consignment, the consignee will render a discrepancy report to the supplier within 90 days after receipt of stores. The supplier will be responsible for making good such discrepancies within 45 days from the date of receipt of discrepancies report and dispatching stores to consignee free of cost.

Directorate General Procurement (Army), Rawalpindi concluded a contract agreement No. 12-686-02 dated June 30, 2007 with M/s Amjad Brothers, Rawalpindi for supply of 2,294 Germany made generators @ Rs 194,000 per unit. The contractor could not supply the generators and contract was cancelled at risk and expense of the firm. On request of the contractor, contract was re-instated vide letter No. 12-686-02 dated July 13, 2011 for procurement of these generators @ Rs 193,500 per unit imported from Japan. Out of total contracted quantity, 880 generators were supplied by the contractor and an amount of Rs 183,592,800 was drawn.

However, the generators supplied by the firm were of China origin instead of Japan as evident from Inspectorate of Electronics and Instruments (IE&I) Chaklala, Rawalpindi letter No. C/21/2007/Elect-I 4223J dated March 6, 2012, April 11, 2012 and DGP (Army), letter No.12-686-02 dated June 19, 2012. The GS Branch (W&E Directorate) vide their letter No.7555/471/Gen/EPC-EXEPN dated May 14, 2012 also directed for replacement of generators otherwise cancellation of contract at risk and expense of the firm. The stores were not replaced and cost thereof was also not recovered from the firm.

The recoverable amount was pointed out in November, 2012 to which it was replied that as per contract, checking the standard of the generators sets was the responsibility of IE&I, Chaklala. Therefore, the IE&I may be approached for appropriate reply. Reply is not tenable as the inspection failed to point out the discrepancy and replacement or recovery was not pursued in time.

The DAC in its meeting held on January 27, 2014 directed DGP (Army) that the contract may be short closed and the firm may be blacklisted.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses for recovery of the cost of equipment, fix responsibility and initiation of disciplinary action against the responsible officers within a month.

DP-41 (N)/2013-14

2.4.2 Loss Due to Non-conclusion of Contract on Risk and Expense – Rs 84.024 Million

According to Clause-17 (a) of Contract Agreement No. 23-0624-3-0 dated August 31, 2010, should the supplier fail to deliver the stores or any consignment thereof within period prescribed or any extension thereof, the purchaser shall be entitled to cancel the contract and purchase store not delivered at Risk and expense of the supplier and without notice to him.

Directorate General Procurement (DGP) Army Rawalpindi concluded a Contract Agreement No. 23-624-3-0 dated August 31, 2010 M/s People Gas Company Peshawar for purchase of 7200 M/Ton rice basmati super @ Rs 53,220 per M/Ton valuing Rs 383,184,000.

The above contract was cancelled after 13 months without any financial repercussion vide letter No. 23-624-3-0 dated October 14, 2011 by applying force majeure clause on the plea that godowns of the firm were washed away in flood at Nowshera and another contract No. 23-0662-3-2-182 dated November 22, 2011 was concluded @ Rs 64,890 per M/Ton.

Audit holds that cancellation of contract on Force Majeure is not justified because before award of the contract, Field Security Team of MoDP vide their report dated August 10, 2010 confirmed that godowns of the firm were situated in Peshawar (not Nowshera) and 4200 M/Ton rice was available in the stock. Further, the firm offered 89 M/Ton rice for inspection after the floods which were rejected due to poor quality vide letter No. 23-624-3-0 dated December 8, 2010. Therefore, non-concluding

the new contract at risk and expense of the defaulting firm resulted into loss of Rs 84.024 million.

The above loss was pointed out in November, 2012 to which it was replied that a board of officers was constituted at GHQ who visited Pabbi and Nowshera areas on September 12, 2011 and recommended to cancel the contract. The reply was not tenable because in the inspection report dated August 10, 2010 it was stated that godowns were located in Peshawar (not in Pabbi and Nowshera). Moreover the contract was concluded on August 31, 2010 which is after the date of flood in the area.

The DAC in its meeting held on January 27, 2014 directed to determine whether Chief of Logistic Staff (CLS) GHQ was competent to constitute a Board of Officers to verify the destruction of godowns in flood in subject case.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that the loss to state exchequer needs to be made good.

DP-42 (N)/2013-14

2.4.3 Loss to State Due to Procurement of Store at Exorbitant Rate – US \$ 19,988

As per Para-405(2) of FR (Navy), most careful supervision over expenditure is to be exercised and on no account shall money be spent simply because it is available.

As per Para-1(a) Chapter-V of Purchase Procedure and Instructions (PPI) 2001, speedy procurement at the economical cost and in conformity with the specifications laid down by the Indenter / Chief Inspector is guiding principal of Defence purchases. Time will be taken as essence of all procurement process.

In Directorate of Procurement (Navy), Rawalpindi an indent for procurement of “Mount Resilient RBR” was received on OPS IMMEDIATE basis with delivery on as soon as possible basis. DP (N) initiated the process and contract documents were finalized at total cost of US \$ 49,055.17 were sent to supplier i.e. M/s Perfect Associates, Karachi for signatures. The contract however, could not be materialized till close of financial year 2009-10.

The bid was valid upto October 13, 2010 (120 days w.e.f June 16, 2010). DP (N) instead of executing the contract in bid validity period, cancelled the bid and re-tendered it. Re-tendering was made twice and Contract No. 320526 dated June 27, 2011 was concluded with the same contractor M/s Perfect Associates, Karachi at total cost of US \$ 69,043.16 which was US \$ 19,988 over and above the original bid resulting into loss to state.

The loss was pointed out by audit in October 2012 to which it was replied by the DP (N) that contract was not finalized in Financial Year 2009-10 due to paucity of funds and the same was concluded in next financial year i.e. 2010-11. Moreover, that contract was finalized after obtaining concurrence from Military Finance duly approved by the CPO. The reply was not acceptable as the bid was valid upto October 13, 2010 however, new tendering was initiated and the contract was awarded to the same contractor at 41% higher rates.

The reply submitted by the executive was unsatisfactory, therefore the DAC in its meeting held on March 6, 2014 directed the executive to submit revised reply with proper justification.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that the matter may be got investigated, fix responsibility and initiate remedial measures to avoid such lapses in future.

DP-88 (N)/2013-14

2.4.4 Loss Due to Undue Favour to Contractor – Rs 8.797 Million and UK £ 4,662

According to Rule-6(a) of Financial Regulations (Vol-I), 1986, every officer 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.

Directorate of Procurement (Navy) Rawalpindi concluded a Contract No. DICP/POL/IND-024009/R-1002/340483 dated June 27, 2010 with M/s United Enterprises, Karachi for supply of 50,000 liters of “Lub Oil Gear OM-100” on Free on Rail (FOR) basis with delivery period up to December 26, 2010. The delivery period of the supplies was extended twice i.e. first extension was granted upto April 26, 2011 and second extension was granted up to August 31, 2011. Second extension was objected by Directorate of Ration & POL, Naval Headquarters vide their letter No. R&POL/024009/CICP dated July 4, 2011 as stores were immediately required.

Directorate of Procurement (Navy) concluded another contract No. 024049/B-1011/340622 dated April 11, 2011 with the same supplier for same quantity of stores on Free on Board (FOB) basis with delivery period up to October 11, 2011. Naval Headquarters Islamabad asked for emergent supply of 22,000 liters oil on April 28, 2011. Accordingly, the supplies were airlifted against the new FOB contract instead of existing FOR contract by spending extra expenditure of Rs 8,796,663 and UKP 4,662 on account of freight and airport handling charges respectively. Audit holds that this extra expenditure was caused due to grant of extension in FOR contract, which could have been saved if the delivery of

the supplies were ensured within the original delivery period of the contract. This resulted into undue favour to the supplier and loss to state exchequer of Rs 8,796,663 and UKP 4,662.

The above loss was pointed out in January, 2012 to which it was replied that the delivery period was extended up to April 26, 2011 with imposition of 1% liquidated damages due to change of principal and expiry of QinetiQ Certification. Second extension up to August 31, 2011 was granted with the concurrence of FA (Navy) to streamline the supply of both contracts i.e. remaining qty 28,000 liters against FOB contract in first phase and total quantity of FOR contract i.e. 50,000 liters in second phase. Reply was not tenable because grant of extensions resulted into extra expenditure which could have been saved.

The DAC on January 27, 2014 was told by the executive that by air lifting the oil, government saved substantial amount. The DAC directed to get facts verified from Audit.

No progress was intimated till finalization of this Report.

Audit stresses that the extra expenditure was caused due to improper contract management, which needed regularization besides fixing responsibility and adoption of remedial measures.

DP-12 (N)/2013-14

2.4.5 Loss Due to Purchase of Stores on Higher Rates – Rs 7.280 Million

According to Rule-6 (a) of Financial Regulation (Vol-I) 1986, every officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

The management of Military Dairy Factory Okara awarded a contract No. 5860/57/Farms-6PSKS dated May 29, 2011 to M/s Premier Dairies (Pvt) Ltd, Lahore for supply of 750,000 kilograms skimmed milk

powder @ Rs 340 per Kg. It was noticed that after one month another contract DSA/1558/02/(L)/1050-0002/10-11 dated June 30, 2011 was concluded for supply of 181,773 kilograms skimmed milk powder @ Rs 380.05 per Kg. Audit observed that milk was purchased within a span of one month at higher rates which resulted in loss to state amounting to Rs 7,280,180.

The irregularity was pointed out in September, 2012 and it was replied that contract for supply of 750 tons was concluded/tendered on 11 March, 2011 as per order of GHQ Rawalpindi whereas second contract concluded by DGP Army on June 30, 2011. Difference in rate was according to international market.

Reply is misleading because the second contract for more quantity on 11.5% higher rate was made only after a month which is not justifiable.

The DAC on November 6, 2013 directed that para be shifted to Ministry of Defence Production as purchase was made by DGP (Army).

Audit suggests that liaison between MoD and MoDP be established and improved for economical contract management, fixing of responsibility causing loss by purchasing higher quantity of skimmed milk on higher rate.

DP-193 (N)/2012-13

2.4.6 Loss Due to Non-utilization of Procured Stores – UK £ 0.041 Million

Directorate General Procurement (Army), Rawalpindi concluded a contract bearing No. IVE/61027/5546/Combi/DP-II/P-12 dated April 22, 1984 with M/s M/s Combi International, Islamabad for supply and installation of 75 KW VIP Power Track 3,000 Hz Power and control unit suitable for 380/440 volt electrical supply. According to Clause-22 (a) of the contract, the firm would arrange installation / commissioning of the entire equipment at IV&EE Chaklala through M/s

Inductotherm Europe Ltd UK at their own arrangement free of cost. Further, according to Clause-14(a) of the contract the warranty of stores was for 12 months after its receipt by the consignee.

The above equipment was purchased at a cost of UK € 41,307 on July 25, 1984 and 100% payment was released. However, the equipment was not installed due to non-construction of building at the site and warranty period also expired in July 1985. Building was constructed in 1987 after lapse of three years of the receipt of equipment. Firm was asked for installation and commissioning of equipment in 1992 after eight years of its receipt but it refused on the ground that warranty period had already expired in July, 1985. Department did not make any effort for installation / commissioning of equipment and instead a case was initiated for regularization of loss as evident from DGP (Army) letter No. 55443/P-13 dated February 8, 2011. Audit holds that due to mismanagement of the procurement, the state exchequer sustained a loss of UK € 41,307.

The above loss was pointed out in November, 2012 to which it was replied that firm was not traceable as reported by the field security team. A case was under process by IV & EE, Chaklala to close it on loss statement. Reply was not tenable because the firm was not at fault. It was fault of the management which did not installed/commissioned the machine in stipulated period. Moreover no clause was inserted in the contract agreement to cope with such situation of non-installation / commissioning in time.

The DAC in its meeting held on January 27, 2014 directed to hold departmental inquiry to investigate the matter.

No further progress was intimated to Audit till finalization of this Report.

Audit stresses that the inquiry be completed within a month, fix responsibility and initiation of disciplinary action against the officers at fault.

DP-45 (N)/2013-14

2.5 Unauthorized / Irregular Expenditure – US \$ 1.452 Million and € 0.125 Million

2.5.1 Unauthorized import of luxury Vehicles during Ban Period – US \$ 1.452 Million and € 0.125 Million

Cabinet Division vide letter No. 6-1(4)/07-MII dated October 6, 2007 imposed ban on purchase of imported luxury vehicles and sanctioning authority for purchase of these vehicles was the Prime Minister of Pakistan.

Director Procurement (Navy), Rawalpindi unauthorizedly imported 40 Toyota Land Cruisers (Japan Origin) at a total cost of USD 1,452,610 through M/s Indus Motors, Karachi vide two contracts No. 937009/B1001/360209/P-36 dated June 17, 2010 and No. 1090080/B1101/361005/P-36 dated June 30, 2011. The import of vehicles was approved by the Service Chief without his competence. The vehicles were imported despite ban imposed by the Cabinet on the purchase of imported vehicles.

Moreover, two luxury cars, BMW (2,979cc) costing €125,387 were also imported through M/s Dewan Farooq Motors Limited, Karachi vide contract No. 037001/B1007/360091/P-36 dated February 9, 2011. The luxury vehicles were imported despite ban by the Cabinet on purchase of imported vehicles in view of austerity measures. The import of 42 vehicles is therefore held as unauthorized and expenditure unjustified.

The unauthorized purchase of luxury vehicles was pointed out in September, 2012 to which it was replied by Director Procurement (Navy) that the case was sent to Naval Headquarters for obtaining ex-post

facto approval of Prime Minister of Pakistan to regularize the case. The reply is not tenable because the luxury vehicles are not admissible to the Government officers and import of such vehicles during the ban due to austerity measures is held unlawful.

The DAC in its meeting held on January 27, 2014 directed DP (Navy) that the case be sent to Cabinet Division for clarification.

No progress was intimated to Audit till finalization of this Report.

Audit suggests that the responsibility for the unauthorized import of luxury vehicles and expenditure during ban period be fixed, the vehicles so purchased should be handed over to the Cabinet Division pool and the competence and entitlement should be defined according to the laid down policy of the Government.

DP-04 & 52 (N)/2013-14

Annexure-I

MFDAC Paras (DG North) 2012-13

MAG

S #	DP NO.	Formation	Subject	Amount
1	DP-150	CMA (KC) Karachi	Local purchase in piece meal	14.471
2	DP-151	CMA (KC) Karachi	Loss to state due to irregular payment of G.S.T	2.768
3	DP-152	CMA (KC) Karachi	Irregular Payment	0.419
4	DP-154	SSD ASC Okara	Non deposit of sales tax	83.799
5	DP-155	SSD ASC Okara	Less deduction of income tax	13.093

ML&C Deptt

S #	DP #	Formation	Subject	Amount
6	DP-160	CB Malir	Overpayment to contractor due to calculation mistake	0.481
7	DP-161	CB Malir	Irregular expenditure on flower show	1.062
8	DP-162	CB Malir	Overpayment to contractor due to application of wrong conversion factor	0.444
9	DP-164	CB Hyd	Payment of un-authorized work	0.579
10	DP-165	CB Hyd	Overpayment to contractor	0.375
11	DP-166	CB Hyd	Overpayment due to payment of market rate instead of schedule rate	0.156
12	DP-167	CB Hyd	Irregular expenditure incurred on repair / maintenance and consumption of POL	0.466
13	DP-168	CB Hyd	Loss to Cantt fund due to non-assessment of property	1.738
14	DP-169	CB Karachi	Non-imposition / recovery of Cinema Tax	2.220
15	DP-170	CB Karachi	Non recovery of withholding tax and security fee	7.538
16	DP-172	CB Karachi	Non-recovery of TIP Tax	3.400

17	DP-173	CB Karachi	Loss to cantt fund due to less recovery of Cinema Tax	0.658
18	DP-175	CB Karachi	Loss to government due to non-deduction of income tax	0.220
19	DP-176	CB Karachi	Loss due to overpayment to the contractor	0.732
20	DP-177	CB Malir (Karachi)	Overpayment to contractor due to application of wrong rate	1.570
21	DP-178	CB Hyderabad	Loss to Cantt. Fund due to less recovery of composition fee / non assessment of property	0.777
22	DP-181	CB Clifton Karachi	Loss to Cantt. Fund due to less-assessment	0.593
23	DP-182	CB Clifton Karachi	Un-authorized expenditure out of cantonment fund	2.092
24	DP-244	CB Faisal	Loss to Cantt Fund due to purchase at higher rate	0.134
25	DP-245	CB Faisal	Loss/Non-Recovery of Security fee	2.043

Army

S #	DP NO.	Formation	Subject	Amount
26	DP-188	TMF Taxila	Wastage of factory resources	240.000
27	DP-191	MDFY Okara	Irregular conclusion of Contract	556.000
28	DP-192	MD Factory Okara	Irregular local purchase of fresh milk	366.760
29	DP-194	MDFY Okara	Loss to State due to transportation of fresh milk from Okara to Rawalpindi	13.280
30	DP-195	MD Factory Okara	Loss to State due to un-due favour to contractor	20.057
31	DP-196	MF Renala Khurd	Irregular / Un-justified payment to contractor and non-recovery of income, GST and non-collection of security Money	20.800
32	DP-198	MF Khyber Okara	Irregular / Un-justified payment to contractors, Non-recovery of GST and security money	20.800
33	DP-200	MF Khyber Okara	Loss to State due to non-allotment of Government accommodation	0.513
34	DP-201	MF Okara	Loss to State due to un-due favour to contractor	3.500

35	DP-202	MD Factory Okara	Blockage of public money	32.500
36	DP-204	Gun Factory Taxila	Non-supply of store	150.000
37	DP-211	MF Abbottabad	Un-authorized expenditure without appropriate sanction	10.080
38	DP-212	MF Abbottabad	Un-authorized installation of tube well without appropriate sanction	2.799
39	DP-213	MF Abbottabad	Irregular Expenditure for Purchase of Whole Milk Powder	25.500
40	DP-216	MF Lahore	Un-authorized expenditure	17.080
41	DP-219	MF Sialkot	Award of contract without proper competition	4.500
42	DP-220	MF Kharian	Un-authorized expenditure without budget allocation -	18.998
43	DP-221	MF Kharian	Un-authorized Conclusion of Contract	6.402
44	DP-222	MF Gujrawala	Irregular / un-authorized conclusion of contract	4.444
45	DP-223	MF Jhelum	Non-production of auditable record	49.292
46	DP-224	MF Jhelum	Irregular conclusion of contract	44.880
47	DP-225	MF Jhelum	Un-authorized expenditure without sanction/budget -	23.931
48	DP-226	MF Jhelum	Undue favour to contractor	4.069
49	DP-227	MF Jhelum	Irregular conclusion of contract	10.200
50	DP-228	MF Jhelum	Irregular Conclusion of Contract	8.905
51	DP-246	MF Abbottabad	Un-authorized expenditure	17.979

DP-Division

S #	DP NO.	Formation	Subject	Amount
52	DP-04	GE (DP) Maint Taxila	Non-recovery of allied services charges	4.628
53	DP-06	GE (DP) Maint Taxila	Irregular expenditure due to wrong booking	1.087
54	DP-08	GE (DP) Maint Taxila	Loss to State due to less recovery of sui gas charges due to non-availability of free board of officer	162.421
55	DP-185	KAARF (APF) Kamra	Non-recovery of rejected store	0.050
56	DP-186	AMF Kamra	Non-replenishment of stock used for commercial production	0.030

57	DP-187	AMF Kamra	Irregular / waste full Expenditure out of public fund instead of revolving fund	5.653
58	DP-189	KARF (APF) Kamra	Non-recovery of cost of store used for commercial projects	2.683
59	DP-190	DGDP Rwp	Mis-procurement of Stores	5.117
60	DP-205	APCF HIT	Unauthorized payment drawn by a firm on account of rejected store	\$ 0.087
61	DP-206	APC (F) Taxila	Un-justified payment of overtime allowance out of normal fund	2.591
62	DP-207	APC (F) Taxila	Blockage of Government money due to non-installation of machine	\$ 2.370
63	DP-230	DESCOM Hit Taxila	Irregular conclusion of contract for procurement and installation of solar system being NIV item Prior seeking Government approval	5.250
64	DP-231	DESCOM HIT	Loss to state due to non-receipt of store	174.065
65	DP-232	DESCOM Hit Taxila	Provision of documentary evidence of deposit of GST @ 17% on account of auction receipts.	9.165
66	DP-233	DESCOM HIT	Loss to State due to un-justified retention of removed items from the built armored vehicles	3.847
67	DP-234	DESCOM Hit Taxila	Loss to State due to non-deposit of LD Charges into the Government treasury without kept with its own receipt head	5.427
68	DP-235	BMP HIT	Irregular transfer of funds in order to avoid lapse	700.00
69	DP-236	BMP Dte HIT	Loss to state due to non-receipt of contracted / rejected store	108.460
70	DP-237	HRFM HIT	Loss to State due to non-receipt of contracted / rejected store	\$ 0.665
71	DP-239	APC (F) Taxila	Conclusion of contract on the basis of irregular proprietary certificate	1.643
72	DP-240	DGDP Rwp	Non-deduction of Income Tax	€ 426,896.76, \$ 1,534,730 CHF 35,700
73	DP-241	DGDP Rwp	Non-recovery of LC charges	0.456
74	DP-242	KARF Kamra	Non-recovery from contractor on account of rejected store	\$ 1,088

MFDAC Paras (DG North) 2013-14

MAG

S #	DP #	Unit/Formation	Subject	Amount
75	DP-93	CMA (RC) Rwp	Irregular payment of pay and allowances to Army officers/ JCOs/Sldrs deployed on UN mission	1.446
76	DP-96	CMA (DP) Rwp	Non provision of auditable record	19.426
77	DP-97	CMA (DP) Rwp	Releasing of payment over and above actual schedule	1.388

ML&C Deptt

S #	DP #	Unit/Formation	Subject	Amount
78	DP-18	MEO Quetta	Loss due to non-obtaining of owners.	3.963
79	DP-19	CB Faisal	Non-recovery of TIP tax and layout plan	63.75
80	DP-20	CB Sialkot	Over-payment to contractor	1.423
81	DP-22	CB Bahawalpur	Loss to state due to non-recovery of commercialization fee.	0.909
82	DP-23	CB Multan	Un-due Budget to Army Authorities.	0.727
83	DP-28	MEO Quetta	Loss due to irregular commercialization of residential accommodation.	21.767
84	DP-32	MEO Gujranwala	Loss to Govt. due to assessment of compensation piece of acquired land on market rate.	361.899
85	DP-34	CB Walton LHR	Irregular payment of de-silting charges.	2.177
86	DP-35	MEO Karachi	Irregular allotment of Askari Houses.	79.309
87	DP-38	CB Quetta	Loss due to non-recovery of ground rent and Income Tax	850.038
88	DP-59	CB Clifton Karachi	Over-payment to contractor.	1.124
89	DP-60	CB Faisal Karachi	Un-due benefit to M/s Habib University foundation and loss to Cantt Fund.	30.855
90	DP-63	CB Walton	Non-recovery of composition fee	2.074
91	DP-79	MEO Quetta	Non-finalization of acquisition of land due to lack of mismanagement.	114.828
92	DP-94	MEO Abbottabad	Non deposit of Government money in treasury	23.400

93	DP-95	MEO Abbottabad	Irregular acceptance of payment made by WAPDA authorities after expiry of Govt. sanction and non-recovery of compound interest	75.000
94	DP-102	MEO Sargodha	Loss to state due to non-refund of balance	36.206
95	DP-104	MEO GWA	Loss to state due to non-refund of balance	1.364
96	DP-105	MEO Sargodha	Loss to state due to non-deposit of amount	6.606
97	DP-117	CB Wah	Irregular expenditure in excess of Budget allocation	720.67
98	DP-119	CB Wah	Loss due to un-authorized subletting of shops	55.200
99	DP-122	CB Wah	Fraudulent leasing of Government land	2.223
100	DP-124	CB Wah	Un-authorized payment of pay and allowances	11.675
101	DP-141	CB Wah	Non-reflecting of Cantonment fund in Annual Accounts	15.550
102	DP-142	CB Wah	Un-authorized expenditure on original work	3.341
103	DP-143	CB Wah	Un-authorized mutation of property	5.835
104	DP-153	CB Murree	Non regularization of wrong booking of expenditure	1.843
105	DP-155	CB Murree	Non-reflecting of Cantonment fund in Annual Accounts	5.917

Army

S #	DP #	Unit/Formation	Subject	Amount
106	DP-03	GE (A) Maint-II Rwp	Irregular expenditure on provision / construction of Basket Ball Court	0.155
107	DP-14	GE (A) Hyderabad	Loss to state due to less recovery of electric charges.	1.485
108	DP-16	102/14 Engr Bn Multan/Bwp	Irregular payment of pay & allowances.	2.731
109	DP-17	26 AK Unit LHR	Irregular payment	0.611
110	DP-25	GE (A) Multan	Irregular transfer of funds	22.000
111	DP-26	GE Services LHR	Loss to state due to non-recovery of electricity charges from Cantt. Boards.	6.037
112	DP-36	F.S.D Chunian	Extra expenditure due to income of chicken and meat on HOOF	8.485

113	DP-47	702 PWS Bhimber	Irregular expenditure due to construction of Married accommodation	6.251
114	DP-51	GE (Army) Attd	Un-justified payment of RAR	39.331
115	DP-56	GE (A) ATD	Irregular local purchase and transfer of Building.	2.205
116	DP-57	SMI Murree	Irregular purchase of Generator.	1.49
117	DP-66	JSHQ Chaklala	Irregular expenditure due to procurement of vehicles excess of authorization	3.091
118	DP-70	JSHQ Chaklala	Irregular expenditure on procurement of physical assets	498,607
119	DP-71	GE (A) GHQ Rwp	Irregular sanctioning of expenditure without Govt. sanction	272,422
120	DP-72	JSHQ Chaklala	Irregular expenditure on POL due to running of condemned vehicles	1.223
121	DP-73	JSHQ Chaklala	Irregular procurement of stationery without advertising on PPRA web site	5.555
122	DP-83	702 PWS Bhimber	Irregular award of bazar supply contracts without advertising on PPRA website	7.382
123	DP-85	GE (A) Constn-I Rwp	Non accounting of store arranged by the contractor	34.37
124	DP-86	SMI Murree	Irregular expenditure on construction of tennis court	1.886
125	DP-87	GE (A) Maint-II Rwp	Un-authorized conversion of residential building into office	5.131
126	DP-91	GE (A) Constn Chaklala	Non accountal of store on material at site register	6.997
127	DP-114	7 FF Regt Chunnian 48 Fd Regt Lhr 89 Ovd unit Sialkot	Overpayment of special allowance	1.298
128	DP-123	CMH Rwp	Loss due to purchase of medicines at less discount rate	1.267
129	DP-125	DW&CE (A) Rwp	Un-authorized expenditure out of UN re-imbursement account	148.095
130	DP-127	GE (A) Kohat	Un-authorized expenditure out of UN re-imbursement account	44.02
131	DP-128	GE (A) Kohat	Non-recovery of electric charges	2.216
132	DP-129	GE (A) Kohat	Un-justified payment for uncorrected items	1.017
133	DP-131	CMH Attd	Irregular payment of electric equipment	46.668

134	DP-132	RSD Atd	Extra expenditure due to incorrect application of distances	0.816
135	DP-133	RSD Atd	Un-authorized use of building as guest house	1.062
136	DP-134	RSD Atd	Un-authorized payment of IS duty allowance	0.816
137	DP-138	AGE (A) D.I.Khan	Un-authorized expenditure out of Al-Mizan fund	58.495
138	DP-148	NDU Isld	Un-authorized expenditure beyond Financial power	39.102
139	DP-149	NDU Isld	Irregular expenditure due to non-executing of work by MES	32.037
140	DP-150	GE (NDU) Isld	Irregular expenditure due to store not taken on charge in MAS Register	1.682

Air Force

S #	DP #	Unit/Formation	Subject	Amount
141	DP-110	PAF Hospital	Irregular conclusion of contract.	13.400
142	DP-111	PAF Base Mianwali	Misappropriation in issue receipt of 17463 ltr	2.780
143	DP-112	PAF Base Mianwali	Less deduction of income tax	0.909
144	DP-113	PAF Base Sakesar	Irregular receipt of allied charges	2.624

Navy

S #	DP #	Unit/Formation	Subject	Amount
145	DP-107	PN War College LHR	Irregular running of diesel generator (600 KV)	4.200
146	DP-108	PN War College LHR	Loss of revenue due to non-depositing of Govt. fee	\$ 778,008
147	DP-109	PN War College LHR	Loss due to non-depositing of accommodation charges	3.692

ISO's

S #	DP #	Unit/Formation	Subject	Amount
148	DP-120	AFIC Rwp	Un-necessary purchase of medical instruments	£ 20,600
149	DP-136	AFIC Rwp	Loss to state due to non-deduction of income tax	5.840

DP-Division

S #	DP #	Unit/Formation	Subject	Amount
150	DP-05	DP (Navy)	Mis-procurement of stores	\$ 8.950
151	DP-06	DP (Navy)	Non-payment of GST	\$125994
152	DP-07	DP (Navy)	Irregular procurement of vehicles	49.445
153	DP-08	DP (Navy)	Non recovery of cost of rejected store from supplier	\$ 49267
154	DP-09	DGP (Army) Rwp	Fraudulent payment to contractor on account of GST	27.245
155	DP-10	DGP (Army) Rwp	Wasteful expenditure on procurement of night observance devices	\$ 11540
156	DP-13	DGP (Army) Rwp	Irregular expenditure on procurement of vehicles during ban	1210.11
157	DP-40	DGP (Army)	Loss to state due to non-purchase of Dhall Mong	53.384
158	DP-43	DGP (Army)	Over-payment to contractor due to non-acceptance of lowest offer.	24.17
159	DP-48	DP (N) Rwp	Mis-Procurement of store.	\$ 2.825 17.937
160	DP-50	DGP (A)	Irregular Expenditure Procurement of Store.	492.502
161	DP-54	DP (N)	Irregular conclusion of contract.	€ 782,820.8
162	DP-55	DP (N)	Non-production of record for Audit.	€ 11.186 \$ 0.087 49.411
163	DP-65	DP (N) Rwp	Irregular / excess authorization in the contract	\$ 1240 & € 7376.25
164	DP-67	DP (N) Rwp	Embezzlement of earnest money	2,174,059
165	DP-68	DP (N) Rwp	Non recovery of contractor	7.207
166	DP-69	DP (N) Rwp	Non recovery of risk and expense amount from contractor	1.928
167	DP-89	DP (N) Rwp	Un-justified payment of LC charges	\$ 11,438
168	DP-90	DP (N) Rwp	Loss to state due to mismanagement.	0.798
169	DP-116	IOP Chaklala	Non delivery of store	€ 1.919
170	DP-144	ARF Kamra	Non cancellation of contracts on risk and expense	0.015
171	DP-145	APF Kamra	Non recovery of cost of rejected stores	\$ 0.033
172	DP-146	APF Kamra	Un-authorized carrying of Cash Balance to next financial year	20.000
173	DP-156	APF Kamra	Un-authorized holding of officers in excess of sanction strength	1.935
174	DP-157	ARF Kamra	Un-authorized holding of officers in excess of sanction strength	1.897

Annexure-II

MFDAC Paras (DG South) 2013-14

MAG

S.No.	DP No.	Unit/Formation	Subject	Amount (Millions)
1	S-100	CMA Khi	Irregular expenditure on repair/maintenance out of Al-Mizan fund	3.187
2	S-107	C.N.A Khi	Loss to state due to unjustified use of state resources for book keeping of non-public fund activities without imposition of service charges	2.424
3	S-111	C.N.A Khi	Irregular payment of Flying Allowance	1.98
4	S-120	CMA Khi	Overpayment to the contractor due to incorrect application of rates	0.980
5	S-122	CMA Khi	Irregular local purchase of medicines in excess of sanctioned quantity	1.224
6	S-128	CMA Khi	Irregular local purchase of medicines	2.568
7	S-138	C.N.A Khi	Non-recovery of Professional Tax	0.594
8	S-139	C.N.A Khi	Irregular payment of foreign TA/DA Claim pertaining to other organizations	1.35
9	S-140	C.N.A Khi	Abnormal delay for the adjustment of TA/DA advance	12.326
10	S-151	C.N.A Khi	Irregular expenditure on repair/maintenance out of Al-Mizan fund	500
11	S-84	CMA Khi	Irregular conclusion of contract beyond the financial powers of DW & CE	121.258
12	S-98	CMA Khi	Irregular reimbursement to UNRA fund out of operation Al-Mizan fund	30.00
13	S-99	CMA Khi	Unauthorized expenditure on construction of M.T sheds out of UN Mission code head (2/781/87)	34.508

DGML&C (ISO)

S.No.	DP No.	Unit/Formation	Subject	Amount (Millions)
14	S-126	MEO, Karachi	Unlawful occupation of 53.59 acres state land valuing Rs 10.738 billion by NLC for last 25 years causing loss	25.938
15	S-137	MEO Khi	Irregular retention of public money in bank account	0.666

Army

S.No.	DP No.	Unit/Formation	Subject	Amount (Millions)
16	S-50	GE (Army)-I Malir	Non-Recovery of liquidated damages	1.123
17	S-56	GE (Army)-I Malir	Non-Receipt of Departmental charges on account of Deposit Work	1.099
18	S-65	GE (Army)-I Malir	Non-recovery of liquidated damages from contractor due to late completion of work	5.960
19	S-66	GE (Army)-I Malir	Irregular commencement of Capital work after 15 th April	28.919
20	S-69	GE (Army)-I Malir	Irregular final payment before physical completion of work	77.376
21	S-70	GE (Army)-I Malir	Irregular/Unjustified Expenditure	41.247
22	S-71	GE (Army)-I Malir	Split-up of contracts to avoid sanction of Government of Pakistan	66.459
23	S-78	CMES (Army) Malir	Irregular conclusion of contracts	5.924

Air Force

S.No.	DP No.	Unit/Formation	Subject	Amount (Millions)
24	S-01	PAF Hospital Masroor	Unauthorized / Irregular / Unjustified expenditure on purchase of Central Suction Plant	1.920
25	S-03	PAF Hospital Islamabad	Irregular award of contracts in violation of PPRA Rules	2.650

26	DP-19	GE (Air) PAF Base, Korangi Creek Karachi	Unauthorized Holding of Water Filter Plants	4.609
27	S-101	GE (Air) Risalpur	Non-recovery of rent from agricultural land	40.00
28	S-103	GE (Air) Risalpur	Irregular payment made to contractors against maintenance works in the following year	0.819
29	S-113	CMES (Air) Faisal	Over-payment to contractor due to non-deduction of area of lights	0.310
30	S-119	GE (Air) Chaklala	Non-recovery of rent of VOQs and guest rooms	20.045
31	S-121	PAF Base Peshawar	Non recovery of Government share obtained from use of A-1 land	7.472
32	S-13	GE (Air) Project-I Isd	Loss to state due to non-recovery of GST	1.085
33	S-14	GE (Air) Shahbaz Jacobabad	Non recovery of GST from the contractor	0.604
34	DP-131	Garrison Engineer (Air) Risalpur	Loss to State Due to Non-Use of Serviceable Electrical Equipment's	6.000
35	S-141	PAF Base Rafiqui	Loss to state due to non-deduction of GST	1.800
36	DP-142	GE (Air) Shahbaz	Non-recovery of rent of Government accommodation (special block) provided to foreign visitors at PAF Base Jacobabad	63.360
37	S-143	GE (Air) Chaklala	Non recovery of house rent allowance	7.416
38	S-157	Project Shahbaz AHQ Isd.	Non production of land acquisition record of 1100 acres	580.000
39	S-159	Project Shahbaz Isd.	Illegitimate payments to contractors	10.306
40	S-160	Project Shahbaz Isd.	Unauthorized extra payment to RE employees	11.220
41	S-161	Project Shahbaz Isd.	Non recovery of 15% flood surcharge on deducted income tax	8.218
42	S-162	Project Shahbaz AHQ Isd.	Non- deposit of Rabbi Crops in Govt. Treasury	21.148
43	S-163	Project Shahbaz Isd.	Non-recover of water charges from contractor	36.669
44	S-164	Project Shahbaz Isd.	Non accountal of superstructure, houses and shops	98.136
45	S-165	Project Shahbaz Isd.	Non accountal of fruit and non-fruit tress	2.040

46	S-20	GE (Air) K/Creek	Un-authorized expenditure on water bowzers	1.098
47	S-21	GE (Air) K/Creek	Non-recovery of rent and allied charges	1.225
48	S-22	PAF Hospital Masroor	Less deduction of Income Tax from whole seller	0.373
49	S-23	GE (Air) Peshawar	Non-recovery of allied charges from private consumers	0.360
50	S-26	AGE (Air) Multan	Over payment to contractor due to incomplete application of rates	0.163
51	S-27	GE (Air) Peshawar	Overpayment to contractor	0.198
52	S-28	PAF Base Peshawar	Unjustified application of 16% General Sales Tax instead of 8%	0.229
53	S-29	GE (Air) Lahore	Non-recovery of rent from commercial consumers	1.488
54	S-33	PAF Hospital Masroor	Non deposit of Government share on account of CNE (AHQ) due to non-funding	0.221
55	S-34	AGE (Air) Multan	Non Recovery of General Sales Tax	0.169
56	S-35	GE (Air) Lahore	Non-recovery of rent and allied charges	6.480
57	S-36	PAF Hospital Masroor	Non Recovery of Rent & Allied charges from private contractor	0.125
58	S-37	GE (Air) Chaklala	Outstanding electricity bills against commercial consumer	0.602
59	S-39	GE (Air) Lahore	Non-recovery of rent from shops	2.010
60	S-42	GE (Air) Peshawar	Outstanding Suigas bills	1.524
61	S-45	GE (Air) Lahore	Non-recovery of 5% of pay from officers	2.360
62	S-46	GE (Air) K/Creek	Irregular appointment of SE (BPS-19) against the post of XEN (BPS-18)	0
63	S-48	GE (Air) Chaklala	Non-recovery of rent from private consumers	24.006
64	S-52	PAF Base K/Creek	Loss to state due to re-appropriation of military buildings for un-authorized purpose	112.157
65	S-58	PAF Base K/Creek	Irregular and un-authorized purchase installation of fixed /CCTV Cameras	5.655
66	S-59	GE (Air) Lahore	Non-recovery of House Rent Allowance	1.689

67	S-60	PAF Hospital Masroor	Infructuous expenditure on repair of X-ray machine	1.996
68	S-73	PAF Base Kalabagh	Loss to state due to non-deduction of GST	0.119
69	S-83	PAF Base Faisal	Loss to state due to non-deduction of GST	4.42
70	S-89	PAF Base K/Creek	Irregular conclusion of CA contrary to PPRA rules and less recovery of income tax	4.305
71	S-97	PAF Base Faisal	Non-adjustment of navigation charges	0.576

Navy

S.No.	DP No.	Unit/Formation	Subject	Amount (Millions)
72	S-04	CMES (N) COMCOAST	Irregular issuance of Admin approval	3.135
73	S-08	AGE (N) Mauripur	Extra expenditure due to conclusion of contract at higher percentage	37.051
74	S-107	Controller of Naval Accounts (CNA), Karachi	Loss to state due to unauthorized use of state resources for accounting of deductions from pays of naval officers and remits to Naval Housing Scheme without imposition of service charges	2.424
75	S-144	Controller of Naval Accounts (CNA), Karachi	Unjustified continuous award of 14 Contracts to a defaulter contractor and non-recovery of Risk Expense Amount	0.749
76	S-112	PNS Rehbar	Irregular and unauthorized payment made on account of Cadet Training Grant (CTG)	1.336
78	S-116	GE (N) Maint. Islamabad	Non-recovery of GST & Income tax	0.749
79	S-127	GE (N) Maint. Islamabad	Non recovery of Ground Rent from commercial contractor	1.320
80	S-132	GE (N) Maint Isd	Non-recovery of rent from land at Rawat	22.500
81	S-134	GE (N) Maint Isd	Irregular payment made to contract against maintenance work	3.370
82	S-138	Controller Naval Accounts	Non-deduction of Professional Tax	0.643
83	S-92	PNS Raza	Loss to state due to blockade of public money	0.812

