



AUDIT REPORT
ON
THE ACCOUNTS OF
PUBLIC SECTOR ENTERPRISES
AUDIT YEAR 2020-21

AUDITOR-GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

ACMA	Associate Cost and Management Accountant
ADBP	Agricultural Development Bank of Pakistan
AGP	Auditor General of Pakistan
AHAN	Aik Hunar Aik Nagar
AIR	Audit Inspection Report
AM	Assistant Manager
AMI	Annual Merit Increase
APTMA	All Pakistan Textile Mills Association
B.Sc.	Bachelor of Science
BBA	Bachelor of Business Administration
BOD	Board of Directors
BPS	Basic Pay Scale
BSC	Banking Service Corporation
CAA	Civil Aviation Authority
CBA	Collective Bargaining Agent / Cost Benefit Analysis
CDL	Cash Development Loan
CDM	Clean Development Mechanism
CDWP	Central Development Working Party
CEC	China Electric Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFTC	Common Facility Training Center
CIA	Chief Internal Auditor
CMA	Controller Military Accounts
COO	Chief Operating Officer
CPC	Central Procurement Committee
CPF	Contributory Provident Fund
CST	Comparative Statement
DAC	Departmental Accounts Committee
DDWP	Departmental Development Working Party
DFIs	Development Financial Institutions
DG CA&E	Director General Commercial Audit & Evaluation
DGM	Deputy General Manager
DGR	Directorate General of Registration
DHA	Defence Housing Authority
DICR	Director Industrial & Commercial Relations
DISCOs	Distribution Companies

DMMD	Domestic Market and Monetary Management Department
DMRD	Disaster Management & Reconstruction Division
DPEs	Defence Production Establishments
ECC	Economic Coordination Committee
ECP	Election Commission of Pakistan
EOBI	Employee Old-Age Benefits Institution
EPSL	ENAR Petrotech Services Limited
EPZA	Export Processing Zones Authority
ERRA	Earthquake Reconstruction & Rehabilitation Authority
FAOF	Financial Advisor Ordnance Factories
FAP	Foreign-Aided Projects
FAST	Foundation for Advancement of Science & Technology
FBR	Federal Board of Revenue
FD	Finance Division
FIA	Federal Investigation Agency
FIU	Field Intelligence Unit
GAS	Ghar Aasan Scheme
GFRs	General Financial Rules
GM	General Manager
GPA	Gwadar Port Authority
GST	General Sales Tax
HBFCL	House Building Finance Company Limited
HEC	Higher Education Commission
HEC	Heavy Electrical Complex (Pvt.) Limited
HO	Head Office
HOD	Head of Department
HVAC	Heating, Ventilation, and Air Conditioning
IAD	Internal Audit Department
IAS	International Auditing Standard
IDA	Inspection Department Armaments
IET	Institute of Engineering and Technological Training
IS	Information System
IT	Information Technology
IVR	Interactive Voice Response
KIBOR	Karachi Inter Bank Offer Rates
KoFHA	Korangi Fisheries Harbour Authority
KP	Khyber Pakhtunkhwa
KS&EW	Karachi Shipyard & Engineering Works
KSSL	Kissan Support Services (Pvt.) Ltd.

KTDMC	Karachi Tools, Dies and Moulds Centre
LC	Letter of Credit
LD	Liquidated Damages
LFA	Leave Fair Assistance
LOLMTP	Lahore Orange Line Metro Train Project
LUMS	Lahore University of Management Sciences
MBA	Master of Business Administration
MD	Managing Director
MFDAC	Memorandum for Departmental Accounts Committee
MoD	Ministry of Defence
MoF	Ministry of Finance
MoI&P	Ministry of Industries & Production
MOU	Memorandum of Understanding
MPC	Member Production Co-ordination
MT	Metric Ton
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NCB	National Commercial Bank
NDO	National Database Organization
NESPAK	National Engineering Services Pakistan (Pvt.) Ltd.
NFC	National Fertilizer Corporation of Pakistan (Pvt.) Limited
NFML	National Fertilizer Marketing Limited
NGOs	Non-Government Organizations
NICL	National Insurance Company Limited
NIFT	National Institutional Facilitation Technology
NIPD&MC	National Industrial Parks Development & Management Company
NTU	National Textile University
NUST	National University of Science & Technology
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PASSCO	Pakistan Agricultural Storage and Services Corporation Limited
PATLO	Pakistan Army Technical Liaison Officer
PBC	Pakistan Broadcasting Corporation
PCESSDC	Pakistan Chemical and Energy Sector Skill Development Company
PCSIR	Pakistan Council of Scientific and Industrial Research
PDs	Primary Dealers
PEC	Pakistan Engineering Council
PEPAC	Pakistan Environmental Planning and Architectural Consultants (Pvt.) Limited

PG&JDC	Pakistan Gems & Jewellery Development Company
PHSADC	Pakistan Hunting and Sporting Arms Development Company
PIA	Pakistan International Airlines Corporation
PIAC	Pakistan International Airlines Corporation
PIDA	Pakistan Island Development Authority
PIDC	Pakistan Industrial Development Corporation
PLCE	Personal Load Carry Equipment
PM	Prime Minister
PMA	Punjab Mass Transit Authority
PMTF	Pakistan Machine Tool Factory
PNSC	Pakistan National Shipping Corporation
POF	Pakistan Ordnance Factories
POFIT	Pakistan Ordnance Factories Institute of Technology
POL	Petrol, Oil and Lubricant
PPF	Pakistan Press Foundation
PPR	Public Procurement Rules, 2004
PPRA	Public Procurement Regulatory Authority
PQA	Port Qasim Authority
PRCL	Pakistan Reinsurance Company Limited
PSEB	Pakistan Software Export Board
PSEs	Public Sector Enterprises
PSFCL	Pakistan Steel Fabricating Company (Pvt.) Limited
PSM	Pakistan Steel Mills
PSO	Pakistan State Oil
PSPC	Pakistan Security Printing Corporation
PTC	Pakistan Tobacco Company
PTVCL	Pakistan Television Corporation Limited
RD&R	Revenue, Debt & Remittance
RO	Regional Office
ROI	Return on Investment
RRC	Rate Running Contract
SAM	Special Asset Management
SBCC	Sialkot Business & Commerce Center
SBP	State Bank of Pakistan
SDF	Special Deposit Fund
SEC	State Engineering Corporation
SECP	Securities and Exchange Commission of Pakistan
SGS	Shandar Ghar Scheme
SIDC	Sports Industries Development Center

SLIC	State Life Insurance Corporation
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprise Development Authority
SOP	Standard Operating Procedure
SPC	Special Procurement Committee
SRB	Sindh Revenue Board
SRO	Statutory Regulatory Order
STN	Sale Tax Number
TCP	Trading Corporation of Pakistan
TCS	Tranzum Courier Service
TDR	Term Deposit Receipt
TFCs	Term Finance Certificates
TMA	Tehsil Municipal Administration
TUSDEC	Technology Up-gradation and Skill Development Company
UET	University of Engineering & Technology
USC	Utility Stores Corporation
VSS	Voluntary Separation Scheme
WAPDA	Water and Power Development Authority
WBM	Wah Brass Mills
WIL	Wah Industries Limited
ZTBL	Zarai Taraqati Bank Limited

PREFACE

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973 read with Sections 8 and 15 and other relevant provisions of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor General of Pakistan to conduct audit of the expenditure from the Federal Consolidated Fund, Public Account and that of Government Commercial Undertakings and of any Authority or Body established by the Federation.

This report is based on audit of the accounts of Public Sector Enterprises (PSEs) of Government of Pakistan for the year 2019-20. The Audit Report also contains audit observations of the previous financial years. The Directorate General of Commercial Audit & Evaluation, Islamabad conducted audit during the period July 01, 2020 to December 15, 2020 on test check basis, with a view to report significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic or significant issues and audit findings carrying value of Rs. 1.00 million or more. Relatively less significant issues have been listed in the Memorandum for Departmental Accounts Committee (MFDAC) **Annex-1**. The audit observations listed in the **Annex-I** shall be pursued with the relevant Principal Accounting Officers (PAOs) of the Ministries/Divisions at Departmental Accounts Committee (DAC) level. In case where the PAOs do not initiate appropriate action, the audit observations will be brought to the notice of the Public Accounts Committee (PAC) through the next year's Audit Report.

Most of the observations included in this report have been finalized in the light of discussions in the DAC meetings.

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

Islamabad
Dated

(Javaid Jehangir)
Auditor-General of Pakistan

EXECUTIVE SUMMARY

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

For this DG, CA&E (North & South) have a human resource of 178 officers and staff equivalent to 44,582 man-days for audit. Out of 18,915 person days allocated for undertaking field audit activities, 7,032 man-days were utilized for conducting audit of Federal Public Sector Enterprises by DG CA&E. The annual budget of the Directorates General for the year 2019-20 amounted to Rs.43.388 million. This report contains results of audit inspection and evaluation of financial performance of public sector entities for the financial year 2019-20 conducted during the year 2020-21.

This report also contains comments on the audited annual accounts of 42 public sector enterprises. However, comments on 44 PSEs (**Annex-2**) could not be included in this report as the concerned management failed to submit their audited accounts by the cut-off date i.e. December 31, 2020. Moreover, ten organizations (**Annex-3**) ceased their operational activities during the year 1990 to 2008. These are still under the process of liquidation/privatization.

a. Scope of Audit

This office is mandated to conduct audit of 95 entities working under 23 PAOs / Ministries. Total expenditure and receipts of these entities were Rs. 385.045 billion and Rs. 351.039 billion respectively for the financial year 2019-20.

Audit coverage relating to expenditure for the current year comprises 54 entities of 14 PAOs/Ministries having a total expenditure of Rs. 622.889 billion and receipts of Rs. 630.345 billion for the financial year. In terms of percentage, the audit coverage for expenditure is 62% of auditable expenditure and 45% of auditable receipts.

In addition to this audit report, DG, CA&E conducted two (2) Financial Attest audits. Reports of these audits are being published separately.

b. Recoveries at the instance of audit

As a result of audit, recovery of Rs. 33,218.426 million was pointed out in this report, whereas recovery of Rs. 9,343.499 million was made and verified (**Annex-4**).

c. Sectoral Analysis

Public Sector Enterprise is a body formed by the Government through legal means so that it can take part in activities of commercial nature. PSEs are a common feature around the world, and they can be found predominantly in China, US, New Zealand, India, Germany, Pakistan etc. PSEs are the backbone of many countries, especially in the developing world and if used properly they can be of great help in spurring socio economic growth. Pakistan being a developing country has established more than two hundreds PSEs for initiating economic growth and development.

Broadly, there are three sectors of economy i.e. the primary, secondary and tertiary sectors. The Government has established commercial entities, corporations and companies in the public sector focusing on an integrated sustainable economic growth in all the sectors. These PSEs are envisaged to provide better and efficient public service delivery, with self-sufficiency, financial autonomy and less bureaucratic controls.

PRIMARY sector encompasses utilization of naturally endowed resources available in the country. It includes agriculture, farming, fishing, and mining etc. Efficient and sustainable use of primary resources enables a country to attain self-sufficiency considering population growth. In order to support the private entrepreneurs, the Government established, inter alia, following key PSEs in this sector:

The Korangi Fisheries Harbour Authority (**KoFHA**) was established through an Ordinance in 1982 with the mandate of planning, construction, operation, management and maintenance of the Harbour for exploiting fisheries resources beyond territorial waters. The Harbour was completed in 1992 with a component of financing from Asian Development Bank. However, management

has failed to utilize Authority's Harbour facilities in accordance with its main purpose of exploiting fishery resources beyond territorial waters. Jetty & allied structures have not been utilized optimally. The deep-sea fishing policy 2018 has not been implemented in its true spirit which has resulted into substantial decline in revenue of the Authority compared with the revenue figures on account of fish landing and berthing charges during years 2002-2007 when revenue increased exponentially due to deep-sea fishing. Thus, the management has not been able to enhance the revenue generation to optimum level through exploiting fisheries resources beyond territorial waters.

Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) was incorporated on August 31, 1973 as a non-listed public limited company. It is involved in the implementation of the Federal Government's policy of support price program of food grains, equitable distribution of food commodities and maintenance of reserve stock. The Corporation has not been able to achieve the desired results of procuring and distributing sufficient quantities of food grain which adversely affected the food supply resulting in price fluctuation during 2020-21. Moreover, instances of financial mismanagement, missing of bardana in various zones, inappropriate recruitments, and issues relating to corporate governance rules 2017 have been noticed.

Utility Stores Corporation of Pakistan (Pvt.) Limited (USC) was incorporated on September 03, 1971 as Private Limited Company under Presidential order issued vide President Secretariat U.O dated March 26, 1971. The Corporation is registered under Companies Ordinance 1984 (now Companies Act, 2017) with its registered office at Islamabad. The Company has paid up capital of Rs. 737.73 million fully owned by the Government of Pakistan. The Company is working under administrative control of Ministry of Industries and Production. The key objectives of the Company are to undertake the procurement of essential consumer goods from domestic and external sources and to ensure the availability of quality goods in adequate and regular quantities and market them at prices lower than the market, through a chain of store operations. Due to non-installation of ERP system, the inventory control systems are highly risky and vulnerable. Further, the core functions of the Corporation are not streamlined. The system of ensuring transparent and equitable distribution of subsidies granted by the Government especially on essential items is lacking in the Corporation.

The Corporation has been continuously sustaining loss for the last many years. Due to lack of sound internal controls, there are instances of embezzlement, fraud, theft and misappropriation. Further, non-replacement of stores / stocks was resulting into blockage of funds. Issues of irregular procurements and HR management are rampant in the Corporation.

SECONDARY sector is the part of the economy that transforms the raw material into finished goods for sale or consumption in the country. It includes heavy and light manufacturing, food processing, oil refining as energy production etc. The secondary sector supports the primary and tertiary sectors. Improvement and sustainable development of secondary sector enables the country to attain self-sufficiency by mobilizing its domestic resources which include raw material, agriculture products, fisheries etc. Acknowledging the ever increasing demand due to population growth and to support the private entrepreneurs, the Government established, *inter alia*, following key PSEs in this sector:

Pakistan Ordnance Factories (**POF**) Board was established in 1961. The objective of POFs is to meet the Arms and Ammunition requirements of Pakistan Armed Forces during peace and war. For this purpose, it has 14 manufacturing units. POFs' main source of revenue is regular budget from Ministry of Defence Production. In addition to this, POFs also earns a small portion of revenue from export and local sales of Arms and Ammunitions. The SWOT analysis carried out reveals highly skilled manpower, strong internal controls system, ISO 9001 certification and sound financial backup of the organization. Weaknesses on the other hand relate to the use of old technology, weak inventory management and liberal estimates resulting in high cost of products. However, the organization has a potential to improve production through standardization, accessing international markets for Ordnance related products and utilization of spare capacity for production of civil products. Threats include international sanctions on purchase of raw materials, production and export to other countries and high dependency on purchase by defense forces. The operational performance reveals application of a net capital of Rs. 65.731 billion and a net profit earning of Rs. 516 million which is nominal keeping in view the vast potential for production and sales.

TERTIARY sector is part of economy that involves the sale and trade of services instead of goods. It is concerned with the intangible aspect of offering

services to consumers and businesses. It provides services, such as aviation, insurance and banking. This sector alone accounts for a quarter of revenues earned by the state. The Government established, *inter alia*, following key PSEs in this sector:

Export Processing Zones Authority (**EPZA**) was established by Government of Pakistan on February 06, 1980 through an Ordinance. The main objective of the Authority is to plan, develop, manage and operate export processing zones in Pakistan in order to invite / help foreign investors. However, there was non-compliance of rules by the management of the Authority. Only one meeting of the Board was conducted during the year 2019-20 against the minimum required four. The directors of the Board did not possess the industry-related qualification or experience and no performance evaluation of the Board was carried out by the concerned Ministry. This has led to various policy issues pending, including unaudited annual accounts for the last ten years, non-adoption of ERP, no Business Continuity Plan and non-formulating of the Disaster Recovery Plan (DRP). As a result, various irregularities and control issues were observed, including instances of sick units & zero-exports against the imports which reflect weakness in allotment of the land to the investors without appropriately analyzing the business and financial feasibilities & weak monitoring mechanism. The human resource management is non-transparent as due process is not followed in transfers, postings and promotions. Contract management is weak as the procurement of works, goods and services is undertaken disregarding the public procurement rules and building by-laws are not observed during construction. Besides, there is lack of well-defined cycle of receivables which has resulted into stuck-up amounts of recoverable amounts. Financial management is also weak as the funds were not transparently invested in accordance with the Finance Division's guidelines. Thus, the overall functioning of the management, the formulation of policies and its execution, control systems, recovery mechanism and observance of relevant rules and regulations need a substantial improvement.

Gwadar Port Authority (**GPA**) was established through an Ordinance on October 17, 2002, for construction, operation, management, and maintenance of the deep-water port. The Authority mandate entails the overall development of the port through raising funds for general port infrastructure i.e. dredging of

channels and construction of breakwaters, Whereas, the Authority has to engage private investors on build-operate-transfer basis for design, construction and operation of various terminals for cargo-handling. However, the Authority has badly suffered from the defective concession agreement on port commercial operations as the agreement favours the concession-holder at the cost of the Authority which is losing its operating assets of billions of rupees without earning any income in return through operations. There is no any clause to review / revisit the concession agreement during the tenure of 40 years, therefore, GPA being the owner of terminal, is sustaining huge loss despite investment of billions of rupees, which could have been avoided by inserting the clause on minimum guaranteed revenue in the agreement.

House Building Finance Company Limited (**HBFCL**) was established in 1952 by Government of Pakistan. The Company provides financing facilities for construction and purchase of houses. However, the Company has significant issue of recovery of the outstanding amounts. Instead of making the recovery mechanism effective, the management has resorted to creation of provision against loans and advances of Rs. 368.640 million during year 2019 and borrowed an amount of Rs. 2,000 million. This has compromised profit before taxation, decrease of 24 per cent during the year, and liquidity position of the Company. Besides, HR management is not in order as the officers are appointed disregarding the HR policy of the Company & standing orders of the government.

National Database and Registration Authority (**NADRA**) was established on March 10, 2000 by the Government of Pakistan. The purpose and objective of the Authority is to formulate and implement policies and plans for (i) the development and establishment of an improved and modernized system of registration in the Country (ii) the broadening of the registration base to bring within its purview all persons and things, wherever they may be to the extent and in the manner laid down in the Ordinance; and (iii) the establishment and maintenance of multi-purpose databases, warehousing, networking, interfacing of databases and related facilities and services. The Authority has witnessed increasing trend of trade debts receivables besides making investments without due diligence. Huge investment of Rs. 4.783 billion has been made in real estate in the absence of BOD's formal approval and in violation of Government policy.

In addition, procurements of different items were made in violations of Public Procurement Rules, 2004.

National Logistic Cell (**NLC**) was established by the Government of Pakistan on August 12, 1978 with main objective of providing uninterrupted logistic facilities in the country. It is also engaged in construction activities, infrastructure rehabilitation, and development sector, Management of Dry Ports & Border Terminals, Technical Institutes and Express Freight Train Service, toll collection and other engineering related activities. The operational performance during the year 2019-20 indicates decrease in revenue by 0.81%. NLC has not been able to perform functions of logistics by waterways and air. It has also not been able to perform the livestock functions in accordance with its mandate. The major issues hampering the performance of the Cell are irregular procurements, irregular execution of projects, irregular investments, HR issues and weak internal controls.

National Engineering Services Pakistan (Pvt.) Ltd. (**NESPAK**) was incorporated in 1973. It is engaged in providing engineering consultancy services in Pakistan and abroad having offices at Masqat, Oman, Riyadh, Qatar and Kabul. There was decreasing trend in income of consultancy services outside Pakistan by 16.65% which showed that management failed to secure more business in its overseas operations. After-tax profit of the company also decreased by 74.35%. Share of profit from associates of the company declined from Rs. 6.125 million in 2015-16 to loss of Rs. 2.514 million during 2017-18. It was observed that there were instances of irregularity and malpractices in appointments, financial management, procurement, contract management and overstaffing.

Pakistan International Airlines Corporation (**PIAC**) was incorporated under Pakistan International Airlines Corporation Act, 1956. The principal activity of the Corporation is to provide air transport services & engineering and allied services to other airlines. However, during the year 2019, the Corporation suffered from loss before taxation of Rs. 56,078.720 million, with accumulated losses of Rs. 488,695.710 million in 2019. The long term financing has increased by 28.48 per cent and financial charges by 72.8 per cent in 2019. There are issues of corporate governance, inventory management, irregular foreign postings,

financial management, procurement & contract management, asset management and weak internal controls. Successive managements made purchases of inventory without any planning and due diligence. Timelines of maintenance plan were not met causing unnecessary delay and loss on account of operating revenue and daily rental charges. The management failed to devise an effective and efficient marketing strategy for cargo space due to which revenues were not optimized. There was practice of allowing sales beyond capping limits. Management first allowed the agents to make sales beyond their capping limits and subsequently failed to recover the amount from defaulting agents. This shortfall in bank guarantees encouraged the agents to default. The element of collusion can also not be ruled out. The Airline ran into losses on international routes either because of lack of pre-requisites or managements' failure to adopt adequate fare policy, higher operational costs and poor performance of station sales teams. Despite having a financial crunch, management allowed discounted tickets. In spite of clear directives of ECC, the loan for inflight entertainment was not utilized for the actual purpose of in-flight entertainment rather, it was utilized on routine issues. Besides, procurement of services from sales agents was not in accordance with the public procurement rules.

Port Qasim Authority (**PQA**) was established under Act in 1973. The principal activities of the Authority are to provide services of ship movement, storage, berthage, wharfage, and towage, etc., besides developing and managing an industrial and commercial estate within its occupied area. However, the Authority has poor record of asset management. Its land has been encroached by the private parties. The management has paid huge amounts on account of land acquisition without transferring of title in the name of the Authority. The plots are allotted in disregard of its Land Policy. Its terminal contract award was made without following public procurement rules. Its decision-making lacks in sense of propriety as the tugs of the Authority are not duly utilized, instead, the tugs are hired from the private parties at exorbitant rates through non-transparent process. Its financial management & accounts receivable cycle is not in order as huge amounts of recovery are stuck-up since significant time.

Pakistan Television Corporation Limited (**PTVC**) was established on Nov 26, 1964. The main purpose and objectives of the corporation are (i) to provide television broadcasting services by telecasting programs of all kinds, news

pictorials and documentaries, local and foreign films of all kinds and nature for the purpose of disseminating information, education and entertainment; (ii) to carry out instructions of the Government of Pakistan with regard to general pattern or policies of programs, announcements, news etc.; and (iii) to carry on the business of commercial advertisement by selling programs and advertising time of television stations either directly or through advertising agencies or by setting up advertising agencies or by other means. The major issues of Corporation are irregular appointments, non-recovery of receivables, irregular / mis-procurements, weak internal controls, financial and contract management.

Pakistan Broadcasting Corporation (**PBC**) was incorporated on 20th December, 1972. The core operational activities of the PBC are to provide broadcasting services for general reception in all parts of Pakistan and the territorial waters thereof and on board ships and aircrafts (home services) and in other countries and places (External Services) for the purpose of disseminating information, education and entertainment through programmes which maintain a proper balance in their subject matter and a high general standard of quality and morality. The operational performance indicates that the corporation is running into loss and accumulated loss is on upward trajectory. The position showed that the corporation is relying on government grants rather than improving its operations. These conditions raise doubts on the Corporation's ability to continue as a going concern. Instances of improper financial management, procurement & contract management, appointments and asset management, weak financial controls etc. are rampant in the Corporation.

State Life Insurance Corporation of Pakistan (**SLIC**) was created under the Life Insurance (Nationalization) Order, 1972, which has been replaced by Insurance Ordinance, 2000. The main objective of the Corporation is to engage in the life insurance business, to maximize the return to the policy-holder, economizing on expenses and increasing the yield on investment and to use the policyholders' fund in the wider interest of the community. However, the Corporation suffered from continuous rise in surrender cases of insurance policies. The management issued multiple insurance policies without required documents reflecting financial soundness of policyholders. This may be the main reason of frequent surrendering of policies and thereby, loss of goodwill of the Corporation. There was significant abnormal trend of business development in

the month of December, esp. last seven days of the month which indicated chance of manipulation of the business & compromise of underwriting quality. The Corporation also has working strength of officers in excess of the sanctioned strength, which shows poor HR management. The management has also failed to safeguard assets of the Corporation. Private parties have encroached its land. The management has paid huge amounts on acquisition of land without transferring of title in the name of the Corporation. There are chances that these properties may end up in litigation and SLIC may suffer loss on this account. Besides, procurement of services in the Corporation is made disregarding the public procurement rules.

Zarai Taraqiati Bank Limited (**ZTBL**): former Agricultural Development Bank of Pakistan (ADBP) was incorporated as a public limited company under the Companies Ordinance 1984 (now Companies Act 2017) on October 23, 2002. Out of total issued shares of 1,252.24 million, 1,251.19 million are held by Federal Government, remaining shares are held by four Provincial Governments and Erstwhile East Pakistan. Main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market, and investment activities and other banking business. The Bank has been disbursing loans of two categories i.e. production loans for short term and development loans for long-term purposes. The agricultural credit disbursement of Bank is decreasing steadily as compared to other commercial and domestic private banks. Further, instances of irregular procurement, irregular investments, non-recovery of dues by the branches, weak internal controls and HR issues were observed.

Consequently, it can be deduced from the above mentioned facts that objectives behind creation of the PSEs could not be achieved in most of the cases. The under-performance and un-sustainability is mainly due to corporate governance issues, stemming out of lack of oversight by the government, which includes none or improper composition of the Board of Directors, none or delayed appointment of full time Chief Executive Officers, non-preparation of effective business plans which could appropriately reflect their fair objectives, targets and achievements etc. It is also noted that bureaucratic controls by the controlling ministries are evident in the adhoc appointments of senior bureaucrats

in these PSEs. Whereas, the success of these PSEs depends on effective functioning of their respective Boards and accountability of the Directors of the Board, no such priorities have been set or exercised by the government. Legal and regulatory framework / environment have also not been conducive which restrains their growth and expansion. Moreover, the three sectors of economy are not integrated and lack necessary cohesion and synergy.

d. Audit Methodology

Audit methodology for conducting audit of the accounts for the year 2019-20 of the auditee organizations started from audit planning, consulting and updating permanent files. Desk audit helped the auditors in understanding the systems, procedures and environment of the entities before starting field activity. This facilitated to identify high risk areas for audit tests to be applied in the field. Audit was carried out based on adequacy of internal control system in the organization with specific emphasis on high value items and inherent risk areas. Audit checks were applied keeping in view the nature of transaction, accounting standards and best auditing practices as well as rules and regulations contained in relevant financial and operational manuals.

e. Audit Impact

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

f. Comments on Internal Controls and internal audit department

Though Internal Audit wing exists in most of the organizations, but the real spirit of independence has been compromised by placing it directly under the management. In other instances, it has been noticed that internal audit works under the supervision of heads of the finance wing leading to conflict of interest. Resultantly, free and fair opinion of the internal audit wing could not be achieved. The observations relating to violation of rules and regulations by the

organizations are due to under performance of the internal audit wing. It is stressed that internal audit wing should be placed directly under the supervision of audit committee of the BoD, to make its role more effective and meaningful.

g. Key audit findings

- i. Seven cases of embezzlement / misappropriation of funds were identified -
Rs. 1,306.221 million¹.
- ii. Irregularities in twenty six cases of HR / employees related issues were identified - Rs. 6,314.446 million.²
- iii. Forty four cases of mis-procurement due to violation of rules, procedures & regulations were identified - Rs. 76,579.507 million³.
- iv. Twelve cases of imprudent investments leading to loss - Rs. 51,552.059 million⁴.

h. Recommendations:

- i. Internal control structure needs to be strengthened to curb the incidence of embezzlement, fraud and misappropriation.
- ii. Appointments may be made in transparent manner and according to the respective HR policies of the organizations with due regard to Government policies on the subject.
- iii. Procedure of procurement in public sector enterprises should be streamlined to achieve economy, efficiency and value of money as per Public Procurement Rules, 2004.
- iv. Efforts should be made by the management to improve its fund management with commercial banks with respect to investments.

¹Para-1.1.4.7, 5.7.4.8, 5.7.4.9, 5.7.4.10, 8.17.4.6, 10.2.4.7, 14.1.4.17

²Para-1.1.4.29, 1.1.4.36, 3.1.4.8, 3.2.4.5, 3.3.4.8, 3.3.4.12, 5.1.4.2, 5.6.4.3, 5.6.4.4, 6.1.4.7, 6.1.4.9, 8.1.4.4, 8.11.4.4, 8.17.4.3, 8.17.4.4, 9.1.4.5, 10.2.4.4, 10.3.4.1, 10.3.4.12, 10.3.4.15, 13.1.4.6, 14.1.4.7, 16.1.4.1, 16.1.4.2, 16.1.4.3

³Para-1.1.4.11, 1.1.4.22, 1.1.4.31, 2.1.4.2, 2.1.4.5, 2.3.4.14, 3.4.4.8, 4.1.4.4, 4.2.4.1, 4.2.4.4, 4.2.4.6, 4.2.4.8, 4.4.4.3, 4.4.4.5, 4.4.4.6, 4.4.4.7, 5.2.4.5, 5.3.4.1, 5.4.4.7, 8.1.4.7, 8.1.4.8, 9.1.4.1, 9.1.4.5, 10.3.4.11, 10.3.4.14, 10.4.4.2, 10.4.4.4, 11.1.4.1, 11.1.4.3, 11.1.4.5, 12.3.4.1, 12.3.4.5, 12.4.4.2, 12.4.4.3, 12.4.4.4 & 12.4.4.13, 13.1.4.3, 14.1.4.1, 14.1.4.2, 14.1.4.3, 14.1.4.5, 4.1.4.12, 14.1.4.14, 14.1.4.18

⁴Para-1.1.4.3, 1.1.4.6, 3.1.4.1, 3.2.4.4, 3.4.4.4, 3.4.4.10, 4.3.4.2, 8.1.4.6, 8.5.4.2, 12.3.4.2 & 12.4.4.7, 13.1.4.8

Chapter-1

Aviation Division Cabinet Secretariat

Overview

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

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

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

Aims & Objectives

1. To improve governance and oversight for the compliance of ICAO standards of aviation safety, security and efficiency.
2. To provide level-playing field for national airlines and liberalize aviation sector in the country by allowing market forces to determine the price, quality, frequency and range of air services options.
3. To follow suitable Public-Private Partnership (PPP) models for the operations, management and development of airports.
4. To develop a state-of-the-art infrastructure for the provision of safe and efficient air transportation.

5. To incentivize aviation sector for socio-economic growth.
6. To create conditions conducive for affordable general aviation activities, i.e. sports flying and inter-city air travel by private aircraft /air-taxi service/charters, etc.

Governing Laws and Policies

1. Aircraft (Removal of Danger To Safety) Ordinance, 1965
2. Pakistan Civil Aviation Authority Ordinance, 1982.
3. Airport Security Force Act, 1975.
4. Civil Aviation Ordinance, 1960.
5. Carriage by Air Act, 2012.

(Rs. in million)					
S#	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue/ Receipts audited FY 2019-20
1	Formations	2	2	23,266.300	19,453.400

Classified Summary of Audit Observations

Audit observations of Rs. 75,674.630 million were raised as a result of this audit. This amount also includes recoverable of Rs. 6,867.043 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

S#	Classification	Amount (Rs. in million)
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	5,112.313
3	Irregularities	-
A	HR / Employees related irregularities	2,602.966
B	Procurement related irregularities	9,831.285
C	Management of Accounts with Commercial Banks	-
4	Value for Money and service delivery issues	-
5	Others	58,128.068

1.1 Pakistan International Airlines Corporation

1.1.1 Introduction

Pakistan International Airlines Corporation (PIAC) was incorporated on 18 April, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act 1956). With effect from April 19, 2016, the Company has been converted from a statutory company into a public limited company by shares Pakistan International Airlines Company Limited through Act No. XV of 2016. As a result of conversion, its shares are quoted in Pakistan Stock Exchange. The principal activity of the Corporation is to provide air transport services. In addition, the Corporation is engaged in providing engineering and allied services to other airlines.

1.1.2 Financial Analysis/Comments on Audited Accounts

1.1.2.1 The working results of the Corporation as compared with the previous years are reflected hereunder:

(Rs. in million)					
Description	2019	% Inc / (Dec)	2018	%Inc / (Dec)	2017
Revenue - net	164,646.350	39.55	117,982.170	13.23	104,198.820
Other operating income	2,468.280	22.54	2,014.326	336.81	461.148
Operating expenses	(34,808.823)	3.38	(33,668.832)	(75.2)	(135,794.180)
Operating loss	(19,691.950)	(57.6)	(46,462.823)	49.23	(31,134.210)
Financial charges	(36,386.770)	72.84	(21,108.002)	33.73	(15,784.010)
Loss before taxation	(56,078.720)	(17.0)	(67,571.400)	44.02	(46,918.220)
Income tax expenses	(41.990)	(95.39)	(911.830)	11.48	(817.948)
Loss after taxation	(56,036.740)	(15.94)	(66,659.560)	39.64	(47,736.170)
Accumulated losses	(488,695.710)	14.61	(426,409.010)	23.91	(344,141.480)

(Source: Annual Audited Accounts 2019)

1.1.2.2 Accumulated losses increased by 14.61% as compared with preceding year (2019: Rs. 488,695.710 million and 2018: Rs. 426,409.01 million), registering an increase of Rs. 62,286.700 million in 2019, which needs detailed justification.

1.1.2.3 Loss before taxation was of Rs. 56,078.720 million and loss after taxation was of Rs. 56,036.740 million during the year 2019, which needs explanation.

1.1.2.4 Maintenance and overhaul payments increased by 51% as compared with previous year (2019: Rs. 16,737.000 million 2018: Rs. 11,078.000 million), registering an increase of Rs. 5,659 million in 2019, which needs elucidation.

1.1.2.5 Financial Charges increased by 72.8 % as compared with preceding year (2019: Rs. 36,386.77 million, 2018: Rs. 21,108.002 million), registering an increase of Rs. 15,278.768 million in 2019, which requires justification.

1.1.2.6 Operating expenses increased by 3.38% as compared with preceding year (2019: Rs. 34,808.823 million, 2018: Rs. 33,668.832 million), registering an increase of Rs. 1,139.99 million in 2019 as compared with 2018, which requires justification.

1.1.2.7 In PIAC, the current ratio was 0.15 : 1 in year 2018, 0.19 : 1 in year 2019 as against the current liabilities (Rs. 328,066.371 million) which exceeded from current assets (Rs. 61,250.318 million) by Rs. 266,816.053 million (81.33%) during the year 2019. Exceeding of current liabilities to current assets shows poor liquidity position, which needs justification.

1.1.2.8 Long term financing increased by 28.48% as compared with preceding year (2019: Rs. 211,433.288 million. 2018: Rs. 164,561.875 million), registering an increase of Rs. 46,871.413 million in 2019, which requires elucidation.

1.1.2.9 Trade and other payables increased from Rs. 167,721.412 million in 2018 to Rs. 193,867.031 million in 2019, registering an increase by Rs. 26,145.619 million (15.59%) in year 2019, which requires justification.

1.1.2.10 Key ratios of the company for the year 2017-2019

Ratio	2019	2018	2017	Industry Standard
Current ratio	0.180	0.140	0.120	1.000
Quick ratio	0.170	0.130	0.140	0.500
D/E Ratio	1.900	1.930	1.980	0.100

1.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1998-99	28	24	4	42, 43, 53, 72	86
2001-02	31	16	15	74, 75, 77, 78, 79, 81, 83, 84, 85, 87, 90, 91, 93-94, 96	52
2002-03	31	24	7	37, 38,39, 40,40.1, 40.2,40.4	77
2003-04	18	13	5	22, 23, 25, 26, 27	72
2004-05	11	3	8	20, 21, 22, 24, 25, 26, 27, 28	27
2006-07	32	12	20	18.1, 18.2, 18.3, 18.4,19, 20, 20.1, 20.2, 20.3, 20.4, 20.5, 20.6, 20.7, 20.8, 22, 24, 25, 26, 28, 30	38
2007-08	29	23	6	27, 31, 32, 33, 34, 35	21
2010-11	48	30	18	3.1.2, 3.1.2.1, 3.1.2.2, 3.1.2.3, 3.1.2.4, 3.1.2.5, 3.1.2.6, 3.1.2.7, 3.1.3, 3.1.4.1, 3.1.4.2, 3.1.4.3, 3.1.4.18, 3.1.4.19, 3.1.4.20, 3.1.4.21, 3.1.4.23, 3.1.4.24,	63
2016-17	27	5	22	1.1.4.1, 1.1.4.7, 1.1.4.8, 1.1.4.30, 1.1.4.29, 1.1.4.19, 1.1.2.2, 1.1.2.4, 1.1.3, 1.1.4.12 , 1.1.4.13, 1.1.4.15, 1.1.4.16, 1.1.4.17, 1.1.4.20,1.1.4.22, 1.1.4.23, 1.1.4.24, 1.1.4.25, 1.1.4.26, 1.1.4.27, 1.1.4.28	19
2018-19	42	1	41	(1.1.4.1, 1.1.4.3, 1.1.4.9, 1.1.4.12, 1.1.4.18, 1.1.4.19, 1.1.4.20, 1.1.4.23, 1.1.4.27, 1.1.4.32) (1.1.2.1, 1.1.4.2, 1.1.4.4, 1.1.4.5, 1.1.4.6, 1.1.4.7, 1.1.4.8, 1.1.4.10, 1.1.4.11, 1.1.4.13, 1.1.4.14, 1.1.4.15, 1.1.4.16, 1.1.4.17, 1.1.4.21, 1.1.4.22, 1.1.4.24, 1.1.4.25, 1.1.4.26, 1.1.4.28, 1.1.4.29, 1.1.4.30, 1.1.4.31, 1.1.4.33, 1.1.4.34, 1.1.4.35, 1.1.4.36, 1.1.4.37, 1.1.4.38, 1.1.4.39, 1.1.4.40 PAC referred for DAC level)	2
Total	793	647	146		81.08%

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

1.1.4 Audit Paras

1.1.4.1 Loss of revenue due to non-utilization of available cargo space – Rs. 10,730.420 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan International Airlines Corporation Limited for the years 2017 to 2019, it was observed that the management consistently failed to utilize the available cargo space. As shown below, the average utilization of space has remained below 50% over the last three years. PIAC would have earned an additional revenue of Rs. 10,730.420 million if only it had managed to utilize 75% of the available cargo space.

(Rs. in million)					
Year	Available space in (Tonnage)	Used space in (Tonnage)	Revenue	Actual (%) utilized	Additional Revenue @ 75% utilization
2017	415,580,179	206,320,225	4,191.830	49.6	3,188.670
2018	404,782,437	208,959,747	4,499.640	51.6	3,162.560
2019	419,200,816	191,577,002	4,914.260	45.7	4,379.190
Total					10,730.420

Audit is of view that management failed to devise an effective and efficient marketing strategy due to which cargo revenues were not optimized. The consistent decline in cargo sales revenue depicts unsatisfactory performance, causing potential revenue loss of around Rs. 10,730.42 million.

The matter was reported to the management through observation memo dated 28.10.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC noted with serious concern negligence on the part of PIAC management for losing the lucrative opportunity of cargo business. The DAC directed to develop a comprehensive plan for cargo operations, marketing strategies and same may be placed to PIA Board within 03 months. The DAC further directed to communicate the decision of PIA Board to Aviation Division

and Audit. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.2 Loss due to non-disposal of inventory - Rs. 7,971.847 million

As per principles of procurement enunciated in the PIAC's Procurement Manual, one of the five basic concerns that govern PIAC's procurement policies is to ensure that the funds are used to buy only those products / goods, services, works, plant & equipment and information systems which are needed to operate and maintain PIAC.

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that different types of inventory items have been mismanaged in the organization. Management also failed to dispose-off any surplus inventory even after a lapse of considerable time, thereby causing loss to the organization (**Annex-5**). The table below shows instances of inventory mismanagement and negligence in different departments:

S#	Department	Amount (Rs. in million)	Remarks
1.	Engineering & Maintenance	5,144.773	Grounded/Phased out aircraft lying in stockrooms and not disposed-off timely
2.	Engineering & Maintenance	2,027.487	Unidentified inventory capital-rotables
3.	Supply Chain Management	576.264	Excess purchases unutilized and eventually expired
4.	Supply Chain Management	106.322	Inventory found short
5.	Supply Chain Management	78.361	Defected/rejected inventory not returned to supplier
6.	Flight Kitchen	38.640	Excess purchases unutilized and eventually expired
Total		7,971.847	

Audit is of the view that huge quantity of surplus inventory shows that successive managements made purchases without any planning and due diligence. Management could not even utilize some inventory items which ultimately became obsolete /expired. Further, management also failed to identify large quantity of rotatables which are placed unjustifiably in stores. Due to above mismanagement, organization sustained cumulative loss of Rs. 7, 971.847 million.

The matter was reported to management during 2019 and 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to provide documentary proof of physical stocktaking, details of actual inventory available in the stock rooms at year end and ageing analysis. The DAC further directed the management to provide details of efforts taken for the sale of such inventory and the time required to sell the inventory of phased out aircrafts and the guidelines available in policy manual of PIAC. The DAC also directed the management to fix the responsibility for not taking timely action. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.3 Loss due to inordinate delay in aircrafts' maintenance work – Rs. 7,675.809 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the year 2018, it was observed that four aircrafts were grounded for heavy maintenance during the years 2017 and 2018. The management allocated estimated timelines for the maintenance works for each aircraft. However, the allocated timelines were not observed resultantly, additional time was taken to finalize the work on aircrafts while they remained grounded beyond the planned period by up to 361

days. The management failed to provide any documentary evidences for the recorded reasons of extended grounding to audit. Since three of the aircrafts were leased, the management paid an amount of Rs. 931.70 million on account of daily rental charges, while they remained out of operation. The detail of operational loss is given as under:

(Rs. in million)						
Aircraft	Average Yearly Passenger revenue 2018	Per day Revenue	Estimated Days	Actual Days	Extra Days of Grounded period	Total Operating Revenue Loss
1	2	3	4	5	6	(3 x 6)
BMH (B777 leased)	5,000	13.88	18	161	143	1986
BLT (A320 leased)	2500	6.94	11	285	274	1902.770
BLV (A320 leased)	2500	6.94	17	387	361	2505.340
BHM (ATR Own)	400	1.11	10	325	315	349.990
Total						6,744.109

Audit is of the view that the timelines of maintenance plan were not met causing unnecessary delay in operation of aircraft. As a result, capacity of aircrafts was not utilized to earn revenue on one side, and expenses on account of monthly/daily rentals kept increasing on the other. PIAC suffered a loss of Rs. 7.675 billion on account of operating revenue loss and daily rental charges.

The matter was reported to the management through observation memo nos.14 and 15 dated 17.02.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed to conduct an inquiry by representatives of Aviation Division and experts from Finance, Engineering and Supply Chain Departments or a technical expert may be taken from any other government organization to maintain impartiality. The DAC further directed for fixing of responsibility. However, no progress was made till finalization of Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.4 Operating losses on UK routes - Rs. 7,059.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that PIAC has been operating on different UK routes since many years despite depleting revenues and resultant losses. The details are as under:

(Amount in Rs.)					
Year	Route	Frequency	Total Revenue	Total operating Cost	Losses
2019	Khi Lon Khi	166	1,642,428,000	3,464,258,000	1,821,830,000
2018	Khi Lon Khi	199	1,495,597,000	3,678,650,000	2,183,053,000
2019	Lhe Lon Lhe	305	4,059,836,000	6,641,921,000	2,582,085,000
2019	Skt Lon Skt	32	253,124,000	726,019,000	472,895,000
Total					7,059,863,000

Audit is of the view that UK routes are some of the biggest contributors to PIAC's revenue yet the routes are making losses despite being a high demand route. The main factors for the poor performance on UK stations include managements' failure to adopt adequate fare policy, higher operational costs and poor performance of station sales teams. As a result PIAC suffered accumulated losses of Rs. 7,059.863 million.

The matter was reported to the management in November 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed that the matter may be referred to PIAC BoD to assess the efficacy of the prevalent marketing strategy and devising an efficient policy. The DAC directed that a monthly progress report should be shared with Aviation Division and Audit. However, the progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.5 Non-recovery of outstanding dues – Rs. 6,561.795 million

As per Clause 2.02 of PIAC Credit Policy, Credit period may be up to 30 days (Government of Pakistan 60 days).

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that various departments of PIAC have long outstanding balances under different heads. Accumulated receivables as on 31st December 2019 stand at Rs. 6,561.795 million (**Annex-6**). Department-wise list of receivables is as under:

(Rs. in million)			
Department	Amount	Department	Amount
Sales & Marketing	2,377.000	Quetta Station	27.957
Sales & Marketing (Customers & Govt.)	2,476.980	Islamabad (Agents & Govt.)	469.354
Engineering	62.807	Food Services	1.253
Cargo	840.119	Lahore	12.511
Speedex	17.951	Finance	24.382
Islamabad Station	247.511	Sukkur Station	3.970
G. Total			6,561.795

Audit is of the view that due to negligence, poor pursuance and weak internal controls, a huge amount of Rs. 6,561.795 million was lying outstanding and the chances of recovery are becoming remote with the passage of time, causing losses to the organization.

The matter was reported to the management during 2019 and 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the PIAC management to provide relevant documents for verification of any recovered amount, to vigorously pursue the outstanding recoveries. The DAC further directed the management to provide monthly recovery reports which should include imposition of markup on late receipts. The

reports should be shared with Aviation Division and Audit. However, no report/record was provided till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.6 Losses due to difference in approved and charged fares – Rs. 5,825.432 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

Chapter-4 of Manual / Policy of Revenue Accounting Division of PIAC states that the responsibility of Pax Revenue Section is to:

- i. physically calculate the rates to confirm that amount is correctly charged;
- ii. calculate cancellation charges if applicable on tickets in case of re-issuance/refund of documents and;
- iii. liaise closely with Information Technology Department to improve and extend computer systems related to revenue accounting.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, several instances were found where the charged fares were less than the approved fares of the particular Revenue Business Designator (RBD). Data of some of the domestic and international flights checked on sampling basis showed difference in fares as presented below:

Domestic Routes			International Routes			
Flight No.	Avg. Monthly Loss	Total amount of loss 2018 & 19 (Rs.)	Flight No.	Month / Year	Loss for March / April	Total amount of 2 years @ 80% SF (Rs.)
PK300	3,072,342	73,736,208	PK709	Mar/Apr '19	119,910,126	1,151,137,210
PK302	5,311,190	127,468,560	PK719	Mar/Apr '19	16,418,030	157,613,080
PK305	14,707,007	122,095,824	PK791	Mar/Apr '19	385,524,951	3,701,039,530
PK306	5,087,326	139,374,072	Total Loss			5,009,789,820
PK309	5,807,253	352,968,168				
Total Loss		815,642,832				

Audit is of the view that due to absence of fare audit and internal controls, the corporation has not been able to monitor the charged fares. The same were not calculated and cross-verified with the approved fare sheet thus, loss of at least Rs. 5,825.432 million was sustained in a period of two years.

The matter was reported to the management on 24.11.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the Chief Financial Officer of PIAC to conduct a fact-finding inquiry within 60 days and provide the report to Aviation Division and Audit. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.7 Misuse of loan sanctioned for in-flight entertainment - Rs. 5,000.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

According to Finance Division letter No.F-15(13) R-14/82 dated Sep 05, 1982 the funds provided, acquired or generated by Autonomous / Semi-Autonomous Bodies and Corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution.

During the audit of Pakistan International Airlines Corporation Limited for the years 2018 & 2019, it was observed that Economic Coordination Committee (ECC) sanctioned a loan of Rs. 5,000.000 million for the up-gradation of Inflight Entertainment (IFE), Seats Up-gradation and Integrator. However, the loan was not utilized for its actual purpose and instead was utilized on day to day business operations as detailed below:

Loan utilization	Amount (Rs. in million)
Salary	1,016
Fuel	1,088
FED	872
Arrangement fee with FED	56
Seats up-gradation Advance	789
EXIM Fleet Loan	1,179
Total	5,000

Audit is of the view that despite clear directives of ECC, the loan was not utilized for the actual purpose rather, it was utilized on routine issues, which stands irregular and unjustified. The non-execution has not only damaged the brand image of the national carrier but also had a direct financial impact on the organization's revenues. Besides, in absence of any approvals from the ECC, the utilization of these funds in other heads stands irregular.

The matter was reported to the management through observation memo dated 26.10.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to submit a revised reply to Audit and that the matter should be taken up by the PAC. However, no report/record was provided till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.8 Non-settlement of long outstanding insurance claims – US \$ 27.231 million (Rs. 4,384.191 million)

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that the PIAC lodged 28 insurance claims of US \$ 27.231 million with NICL on account of different reasons from 2013 to 2018. However, the subject claims were still outstanding as on December 31, 2019. Furthermore, there were five instances (**Annex-7**) where the management has failed to even file an insurance claim.

Audit is of the view that despite lapse of considerable time, the outstanding insurance claims have not been settled causing, blockage of US \$ 27.231 million to the organization. Non-settlement of insurance claims and failure to file insurance claims depicts negligence and inefficiency on part of the management.

The matter was reported to the management through observation memos dated 18.02.2020 and 23.09.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The management informed the DAC that it has recovered a revised lowered amount from the insurance company. The DAC directed the management to provide the workings / calculations behind the revision of claims. All remaining outstanding amount should be recovered and monthly reports should be shared with Aviation Division and audit. The DAC further directed the management to submit a revised reply along-with supporting documents and the para shall remain unsettled. However, no report/record was provided till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.9 Operating loss due to poor performance of Flight Kitchen - Rs. 3,348.284 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan International Airlines Corporation for the year 2019, it was observed that the Flight Kitchen department has incurred a loss of Rs. 3,348.284 million during 2019. The detail of loss is as under:

(Rs. in million)			
Year	Revenues	Expenditures	Loss
2019	276.375	3,624.659	3,348.284

Audit is of the view that the management has consistently failed to control its expenditures, resulting in annual operating loss of Rs. 3,348.284 million for the year 2019.

The matter was reported to management dated 21.10.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to submit revised reply and further directed management that performance of PIA Food Services Division should be put up for review to the PIAC BoD. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.10 Loss due to operation of ATR leased on higher rates - Rs. 2,755.000 million

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

As per Job Description of Marketing Department, the responsibilities of Deputy General Managers, Passenger Sales is to ascertain that respective Regional Managers are making efforts to have their assigned stations meet their revenue targets; look after and provide guidance to stations in their respective region. The responsibilities of Regional Manager is to ensure that assigned routes meet their revenue targets; look after and provide guidance to stations in their respective region.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that PIAC operated ATRs on 16 domestic routes / stations all over Pakistan. These operations incurred huge losses of Rs. 2.755

billion on Direct Operating Cost (DOC) and Rs. 3.894 billion on Total Operating Cost (TOC) during the period under review. The details are as under:

(Rs. in million)						
Year	Particular	No. of Routes / sector	Revenue	Total Cost	DOC / Loss	TOC / Loss
2018	ATR	16	3,086.36	5,378.92	(1,604.26)	(2,292.56)
2019	-do-		3,077.01	4,678.49	(1,151.02)	(1,601.48)
	Total (2018-2019)		6,163.37	10,057.41	(2,755.28)	(3,894.04)

Audit is of the view that due to mismanagement, PIAC underperformed and sustained huge losses of Rs. 2.755 billion on DOC on all domestic routes of ATRs. This is due to acquisition of these aircrafts on higher leasing costs and inadequate feasibility studies. Given the fact that these routes were consistently making losses, the management failed to take any remedial actions.

The matter was reported to the management in September 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed that the matter should be referred to FIA to investigate the losses due to high leasing costs of the aircrafts and fixing of responsibility. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.11 Irregular appointment of Passenger Sales Agents – Rs. 2,029.000 million

Clause iv of chapter 5 of PIAC Commercial Department Manual on Industry Affairs states that the Agency Affairs shall advertise in local print media through public affairs division for appointing of Passenger Sales Agents.

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 04 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that management appointed 201 Passenger Sales Agents (PSAs) on all its domestic stations without any advertisements. A simple

application was received from the PSAs and the appointments were made without obtaining the competitive biddings.

Audit is of the view that the appointments were made in violation of its own as well as PPRA rules. By doing so, the organization was deprived of competitive market rates. Thus, the payment of Rs. 2.029 billion to these PSAs on account of Passengers Services fees and overriding commissions stand irregular.

The matter was reported to the management in September 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to submit a fact-finding report along with the management approvals / directives for appointing of PSAs without advertisements in violation of PIAC SOPs as well as PPRA rules to Audit and Aviation Division. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.12 Irregular practice of allowing sales beyond capping limit of Rs. 897.809 million and loss due to default by sales and cargo agents of Rs. 897.173 million – Rs. 1,794.982 million

Clause C of Article 3 of Passenger Sales Agreement (PSA) agreement narrates that principal reserves the right to call for an increased security in the shape of bank guarantee. Failure to effect renewal of bank guarantee within 30 days prior to its expiry or compliance with request for an increased bank guarantee within 30 days will permit the principal to terminate the agreement forthwith.

Article-27 of Passenger Sales Agency Agreement (PSAA) states that immediately upon notification of default and ticketing authority of the agents will be de-linked and held guarantee(s) will be encashed to cover the amounts in default. Further, Article-9 states that the agents shall be under obligation to submit sales reports and remittances on fortnightly basis in the following manner: Sales from 1st to 15th day of the month will be settled on 30th of the same month; Sales from 16th to the last day of the month will be settled on 15th of the following month.

During the audit of Pakistan International Airlines Corporation for the years 2018 and 2019, audit observed following irregularities in credit sales of the tickets:

- a) The Bank Guarantees provided by various sales and cargo agents were not sufficient, thus exposing the corporation to the financial risk of Rs. 897.809 million in the event of default **(Annex-8 A)**.
- b) Various agents defaulted by not depositing the sales amount with PIAC. Agents were allowed to make sales beyond their prescribed limits / capping and in case of their default, the management had no tool to recover the amount **(Annex-8 B)**. The summary is as under:

(Rs. in million)			
Passenger Sales Agent (PSA)	Cargo Sales Agent	Quetta station (PSA)	Total
664.640	128.796	103.737	897.173

Audit is of the view that practice of allowing sales beyond capping limits has become a norm in the organization. Management first allowed the agents to make sales beyond their capping limits and subsequently failed to recover the amount from defaulting agents. This shortfall in bank guarantees encourages the agents to default, shows weak internal controls and poor financial management, causing losses to the organization. The element of collusion can also not be ruled out.

The matter was reported to the management through observation memos on 26.10.2020 and 28.10.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021, and following decisions were made:

- a) The DAC directed management to conduct an inquiry to fix the responsibility on person (s) for allowing sale of PIA tickets beyond the bank guarantees within 30 days and provide the inquiry report to Aviation Division and Audit.
- b) The DAC showed serious concern at the huge number of default cases. It further directed the management to conduct an inquiry and fix the responsibility.

However, no relevant record was provided to audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.13 Loss due to allowing discounted agent tickets despite financial crunch - Rs. 1,715.470 million

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

Clause 1.4 of Industry Affairs Policy states that rebated transportation is not an entitlement of agents. It is discretion of the Airline on commercial consideration.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that the management allowed 18,432 tickets to various agents over its network on account of Agents Discounted Tickets. As per the above rule, there is no binding obligation on the corporation to allow discounted tickets. The standard operating procedures for allowing such discounts were also not provided to audit. Details of discounted tickets are summarized as below:

(Amount in Rs.)				
	2018		2019	
Discount Rate (%)	No. of Tickets	Discount Amount	No. of Tickets	Discount Amount
Agent Discount 100	5,504	621,464,620	4,918	849,227,428
Agent Discount 50	328	9,280,625	293	10,248,484
Agent Discount 75	3,440	104,212,634	3,194	119,399,040
Agent Discount 90	9	273,741	41	30,076
Other Discount	386	1,057,097	229	277,215
Total	9,667	736,288,717	8,675	979,182,243

Audit is of the view that despite having a financial crunch, allowing discounted tickets needs justification. Furthermore, the procedure of allowing discounted tickets was not followed in its true spirit and the same was not presented to audit for inspection. The whole affair of discounted agent tickets caused PIAC a loss of Rs. 1,715.470 million and the element of collusion cannot be ruled out.

The matter was reported to the management on 24.11.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to provide complete record to Audit and further directed to submit revised reply in the light of available information. However, no record was provided till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.14 Revenue loss on abandoned aircraft - Rs. 1,600.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

Para 2.10.3.1 of Engineering and Maintenance Manual states that PIA Engineering and Maintenance shall respect minimum maintenance requirements and ensure that all maintenance is carried out in conformance with the manufacturers documentation / instructions.

During audit of Pakistan International Airlines Corporation for the year 2018, it was observed that the aircraft ATR-AP-BHN was grounded for Check-C on 06.04.2014 and has remained grounded for repair and heavy maintenance purpose till December 2018. The management failed in observing the timelines of Maintenance Plan taking additional time to finalize the work and the aircraft remained grounded beyond the planned period by up to 1680 days. No documentary evidence for the recorded reasons of extended grounding was produced by the management. The management has neither shown the aircraft under any check nor any repair and heavy maintenance in its books.

Audit is of the view that due to inefficiency and lack of planning, the timelines of maintenance plan were not met which resulted in extended grounding of the aircraft. Consequently, PIAC suffered a loss of Rs. 1,600.000 million on account of aircraft operating revenue and Rs. 0.641 million on account of parking charges to CAA.

The matter was reported to the management in February 2020. The irregularity was discussed in DAC meeting held on 11-13 January; 2021. The management informed that the case is with National Accountability Bureau (NAB). The DAC directed the management to pursue and seek expeditious conclusion of the case. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.15 Unjustified expenditure on account of irregular flights / non-revenue / testing flights – Rs. 1,593.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that 386 flights were operated in different route names such as irregular flights and non-revenue / testing flights at total Direct

Operating Cost (DOC) of Rs. 628.280 million and Rs. 965.676 million during the years 2018 and 2019, respectively without generating any revenues. The details are as under:

(Amount in Rs.)				
Route Name	Total No. of Flights 2018	Total No. of Flights 2019	Total DOC 2018	Total DOC 2019
Irregular Flights	88	64	72247,846	61,282,259
Non-Revenue / Testing Flights	129	101	553,079,788	903,664,839
Test training Flight	03	01	2,952,984	729,675
Total	220	166	628,280,618	965,676,773
Total DOC 2018 and 2019			628,280,618+965,676,773 =1,593,957,391	

Audit is of the view that operating such a large number of flights at a cost of Rs. 1.593 billion without generating any revenue is unjustified and stands irregular.

The matter was reported to the management in September 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to provide detailed report with proper justification / supporting documents within 15 days. However, no record was provided till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.16 Irregular extensions of contracts in violation of PPRA rules – Rs. 844.951 million

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

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

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

During audit of Pakistan International Airline Corporation for the years 2018 and 2019, it was observed that the organization is in the habit of granting irregular extensions on contracts over and above the allowable 15% limit for repeat orders. Various such instances were found in different departments of PIAC (**Annex-9**).

Audit is of the view that granting of extensions beyond 15% is in clear violation of above mentioned rule and therefore the payments of Rs. 844.951 million stand irregular. Thus, undue favour was extended to the service provider at the expense of the corporation by depriving it of competitive market rates.

The matter was reported to management during 2019 and 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC showed serious concern on the violation of PPRA rules and directed the management to conduct an inquiry and fix responsibility within 30 days under intimation to Aviation Division and Audit. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.17 Loss due to delayed decision making in discontinuing flights - Rs. 757.420 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan International Airline Corporation for the years 2018 & 2019, it was observed that PIAC operated on Bkk-Khi-Bkk route (Bkk is ICAO code for Thailand Airport) which was not profitable since its inception in 2018. To turn the route profitable, the management decided to reduce fares without any justification or market research, only to further deteriorate the revenue position. The route kept on incurring losses till its closure in February, 2019 with an accumulated loss of approx. Rs. 757.420 million.

Audit is of the view that continuing the route operations despite the fact that this route was in huge losses and was not being able to generate sufficient revenues to meet its operational costs shows mismanagement, lack of planning and poor fare policy by the management.

The matter was reported to the management on 24.11.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The

DAC directed the management to conduct inquiry headed by the CEO of PIAC and the findings of the inquiry should be put up for the review of PIAC BoD for appropriate action. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.18 Loss due to non-receiving of spares against advance payments – Rs. 668.027 million

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

During audit of Pakistan International Airlines Corporation for the year 2019, it was observed that the management made advance payments on purchases of spares of Rs. 668.027 million to various suppliers without obtaining any bank guarantee or any undertaking to make good any financial losses in case of default. The suppliers have neither supplied the items against these advances to-date, nor has any adjustment / settlement been made by the PIAC management.

P.Os issued	Description	Amount	Amount (in Rs.)
42	USD 20,000 and above	USD 3,476,053.80	573,548,877
37	USD 10,000 to USD 19,999	USD 508,092.33	83,835,234
4		EURO 59,126.52	10,642,774
83		Total	668,026,885

(Calculation: Rs. 165/- per USD and Rs. 180/- per EURO approx.)

Audit is of the view that in the absence of any bank guarantee or undertaking and due to a lapse of considerable time, the chances of settlement / adjustment advances are quite remote. Slackness on the part of the management and loose internal controls has caused the corporation a loss of Rs. 668.027 million.

The matter was reported to management on 23.09.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to submit a revised reply along with supporting documents to audit for comments. However, no record was provided till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

**1.1.4.19 Loss due inordinate delay in return of repaired engine from abroad
– Rs. 453.600 million (\$2.835 million)**

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the year 2019, it was observed that the management sent two aircraft engines abroad for repair. To continue its flight operations, a make-shift arrangement was made by acquiring two lease rental engines, for US \$7000 and US \$10,000, till the sent-abroad engines would return to PIAC as per scheduled dates (90 to 100 days). However, the lease rental engines were operated for an excess period of 295 days and 77 days, respectively thereby, causing a loss of Rs. 453.600 million **(Annex-10)**.

Audit is of the view that management did not take efforts for the timely return of the engines as per agreement Turn Around Time (TAT) in the agreement. This extra ordinary delay caused a loss to the organization of Rs. 453.600 million (USD \$2,835,000), reflecting negligence and loose internal controls.

The matter was reported to management on 23.09.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to submit a fact-finding report and to fix responsibility of the delay on Engineering and/or Finance departments on the basis of the report under intimation to Aviation Division and Audit. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

**1.1.4.20 Unjustified payment on account of compensation - AED 15.000
million equivalent to Rs. 380.850 million**

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

DNATA remained GSA of PIAC from 1966 upto June 30, 2010. As per Article-7 of the Agreement signed between PIAC and DNATA (GSA of PIAC) in 1985, GSA accepts unconditional responsibility for the due payment of monies owed by defaulted passenger and cargo agents but M/s. DNATA refused to reimburse these losses as per agreement.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that M/s. Investment Corporation, the holding company of DNATA, launched Emirates Airlines (EK) in 1985, which is a conflict of interest as DNATA was GSA of PIA. As a result, EK gained net growth of 1009% against PIA's 192% during the period 1985 to 2008 for the traffic moving from Pakistan to Dubai. In addition to this, DNATA in 2004 discontinued payment of PIA's office rent despite contractual obligations. As a result, PIAC decided to appoint another GSA after expiry of the contract with DNATA by 31st August 2009 and appointed M/s. Orient Travel and Tourism Agency as GSA in Dubai without assessing the qualification of new GSA. M/S. DNATA wrote a letter to PIAC on 31st August 2009 stating that it is entitled to compensation of amount AED 15.00 million from PIAC, failure of which they will take the following actions;

- a. Terminate the visas of the all PIAC staff currently under DNATA sponsorship.
- b. Cease all sales of PIAC tickets through DNATA (IATA) agents because are no longer the GSA as of 1st September, 2009.
- c. Refuse to provide No-Objection Certificate to the Dubai Civil Aviation Authority for the appointment of a new general sales agent by PIAC.
- d. File a case against PIAC in the Dubai civil court for damages.

A meeting was held at Dubai on September 06, 2009 between Sheikh Ahmed, President of Civil Aviation, and the Managing Director PIAC along with

Pakistan's Ambassador to the United Arab Emirates to settle the issue. Upon suggestion of Sheikh Ahmed, the MD agreed to offer a suitable guarantee in the amount of AED 15 million demanded by DNATA as compensation to offset any claims arising out of the termination.

Audit is of the view that the management of PIAC neither ascertained the legal complications of discontinuing the GSA agreement with DNATA and nor assessed the suitability of new GSA M/s. Orient Travel and Tourism Agency, which resulted into issuing letter of credit for the amount of AED 15 million due to imprudent decision making.

The matter was reported to the management through observation memo no.16 dated 03.09.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to conduct an inquiry to ascertain the reasons for changing in GSA with special emphasis on the qualification and past experience of M/s. Orient Travel and reasons for subsequent reappointment of DNATA as GSA and so far compensation paid. The DAC further directed fixing of responsibility in the matter under intimation to Aviation Division and Audit. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.21 Loss due to imprudent decision of Najaf route – Rs. 365.370 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan International Airlines Corporation for the years 2018 and 2019, it was observed that the management started a new route Karachi-Najaf-Karachi on September 2017 in order to cater pilgrims'- related traffic and to expand PIA network. A feasibility report was submitted on May 26, 2016 stating that a 70% seat factor must be achieved in order to make the route profitable and a GSA must be appointed, besides making ground-handling and

banking agreements prior to initiation of the route. However, the management did not appoint any GSA on this territory and operated the route on ad hoc basis. Resultantly, PIAC not only failed to achieve the minimum 70% seat factor but also suffered huge loss of Rs. 365.370 million on DOC till the closure of the route in 2019. The details are as under:

(Rs. in million)							
Year	Name of Region	Frequency	Seat Factor SF %	Revenue	Total Cost	DOC / Loss	TOC / Loss
2017	Khi-Njf-Khi	55	48	140.730	340.540	(127.630)	(199.800)
2018	Khi-Njf-Khi	82	52	242.180	672.800	(231.710)	(430.620)
2019	Khi-Njf-Khi	02	71	6.510	14.600	(6.030)	(8.090)
	Total	139		389.420	1027.940	(365.370)	(638.510)

Audit is of the view that due to non-appointment of the GSA in the territory despite being a pre-requisite action continuous losses were incurred on the route. Negligence and mismanagement cannot be ruled out as an important factor in the loss and subsequent closure of the route.

The matter was reported to the management in September 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management that a detailed inquiry should be conducted to ascertain why GSA was not appointed before starting Najaf route as mentioned in management approval and fix responsibility under intimation to Audit. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.22 Irregular award of contract of chicken procurement – Rs. 237.160 million

Rule 04 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 29 of PPRA Rules, 2004 states that the procuring agencies shall formulate an appropriate evaluation criterion listing all the relevant information against which a bid is to be evaluated. Such evaluation criteria shall form an

integral part of bidding documents. Failure to provide unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement.

During audit of Pakistan International Airlines Corporation for the years 2017 to 2019, it was observed that management awarded annual contract w.e.f. 30.09.2017 to 29.09.2018 for supply of frozen chicken items for quantity of 541,900 kg at fixed value of Rs. 185.220 million for the year 2017-18 for Karachi and Islamabad to M/s. Big Bird food (Pvt.) Ltd. Instead of this, letter of intent was issued to the supplier on PPA rate at Rs. 158 plus factor rate 2.4% having a total of Rs. 379.2 per kg instead of fixed rate of Rs. 348 per kg resulted increased cost of contract from Rs. 185.22 million to Rs. 201.228 million. It was further observed that management had previously procured chicken items at Rs. 331.80 per kg while existing rate was Rs. 379.2 per kg. Thus, difference of increase of rate Rs. 47.40 per kg means 14.342% at higher side than the last purchased rates. Hence, the management had to bear an extra expenditure of Rs. 25.3120 million **(Annex-11)**. This resulted into loss due to procurement of frozen chicken at higher price. Moreover, a clause regarding thawing loss was not included in the contract agreement which also resulted into loss of Rs. 10.020 million due to non-deduction of thawing loss.

Audit is of the view that the contract was awarded for annual requirement of frozen chicken valuing Rs. 201.828 million on PPA rate at Rs. 158+factor rate 2.4% total cost of Rs. 379.20 per kg instead of fixed rate Rs. 348 per kg, existing rate from Rs. 47.40 per kg was higher than the previous rate, causing an extra expenditures of Rs. 25.312 million and non-deduction of thawing loss of Rs. 10.200 million (Total amount of Rs. 237.160).

The matter was reported to the management during 2019 and 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to submit a fact-finding report covering the thawing factor and transparency in awarding the contract. The report should be shared with the Ministry and audit within 30 days. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.23 Non-payment of gratuity to employees – Rs. 173.259 million

Clause No: 22 of agreement between PIAC and M/s. Skyrooms Hotel Pvt. Ltd. States that the service provider shall be bound for payment of Gratuity of its employees as per existing rules, the Gratuity is paid at the rate of one month gross salary per completed year of service, subject to the condition that more than six months service shall be considered as one completed year of service... upon submission of bill, same shall be reimbursed by the Corporation.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that management signed a one-year (extendable up to 3 years) contract with M/s. Skyrooms Hotel Pvt. Ltd. on 10.08.2017 for providing manpower service to PIAC on domestic stations. The service provider was bound to pay one month gross salary as gratuity to employees serving in PIAC. However, the same had not been paid upon expiry / completion of the contract. The total amount of gratuity payable to employees stands at Rs. 173.259 million (Rs. 16,500 per month x 3,500 employees x 3 years).

Audit is of the view that non-payment of gratuity to the employees serving in PIAC since last three years is a gross violation of agreement. The management has failed to raise the issue of violation thereby, extending undue favour to M/s. Skyrooms.

The matter was reported to the management in November 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to expedite the disbursement of gratuity and progress report should be submitted to audit. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.24 Loss due to sale of aircraft engines below reserved price – US \$ 1.405 million (Rs. 154.550 million)

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used

economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the year 2018, it was observed that a tender for sale of CF6-80C2 aircraft engines was floated in newspaper and PIA / PPRA website on September 01, 2017. Despite a higher valuation of the engines by consultancy firm M/s. Flight Ascend, the reserved price of the engines was reduced by the management and two engines were sold to M/s. Jet Aviation for USD \$1.035 million which was below the valuation made by the consultant. The details are as under:

(US \$ in million)						
S#	ESN	Consultant Valuation	PIA Reserved Price	Actual Sale Price	Difference (Consultant price - Actual Price)	Difference in Rs. (rate @ Rs. 110/US\$)
1.	695-164	1.20	0.488	0.520	0.68	74,800,000
2.	695-165	1.24	0.338	0.515	0.725	79,750,000
	Total	2.44	0.826	1.035	1.405	154,550,000

Audit is of the view that valuation of the engines was made by the consultant having capacity and exposure to calculate the reserve price observing all the international standards. However, management reduced the reserved price without any justification and capability that shows an undue favour was extended to the bidder, causing a loss of Rs. 154.550 million to the organization.

The matter was reported to the management through observation memo no. 06 dated 04.02.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The management informed that Reserved Price Evaluation Committee evaluated the reserved price after due considerations. The DAC directed to conduct inquiry due to huge difference between consultant prices and PIAC reserved prices and also directed to provide the review of components considered by the consultants for setting prices. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.25 Loss due to selection of high cost aircraft - Rs. 122.900 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of

strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that PIAC operated flight No. 0249/0250 on the route ISB-Kabul-ISB. The route was operated through ATR aircraft and remained in losses from January 2018 till September 2019. In the last quarter of 2019, management shifted from ATR to Airbus-320 and turning the route profitable from October 2019 onwards. The details are as under:

(Rs. in million)				
Period	Aircraft	Avg. Revenue	Avg. Cost	Profit / (Loss)
Jan 18 – Sep 19	ATR	13,312	19,457	(122,900)
Oct 19 – Dec 19	A-320	29,101	24,000	15,303

Audit is of the view that due to lack of planning and inefficiency, the corporation sustained losses of Rs. 122.900 million which could have been avoided had the management made a timely decision to switch the aircrafts.

The matter was reported to the management on 24.11.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to submit a revised reply with documentary evidence to Audit for comments and further directed that profitability should be considered before making any decisions in future. However, no reply was received from the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

**1.1.4.26 Loss due to failure of brand new engine – Rs. 120.000 million
(US \$750,000)**

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan International Airlines Corporation for the year 2019, it was observed that management sent a brand new engine (AP-BKX#2) for repair which had failed after completing only 4,000 cycles. Preliminary inspection performed by PIA engineering team in presence of SIB, revealed broken PT stage-2 blades, with no fault of PIAC. The Central Procurement Committee in its meeting dated 08.10.2019 made the following directions:

- i. Claim the Loss of Revenue and Company's Image from vendor.
- ii. Request the vendor to provide a temporary engine till the time engine is functional.
- iii. Check contract's legal side for any claim which we can lodge against the vendor.

Audit is of the view that management unilaterally placed the entire responsibility on the supplier without assessing the inspection report at the time of purchase of the engine. In case PIAC was not at fault and the vendor i.e. M/s. Pratt & Whitney Canada was responsible for the failure of the brand new engine, the repair cost of USD 750,000 (Rs. 120.000 million @ Rs. 160 per USD) should have been recovered from it.

The matter was reported to management on 23.09.202. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The management informed that the engine has been sent to M/s. PWC; as per terms of the agreement 70% of the cost incurred after 4000 cycles is refundable, in case engine is jointly inspected by OEM & SIB (SIB is independent body under the ministry of Aviation Division). DAC directed to the management that the matter

may be taken up at the Ministry level for early inspection. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.27 Loss of revenue due to vacant seats in special flights despite high demand during Covid Pandemic – Rs. 112.313 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan International Airlines for the years 2018 & 2019, it was observed that PIAC's international regular flight operations were suspended from 21.03.2020 to July, 2020 due to the Covid-19 pandemic. PIAC took an initiative through Charter arrangements to uplift passengers. Four flights were scrutinized by audit on a sampling basis and it was observed that PIAC did not make the bookings of special flights available through any ticketing platforms for the general public. As a result, despite the high demand, PIAC flights operated at low seat factors causing, a revenue loss of Rs. 112.313 million (on just four sampled flights). The details are as under:

Flight No.	Date	Destination	Total Vacant Seats	Rate per Seat (Rs.)	Revenue loss per flight (Rs.)
PK-8724	13.05.2020	Washington-Khi	59	306,907	18,107,513
PK-789	02.04.2020	Lhe-Toronto	59	325,750	19,219,250
PK-781	02.04.2020	Khi-Toronto	103	325,766	33,553,898
PK-8722	10.05.2020	Washington-Isb	135	306,907	41,432,445
					112,313,106

Audit is of the view that despite very high demand and no other options available to the public, PIAC still could not fully maximize its profits.

The matter was reported to the management on 24.11.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. DAC directed the management to submit a comprehensive report on the sale of tickets and the reasons for non-allocation of seats despite having high demands in those

flights. DAC further directed that responsibility should be fixed at appropriate level for negligence on part of management that available seats remained vacant in special chartered flights. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.28 Loss due to heavy parking charges - Rs. 107.506 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation for the year 2018, it was observed that during 2013 to 2016, 12 aircrafts were permanently grounded. Out of the 12 aircrafts, 03 were disposed-off, 05 were abandoned and parked at Apron area, 03 aircrafts were handed over to PTC and 01 VVIP aircraft was gifted by Prime Minister in 2013. These permanently grounded aircraft were parked for a long time, attracting Parking Charges imposed by Civil Aviation Authority of Rs. 107.506 million. The 03 aircrafts that were sold in 2017 are still not handed over to the buyers and are further adding to parking charges. The details of aircraft-wise parking charges were requisitioned, but the same were not provided to audit.

Audit is of the view that the management failed to dispose-off the 12 non-operational aircrafts in time, resulting in undue accrual of parking charge expenses of Rs. 107.506 million, showing inefficiency and negligence on part of the management.

The matter was reported to the management through observation memo No. 19 dated 21.02.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to conduct an inquiry to fix responsibility. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.29 Irregular postings and extensions allowed to employees at foreign stations – Rs. 106.275 million

As per Circular no. 17/2011 dated 09.06.2011, the Revised Criteria for Foreign Posting states that, the minimum period of service in a particular trade / department and/or return from a foreign posting shall be three (03) years for initial or subsequent foreign posting.

As per Admin Order No.18/2002 dated 09.08.2002 regarding the promotion and foreign posting of corporate managers it is stated that the management has decided that Corporate Managers i.e. Officer in PG-IX shall have minimum two (02) years' experience of working as Corporate Manager in the Head Office, for considering them for promotion to PG-X and/or foreign posting, in accordance with the laid down rules.

As per Admin Order No. 02/2002 dated 04.02.2002, the Policy Guidelines of Corporate Policy on Foreign Posting states that the tenure of foreign posting shall normally be for a period of three years, extendable by one year due to operational considerations and performance.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, following irregularities were observed in foreign postings:

- a. Mr. Taimoor Ali Malik (P-62842) was selected in PG-IX on 02.04.2018 as DGM, Hajj & Umrah through internal advertisement. However, he was subsequently posted as Country Manager, UK & Ireland on 18.06.2019 within two years of being elevated to PG-IX, which was less length of service than requisite one. Similarly, another employee, Ms. Maryam Khan, (P-61403), was selected to PG-IX on 17.05.2018. She was again given a foreign posting as Manager Manchester, UK on 11.09.2019 with less than two years' experience in PG-IX.
- b. Seven officers/officials were posted at different foreign stations for a period of three years. However, despite the completion of tenure, they are still posted at the foreign stations. The record of posting reflecting due process / in accordance with the corporation's policy in posting at foreign stations was not provided to the audit. As a consequence, they have drawn excess salary of Rs. 106.275 million. The details are as under:

S#	Name of Officer (Mr.)	P. No.	Station	Date of Joining at foreign station	Date of completion of 3 year tenure	Excess period upto 31.12.2020	Monthly Salary (Rs.)	Total Excess amount paid (Rs.)
1	Muneeb Rehman	48722	Qatar	26.3.2015	25.03.2018	33 months	442,830	14,613,390
2	M. Ajmal Khan	51438	Beijing	21.9.2015	20.09.2018	27 months	559,052	15,094,404
3	Altaf Husain Lashari	46988	Kuwait	22.7.2015	21.07.2018	29 months	433,755	12,578,895
4	Abid H. Khoker	52674	Toronto	30.5.2016	29.05.2019	19 months	867,400	16,480,600
5	Nayyar M. Iqbal	48703	Dhahran	26.2.2015	25.02.2018	34 months	407,631	13,859,454
6	Amir Mahmood	48051	Milan	10.8.2015	09.08.2018	28 months	564,025	15,792,700
7	Muhammad Umar	48710	Abu Dhabi	18.1.2015	19.01.2018	35 months	510,159	17,855,565
Total								106,275,008

The matter was reported to the management on 24.11.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021, and following decisions were made:

- The DAC directed the management to issue immediate transfer-back orders of the employees. Moreover, an inquiry should be conducted to fix the responsibility for extending undue favor under intimation to Aviation Division and Audit.
- The DAC directed the management to take action in the light of rules and regulations and mismanagement / irregularities should be reported to BoD for taking administrative action.

However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.30 Loss due to misconduct of employees – Rs. 90.311 million

Clause 47 of PIA Employees Disciplinary Policy (EDP) 2019 states that causing damage or loss to any property, business, or operations, of the Company or causing loss or damage to the property of any customer.

Appendix C - Disciplinary offences & corresponding penalties along-with Classification of Offences: Compulsory retirement/ dismissal from service and recovery of the whole or any part of pecuniary loss caused to the Company by negligence or breach or breach of any discipline, followed by criminal proceedings.

During audit of Pakistan International Airlines Corporation for the years 2018 and 2019, it was observed some serious offences were made by four employees (**Annex-12**) causing a combined loss of Rs. 90.311 million to the organization. The nature of offences includes misuse of position, misuse of financial powers, and non-observation of corporation rules as well as fraud.

Audit is of the view that the corporation suffered losses on account of misconduct of its employees while the management failed to actively monitor their activities. Further, the management continues to extend undue favour by not recovering the amounts from the said employees.

The matter was reported to the management in November 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management that recovery action should be taken expeditiously in each case. The cases already referred to FIA should be pursued for earliest action and disciplinary action should be expedited the remaining employees under intimation of Aviation Division and Audit. However, progress on the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.31 Irregular award of contract to the 5th lowest bidder – Rs. 90.000 million

According to the Rule-38 of PPRA Rules, 2004, the bidder with the lowest evaluated bid shall be awarded the procurement contract, within the original or extended period of bid validity.

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

During audit of Pakistan International Airlines Corporation for the year 2019, it was observed that management called bids for annual contract of Hotel Services for accommodating transit/delayed/diverted/cancelled flight passengers at Lahore. Eight parties participated out of which 6 parties were technically qualified. Scrutiny of the financial bids showed that the management did not award the contract to the lowest bidder rather the management awarded the three

year contract to M/s. Hotel Crown Palace, Lahore which stood as the fifth lowest bidder.

Audit is of the view that the contract, having financial implications of Rs. 90.000 million, was irregular since it was not awarded to the lowest evaluated bidder without any cogent justification. The element of collusion cannot be ruled out.

The matter was reported to the management on 23.09.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to submit a revised reply along with documentary evidence to audit for comments. However, no report/record was provided till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.32 Loss due to mishandling of aircraft part – Rs. 86.280 million (US \$ 539,248)

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

During audit of Pakistan International Airlines Corporation for the year 2019, it was observed that the Thrust Reverser of the aircraft AP-BGY was damaged and needed to be sent to its OEM in USA for repairs. An original wooden skid had been provided by the OEM at the time of purchase for transportation of the part. The wooden skid should have been kept safely by PIAC for future repairs and transportations of the thrust reverser. However, it was misplaced/lost and a make-shift arrangement was made with the help of a local carpenter. The OEM carried out a detailed inspection and charged an extra amount of Rs. 86.280 million (US \$ 539,248) due to damages owing to transportation in the locally made wooden skid.

Audit is of the view that due to mishandling and recklessness of the management, additional expenditure was incurred which could have been avoided in case the management had shown responsibility.

The matter was reported to management on 23.09.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to conduct an inquiry and fix responsibility within 30 days under intimation to the ministry and Audit. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.33 Irregular payment through dual monetary benefits to employees – Rs. 85.500 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that there were 35 officers drawing double monetary benefits having the qualification of CA/ACMA. The management allowed Qualification Pay to those officers having CA/ACMA through Admin Order dated 25.7.2003. Later on, an additional benefit under the head of Qualification Allowance as per Admin Order dated 07.10.2015 was allowed for the same qualification.

Audit is of the view that granting dual benefits to the 35 officers/executives having the qualification of Chartered Accountant/ACMA is an undue favor and has caused the corporation a loss of Rs. 85.500 million to-date.

The matter was reported to the management in November 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to revisit the allowance and put-up this matter in BOD for rationalizing of allowances. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.34 Payment to General Sales Agents against un-rendered services – Rs. 76.692 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that as per the agreement five GSAs were allocated either a fixed amount or a percentage of the net sales for advertisement/promotional activities for PIAC. However, neither the GSAs made any advertisement activities in their territories nor did they spend the allocated budget on promotion. The details of amount to be recovered from the GSAs due to non-promotional activities are as under:

(Rs. in million)							
S#	Name of GSA	Territory	Net sales 2018	Net sales 2019	Total Net Sales	% amount of Net/Sales (promotional Budget)	Total
1.	M/s. Sky Travels & Tours	Kabul – Afghanistan	109	385	494	5	24.694
2.	M/s. Air International	Scandinavia	1,664	1775	3,439	0.50	17.2
3.	M/s. Med Tours	France	1,451	2,237	3,687	0.75	27.654
4.	M/s. Travel Point LLC	Oman	OMR 5000 per year (10,000*Rs. 437.81)			OMR 5,000	4.378
5.	M/s. Qatar Tours	Doha – Qatar	QAR 30000 per year (60000*46.17)			QAR 30,000	2.77
			Total				76.692

Audit is of the view that the management extended un-due favor to the GSAs by not recovering the amount allocated for promotional activities / advertisements.

The matter was reported to the management through observation memo No. 14 dated 03.09.2020. The DAC directed the management to submit a revised reply along with supporting documents. The matter should be referred to FIA as

identical case is already under investigation. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of DAC directives.

1.1.4.35 Loss due to unjustified payment of parking charges on behalf of lessor – Rs. 58.782 million

As per Aircraft lease agreement clause 6.2-VIII “At the end of the operation, Lessor is obliged to take the aircraft back within 24 hours. However, if the Lessor fails to take the Aircraft back, all Parking charges for the Aircraft will be paid by the Lessor.”

During audit of Pakistan International Airlines Corporation for the year 2018, it was observed that the PIA acquired aircraft B747-SXTIE on a three month lease from Hellenic Imperial Airways, Greece for Hajj operations from 01.10.2011 to 14.12.2011. As per lease agreement, at the end of operation, the lessor was to take the aircraft back within 24 hours, failing which, all parking charges of the aircraft would have to be paid by the lessor. Upon expiry of the lease, the subject aircraft remained parked at Karachi Airport and has not been taken back by the lessor till-date, whereas the parking charges have been invoiced to PIAC by the CAA, causing a loss of Rs. 58.782 million till February, 2020. The record of current status of the aircraft was not provided to audit.

Audit is of the view that the liability of the lessor’s parking charges were accepted, causing a loss to the organization.

The matter was reported to the management through observation memo No.18 dated 21.02.2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The management informed that the matter of unjustified parking charges was timely take up with CAA and liability is between lessor and CAA. The DAC directed the management to refer the subject case to FIA for further inquiry. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

**1.1.4.36 Irregular payments of salaries and allowances to aircraft engineers
– Rs. 35.170 million**

Paragraph-1.1 on “Scope of work and Charges” of Standard Ground Handling Agreement (SGHA), Issue “IATA AHM 810, January 2013” between National Aviation Ground Support (NAGS) Saudi Arabia “the Handling Company” and Pakistan International; Airlines (PIA) Karachi, “The Carrier”, provides:

Aircraft Type (Engine Type)	Transit Check Charges (US \$)	Additional man Hour charges exceeding Ground time or part of (US \$)
A-320 (CFM 56)	256 (for 90 minutes Ground Time)	100 per man-hour
B777 (GE 90)	415 (for 120 minutes Ground time)	110 per man-hour

During audit of Pakistan International Airlines Corporation for the year 2018, it was observed that the PIAC entered into Line Maintenance Services agreement for services of transit checks with M/s. National Aviation Ground Support (NAGS) Saudi Arabia, at Jeddah Airport, w.e.f 15th January 2018. However, at the same time, the management posted four PIA Aircraft Engineers at the station for the very same purpose during the period of agreement (2018). The four personnel were paid an amount of Rs. 35.170 million on account of foreign posting salaries annually. It was also observed that the incumbents did not have “Iqama” (work permission) for Jeddah Airport. Further detailed record was not provided to audit.

Audit is of the view that the management while having agreement of line maintenance services with the Handling Company, extended un-due favour to the four employees, who did not even have work permissions, thus causing a loss of Rs. 35.170 million to the corporation.

The matter was reported to the management through observation memo No. 13 dated 14.02.2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC showed serious concern on the issue and directed that an inquiry should be conducted at ministry level for not sending timely technical staff at foreign stations like Jeddah and in future it should be ensured timely decision should be made to avoid financial loss to the organization. The DAC further directed that matter may also be put up for the

review of PIAC BoD so that it may take cognizance of the matter. However, the DAC directives were not implemented.

Audit recommends implementation of the DAC directives.

1.1.4.37 Issuance of free tickets despite losses – Rs. 30.070 million

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

During audit of Pakistan International Airlines Corporation Limited for the years 2018 & 2019, it was observed that the management issued 1,153 free tickets to passengers (other than employees) worth Rs. 30.070 million. The details are as under:

Year	No. of Free Tickets	Value of Free Tickets (Rs.)
2019	57	1,379,462
2018	561	14,891,639
2017	535	13,799,719
Total	1,153	30,070,820

Audit is of the view that free tickets were issued without keeping in view the deteriorating financial position of the corporation. PIAC suffered a net loss of Rs. 55,451.831 million (FY-2019), Rs. 67,327.605 million (FY-2018) and Rs. 51,006.922 million (FY-2017). Issuance of free tickets is further worsening the financial health of the corporation. The management was required to take austerity measures to maximize its revenues and to minimize wasteful expenditures like issuance of free tickets which was not done. Also, in the absence of any prior approvals from the competent authority, the entire free tickets are unauthorized.

The matter was reported to the management through observation memo on October 26, 2020. The irregularity was discussed in the DAC meeting held on

11-13 January, 2020. The DAC directed the management to submit a revised reply to Audit along with the policy of allowing such tickets, the approval of BoD, to allow the CEO to issue free tickets and details of all such ticket along with approvals of the competent authority. However, no record was provided till finalization of the Audit Report.

Audit recommends implementation of the DAC directives.

1.1.4.38 Loss due to missing of meal carts - Rs. 24.840 million

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

As per Rule-151 of General Financial Rules, the head of an office or any other officer entrusted with stores of any kind should take special care for arranging for their safe custody, for keeping them in good and efficient condition and for protecting them from damage or deterioration.

During audit of Pakistan International Airlines Corporation for the years 2017 and 2018, it was observed that meal carts worth Rs. 24.840 million were missing from Food and Services Division on July 09, 2015 due to non-implementation of flight tracking system and software was also not updated properly. Tag numbers on trolley were also missing, showing improper inventory management causing loss of Rs. 24.840 million.

Audit is of the view that management did not update and implement the flight tracking software on time which resulted into missing of meal carts, showing negligence and inefficiency on the part of the management.

The matter was reported to the management in July 2019. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC directed the management to conduct inquiry with special emphasis on the writing-off of meal carts and the current available meal carts. It directed to fix responsibility for the loss of meal carts. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of the DAC directives.

1.1.4.39 Loss due to payment of excess tax - Rs. 21.460 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan International Airlines Corporation Limited for the years 2017 to 2019, it was observed that UK authorities gave tax exemption (Air Passenger Duty) for EY class children under 12 years of age. However, the management made an overpayment of GBP 143,091 (Rs. 21.460 million approx.) in lieu of tax on children under 12 years to the UK tax authorities. The matter still remained pending despite a lapse of considerable time.

Audit is of the view that due to negligence and loose monitoring, the management did not avail the of tax exemption. This also shows the level of competence of the management as it failed to be well versed with the prevalent tax laws, causing a loss of Rs. 21.460 million to PIAC as well as its passengers.

The matter was reported to the management through observation memo dated 26.10.2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC directed the management to submit a revised reply along-with the recovery status. Moreover, the management should fix responsibility on the person (s) at fault for excess payment of tax. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of the DAC directives.

1.1.4.40 Loss due to wasteful expenditure on hiring of daily wagers – Rs. 18.312 million

According to Finance Division letter No.F-15(13) R-14/82 dated Sep 05, 1982 the funds provided, acquired or generated by Autonomous /Semi-Autonomous Bodies and Corporations are public funds, which cannot be utilized at the sole discretion of the management. The funds should be utilized with due care and caution.

During audit of Pakistan International Airlines Corporation for the year 2019, it was observed that management awarded contracts for dish/pot washing

for the year 2019-20 at Lahore and Islamabad stations for a period of one year. At the same time, management also hired 60 daily wagers at both stations for the same purpose. Details are as under:

Station	Services hired for dish/pot washing	Rates per month (Rs.)	Total contract value (Rs. Per annum,)
Lahore	30 persons	25,083	9,029,880
Islamabad	30 persons	25,784	9,282,240
Total	60 persons		18,312,120

Audit is of the view that due to mismanagement, the corporation sustained an unnecessary additional burden of Rs. 18.312 million.

The matter was reported to management on 20.10.2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC directed the management to conduct an inquiry and submit the report to Audit and Aviation Division within 30 days. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of the DAC directives.

1.1.4.41 Irregular payment of inadmissible allowances – Rs. 13.321 million

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

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, instances were observed where an employee is drawing pay and allowance that are inadmissible / irrelevant to his/her current post. Two such cases (**Annex-13**) selected on sampling basis show that the employees were posted in non-engineering departments while continuing to draw engineering related pay and allowances. The accumulated amount drawn by the two employees stands at Rs. 13.321 million.

Audit is of the view that weak internal controls payment of pay and allowances that are not admissible on the current place of posting have been allowed, causing a loss of Rs. 13.321 million to the organization.

The matter was reported to the management in November 2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The management informed the DAC that a decision has been taken at the BoD level to rationalize the salary and allowances. The DAC directed to submit a revised reply along with BoD decision to audit for comments. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of the DAC directives.

1.1.4.42 Irregular appointment Dhaka GSA - Rs. 12.254 million

The Board approved policy for appointment of GSA states the GSA (c) must be a GSA of at least 1 major airline (other than PIA). (d) should have annual turnover of US \$ 5 million for online and/or US \$ 2 million for offline station.

Rule-38 of PPRA Rules, 2004 states that the bidder with the lowest evaluated bid shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that M/s. Al-Khaleej Travel was appointed as GSA in Dhaka on 10.04.2009 for five years in violation of the above clause (c) and (d). The BoD in its meeting dated 11.09.2015 approved the appointment by waiving off the said clauses. Further, PPRA rules were also violated as M/s. Al-Khaleej was 4th lowest bidder. In 2015, again M/s. Al-Khaleej was again awarded the contract for five years with same irregularities.

Audit is of the view that the appointment of GSA M/s. Al-Khaleej was made in violation of prescribed PIAC GSA policy as well as PPRA rules. Thus, undue favour was extended to the GSA and payments made on account of Override Commission (ORC) of Rs. 12.254 million (for the period 2017 to 2019) are irregular.

The matter was reported to the management through observation memo No. 15 dated 03.09.2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC directed the management to conduct inquiry at ministry level or the case may be referred to FIA for further action under intimation to Audit. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of the DAC directives.

1.1.4.43 Loss due to irregular procurement of food items – Rs. 11.800 million

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

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

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

During audit of Pakistan International Airlines Corporation for the year 2018, it was observed that management procured food items valuing Rs. 11.800 million during January 2017 without competitive bidding on basis of 148 internal requisitions. Neither any annual procurement contract was not done nor was any quotation obtained from the approved vendors. An enquiry was conducted against Manager FSD, Islamabad on September 23, 2019. As a result, the accused, Mr. Khuda Dino was found guilty of the charges leveled against him. However, no action was taken against him.

Audit is of the view that the management extended undue favour to the guilty employee by not taking any disciplinary action.

The matter was reported to the management in October, 2019. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC showed serious concerns at the delay by the management to take disciplinary action in light of the inquiry report. The DAC directed the management to take appropriate action under intimation to audit. However, progress in the matter is awaited from the PIAC management.

Audit recommends for implementation of DAC directives.

1.1.4.44 Loss due to payment of demurrage and container charges – Rs. 11.111 million

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

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

During audit of Pakistan International Airlines Corporation for the year 2019, it was observed that a consignment of 126 un-serviceable aircraft tyres was handed over to M/s. Shannon Freight Systems on 25.11.2017, for export to M/s. Bridgestone Hong Kong for retreading purpose. On 19.02.2018, M/s. Shannon Freight Systems intimated that some flaws were found in the documentation i.e. import documents were not tallying with export documents and there was weight difference as provided by PIA. After a lapse of another two months the goods were laden on board on 28.04.2018, and shipment sailed to Hong Kong after PIAC provided the correct requisite documents. M/s. Shannon Freight Systems demanded approx. Rs. 2.000 million as container rent charges from PIAC. On 28.05.2018 M/s. Bridgestone intimated PIAC about the arrival of consignment at Hong Kong Port but due to non-payment of the container charges M/s. Shannon Freight Systems refused to give the bill of lading to PIAC consequently, the shipment could not be released from the port and the demurrage charges accumulated to more than US \$ 20,000 approx. and increasing day by day. The whole fiasco has caused PIAC a loss of Rs. 11.110 million. The detail is as under:

Description	Amount (Rs.)
Cost of Aircraft Tyres	US\$ 62,398 x Rs. 110 per US\$ (approx.) = Rs. 6,863,780

Container Rent charges	Rs. 2.047 million
Demurrage Charges at Hong Kong Port	US\$ 20,000 x Rs. 110 per US\$ (approx.) = Rs. 2,200,000
Total Loss	Rs. 11.11 million

Audit is of the view that PIAC suffered a loss of Rs. 11.110 million due to sheer mismanagement and lack of empathy towards the organization by the management. The said losses could have been avoided had the management shown any responsibility towards its duties.

The matter was reported to management on 23.09.2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC directed the management to conduct an impartial inquiry at higher management level and fix responsibility for the negligence. The report should be submitted to Aviation Division and Audit within 30 days. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of the DAC directives.

1.1.4.45 Loss due to excess payment on co-sourcing of internal audit functions – Rs. 7.500 million

Clause 2.4 of co-sourcing functions of Internal Audit agreement provides that the Internal Audit Department (IAD) envisaged an approximate 5,500 mandays per annum of which Deloitte Pakistan will contribute about 2,000-2,250 mandays during the first year and about 1,000-1,100 mandays each during the second and third years. It is expected that IAD will initiate the recruitment process to hire additional sources based on its approved HR plan from the commencement of engagement. The IAD will ensure that such process is completed well before the end of the first year so as to reduce the mandays of Deloitte Pakistan engagement team to the desired level”.

During audit of Pakistan International Airlines Corporation for the years 2017 and 2018, it was observed that the management made a three year contract agreement with M/s. Yousuf Adil Saleem & Co., a member of Deloitte Touche Tohmatsu Limited (hereinafter referred to as Deloitte Pakistan), for co-sourcing of internal audit functions of PIAC w.e.f May 07, 2015 to May 06, 2018. The total cost of the contract was Rs. 24.000 million as per the agreement. However, the management made a total payment of Rs. 31.500 million on the pretext of utilization of extra mandays without any approval.

Audit is of the view that the management made excess payment of Rs. 7.500 million without the approval of the competent authority for use of extra mandays. Undue favour was extended to the service provider while causing a loss to the organization.

The matter was reported to the management in July 2019. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC showed serious concerns in this matter as outsourcing of internal audit is not justified. DAC directed to provide a fact-finding report within 15 days regarding the excess payment made without the approval of the competent authority. However, progress in the matter is awaited from the PIAC management.

Audit recommends implementation of the DAC directives.

1.1.4.46 Non-conducting of fare audit

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

Chapter-4 of Manual/Policy of Revenue Accounting Division of PIAC states that the responsibility of Pax Revenue Section is to:

- i. Physically calculate the rates to confirm that amount is correctly charged;
- ii. calculate cancellation charges if applicable on tickets in case of re-issuance/refund of documents and;
- iii. Coordinate closely with Information Technology Department to improve and extend computer systems related to revenue accounting.

During audit of Pakistan International Airline Corporation for the years 2018 & 2019, it was observed that the Revenue Management Department decides passenger fares of all sectors / routes in liaison with station managers/sales teams considering the demand and supply, seasonality, competitors' prices etc. However, no exercise of Fare Audit is carried out in the organization to check the authenticity and accuracy of sales data recorded in the system.

Audit is of the view that fare audit is a mechanism in which fares are checked and verified before being recorded in the system. Non-conducting of fare audit of passenger revenue of Rs. 225.909 billion has weakened the credibility of the receipt figures.

The matter was reported to the management on 24.11.2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. DAC directed the management that the Finance and Internal Audit Departments of PIAC should conduct a comprehensive special audit on fare audit and submit its report within three months. However, no report/record was provided till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.1.4.47 Undue favour extended through irregular promotions and selections / re-designations

As per Admin Order No. 24/2011 dated 09.08.2011, Criteria for promotion in management cadre is as under:

Pay Group	Years of Service
V to VI	Min. 05 years in PG-V OR 12 years in PG-III and above
VI to VII	Min. 05 years in PG-VI OR 12 years total service
vi to vii or vii to viii	02 years in PG-VI or PG-VII as applicable (MBA/MPA qualification), Last 03 Consecutive OS PARs
vii to viii	Min. 5 years in PG-VII or 12 years total service
viii to ix	Min. 5 years in PG-VIII or 12 years in PG-V and above or 15 years total service
ix to x	Min. 5 years in PG-IX or 15 years in PG-V and above or 20 years total services

PIAC Admin Order No.24/2011 dated 09.08.2011 Revised Promotion Policy-2011 Para 2 –B (i) Normally promotion of employees shall be considered for filling vacant positions, before considering internal/external advertisement.

During audit of Pakistan International Airlines Corporation for the year 2019, following cases of irregular promotions/internal selections were observed as per detail shown below:

S#	Name	Current PG	Remarks
1.	Mr. Syed Ahmed Faraz (P-56810)	PG-X	Revised appointment in PG-VI instead of PG-V Promotion from PG-VI to VII unknown Promotion to PG-VIII in less than 4 years Promotion to PG-IX in less than 5 years
2.	Mr. M. Asim Shaikh (P-54852)	PG-X	Selected in PG-VIII, two grades above from PG-VI Resigned from PG-VI after receiving offer letter for PG-VIII Did not deposit bond money after resigning
3.	Ms. Maryam Khan (P-61403)	PG-IX	Selected from PG-VII to PG-VIII Did not fulfill 6 years criteria after selection in PG-VIII Selected in PG-IX in just 2 years Again did not fulfill 6 years criteria after selection in PG-IX
4.	Mr. Syed Qamar Maqbool (P-51503)	PG-IX	Selected from PG-VI to PG-VII
5.	Mr. Taimoor Ali Malik (P-62842)	PG-IX	Promoted to PG-VII with only 3.5 years in PG-VI Selected in PG-VIII after only 2 years Did not fulfill 6 years criteria after selection in PG-VIII Selected in PG-IX after only 2.5 years Again did not fulfill 6 years criteria after selection in PG-IX
6.	Mr. Abdullah Hafeez Khan (P-62048)	PG-IX	Selected in PG-VIII Did not fulfill 6 years criteria after selection in PG-VIII Selected in PG-IX after only 2.5 years
7.	Mr. Bilal Noor (P-60657)	PG-VIII	Given back-dated promotion to PG-VIII in 2018 w.e.f. 2012 Officer complained that he was treated unfairly However, at time of regular promotion he was ineligible due to only 2 years 11 months service in PG-VII
8.	Mr. Ahmad Faraz (P-61885)	PG-VIII	Selected in PG-VIII Did not fulfill 6 years criteria after selection in PG-VIII
9.	Mr. Junaaid Khan	PG-VIII	Selected in PG-VIII Did not fulfill 6 years criteria after selection in PG-VIII

Audit is of the view that in light of the irregularities in the case of each officer (**Annex-14**), their promotion(s) / selection(s) stand irregular and undue favour(s) have been extended to them by the management.

The matter was reported to the management in November 2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC directed the management to conduct an inquiry headed by the CIA and a member from the department of the company to determine the factual position

behind each promotion and/or selection. Any anomalies found in the process should be addressed as well as responsibility should be fixed on the person (s) granting such unjust favours. The DAC further directed that the employees should be reverted to their original pay groups and seniority list under intimation to audit. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of the DAC directives.

1.1.4.48 Irregular payment due to appointment on fake degrees / certificates

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

During audit of Pakistan International Airlines Corporation for the years 2018 & 2019, it was observed that the management appointed 37 employees on fake / tampered / forged degrees, but they remain in service to-date. Among these employees majority have obtained stay orders from different courts of law. Whereas, there are other employees who have been issued show-cause notices but no further action has been taken till the completion of audit. All the employees are still drawing regular salaries from the corporation.

Audit is of the view that non-finalization of disciplinary cases against the employees reflected negligence & slackness of the management.

The matter was reported to the management through observation memo dated 24.11.2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The DAC directed the management to take immediate action under intimation to audit and those possessing fake educational degrees/certificates should not be shown any leniency. However, no progress was made till finalization of the Audit Report.

Audit recommends implementation of the DAC directives.

1.2 Skyrooms (Pvt.) Limited

1.2.1 Introduction

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

1.2.2 Comments on audited accounts

1.2.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2014 to 2020 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2014 to 2020 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

1.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2018-19	10	1	9	1.2.2.1, 1.2.2.2, 1.2.2.3, 1.2.2.4, 1.2.3, 1.1.2.1, 1.1.2.2, 1.1.2.3, 1.1.2.4 (PAC referred for DAC level)	10
Total	78	69	9		88%

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

1.2.4 Audit Paras

1.2.4.1 Non-recovery from PIAC in manpower account – Rs. 305.248 million

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

Clause 2.02 states that Credit period may be up to a maximum of 30 days and financing cost @ 1.50% per month is to be added to all overdue credit for such additional period (s) till recovery.

During audit of Skyrooms (Private) Limited for the year 2018 and 2019, it was observed that an amount of Rs. 305.248 million was lying outstanding against PIAC and others as on December 31, 2019. According to credit policy, credit period was fixed up to a maximum of 30 days and financing cost @ 1.50% per month should have been charged to all overdue credit for such additional period (s) till recovery. The details are as under:

S#	Description	Amount (Rs.)
1.	PIAC	5,856,809
2.	PIA Others	4,645,213
3.	Other companies	14,405,365
	Total	24,907,387

PIAC in Manpower Account (Rs.)	
Total amount receivable	740,368,115
Tax amount receivable	40,637,404
Receivable levies	150,785,991
Total receivable	931,791,510
Received from PIACL	687,809,045
Balance	243,982,465

PIA Transit Passengers	36,359,106
Grand total	305,248,958

Audit is of the view that the management failed to safeguard the interest of the company by not recovering the outstanding dues despite lapse of

considerable time. This indicates weak internal controls and negligence on part of the management.

The matter was reported to the management on December 04, 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC directed the management to provide relevant documents for verification of any recovered amount, to vigorously pursue the outstanding recoveries. The DAC further directed the management to provide monthly recovery reports which should include imposition of markup on late receipts. The reports should be shared with Aviation Division and Audit. However, progress in the matter is awaited from SRL management.

Audit recommends implementation of DAC directives.

1.2.4.2 Variation in revenue figures – Rs. 277.802 million

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

During audit of Skyrooms (Private) Limited for the years 2018 and 2019, it was observed that the management appointed a Chartered Accountant firm M/s. Earnest & Young Ford Rhodes on September 07, 2017 for carrying out its operational audit. The firm submitted its report on 30.05.2018 wherein, it pointed out in para No. 3.1.1 and 3.1.2 that there were no system based and manual controls in place for receipt of cash, booking of revenue and settlement of advances against the booking of rooms, banquet hall, pool side area and other areas for parties and functions. Rates charged for bookings were not in accordance with the standard rates of the hotel. Further, only partial payments were recorded in the system and final cash payment at front office were not recorded in the system resulting in loss of revenue and misappropriation of cash.

There was no system for reconciliation regarding the payments received and recorded. Breakup of revenue is as under:

(Amount in Rs.)			
Description	2018	2019	Total
Rooms sales	162,481,075	107,417,344	269,898,419
Party space charges	593,805	2,152,761	2,746,566
Dining Hall – Cash	1,169,697	1,910,399	3,080,096
Gymnasium	-	34,513	34,513
Dining Hall – Credit	-	1,417,323	1,417,323
Swimming Pool	248,363	376,814	625,177
Total	164,492,940	113,309,154	277,802,094

Audit is of the view that non-recording of cash receipt against booking caused loss of revenue and misappropriation of cash, which has led the company into heavy financial losses. Thus, revenue from parties and events of Rs. 277.802 million was recorded during the period 2018 and 2019 was understated and manipulated by the management resultantly not presented the actual revenue of the company. Moreover, the management did not take any remedial action in light of the operational audit report.

The matter was reported to the management on December 04, 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC showed serious concern at the inaction of the management despite the matter being pointed out by the Chartered Accountant. The DAC directed the management to take immediate corrective measures and to fix responsibility for the inaction despite lapse of considerable time. However, progress in the matter is awaited from SRL management.

Audit recommends implementation of DAC directives.

1.2.4.3 Non-maintaining of proper accounting record - Rs. 77.579 million

Rule 13(1) of Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall appoint a Chief Financial Officer, a company Secretary and a Chief Internal Auditor by whatever name called.

Rule 14 (1) the Chief Financial Officer shall be responsible for ensuring that appropriate advice is given to the Board on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

During audit of Skyrooms (Private) Limited for the years 2018 and 2019, it was observed that the management did not maintain proper books of Accounts

causing presentation of misleading figures up to the extent that both sides of the trial balance were not tallying with each other. Moreover, the following discrepancies were found in the General ledger and trial balance:

i.	Trial Balance was not balanced.
ii.	Opening balances was not correctly carried out in trial balance.
iii.	Receivable balances were shown in credit side.
iv.	Liabilities were shown in debit side.
v.	Procurement of defective software modules.
vi.	The software was not complete the SRL requirements.
vii.	There were many technical issues in the software supplied by the vendor.

It was also observed that the financial and accounting figures were wrongly recorded in the books of accounts and no Finance and Accounting Manual / SoP were followed in SRL.

Audit is of the view that the management has failed to implement an effective system of internal financial control. This shows negligence and weak internal financial controls.

The matter was reported to the management on December 04, 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The DAC took serious note of the dismal state of the financial statements of SRL. The DAC directed the management to prepare proper financial records and accounts and provide them to Audit. However, no record was provided till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.2.4.4 Non-deposit of employee provident fund in separate bank account - Rs. 39.564 million

According to Section 218 (1) of Companies Act, 2017, Employees' provident funds and securities, all moneys or securities deposited with a company by its employees in pursuance of their contracts of service with the company shall be kept or deposited by the company within fifteen days from the date of deposit in a special account to be opened by the company for the purpose in a scheduled bank or in the National Saving Schemes, and no portion thereof shall be utilized by the company except for the breach of the contract of service on the part of the employee as provided in the contract and after notice to the employee concerned.

During audit of Skyrooms (Private) Limited for the years 2018 and 2019, it was observed that the management failed to fulfill its contractual obligation of depositing the employee's provident fund in a separate bank account on monthly basis for the period under review. The management deducted provident fund contribution regularly from the salaries on monthly basis, but did not deposit it in Provident fund contribution account.

Audit is of the view that management consistently failed to formulate any strategy to pay off their provident fund liability and to protect the interest of its employees. This shows inefficiency, weak policy making and poor financial management.

The matter was reported to the management on December 04, 2020. The irregularity was discussed in DAC meeting held on 11-13 January, 2021. The management informed the DAC that since February, 2020 SRL has been regularly paying the provident fund of employees. The DAC directed the management to submit a revised reply and decided that the matter may be placed before the PAC. However, no revised reply was received till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

1.2.4.5 Irregular withdrawal of amount on account of Social Security Institution and GST - Rs. 2.178 million

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

Clause 21(I) of Income Tax Ordinance, 2001 states that any expenditure paid or payable under a single account head which, in aggregate, exceeds fifty thousand rupees made other than by a crossed bank cheque or crossed bank draft, except expenditures not exceeding ten thousand rupees or on account of freight

charges, travel fare, postage, utilities or payment of taxes, duties, fee, fines or any other statutory obligation.

During audit of Skyrooms (Private) Limited for the years 2018 and 2019, it was observed that the management withdrew cash of Rs. 2.178 million from the bank for payment of Sindh Employees Social Security Institution (SESSI) and GST for Skyrooms' hired staff employers arrear and others. Cash was drawn from HBL A/c No. 0048-00229230-03 in violation of financial rules and procedures. Detailed record of the transactions was not provided to Audit.

Audit is of the view that and a clear violation of aforesaid rules. Further, Audit is of the view that payment through cash instead of crossed cheques is irregular and the element of embezzlement of funds cannot be ruled out. Failure of the management to timely identifying the matter depicts lack of internal controls in the organization.

The matter was reported to the management on December 04, 2020. The irregularity was discussed in the DAC meeting held on 11-13 January, 2020. The management informed the DAC that an investigation has already started in his regard. The DAC directed the management to conclude the investigation at the earliest and share the report with Audit. However, progress on the matter is awaited from SRL management.

Audit recommends implementation of DAC directives.

Chapter-2

Cabinet Division

Overview

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

Aims & Objectives

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

Governing Laws and Policies

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

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	7	1	3,281.874	2,441.464
2	Assignment Accounts (excluding FAP)	2	2		-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit of Printing Corporation of Pakistan was not planned in the annual plan of the AGP for the year 2019-20. Audit observations amounting to Rs. 2,462.141 million were raised in this audit. Summary of the audit observation classified according to respective subjects' nature is as under:

S. No.	Classification	Amount (Rs.)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	180.660
C	Management of accounts with Commercial Banks	1,048.964
4	Value for money and services delivery issues	-
5	Others	1,232.517

2.1 Printing Corporation of Pakistan (Pvt.) Limited

2.1.1 Introduction

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

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

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

The case of privatization of the Company was under process by Privatization Commission. However, the consultants of the Privatization Commission determined net worth of the Company as negative due to which the Commission recommended delisting of the Company from privatization program and endorsed the proposal of Cabinet Division for a restructuring of the Company.

2.1.2 Comments on Audited Accounts

2.1.2.1 The audit must review annual audited accounts each year. Contrary to this, the management failed to provide audited accounts of the organization for the year 2018-19 & 2019-20 till December 31, 2020.

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

2.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1990-91	8	7	1	12	88
1991-92	8	7	1	8	88
1992-93	12	10	2	6, 10	83
1996-97	7	1	6	5, 6, 7, 9, 10, 11	14
1998-99	7	6	1	41	86
1999-2000	11	8	3	14, 37, 44	73
2000-01	8	6	2	34, 35	75
2002-03	15	14	1	5.6	93
2003-04	8	0	8	3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8	-
2004-05	3	2	1	3	67
2005-06	2	1	1	2.1	50
2006-07	5	3	2	3.4, 2.5	60
2008-09	4	3	1	1.1	75
2009-10	6	1	5	2, 3, 1 & 1.1, 1.2, 1.3	17
2010-11	8	0	8	1.1.1& 1.1.2.1, 1.1.2.3, 1.1.2.4, 1.1.4.2, 1.1.2.2, 1.1.3, 1.1.4.1, 1.1.4.3	-
2013-14	08	06	02	3.3.2.4, 3.3.2.5	75
2015-16	3	0	3	2.1.4.1, 2.1.4.2, 2.1.4.3	-
2017-18	13	0	13	2.1.1, 2.1.2.1, 2.1.2.2, 2.1.2.3, 2.1.2.4, 2.1.2.5, 2.1.2.6, 2.1.2.7, 2.1.2.8, 2.1.2.9, 2.1.2.10, 2.1.3	-
Total	136	75	61		55

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

2.1.4 Audit Paras

2.1.4.1 Loss due to non-utilization of papers in Local Government Election 2014 - Rs. 235.745 million

According to purchase order No.PCP-1-7 / 2013-P&D / 8176, 8172 dated 17.12.2013 & 8345 dated 30.12.2013 under clause 08, the supplies made against this order conform exactly to the specification stipulated in this order and the sample approved by the PCP and under clause 11(iii) (iv) if the stores are rejected as aforesaid, then without prejudice to the other rights of PCP the firm must submit stores in replacement of those rejected, but resubmission will not mean an extension in the delivery period and on final rejection the PCP shall terminate the contract and recover from the loss the PCP may thereby incur.

During the audit of Printing Corporation of Pakistan Islamabad for the year up to 2019-20, it was observed that the management advertised the supply order of various papers size in Newspaper on 20.11.2013 for use in Election 2014. The tender opened on 06.12.2013, in which 04 Nos. bidders participated. The supply orders were placed to three bidders i.e. M/s Premier Paper Mills Rs. 123.065 million, M/s Arsam Pulp & Paper Industries Rs. 82.005 million and M/s A.A Paper Private Rs. 30.674 million vide P.O No. 8172 & 8176 dated 17.12.2013 & P.O No.8345 dated 30.12.2013 for the supply of various colour papers. The consignments were received by PCP and taken on GRN. The materials provided by the supplier were not used in the Local Body Election held in 2014. The Manager P&D vide Note dated 26.09.2014 stated that the materials were still lying in the store of PCP Islamabad, Karachi and Lahore since their supply. The reason for non-utilization of these papers in Local Body Election was not available on the record. Due to non-utilization of these papers, the PCP sustained a loss of Rs. 235.745 million.

The matter was reported to the management on 22nd October 2020. During DAC meeting held on 11th January 2021, the management explained that order for printing of 320.00 million ballot papers for Local Bodies Election in Punjab, Sindh and KP was received from Election Commission of Pakistan during 2013. Accordingly, printing papers were procured. The election of local bodies in KP

was held as per schedule. However, the same in Punjab and Sindh were delayed till 2015. As such PCP reduced the printing quantities of ballot papers to 185.412 million in final procurement order. It was further elaborated that remaining colored papers could not be utilized due to a substantial reduction in printing by ECP.

The DAC directed to place the matter before Board for policy decision to resolve recurring issues in the printing of ballot papers of each election viz a viz to formulate appropriate terms and conditions with ECP.

Audit recommends compliance of DAC directives.

Para-1 PCP, 2016-20

2.1.4.2 Irregular award of contracts due to Printing, Numbering, Binding and Packing of Ballot Papers on outwork basis in violation of PPRA 2004 - Rs. 120.000 million

As per rule 12(1) (2) of PPRA, a procuring agency shall advertise procurement of more than one hundred thousand rupees and up to the limit of two million rupees on the website of the Authority in the manner and format specified by regulation but if deemed in the public interest, the procuring agency may also advertise the procurement in at least one national daily newspaper. Any procurement exceeding two million rupees shall be advertised on the website of the Authority, the website of the procuring agency if any, and in at least two national daily newspapers of wide circulation, one in English and one in Urdu.

During the audit of PCP for the FY up to 6/2020, it was observed that after approval of BoD of Printing Corporation of Pakistan in its meeting held on May 27, 2015, the PCP management decided to agree with M/s Pakistan Post Foundation for the printing of 120.000 million ballot papers in 22 days. Due to BoD decision, a contract dated 22.06.2015 was signed with M/s Pakistan Post Foundation at a total cost of Rs. 120.000 million ballot papers within 22 days for Local Government Election 2015 in respect of Punjab Province. The audit is of the view that PCP did not advertise the tender in Newspaper and the competitive rate was not obtained before awarding of work due to which the whole contract valuing Rs. 120.000 million stands irregular and in violation of PPRA 2004.

Further, it was also observed that the PCP had the resources to complete this job i.e. Ballot Paper for Election Commission, but the same was awarded to M/s PPF.

The matter was reported to the management on 22nd October 2020. During DAC meeting held on 11th January 2021, the management explained that Election Commission of Pakistan directed PCP for the printing of 380 million ballot papers for local government election in Punjab and Sindh within 22 days. The ECP further directed PCP that it may engage PPF, NIFT and TCS to meet the assignment within the time frame. Accordingly, with the approval of BOD on 27.05.2015, the work was executed from PPF which was nominated by indenter viz ECP. The DAC was not satisfied with the explanation given by PCP and directed to conduct an inquiry at the ministry's level.

Audit recommends compliance of DAC directives.

Para-2 PCP, 2016-20

2.1.4.3 i. Irregular fixed deposit of funds in HBL – Rs. 864.000 million

ii. Irregular expenditure from interest - Rs. 114.393 million

In terms of Para-12 of General Financial Rules, Controlling Officer must see that funds were expended on the same objects only for which money was provided by the Ministry of Finance or another agency.

During the audit of Printing Corporation of Pakistan Islamabad for the year up to 2019-20, it was observed that amount of Rs. 864.00 million was received from Government vide letter dated Sep 12, 2017 for purchase of machinery for Printing Corporation of Pakistan to improve its efficiency in connection with Printing of ballot Papers for Election Commission as well as other departments on an emergency basis. It was further mentioned that the loan will be recoverable in five installments along with interest which will be chargeable at the prevailing rate for the respective year. The management, instead of purchasing the machinery deposited the amount in Habib Bank Limited on 25.10.2017 in Melody Branch Area bearing A/c No. 06020000011601 for each year with an interest rate of 6.62%. The management violated the above-referred rule and hence fixed deposits of Rs. 86.000 million stands irregular.

Further, it was observed that the interest earned valuing Rs. 114.393 million was spent by the management on daily operational expenses.

Audit holds that the Printing Corporation of Pakistan has its annual budget for operational activities. Therefore, the expenditure incurred from interest income is irregular as the same was required to be deposited into Govt. Treasury.

The matter was reported to the management on 22nd October 2020. During DAC meeting held on 11th January 2021, PCP explained that funds were maintained with HBL with the approval of Finance Division. The reported profit was neither drawn nor utilized. The DAC noted that PCP could not procure printing machinery despite lapse of 3 years and termed it vital on the part of PCP.

DAC directed to convene a meeting of the Board, within 15 days, regarding the purchase of printing machinery from reported funds. The timeframe is to be prepared to ensure payback of under-reference loan to Finance Division within a granted period of 5 years. PCP was also directed to furnish statement of expenditure for the last 3 financial years with duly documented reasons for not procuring quoted printing machinery, to the Chair within 15 days.

Audit recommends compliance of DAC directives.

Para-5 PCP, 2016-20

2.1.4.4 Loss due to weak operational and financial management - Rs. 981.157 million

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

During the audit of PCP, Head Office, Islamabad for the year up to 2019-20, it was observed that accumulated loss of Printing Corporation of Pakistan rose to Rs. 981.157 million as on June 30th 2018.

It is evident that the Corporation is running into loss due to mismanagement and resultantly sustained loss continuously for the last three years. Main reasons for increases in the accumulated loss were an increase in operational / sales /admin related expenditure as well as frequent changes of Managing Director. The production of printing was reduced and receivables increased, that resulted in an adverse liquidity position. Therefore, due to the non-existence of a business plan/marketing strategy to increase sales and control the expenditure, the accumulated loss showed an increasing trend. No steps were taken to ensure the commercial viability of the Corporation. This showed weak financial management and it is very difficult for the Corporation to run as a going concern. Further, the record relating to Income and expenses for the year 2018-19 & 2019-20 was called for but was not produced.

The matter was reported to the management on 22nd October 2020. During DAC meeting held on 11th January 2021, PCP and Organization Wing was directed to place proposed revival plan before BOD, within 15 days and furnish weekly/fortnightly implementation status to Cabinet Division to monitor revival plan.

Audit recommends compliance of DAC directives.

Para-14 PCP, 2016-20

2.1.4.5 i. Irregular advance 50% payment to contractor due to Printing, Numbering, Binding and Packing of Ballot Papers on outwork basis - Rs. 60.000 million

ii. Recoverable amount on account of interest given before award of work - Rs. 0.662 million

As per Para No. 96 (I) Note Sheet of Secretary, PCP it was noticed that an amount of Rs. 60.000 million was given to M/s Pakistan Post Foundation as advance beyond the financial Powers of Managing Director as the managing Director had financial power up to the limit of Rs. 3.000 million for Election work. Further, as per 96(ii), it was also mentioned that an amount of Rs. 60.000 million advances was given to M/s PPF 02 months before the commencing of work, causing interest loss to PCP.

During the audit of PCP for the year up to 2019-20, it was observed that the contract dated 22.06.2015 was signed with M/s Pakistan Post Foundation at a total cost of Rs. 120.000 million for ballot papers within 22 days for Local Government Election 2015 in respect of Punjab Province. Out of total agreement, 50% advance payment of Rs. 60.000 million was given to supplier vide Cheque No. 3033543-44 dated 10.07.2015. The approval for the advance payment was made by the Managing Director who was not competent to approve beyond the financial capacity of Managing Director i.e. Rs. 3 million for General Election. Hence, the advance payment of Rs. 60.000 million stands irregular.

Further, it was observed that the advance payment was made to supplier M/s PPF two months before the commencement of work order. This shows undue favour resulting in loss of interest income of Rs. 0.662 million.

The matter was reported to the management on 22nd October 2020. During DAC meeting held on 11th January 2021, the management explained that BOD accorded ex-post facto approval for advance payment of Rs. 60.00 million in its meeting held on 10.03.2016. The DAC constituted a two members Committee to ascertain facts of the case, within 15 days.

Audit recommends sharing the report of the committee.

Para-3 PCP, 2016-20

2.1.4.6 Non-deposit of interest income into Govt. Account - Rs. 70.571 million

In terms of Para-10 (i) of General Financial Rules, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During the audit of Printing Corporation of Pakistan Islamabad for the year up to 2019-20, it was observed that amount of Rs. 712.500 million was received from Government on interest loan basis on 26.01.2018 and taken on receipt side of cash book vide CR No.8& 9 dated 26.01.2018. The purpose of the loan was asked but no response was received. The interest income @ 6.62% worth Rs. 70.571 million was received during the period from 26.01.2018 to 26.07.2019. The management spent the same in daily expenses during the period

from 2017 to 2019. Audit holds that the Printing Corporation of Pakistan has its annual budget to run the Corporation therefore the expenditure from interest income (Rs. 70.571 million) was required to be deposited into Govt. Treasury instead.

The matter was reported to the management on 22nd October 2020. During DAC meeting held on 11th January 2021, in which the management explained that reported loan is payable in 20 years with a grace period of 5 years along-with interest accrued thereon following terms and conditions of sanction letter dated 18.01.2018. The DAC directed to examine the terms and conditions of the under-reference loan and dedicated agenda item be prepared comprising of financial action plan to payback along-with interest within prescribed time and place before the Board meeting, to be convened within 15 days.

Audit recommends compliance of DAC directives.

Para-7 PCP, 2016-20

2.1.4.7 Non-recovery from contractor - Rs. 15.615 million

As per para-13 of GFR, every controlling officer must satisfy himself not only that adequate provisions exist within the departmental organization or systematic internal checks calculated to prevent and detect errors and irregularities in the financial proceedings of its subordinate officer and to guard against waste and loss of public money and store but also that the prescribed checks are effectively applied.

During the audit of PCP for the year up to 2019-20, it was observed that an amount of Rs. 192 million was received from PTCL in 1995. After receipt of the amount, the PCP made an advance payment of Rs. 107.00 million to the contractor for Printing of KTR Telephone Directories. The contractor delayed the delivery of directories to the Corporation. PTCL refused to accept the delivery due to delayed supply. The contractor filed a suit for damages of Rs. 150 million against the corporation and the corporation also filed a suit of Rs. 15.615 million on the contractor for late delivery of materials. The audit is of the view that the corporation did not watch the contractor's activities in connection with in-time delivery of material which needs immediate attention to resolve the matter.

The matter was reported to the management on 22nd October 2020. During DAC meeting held on 11th January 2021, the management explained that adjustment of reported advance was held up due to litigation from both sides i.e. contractor and PCP but the same was adjusted during 2019 with the approval of BOD. The DAC showed serious concern and directed that all facts of the case i.e. NAB reference, the decision of the Accountability Court, bail of accused as well as extradition of Ex-MD may be placed before BOD.

Audit recommends compliance of DAC directives. Besides an inquiry may be conducted into the matter and report is to be shared with Audit.

Para-9 PCP, 2016-20

2.2 Pakistan Tourism Development Corporation (Head Office) Rawalpindi

2.2.1 Introduction:

Pakistan Tourism Development Corporation (Pvt.) Limited (the Company) was incorporated in Pakistan on March 19, 1977 under the Companies Act, 1913 (now Companies Ordinance 1984) as a public corporation limited by shares. Federal Government holds 99.75% of the paid up share capital of the Company. The Company has also deposited shares of Rs. 623.15 million representing the grants received from the Federal Government for capital expenditure on specified capital project.

Corporate Information:

The core objective of the Corporation is the promotion and development of tourism industry in Pakistan and to carry on business connected therewith in Pakistan and elsewhere.

The associated objectives are:

- To develop and improve its hotels, motels and tourist information centers.
- To produce publicity and promotional material for distribution at home and abroad.
- To conduct promotional programs, activities and events for attracting tourists.
- To create awareness of tourist through private sector, missions abroad, PIA offices, tour operators, travel agents and hoteliers.

The Head Office of the Company is situated at Flashman's Hotel, the Mall Rawalpindi. The company is running the same hotel for the purpose of revenue generation. The Company is continuously running in loss for many years and its accumulated loss of Rs. 680.18 million is 398.86% of its paid up capital of Rs. 170.53 million which resulted into negative equity of the Company to the extent of Rs. 509.65 Million. This trend clearly indicates that future of the Company is at risk and it will have to survive on the revenue grants from the

Government. The management should take clear steps to increase and/or decrease expenditure to run the Company at least at breakeven.

The Corporation owns and controls the following subsidiaries:

- a. Pakistan Tours (Pvt.) Ltd.
- b. PTDC Motels North (Private)
- c. Associated Hotels of Pakistan
- d. PTDC Motels South (Private)

These financial statements have been prepared on going concern basis without any adjustment to assets and liabilities.

2.2.2 Comments on audited accounts

2.2.2.1 The working results of the Company for the year 2018-19 as compared with the preceding years are as under:

	(Rs. in million)								
	2018-19	% Inc. / (Dec)	2017-18	% Inc./ (Dec)	2016-17	% Inc. / (Dec)	2015-16	% Inc. / (Dec)	2014-15
Sales	147.46	(5.93)	156.76	6.03	147.85	1.66	145.44	(22.80)	188.38
Cost of sales	148.61	(9.63)	164.46	13.28	145.18	14.04	127.31	(19.74)	158.61
Gross Profit/loss	(1.15)	(85.06)	(7.70)	-	2.67	(85.29)	18.14	(39.09)	29.78
Administrative expenses	38.76	6.22	36.49	11.19	32.82	23.76	26.52	(4.88)	27.88
Hotels HO expenses	0.0001	-	0.14	(77.22)	0.47	-	0	-	0
Selling expenses	0.05	(86)	0.37	311.12	0.090	(83.64)	0.55	358.34	0.12
Financial Charges	0.03	(91.42)	0.35	118.75	0.16	(27.28)	0.22	(33.34)	0.33
Operating profit/(loss)	(39.99)	(11.23)	(45.05)	61.82	(27.84)	204.27	(9.15)	-	1.50
Other income	24.54	(52.05)	51.18	136.62	21.63	6.71	20.27	31.29	15.44
Under/(Overspent) grant									
Head Office expenses	(12.18)	(35.11)	(18.77)	(0.48)	(18.86)	(25.78)	(25.41)	7.40	(23.66)
Tourist Information Centre	(13.76)	(201.75)	(4.56)	(64.90)	(12.99)	(33.29)	(19.47)	(42.42)	(33.81)
Publicity & promotion	(23.89)	(6.46)	(22.44)	(8.37)	(24.49)	(3.96)	(25.50)	128.09	(11.18)
Profit/(Loss) before taxation	(17.50)	(233.97)	5.24	(57.78)	12.41	55.91	(7.96)	(72.94)	(29.41)
Taxation	3.82	7.61	3.55	5.35	3.37	111.95	1.59	19.55	1.33
Profit/(Loss) before taxation	(21.32)	(1,169.05)	1.68	(81.42)	9.04	(8.23)	(9.55)	(68.93)	(30.73)
Accumulated loss	708.26	4.13	680.18	2.54	663.33	(1.35)	672.38	(14.47)	786.09

(Source: Annual Audited Accounts)

2.2.2.2 The sale of the Corporation decreased by 5.93% from 156.76 million in 2017-18 to Rs. 147.46 million in 2018-19 while cost of sales decreased by 9.64% from Rs. 164.46 million in 2017-18 to Rs. 148.61 million in 2018-19. This further decreased Gross loss of Rs. 7.70 million in 2017-18 to Rs. 1.15 million in 2018-19. The decrease in gross loss needs to be explained.

2.2.2.3 The loss before taxation was Rs. 21.32 million in 2018-19 as compared to the profit of Rs. 1.68 million in the year 2017-18. This abnormal downfall may be justified with strong reasons.

2.2.2.4 The Current ratio of the Company comes to 1:0.67 for the year 2018-19 (current liabilities Rs. 208.993 million: current assets 141.050 million) (2017-18 1:0.83). This indicated much poor liquidity position. The overall financial state of affairs of the company further deteriorated as it was unable to pay it despite sufficient resources for its successful operations which may cause significant doubt about the Company's ability to continue as a going concern. The Company should try to improve its current ratio according to prescribed international standard i.e. 2:1.

2.2.2.5 The management overspent Rs. 12.17 million incurred expenditure of Rs. 12.894 million during the year 2018-19 against the Government grant of Rs. 0.71 million under Tourism Information Centers, the reasons for incurring extra expenditure over and above the approved grants needs justification.

2.2.2.6 Other receivables increased to Rs. 13.115 million (Rs. 8.925 million in 2017-18) registering 46.95% increase. The increase of other receivables was due to increase in Rental Income by Rs. 5.765 million (i.e. Rs. 6.995 m in 2017-18 to Rs. 12.760 m in 2018-19). Reasons for increase in other receivables and its non-recovery may be explained.

2.2.2.7 Payable to a subsidiary companies was increased to Rs. 32.063 million (Rs. 26.532 million in 2017-18). The reason for its non-payment and piling up of liability needs to be justified.

2.2.2.8 Tourism promotion and development projects were decreased by 15.88% to Rs. 59.195 million in 2018-19 as compared to Rs. 70.373 million in 2017-18. The decrease despite Government steps to enhance tourism activities may be justified.

2.2.2.9 As per note 30.1 an amount of Rs. 1.528 million was included in respect of staff salaries but there was an increase of 13.52% in salaries payment i.e.

(Rs. 35.099 m in 2018-19 while in 2017-18 Rs. 30.919 m). Abnormal increase in this expense needs justification.

2.2.2.10 The External Auditors had made the following qualifications which needs to be attended/corrected:

- i. Capital Work in Progress amounting to Rs. 258.517 million as reflected on the statement of financial position (Note 7) has neither been capitalized as operating fixed assets nor did management conduct any impairment review of the assets classified under Capital Work in Progress.
- ii. The management has not maintained fixed assets register as per TR-6 of ICAP and not conducted physical verification of fixed assets on perpetual basis or otherwise and has not carried out impairment review as required under IAS 36 “Impairment of Assets”. In the absence of such a review, no assessment whether the carrying values of property, plant and equipment are accurately stated can be made.
- iii. Impairment loss on financial assets; investments in PTDC Motels South (Pvt.) Limited, a subsidiary Company and Malam Jabba Resorts Limited, amounting to Rs. 210,000 and Rs. 2,755,410 respectively has not been recognized as per applicable standards, as these companies have ceased their operational activities in prior years. Moreover, the related equity participation reserve against shares in Malam Jabba Resorts Limited should also be adjusted accordingly.
- iv. Tax deducted at source in prior years up to June 30, 2018 amounting to Rs. 10.549 million has not been deposited till date with tax authorities in accordance with the requirements of the Income Tax Ordinance, 2001 which may result in penal action against the Corporation.
- v. The Corporation has not accounted for deferred taxation which is contrary to the requirements of the International Accounting Standards 12 “Income Taxes”. Moreover, deferred tax liability/asset as at year end cannot be quantified due to non-availability of the respective records.
- vi. As disclosed in note 27.1 (c) to the financial statements, in the light of decision made by Honorable Supreme Court of Pakistan, the

Company has not accounted for interest on Rs. 27.692 million payable for acquisition of land at Saidu Sharif, Swat.

vii.

2.2.2.11 The Annual Accounts were not approved by the Board.

2.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2014-15	07	01	06	2.4.2.1, 2.4.3, 2.4.4.1, 2.4.4.2, 2.4.4.3, 2.4.4.4	14
2015-16	05	0	05	2.4.1, 2.4.2, 2.4.3, 2.4.4.1, 2.4.4.2	-
2017-18	14	03	11	2.4.2.2, 2.4.2.3, 2.4.2.4, 2.4.2.5, 2.4.2.6, 2.4.2.7, 2.4.2.8, 2.4.2.9, 2.4.3, 2.4.4.1, 2.4.4.2	21
Total	26	4	22		15

2.3 PTDC Motel North (Private) Limited

2.3.1 Introduction:

PTDC Motel North (Pvt.) Limited was incorporated in Pakistan on March 19, 1977 under the repealed Companies Act 1913 (now Companies Ordinance 1984). The Company is a wholly owned subsidiary of Pakistan Tourism Development Corporation Limited.

Corporate information

Main objectives of the Company are:

- To promote tourism industry in the Country.
- To run and manage motel business in Pakistan.

The organization has most of its motels operating in northern areas. Due to law and order situation in Swat, its business activities were adversely affected. During the year 2009-10, PTDC motels in Swat remained closed which have now been reopened.

Future Outlook

The Company suffered net loss of Rs. 15.45 million for the year ended Jun 30, 2018 and accumulated loss grew to Rs. 316.792 million. Current liabilities of the Company exceeded its Current Assets by Rs. 52.201 million to Rs. 174.94 million. The Chartered Accountants had stated that these conditions along with other matters indicate existence of material uncertainty which may cast significant doubts about Company's ability to continue as a going concern.

2.3.2 Comments on Audited Accounts

2.3.2.1 The management failed to provide the annual audited accounts of the Company for the year 2018-19 by Dec 31, 2019.

2.3.2.2 The working results of the Company for the year 2018-19 as compared to the preceding year are as under:

	(Rs. in million)								
	2018-19	% Inc./ (Dec)	2017-18	% Inc./ (Dec)	2016-17	% Inc./ (Dec)	2015-16	% Inc./ (Dec)	2014-15
Revenue	264.34	0.08	264.14	8.61	243.21	20.60	201.66	26.82	159.018
Direct cost	(227.358)	(5.944)	(241.726)	10.09	(219.571)	14.69	(191.45)	17.39	(163.09)
Gross profit/(loss)	36.98	65.016	22.41	(5.19)	23.636	131.50	10.21	-	(4.071)
Administrative expenses	(46.61)	(0.602)	(46.331)	10.69	(41.857)	38.65	(30.189)	(2.36)	(30.919)
Financial charges	(0.143)	(25.521)	(0.192)	12.28	(0.171)	(24.67)	(0.227)	(21.99)	(0.291)
Operating (loss)/profit	(9.774)	(59.466)	(24.113)	31.11	(18.392)	(8.98)	(20.206)	(42.73)	(35.281)
Other income	0.081	(99.934)	0.124	5.98	0.117	30.00	0.09	(42.68)	0.157
Govt. Grant	0		0	-	16.254	(56.42)	37.301	-	0
Profit/Loss before taxation	4.096	(82.925)	(23.989)	1086.98	(2.021)	(111.76)	17.185	(148.93)	(35.124)
Provision for taxation	(3.304)	(0.091)	(3.301)	35.68	(2.433)	20.62	(2.017)	-	0
Loss after taxation	0.792	(97.119)	(27.489)	517.18	(4.454)	-	15.169	(143.19)	(35.124)

(Source: Annual Audited Accounts)

2.3.2.3 Revenue of the Company increased by 0.08% whereas direct cost decreased by 5.94%, but resultantly operating loss is still Rs. 9.78 million. Efforts need to be made to further control the cost to make it viable.

2.3.2.4 Trade and other payables included “advance from customers” which increased to Rs. 23.81 million as on Jun 30, 2019 as compared to Rs. 18.71 million as on Jun 30, 2018, registering an increase by 27.26%. Early clearance of this liability is stressed upon the management.

2.3.2.5 An amount of Rs. 65.40 million was payable on account of Provident Fund (2017-18: Rs. 51.77 million). Increase in payables under this head showed that no amount had been repaid on this account in 2018-19 and the Company was not in a position to settle the liabilities of employees retiring in near future. Reasons for not paying the amount may be explained.

2.3.2.6 An amount of Rs. 2.07 million was payable on account of net taxation as compared to the previous year when no amount was outstanding Accumulation of payable amount in this head indicated that the Company had no plan to clear this liability in near future. Management may work out a plan to clear the dues at an early date.

2.3.2.7 Accumulated loss was Rs. 316.00 as on June 30, 2019 which affects

the Company's Share Capital which was minus Rs. 292 million as on June 30, 2019.

2.3.2.8 Current ratio was 1:0.22 as on June 30, 2019 (2017-18 1:0.23) which was far less than the generally accepted ratio of 2:1. This showed Company's inability to settle its short term liabilities.

2.3.2.9 The External Auditors highlighted following qualifications on the accounts which needs to be attended:

- i. The Company has not complied with the provisions of Section 176 of the Companies Act, 2017, according to which the directors of a public company shall meet at least once in each quarter of a year, and section 132 of the Companies Act, 2017, according to which the Company shall hold its annual General meeting once at least in every calendar year not later than four months after the close of its financial year. The financial statements of the Company as at June 30, 2012, June 30, 2013, June 30, 2014, June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018 are also unapproved till date.
- ii. The External Auditors could not determine impairment of carrying amount of Property, plant & equipment and stores & spares as the company did not meet up the requirement of IAS 36 "Impairment of Assets".
- iii. The External Auditors have not carried out physical cash count and physical stock taking at the year-end due to which they were unable to confirm the balance of cash in hand and stock at the year end.
- iv. Tax deducted at source in prior years up to June 30, 2019 amounting to Rs. 4.358 million has not been deposited till date with tax authority in accordance with the requirements of the Income Tax Ordinance, 2001 which may result in penal action against the company.
- v. Finance Division through its letter No. F.15(3) R-14/84 dated 16.10.1984 directed all autonomous bodies / semi-autonomous bodies and corporations under their administrative control, where the pension scheme does not exist that the payment of gratuity in addition to contributory provident fund should not be allowed to their employees on the quantity of service. However, the company has accounted for the provision of

gratuity amounting to Rs. 86.542 million till year end which mainly relates to employees appointed after 1984.

- vi. The company has not accounted for deferred taxation which is contrary to the requirements of the International Accounting Standard 12 “Income Taxes”. Moreover, deferred tax liability / asset at year end cannot be quantified due to non-availability of the respective records.
- vii. The provision for gratuity has not been provided on the basis of actuarial as required by IAS 19 “Employees Benefits”. Further, the company has not accounted for charge for the year against provision for gratuity amounting to Rs. 7.505 million.
- viii. The Company has not made any assessment for first time application of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contract with customer” and resultantly has not accounted for any adjustment for adaptation of these standards in these financial statements. In the absence of detailed assessment of Expected Credit Loss, the impact of non-compliance in the financial statements could not be quantified.

2.3.2.10 The accounts have not been approved by the Board.

2.4 Associated Hotels of Pakistan Limited

2.4.1 Introduction:

The Company was incorporated under repealed Companies Act 1913 (Now Companies ordinance, 1984) The Company is a wholly owned subsidiary of Pakistan Tourism Development Corporation Limited whose entire share capital is held by the Government of Pakistan. There is no change in the shareholding of the Company since its incorporation.

The Company is a subsidiary of Pakistan Tourism Development Corporation Limited to whom it has leased out its Flashman's Hotel, Cecil's Hotel at Murree, Dean's Hotel at Peshawar and Faletti's Hotel at Lahore (Previously owned by the Company) have been privatized by the company under instructions from Government of Pakistan in an open bidding held through Privatization Commission. The Privatization of Flashman's is under consideration.

Corporate information

The main objective of the company is to carry out and promote hoteling business in Pakistan. The Company is situated at the Flashman's Hotel, The Mall, Rawalpindi. Initially, the company had four hotels. However, after privatization of three main hotels i.e. Cecil Hotel, Dean's Hotel and Faletti's Hotel, the Company has been left with only Flashman's Hotel, which has been leased out to the Parent Company PTDC, and the company's only source of income is the lease income from the Hotel. Moreover, privatization of the same hotel is also under consideration.

2.4.2 Comments on Audited Accounts

The Annual Accounts for the year 2018-19 have been provided and the audit comments thereon are as under:

2.4.2.1 The working results of the Company for the year 2018-19 as compared to the preceding year are as under:

	Rs. in million)								
	2018-19	% Inc./ (Dec)	2017-18	% Inc./ (Dec)	2016-17	% Inc./ (Dec)	2015-16	% Inc./ (Dec)	2014-15
Revenue	327,000	-	327,000	-	327,000	-	327,000	-	327,000
lease Income									
General & Admin: Exp:	(277,397)	1.04	(274,533)	(0.01)	(277,384)	(0.02)	(282,237)	(0.02)	(286,031)
Profit/(Loss) from Operating activities	49,603	(5.46)	52,467	0.06	49,616	0.11	44,763	0.10	40,969
Other income- Return on deposit accounts	258,426	2680.87	9,293	(0.14)	10,720	1.36	4,555	-	0
Profit (loss) before Taxation.	308,029	398.75	61,760	0.03	60,336	0.23	49,318	0.27	40,969
Taxation.	(135,603)	(100.82)	(67,523)	(0.050)	(70,513)	(0.01)	(71,171)	(0.04)	(73,487)
Loss after Taxation.	172,426	2891.95	(5,763)	(90.44)	(10,177)	(28.58)	(21,853)	(0.33)	(32,518)
Loss per share	1.16	11	(0.01)	400.00	(0.002)	(0.54)	(0.05)	(96.00)	(0.07)

(Source: Annual Audited Accounts)

2.4.2.2 Revenue income of Rs. 327,000 during the year 2018-19 remained the same as was in the previous years. General & Administrative Expenditure stood at Rs. 277,397 during the year 2018-19 as against Rs. 274,533 in 2017-18 registering an increase of 1.04%. This minute increase needs justification. The operational activities of the company are not encouraging and need to be looked into.

2.4.2.3 Profit from operating activities decreased to Rs. 49,603 during the year 2018-19 (Rs. 52,467 2017-18) registering a decrease of 5.46%. The decrease needs justification. The operational activities of the company are not encouraging.

2.4.2.4 Included in the current assets is an amount of Rs. 21.091 million as on June 30, 2018 recoverable from a holding Company Pakistan Tourism Development Corporation Limited. The amount is receivable since long. The present status may be intimated to audit.

2.4.2.5 The Accounts were not approved by the Board.

Chapter-3

Ministry of Commerce & Textile

Overview

Ministry of Commerce is contributing to the national economy through trade liberalization and facilitation, improving export competitiveness and reducing cost of doing business. It aims to achieve higher market access for Pakistani products in existing markets as well as new markets with ultimate aim of improving quality of life of the people of Pakistan.

Aims & Objectives

Commerce Division is assigned the following objectives:

- Imports and exports across customs frontiers
- Exports promotion
- Commercial intelligence and statistics
- Tariff policy and its implementation
- Anti-dumping duties, countervailing duties and safeguard laws
- Inter-Provincial trade
- Domestic Commerce
- Organization and control of Chambers and trade associations
- Law of Insurance and regulation and control of Insurance companies
- Administrative Control of Attached Departments/Organizations
- Selection of Trade Officers for posting in Pakistan's Missions abroad

Governing Laws and Policies

- Rules of Business, 1973
- Studies on Domestic Commerce
- OIC Ten Year Plan of Action for Science & Technology for the years 2016-25
- Export /Import Policy Order, 2009
- Trade Organization Ordinance, 1961

(Rs. in million)

Description	Total	Total	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
Formations	12	4	10,424.747	25,086.518
Assignment Accounts (excluding FAP)	-	-	-	-
Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations of Rs. 308,781.600 million were raised as a result of this audit. This amount also includes recoverable of Rs. 34,199.721 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

S#	Classification	Amount (Rs. in million)
1.	Non-Production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	-
3.	Irregularities	
A	HR/Employees related irregularities	264.301
B	Procurement related irregularities	979.479
C	Management of accounts with Commercial Banks	42,833.918
4.	Value for money and services delivery issues	1,300.909
5	Others	265,402.997

3.1 National Insurance Company Limited

3.1.1 Introduction

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

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

3.1.2 Comments on Audited Accounts

3.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2015 to 2020 despite a number of reminders.

3.1.2.2 Audit requires that the annual audited accounts of the years 2015 to 2020 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts.

3.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2003-04	7	6	1	6	86
2010-11	13	10	3	2.2.4.1, 2.2.4.2, 2.2.4.3	77
2013-14	6	1	5	4.2.2.1, 4.2.2.2, 4.2.2.3, 4.2.2.4, 4.2.3	17
2014-15	10	6	4	4.2.4.2, 4.2.2.4, 4.2.4.1, 4.2.4.4	60
2015-16	9	3	6	4.2.4.3, 4.2.2.3, 4.2.2.4, 4.2.3, 4.2.4.1, 4.2.4.2	33
2016-17	6	3	3	3.2.3, 3.2.4.1, 3.2.4.3,	50
2017-18	14	5	9	4.2.2.1, 4.2.4.3, 4.2.4.11, 4.2.3, 4.2.4.1, 4.2.4.4, 4.2.4.5, 4.2.4.6, 4.2.4.10,	36
Total	65	34	31	-	52%

The overall compliance of PAC directives needs improvement.

3.1.4 Audit Paras

3.1.4.1 Unjustified placement of funds in saving account - Rs. 39,117.000 million

According to para 3 (b & c) and Para-06 of Finance Division letter no. F.4 (1)/2002- B.R.II dated July 02, 2003, all investments be made with approval of investment committee (IC) and BoD. However, it will be necessary for PSEs to use the services of professional fund managers approved by the SECP. The investment will be approved by the concerned BoD/ Governing Body on the basis of competitive bids from at least three independent banks. The risk associated with keeping deposits should be diversified. Therefore, in case, where working balances of an enterprise total exceeds Rs.10.000 million, not more than 50% of such balance shall be kept with one bank.

According to para 3 (b & c) and Para-06 of Finance Division letter no. F.4 (1)/2002- B.R.II dated July 02, 2003, all investments be made with approval of investment committee (IC) and BoD. However, it will be necessary for PSEs to use the services of professional fund managers approved by the SECP. The investment will be approved by the concerned BoD / Governing Body on the basis of competitive bids from at least three independent banks. The risk associated with keeping deposits should be diversified.

During audit of National Insurance Company Limited (NICL) Head Office for the year 2019, audit observed following investment related irregularities;

- a. NICL has saving account (National Income Daily Account) in National Bank of Pakistan at FTC Building bearing account number 3036103099. This account is only used for investment related transactions as no other transaction related to working capital was made by the management. The management kept idle the amount of Rs. 21,420.000 million in account of NBP instead of investment in Term Deposit (TDR), PIBs or Treasury Bills which could have yielded higher interest amount (**Annex-15**).
- b. Minutes of 53rd meeting of investment committee (01/2018) dated 27.09.2018 showed that contrary to above rules, management did not diversify placement of funds as the funds of Rs. 17,697 million were

placed in the bank account in HBL instead of investing the same in high-yield instruments.

Besides, the management had not utilized the services of professional fund manager approved by the SECP.

Audit is of the view that investments by the management are not in accordance with Government standing orders and same has not been utilized optimally. This reflects weak internal controls and inefficient fund management.

The matter was reported to the management in September, 2020. The irregularity of undiversified placement of funds of Rs. 21,262.000 million was discussed in DAC meeting held on 14.12.2020. The DAC directed the management to provide the supporting documents reflecting that the funds were placed in accordance with the standing orders on investment.

Audit recommends that the fact-finding inquiry may be conducted on the matter.

3.1.4.2 Loss due to devaluation of Dubai property – Rs. 1,300.909 million (Dhs 28.909 million)

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

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

During audit of National Insurance Company Limited (NICL) for the year 2019, it was observed that 06 units/ offices of different sizes in Liberty House, DIFC, Dubai measuring 27,429 sq. ft. were purchased in the year 2009 at the rate of 2700 dirham/sq. feet having total value of 74,058,300 dirhams. However, as per valuation carried by M/s. M.J Surveyor (Pvt.) Ltd. on the request of NICL the market value of 06 units/ offices of different sizes in Liberty House, DIFC, Dubai was 45,149,200 dirhams as on 31.12.2020 having a devaluation of 28,909,100 dirhams equivalent to Rs. 1300,909,500. i.e. $(28,909,100 \times 45)$.

Audit is of the view that 39% decrease in the value of said property for the period of 11 years is very strange and doubtful which indicates that the said properties were purchased at much higher rates than prevailing market rates at the time of purchase.

The matter was reported to the management in September 2020, but no reply was received.

Audit recommends that the matter may be investigated with a view of that prevailing market value of properties in the vicinity at the time of purchase of the property besides fixing responsibility on the person (s) at fault.

3.1.4.3 Loss due non-disposal of persistent loss-making shares – Rs. 1,086.000 million

As per para 6 of Memorandum issued by Finance Division dated 02 July 2003, before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. ... However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

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

rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of National Insurance Company Limited (NICL) Head Office Karachi for the year 2018, it was observed that the Corporation did not take timely decision to sell stocks/shares of the companies which showed a significant downtrend from 2016 to 2018 (**Annex-16**).

Audit is of the view that despite the continuous huge decrease in share prices, the management did not dispose-off these shares, causing the organization a capital loss of Rs. 1,086.000 million. This could have been prevented through market trend analysis, active portfolio management, having a stop-loss strategy and availing of the services of professional Fund Manager.

The matter was pointed out to management in November 2019. The management stated that NICL is in the process of formulation of comprehensive investment policy through SECP approved Fund Manager, and that the short-listing and hiring is in process.

The irregularity was discussed in DAC meeting held on 14.12.2020. The DAC directed the management to submit revised reply to Audit incorporating the solid reasons along with the BoD minutes reflecting that due diligence was exercised on the matter. However, no reply / justification was provided by the management till finalization of Audit Report which shows management has no cogent justification in this matter.

Audit recommends implementation of DAC directives.

3.1.4.4 Non-recovery of outstanding premium and underwriting receivables - Rs. 699.736 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements

to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of National Insurance Company Limited (NICL) Head office for the year 2019, it was observed that an amount of Rs. 699,735,820 was lying outstanding from different clients on account of premium and underwriting receivables as on 31.12.2019. The detail thereof is as under:

S#	Client Name	Nature of Insurance	Outstanding amount (Rs.)
South Zone			
1	National Bank of Pakistan	Fire	60,000,000
2	Pakistan Petroleum Limited	Fire	96,313,616
3	Pakistan Steel Mill	Marine	7,146,682
North Zone			0
4	M/s. OGDCL	Underwriting receivables	516,759,844
5	Aviation		19,515,678
Total			699,735,820

Audit is of the view that the management failed to safeguard NICL's monetary interest which reflected weak internal controls prevailing in the company.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The DAC directed the management to provide relevant record to audit of the amount recovered so far and pursue the remaining recovery. However, no relevant record was provided by the management showing any recovery of outstanding underwriting premium.

Audit recommends implementation of DAC directives.

3.1.4.5 Non-recovery of decreed amount along with cost and interest of 5% per annum - Rs. 422.400 million

Rule 4 (3) of Public Sector Companies (Corporate Governance), Rules, 2013 states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds

and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of National Insurance Company Limited (NICL) for the year 2019, it was observed that NICL filed a suit for recovery of Rs. 422.000 million against Chaudhry M. Akram Warraich S/o G.M Warraich, the Honorable Additional District Judge, Lahore awarded decree in favor of NICL dated 02.06.2018. The details of decreed suites in favor of NICL are as under:

(Rs. in million)					
S#	Suite No.	Amount	S#	Suite No.	Amount
1.	190/2015	42.0	6.	200/2015	42.000
2.	140/2015	42.000	7.	369/2015	42.000
3.	191/2015	42.000	8.	108/2016	42.000
4.	198/2015	42.000	9.	352/2016	42.000
5.	199/2015	42.000	10.	118/2017	44.400
Total					422.400

Audit is of the opinion that due to laxity, the management could not recover the decreed amount of Rs. 422.000 million along with cost and interest of 5% per annum, despite the lapse of considerable period which indicates the negligence of management and weak internal control.

The matter was reported to the management in September 2020 but, no reply was received.

Audit recommends the management should make necessary efforts to recover the decreed amount along with costs and interest of 5% per annum from the defaulter without further loss of time and responsibility may be fixed on the person (s) at fault.

3.1.4.6 Non-recovery of rental income – Rs. 133.676 million

Rule 26 of GFR provides that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of National Insurance Company Limited (NICL) Head Office for the year 2019, it was observed that an amount of Rs. 133.676 million was lying outstanding from the tenants M/s. NESPAK, M/s. Bearing Point and M/s. SECP (**Annex-17**). The summary is as under:

M/s. NESPAK	M/s. Bearing Point	M/s. SECP	Total (Rs.)

36,586,521	37,734,669	59,354,392	133,675,582

It was further observed that repayment performance of the tenant M/s. Bearing Point has been poor since 2012. The management has filed a civil suit against the tenant M/s. Bearing Point for recovery of dues in Sindh High court in 2018.

Audit is of the view that non-recovery of outstanding rental income reflected inefficiency and weak internal controls.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. With respect to amount outstanding of Rs. 36,586,521 from M/s. NESPAK, the management informed that out of Rs. 36.586 million, an amount of Rs. 23.000 million has been recovered / adjusted. The DAC directed the management to expedite the remaining recovery and verify the recovered amount from Audit. The DAC further directed the management to pursue the court case more vigorously. However, no relevant record of stated recovery in respect of M/s. NESPAK and recoveries from other companies was produced to audit by the management.

Audit recommends implementation of DAC directives.

3.1.4.7 Loss due to unsatisfactory performance of branches – Rs. 110.000 million

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

During audit of National Insurance Company Limited (NICL) for the year 2018 & 2019, it was observed that NICL branches of Sukkur, Hyderabad in South Zone and Muzaffarabad branch in North Zone, and Faisalabad & Multan branches under Central Zone have been in losses due to unsatisfactory performance since long. The summary of losses is as under:

			(Rs. in million)	
Sukkur	Hyderabad	Muzaffarabad	Faisalabad & Multan	Total
15.820	13.830	7.599	72.810	110.000

Audit is of the view that these branches failed to serve any purpose to the organization in terms of practicability and profitability. Hence, due to lack of planning by the NICL management, the branches have caused the company loss of Rs. 29.653 million.

The matter was pointed out to the management in September & November 2019. The irregularity was discussed in DAC meeting held on 14.12.2020. The management stated that it has submitted a proposal to Head office to rationalize the expenses of Hyderabad and Sukkur branches, besides adjusting the surplus staff to profit-making branches. The DAC directed the management to submit the revised reply along with justifications to Audit. However, no relevant record was produced to audit.

Audit recommends that the management may conduct a fact-finding inquiry on the matter and do needful on priority.

3.1.4.8 Irregular payment of bonus - Rs. 83.507 million

As per Finance Division O.M dated 18.03.2002, following conditions are to be fulfilled for payment of bonus:

- i. Operational profit of the organization only excluding income from other sources;
- ii. Payment of bonus would not be made as customary but it would be on the basis of profit earned and reflected in the annual accounts of the organization;
- iii. No commitment of payment of bonus may be made during negotiations with the CBA because of the conditions mentioned above;
- iv. Managing Director and members of the BOD will not be entitled to receive bonus.

During audit of National Insurance Company Limited (NICL) Head Office Karachi for the year 2018, it was observed that contrary to above standing Government orders, management has paid an amount of Rs. 83,507,394 as bonus to its employees.

Head Office	North Zone	Central Zone	South Zone	Total (Rs.)
24,086,242	12,562,157	15,985,279	30,873,716	83,507,394

It was further observed that the financial statements of NICL for last 4 years (2015-2018) were unaudited.

Audit is of the view that payment of bonus to employees in violation of standing order of the government and non-finalization of the audited accounts for 2015 onwards reflects lax attitude of the management.

The matter was pointed out to management in November 2019. The management stated that BoD of NICL in its 106th meeting dated 06.08.2019 decided that let the matter be dealt with by the Chief Executive Officer, and the management's decision on bonus should be put up before the Board for its information only. The irregularity was discussed in DAC meeting held on 14.12.2020. The DAC directed the management to share the audited accounts for the years during which such bonus payments were made and the matter may be placed before the BoD to review the bonus policy. However, no record was provided by the management.

Audit recommends implementation of DAC directives.

3.1.4.9 Excess Staff available against approved sanctioned strength – Rs. 15.134 million

In any public sector organization, appointment of excess working staff against the sanctioned strength is against the code of establishment.

During audit of National Insurance Company Limited (NICL) for the year 2019, it was observed from the HR record that there is an excess available strength against the sanctioned strength of the staffing (officers/officials) in-contravention of establishment standing orders/norms which cost excess expenditure of Rs. 15,134,760 on account of pay and allowances. The detail of thereof is under:

S#	Designation	Sanctioned strength	Working strength	Excess Strength	Total pay drawn (Per month salary* No. of month* No. of employees) Rs.
1.	Junior Assistant	20	33	13	25,644 24*13 = 8,000,928
2.	Assistant Electrician	04	05	01	24,369*24*1=512,856
3.	Lift Operator	05	15	10	21,369*24*10= 5,128,560
4.	Gardner	05	09	04	15,546*24*4= 1,492,416
Total		34	62	28	15,134,760

Audit is of the view that excess strength over and above against the sanctioned strength is against the code of establishment which resulted in to an extra financial burden on the company.

The matter was reported to the management in September 2020, but no reply was received.

Audit recommends that the reasons of excess staffing may be elaborated besides fixing responsibility on the person (s) at fault.

3.1.4.10 Irregular posting as General Manager on deputation - Rs. 4.558 million

Establishment Division D.O. letter No.4/1/84-R.1 (A) dated 20.11.1986 states that all cases of initial deputation of government servant holding post in BPS-17 and above would be referred to Establishment Division for approval of the competent authority.

During audit of National Insurance Company Limited for the year 2019, it was observed that pursuant to the Ministry letter dated 16.05.2019, NICL management posted Ms. Roomana Gul Kakar as General Manager (BS-20) on deputation in Islamabad office on 17.05.2019 for three years without following due process required for deputation. The Ministry letter showed her a BS-19 officer of Government of Balochistan, whereas her L.P.C was from State Life Insurance Corporation of Pakistan. The details are as under:

Deputation Period	Monthly Salary	No. of Months	Total (Rs.)
17.05.2019 to 17.08.2020	363,909	15	4,558,635

Audit is of the view that deputation against an unsanctioned post, without due process & verification of credentials reflected undue favour, negligence and slackness of the management at the cost of the corporation.

The matter was reported to the management in September 2020, but no reply was received.

Audit recommends that the management may probe the matter for fixing responsibility on the person (s) at fault.

3.1.4.11 Irregular admissibility of insurance claim due to defective survey report – Rs. 2.156 million

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

During audit of National Insurance Company Limited (NICL) for the year 2019, it was observed that M/s. National Bank of Pakistan purchased a vehicle (No. BNC-313 Toyota Corolla Altis Model 2018) on 06.06.2018 which was registered on 26.06.2018. NBP informed NICL on 25.10.2018 regarding accident of the said vehicle. At the time of accident the vehicle was “applied for registration”.

However, the surveyor visited Toyota Creek Motors Pvt. Ltd., Ibrahim Hydri Road, Karachi instead of place of accident and submitted its report without FIR / Police Report without mentioning the responsibility and place of accident. The surveyor submitted estimated loss of Rs. 1,287,697 and recommended the vehicle as a total loss. The management approved the motor insurance claim of NBP and paid Rs. 2,150,000 as per defective survey report. Later on, NICL retained the said car and got it repaired for Rs. 298,000 vide ref no: admin/Gen/BNC-313 to Khan Motors for official use at NICL.

Audit is of the view that due to defective survey report showing inflated amount of repair, the vehicle was shown as total loss and total insured amount of Rs. 2,150,000 was paid to NBP. Whereas, the said vehicle was got repaired at a cost of Rs. 298,000 only. Thus, the audit recommends inquiry into defective report and unjustified payment of claim along with fixation of responsibility on the person (s) at fault.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The DAC directed the management to conduct a fact-finding inquiry on the matter within 30 days and share the same with Audit and Ministry. However, no inquiry report was shared with the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

3.1.4.12 Non-removal of audit qualifications and non-finalization of audited Financial Statements since year 2015

Rule (xxviii) (c) of Code of Corporate Governance for insurers, 2016 states that the insurer shall insure that the annual audited financial statements are circulated not later than four months from the close of the financial year unless an extension in terms of sub-section (1) of section 51 of the insurance Ordinance, 2000 is granted by SECP, in which case the insurer shall circulate the said financial statements on or before the expiry of such extension.

During audit of National Insurance Company Limited (NICL) for the year 2019, it was observed that management has not finalized the audited financial statements for the year 2015 onwards.

It was further observed that the management has not taken any corrective action on the qualifying remarks by the external auditors on accounts for the year 2014. The details are hereunder:

1. The company has not accounted for the effect of developments made after the year ended Dec 31st 2014 in the provision for outstanding claims which is contradiction of IAS 10 “Events after the reporting period” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets “.
2. The company doesn’t have a system of obtaining confirmation and performing reconciliation of balances in respect of “amount due to reinsurer”, “premium received in advance”, and “premium due unpaid”.
3. The company has been charging depreciation on investment properties and fixed assets under reducing balance method using rates that are not in agreement with its estimate of useful life.

4. There is inconsistency found in the company accounting policies in respect of recognition of premium and liability. Resultantly, the amount of ultimate adjustments needed, cannot be determined.
5. Specific approval of Board of Directors regarding addition/ deletion to Fixed Assets, investments and other items were not provided under section 196 of the Companies Ordinance 1984.

Audit is of the view that non-finalization of audited accounts and non-removal of qualifications reflects non-professionalism of management and weakness of internal controls.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The DAC directed the management to share the rectifications made in the light of observation of auditors in the certified accounts for the year 2014. The DAC further directed the management to complete the audited accounts for the year 2018 in next 02 months and for the year 2019 by August, 2021. However, no further progress was shared by the management.

Audit recommends implementation of DAC directives.

3.1.4.13 Non-implementation of Inquiry Committee decision regarding action against three employees

As per Inquiry Committee appointed vide Ministry of Commerce letter No. 05(1)/2015/B&F/135 dated 03.06.2017 findings, in absence of HR Manual, non-availability of Minutes of Recruitment Committee which itself was not notified, violation of the orders of Ministry and taking urgent steps without undertaking all codal formalities, non-verification of applicants' testimonials, mismatch of qualifications, age, and experience of the applicants with their positions, violations of quota policy and non-ensuring transparency, the appointments made on 09 posts by the NICL during the last one year are all illegal and may be declared null and void by the competent authority. The Committee found CEO NICL, Captain Jamil Akhtar Khan solely responsible for above mentioned acts of omissions and commissions and recommended disciplinary action against him.

Consequent upon findings of above mentioned Inquiry Report, Ministry of Commerce issued letter dated 21.11.2017, whereby the management of NICL was directed to implement the recommendations of Inquiry Committee and terminate 09 illegal appointees with immediate effect.

The matter was also taken to the Sindh High Court and honorable court disposed of the petition on 13.02.2020, with following directives:

“Be that as it may, it is an admitted position that six appeals have already been decided and after dismissal/termination the said petitioner are going to avail their appropriate remedies and for three petitioners according to learned counsel of the NICL, the inquiry has been concluded. This petition is disposed of with the directions that no action shall be taken against three employees without due process of law and remaining dismissal employee may avail appropriate remedy in accordance with law.”

During audit of National Insurance Company Limited (NICL) for the year 2019, it was observed that management has not taken any follow up action in light of inquiry committee findings and decision of the Honorable Court.

Audit is of the view that management may finalize the matter following due process without inordinate delay.

The matter was reported to the management in September, 2020. Management replied that in compliance with Sindh High Court’s order dated 13.02.2020, and as per process, the Show Cause Notices were issued to these incumbents and an Inquiry Committee was constituted to probe/examine this matter and to afford personal hearing to these employees. The irregularity was discussed in DAC meeting held on 14.12.2020. The DAC directed the management to take necessary action in the light of decision of the Honorable High Court and share the court decision and action taken there-against with Audit/Ministry. However, no progress has been shared by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

3.1.4.14 Irregular appointment of Chief Executive Officer

As per Insurance Companies (Sound and Prudent Management) Regulations, 2012 clause 3(iii) Competence and Capability in determining a person's competence and capability the following shall be considered:

(a) the Chief Executive or Principal Officer must fulfill the following requirements: (I) such person must have a minimum educational qualification of a bachelor's degree or equivalent from an institution recognized by the Higher Education Commission of Pakistan or foreign qualification of equivalent level recognized by the Higher Education Commission of Pakistan, with at least 10 years' experience out of which 5 years as Key Officer in the insurance industry; or (II) such person must (a) be an ACII or FCII, (b) be a Fellow of the Institute or Society of Actuaries or equivalent qualification as recognized by the Pakistan Society of Actuaries,

(c) Hold a master's degree in Insurance, Risk Management or Actuarial Science from a university recognized by the Higher Education Commission with at least 5 years' experience as Key Officer in the insurance industry.

During audit of NICL for the year 2019, it was observed that the Chief Executive Officer was appointed/posted on additional charge having irrelevant qualification and experience. The detail thereof is as under:

Name of CEO	From	To	Actual Qualification & Experience	Qualification and Experience Required
Syed Tariq Huda	08.08.2019	18.05.2020	MBBS , LLB	1. Bachelor Degree with at least 10 years' experience out of which 5 years as Key Officer in the insurance industry; Or 2. (a) be an ACII or FCII, (b) be a Fellow of the Institute or Society of Actuaries or equivalent qualification as recognized by the Pakistan Society of Actuaries, (c) Hold a master's degree in Insurance, Risk Management or Actuarial Science from a university with at least 5 years' experience as Key Officer in the insurance industry.

Audit is of the view that it is evident from above table that CEO didn't fulfill the required qualification and relevant experience in insurance industry. Therefore, the appointment/posting even on additional charge basis as CEO in NICL is considered irregular.

The matter was reported to the management in September 2020, but no reply was received.

Audit recommends that the matter may be explained.

3.2 Pakistan Re-insurance Company Limited

3.2.1 Introduction

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

3.2.2 Comments on Audited Accounts

3.2.2.1 The working results of the company for the year ended December 31, 2019 as compared to previous years is given below:

(Rs. in million)					
Description	2019	% Inc/(Dec)	2018 (restated)	% Inc/(Dec)	2017 (restated)
Gross premium	17,655	64.48	10,734	33.57	8,036
Net premium	6,905	26.37	5,464	9.15	5,006
Net claim paid	(4,259)	42.44	(2,990)	(20.05)	(3,740)
Management expense	(902)	6.87	(844)	6.03	(796)
Commission paid	(1,243)	18.72	(1,047)	(8.80)	(1,148)
Underwriting profit/(loss)	501	(14.07)	583	(186.12)	(677)
Investment income	1,008	45.88	691	(79.22)	3,326
Rental income	71	14.52	62	10.71	56
Exchange gain/(loss)	603	45.30	415	302.91	103
General & admin expenses	(13)	18.18	(11)	(82.81)	(64)
Profit Before Tax	2,189	26.53	1,730	(39.85)	2876
Taxation	(705)	39.60	(505)	(22.19)	(649)
Profit after tax	1,484	20.85	1,228	(44.83)	2,226

(Source: Annual Audited Accounts-2019)

3.2.2.2 In 2019, the gross premium is Rs. 17,655.000 million as compared to Rs. 10,734.000 million in preceding year which indicates an increase of 64.48%. Net premium retention has also increased to Rs. 6,905.000 million in 2019 from Rs. 5,464.000 million in 2018, showing an increase by 26.37%. Net claims paid

increased 42.44% from Rs. 2,990.000 million in 2018 to Rs. 4,259.000 million during 2019.

3.2.2.3 Management expenses in 2019 were Rs. 902.000 million as compared to Rs. 844.000 million of previous year, showing an increase of 6.87%, whereas Company witnessed increase of 18.72% in net commission expenses from Rs. 1,047.000 million in 2018 to Rs. 1,243.000 million during 2019. Underwriting profit shows an enormous decrease of 14.07% from Rs. 583.000 million in 2018 to Rs. 501.000 million in 2019 which is a negative sign for company's business. Investment income increased 45.88% from Rs. 691.000 million in 2018 to Rs. 1,008.000 million during 2019 and rental income also increased 14.52% from Rs. 62.000 million in 2018 to Rs. 71.000 million during 2019. However general & administrative expense increased 18.18% from Rs.11.000 million in 2018 to Rs. 13.000 million during 2019.

3.2.2.4 Further it is also worth mentioning that external auditor of the company has highlighted below instance of non-compliance with the Codes as reflected in the paragraphs 2, 44 and 48 where these are stated in the Statement of Compliance:

- i. As per 3 (2) of Public Sector Companies (Corporate Governance) Rules, 2013, the Board must have at least one-third of its total members as independent directors.
- ii. As per (viii) of Public Sector Companies (Corporate Governance) Rules, 2013, Casual vacancy on the board was not filled by the Government within the time specified in the Rule.
- iii. As per (xliii) of Public Sector Companies (Corporate Governance) Rules, 2013, the Committee meetings of Risk Management and Compliance committee were not held as required.

3.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2003-04	7	6	1	6	86
2010-11	13	10	3	2.2.4.1, 2.2.4.2, 2.2.4.3	77
2013-14	6	1	5	4.2.2.1, 4.2.2.2, 4.2.2.3, 4.2.2.4, 4.2.3	17
2014-15	10	6	4	4.2.4.2, 4.2.2.4, 4.2.4.1, 4.2.4.4	60
2015-16	9	3	6	4.2.4.3, 4.2.2.3, 4.2.2.4, 4.2.3, 4.2.4.1, 4.2.4.2	33
2016-17	6	3	3	3.2.3, 3.2.4.1, 3.2.4.3,	50
2017-18	14	5	9	4.2.2.1, 4.2.4.3, 4.2.4.11, 4.2.3, 4.2.4.1, 4.2.4.4, 4.2.4.5, 4.2.4.6, 4.2.4.10,	36
Total	65	34	31	-	52%

The overall compliance of PAC directives needs improvement.

3.2.4 Audit Paras

3.2.4.1 Non-recovery of amount due from NICL and other insurers - Rs. 15,442.000 million

Rule-26 of GFR provides that it is the primary responsibility of the departmental authorities to see that all revenues or debts due to the government which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of Pakistan Reinsurance Company Limited (PRCL), Karachi for the year 2019, it was observed that there is an outstanding receivable amount of Rs. 15,442.000 million from NICL and other insurers as on 31.12.2019. The details of outstanding are as under:

(Amount in Rs.)				
S#	Description	2019	2018	% increase
1.	Amount due from other insurers	10,064,503,581	5,802,957,068	73
2.	Amount due from NICL	5,377,764,168	2,277,213,869	136
Total		15,442,267,749	8,080,170,937	

Audit is of the view that increasing outstanding receivables reflected weak internal controls and slack attitude of the management.

The matter was reported to the management in August, 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The management explained that 80% of the total amount has been recovered. The DAC directed the management to provide relevant record to audit of the amount recovered so far and pursue the remaining recovery under intimation to Audit / Ministry. However, no documentary evidence was provided to the Audit by the management showing recovery of any amount.

Audit recommends implementation of DAC directives.

3.2.4.2 Unjustified restatement of the figures in annual accounts - Rs. 14,078.000 million

As per Note No. 8 of Annual Account 2019, “The amount of reinsurance recoveries against outstanding claims was overstated in the prior periods. The Company has corrected the same amount by restating the financial statements. Previously, no underwriting provision on outstanding claims including IBNR (treaty) was recorded. The Company recorded the said provision and restated outstanding claims including IBNR. Further, interest free loan provided to employees was not discounted. During the year, Company restated the figures and recognized related expenses in the respective accounting periods”.

As per Article 225 (1) of Companies Act, 2017, “The financial statements shall give a true and fair view of the state of affairs of the company and comply with the financial reporting standards notified by the Commission”.

During audit of Pakistan Reinsurance Company Limited (PRCL), Karachi for the year 2019, it was observed that management restated figures in twelve heads of accounts for the years 2017 and 2018 with impact of Rs. 14,078.000 million (**Annex-18**). The summary of restatements is as under:

Restatement impact of 2017-18 reflected in 2019 Accounts	
	(Amount in Rs.)
Difference decreased figures	(7,022,104,122)
Difference increased figures	7,055,449,453
Total difference made in 2019 Annual Accounts	14,077,553,575

Audit is of the view that PRCL management’s practice of restating amounts has compromised reliability of financial statements as it does not present true picture of company accounts during the years.

The matter was reported to the management in September 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The management informed the DAC that the restatements are made due to either change in accounting policy or correction in fundamental error in previous published financial statements. Such restatements are as per requirement of IAS. The DAC directed the management to provide the supporting documents to Audit for verification. However, no relevant record was provided to audit justifying changes in twelve head of accounts with financial under/overstatements of more than

Rs. 14,000 billion by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

3.2.4.3 Irregular payment of claim for loss on account of ATR – Rs. 2,038.000 million

As per para (iv) of Hull Release and Discharge agreement, there is no other person or entity other than EDC entitled to receive the payment of any monies under policies in respect of the loss of CTL or otherwise, or damage to the leased aircraft.

As per para (13) of Facultative claim, PRCL will book 92.50% acceptance against which 82.50% is recoverable from AON being broker on record for the cession of 2017-18.

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

During audit of Pakistan Reinsurance Company Limited (PRCL), Karachi for the year 2019, it was observed that management booked losses of \$12,880,931 equivalent to Rs. 2,038 billion for total loss of \$15,613,250 of PIA

aircraft ATR AP-BKW due to collision on 24.11.2018 with a Shaheen Air Boeing 737-400 aircraft with registration No. AP-BJU. However, the amount of \$12,880,931, to be recovered by PRCL from M/s. AON broker and further transferable to Export Development Canada (EDC) account, was received by an unknown company, M/s. Clyde and Co. This resulted into irregular payment of claim for loss on account of ATR of Rs. 2.038 billion.

Audit is of the view that the process of payment was non-transparent as the management of PRCL could not substantiate admissibility of claim to M/s. Clyde and Co. The lapse indicated weakness of the internal controls.

The matter was reported to the Management in September 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The DAC directed the management to submit the revised reply along with supporting documents to Audit. However, no relevant document was produced to the Audit by the management.

Audit recommends implementation of DAC directives.

3.2.4.4 Loss on investment due to decrease in market value – Rs. 162.217 million

Para 6 of Memorandum issued by Finance Division dated 02 July 2003 states that before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan Re-insurance Company Limited (PRCL), Karachi for the year 2019, it was observed that management incurred loss on investment due to lack of timely decision considering market value of investment in seventeen companies in a year (**Annex-19**). The summary of loss in a year is as under:

Loss on investment due to decrease in market value					
1.	Attock Cement Ltd.	(678,270)	10.	Philip Morris (Pakistan) Ltd.	(9,762,248)
2.	PTCL 'A'	(79,875)	11.	National Refinery Ltd.	(79,207,614)
3.	Aisha Steel Mills Ltd.	(637,000)	12.	Kot Addu Power Comp	(540,600)
4.	JS value fund Ltd.	(192,089)	13.	K-Electric ltd	(157,000)
5.	HBL Growth funds - Class A	(1,824,402)	14.	Sui Northern Gas Comp Ltd	(8,089,329)
6.	Faysal Bank Ltd.	(447,460)	15.	Sui Southern Gas Comp Ltd.	(20,056,879)
7.	United Insurance Co. of Pak	(785,641)	16.	Pakistan Engg. Comp Ltd.	(1,354,430)
8.	Imperial Sugar	(299,430)	17.	ICI Pakistan Ltd.	(36,726,226)
9.	Pakistan Tobacco Company Ltd.	(1,378,350)			
Total (Rs.)					(162,216,843)

Audit is of the view that the management has not exercised due diligence. By utilizing the services of professional fund manager approved by the SECP & by timely decision, the management could have avoided the losses.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The management explained that overall there is a gain in investment and investment portfolio rests with the BoD. The DAC directed the management to provide the minutes of the meetings of investment committees reflecting deliberations on the matter to Audit for its scrutiny. However, no relevant document was provided to the Audit by the management.

Audit recommends implementation of DAC directives.

3.2.4.5 Irregular policy & unjustified payment of bonus - Rs. 64.484 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the

Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

As per Finance Division OM dated 18.03.2002, following conditions are to be fulfilled for payment of bonus:

- i. Operational profit of the organization only excluding income from other sources;
- ii. Payment of bonus would not be made as customary but it would be on the basis of profit earned and reflected in the annual accounts of the organization;
- iii. No commitment of payment of bonus may be made during negotiations with the CBA because of the conditions mentioned above;
- iv. Managing Director and members of the BOD will not be entitled to receive bonus.

During audit of Pakistan Reinsurance Company Limited (PRCL), Karachi for the year 2019, it was observed that contrary to above, the Board approved bonus policy for managers to CEO with a condition of minimum of Rs. 400.000 million underwriting profit at following apportionment ratio:

Manager	General Manager	Executive Director	CEO
1.5	2	2.5	4

It was further observed that management paid a sum of Rs. 64.484 million, 13% of underwriting profits for year 2019, as bonus to their employees despite decrease in underwriting profits of Rs. 82.000 million, a 14 % decrease compared to last year.

Further, bonus payment was made without taking into account performance of the employees. Despite the fact that Aviation, Treaty department and Re-Takaful operations recorded loss of underwriting business during the year, bonus was paid to this department as well.

The performance of the Company in terms of its core underwriting business vis-à-vis expenses reflected increasing trend of expenses. The details are as under:

Underwriting business vis-a-vis expenses				Amount (Rs. in million)
Year	Profit / (loss)	% increase / (decrease)	Expenses	% increase in expenses
2019	501	(14)	902	7
2018	583	186	844	6
2017	(677)	(224)	796	21
2016	545	(25)	657	6
2015	722	40	621	19

Audit is of the view that BoD has not fulfilled its responsibility objectively and has not performed its duties in the interest of the Company. Non-concurrence of Finance Division, payment to ineligible employees, adoption of non-compliant bonus policy with standing government orders, bonus payment on customary basis without any linkage with employee performance reflected weak internal controls & compromising the interest of the Company.

The matter was reported to the Management in September 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The DAC directed the management to place the matter before BoD to revisit the bonus policy as pointed out by the Audit. However, no relevant record reflecting progress on subject matter was provided to the audit by the management.

Audit recommends implementation of DAC directives.

3.2.4.6 Irregular acquiring of shares of NIB bank

As per OM by Finance Division dated 02 July 2003, before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During audit of Pakistan Reinsurance Company Limited (PRCL), Karachi for the year 2019, it was observed that management had made unjustified investment in NIB Bank which was at a net loss of Rs. 17.000 billion since Temasek, a Singapore-based investment company, acquired it in 2005. Further, prior to SBP notifying of de-scheduling of NIB Bank Limited with effect from July 07, 2017, management of PRCL held a number of 28,420,050 shares of NIB

Bank. However, the record reflected total share position in MCB of a number of 573,370 shares as on 31.07.2017, which showed decrease in numbers of shares.

Further, record showing market value of PRCL shares prior to NIB de-scheduling and details of swap of NIB shares with MCB were not provided to audit for scrutiny.

Audit is of the view that the management has not invested the amount with due diligence as the investments were made without any appropriate investment committee & utilizing the services of professional fund manager approved by the SECP. Besides, the swap arrangement of shares from MCB on delisting of NIB Bank by PRCL was not in the interest of the Company as International Fund Management Company Ltd., a subsidiary of Temasek holdings, was trying to exit from Pakistan through divesting its stake in NIB Bank and the group asked the shareholders of NIB Bank to reject the proposed swap ratio and register their grievances with the president of NIB bank Limited, State Bank of Pakistan, the SECP and other forums.

The matter was reported to the Management in September 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The management explained that there was overall gain earned by the company during merger of NIB and MCB. Furthermore, Company also earned more income in shape of dividend from MCB. The DAC directed the management to share the facts reflecting gain with Audit. However, no relevant document was provided to the Audit by the management.

Audit recommends implementation of DAC directives.

3.2.4.7 High employee-benefit cost

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

During audit of Pakistan Reinsurance Company Limited (PRCL), Karachi for the year 2019, it was observed that the pay scale of PRCL of 2017 were open-

ended as there was no cap on maximum of basic pay {e.g. Executive Director (Grade 13) 80363-4313}. As per note 35.1 of annual accounts 2019, the employee benefit cost is Rs. 696,873,780 (excluding medical and utility expenses) and maximum number of stages is not defined. Approved pay-scales are not compatible with the net salary of class III and IV employees. They are drawing much higher payments as monthly net payment of class III and IV employees lies between Rs. 200,000 to Rs. 300,000 and with bonus, the payment lies between Rs. 400,000 to Rs. 600,000. Such payment is unmatched even with the approved pay structure at PRCL for the same class employees. As house rent allowance is 85%, conveyance allowance is 20% and utility allowances are 23% of basic pay, therefore increase in basic pay causes significant rise in overall salary expenses.

The matter was reported to the management in September 2020. The irregularity was discussed in DAC meeting held on 14.12.2020. The DAC recommended the Para for settlement with the remarks that BoD may review the employee-related expenses in relation to the total expenses of the Company. Audit, not agreeing with the chair is of the view that the management may revisit the arrangement of non-capping against each grade and that the pay structure of the employees is on higher side and the management may revisit such policies. However, no relevant progress on the matter was provided to the audit by the management.

Audit recommends that the management may rationalize the employee-related expenditure as per standards of human resource financial management.

3.3 State Life Insurance Corporation of Pakistan

3.3.1 Introduction

State Life Insurance Corporation of Pakistan (SLIC) was incorporated on November 1, 1972 under the Life Insurance (Nationalization) Order, 1972, which has been replaced by Insurance Ordinance, 2000. The main objective of the Corporation is to engage in the life insurance business, to maximize the return to the policy holder economizing on expenses and increasing the yield on investment and to use the policyholders fund in the wider interest of the community.

3.3.2 Comments on Audited Accounts

3.3.2.1 The working results of the Corporation for the year 2019 as compared to those of the previous years are tabulated below:

	(Rs. in million)				
	2019	% inc / (dec)	2018	% inc / (dec)	2017
Income					
Premium Income less reinsurance	112,572.320	0.4	112,123.49	11.28	100,760.72
Investment Income (net)	94,870.700	36.7	69,424.74	0.93	68,787.63
Rental Income (net)	568.240	6.0	536.17	15.62	463.720
Total Income	208,011.260	14.2	182,084.39	7.10	170,012.070
Claims and expenditure:					
Payment to policy holder	(57,048.760)	7.6	(53,040.34)	17.99	(44,954.660)
Management expenses	(27,046.250)	(23.6)	(35,396.05)	14.44	(30,930.610)
Total claims and expenditure	(84,095.020)	(4.9)	(88,436.39)	16.54	(75,885.260)
Excess of income over claims and expenditure	123,916.240	32.3	93,648.01	(0.51)	94,126.810
Addition /(Subtraction) to Life Fund	(117,330.060)	24.7	(94,074.89)	7.15	(87,800.450)
Surplus before tax	6,586.180	1642.9	(426.88)	(106.75)	6,326.360
Life Fund at the end of the year	953,459.630	14.0	836,129.57	18.20	707,388.380
Percentage of Expenses to Total Income	40.43%	(16.8)	48.57%	8.81	44.64%
Percentage of Expenses to Premium income	74.70%	(5.3)	78.87%	4.73	75.31%

(Source: - Annual Audited Accounts-2019)

3.3.2.2 Premium income has increased by 0.4% from Rs. 112,123.490 million in the year 2018 to Rs. 112,572.32 million in the year 2019.

3.3.2.3 Payments to policy holders have also increased by 7.6% as compared to previous year, from Rs. 53,040.34 million in the year 2018 to Rs. 57,048.760 million in the year 2019.

3.3.2.4 Management expenses decreased by 23.6% from Rs. 35,396.050 million in the year 2018 to Rs. 27,046.250 million in the year 2019.

3.3.2.5 Total claims and expenditure decreased by 4.9% from Rs. 88,436.390 million in the year 2018 to Rs. 84,095.020 million in the year 2019.

3.3.2.6 Surplus before tax increased by 1,642.9% from deficit of Rs. 426.880 million in the year 2018 to Rs. 6,586.180 million in the year 2019.

3.3.2.7 Percentage of expenses to total income and Premium income decreased by 16.8% and 5.3% during 2019.

3.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1996-97	11	9	2	56 & 59, 57(a)(b)	82
1998-99	11	9	2	46, 49	82
2002-03	9	8	1	13	89
2003-04	10	8	2	8, 9	80
2004-05	8	7	1	13	88
2006-07	4	3	1	9	75
2007-08	6	4	2	10, 11	67
2008-09	7	4	3	5, 6, 7	57
2010-11	17	15	2	2.3.4.4, 2.3.4.9	88
2012-13	22	15	7	3.3.4.3, 3.3.4.1, 3.3.4.11, 3.3.4.7, 3.3.4.9, 3.3.4.2, 3.3.4.5	68
2013-14	4	3	1	4.3.2	75
2014-15	17	16	1	4.3.2.11	94
2015-16	14	2	12	4.3.4.1, 4.3.4.6, 4.3.2.1, 4.3.2.2, 4.3.2.3, 4.3.2.4, 4.3.2.5, 4.3.3, 4.3.4.2, 4.3.4.3, 4.3.4.4, 4.3.4.7	14
2016-17	8	2	6	3.3.2.1, 3.3.2.2, 3.3.3, 3.3.4.1, 3.3.4.2, 3.3.4.4	25
2017-18	25	6	19	4.3.4.6, 4.3.4.19, 4.3.4.1, 4.3.4.21, 4.3.3, 4.3.4.2, 4.3.4.5, 4.3.4.7, 4.3.4.8, 4.3.4.9, 4.3.4.11, 4.3.4.12, 4.3.4.13, 4.3.4.14, 4.3.4.15, 4.3.4.16, 4.3.4.17, 4.3.4.18, 4.3.4.20	24
Total	173	111	62	-	64%

The overall compliance of PAC directives needs improvement.

3.3.4 Audit Paras

3.3.4.1 Non-reconciliation of record - Rs. 3,943.390 million

Rule 89 (4) (viii) of GFR states that the head of the department and the accounts office will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those that appear in the accounts books.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that there was difference in the figures of accumulated amounts of policyholders' liability value under following heads of accounts for the year ended December 31, 2018. The figures of actuary valuation

did not match with the figures of annual accounts 2018 (Note 6.2). The details are as under:

(Rs. in million)				
S#	Description	Actuary Valuation	Annual Accounts	Difference
1.	Pak-Life Fund	87,136.709	90,035.796	2,899.087
2.	Overseas Life Fund	3,065.023	4,098.076	1,033.053
Total				3,932.140

It was further observed that year-wise premium income from new business reported by zonal office Quetta did not reconcile with the trial balance amounts. The details are as under:

Premium Income First Year (A/c Code: 659 to 669) (Amount in Rs.)				
S#	Year	Reported by New Business	Trial Balance	Difference
1.	2016	131,832,000	133,378,368	1,546,368
2.	2017	144,500,000	145,753,163	1,253,163
3.	2018	160,873,000	162,522,423	1,649,423
4.	2019	118,117,000	111,314,169	6,802,831
Total		555,322,000	552,968,123	11,251,785

Audit is of the view that non-reconciliation of actuarial valuation and annual accounts figures is a serious issue which should be addressed by the management on priority. Further, income earned from new business is not authentic / appropriate as management failed to estimate the actual income earned from new business during each year which is against the true and fair presentation of the accounts of Zonal Office, Quetta. Above situation reflects poor control mechanism in the organization.

The matter was reported to the management during September-October, 2020, but no reply was received. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to Covid situation in the organization.

Audit recommends that the management may inquire the matter and put in place proper internal controls to avoid huge differences in business transactions.

3.3.4.2 Loss due to abnormal increase of surrender cases of insurance policies - Rs. 3,195.000 million

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

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that there was an abnormal increase of surrender cases of insurance policies during 2019. The details are as under:

Year	No. of surrendered cases	Paid claim amount (Rs.)	Amount (Rs.)
			Increased amount
2018	171,657	18,681,476,422	3,195,703,072
2019	179,054	21,877,179,494	

Audit is of the view that continuous rise of surrendering insurance policies indicated weak internal controls & poor marketing strategy and lack of customers confidence on the organization.

The matter was reported to the management in September, 2020. The management did not provide any relevant reply. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

Audit recommends that the matter should be looked into and robust strategy for retention of business may be put in place.

3.3.4.3 Loss due to encroachment of land – Rs. 2,795.810 million

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

Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that the management of the Corporation failed to protect the property from encroachment at various locations. The details are as under:

S#	Description/Name	Type of property	Year of purchase	Land Area (sq. yds.)	Market value as on 13.12.2018 in million	Encroachment since
1.	2, Lackey Road, Karachi	Plot	1979	9,180	1,643.00	1995
2.	Plot#87, Iqbal Road, Old Civil Lines, Sahiwal	Plot	1995	2,420	104.00	1998
3.	Plot#720-A, Cantonment, Rawalpindi.	Plot	Inherited	3,172	312.00	Not available
4.	Yuhanabad, Lahore	Plot	Inherited	16,637.501	440.00	
5.	Dullakhurd, Lahore	Plot	Inherited	8,954.001	296.00	Not available
6.	Hut#151, Paradise point, Karachi.	Huts & guest house	Inherited	160	0.81	Not available
Total measuring (Square yards)				40,524	2,795.81	-
Total					2,795.81	-

Audit is of the view that loss due to encroachment of land reflects negligence & weak internal controls to safeguard the assets of the Corporation.

The matter was reported to the management vide Memo No.12 dated 07.9.2020. The management replied that they were making efforts. The reply of the management is not tenable as the said land has been under encroachment for a very long period. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to Covid situation in the organization.

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

3.3.4.4 Non-transferring of title of properties in the name of Corporation - Rs. 1,709.000 million

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

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that the management has failed to get transferred the title deed of 13 properties valuing Rs. 1,709.860 million in favour of the Corporation despite lapse of significant time (**Annex-20**).

Audit is of the view that non-transferring of title of properties indicates that the management failed to safeguard Corporation's interest. There are chances that these properties may end up in litigation and SLIC may suffer loss on this account.

The matter was reported to the Management in September, 2020. The Management replied that they were making efforts. However, no relevant record was provided to audit by the management. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

Audit recommends that the management may take efforts for early transfer of title of the properties in the name of the SLIC and progress of the same may be shared with the Audit.

3.3.4.5 Non-recovery of outstanding balances – Rs. 811.816 million

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

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that management failed to effect recovery of outstanding balances of Rs. 811,815,955 as on 31.12.2020 under multiple heads of utilities/advances / rental etc. **(Annex-21)**. The details are as under:

(Rs. in million)

S#	Zonal Offices / PO and year	Outstanding	S#	Zonal Offices / PO and year	Outstanding
1.	Principal Office	94.277	4.	Peshawar	416.060
2.	Hyderabad	104.489	5.	Quetta	114.044
3.	Sukkur	82.944		Total	811.815

Audit is of the view that the management failed to effect recovery of its dues in a timely manner. This indicates poor financial management and weak internal controls within the organization.

The matter was pointed out to the management from December, 2018, to December, 2020, however, no reply was received. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

Audit recommends expeditious recovery of the amount in question and strengthening of internal controls.

3.3.4.6 Unjustified issuance of policies & premium income in month of December – Rs. 257.710 million

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

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that there was unjustified figure of issuance of policies & revenue income in the month of December, 2019 in Zonal Office Hyderabad. As against issuance of new policies and earned revenue from

1% to 10% in the months from January, 2019 to November, 2019, the management recorded performance of 48% business of Rs. 257.710 million in month of December on account of premium policies (**Annex-22**). The details are as under:

(Rs. in million)		
Months	New business premium	Average policies per month
Average of 11 months	25,222,620	792
01 month (December-2019)	257,709,861	7,079
Total	535,158,681	15,794

It was also observed that on average one underwriter processed 159 policies during last seven days of December which reflected abnormal figure. Detail of last 7 days is as under:

S#	Summary	# of policies & underwriters
1.	Average of 07 days policies	795
2.	Average policies per underwriter	159 (795 policies / 05 underwriters)

Audit is of the view that there is a chance of manipulation of the business reflected by the abnormal trend. This indicates non-balanced business operations during different months of a year. Further, underwriting quality is also highly compromised during the month of December.

The matter was reported to the management during December 2020, but no reply was received. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to Covid situation in the organization.

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

3.3.4.7 Non-completion of automation project for 33 zones despite lapse of ten years - Rs. 124.781 million

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

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that pursuant to BoD decision dated 01.11.2007 on software solution for all functions of State Life, the management awarded the contract to M/s. Sidat Hyder Morshed Associates (Pvt.) Limited at Rs. 124.781 million for ERP customization, implementation, maintenance and ongoing support services to the thirty-three (33) zones during year 2010. Despite lapse of stipulated time of completion of the project, the contractor has failed to complete it.

Audit is of the view that non-completion of automation project for 33 zones despite lapse of ten years indicated poor project planning, implementation and inefficiency of the management. Besides, such a long delay also invalidates the software utility and chances of outdated process mapping cannot be ruled out.

The matter was reported to the management in September 2020, but no reply was received. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to Covid situation in the organization.

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

3.3.4.8 Excess working strength than sanctioned strength in different zones - Rs. 96.618 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for implementation of

strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that against the sanctioned working strength of 307 employees, the total working strength was 516 employees (**Annex-23**). The summary of excess strength is as under:

Zone	Sanctioned	Working	Excess	Amount paid (Rs.)
Sukkur 2016-2019	42	152	110	39,968,000
Peshawar 2015-2019	188	245	57	31,000,000
Hyderabad - 2019	77	117	40	24,100,000
Gulf - 2019	0	2	2	1,550,000
Total	307	516	209	96,618,000

Audit is of the view that the working strength of officers is in excess than the sanctioned strength, which shows weak internal controls and poor HR management.

The matter was reported to the management during February & December, 2018 and February, September-October, 2020, but no reply was received. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

Audit recommends that the management should take steps to rationalize its working strength in accordance with the approved sanctioned strength.

3.3.4.9 Wasteful expenditure due to non-operational Takaful business – Rs. 66.562 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that the management obtained the license from SECP on 23rd August, 2016 to act as window Takaful Operator. However, the management could not start the business despite expenditure of Rs. 66,445,000. The details are as under:

S#	Head of accounts	Expenditure incurred (Rs.) FY-2017	Expenditure incurred (Rs.) FY-2018	Expenditure incurred (Rs.) FY-2019	Total accumulated expenditure (Rs.)
1.	Employee-related cost	116,589,000	17,168,000	16,270,000	50,027,000
2.	Professional charges	3,035,000	3,000,000	3,000,000	9,035,000
3.	Other expenses	559,000	586,000	6,238,000	7,383,000
Total					66,445,000

Audit is of the view that the management did not make concrete efforts to operationalize the window Takaful business after the lapse of more than three years. This indicated lack of planning and negligence of the management, thus, a wasteful expenditure of Rs. 66.562 million was made.

The matter was reported to the management in September 2020. The management stated that they undertook various projects under the Takaful Business and were trying for operationalizing of the same. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

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

3.3.4.10 Irregular payment of death claims - Rs. 60.333 million

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

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that the management made payment against various claims of Rs. 60.333 million during the years 2015-20 without requisite documents i.e. police reports, postmortem reports, medical reports, etc. **(Annex-24).**

Further, the management delayed payment of due claims in time and thereby, paid a heavy amount on account of liquidity damages. Besides, there were instances of irregular excess payment of claims, and irregular conversion of policies. The summary of payment is hereunder:

(Rs. in million)				
Principal Office-2019	Quetta 2016-2020	Hyderabad 2019	Sukkur 2018-19	Total
24.38	21.98	8.72	5.26	60.33

The audit is of the view that payment of death claims without requisite documents & medical record reflected weakness of the internal controls, negligence & inefficiency of the management.

The matter was reported to the management in September & October, 2020. With respect to payment of LD charges, the management stated that the LD against the claims was paid on repudiated claims which were then settled by the court. With respect to ADB payment of Rs. 1.400 million, the management stated that such payments were made on court order/ contractual obligations. However, no relevant supporting record was provided to the audit by the management. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

Audit recommends detailed probe into the matter in order to streamline the matters in future besides, fixing of responsibility on the person (s) at fault.

3.3.4.11 Non-adjustment of insurance premiums under suspense accounts - Rs. 41.541 million

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

responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

The premium received from policyholders should immediately be accounted for against their respective policy numbers to pass on benefits to the policy holders.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that Zonal Office Quetta has failed to adjust suspense accounts of insurance premiums of Rs. 41.541 million received from policy holders as on 31.12.2019. The details are as under:

S#	Account Code	Description	Amount (Rs.)
1.	536	Premium received in advance	3,127,623
2.	568	Premium deposit under proposal mechanized	9,382,357
3.	571	Premium deposit under renewal policies	28,333,779
4.	573	Premium deposit under renewal policies	697,698
Total			41,541,457

Audit is of the view that non-adjustment of insurance premiums under suspense accounts despite lapse of significant time indicates inefficiency of the management & weak internal controls.

The matter was reported to the management in October 2020, but no reply was received. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to Covid situation in the organization.

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

3.3.4.12 Irregular hiring of actuary for more than 12 years without competitive bidding - Rs. 40.472 million

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 04 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that the management appointed M/s. Akhtar & Hasan Pvt. Ltd. as actuary in 2008 to carry out actuarial work in connection with the annual returns of the Corporation without competitive bidding. Instead of fresh appointment through competitive bidding, the management kept on annual renewing of contract till 31st August 2013, and then re-appointed on retainer-ship till-date with remuneration/retainer-ship fee of Rs. 433,000 per month.

Audit is of the view that appointment & continuation of actuary services for more than 12 years without competitive bidding is violation of public procurement rules. Thus, its remuneration charges of Rs. 40.472 million are irregular.

The matter was reported to the management in September 2020. The management replied that the job of appointed actuary is technical in nature and they could not find an alternative easily. The reply of the management is not tenable as the appointment and subsequent extensions were in violation of PPRA rules. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

Audit recommends that the management may fix responsibility on the person (s) at fault.

3.3.4.13 Irregular issuance of multiple insurance policies - Rs. 39.227 million

According to Clause-4 of declaration of the terms of the policy issued to the policy holders, if any untrue statement be contained therein the contract of the insurance shall be absolutely null and void; all money paid in respect thereof

shall be forfeited to the Corporation, because the insured did not disclose pre-insurance ailment.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that Zonal Office Quetta issued multiple insurance policies to policyholders of Rs. 39,227,000, including policies to Mr. Mir Salah Uddin, a business individual, with sum assured of Rs. 16.000 million, without obtaining requisite / mandatory documents i.e. bank statement, property documents, and proof of income from business as the insurance agents filled the financial assessment form merely on assumption basis (**Annex-25**). Summary of multiple insurance policies is as under:

Quetta 2018-19 (Rs.)		Total (Rs.)
23,227,000	16,000,000	39,227,000

Audit is of the view that issuance of multiple insurance policies without required documents reflecting financial soundness of policyholders is unjustified. This may be the main reason of frequent surrendering of policies and thereby, loss of goodwill of the Corporation.

The matter was reported to the management in September and October, 2020, but no reply was received. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

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

3.3.4.14 Irregular award of contracts to other than the 1st lowest bidder - Rs. 30.708 million

Rule 38 of PPRA Rules, 2004 provides that the bidder with the lowest evaluated bid shall be awarded the procurement contract. Further, Rule 04 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of State Life Insurance Corporation (SLIC) for the year 2019, it was observed that the management instead of awarding of security contract of SLIC commercial building nos.1, 2, 3, 4, 9, 11 & chairman house to the lowest evaluated responsive bidder, M/s. Freedom Security Services, awarded the contract to M/s. Safety and Security, 2nd lowest bidder, on 14.03.2019 at Rs. 24,777,000 (Rs. 2,064,750*12). On grievance redressal request dated 03.08.2019 of the lowest bidder, the management intimated that the work was awarded on the basis of weighted average of both technical & financial criteria.

S#	Name of Bidder (M/s.)	Technical bid	Bid per month (Rs.)	Position
1.	Freedom Security Services	74	1,958,900	1st lowest bidder
2.	Safety and Security	85	2,064,750	2nd lowest bidder
3.	Rehman Security System	74	2,146,550	3rd lowest bidder

Further, the management awarded contract of advertising to the 8th lowest, M/s. Connect Marketing, as the panel advertising agency against cost of Rs. 3.172 million.

Audit is of the view that the management extended un-due favor to bidders in violation of rules. Hence, the award of contracts to other than lowest bidder is held irregular.

The matter was reported to the management during December, 2018. The management replied that security services contract was awarded on the basis of weighted average method and that it appointed M/s. Connect Marketing on PID's letter. The reply of the management is not tenable as the work was awarded in violation of PPRA rules. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

Audit recommends investigation in matter in order to fix the responsibility on the person (s) at fault.

3.3.4.15 Non-finalization of disciplinary case for issuance of insurance policies against alleged fake documents - Rs. 30.000 million

As per Regulation No. 30 of State Life Insurance Employee (Service) Regulations, 1973, the following acts constitute misconduct:

- Commits breach of Rules, regulation or order of the Corporation
- Displays negligence or inefficiency
- Commits or assists in committing acts of misappropriation or embezzlement of funds which belong to or are meant to belong to Corporation
- Knowingly does thing detrimental to the interest of the Corporation

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that management failed to finalize the disciplinary case / Show Cause Notice issued to Mrs. Zahira Parveen, Area

Manager (Code 1416 – Quetta Zone) on 18.11.2016 for her alleged issuance of following three insurance policies in favour of Mrs. Atia Ishfaq Ali against alleged fake documents. The details are as under:

S#	Policy No.	Basis of policy issuance
1.	502888340-7 dated 02.12.2015, sum assured of Rs. 10.000 million	Policy issued against alleged fake bank statement of Soneri Bank, manipulated property details & fake gold purchase receipts.
2.	Proposal No.1416-088016 dated 09.12.2015	Proposal was rejected due to alleged fake financial documents
3.	50289401-2 dated 28.02.2017, sum assured of Rs. 20.000 million	Policy was issued against alleged fake documents of false gross sale / turnover return and doubtful financial documents.

Audit is of the view that non-finalization of disciplinary case of issuance of insurance policies against alleged fake documents reflected inefficiency of the management.

The matter was reported to the management in October 2020, but no reply was received. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to Covid situation in the organization.

Audit recommends that pending disciplinary case may be finalized on priority & internal controls may also be strengthened.

3.3.4.16 Loss due to termination of agreement with M/s. Warba Insurance - Rs. 15.710 million

Clause 3 (c) of the contract agreement between M/s. Warba Insurance and the State Life states that first party also undertakes to indemnify the second party against its acts and omissions resulting into any/all losses, damages and costs incurred by it as a result of non-performance or neglect of its obligations by the first party.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that the management entered into an agreement with Warba Insurance Company, one of Kuwait's largest and most trusted insurance solution providers, on 1st July 2015 for selling life insurance policies. As a requirement, the contractor vide letter dated 27 January, 2016 requested SLIC management to write a memo to the Ministry of Commerce and

Industry (Kuwait) (entailing details of the company, paid up capital with supporting documents both in English & Arabic i.e. financial statements, last 3-year Audit Reports) for opening of SLIC branch in Kuwait under the sponsorship of Warba Insurance Company. However, SLIC management failed to do the needful which caused termination of the contract on 02.02.2017. The payment of amount including the indemnity charges of Kuwaiti dinar KWD 45,672 equivalent to Rs. 15.710 million was paid.

Audit is of the view that due to poor planning and negligence of the management, the Corporation sustained a loss of Rs. 15.710 million and loss of overseas business.

The matter was reported to the management in September 2020. The management replied that they only paid amount in lieu of pay and allowances and not indemnity. The reply of the management is not tenable as the management failed to start the development of business and non-complied with the contractual obligations. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

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

3.3.4.17 Poor performance of Gulf Zone and Banc Assurance Division of the Corporation

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

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, audit observed following performance-related irregularities:

- a. Gulf Zone, comprising six sectors meant to increase overseas life insurance business, underperformed by an amount of Rs. 613.587 million during the year 2019.
- b. Management did not set-up the zonal claim committee and underwriting claim committee at the Gulf Zone, which were required to effectively review the actual risk formation of the policy-holders and liability-holders. The details are as under:

Financial Statement	2019	2018	% +/-
	Overseas Life Fund (Rs. in 000)		
Income over Claims and Expenditure	3,215.478	4,127.566	(22)
Add: Policyholder Liabilities at the Beginning of Year	15,845.391	12,780.368	24
Less: Policyholder Liabilities at the End of Period	18,611.913	15,845.391	17
Surplus	448,956	1,062,543	(58)

- c. Banc assurance division of SLIC also could not achieve its targets of first year premium collection as on 31st December 2019 and there was shortfall of Rs. 3,201.580 million during following 5 years. Due to poor performance of life insurance through banks, corporation lost a market share of around 34%. Despite non-achievements of targets, BSCs were also awarded productive incentives which are unjustified. The detail of shortfall is as under:

Year	Target	First Year Premium (Rs. in million)		
		Achieved	Shortfall	Total achieved %
2019	3,000,000	728.528	(2,271.470)	(311.79)
2018	500,000	334.212	(165.788)	(49.61)
2017	500,000	151,749	(348.251)	(229.49)
2016	500,000	201.19	(298.810)	(148.52)
2015	200,000	82.741	(117.259)	(141.72)
Grand Total			(3,201.580)	-

Audit is of the view that BoD has failed to effectively monitor the business activities of the organization which resulted into continuous loss of market share especially in Banc assurance. Under performance and lack of

effective internal controls in Gulf Zone is also serious issue which requires immediate attention of BoD and management.

- a) The matter was reported to the management during February & September, 2020. The management replied that:
- b) The local net income is higher by 1% as compared to the year 2018 and 2% in 2019.
- c) No claims committee exists in the Gulf zone. However, the underwriting committee was being looked after by AGM PHS posted at PO.

They are trying to penetrate into the market as it is a new business.

The reply of the management is not convincing as there is significant shortfall and relevant committees were not formed for mitigating the risk.

DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

Audit recommends that the management may investigate under-performance and strengthen the internal controls.

3.3.4.18 Unjustified appointment & promotion of marketing agents to managerial positions

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are

properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that there are some lacunae in policy in respect of appointment & promotion of marketing agents to permanent post at managerial level. The Corporation's field force i.e. sales representatives & sales managers are promoted to area managers and subsequently as managers, only on the basis of achieving targets without taking into account any specific qualification. Further, an area manager performs dual job of monitoring the sales representatives and sales managers and acting as a marketing agent. Thus, he receives commission on achieving certain targets and also draws salary and other perks and privileges for performing management functions as a permanent employee of the Corporation.

Audit is of the view that the policy of promoting marketing agents to managerial post of area managers without any relevant qualification and payment of commission for performing marketing function is not in order. Sales Manager, a matriculate, is appointed on contractual basis and is paid a specific amount in lieu of commission on achieving certain targets. Thus, promotion of sales representatives & sales managers to a managerial post of area manager and appointing them as permanent employees of the Corporation is unjustified.

The matter was reported to the management in September 2020. The management replied that the Sales Representatives and Sales Managers are promoted to Area Managers and Managers on the basis of achieving targets and the policy is approved by the BoD. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to covid-19 situation in the organization.

Audit recommends that the management may review its policy/rules on the matter.

3.3.4.19 Non-verification of degrees/certificates of the employees/officers

Establishment Division through its D.O. No. 6(28)2011-DG-II dated March 08, 2011 issued a directive of the Prime Minister to the effect that measures should be taken to authenticate degrees/certificates of all employees by

the Secretaries of offices under their administrative control. The verification of degrees / certificates will be the responsibility of concerned Secretary and Head of the Department / Organization.

During audit of State Life Insurance Corporation of Pakistan (SLIC) for the years 2018 & 2019, it was observed that Zonal Office Quetta has failed to get the degrees & certificates of its 48 employees / officers verified from the concerned degree / certificate-awarding establishments.

Audit is of the view that non-verification of degrees / certificates of the employees / officers reflected inefficiency of the management & weakness of the internal controls.

The matter was reported to the management in October 2020, but no reply was received. DAC meeting was convened by PAO on 14 & 15 December 2020, however, management of the SLIC did not attend the meeting due to Covid situation in the organization.

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

3.4 Trading Corporation of Pakistan (Pvt.) Limited

3.4.1 Introduction

Trading Corporation of Pakistan Limited (TCP) was set up as a private limited company in July, 1967, registered under the Companies Act 1913 (now Companies Act 2017). The shares of the Corporation are owned by the Ministry of Commerce, Government of Pakistan. The main objectives of the Corporation are as under:

- i Acting on the directives of the Federal Government, TCP undertakes import of essential commodities to help ensure their availability to the common man at affordable prices. It intervenes in the market in the larger public interest to ensure fair price to public, as well as to preempt hoarding and profiteering.
- ii Import of essential commodities in the emergent conditions.
- iii Export of selected items of Public Sector Corporation, agencies, etc.
- iv To perform innovative role of undertaking export of non-traditional items to non-traditional markets on experimental basis.

3.4.2 Comments on Audited Accounts

3.4.2.1 The working results of the Corporation for the year ended 2019-20 as compared to previous years are given below:

(Rs. in million)					
Head of accounts	2019-20	% Inc / (Dec)	2018-19	% Inc / (Dec)	2017-18
Property & Equipment	458,219	(5)	482,174	(5)	509,590
Intangible asset	4,370	(14)	5,073	(5)	5,351
Long term investment	9,806,574	2	9,643,072	14,549	65,827
Long-term loans	80,839	(2)	103,368	(19)	127,469
Long-term deposits	13,341	-	13,341	-	13,341
Stock in trade	-	(100)	4,074,739	7	3,803,620
Due from Govt. of Pakistan	64,429,367	28	50,523,021	22	41,575,575
Trade debts	44,529,944	(4)	46,462,710	(1)	47,117,911
Loans & advances	45,835	6	43,196	10	39,132
Accrued interest	5,164	(65)	14,848	55	9,595
Prepayments & other receivables	14,327,623	57	9,135,725	5	8,668,429
Current maturity of long-term investments	-	-	-	(100)	132,875

Sales tax refundable	6,935,374	2	6,774,134	2	6,610,644
Short-term investments	9,100,000	14	8,000,000	(52)	16,500,000
Cash & bank balances	1,138,189	(81)	6,132,148	453	1,108,348
Reserves	13,226,178	10	11,973,255	8	11,054,124
Long-term loan	16,649	-	16,649	-	16,649
Deferred liab - Staff comp absences	94,307	(4)	98,704	(12)	112,126
Trade & other payables	1,311,439	2	1,287,304	(20)	1,601,232
Commodity finance under markup arrangements	129,940,823	7	121,810,854	11	109,788,026
Interest accrued	4,046,476	(1)	4,082,612	123	1,829,829
Taxation – net	1,238,958	9	1,138,171	29	885,721
Commission Income	97,146	(4)	101,234	100	-
Administrative exp.	(846,566)	(4)	(886,062)	(13)	(1,015,666)
Other income	2,734,102	22	2,246,100	46	1,536,169
Profit before taxation	1,984,682	36	1,461,272	181	520,503
Taxation	(548,798)	46	-375,515	168	(140,264)
Profit after taxation	1,435,884	32	1,085,757	186	380,239
Re-measurement profit/(loss)	17,048	(49)	33,374	(805)	(4,733)
Total Comprehensive income for the year	1,452,932	30	1,119,131	198	375,506
	Chief Executive		Directors		Executives
2019-20	8,385		-		24,097
2018-19	5,553		-		22,502
% of remuneration increased during 2019-20	151				107
2017-18 (# of persons 03 Directors & Expenses incurred Rs. 14.376 million & during 2019-20 & 2018-19, Nil expenditure for 06 Directors)	7,694		14,376		23,980
% increased during 2018-19	72		100		94
Number of persons during 2019-20	1		6		4
Number of persons during 2018-19	1		6		4
Number of persons during 2017-18	1		3		4

(Source Annual Audited Accounts 2018-19 & 2019-20)

3.4.2.2 Long term investment increased 14,549% during 2018-19 from Rs. 65.827 million during 2017-18 to Rs. 9,643.000 million during 2018-19 & increased only 2% during 2019-20 Rs. 9,806.000 million as compared to previous year. This requires elucidation.

3.4.2.3 Short-term investments increased 14% during 2019-20 from Rs. 8,000 million during 2018-19 to Rs. 9,100 million during 2019-20 & decreased 52%

during 2018-19 Rs. 8,000 million from Rs. 16,500 million as compared to previous year. This requires elucidation.

3.4.2.4 Cash & bank balances decreased 81% during 2019-20 from Rs. 6,132 million during 2018-19 to Rs. 1,138.000 million during 2019-20 & increased 453% during 2018-19 Rs. 6,132.000 million from Rs. 1,108.000 million as compared to previous year. The management may justify the decrease with relevant supporting documents.

3.4.2.5 Commission income decreased 4% during 2019-20 from Rs. 101 million during 2018-19 to Rs. 97.000 million during 2019-20 as compared to increased 100% during 2018-19 Rs. 101.000 million from Rs. 0.0 million as compared to previous year. The management may justify the decrease with relevant supporting documents.

3.4.2.6 Other income increased 22% during 2019-20 from Rs. 2,246 million during 2018-19 to Rs. 2,734 million during 2019-20 as compared to increased 46% during 2018-19 Rs. 2,246.000 million from Rs. 1,536.000 million as compared to previous year.

3.4.2.7 Current Assets prepayments & other receivables increased 57% during 2019-20 from Rs. 9,136.000 million during 2018-19 to Rs. 14,328.000 million during 2019-20. The management may justify the increase with relevant supporting documents.

3.4.2.8 Profit before taxation increased 36% during 2019-20 from Rs. 1,461.000 million during 2018-19 to Rs. 1,985.000 million during 2019-20 as compared to increased 181% during 2018-19 Rs. 1,461.000 million from Rs. 520.000 million as compared to previous year.

3.4.2.9 Profit after taxation increased 32% during 2019-20 from Rs. 1,086.000 million during 2018-19 to Rs. 1,436.000 million during 2019-20 as compared to increased 186% during 2018-19 Rs. 1,086.000 million from Rs. 380.000 million as compared to previous year.

3.4.2.10 Re-measurement profit decreased 49% during 2019-20 from Rs. 33.000 million during 2018-19 to Rs. 17.000 million during 2019-20 as compared to increased 805% during 2018-19 Rs. 33.000 million from loss of Rs. 4.700 million as compared to previous year. The matter may be elucidated.

3.4.2.11 Total Comprehensive income increased 30% during 2019-20 from Rs. 1,119.000 million during 2018-19 to Rs. 1,453.000 million during 2019-20 as compared to increased 198% during 2018-19 Rs. 1,119.000 million from Rs. 375.500 million as compared to previous year.

3.4.2.12 Remuneration of Chief Executive & Executives increased 151% & 107% during 2019-20 from Rs. 5.553 & Rs. 22.502 million during 2018-19 to Rs. 8.385 & Rs. 24.097 million during 2019-20 as compared to number of Chief Executive & Executives are same i.e. 1 & 4 during 2019-20 & 2018-19. The management may justify with relevant supporting documents.

3.4.2.13 Remuneration of Directors increased 100% during 2017-18 Rs. 14.376 million for number of 03 Directors and incurred Nil expenditure during 2018-19 & 2019-20, in spite of increased number of Directors up to 06 which is unjustified. The management may justify with relevant supporting documents.

3.4.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1992-93	23	18	5	49, 50, 51, 52, 53	78
1994-95	29	27	2	56, 60	93
1996-97	24	14	10	44,49, 63-64, 66, SAR b-2, b-3, b-6, b-7, b-8, b-9	58
1997-98	14	9	5	32, 33, 34, 35, 37	64
1999-00	14	13	1	49	93
2000-01	11	10	1	10	91
2003-04	11	10	1	15	91
2004-05	3	1	2	15, 17	33
2005-06	13	12	1	21	92
2007-08	6	5	1	13.2	83
2008-09	10	6	4	8.3, 9, 10, 11, 12	60
2010-11	14	11	3	2.4.2.3, 2.4.4.3, 2.4.4.6	79
2012-13	1	-	1	3.4.4.1	-
2013-14	15	6	9	4.4.2.1(A), 4.4.2.1(B), 4.4.2.1, 4.4.2.1 (C), 4.4.2.1 (D), 4.4.2.1 (E), 4.4.2.2, 4.4.2.7, 4.4.3	40
2014-15	21	2	19	4.4.2.1, 4.4.4.1, 4.4.2.2, 4.4.2.3, 4.4.2.4, 4.4.2.5, 4.4.2.6, 4.4.2.7, 4.4.3, 4.4.4.2, 4.4.4.4, 4.4.4.5, 4.4.4.6, 4.4.4.7, 4.4.4.8, 4.4.4.9, 4.4.4.10, 4.4.4.11, 4.4.4.12	10

2015-16	11	3	8	4.4.4.1, 4.4.4.2, 4.4.4.6, 4.4.2.1, 4.4.3, 4.4.4.3, 4.4.4.4, 4.4.4.7	27
2016-17	12	3	9	3.4.2.1(a), 3.4.2.3, 3.4.4.1, 3.4.4.2, 3.4.2.1(b), 3.4.2.4, 3.4.3, 3.4.4.4, 3.4.4.5	25
2017-18	11	4	7	4.4.4.8, 4.4.4.2, 4.4.4.3, 4.4.3, 4.4.4.5, 4.4.4.6, 4.4.4.7	36
Total	243	154	36		63%

The overall compliance of PAC directives needs improvement.

3.4.4 Audit Paras

3.4.4.1 Excess commodity financing under markup arrangement than the subsidy due from Government - Rs. 136,799.000 million

As per S# (4) & (5) Finance Division (CF Wing) Minutes of the Meeting on settlement of subsidy claims of TCP pending since 2010-11 onwards, “After detailed discussion, it was agreed that:

- (i) TCP will submit subsidy claims on import of urea excluding the SABIC payment, with disaggregated details of cost of imported urea, sale price, NFML charges, sale proceeds paid to TCP etc. on provisional basis.
- (ii) TCP will arrange subsidy audit in respect of yearly claims on account of urea operations (preferably by a firm other than their statutory auditors.
- (iii) Audited subsidy claims will be furnished by TCP to Finance Division through Commerce Division for reimbursement”.

During audit of Trading Corporation of Pakistan (TCP) for the year 2019-20, it was observed that management availed excess commodity finance of Rs. 136,799.000 million under markup arrangements than the subsidy receivable from the Government during the years 2018-19 & 2019-20. The markup arrangements, at the rate of 3 months KIBOR plus 2% to 3 months KIBOR plus 2.75%, were secured against hypothecation of stock-in-trade. The details are hereunder:

Excess commodity financing under markup arrangements				Amount in Rs.
S#	Description	2019-20	2018-19	Total
1.	Subsidy receivable / Due from GoP	64,429,367,000	50,523,021,000	114,952,388,000
2.	Commodity Finance under markup arrangements	129,940,823,000	121,810,854,000	251,751,677,000
3.	Excess commodity financing than subsidy	(65,574,362,000)	(71,287,833,000)	(136,799,289,000)
4.	% increased of commodity financing than subsidy	(102)	(141)	(119)

It was further observed that management has not maintained commodity-wise disaggregated details of cost of imports, sales price / proceeds, other charges and year-wise claim of subsidy to be reimbursed from the government. The management record does not reflect year-wise ageing of subsidy due, received, adjusted, outstanding and year-wise ageing of commodity finance availed and repayments since initial financing, opening, current, outstanding and the year wise ageing of markup + KIBOR. Due to non – segregated information, subsidy claims of TCP from Ministry of Finance are pending since 2010-11 onwards. As a result, the markup is being compounded and debt burden of TCP is increasing.

Audit is of the view that due to inefficiency and weakness of the internal controls mechanism, management failed to address the issue in time which resulted into non-reconciliation of commodity financing accounts and increasing of markup.

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The DAC directed the management to provide the breakup of mark up of Rs. 65.000 billion within 03 days. The DAC further directed to take up the matter at Ministry level and share quarterly progress report with Audit / Ministry. However, no further progress was shared with audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.2 Operational loss due to higher cost of sales than sales revenue – Rs. 33,882.000 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal

objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Trading Corporation of Pakistan (TCP) for the year 2019-20, it was observed that management of TCP incurred operational loss of Rs. 33,882.000 million during 2018-19 & 2019-20 due to higher cost of sales than sales revenue. The details of loss calculation are as under:

S#	Description	Amount in Rs. as on 30.06.2020	Amount in Rs. as on 30.06.2019	Total
1.	Local sales on behalf of GoP	3,643,504,000	3,503,636,000	7,147,140,000
2.	Cost and expenses incurred on behalf of GoP	(23,164,967,000)	(17,864,307,000)	41,029,274,000
	Excess cost than sales	(19,521,463,000)	(14,360,671,000)	(33,882,134,000)
	% of Excess cost than sales	(536)	(410)	(946)

Audit is of the view that the management sustained loss of Rs. 33,882.000 million by incurring excess expenditure than the sales revenue during years 2018-19 & 2019-20.

The matter was reported to the management in October, 2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The management informed that third party subsidy audit is in progress which will be completed by March, 2021. The DAC directed to share the report of the subsidy audit and ensure reconciliation of all the sales/subsidy mark up. However, no relevant record was produced to audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.3 Non-settlement of long outstanding claims and huge mark-up due to supply of urea without agreement - Rs. 26,720.000 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds

and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Trading Corporation of Pakistan (TCP) for the year 2018-19, it was observed that there was long unsettled claim of Rs. 26.720 billion with huge markup as on 31.03.2019 against National Fertilizer Marketing Limited (NFML) for marketing / distribution at grassroots level through urea dealers against advance payments. The NFML has refused settlement of long outstanding claims and huge mark-up as there was no any formal contract agreement between TCP & NFML. This has resulted into non-settlement of long outstanding claims and huge mark-up due to negligence of the management. The breakup is as under:

(Rs. in million)			
Total	Principal amount	Mark-up	Total mark-up %
26,720	12,681	14,039	52.54

Audit is of the view that TCP is bearing huge burden of markup cost as import of urea is financed through huge interest bearing loans obtained from commercial banks.

The matter was reported to the management in November, 2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The DAC directed to hold a fact-finding exercise to ascertain the facts resulting in non-payment of huge liabilities by NFML to TCP at Ministry level. However, no fact-finding report was produced to audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.4 Irregular investment of Rs. 1,550.000 million and deposit of \$3,064,275 equivalent to Rs. 459.641 million in the bank facing capital shortfall – Rs. 2,009.641 million

As per S. No. 3(b) of Memorandum issued by Finance Division dated 02 July 2003, Prior to placing deposits with a bank ..., and in case the total working balances exceed Rs. 10.000 million, the selection of the bank (s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks. Para 6 states that before making any investment under this

policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. ... However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During audit of Trading Corporation of Pakistan (TCP) for the year 2018-19, audit observed following investment-related irregularities:

- a) Management invested an amount of Rs. 1,550.000 million in Sindh Bank on 28.03.2018 under TDR scheme for 01 year at the profit rate of 6.37% per annum despite Sindh Bank Director's report for year 2018 that there was capital deficit on revaluation of Rs. 4,181.968 million on 31.12.2018, while it was Rs. 570.121 million on 31.12.2017. There was a loss after tax of Rs. 1,205.180 million on 31.12.2018 as against a profit of Rs. 1,255.835 million on 31.12.2017. The report also disclosed that there was loss on earnings per share which was negative (Rs. 1.200). Despite adverse position, investment was made in Sindh Bank. The TCP management approached Sindh Bank on 27.06.2018 for pre-mature encashment of the amount.
- b) Management deposited an amount of US\$3,064,275 in Sindh Bank as on 30.06.2019 despite Sindh Bank Director's report for March, 2019 that there was a capital deficit on revaluation of the Bank of Rs. 3.406 billion on 31.03.2019. The report also disclosed that there was loss on earnings per share which was negative (Rs. 1.590). The situation was also reported to the BoD vide item No.14/BoD-325 dated 15.02.2019 that rating of Sindh Bank is currently falling and it is expected that the same may decline due to Bank's exposure to legal cases by promoters of the Bank.

Audit is of the view that the investment in the Bank was not made on the basis of competitive bids. The management had not duly constituted the appropriate Investment Committee (IC), nor had it utilized the services of professional fund manager approved by SECP. Thus, undue favour was given to the Bank at the cost of Corporation's interest.

The matter was reported to the management in November, 2020. Management stated that investment of Rs. 1,550.000 million was made after due diligence and with the approval of BoD and decision of deposit of Rs. 459.641 million was made according to the SBP advice. The irregularity was discussed in DAC meeting held on 15.12.2020, and following decisions were made:

- a) The DAC directed the management to share the entire process of investment with Audit within one week.
- b) The DAC directed to get the facts verified from audit, particularly the advice of the State Bank of Pakistan.

However, no relevant record was provided to audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

3.4.4.5 Non-recovery / adjustment of receivables – Rs. 16,634.000 million

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

During audit of Trading Corporation of Pakistan (TCP) for the year 2019-20, it was observed from annual accounts report Note Nos.13, 14 & 15 that an amount of Rs. 16,634,420,000 under following heads of account is lying outstanding as on 30.06.2020.

S#	Head of account	Amount (Rs.)
1.	Loans & advances	45,834,000
2.	Prepayments & other receivables	9,807,918,000
3.	Sales Tax refundable	6,780,668,000
Total		16,634,420,000

The outstanding amounts indicate weakness of internal controls and improper monitoring by the management.

The matter was reported to the management in October 2020. The management replied that efforts are being made to recover the amount and that some cases are pending in NAB / Courts. The irregularity was discussed in DAC meeting held on 15.12.2020. The DAC directed the management to take required actions urgently and vigorously pursue the cases in the court of law & NAB in order to ensure that all receivables are timely recovered. However, no further progress was shared with audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.6 Operating loss due to higher administration expenses than the commission income during last two years – Rs. 1,517.000 million

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Trading Corporation of Pakistan (TCP) for the year 2019-20, it was observed that management incurred excess administrative expenses than the earned commission income during years 2018-19 and 2019-20 (**Annex-26**). The summary of deficit income in terms of operating loss during the years is as under:

(Rs. in million)					
S#	Head of account	2019-20	2018-19	% 2019-20	% 2018-19
A	Commission income	97,146,000	101,234,000		
B	Administrative Expenses				
	Total Admn expenses	829,430,000	886,062,000	854	875
	Operating Loss (Commission –Admn. Exp.)	(732,284,000)	(784,828,000)	(754)	(775)
Total Operating loss during 2018-19 & 2019-20		(1,517,112,000)			

Audit is of the view that management failed to devise a proactive plan to increase core activities by earning more commission and decreasing their administrative expenses to overcome the operating losses.

The matter was reported to the management vide Memo No.12 dated 26.10.2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The DAC directed the management to place the audit contention before the BoD to come up with the business plan in the light of TCP business trends of the last 05 years. However, no further progress was intimated to the audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.7 Investment in private bank in violation of Government orders – Rs. 1,100.000 million

Finance Division (Budget Wing) O. M. No. No.F.4(1)/2002-BR.II, Islamabad dated 02.07.2003 regarding Surplus Funds provides vide para-6 that under the new policy, public sector enterprises and local/autonomous bodies can deposit their surplus funds subject to the following requirements: Before making any investment under this policy, it would be necessary for public sector entities to setup in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. The IC should be assisted by an Investment Management Unit employing qualified staff with at least 3-5 years of experience of managing investment in debt/equity instruments. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During audit of Trading Corporation of Pakistan (TCP) for the year 2018-19, it was observed that the management had invested an amount of Rs. 1,100,000,000 in Al-Baraka Bank Limited at a profit rate of 6.15% for 03 months on 29.06.2017 for a period of 03 months. According to the financial statements of Al-Baraka Bank Limited, there were accumulated losses of Rs. 2,280,798,000 as on 31.03.2017.

Financial statements of the bank were placed in the investment file which indicate that the management had considered it before making investment in the bank but despite accumulated losses sustained by the bank on 31.03.2017, the management decided to invest huge amount of Rs. 1.100 billion on 29.06.2017 in

the said bank. It is worth mentioning that the management deposited huge amount in particular branch i.e. Site branch and that also on 29.06.2017.

The matter was reported to the management in November, 2019. DAC meeting was held on 15.12.2020, however the matter could not be discussed due to non-submission of working paper.

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

3.4.4.8 Loss due to delayed procurement process of urea – Rs. 908.299 million

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

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

During audit of Trading Corporation of Pakistan (TCP) for the year 2019-20, it was observed that management incurred loss of Rs. 908.299 million due to delayed finalization of the procurement process for procurement of 100,000 MT urea. Pursuant to ECC decision dated 03.04.2019, management floated tender for granular & prilled urea on 17.04.2019 which was concluded with an inordinate delay of one month and 27 days which could have been avoided to secure best competitive prices.

It was further observed that as per Argus (FMB), a price reporting agency for international fertilizer markets, nitrogen prices dated 04.04.2019 for granular urea – bulk for Middle East was ranging from US\$ 241 to 246. The process was not finalized in time and as per S# (3) of Minutes of Board Procurement

Committee meeting held on 20.05.2019, Fertilizer Marketing Bulletin (FMB) dated 16.05.2019, the FOB international prices of urea were ranging from US\$ 270 to 275 for Middle East, US\$ 270 to 272 for Egypt, US\$ 258 to 259 for Baltic and US\$ 248 to 275 for Gulf". Thus, the decision on the procurement was excessively delayed which led to higher procurement price.

Had the management timely procured urea at the rate of \$246 instead of delayed procurement on higher rates of \$301.70 from M/s. Ameropa Asia, it would have saved an amount of Rs. 908,299,483. The detail of loss calculation is as under:

Quantity	Exchange rate converted	Diff of USD price PMT (301.7 - 246)	Total USD loss (A * C)	Total Loss in Rs. (B*D)
A	B	C	D	E
50,899	162.73	56	2,835,074	461,351,641
50,073	160.25	56	2,789,066	446,947,843
Total loss in Rs.				908,299,483

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The management informed that all codal formalities have been followed during the procurement process as prescribed under the PPRA Rules and the time consumed was only due to observance of those rules. The DAC directed the management to provide the timelines of the procurement along with international prices then available and share all the facts with Audit. However, no relevant documents were produced to audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.9 Loss of revenue due to non-renting of vacant godowns – Rs. 692.327 million

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

During audit of Trading Corporation of Pakistan (TCP) for the year 2019-20, it was observed that the management did not rent out vacant godowns at various locations. Out of total area of 6,540,239 sq.ft, only an area of 1,323,720 sq.ft was rented out. The detail of vacant area and loss thereof is hereunder:

Loss of revenue due to non-renting of vacant godowns							Amount in Rs.	
S#	Location	Area Sq.ft	Rented out (Covered Area Sq.ft)	Occupancy % (C/B) x 100	Rent receivable (excluding of taxes)	Average rent (E/C)	Vacant area (B-C)	Loss due to vacant area (F x G)
	A	B	C	D	E	F	G	H
1.	Korangi Godown	911,680	230,000	25	111,790,976	486	681,680	331,329,011
2.	Landhi Godown	1,270,143	564,230	44	80,182,114	142	705,914	100,316,692
3.	Pipri Godown	4,225,036	529,490	13	36,050,301	68	3,695,546	251,611,070
4.	Multan	133,380	-	-	0	68	133,380	9,069,840
Total		6,540,239	1,323,720	20			5,216,520	692,326,613

Audit is of the view that non-formulation of SOPs/Policy and non-utilization of godowns by keeping them idle for extended period reflected lax attitude of the management in respect of the asset utilization.

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The DAC directed the management to submit tenancy policy/SOPs regarding godowns duly approved by the BoD within 03 months and share the same with Audit/Ministry. However, no progress was shared with audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.10 Loss due to irregular investment of funds – Rs. 403.995 million

Para 6 Memorandum issued by Finance Division dated 02 July 2003 states that before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. ... However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

As per item # (2) (iii) of BoD 324th Minutes Of Meeting dated 24.12.2018, “The Board further decided to invest 25% funds in Pakistan Investment Bond (PIB) and 75% in TDR. The PIB bid rate should not be less than 13%”.

During audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2019-20, it was observed that management made an investment of Rs. 8,333.184 million without following due procedure. The investment was made in Term Deposit Receipt (TDR) on lower profit rate than in Pakistan Investment Bonds (PIBs) with higher rate of return. This preference of TDRs. over PIBs resulted in loss of Rs. 403.995 million. The details are hereunder:

Type of Investment	Amount Invested (Rs.)	Gross Profit (expected) (Rs.)	% of Gross Profit
PIBs @ 13% profit	9,000,003,000	1,021,483,750	11
TDR @ 7.50% profit as on 27.06.2020	8,233,184,000	617,488,800	8
Loss in TDR investment		403,994,950	3%

Audit is of the view that the management has made irregular investment of Rs. 8,233.000 million in TDR, incurred loss of Rs. 403.994 million and TCP investment policy is not in accordance with Ministry of Finance Memorandum of 2003 on investments. This reflects weak internal controls and improper fund management.

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The DAC directed to do a fact-finding exercise at Ministry level not below the rank of Joint Secretary to review the entire investment policy and ensure that the subsequent investments are made under the policy. However, no fact-finding report was shared with audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.11 Non-recovery of outstanding dues from godown tenants and residential colonies – Rs. 56.094 million

As per Clause No.7 of Tenancy Agreement, “The monthly rent is payable, inclusive of all applicable taxes on rent. The rent shall be payable in advance by 5th day of each calendar month”. Clause No. 9, the tenant will pay the electricity charges within seven days of receipt of electricity bills, failing which a penalty of

Rs. 1,000 shall be charged along with bill amount, for next ten days. After this period, the electricity connection shall be disconnected and will only be restored after/till clearance of all dues, including rent and other payables/dues.

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Trading Corporation of Pakistan (TCP) for the year 2019-20, it was observed that an amount of Rs. 52.173 million was outstanding against various godown tenants on account of rent and other charges and an amount of Rs. 3.920 million from various Landhi & Pipri residential colonies tenants on account of rent as on 30.06.2020 (**Annex-27**). The summary is as under:

(Amount in Rs.)	
Outstanding amount against godown tenants	52,173,565
Outstanding amount against residential colonies tenants	3,920,800
Total	56,094,365

Besides, occupancy ratio of rented out godowns was 16.27% as the godowns are kept idle and that there is no SOP/Policy on godown utilization. The details of occupancy ratio of various godowns is as below:

S#	Location	No. of godowns	Rented out godown	Occupancy ratio (%)
1.	Pipri	337	14	4.15
2.	Korangi	72	19	26.39
3.	Landhi	150	58	38.67
Total occupancy ratio % (91/559*100=16.279)		559	91	16.28

Audit is of the view that the huge outstanding amounts of recovery of rent and other charges and non-formulation of SOP/Policy reflected inefficiency and lax attitude of the management.

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The management

informed that an amount of Rs. 16.560 million has been recovered. The DAC directed the management to pursue the remaining recovery / court cases under intimation to Audit/Ministry. However, no relevant record was produced to audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.12 Loss due to roll-over investment in same bank on lower profitable rates – Rs. 25.040 million

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Trading Corporation of Pakistan (TCP) (HO) for the year 2019-20, it was observed that management called quotations on 17.03.20 for investment of TDR for three months. Seven bidders participated in bid opening. Samba Bank offered the highest bid with profit rate of 12.70%. However, instead of investing on higher profit rates, the management rolled-over investment of Rs. 8,233.180 million at the rate of 11.49% in Soneri Bank and thereby, incurred loss of Rs. 25.040 million. The details of loss calculation are as under:

S#	Name of Bank	Profit Rate	Difference	Amount roll-over	Loss
1.	Soneri Bank	11.49%	-1.21%	8,233.18 million	Rs. 25.04 million (1.21%*8,233.18 million / 366*92 days)
2.	Samba Bank	12.70%			

Audit is of the view that management was required to invest on higher rates instead of roll-over in same bank on lower profit rates, which caused loss of Rs. 25.040 million. Audit is of the view that had management taken the decision of the investment at the time of the opening of the bids the higher rates could have been achieved. Due to unprofessional management of the investment funds, organization sustained interest loss.

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The management

informed that banks revised their rates due to monetary policy issued by the SBP. The DAC directed the management to provide the detail of events in chronological orders regarding investment along with exact date of revision of the monetary policy. The DAC further directed to place the matter before the BoD to review the investment decision-making mechanism. However, no progress on the matter was shared with audit by the management.

Audit recommends implementation of DAC directives.

3.4.4.13 Loss of profit due to investment on lower profitable rates – Rs. 16.025 million

As per quotation of Soneri Bank Limited, Bahria Complex-III Br. dated 23.06.2020, the bank quoted effective profit rate of 7.85% per annum for three months investment on Rs. 8,000 to Rs. 10,000 million.

As per Sr. No. 3(b) of Memorandum issued by Finance Division dated 02 July 2003, prior to placing deposits with a bank ..., and in case the total working balances exceed Rs. 10.000 million, the selection of the bank (s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks. Besides, Para 6 states, “Before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. ... However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During audit of Trading Corporation of Pakistan (TCP) for the year 2019-20, it was observed that management incurred loss of profit due to investment in TDR on lower profitable rates instead of availing of the competitive quoted rate from Soneri Bank. The details of loss calculation are as under:

Loss of profit due to investment on lower profitable rates					Amount in Rs.
S#	Description	Investment (Rs. in million)	Rate of Profit p.a (%)	Date of Investment	Loss
1.	Samba Bank Limited, Saddar Br.	1,300	7.20	29-Jun-20	2,124,044 (7.85% - 7.20%) = 0.65%)
2.	Faysal Bank Limited, Faisal House Br.	800	7.15	29-Jun-20	1,407,650 (7.85% - 7.15%) = 0.70%
3.	Soneri Bank Limited, Bahria Complex-III Br.	7,000	7.14	29-Jun-20	12,492,896 (7.85% - 7.14%) = 0.71%
Total loss		9,100			16,024,590

Audit is of the view that the investment in the Bank was not made on the basis of competitive bids. The management had not constituted the Investment Committee (IC), nor had it utilized the services of professional fund manager approved by SECP. Thus, undue favour was given to the Banks at the cost of Corporation's interest. This resulted into loss of Rs. 16.025 million.

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting held on 15.12.2020. The management informed that investment was made as per approved investment policy by the BoD. The DAC directed the management to provide the details of the process and share it with Audit. However, no relevant documents were produced to audit by the management.

Audit recommends implementation of DAC directives.

3.5 Pakistan Expo Centers (Pvt.) Limited

3.5.1 Introduction

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

3.5.2 Comments on Audited Accounts

3.5.2.1 The working results of the Company as on Jun 30, 2020 as compared to previous years is tabulated below:

(Rs. in million)

	2019-20	% Inc. /(Dec)	2018-19	% Inc. /(Dec)	2017-18
Revenue	171.38	(43.47)	303.19	14.67	264.40
Direct Cost	269.24	(9.70)	298.16	26.11	236.43
Gross Profit/ (Loss)	(97.86)	-	5.03	(82.02)	27.97
Other income	14.04	(38.45)	22.81	(34.11)	34.62
Selling & Marketing Expenses	17.19	(25.49)	23.07	4.77	22.02
Administrative & General expenses	73.15	(36.80)	115.75	0.99	114.62
Finance Cost	42.26	2,101.04	1.92	-	-
Profit /(Loss) before taxation	(216.42)	91.71	(112.89)	47.97	(76.29)
Taxation	15.76	(31.83)	23.12	19.92	19.28
Loss after taxation	(232.18)	70.71	(136.01)	(242.30)	95.58
Current Assets	578.48	(31.32)	842.25	62.10	519.6
Current Liabilities	464.06	715.71	56.89	(79.78)	281.31
Accumulated Loss	(1,307.71)	13.46	(1,152.55)	5.67	(1,090.67)

(Source: Annual Audited Accounts)

3.5.2.2 The accumulated losses of the company were continuously increasing over the years. During the year 2019-20, accumulated loss rose by 13.46% from Rs. 1.152 billion in 2018-19 to Rs. 1.307 billion in 2019-20. This rising trend in accumulated loss shows that the performance of the company is not satisfactory.

Efforts should be made to make the company profitable and reduce its accumulated loss.

3.5.2.3 The Revenues of the company were decreased by 43.47% from Rs. 303.19 million in 2018-19 to Rs. 171.38 million in 2019-20 whereas Direct Cost decreased only by 9.70%. The operations of the company were effected due to Covid-19 lockdown in March 2020 i.e. for last quarter of the year under review. Justify the reasons for disproportionate decrease in revenues and related direct cost. Steps may be taken to enhance the revenues in order to make the company's operations profitable.

3.5.2.4 Revenues from contract with customers included additional event services which reduced by 97.04% from Rs. 3.417 million in 2018-19 to Rs. 0.101 million in 2019-20. This represents revenue from services including rental s charged against carpets, furniture, electric distribution boards, stalls and other facilities utilized in the events. Reason for huge decrease on this account needs detailed justification along with efforts to enhance this income.

3.5.2.5 Other income of the company also decreased by 38.45% from Rs. 22.81 million in 2018-19 to Rs. 14.04 million in 2019-20. The major reason for this decrease was due to decrease of income from training programs from Rs. 6.284 million in 2018-19 to Rs. 0.470 million in 2019-20 which needs detailed explanation. Steps may be taken to enhance the income.

3.5.2.6 Capital work in progress increased 34.61% from Rs. 967.883 million to Rs. 1302.934 million which relates to building of Expo Center Khyber Pakhtunkhwa. The pace of work may be enhanced as the project is already delayed.

3.5.2.7 Accrued expenses under the head Trade and Other Payables has risen from Rs. 21.286 million in 2018-19 to Rs. 63.722 million in 2019-20 registering an increase of 199.36 % amount. Detailed breakup along with reasons for such a huge spike needs to be explained.

3.5.2.8 Under the head Trade & other payables, Management had shown an amount of Rs. 195.388 million in 2019-20 (Rs. 159.845 million in 2018-19) on account of Punjab Provincial Sales Tax. Management had challenged the jurisdiction and pending with Punjab Revenue Authority. Audit would stress to pursue the matter for early finalization.

3.5.2.9 Management has shown an amount of Rs. 39.800 million as advances from contractors-BOT bidders. This represents advances received from contractors as bid money against construction of a hotel and shopping mall. No movement in this head has been noted which indicates zero progress in last two years. Current status of the matter may be explained. Audit would stress upon the management to complete the project or settle the matter in best interest of the company without further loss of time.

3.5.2.10 An amount of Rs. 296.829 million has been shown as lease liabilities under the head non-current liabilities in 2019-20 which was zero in 2018-19. No detail in the notes to account (Note-17) has been mentioned. Complete detail along with lease agreements with explanations may be provided. Audit would stress the management to make comprehensive disclosure in annual accounts of such items.

3.5.2.11 Company has a number of tax disputes pending with FBR pertaining to years 2011 to 2017. Total tax liability in these cases was Rs. 174.561 million. Based on legal advisor's opinion, company has not any provision against these disputed amounts pending over the years. Audit would stress upon the management either to pursue the cases for finalization or make proper provisions in the books of accounts.

3.5.2.12 Finance cost has increased from Rs. 1.917 million in 2017-08 to Rs. 42.259 million in 2019-20. The major cost is interest expense on lease liabilities amounting to Rs. 40.518 million in 2019-20. Detailed breakup along reasons for incomplete disclosure needs to be explained.

3.5.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2014-15	14	07	07	4.5.2.2, 4.5.2.4, 4.5.4.2, 4.5.4.3, 4.5.4.4, 4.5.4.6, 4.5.4.7	50
2016-17	09	04	05	3.5.2.1, 3.5.2.2, 3.5.2.4, 3.5.4.1, 3.5.4.2	44
Total	23	11	12		48

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

Chapter-4

Ministry of Defence Production

Overview:

This organization was established to meet the requirements of the Armed Forces through a cautious combination of procurement (local and import) and indigenous production of arms & ammunition with a continued effort to enhance the component of indigenous production and in the process, export surplus capacity of defence products to regional and friendly countries.

Functions of MODP under Rules of Business 1973

The functions of the MoDP under Rules of Business 1973. Authority have been reviewed and revised in the light of its expanded activities in 2003 and are shown below:

- Laying down policies or guidelines on all matters relating to defence production.
- Procurement of arms, firearms, weapons, ammunition, equipment, stores and explosives for the defence forces.
- Declaration of industries necessary for the purpose of defence or for the prosecution of war.
- Research and development of defence equipment and stores.
- Co-ordination of defence science research with civil scientific research organizations.
- Indigenous production and manufacture of defence equipment and stores,
- Negotiations of agreements or MOUs for foreign assistance or collaboration and loans for purchase of military stores and technical know-how or transfer of technology.
- Export of defence products.
- Marketing and promotion of activities relating to export of defence products.
- Coordinate production activities of all defence production organizations or establishments.

This mandate is actualized through Defence Production Establishments (DPEs) that include Pakistan Ordnance Factories at Wah, Heavy Industries Taxila; Pakistan Aeronautical Complex at Kamra; Directorate General Defence Purchase; Directorate General Munitions Production. Two Corporations were placed under the Ministry in recent years viz. Karachi Shipyard & Engineering Works and National Radio Telecommunication Corporation. Defence Export Promotion Organization is a special institution for Defence production exports. Much of the initial growth and development of DPEs was obtained through PSDP allocations.

Pakistan Ordnance Factories is country's premier defence production organization. Established in 1951, POF is the largest state owned Defence manufacturer in Pakistan. POF welcomes international clients from friendly countries across a globe experts a broad range of defence products manufactured on highest level of quality standards at most competitive prices to manufacturer in Pakistan. Besides being the main supplier of Pakistan Armed Forces and the law enforcement agencies, POF exports to a number of countries across the globe.

Having a work force of over 27,000 skilled employees in 14 Defence industrial units and a number of commercial subsidiary companies POF maintains more than 20,000 plants scattered in the gigantic industrial complex located at Wah Cantonment in Pakistan. POF participate in most of the international Defence exhibitions. POFs Exports Division employs experts who take care of customer requirements in professional manner with utmost promptness.

(Rs. in million)

Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
Formations	25	9	42,248.653	457.520
Assignment Accounts (excluding FAP)	-	-	-	-
Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 9,049.054 million were raised in this audit. This amount also includes recoverable of Rs. 605.426 million as pointed out by the audit. Summary of the audit observation classified according to respective subject's nature is as under:

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	1,462.445
C	Management of accounts with Commercial Banks	28.029
4	Value for money and services delivery issues	-
5	Others	7,558.579

4.1 Karachi Shipyard and Engineering Works Limited

4.1.1 Introduction

Karachi Shipyard and Engineering Works Limited (the Company) was incorporated on 18 May, 1957 as an unquoted Public Company Limited by shares under the Companies Act, 1913 (now the Companies Act, 2017), wholly-owned and controlled by the Federal Government. The Company is mainly engaged in ship-building, ship-repairing and general engineering activities. The registered office and its engineering workshops are situated at West Wharf, Dockyard Road, Karachi.

4.1.2 Comments on Audited Accounts

4.1.2.1 The working results of the Company for the financial year 2018-19 as compared with the preceding years are given below:

	2018-19	% Inc/ (Dec)	2017-18	% Inc/ (Dec)	2016-17
Net contract revenue	4,001.20	2	3,924.49	18	3,331.11
Contract Costs	(3,156.54)	8	(2,912.12)	20	-2,428.09
Gross profit/(loss)	844.67	(17)	1,012.37	12	903.03
Administrative expenses	(787.96)	12	-700.97	30	(539.66)
Other charges	(32.72)	(67)	-97.79	41	(69.47)
Profit from operations	23.99	(89)	213.61	(27)	293.90
Other income	596.73	21	494.66	9	451.94
Finance costs	(1.62)	9	-1.48	(5)	(1.56)
Profit before taxation	619.10	(12)	706.79	(5)	744.29
Taxation	(149.11)	(27)	(204.62)	(22)	(262.78)
Taxation as per audit (% of profit as per note (32.2) of 2019	179.54	(15)	212.04	-	223.29
Profit/(loss) after taxation as audit	439.56	(11)	494.75	(5)	521.00
% of Taxation on Profit as per audit	(24.09)	(183)	29.00	-	35.30
% of Taxation on Profit as per accounts note no (32.2) of 2019	29.00	(3)	30.00	-	30.00
Difference in tax %	4.91	(591)	(1.00)	-	5.30
(Accumulated losses) closing/Unappropriated profit	1,270.16	62	786.36	-	786.36

Long term deposits paid	(12.47)	597	(1.79)	-	-
Income tax paid	(314.67)	10	(286.06)	-	-
Capital expenditure incurred	(3,913.01)	112	(1,842.54)	-	-
Govt. Grant received as per cash flow	2,168.75	25	1,733.81	140	723.86
Cash & cash at beginning of the year	4,475.91	(24)	5,879.12		(296.14)
Amount due from customers	2,820.27	30	2,163.34	126	956.91
Contract receivables	805.91	115	374.09	-	-
Trade deposits & short term prepayments	52.79	658	6.96	-	-
Sales tax receivable	441.42	15	384.70	19	322.43
Taxation-net	265.11	127	116.84	23	94.91
Difference in taxation on profit & taxation net as per audit	(414.22)	29	(321.46)	(22)	262.78
Cash generated from operations	1,811.42	(255)	(1,169.69)	(34)	1,780.68
PF size of the fund total assets as per note (42) of 2018 & 19	610.62	(6)	647.89	(2)	657.75
PF size of the fund total assets as per note (42) of 2018 in 2019 a/c	-	-	610.52	-	-
Difference of 2018 PF			37.37		

(Source: Annual Audited Accounts 2018-19)

4.1.2.2 Gross profit decreased 17% to Rs. 44.666 million as compared to Rs. 1,012.000 million during 2017-18. The management may justify the decrease with relevant supporting documents.

4.1.2.3 Profit from operation decreased 89% to Rs. 23.987 million as compared to Rs. 213.609 million during 2017-18. The management may justify the decrease with relevant supporting documents.

4.1.2.4 Profit before taxation decreased 12% to Rs. 619.099 million as compared to Rs. 706.791 million during 2017-18. The management may justify the decrease with relevant supporting documents.

4.1.2.5 Administration expenses increased 12% to Rs. 787.962 million as compared to Rs. 700.974 million during 2017-18. The management may justify the increase with relevant supporting documents.

4.1.2.6 Difference in tax on profit of 5%, as per profit & loss statement of accounts Rs. 49.111 million and as per recalculation of 29% tax on profit equals to Rs. 179.538 million {note (32) of accounts} due to which difference in profit after taxation Rs. 469.987 million as per accounts and as per recalculation Rs. 439.560 million. The management may reconcile the amount differences and provide relevant supporting documents.

4.1.2.7 Long term deposit paid increased 597% to Rs. 12.472 million as compared to Rs. 1.788 million during 2017-18. The management may justify the increase with relevant supporting documents.

4.1.2.8 Capital expenditure increased 112% to Rs. 3,913.000 million as compared to Rs. 1,842.000 million during 2017-18. The management may justify the increase with relevant supporting documents.

4.1.2.9 Government grant received increased 25% to Rs. 2,169.000 million as compared to Rs. 1,734.000 million during 2018. Cash & cash equivalent at beginning of the year decreased 24% to Rs. 4, 476.000 million as compared to Rs. 5,879.000 million during 2018.

4.1.2.10 Amount due from customers increased 30% to Rs. 2, 820.000 million as compared to Rs. 2,163.000 million during 2018. The management may justify the increase with relevant supporting documents.

4.1.2.11 Contract receivables increased 115% to Rs. 806.000 million as compared to Rs. 374.094 million during 2017-18. The management may justify the increase with relevant supporting documents.

4.1.2.12 Trade deposits & short term increased 658% to Rs. 52.786 million as compared to Rs. 6.962 million during 2017-18. This requires elucidation by the management.

4.1.2.13 Taxation-net increased 127% to Rs. 265.107 million as compared to Rs. 116.844 million during 2017-18. This requires elucidation by the management.

4.1.2.14 Difference of Rs. 414.218 million in taxation on profit & taxation-net of 29%, as per profit & loss statement of accounts taxation on profit was Rs. 149.111 million and as per tax-net was Rs. 265.107. This requires elucidation by the management.

4.1.2.15 Difference of Rs. 610.517 million in provident fund size of total assets as per note # 42 of accounts figure during 2018 was Rs. 647.886 million & during 2019 was Rs. 610.517 million. This requires elucidation by the management.

4.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1999-00	5	3	2	74, 77	60
2005-06	7	6	1	50	86
2013-14 (Paras More Than 50 M)	1		1	5.1.4.1	-
2016-17 (Paras More Than 50 M)	2		2	5.1.4.4, 5.1.4.5	-
2017-18	7	4	3	7.1.4.1, 7.1.4.2, 7.1.4.4	57
Total	22	13	9		59%

The overall compliance of PAC directives needs improvement.

4.1.4 Audit Paras

4.1.4.1 Loss of revenue due to poor performance – Rs. 2,322.000 million

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

During audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2018-2019, it was observed that management set revenue projections in PC-I of SL&TS for 11 years. Audit calculated revenue projections for the years 2017, 2018 & 2019 of Rs. 2.322 billion which was not achieved by KS&EW. Project was initiated on 12.10.2007 for 02 years which was extended up to 2017. The revenue projections for 2017 to 2020 are 2.32 billion. The detail is as under:

Year	Description	Ship Lift Operations	Docking	Repairs	Total Projected Revenue (Rs. in million)
2017	Large 02 Stations	3	42	84	129
	Medium 06 Stations	6.75	94.5	189	290
	Small 05 Stations	3.75	52.5	105	161
	Sub-Total	13.5	189	378	581
2018	Large 02 Stations	4	56	112	172
	Medium 06 Stations	9	126	252	387
	Small 05 Stations	5	70	140	215
	Sub-Total				774
2019	Large 02 Stations	5	70	140	215
	Medium 06 Stations	11.25	157.5	315	484
	Small 05 Stations	6.25	87.5	175	269
	Sub-Total				968
Grand-Total					2,322

Audit is of the view that due to inordinate delay, management could not earn the revenue. Further, there was no inquiry conducted to ascertain the causes of such inordinate delays in completion of the project which causes loss of revenue to the organization as indicated in the revised PC-I.

The matter was reported to the management in July 2020. The irregularity was discussed in the DAC meeting held on 14.01.2021. The management explained that first revision of PC-1 was approved by ECNEC on 26 May 2011 and Administrative approval issued by MoDP. Currently, the project is being undertaken under second revision of PC-1 which was approved in Nov 2016 and approved project completion date stands at December 2020. However, further extension until 30 June 2021 has been requested due to Covid effect, which is under process. Revenue stream would start from the date of completion and commissioning of the project. DAC was not satisfied with the justification and directed the management to provide the revised reply with justification of inordinate delays in completion of the project and also place the matter at appropriate forum for extension. However, no relevant record was provided to the audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

4.1.4.2 Non-settlement of outstanding advances – US \$ 17.697 million equivalent to Rs. 2,212.125 million

Rule 26 of General Financial Rules states that it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the accounts.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2018-2019, it was observed that management wrote letters on 22.11.2019 & 19.12.2019 to Assistant Chief of Naval Staff (Projects), Naval Headquarters for settlement of advance payment against milestone payment of FAC (M) # 4 and to Controller Military Accounts for release of 3rd advance payment – contract 1262/91/B/DMP (Navy) dated 13.06.2014. The details are as below:

S#	Vessel Name	Milestone	Payment outstanding in US\$ (million)	Updated Position of recovery & balances
1.	FAC(M)#3	HATs, SATs & Delivery	2.982	USD 1.789 million recovered leaving balance of USD 1.193 million
2.	PN Fleet Tanker	Delivery	2.698	Agreed for release of USD 2.428 million
3.	FAC(M)#4	3rd Advance payment & onward	5.4625	Adjusted advance payment of Rs. 384.174 million approx. for FAC(M).#4 Project
4.			1.0925	Milestone is pending
5.			1.0925	Milestone is pending
6.			4.37	Milestone is pending
Total payment outstanding			17.6975	
Recovered			1.789	
Balance outstanding			15.9085	

Audit is of the view that the management failed to receive outstanding amount of Rs. 2,212.125 million (\$ 17.6975 million * Rs. 125) against various projects.

The matter was reported to the management in July, 2020. The irregularity was discussed in DAC on 14.01.2021. The management informed the following:

- FAC (M)-3, out of total USD 2.982 M, USD 1.789 M has been received and verified by Audit Authorities. Now USD 1.193 M is outstanding. KS&EW is pursuing the matter with NHQs vigorously.

- b) PN Fleet Tanker, USD 2.428 M has been received out of total USD 2.698 M and same has been verified by Audit Authorities. Decision about remaining amount of USD 0.269 M is under process at NHQs.
- c) FAC (M)-4, USD 5.4625 M for launching of vessel has been received/adjusted and same has been verified by Audit Authorities. HATs, SATs and delivery payments of FAC (M)-4 have not been materialized due to pandemic COVID-19. Payment of the same will be received when milestones of the project are achieved.

DAC directed the management to effect recovery of remaining amount of 03 Jobs i.e. US \$ 8.017 million vigorously. However, no relevant record was provided to the audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

4.1.4.3 Loss due to poor performance of general engineering & foundry department - Rs. 718.488 million

As per SECP rules, 2013(5), the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety, objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely: (i) handling of public funds, assets, resources and confidential information by directors, executives and employees;

As per Rule-23 of General Financial Rules, every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

During audit of Karachi Shipyard and Engineering Works (KS&EW), Karachi for the year 2018-19, it was observed from the review of performance record of General Engineering & Foundry department that the Department / Section is sustaining heavy losses continuously for last many years which accumulates to Rs. 718.488 million during last six years and during 2019. The year-wise breakup of losses is given as under:

(Rs. in million)							
Year's	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	Total loss
Cost	391.303	321.721	290.607	230.108	191.435	149.082	1,574.256
Revenue	313.698	203.475	146.073	126.303	71.02	12.585	873.154
Total Loss	77.605	118.246	144.534	103.805	120.415	136.497	701.102

Average Loss per year				116.85
Year	2019	2018	2017	2016
Cost	47.882	Information not provided		
Revenue	30.496	27.809	11.867	17.262
Loss 2018-19 (Rs. in million)	17.386			

Audit is of the view that there are vast opportunities of engineering business as per KSEW scope of work, but the management of the department failed to capture their share of business from market. This indicates that no efforts were made for the profitability of the department since many years. Due to lack of interest of higher management, the department sustained heavy losses of Rs. 701.102 million, which on average for last six years is of Rs. 116.850 million per year. Further, despite having three foundries (Iron, Steel & Non-Ferrous), installed at heavy cost are also remain idle due to lack of initiative for securing business for increasing the revenue.

The matter was reported to the management in July 2020. The irregularity was discussed in DAC on 14.01.2021. The management explained that G.E department provides support to ship building and ship repair for completion of their projects through internal orders. With regards to income generation from external orders, KSEW has executed an agreement with Sindh Irrigation Department for construction of Sukkur Barrage gates valuing Rs. 600.000 million. DAC directed to prepare bi-Annual business plan and efforts for acquiring the prospective business may be taken vigorously. However, no relevant record was provided to the audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

4.1.4.4 Irregular award of contract to rejected bidder - \$ 5.689 million equivalent to Rs. 711.125 million

As per Para 33 (1) (2) & (3) of Public Procurement Rules, 2004, the procuring agency may reject all bids or proposals at any time prior to the acceptance of a bid or proposal. The procuring agency shall upon request communicate to any supplier or contractor who submitted a bid or proposal, the grounds for its rejection of all bids or proposals, but is not required to justify those grounds. Further, the procuring agency shall incur no liability, solely by virtue of its invoking sub-rule (1) towards suppliers or contractors who have submitted bids

or proposals. Furthermore, notice of the rejection of all bids or proposals shall be given promptly to all suppliers or contractors that submitted bids or proposals.

During audit of Karachi Shipyard & Engineering Works (KS&EW) Karachi for the year 2018-2019, it was observed that tender was published on 05.05.2018 for import and installation of 14 x overhead cranes. Technical bid was opened on 29.06.18 and financial bid was opened on 13.08.2011. Six bidders participated in technical bid only one bidder participated in financial bid i.e. M/s. ISIK with bid amount of US\$ 6,429,425. M/s. NESPAK, consultant, informed that acceptable makes of equipment accepted from following manufacturers and origin.

1	DEMAG Germany	5	STAHL, Germany
2	G.H. Spain	6	STREET, UK.
3	KITO Japan	7	VERLINDE, France.
4	Kone, Finland	8	Or approved equivalent from Japan, UK, USA and Western Europe origin.

Further M/s. NESPAK, consultant informed that two bidders (1) M/s. Aquatech Infrastructure Ltd. and (2) M/s. ISIK Engineering Ltd. Co have submitted their bids for the supply of products from Chinese and Turkish origin which are not as per our technical specification. All the 06 bidders did not comply with the bidding requirements and management irregularly awarded the contract on 04.09.2018 to rejected bidder i.e. M/s. ISIK worth \$ 5,689,756*Rs. 125= Rs. 711.125 million

Audit is of the view that management awarded contract of \$ 5,689,756 to rejected bidder and purchased products of Chinese and Turkish origin instead of purchasing products of USA, UK & Western Europe or approved equivalent from Japan, UK, USA and Western Europe origin.

The matter was reported to the management in July 2020. The irregularity was discussed in DAC on 14.01.2021. The management explained that technical assistance for drawing, design was taken from M/s. NESPAK in preparation of bidding documents. However, NESPAK team is not included in technical and commercial scrutiny of bidding documents. The technical and financial bids were therefore evaluated by the TSR Committee comprising qualified Engineers/experts of KS&EW duly approved by MD KS&EW. DAC was not satisfied and directed the management to submit revised reply. However, no relevant record was provided to the audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

4.1.4.5 Non-recovery of refundable sales tax - Rs. 532.999 million

Section 10 of Sales Tax Act 1990 states that if the input tax paid by a registered person on taxable purchases made during a tax period exceeds the output tax on account of zero-rated local supplies or export made during the tax period, the excess amount of input tax shall be refunded to the registered person not later than forty five days of refund claim in a manner and subject to such condition as the Board may, by notification in the official Gazette specify.

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

During audit of Karachi Shipyard & Engineering Works (KS&EW) for the year 2018-19, it was observed that an amount of Rs. 532.999 million including Rs. 90.879 million provision for bad debts is refundable from the Sales Tax Authorities of Pakistan as on 30.06.2019. Karachi Shipyard & Engineering Works Limited is allowed under the Sales Tax Act, 1990 as a Zero-Rated Sales Tax entity because it is engaged in the business of shipbuilding and ship repairing of Pakistan. For the purpose of shipbuilding and ships repairing KSEW purchase supplies/ materials / equipment's from the suppliers for which they charge sales tax to KS&EW whereas, KSEW does not charge Sales Tax to its clients due to zero-rating taxation under the law. Therefore, the sales tax paid by the KS&EW is refundable under section 10 of the Sales Tax Act 1990 which has not been refunded by tax authorities.

Audit is of the view that management has not taken any efforts to recover its refundable sales tax which are increasing year to year. An amount of Rs. 181.274 million has increased in two years (Rs. 532.999 million in 2018-19 – Rs. 352.725 million in 2017-18). The management has not filed claims for the refund of sales tax in the due time. This reflected slackness and inefficiency of the management.

The matter was reported to the management in July 2020. The irregularity was discussed in DAC on 14.01.2021. The management informed that RPO's of Rs. 263.476 M has been received as on 30th Sep 2020. DAC directed the

management to effect the recovery of remaining amount vigorously. However, no relevant record was provided to the audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

4.1.4.6 Non-recovery of services charges from customers – Rs. 72.427million

Rule 26 of General Financial Rules states that it is the duty of the departmental controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and dully credited in the accounts.

During audit of Karachi Shipyard & Engineering Works (KS&EW), Karachi for the year 2018-19, it was observed that an amount of Rs. 853.853 million was recoverable from various clients/customers on account of ship repairs, ship building and General Engineering Services as on 30.06.2019. The detail is as under:

Up to one (01) Year	Two (02) years	Three (03) years	Over (03) three years	Total (Rs. in million)
659.733	21.415	108.727	63.978	853.853

The management rendered services to its clients/customers in the fields of shipbuilding, ship-repairing and general engineering, but the charges due against these services from the parties have not been recovered so far.

Audit is of the view that the management failed to recover an amount of Rs. 853.853 million from concerned parties due to slackness and negligence.

The matter was reported to the management in July 2020. The irregularity was discussed in DAC on 14.01.2021. The management explained that KS&EW received/adjusted an amount of Rs. 781.426 million as on 30th Sep 2020. Now Rs. 72.427 million is still outstanding from the total amount. DAC directed the management to effect the recovery of remaining amount vigorously and get the recovered amount verified from Audit. However, no relevant record was provided to the audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

4.1.4.7 Loss of rental income – Rs. 11.000 million

As per Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public

Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Karachi Shipyard and Engineering Works (KS&EW), Karachi for the year 2018-19, it was observed that the Shipyard possesses a bungalow measuring 4,000 square yards at Lalazar bearing plot No.B-8, Maulvi Tamizuddin Khan Road, Karachi which is lying un-utilized/ vacant since September 2018. The bungalow was vacated by the ex-tenant in September 2018 and since then it is lying vacant. No efforts seem to have been made to rent out the same. The bungalow is situated at prime location of the city. The company could earn revenue of Rs. 11.000 million for 22 months w.e.f September 2018 to July 2020 at the average rate of rent Rs. 500,000 per month as rent income. The management is also bearing maintenance and overhead cost, details of which were not provided.

Audit is of the view that loss of rental income shows slackness and in-efficiency.

The matter was reported to the management in May 2020. The irregularity was discussed in DAC on 14.01.2021. The management informed that the facility is not in a habitable condition. For the interim period the facility is being used as Quarantine station for Shipyard Workforce. DAC appreciated efforts of KS&EW for getting the Bungalow vacated from Ex-tenant. Efforts are now in hand to renovate the Lalazar Bungalow so that the same can be used for earning profit. DAC directed to prepare plan/report for generating income from the said asset. However, no relevant record was provided to the audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

4.2 Pakistan Ordnance Factories (POFs)

4.2.1 Introduction

POFs Board, Wah Cantt was established under the provisions of POFs Board Ordinance, 1961. POFs are governed by the Board of Directors, chaired by serving Army personnel.

POF's Board consists of six members including the Chairman. Other members are Financial Advisor Ordnance Factories (FAOF), Director Industrial & Commercial Relations (DICR) and Member Production Co-ordination (MPC), Joint.

The objective of POFs is to meet the Arms and Ammunition requirements of Pakistan Armed Forces during peace and war. For this purpose, it has 14 manufacturing units along with certain services departments i.e. POFs Board with its secretariat, Directorate of Services, ML&TD, Directorate of MIS, Directorate of Export, Hospital, IDA, DSG, FIU, Controller Military Accounts (CMA), FA, and POFIT.

POFs main source of funds is regular budget from Ministry of Defence Production under grant. In addition to this, POFs also earn a small portion of revenue from export and local sales of Arms and Ammunitions and related products. For receipts from local and export's sales, POF is operating two public accounts funds as under:

- 1 Revenue, Debt and Remittance Fund (RD&R) for Civil Sales through WIL
- 2 Special Deposit Fund (SDF), for Export Sales.

Receipts and expenditure (variance analysis) for 2019-20

(Rs. in million)							
Head		Allocation		Expenditure		Excess/(Saving)	
Pay & Allowances		15,084.882		14,820.096		264.786	
Invisible		16.380		8.667		(7.713)	
Total Pay & Allowances		15,101.262		14,828.763		272.499	
Tpt. & Misc. (Normal)		712.701		711.940		0.761	
Training Abroad		0.886		0.407		0.479	
TA/DA Abroad		1.211		-		(1.211)	
Misc. F.E		11.587		10.391		1.196	
Overtime		323.500		323.912		(0.412)	
Total Tpt. & Misc.		1,049.885		1,046.650		3.235	
Revenue Works							
(Maintenance) Civil		554.541		554.521		0.020	
Utilities		4,831.256		4,830.493		0.763	
Total Revenue Works		5,385.797		5,385.014		0.783	
Capital Works							
Residential		135.289		135.287		0.002	
Non-Residential		39.450		39.450		-	
Project Specific		405.896		405.896		-	
Total Capital Works		580.635		580.633		0.002	
Indigenous Purchase		5,978.687		6,547.832		0.379	
* (T)		569.524					
Common User Items							
Ration		91.175		91.172		0.003	
POL		249.454		249.365		0.089	
Medical Store		535.653		530.188		5.465	
Total Common User Items		876.282		870.725		5.557	
Fresh Import		2,307.983		2,014.673		293.310	
Carry Over		3,503.877		4,389.342		-	
(T)		885.465					
Custom Surcharge		656.065		656.065		-	
Sales Tax		855.073		855.073		-	
Assistance Package		695.600		680.419		15.181	
Total		36,991.146		37,855.189		(864.043)	
Total (T)		1,454.989					
Transaction with Mission Abroad	O.B	Adv. Paid up to 14-2020		Total	Amount Adjusted up to14-2020		C.B
	-	2,915.651		2,915.651	2,915.651		-

4.2.2 Comments on Audited Accounts

4.2.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation accounts of the Defence Services for the year 2019-20.

4.2.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1991-92	22	20	02	7, 8	91
1992-93	12	11	01	49	92
1994-95	38	36	02	14, 78	95
1995-96	12	08	04	66, 67, 68, 107	67
1997-98	18	16	02	42, 44	89
1999-00	18	16	02	15, 16	89
2003-04	04	01	03	1.3.14, 1.3.18, 1.3.19	25
2009-10	16	08	08	50 & 51, 52, 53, 54, 55, 56, 58, 1.2	50
2012-13	18	02	16	5.2.1, 5.2.2.1, 5.2.3, 5.2.4.3, 5.2.4.4, 5.2.4.5, 5.2.4.6, 5.2.4.7, 5.2.4.8, 5.2.4.9, 5.2.4.10, 5.2.4.11, 5.2.4.12, 5.2.4.13, 5.2.4.14, 5.2.4.15	11
2013-14	16	04	12	1.1.2, 1.1.5, 5.2.1, 5.2.2 & 5.2.2.1, 5.2.3, 5.2.4.1, 5.2.4.2, 5.2.4.3, 5.2.4.4, 5.2.4.5, 5.2.4.6, 5.2.4.7	25
2016-17	12	01	11	5.2.1 & 5.2.2, 5.2.2.1, 5.2.3, 5.2.4.1, 5.2.4.2, 5.2.4.4, 5.2.4.5, 5.2.4.6, 5.2.4.7, 5.2.4.8, 5.2.4.9	8
2017-18	16	09	07	7.2.3, 7.2.4.5, 7.2.4.8, 7.2.4.10, 7.2.4.11, 7.2.4.12, 7.2.4.13	56
2017-18 (Commercial Appendix)	15	03	12	1.4, 1.4.3, 1.4.4, 1.4.5, 1.4.6, 1.4.7, 1.4.9, 1.4.10, 1.4.11, 1.4.12, 1.4.13, 1.4.14	20
Total	217	135	82		62

The compliance of the PAC directives is poor which needs immediate attention of the PAO.

4.2.4 Audit Paras

4.2.4.1 Acceptance of substandard material - Rs. 164.187 million

As per Clause 6(a) of financial regulations, volume-I for Army and Air Force, while 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 the expenditure of his own money.

During audit of Gadwal Factory, Wah Cantt for the year 2018-20, it was observed that management executed a contract vide No. 0031 / Gdl / FP-47 dated October 23, 2017 with M/s NORINCO China for procurement of material steel

base for 125mm APFSDS/T. The material was required on urgent basis. The contract was signed on October 23, 2017 and letter of credit (LC) was opened on December 11, 2017. The supplier was required to provide the delivery of product within 12 months after opening of letter of credit. Thus the delivery was required to be made on or before December 10, 2018. As per agreed terms of contract, the initial inspection of the stores/ material was required to be made by Pakistan Army Technical Liaison Officer (PATLO) stationed at Beijing while the local inspection was required to be made by Inspectorate of Armament (IoA) Rawalpindi/ Inspection Department Armaments (IDA) for corrosion resistance test. During inspection and corrosion resistance test, the lot was disapproved and rejected by the IDA, POF Gadwal. The matter was taken up with the supplier and upon supplier's request, re-inspection of store was carried on December 21-24, 2018 which did not qualify again but the supplier insisted that the material was of good quality and was also being utilized by the Chinese Army. The difference of results was due to high standards of material determined by the Pak Army. The supplier showed its inability to replace the material as per standards required / determined by Pak Army. POF Gadwal management took up the matter with relevant authorities and due to urgency to meet needs of Pak Army, store worth Rs. 164.186 million (Rs. 147.482 million + Rs. 16.704 million) was accepted being one time as special case on directions of PATLO and documents were released to the supplier for payment.

Audit concluded following issues in procurement of said store:

- i Being critical nature of desired store and long process for obtaining of material (12 months), management of POF Gadwal should determine the margin of safety of in hand stock level and sufficient stock should be maintained keeping in view that critical nature of the stores and expected time frame required for procurement of store.
- ii It was observed from purchase history of this store item that mostly the product was being purchased from single supplier (M/s NORINCO China). Management should not rely on single firm and should explore more supplier of said product.
- iii Matter may be taken up with relevant authorities of Pak Army to review existing standards for procurement of said items and to avoid unnecessary

additional requirements (if any, as in this case), so that material i.e. Steel Base could easily be acquired.

- iv Review the matter of late delivery by the suppliers. Take appropriate Punitive measures to bind the supplier for delivery within scheduled period.

The matter was reported to the management on 16.11.2020. During the DAC meeting held on 27.01.2021, the management explained that actual payment was made by the SBP in US \$ as the LC was opened for the contract value and no over payment was made. DAC considered that although the payment was made in US\$ but the loss sustained in Pak. Rs. due to fluctuation in US\$ exchange rate which was due to delay in supply of material by the supplier. DAC directed to review the existing contract clauses and explore the possibility of capping the dollar rate (\$) on last date of delivery time rate.

Audit recommends compliance of DAC directives.

Para-7 POFs (GDL), 2018-20

- 4.2.4.2 i. Unjustified payment of idle labor hours due to less production targets - Rs. 160.080 million**
- ii. Unjustified payment of overtime - Rs. 49.830 million**

As per clause 6 (a) of financial regulations, volume-I for Army and Air Force, while 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 the expenditure of his own money.

During the audit of POF Gadwal for the year 2018-19 & 2019-20, it was observed from the targets of the POF Gadwal that Pak army has not assigned any target of 125mm APFSDS/T(u/dev) which was the main ammunition being manufactured in POF Gadwal. Further scrutiny of the record revealed that neither the reduction in workers nor transfer of workers was observed from POF Gadwal to other manufacturing units. Thus, management had sufficient labor hours available but instead of using these for production, the labor remained idle during the year 2019-20 as detailed hereunder:

Year	No. Workers / RTEs in POF-Gdl	Available working hours in year (974x8x266 days) (266=365-99)	Yearly Working hours required as per standard to complete production targets	Actual hours paid including overtime hours	Over paid Hours
2019-20	974	2,072,672	1,016,442	2,292,162.77	1,185,777.01
Minimum rate paid per hours to lowest labour grade i.e. labour-I					Rs. 135 per hour
Total overpaid amount (Rs.)					160,079,896.35

Contrary to the above, it was observed that management paid overtime of Rs. 108 million on account of 486,542.35 labor hours. Further, scrutiny of the record revealed that actually 1,849,624 labor hours were required keeping in view the production targets for the year 2018-19 and 1,732,192 labor hours were available with factory management (without overtime). Thus, there was a deficit of 117,432 labor hours (1,849,624 – 1,732,192 labor hours). The payment of 369,110 labor hours (486,542.35 – 117,432) to the tune of Rs. 49.830 million (369,110 labor hours multiplied by Rs. 135 per hour (the minimum wage rate) was observed.

Audit is of the view that instead of utilizing the excess available labor hours in productions or transferring them on other required places the management paid overtime to the staff which is considered as unjustified.

The matter was reported to the management on 16.11.2020. The DAC in its meeting held on 27th January 2021 directed to club the para with para No.18. DAC also directed the management that corrective measures should be taken and also justify the payment of overtime on one side and idle labor hours on the other side.

Audit recommends compliance of DAC directives.

Para-19 & 20 POFs (GDL), 2018-20

4.2.4.3 Loss due to non-charging of production year rates for ammunition - Rs. 133.688 million

Rule-10 of GFR provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of POF Filling Factory for the year 2018-19, it was observed that the management received Class-II Extract No. 2976 dated 29.06.2019 valuing Rs. 987.806 million for production and delivery of 6 types of ammunition to M/s Shaheen Aero Traders Rawalpindi through M/s Wah Industries Limited (WIL) uptill 30.6.2020. Extract was issued just 1 day before closing of financial year on the basis of estimated rates for the year 2018-19 but manufacturing and delivery was scheduled in 2019-20. The estimated value of these ammunitions was Rs. 1,121.494 million for the year 2019-20, hence there is a possibility of loss of Rs. 133.688 million (Rs. 1,121.494 – Rs. 987.806).

It is worth mentioning here that the amount of loss is likely to increase if the production target could not be completed by the end of financial year 2019-20.

The irregularity was reported to the management on 29.4.2020. The management in its reply dated 12.05.2020 stated that the said contract / order was still outstanding.

Reply of the management was not acceptable as production was in process. Contract was still not revised according to production year rates. Hence, there is a possibility of loss as pointed out by audit.

Audit recommends to investigate the reasons of non-charging of production year rates for ammunition, fix responsibility thereof.

Para-2 POFs (Filling Fy.), 2018-19

4.2.4.4 Irregular award of work contract for renovation of quarters - Rs. 213.629 million

As per clause 40 of Public Procurement rules “Save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.”

During the audit of POF Directorate of Civil (Works) for the year 2018-19 and 2019-20, it was observed from the record that Chairman POF Board decided to renovate the existing Quarters of staff in estate area Wah Cantt, Havellian and Sanjwal Cantt. The work was required to be completed in four phases. Initially a work estimate of Rs. 200 million was made for renovation of quarters in phase-I under the funds available in RD& R (Revenue, Deposit & Remittance) head. The Director Civil (works) advertised the said work and M/s. Wah Construction Limited was declared as the lowest evaluated bidder at the rate of 30% above from

MES schedule rates 2014 and the contract was awarded to him. However, following deficiencies were observed in relevant file of Contract No. 40-civil-2019-20:

- i As per advertisement, tender opening date was April 03, 2020 while the actual tender was opened on April 23, 2020. Neither the corrigendum was published in newspaper for extension in opening of tender date nor were justifications/reasons for delay in opening of tender recorded.
- ii Out of the three bidders who participated in bidding process, CDR of only one (successful) bidder was available on record. Neither the photocopies of CDRs. of unsuccessful bidders were available nor were these CDRs. entered in CDR register maintained in DC (w). It creates doubts about genuineness / seriousness of offers made by unsuccessful bidders.
- iii PPRA, 2004 do not allow any negotiation with lowest evaluated bidder after opening of tender. If the quoted rates were on higher side, the DCW management should have exercised the option of re-tendering. Thus the negotiated price after rebate of 7% (i.e. 23% above MES Schedule rates 2014) was considered as irregular.
- iv The rebate of 7% (30%-23%) offered by the contractor seems to be managed by DCW to remain within the limit of approved estimates and to avoid revised administrative approval.
- v The rate acceptance letter was issued by the management on June 29, 2020 and work order was also issued on June 29, 2020.

Audit is of the view that management showed undue favor towards the contractor and it was already decided by the management to award contract to the M/s Wah Constructions limited.

The matter was reported to the management on 03.12.2020. In DAC meeting held on 27.01.2021, the management explained that extension was granted due to Covid-19 issue for which corrigendum was issued. Further, rebate was obtained under Rule-31 of PPRA. DAC directed the management to refer the case along with complete detail to PAO for further decision.

Audit recommends compliance of DAC directives.

Para-7 POFs (DCW), 2018-20

4.2.4.5 i. Loss due to non-recovery of LD charges due to late delivery of store - Rs. 246.864 million
ii. Loss due to import of 12.7 mm API ammo instead of its own production - Rs. 888.454 million

As per clause 14(a) (ii) of the contract dated 16.3.2017 “to recover liquidated damages when the Government is satisfied that the failure to supply the stores within the scheduled delivery period has been for reasons within the control of the suppliers and / or if the Government has suffered loss for reasons of belated delivery. These liquidated damages will be recovered up to the rate of 2% but not less than 1% of the value of un-supplied quantity, subject to the provision that total liquidated damages thus leviable will not be exceeded 10% of the total contract value”.

As per clause 6 (a) of financial regulations, volume-I for Army and Air Force, while 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 the expenditure of his own money.

During audit of the accounts of POF Sanjwal Factory for the years 2015-16 to 2018-19, it was observed that the management awarded contract No. 0090/P-782/SJL/FP/46 dated 16.03.2017 to M/s NORINCO China for procurement of 10.000 million Nos. 12.7 mm API filled Ammo valuing US \$ 15.000 million equivalent to Pak Rs. 3,114.425 million (including Custom Duty, GST & TPT) with delivery period of 2.500 million Nos. up to 31.07.2018 and remaining 7.500 million Nos. up to 31.12.2018.

Record revealed that POF Sanjwal had its own production capacity of 2.000 million per annum @ Rs. 199.88 & Rs. 230.17 per unit for the year 2018-19 and 2019-20 respectively of said ammo but instead of production, management procured the said ammunition from China @ Rs. 311.443 per unit and sustained a loss of Rs. 888.454 million.

The record also revealed that the concerned Chinese firm supplied the store almost eight to ten months late after delivery period. The management was required to deduct LD charges amounting to Rs. 228.079 million from the bill of the firm but the same was waived off.

Thus POF Sanjwal sustained loss of Rs. 1,116.533 million (Rs. 888.454 million + Rs. 228.079 million) in this case.

(B) During 2019-20, the management of POF Gadwal placed an order to M/s NORINCO China for procurement of material Steel base for 125mm APFSDS/T. The material was required on urgent basis. The contract was signed on October 23, 2017 and letter of credit was opened on December 11, 2017. The supplier was required to provide the delivery of product within 12 months after opening of letter of credit. Thus the delivery was required to be made on or before December 10, 2018. However the actual delivery of store was delayed as detailed at **Annex-28**.

The delivery of store was late for 3 to 4 months and management was required to impose penalty on supplier worth Rs. 18.785 million but the same was not imposed.

The irregularity was reported to the management on September 3, 2020. The management in its reply dated September 28, 2020 stated that firm supplied store late due to non-availability of propellant in its own stock. Further imposition of LD may cause stoppage of supply of ammo in future. Reply of the management was not tenable because arrangement of the propellant was the responsibility of the firm. Thus, LD was required to be recovered.

The matter was reported to the management on 16.11.2020. In the DAC meeting held on 27.01.2021, the management apprised the committee that LD charges could not be imposed in view of the strategic nature of store. Further, it was intimated that the store was procured at cheaper rate. DAC directed the management to get the record of costing of product in comparison with purchased prices, verified by audit. DAC also directed to finalize the contract according to provisions of Contract agreement.

Audit recommends compliance of DAC directives.

Para-3 & 7 POFs (Sjl), 2015-19, Para-5 POFs (GDL), 2018-20

4.2.4.6 i. Irregular bifurcation of procurement order among first & second lowest bidders - Rs. 59.118 million

ii. Non-imposition of penalty on late delivery - Rs. 5.787 million

As per clause 38 of Public Procurement rules “the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity”. Further, as per clause 40 of said rules “Save as otherwise provided there shall be no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder”.

During the audit of POF Gadwal Factory, it was observed that management of the factory has signed contract No. 0055 / Gdl / FP-47, dated 01.01.2018 for procurement of packaging store with M/s Hong Kong Skywise Development Limited China. Further scrutiny of the record revealed that in bidding process M/s Hong Kong Skywise Development Limited China stood first lowest while M/s China Yanxing International Trade (Beijing) Ltd. was the second lowest. However, M/s China Yanxing International Trade (Beijing) Ltd. vide its letter dated October 09, 2017 pointed out that three firms M/s Beijing Precision, Hong Kong Skywise and CMA were owned and operated by one individual who manipulates the bidding process tactfully. Later on the management of POF Gadwal bifurcated whole requirement of store among M/s Hong Kong Skywise Development Limited China and M/s China Yanxing international trade (Beijing) Ltd. on 50% basis. Thus the contract position was as follows:

S. No.	Party	Material	Quantity	Amount (FE Commitment) (Rs. in million)
1	M/s Hong Kong Skywise Development Limited China 0055 / Gdl / FP-47, dated 01.01.2018	Fiber Glass Seal Humidity Proof containers (MCS)	14,800	59.118
		Fiber Glass Seal Humidity Proof containers (ACS)	7,850	
2	M/s China Yanxing international trade (Beijing) Ltd. 0054 / Gdl / FP-47, dated 01.01.2018	Fiber Glass Seal Humidity Proof containers (MCS)	14,800	59.118
		Fiber Glass Seal Humidity Proof containers (ACS)	7,850	

It was also worth mentioning here that management of POF was required to impose penalty to the tune of Rs. 5.787 million upon M/s Hong Kong Skywise Development china who delivered the store too late from agreed delivery period

but the management released whole payment to the firm without imposing any penalty. The detail of penalty was as follows:

S. No.	Contract No.	LC Date	Delivery Period & Date	Quantity & Actual delivery date as per Bill of lading	Delay	*LD @ 1% on FOB value of contract in PKR	Remarks
1	M/s Hong Kong Skywise Development Limited China 0055/Gdl/FP-47, dated 01.01.2018	19.02.2018	5 M 19.07.2018	14,800 15.03.2019	8 Month	3,781,548	Fiber Glass Seal Humidity Proof containers (MCS)
				7850 15.03.2019		2,005,754	Fiber Glass Seal Humidity Proof containers (ACS)
Total						5,787,302	

Audit is of the view that management of POFs granted undue favor by non-imposition of penalty to the firm M/s Hong Kong Skywise Dev. Ltd. which failed in timely delivery of store items. Audit is also of the view that management of POFs was not authorized to split order on 50% basis just to accommodate the second bidders. The management's decision regarding award of 50% work to M/s China Yanxing international trade (Beijing) Ltd. vide contract No. 0054 / Gdl / FP-47, dated 01.01.2018 was against the public procurement rules. It was also assessed by the audit that POFs have no independent mechanism to check the ownership and relationship amongst the supplier belonging to China as complained by M/s China Yanxing International Trade (Beijing) Ltd. vide its letter dated October 09, 2017. This matter may be referred to POF Board for a policy decision to ensure genuineness of regular supplier at least after three years through PATLO Beijing.

The matter was reported to the management on 16.11.2020. In DAC meeting held on 27.01.2021, the management stated that order was bifurcated as M/s Hong Kong Sky wise showed its inability to supply material within 5 months as required. DAC directed the management to prepare a comprehensive brief on

the issue and submit the same to Ministry for decision of Principal Accounting Officer.

Audit recommends compliance of DAC directives.

Para-8 POFs (GDL), 2018-20

4.2.4.7 Loss due to import of fuses HE-1 for 37 mm instead of own production - Rs. 59.515 million

F-2 Shop of POF Filling Factory has production capacity of total 570,000 Nos. Fuses per year (Fuse V19 PA A2- 200,000 Nos., Fuse V9 P1 A2- 200,000 Nos., Fuse 37 mm HE-1- 100,000, Fuse PDM 557- 50,000 Nos. and Base Fuse- 20,000 Nos.), Further, Rule 10 of GFR provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of POF Filling Factory for the year 2018-19, it was observed that F-2 Shop made production of total 330,000 Nos. Fuses against capacity of 570,000 Nos. (Fuse V19 PA A2- 175,000 Nos., Fuse V9 P1 A2- 125,000 Nos., Fuse PDM 557- 30,000 Nos.) which is 57% of capacity. Further, during the period the management did not produce fuse 37 mm HE-1 against capacity of 100,000 Nos. and procured 192,500 fuses from abroad vide contract No. 005-FP-48-Pur-Fill dated 10.9.2018 from M/s China Jing valuing US \$ 3.161 million. It was noted that 90,000 fuses were received and paid in 2018 @ Rs. 3,236.52 per fuse and remaining 102,500 Nos. fuses received and paid in, 2019 @ Rs. 3,548.24 per fuse by including cost of sale tax, custom duty, transport charges and others. Account Office CMA of Filling Factory also recorded these unit rates. Scrutiny of the record revealed that POF Filling Factory has production capacity of said fuse at a lower cost. Detail is as under:

Imported Cost (Rs) as per CMA Record	Production Cost on Full rates (Rs)	Difference in cost of Fuse (Rs)	No. of Fuses	Loss (Rs. in Million)
3,236.52	2,766.21 (Rate for the year 2018-19)	470.31	90,000	42.328
3,548.24	3,380.56 (Rate for the year 2019-20)	167.68	102,500	17.187
Total			192,500	59.515

The above details showed that production cost of said fuse of Filling Factory was less than imported cost. Despite the fact that all the concerns were benefited by the payment of bonus and overtime in addition to the admissible remuneration, the factory failed to produce Fuse 37 mm HE-1 and imported the store at costly rates. Thus, due to import of fuse, POF Filling Factory sustained a loss of Rs. 59.515 million.

The matter was reported to the management on 27.10.2020. The management replied that due to non-availability of Delay Powder No. 634, local production of Fuse HE-I was not technically possible. The said material was procured from abroad due its strategic nature as the same is not available in local market. Moreover, contract dated 02.06.2015 was placed on M/s Beijing Precision Machinery, China for supply of 200 Kg Delay powder No. 634 but it was rejected by inspection authority due to failure in function phase dated 14.11.2016. Hence, under unavoidable circumstances import of Fuse HE-I from foreign source was imperative / inevitable in order to fulfill the Pak Army targets of 2018-19 and 2019-20 of 37 mm HE/T. Now filling Factory is producing its own powder No. 634 after qualification of the consignment in 2019-20 vide M.I Slip No. S-0471-Fill, dated 12.02.2020.

DAC in its meeting held on 27.01.2021 directed the management to verify all the relevant record from audit.

Audit recommends compliance of DAC directives.

Para-3 POFs (Filling Fy.), 2018-19

4.2.4.8 Shortage of stores in different godowns - Rs. 31.444 million

According to rule 23 of general financial rules, “every officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from, fraud or negligence on the part of any other Govt. officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.”

According to rule 151 of general financial rules, the head of an office or any other officer entrusted with stores of any kind should take special care for arranging their safe custody, keeping them in good and efficient condition and protecting them from damage or deterioration. Suitable space should be provided

more particularly for valuable and combustible stores. He should maintain suitable accounts and inventories and prepare correct returns in respect of the stores in his charge with a view to preventing loss through theft, accident, fraud or otherwise and to making it possible at any time to check the actual balances with the book balances and the payment to suppliers, etc.

During audit of POF, Artillery Ammunition (AA) Factory, Wah Cantt for the year 2018-20, it was observed that stock / stores items valuing Rs. 31.444 million were found short / deficient in Mechanical godowns as compared to the Bin Card Ledger Account. The detail of deficient store items is given at **Annex-29**.

Thus, due to shortage of above said store, POF, MAA Factory sustained a loss of Rs. 31.444 million which shows weak inventory system.

The matter was reported to the management on 16.12.2020. The management explained in the DAC meeting held on 27.01.2021, that there was no proper maintenance of store, however available documents have been provided to audit. DAC took serious view regarding non-preparation of Bin card and obtaining of material without issuance of Warrants. DAC directed to hold a fact finding inquiry on the issue and report be submitted to PAO and Audit for final decision.

Audit recommends compliance of DAC directives.

Para-4 POFs (MAA), 2018-20

4.2.4.9 Non-transparent procurement of general items against proprietary indent worth - Rs. 64.989 million

As per clause 42 (c) of Public Procurement Rules, “direct contracting as alternative method of procurement”, a procuring agency shall only engage in direct contracting if the following conditions exist (i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier (ii) only one manufacturer or supplier exists for the required procurement (iii) where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance (iv) repeat orders not exceeding fifteen per cent of the original procurement (v) in case of an emergency:

During the audit of POF-MAA Factory for the year 2018-20 it was observed that management of Medium Artillery Ammunition (MAA) issued contract No. 118-LP-A-49-P-AA dated 29.06.2020 for procurement of 248,300 Kg worth Rs. 64.989 million steel bar cold drawn dia 39mm, 23mm, 31mm, 62mm on proprietary basis from M/s People Steel Mills (PSM) Karachi. The management exempted the supplier from provision of CDR as well as Performance bond. However, it was observed from the record that none of the above conditions for direct contracting as mentioned in PPRA were existing for said method. The store procured was Steel Bars of different diameters which were common items and a number of suppliers of said store exist, which showed that procurement on proprietary basis were made just to oblige the supplier which needs to be justified.

Further record revealed the store receipt position (as per Bin Cards) of relevant store as follows which contradicts the contract supply provisions:

S. No.	Name of store item	Last entry date of material received in store (in Bin Card)	Quantity Received	Remarks
1	Steel Bar dia 62mm	RV 0108/ 16.08.2020	10,000	Said store was either received (returned) from other shops instead from Supplier i.e. PSM or supplied against previous supply contracts
2	Steel Bar dia 39mm	RV 0655/ 07.02.2020	42,600	
3	Steel Bar dia 23mm	RV/0542/ 30.06.2017	8,6.79	
4	Steel Bar dia 31mm	RV/1278/ 29.05.2018	27,000	

Audit is of the view that instant store was not delivered till conclusion of audit i.e. December 02, 2020 but the payment to supplier was released which needs to be justified.

The matter was reported to the management on 16.12.2020. In the DAC meeting held on 27.01.2021, the management explained that procurement was made after floating tender. DAC took serious view regarding non-obtaining of CDRs/Bank Guarantee from supplier. DAC directed that the case be sent to MODP for further decision.

Audit recommends compliance of DAC directives.

Para-15 POFs (MAA), 2018-20

4.2.4.10 Unjustified payment of idle labor hours - Rs. 60.002 million

As per Clause-6 (a) of financial regulations, volume-I for Army and Air Force, “while 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 the expenditure of his own money”.

During the audit of POF-AA Factory for the year 2018-20, it was observed from the monthly return of workers that there were 1,762 workers (RTEs) in the factory. Thus the available labor hours for factory (excluding holidays) were 3,749,536 hours. Further, as per assigned targets of different items (being manufactured in POF MAA Factory), only 3,283,612 labor hours were required to complete the jobs considering standard determined by the top management. This resulted into payment of idle labor hours as detailed hereunder:

Year	No. Workers / RTEs in POF-MAA	Available working hours in year (1762x8x266 days) (266=365-99)	Yearly Working hours required as per standard to complete production targets.	Over paid Hours
2019-20	1762	3,749,536	3,283,612	465,924
Minimum rate paid per hours to lowest labor grade i.e. labor-I				Rs. 128.78 per hours
Total overpaid amount				60,001,692.72

Audit is of the view that management of POF-MAA factory had excess labor and sufficient labor hours were wasted. On the other side, M/s Wah industries Limited and LEAs set various targets / orders but not a single one was completed by MAA factory despite of having sufficient excess labor. This showed poor progress of MAA factory management which needs to be justified.

The matter was reported to the management on 16.12.2020. In the DAC meeting held on 27.01.2021, the management apprised that available working hours per man during fiscal year are 2000 hours (daily work hour @ 7.5 hour per day × working days in a year). The workload is calculated on the basis of direct production hours which are obtained by deducting 25% indirect labour hours from available working hours. DAC directed the management to reconcile labor hours with audit.

Audit recommends compliance of DAC directives.

Para-18 POFs (MAA), 2018-20

4.2.4.11 Loss to public exchequer due to non-deduction of stamp duty from the contractors – Rs. 24.375 million

As per the Stamp Act any instrument of the nature of memorandum of agreement made or entered into by a contractor with Government, Corporation, Local Body, Local Authority, Agency or Organization set up or controlled by the Federal or the Provincial Government, to execute any work to procure stores and materials, stamp duty @ 0.25% will be recovered and deposited into Govt. Treasury. Further according to the Government of Pakistan, Ministry of Defence letter No. MoD's U.O No. 5-1/2019(PAC-iii) dated 31 July, 2019, stamp duty is applicable and its recovery from contractor is by Provincial Government is applicable even when the contract is signed between contractor and Federal entity and the work has been performed in Cantonment Area.

During audit of POFs, it was observed that the management entered into different contracts for the purchase of stores and material valuing Rs. 9,746.605 million. However, stamp duty @ 0.25% amounting to Rs. 24.375 million as detailed below was not recovered:

S. No.	Name of Factory	Amount of Contracts (Rs)	Amount of Stamp Duty @ 0.25% (Rs)	Para No. & Audit Year
1	POFs Sanjwal	1,607.305	4.021	10 (2015-19)
2	POFs Artillery Ammunition (AA) Factory	1,100.563	2.757	9 (2018-20)
3	POFs SAA Factory	4,933.594	12.334	9 (2018-19)
4	POFs Gadwal Factory	295.227	0.738	
5	POFs MAA Factory	523.508	1.308	
6	POFs Director Service	596.840	1.492	
7	POFs Hospital	253.704	0.635	
8	POFs Filling Factory	435.864	1.090	
	Total Rs	9,746.605	24.375	

Audit holds that non-recovery of stamp duty and its deposit into Government treasury is a loss to the state.

The irregularities were reported to the management in September and December, 2020. DAC in its meeting held on 15.01.2021, decided that the PAO will review the position and directed the management to issue instructions to all concerned and start deduction from now onwards.

Audit recommends compliance of DAC directive.

Para-10 POFs (Sjl), 2015-19, Para-9 POFs (MAA), 2018-20

4.3 Pakistan Ordnance Clothing Factory

4.3.1 Introduction

Pakistan Ordnance Clothing Factory was established under the POFs Board Ordinance 1961 to meet the clothing requirements of Pakistan Armed Forces.

4.3.2 Comments on Audited Accounts

4.3.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation accounts of the Defence Services for the year 2019-20.

4.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Outstanding Paras	% of compliance
2007-08	07	06	01	2.2.6	86
2009-10	05	05	0	-	100
2012-13	17	02	15	5.2.2.1, 5.2.3, 5.2.4.3, 5.2.4.4, 5.2.4.5, 5.2.4.6, 5.2.4.7, 5.2.4.8, 5.2.4.9, 5.2.4.10, 5.2.4.11, 5.2.4.12, 5.2.4.13, 5.2.4.14, 5.2.4.15	12
2013-14	06	01	05	5.3.1, 5.3.2 & 5.3.2.1, 5.3.3, 5.3.4.1, 5.3.4.2	17
2017-18	05	01	04	7.3.1, 7.3.2, 7.3.3, 7.3.4.2	20
2017-18 (Commercial Appendix)	08	08	0	0	100
Total	48	23	25		48

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

4.4 Wah Industries Limited

4.4.1 Introduction

Wah Industries Limited (the Company) was incorporated in 1958 in Pakistan as a public limited company under Companies Act, 1913 (now the Companies Act, 2017). The Company is fully owned by Pakistan Ordnance Factories (POFs). The registered office of the Company is situated at Quaid Avenue, The Mall, Wah Cantt.

Nature of Business:

The company is engaged in manufacture and sale of 12-Bore Ammunition and sale of Civil Products purchased from POF. The Company also acts as commission agent for POF to facilitate its sale of obsolete/surplus stores and scraps generated in POF.

Structure of the entity

The Company is under the administrative control of the Pakistan Ordnance Factories as the major shareholder is the Government of Pakistan. The Company is being governed through its independent Board of Directors, who is reportable to its Chairman. The Board has delegated powers to the CEO/Managing Director. All the major operations of the company are being governed through CEO/MD. Key planning decisions are taken by the WIL Board of Directors and Chairman POF Board.

Financial highlights of the Company (Variance Analysis) for 2019-20

(Rs. in million)		
Revenue (Net)	Expenditure	Surplus/(Deficit)
3,057.514	2,145.08	912.434

Sectoral analysis (Targets fixed of sales vs. actual achievements) for 2019-20

(Rs. in million)

Items	Target	Sales	Surplus/(Shortfall)
Civil Product	200.00	104.265	(95.735)
Project	3,000.00	482.562	(2,517.438)
Chemicals	465.00	477.516	12.516
Arms & Ammo	1,000.00	304.362	(695.638)
Ammo Containers	850.00	431.064	(418.936)
12 Boar Cartridges	7,000.00	885.774	(6,114.226)
Disposal	265.00	334.834	69.834
Security Services	-	37.077	37.077
Total	12,780.00	3,057.514	(9,722.486)

4.4.2 Comments on Audited Accounts

4.4.2.1 Comments on audited accounts are included in the Commercial Appendix to Appropriation accounts of the Defence Services for the year 2019-20.

4.4.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Outstanding Paras	% of Compliance
1992-93	04	03	01	87	75
1994-95	07	06	01	105	86
1999-00	24	23	01	104	96
2001-02	06	05	01	49	83
2012-13	06	0	06	5.3.2.1, 5.3.3, 5.3.4.1, 5.3.4.2, 5.3.4.3, 5.3.4.4	0
2017-18 (Commercial Appendix)	09	04	05	3.1.5, 3.1.6, 3.1.7, 3.1.8, 3.1.9	44
Total	56	41	15		73

The overall compliance of the PAC directives was satisfactory which needs to further improve.

4.4.4 Audit Paras

4.4.4.1 Loss due to imprudent management practices in Wah Brass Mill Pvt. Ltd. - Rs. 2,487.163 million

Rule-5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interest of the company. Furthermore, according to Para-23 of GFR, “Every Government servant should realize fully and clearly that he will be held responsible for any loss sustained by the Government through fraud or negligence on his part, and that he will be held personally responsible for any loss arising from fraud or negligence on the part of any Government servant to the extent to which it may be shown that he contributed to the loss by his own negligence.”

During the Audit of Wah Industry Ltd. (WIL) for the year 2019-20, it was observed that Wah Brass Mills Pvt. Ltd. 100% owned subsidiary was established in 2012. In 2014-15 syndicate loan facility of Rs. 5,650 million and working capital facility of Rs. 1,000 million at mark-up rate KIBOR plus 1.20% per annum i.e. 7.73% was obtained by WBM. The loan is repayable by June 22, 2025 in 14 semi-annual installments.

The record showed that the 1st tranche of loan Rs. 684.00 million was credited in WBM account on December 16, 2014 while the last tranche was credited on June 30, 2017. Position showed that the management did not utilize the entire loan amount.

However, it was observed that due to heavy markup i.e. Rs. 50.00 million per month, the company failed to fulfill the condition of financing agreement. In April 2020 the WIL Board of Director injected equity Rs. 5,100million into Wah Brass Mill (WBM) to retire the long term loan obtained by WBM at heavy markup i.e. Rs. 50.00 million per month. The company paid mark up of Rs. 1,487.163 million on long term borrowings on syndicate loan facility to the commercial banks as detailed below:

Year	Mark up paid (Rs. in million)
2018	410.083
2019	538.539
2020	538.539
Total	1,487.163

Moreover, it was observed that loan obtained at heavy markup was not properly utilized. The WBM operating loss was increased due to heavy mark-up. The accumulated loss reached to Rs. 1,000 million till date. The imprudent decision of the management led to loss of Rs. 2,487.163 million to the national ex-chequer.

The latest accounts of the subsidiary were demanded from the management but the same were not provided.

The matter was reported to the management on 05th January 2021. The management replied that the said projects were started with the approval of WIL Board of Directors keeping in view the provisions of section 183 of the Companies Act, 2017 and clause 22 of Memorandum of Association. Wah Brass Mill was upgraded and loan amounting to Rs. 5,600million was obtained from Banks at a very low rate i.e. KIBOR + 0.30% but due to increase in KIBOR by SBP; total rate was increased. Now the loan has been refunded by the WBM and resultantly Wah Brass Mill will earn profit and dividend will be declared accordingly. The DAC in its meeting held on 27th January 2021 directed the management to forward the case containing break up of loan obtained and paid back by Wah Brass Mills to Secretary DPD and also to audit for further review.

Audit recommends compliance of DAC directives.

Para-11 WIL, 2019-20

4.4.4.2 Loss due to investment of surplus funds without competitive process - Rs. 28.029 million

According to rules 4 (3) of Public Sector Companies Corporate Governance Rules, 2013 “The chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations”.

During audit of Wah Industries Ltd. (WIL) Wah Cantt for the year 2019-20, it was observed that the management invested an amount of Rs.

1,648.787 million in MCB Bank for one year w.e.f. 30.7.2020 to 30.7.2021 at a mark-up rate of Rs. 5.6% p.a without obtaining competitive rates from different banks. Record revealed that mark-up rate of KIBOR was 7.30% as on 30 July 2020 (date of investment) but the WIL management invested the huge funds on much lesser rates even below the KIBOR.

Further due to Covid-19, mark-up rates of banks are expected to increase but the management invested the amount for one year at much lesser rate. Thus, due to imprudent decision of investment of funds amounting to Rs. 1,648.787 million, WIL sustained a loss of Rs. 28.029 million (mark-up rate of SBP KIBOR 7.30% - mark-up rate of MCB 5.6% = 1.70% x Rs. 1,648,787,188).

The matter was reported to the management on 05th January 2021. The management replied that WIL had obtained following Bank Guarantees from MCB at zero charges as against charges of 0.45% per quarter having been on the Bank A/C. Instead of keeping the funds in less profit bearing account, TDR's bearing profit @ 12 % were issued by the Bank in the year and earned profit amounting to Rs. 198.024 million during the year 2019-20. These funds cannot be utilized till cancellation of BGs. The DAC in its meeting held on 27th January 2021 directed the management to review the position and place the matter before Board for appropriate decision.

Audit recommends compliance of DAC directives and decision of the Board be shared with Audit.

Para-16 WIL, 2019-20

4.4.4.3 Irregular expenditure on procurement of material & garniture items for PLCE DGP (A) on direct contract basis valuing US \$ 814,950.22 (Rs. 124.52 million)

According to rule 12 (1) of the PPRA 2004, All procurement opportunities over two million Pakistani Rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu and according to rule 42 (c) of the PPRA 2004, A procuring agency shall only engage in direct contracting if the following conditions exist, namely:

- i The procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier: Provided that the same are not available from alternative sources;
- ii Only one manufacturer or supplier exists for the required procurement: provided that the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due diligence; and
- iii Where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical difficulties in operation and maintenance.

During audit of the WIL Wah Cantt. for the year 2019-20, it was observed that a foreign contract No. 24 / FP / 2018-19 / Garniture-PLCE WIL dated 27.06.2019 for US \$ 814950.22 valuing Rs. 124.52 million was entered directly with a foreign firm M/s Gensky Group Limited Hong Kong for procurement of material & garniture items for PLCE DGP(A). Procurement was made on the basis of the proprietary certificate issued by the GM Clothing Factory vide D.I.C.R & Member POFs Board dated 13.05.2019. Items mentioned in the quotation offered by the supplier are of non-proprietary nature and can be obtained easily from the local Pakistani markets as well as other foreign suppliers. Further GM Clothing Factory being purchaser has no authority to issue proprietary certificate to the company.

Audit therefore is of the view that items were purchased without conducting open competition between the local and foreign firms for achieving the most competitive rates. Therefore, said procurement is held irregular and in violation of the PPRA Rules, 2004.

The matter was reported to the management on 05th January 2021. The management apprised the DAC in its meeting held on 27th January 2021 that the contract was awarded to the firm on proprietary basis after issuing proprietary certificate by POF Fora. DAC directed the management to submit a complete case to PAO for further decision.

Audit recommends compliance of DAC directives.

Para-27 WIL, 2019-20

4.4.4.4 i. Irregular payment of 100 % advance on account of procurement of MS-steel sheets 18 BG - Rs. 42.585 million

ii. Loss to Govt. due to non-deduction of income tax and 1/5th of the GST - Rs. 3.154 million

According to clause 15 of the tender enquiry No. 1822 / MS Steel Sheet / PUR / PF / 19-20 dated. 05.08.2019, 100 % payment will be released after successful inspection of the store.

As per clause 153 of the income tax Ordinance 2001, income tax will be deducted from the bill of the supplier/contractor and as per eleventh schedule of the sales tax act 1990 amended up to 30.06.2019, Withholding Agent i.e. Federal and provincial government departments, Autonomous bodies and Public sector organizations are required to deduct 1/5th of the Sales Tax as Shown on the invoice of the bill from the firm concerned and as per the standard procedure of the sales tax, a registered person if required to file monthly return on 10th and payment on 15th and return by the 18th day of the month following the period in which the supplies were made, in the designated branches of NBP.

During audit of the WIL Wah Cantt. for the year 2019-20, it was observed that a tender was floated in the press for purchase of MS Steel Sheets 18 BG (1.2 mm) vide T.E. No. 1822 / MS Steel Sheet / PUR / PF / 19-20 dated. 05.08.2019 for an estimated cost of Rs. 42,585,075 and contract was executed with M/s International Steel Mills Limited Karachi for a qty. of 345 M.Ton. Managing Director WIL Wah Cantt made 100% advance payment of Rs. 42,585,075 vide cheque No. 1742230657 MCB dated 04.10.2019 against a bank guarantee to the firm instead of payment against the delivery and completion of the supply after inspection. Thus, supplier was benefited at the cost of the public exchequer which was held irregular and violations of the tender. Further, income tax @ 4.5% amounting to Rs. 1,916,329 and 1/5th of the GST for Rs. 1,237,515 (Rs. 6,187,575 x 1/5th) was neither recovered from the advance payment to the supplier nor tax exemption certificate produced to the audit to authenticate the tax amount.

The matter was reported to the management on 05th January 2021. The management replied that Packages Factory paid 100% amount in advance against bank guarantee of equal amount as per Clause-15 of Tender Enquiry dated

05.08.2019 and advance is always before delivery of store. Packages Factory has not deducted the income tax of Rs. 1,916,329 from firm as M/s International Steel Mills Limited Karachi was exempt from withholding of Income tax. The DAC in its meeting held on 27th January 2021 directed the management to review the clauses of Tender Enquiry (TE) and apprise the Ministry of updated position.

Audit recommends compliance of DAC directives. Further, responsibility be fixed for payment of 100% advance in violation of the tender rules and Income tax and GST amount be recovered from the firm or exemption certificate be produced to audit.

Para-34 WIL, 2019-20

4.4.4.5 Irregular award of contract for procurement of wooden pallets - Rs. 76.760 million

According to Para-03 of the bidding document for procurement of wooden pallets, “bid money at the rate of 2% of the quoted value should accompany the tender. Tender received without bid money will be rejected.” Further, according to para-11 of the bidding documents, “Performance bond @ 10% of the total value will be submitted prior to the placement of contract.”

During the audit of Wah Industry Limited (WIL) for the year 2019-20, it was observed that management of WIL called tender for procurement of Wooden Pallets on August 27th 2019. In response only two bids were received. Contract was awarded to M/s Three Stars Enterprise Karachi at a cost of Rs. 264.605 million on October 10th 2019. It was observed that Director General Procurement Army (DGPA) reduced their demand to 6,799 Wooden Pallets 8” mm HOW. Accordingly, the purchase order was reduced to Rs. 76.760 million on 23rd January 2020. The following discrepancies were observed in award of contract:

- a) As per bidding documents technical and commercial offers were separately called. However, no technical evaluation of the bids received was carried out.
- b) The successful bidder did not submit 2% bid security even then, his bid was accepted.
- c) Performance security @ 10% of purchase order was not obtained from the successful bidder as per terms and condition of bidding documents.

The following irregularities were observed in execution of contract:

- a) Advance of Rs. 6.604 million was given to the contractor without any bank guarantee against the terms and condition of bidding documents and contract.
- b) Contract specifications were changed during the execution of contract and contractor reduced their cost by Rs. 4.827 million for contract item No.02 from Rs. 81.587 million to Rs. 76.760 million.
- c) The contractor failed to complete the supply of wooden pallet as terms and conditions of contract and supplied quantity of 1050 wooden pallet only against the contract quantity of 6,799 wooden pallets.

The award and execution of contract in deviation of terms and condition of bidding documents is held irregular in audit.

The matter was reported to the management on 05th January 2021. The management replied that the bidders vide their tender documents have confirmed that the store will be supplied as per specification. Moreover, the 02 x tender sample of store, being technically complex in nature were physically examined by inspection authority of DGP Army. Accordingly, the case was processed as per procedure. M/s Three Star Enterprises had submitted bid money valuing PKR 01 million. Further, Performance Security in the shape of Cheques amounting to Rs. 2.9 million was submitted by the contractor plus bid money already received. As per clause-8 of the Contract, the firm can supply / deliver 1000-2000 pieces of Wooden Pallets in case payment amounting to Rs. 12 million is made in advance against which firm has submitted 04 x cheques of Rs. 3,000,000 each. Hence provision of advance payment exists in Contract. Contract specifications were not changed during the execution of the contract. Instead DGP (A) reduced the requirement of wooden pallet 155mm HOW, followed by issuance of amendment in contract. Delivery period is up to 18th April 2021. However due to Covid-19 deliveries have been delayed, and another quantity of 1018 pallets has been delivered to the DGP duly inspected by the ASID.

The DAC in its meeting held on 27th January 2021 directed the management to hold a fact finding inquiry and forward the findings to MoDP / Audit.

Audit recommends compliance of DAC directives.

Para-2 WIL, 2019-20

4.4.4.6 Loss on procurement of lead ingots – Rs. 16.061 million

According to para 2.10.1 of the contract executed on January 31st 2019 between M/s CAT MINH Technology equipment VIETNAM and Wah Industries Limited for procurement of 250 MT lead ingots, “ the material should be tested for the quality as per contract specification prior to packing in factory and Third Party Inspection Certificate should be submitted along with shipping documents.”

During the audit of Wah Industry Limited for the year 2019-20, it was observed that management issued purchase order worth US \$ 535,000 equal to Pak Rs. 74.220 million to M/s CAT MINH Technology equipment VIETNAM for procurement of 250 MT lead ingots on 31st January 2019. LC worth US \$ 535,000 was opened in Bank Alberka Pvt. Ltd. in March 2019.

The company shipped the first consignment of lead ingots 100 MT in April 2019 without pre-shipment inspection of the consignment against the terms and conditions of contract. It was observed that the bank released 100% payment of US \$ 214,000 equal to Pak Rs. 30.329 million against 80% payment of US \$ 171,200 as per terms and condition of contract.

During inspection it was found that the company shipped lead ingots of 4.350 MT only instead of 100 MT. The matter of short supply was taken up with the supplier company but no response was received till date.

The company sustained loss of Rs. 16.061 million after encashment of bank guarantee of the supplier and recovery of excess payment made by the bank through LC.

The matter was reported to the management on 05th January 2021. In DAC meeting held on 27th January 2021 management apprised the committee that loss incurred due to fraud could not be recovered despite various attempt through Embassy / Government. Out of Rs. 30 million, Rs. 14 million has been recovered. DAC directed the management to refer the case to MoDP for review and appropriate decision

Audit recommends that the matter may be investigated to fix responsibility and to recover the loss.

Para-1 WIL, 2019-20

4.4.4.7 Irregular award of contract to M/s All About Innovation Islamabad - Rs. 26.270 million

According to Rule -33 (2) of PPRA Rules 2014 “In case of procurement of works, solicitation documents should contain technical specifications, drawing and designs, bills of quantities and estimated costs whatever applicable, evaluation criteria, expected commencement of contract and time period for completion, bid validity, securities demanded, payment schedule, general and special condition of contract.”

During the audit of Wah Industry Limited (WIL) for the year 2019-20, it was observed that the management of Wah Industry Limited called tenders for interior renovation of WIL building. In response three firms submitted their bids. Contract was awarded to M/s All About Innovation, Islamabad at cost of Rs. 26.00 million on 20.11.2019 for interior renovation of WIL building with the completion period of six months from the date of contract. The following irregularities were observed in evaluation process:

- a) No technical evaluation of the bids received was carried out to check registration of bidders with Pakistan Engineering Council for the subject work, relevant past experience and technical capabilities etc.

Furthermore, the following irregularities were observed in execution of contract:

- a) As per terms and condition of bidding documents, 100% payment will be made on completion and inspection of the renovation work. However, part payment was allowed in the contract.
- b) The contractor claims their bills in phases without reference to the actual work done against the scope of work assigned as per BOQ.
- c) Payment was made to the contractor without certification of actual work carried out as per BOQ.

- d) The contractor failed to execute the work within the scheduled time period. Payment was released to the firm after the contract period without any penalty.
- e) The work was required to be certified by the DCW as per terms and conditions of tender documents but no certification was carried out.
- f) The award as well as execution of the work is held irregular in audit.

The matter was reported to the management on 05th January 2021. The management replied that the firm has completed the major portion of work within the schedule period i.e. 20th May 2020. The slight delay occurred due to outbreak of COVID-19 pandemic. As per contract clause-9 “force majeure”, the delay in work shall be accepted in case of circumstances acceptable by WIL to be genuinely beyond the control of contractor. Therefore, penalty was not imposed as the circumstances were beyond the control of contractor. As per contract clause 8, inspection of the work was to be carried out by GM Admin WIL. Therefore, inspection of the work was carried out by GM Admin along with their nominated representatives. The DAC in its meeting held on 27th January 2021 directed to hold a fact finding inquiry and to submit a report to Ministry / Audit for review.

Audit recommends compliance of DAC directives.

Para-19 WIL, 2019-20

4.4.4.8 Loss to WIL due to non-encashment of insurance guarantees and material cost – Rs. 19.018 million

During audit of the WIL Wah Cantt for the year 2019-20, it was observed that various cases as detailed below were under trail in the court of law due to non- encashment of the guarantees by the insurance companies and other recoveries on account of the material or cost thereof, resulting into loss of Rs. 19,018,000 to the company:

S. No.	Case Filed by	Subject	Amount (Rs)
1	Wah Industries Vs Capabilities Plus (Pvt.) Ltd. Lahore	Suit for recovery of material or cost Rs. 3,395,434	3,395,434
2	Wah Industries Vs Imperial Plastic Industry	Suit for recovery of material or cost Rs. 2,700,747	2,700,747
3	WIL Vs United Insurance Co.	Suit for recovery of	11,247,500

		Rs. 11,247,500	
4	WIL Vs Jubilee General Insurance Co.	Suit for recovery of Rs. 1,674,319	1,674,319
	Total		19,018,000

The matter was reported to the management on 05th January 2021. The management replied that cases for recovery of involved amount and encashment of insurance guarantees have been filed in the court of law and are under active litigation. The cases are sub-judiced and have been fixed for hearing. The DAC in its meeting held on 27th January 2021 directed the management to hold fact finding inquiry and place the report before Secretary DPD/Audit for review.

Audit recommends compliance of DAC directives and immediate recovery of the amount from the companies concerned under intimation to Audit.

Para-36 WIL, 2019-20

Chapter-5

Finance Division

Overview

The Finance Division deals with the subjects pertaining to finance of the Federal Government and financial matters affecting the country as a whole, preparation of annual budget statements and supplementary / excess budget statements for the consideration of the parliament accounts and audit of the Federal Government Organization etc. as assigned under the Rules of Business, 1973.

Moreover, Finance Division maintains financial discipline through financial advisors in organizations attached to each Ministry / Division etc.

Aims & Objectives

To pursue sound and equitable economic policies that put Pakistan on the path of sustained economic development and macroeconomic stability with a view to continuously and significantly improving the quality of life of all citizens through prudent and transparent public financial management carried out by dedicated professionals.

Governing Laws and Policies

- Rule of Business 1973
- General Financial Rules

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	10	6	34,048.28	121,369.50
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 122,525.807 million were raised as a result of this audit. This amount also includes recoverable of Rs. 30,117.207 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	142.532
3	Irregularities:	
A	HR/Employees related irregularities	253.477
B	Procurement related irregularities	1,087.836
C	Management of accounts with Commercial Banks	48.991
4	Value for money and services delivery issues	838.216
5	Others	120,154.754

5.1 House Building Finance Company Limited

5.1.1 Introduction

House Building Finance Company Limited (HBFCL) is the only housing finance institution in Pakistan, established in 1952 by the Government of Pakistan.

It was corporatized in 2007 and is now an unlisted public limited company. State Bank of Pakistan (SBP) and Government of Pakistan (GOP) jointly hold the capital of HBFC with 90.31% and 9.69% shareholding, respectively.

House Building Finance Company Limited (HBFCL) provides financing facilities for construction and purchase of houses through its deep-rooted and national footprint of 51 Branches, 7 Area Offices, 3 Regional Offices and the Head Office based in Karachi.

5.1.2 Financial Analysis / Comments on Audited Accounts

5.1.2.1 The working results of the Company for the year ended December 31, 2019 as compared with the preceding years are given below:

	2019	% Inc / (Dec)	2018	% Inc / (Dec)	2017
Net markup / interest income	2,987.84	33.3	2,241.41	(1.8)	2,281.94
Total non-markup / interest income	130.80	(11.5)	147.842	(16.6)	177.21
Total income	2,981.13	24.8	2,389.25	(2.8)	2,459.15
Total non-markup / interest expense	1,637.30	13.7	1,439.78	40.3	1,025.89
Operating expenses	1,618.36	12.4	1,440	40.4	1,026
Various reversal / (provision) made (net)	(368.64)	(205.9)	348.193	(48.7)	678.374
Profit/(loss) before taxation	953.75	(24.0)	1,254.49	(37.9)	2,019.11
Taxation	1,808.30	747.9	213.26	(45.8)	393.788
Profit/(loss) after taxation	2,762.05	165.3	1,041.23	(35.9)	1,625.33
Investment, cash & bank balance	10,694.17	23.4	8,663.75	6.1	8,166.17
Advances	11,668.74	(0.1)	11,681.18	1.5	11,512.36
Borrowings	2,000	2000.0	0.00	0	0.00
Other Liabilities	3,093.78	(22.1)	3,972.66	9.84	3,616.65
Total assets	25,201.85	20.7	20,877.88	2.69	20,330.07

5.1.2.2 Total non-markup /interest income of the company decreased by 11.5% from Rs. 147.842 million to Rs. 130.800 million in 2019. This requires justification.

5.1.2.3 Operating expenses of the company has increased by 12.4% during the year from Rs. 1,440.000 million to Rs. 1,618.360 million in 2019. This requires justification.

5.1.2.4 Various provisions against loans and advances of Rs. 368.640 million were created during the year 2019, increasing the amount by 206% from a reversal of provisions of Rs. 348.193 million in 2018. Company was reversing the provisions against loans during years 2017 & 2018, whereas it has created provisions in year 2019, which needs justification.

5.1.2.5 Profit before taxation decreased by 24% from Rs. 1,254.490 million in 2018 to Rs. 953.750 million in 2019, which needs justification.

5.1.2.6 Profit after tax has been increased by 165.3% from Rs. 1,041.230 million in 2018 to Rs. 2,762.050 million in 2019 mainly due to creation of deferred tax asset of Rs. 1,817.412 million in 2019. This requires justification.

5.1.2.7 Company had borrowed Rs. 2,000.000 million from M/s. Pakistan Mortgage Refinance Company Ltd. (PMRC) at interest rate of 8.5% per annum, which needs justification.

5.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1994-95	14	9	5	37, 38, 39, 41, 42	64
1998-99	2	1	1	89	50
1999-00	5	3	2	132, 135	60
2000-01	5	2	3	101, 102, 103	40
2001-02	5	4	1	95	80
2002-03	3	2	1	56.1	67
2003-04	14	8	6	41.4, 41.5, 41.6, 42, 43, 48	57
2004-05	3	-	3	29, 30, 31	-
2005-06	14	11	3	56.1, 57, 58	79
2006-07	5	4	1	38	80
2007-08	8	3	5	43, 44(a), 44(b), 44 (c), 44(d)	38
2010-11	10	6	4	7.1.2.1, 7.1.2.3, 7.1.4.1, 7.1.4.4	60
2013-14	12	1	11	6.1.2, 6.1.3.1, 6.1.3.2, 6.1.3.3, 6.1.3.4, 6.1.3.5, 6.1.3.6, 6.1.3.7, 6.1.3.8, 6.1.3.9, 6.1.3.10	8
2015-16	7	1	6	6.2.4.2, 6.1, 6.2.2, 6.2.3, 6.2.4.1, 6.2.4.3	14
2016-17	12	2	10	6.1.4.3, 6.1.4.6, 6.1.4.1, 6.1.2.1, 6.1.2.2, 6.1.3, 6.1.4.2, 6.1.4.4, 6.1.4.5, 6.1.4.7	17
Total	119	97	62		82%

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

5.1.4 Audit Paras

5.1.4.1 Loss due to non-recovery of non-performing loans – Rs. 5,838.291 million

Prudential Regulation (18) of State Bank of Pakistan for House Financing states that Banks/DFIs should ensure that adequate procedures, systems and manpower are in place to efficiently handle the recovery process of default amount and successful execution and accomplishment of the auction proceedings wherever necessary, in accordance with the procedures and articles laid down in the Financial Institutions (Recovery of Finances) Ordinance, 2001 (FIRO-2001) and other provisions/clauses, amendments in FIRO-2001 or any law/regulations in force and SBP instructions issued from time to time.

As per Regulation HF-10 of SBP, the housing finance shall be classified under Loss category where mark-up or principal is overdue by two years or more from the due date.

During audit of House Building Finance Company Ltd. (HBFCL) for the year 2019, it was observed that an amount of Rs. 5,838.291 million was defaulted by various customers. These are categorized as loss as per State Bank's Prudential Regulations for house building financing. This included an amount of Rs. 5,330.782 million outstanding for more than 5 years which constitutes 91% of total outstanding amount. The details are as under:

(Rs. in million)		
Detail	Number of customers	Total Amount Default
Loss (1st & 2nd Year)	250	26.845
Loss (3rd & 4th Year)	1,279	335.964
Loss (5 years)	519	144.700
Loss (More than 5 years)	25,585	5,330.782
Total	27,633	5,838.291

Audit considers management's failure to recover defaulted amount of Rs. 5,838.291 million as inefficiency of the management and weak internal controls.

The matter was reported to the management in September 2019. The irregularity was discussed in DAC meeting held on 31 December, 2020. The management stated that Rs. 230.000 million was recovered from 2,505 customers. The DAC directed the management to follow up the outstanding recovery vigorously and get the relevant record verified from audit. However, no relevant record was provided to the Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.1.4.2 Irregular appointment of CIA & CFO on secondment basis and subsequent extensions after age of superannuation - Rs. 105.948 million

HBFCL secondment policy states that HR department will propose secondment of professional at HBFCL for approval of authorities by mentioning proper justifications, once it is satisfied that the position has been advertised and

external and internal candidates have been evaluated by the management, however, candidate with required skill set and expertise could not be found.

According to the Cabinet Secretariat (Establishment Division) Government of Pakistan O.M. No.4/2/90-R-1-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007 the re-employment after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

During audit of House Building Finance Company Ltd. (HBFCL) for the year 2019, it was observed that employees were appointed on near superannuation age for period of two years on secondment basis from private banks without advertisements. Their appointments and subsequent extensions after the age of superannuation were in violation of above Establishment Division directives and Supreme Court ruling regarding re-employment beyond superannuation. Detail of employees is as under:

Name	Parent Organization	Position	Pay and Perks (Rs. in million)	Age at the time of appointment	Duration
Abdul Waheed	HBL	Chief Internal Auditor	54.739	59 years 11 months	From 31.03.2016 to date
Ashraf Ali Velji	UBL	CFO	51.209	58 years	From 19.04.2016 to date
Total			105.948		

Audit is of the view that the incumbents were favored by the management not only in their initial appointments but also in subsequent extensions beyond the age of superannuation. The principles of transparency, merit and equal opportunity in appointment of CIA & CFO were violated.

The matter was reported to the management on September 07, 2020. The irregularity was discussed in DAC meeting held on 31 December, 2020. The management stated that BOD of HBFC is empowered to decide all HR related matters. The DAC directed the management to hold fact-finding inquiry. However, no progress was intimated to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.1.4.3 Blockage of funds due to non-construction on vacant plots – Rs. 91.300 million

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

During audit of House Building Finance Company Ltd. (HBFCL) for the year 2019, it was observed that HBFCL owned different plots at various cities in Pakistan for construction of residential apartments and office buildings. During 2005, Board of Directors decided to construct residential apartments and office buildings on these plots. However, no progress had been made till date regarding construction on mentioned plots despite lapse of almost 15 years.

Audit is of the view that management's inefficiency to start the construction on these plots till date is violation of Board's decision and prolonged delay in construction will result in escalated construction costs.

The matter was reported to the management in September 2019. The irregularity was discussed in DAC meeting held on 31 December, 2020. The management stated that it had been making efforts to proceed with the construction on the plots in the past. However, due to certain issues beyond control of HBFC, the construction could not be started. Moreover, in the wake of the on-going privatization process, the same is put on hold by the management. DAC directed the management to get the facts verified from Audit. However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.1.4.4 Loss due to imprudent decision by management – Rs. 88.000 million

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

During audit of House Building Finance Company Ltd. Head office (HBFCL-HO) for the year 2019, it was observed that management purchased two plots (i.e. Plot No. 139 & 140) of 1,000 Sq. yards each for a total sum of Rs. 13.000 million in Gwadar in 2006 from M/s. Taloo Builders and Developers by paying down payment of Rs. 3.250 Million and remaining was to be paid on completion of documents and possession of plots. However, it was observed that the title of plots was not clear and sub judice. M/s. Taloo Builders and Developers offered two new commercial plots No. 143 & 144 to HBFCL in 2009. However, no progress was made on the said matter. In 2017, market value of each plot was Rs. 44.000 million (total of Rs. 88.000 million). A meeting of HBFCL management with builder was held to resolve this long outstanding matter. The builder informed that since the plots were no longer available for sale.

Audit is of the view that management's decision to pay initial payment for the purchase of plot without clear title of plots is unjustified.

The matter was reported to the management in September 2019. The irregularity was discussed in DAC meeting held on 31 December, 2020. The management stated that the matter is in the court and the management had not accepted the offer of builder for refund of down payment. DAC directed the management to get the details verified from the audit and pursue the court case vigorously. However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.1.4.5 Irregular financing by Branch Managers - Rs. 47.979 million

Section 4.1(a) of Code of conduct of HBFCL states that the employees shall not commit or assist any activity that involves making false statement, fraud, forgery, misappropriation, theft, embezzlement, bribery, misrepresentation, violation of HBFC rules, regulations, policies and procedures and/or any similar activity that harms or may harm the interest and reputation of HBFC.

As per HBFCL Loan sanction criteria, the applicant must produce documents as per terms & conditions spelled out therein.

As per Circular No. 475 Ghar Aasan (Flexi) dated 01.10.2007, disbursement of construction loan to be made in four tranches according to stage of construction. Tranches (1st, 2nd and 4th) should be released subject to satisfactory inspection report / photographs by the District Manager or the nominee of Zonal Manager (ZM).

During audit of House Building Finance Company Ltd. (HBFCL) for the year 2019, audit observed following irregularities in disbursement of loan:

- a) Branch Manager- Gilgit made irregular disbursement of Rs. 13.730 million and Rs. 9.400 million in various construction cases by taking deceptive pictures of properties and preparing improper inspection reports and thereby, releasing various tranches under construction financing. Internal reports of FIU confirmed that area manager and branch manager – Gilgit were fully aware of the fact that the financings were required for commercial construction purpose as against the spirit of policy. The valuator, M/s. A.J. Associates was also involved in irregular practices and no objection was raised in his inspection reports (**Annex-30**).
- b) Karachi branch financed loans of Rs. 17.449 million against fictitious properties. The borrowers had submitted fake sale agreement and invalid documents of the properties. Subsequently, valuation firms were appointed to provide valuation report but none of the firm could submit their respective report due to non-existence of properties.
- c) Similarly, three cases were also observed in Islamabad branch valuing Rs. 7.400 million where the property as well as the person were not traceable and the management recommended to write-off the amount instead of taking actions against those employees who were involved in sanctioning fictitious loan.

Audit is of the view that Branch Managers did not comply with the rules and regulations of HBFCL and extended undue favor to customers in financing loans. There was no effort on the part of management either to recover the amount or take any disciplinary action against the officers/officials involved in fictitious disbursement of loan. Therefore, audit considers above disbursement of Rs. 47.979 million is irregular.

The matter was reported to the management in September 2019. The irregularity was discussed in DAC meeting held on 31 December, 2020 and following decisions were made:

a & b) Management stated that enquiry had been conducted and report thereof is still awaited. DAC directed the management to share the status of enquiry and get the relevant record verified by the Audit.

c) Management informed that all the cases were authorized as per policy after submission of required documents. DAC directed the management to refer the case to Board of Directors for appropriate decision in the matter and also get the facts verified from audit.

However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.1.4.6 Irregular appointment and unjustified excess payment of pay & allowances - Rs. 32.850 million

SBP's PBRD Circular No.5/2015 dated 12.03.2015 which states that while defining Key Executives the head of risk management and head of compliance are separate and distinct from each other. Moreover, Regulation G-1 of SBP PRs, states that the Banks/DFIs shall ensure that none of the posts of Key Executives shall be filled by an executive on acting/additional charge basis for more than three (3) months.

As per recruitment and selection policy the main objective is to select the right candidate through a transparent and merit based procedure as per organizational manpower requirements and Section 3.7.5.1 of HR Manual states pre-requisites for short listing of candidates. Section 14 of recruitment and

selection policy states that a candidate, who could not submit the required information or document, shall be disqualified from the current and all future recruitment processes.

During audit of House Building Finance Corporation Ltd. (HBFCL) for the year 2018 & 2019, audit observed following HR-related irregularities:

- a) Management recruited (04) senior officers at higher pay packages against their approved pay scales for the respective posts. The difference in pay packages compared to HBFC pay scales was of Rs. 14.963 million (1,496,350*10) (**Annex-31**).
- b) Management appointed Mr. Khawaja Ehrar ul Haq against the posts of Group Head Risk Management and Group Head - Compliance on contract for a period of two years on monthly salary of Rs. 513,000. Later on, management extended his contract on a monthly salary of Rs. 575,000 on same posts for a period of two years till 30.08.2022.
- c) Management appointed Mr. Muhammad Kamran as Group Head - Credit Management on monthly salary of Rs. 500,000 for two years contract, despite being over age at the time of his application. Moreover, he was appointed on a salary of Rs. 500,000, whereas the maximum basic pay scale for the grade of SVP was of Rs. 119,980. Further, management recommended 5 candidates for the post, of which 3 candidates were even not eligible as per criteria as they did not possess exceptional qualification/experience. Thus, undue favor was extended in appointment and shortlisting process was not transparent. This reflected favoritism to the appointed candidate, negligence of the management and irregular payment of Rs. 5.0 million.

Audit is of the view that despite the declining financial position of HBFC, it recruited individuals at such higher salaries. Further, appointment of one person as Group Head - Risk & Group Head - Compliance was violation of SBP's circular.

The matter was reported to the management in September 2019. The irregularity was discussed in DAC meeting held on 31 December, 2020, and following decisions were made:

- a) Management stated that BoD of HBFCL was empowered to decide all HR related matters. The DAC directed the management to get the relevant record verified by the Audit.
- b) Management stated that it had sought clarification from SBP but reply is still awaited. DAC directed the management to get clarification from SBP over the matter promptly and get the relevant record verified by the audit.
- c) Management stated that BOD of HBFCL was empowered to decide all HR related matters and candidates were shortlisted according to their qualification and experience relevant to HBFC. The DAC directed the management to get the relevant record verified by the audit.

However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.1.4.7 Irregular award and extensions in contracts – Rs. 21.805 million

As per Rule 20 of PPRA, 2004 the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Rule 4 of PPRA, 2004 states that Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of House Building Finance Corporation Ltd. (HBFC) for the year 2018, audit observed following irregularities in award of contracts:

- a) M/s. KPMG had been providing Executive Search & Selection service to HBFC since 2002 and their agreement kept on renewing till 2018 without following PPRA rules. No advertisement was published in any newspaper for the contract.
- b) Management awarded contract for janitorial services to M/s. Moon Star Janitorial Services in 2007 for one year, but the same has been extended multiple times and continued till-date.

Audit is of the view that above irregularities indicated favouritism to the contractors at the cost of the Corporation.

The matter was reported to the management in September 2019. The irregularities were discussed in DAC meetings held on 31.12.2020 and 29.01.2021 and following decisions were made;

- a) Management stated that the KPMG contract was awarded before promulgation of PPRA rules. The DAC directed the management to hold fact-finding inquiry in the case and get the relevant record verified by the Audit.
- b) Management informed that the monthly amount mentioned by audit is not correct. The DAC directed the management to provide complete record of the contract till date to prove its assertion.

However, no record was provided to the Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.1.4.8 Unauthorized expenditure on Consultancy Services – Rs. 10.090 million

As per Instructions for Shariah Compliance in Islamic Banking Institution dated March, 25, 2008 of State Bank of Pakistan, Islamic Banking Department iv) Appointment of Shariah Advisor shall require prior written approval from State Bank of Pakistan for which information about Shariah Advisor shall be submitted to the Islamic Banking Department of State Bank on Form SAP, attached to the Fit and Proper Criteria for Shariah Advisors.

During audit of House Building Finance Ltd. Karachi, for the year 2018, it was observed that the management hired consultancy services from M/s. Centre for Islamic Economics at fee of Rs. 300,000 per month, without prior written approval from State Bank of Pakistan. Resultantly, unauthorized expenditure of Rs. 10.090 million was incurred.

Audit is of the view that hiring of consultancy service without prior approval from SBP was in violation of SBP's regulation.

The matter was reported to the management in September 2019. The irregularity was discussed in DAC meeting held on 31 December, 2020. The management stated that only services were hired from M/s. Centre for Islamic

Economics instead of its appointment. The DAC directed the management to obtain opinion of the SBP in the case. However, no relevant record was provided to the audit by the management.

Audit recommends implementation of DAC directives.

5.1.4.9 Loss due to delayed registration with Employees Old Age Benefits Institution – Rs. 7.180 million

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

During audit of House Building Finance Company Ltd. - Head office (HBFCL-HO) for the year 2019, it was observed that Employees Old Age Benefits Institution (EOBI) served a demand notice on HBFCL for payment of Rs. 25.470 million, including Rs. 7.180 million as statutory increase due to default in payment, for the period from 01.07.2014 to 31.03.2019. During 2008 EOBI asked HBFCL for registration and contribution but management failed to do so despite getting legal opinion from Mr. Faisal Mehmood Ghani, who opined that HBFCL should adhere to the provisions of EOBI Act for registration. EOBI served final notice for registration in 2009 and registered HBFCL unilaterally in 2019 while also serving demand notice for payment of Rs. 25.470 million.

Audit is of the view that management did not comply with the provisions of registration under EOBI Act in time. This resulted into loss of Rs. 7.180 million due to delayed registration.

The matter was reported to the management in September 2019. The irregularity was discussed in DAC meeting held on 31 December, 2020. The management stated that it has sought legal opinion from Ministry of Finance and Law & Justice Division. DAC directed the management to get the details verified from the audit. However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives

5.1.4.10 Irregular payment of bonus despite operational loss – Rs. 4.160 million

HR Manual of House Building Finance Company Ltd. (HBFCL) states that bonus to employees/staff shall be paid subject to the determination of operational profit earned by the company.

Moreover, as per Finance Division (Regulation Wing) OM. No.F.3 (5) RI2/ BOCR.14/2002-154 dated March 18, 2002, the following conditions are to be fulfilled for the payment of bonus to the employees of Autonomous/Semi-Autonomous / Public Sector Corporation:

- i. The bonus would be paid on operational profit of the organization only, excluding profit from other sources.
- ii. The payment of bonus would not be made customary but it would be on the basis of profit earned and as reflected in the annual audited accounts of the organization.

During audit of House Building Finance Company Ltd. (HBFCL) Karachi for the year 2019, it was observed that management paid bonus of Rs. 4.160 million to its staff for the year 2018, whereas the company suffered an operational loss of Rs. 766.000 million during the year.

Audit is of the view that payment of bonus to employees despite operational loss is irregular.

The matter was reported to the management in September 2019. The irregularity was discussed in DAC meeting held on 31 December, 2020. Management stated that bonus was paid to employees after taking approval from BoD. The DAC directed the management to get the details verified from the audit. However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.1.4.11 Unjustified award of contract of performance evaluation of Board of Directors

Rule 5 of Public Sector Companies (Corporate Governance) Rules, 2013 states the directors of a Board shall be persons who shall assist the Public Sector

Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of House Building Finance Company Ltd. (HBFCL) Karachi for the year 2019, it was observed that a contract was awarded to M/s. KPMG for evaluating performance of the BoD, Board Committees and members of the Board for the year 2018. This was despite the fact that M/s. KPMG was involved in all strategic key management planning, hiring of key management positions/executives and almost all consultancy contracts involving strategic decisions of HBFCL.

Audit is of the view that management extended undue favor to M/s. KPMG by awarding the contract as it was already involved in all strategic matters. It is against the principles of objectivity, fairness and transparency as per Guidelines issued by State Bank of Pakistan related to performance evaluation of Board of Directors. Thus, the evaluation of performance of BoD along with its committees is deemed partial and compromised.

The matter was reported to the management in September 2019. The irregularity was discussed in DAC meeting held on 31 December, 2020. Management stated that the various contracts awarded to the firm previously did not involve the strategic matters and contract of performance evaluation of Board of Directors was awarded as per PPRA rules. The DAC directed the management to get the relevant record verified by the audit. However, no relevant record was provided by the management to Audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.2 National Security Printing Corporation (Pvt.) Limited

5.2.1 Introduction

National Security Printing Company (Private) Limited was incorporated in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) on April 18, 2017 and is wholly owned by the Government of Pakistan. The registered office and the factory are located at Jinnah Avenue, Malir Halt, Karachi. The Company is principally engaged in the printing of security documents on behalf of the Government of Pakistan, government agencies and private institutions.

5.2.2 Comments on Audited Accounts

5.2.2.1 The working results of the Company for the year ended June 30, 2020/19 as compared with the preceding years are given below:

	(Rs. in million)				
	2018-19	% Inc / (Dec)	2017-18	% Inc / (Dec)	2016-17
Sales	4,827.37	51.80	3179.986	229.04	966.446
Cost of Sales	(2,927.21)	73.89	(1,683.341)	477.33	(291.574)
Gross Profit	1,900.16	26.95	1,496.645	121.77	674.872
Administrative Expenses	(272.29)	(38.50)	(442.789)	751.68	(51.990)
Other Expenses	(260.18)	57.16	(165.547)	89.45	(87.382)
Other income	707.124	188.15	245.399	(34.66)	375.567
Operating Profit	2,074.80	83.01	1133.708	24.44	911.067
Finance Cost	(209)	7578.18	(2.722)	100.00	-
Profit before Taxation	2,074.59	83.43	1130.986	24.14	911.067
Taxation	(547.699)	11.72	(490.247)	118.58	(224.291)
Profit after Taxation	1,526.89	138.30	640.739	(6.70)	686.776

(Source: Annual Audited Accounts 2018-19)

5.2.2.2 Cost of Sales significantly increased by 73.89% to Rs. 2,927.210 million in year 2018-19 from Rs. 1,683.341 million in 2017-18, which requires explanation.

5.2.2.3 Gross profit during the year 2018-19 increased by 26.95% to Rs. 1,900.160 million from Rs. 1,496.645 million in 2017-18. However, relative increase in comparison with year 2016-17 was significantly lower, which requires explanation.

5.2.2.4 Other expenses increased by 57.16 % from Rs. 165.547 million in 2017-18 to Rs. 260.18 million in 2018-19, which requires justification.

5.2.2.5 Finance cost increased manifold by 7,578% from Rs. 2.722 million in 2017-18 to Rs. 209.000 million in 2018-19, which requires justification.

5.2.3 Compliance of PAC Directives

Entity was newly established in the year 2017, hence no PAC directives are outstanding against the organization

5.2.4 Audit Paras

5.2.4.1 Non-recovery of service charges from various organizations - Rs. 2,116.164 million

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

During audit of National Security Printing Company (NSPC) for the year 2018-19, it was observed that an amount of Rs. 2,116.164 million was outstanding against various organizations on account of trade receivables as on 30.6.2019. The detail is as under.

(Rs. in million)		
S#	Organizations	Outstanding Amount
1.	DG PPO	1,199.513
2.	Immigration & Passport	818.694
3.	Banks	12.304
4.	Other Govt. Departments	85.653
Total		2,116.164

Audit is of the view that accumulation of dues and non-recovery of the same despite lapse of considerable time shows weak internal controls as well as negligence on part of the management.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19.

Audit recommends that corrective measures may be taken, besides earliest recovery of the dues should be materialized.

5.2.4.2 Non-utilization of imported printing machines – Rs. 650.415 million

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of National Security Printing Company (NSPC) for the year 2018-19, it was observed that various printing machines and equipment valuing Rs. 650.415million were imported but are lying at NSPC facility without utilization/ installation. Therefore, these machines are being depreciated without being utilized and warranty period is reducing by the day (**Annex-32**).

Audit is of the view that management either procured machines without need or they failed to fetch business for utilizing the same, which has led to blockade of funds unnecessarily. Further, assets are deteriorating with the passage of time without utilization.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19.

Audit recommends that corrective measures may be taken and fix responsibility on the person (s) at fault.

5.2.4.3 Imprudent investments in stock fund – Rs.48.991 million

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

During audit of National Security Printing Company (NSPC) for the year 2018-19, it was observed that management invested an amount of Rs.100.000 million in the NAFA Islamic stock fund despite the fact that the already invested funds have been booking losses on yearly basis. The details are as below:

								Rs. in million
Description	2019	2018	Amount injected	Average purchase unit rate	Unit purchased 2018-19	Unit rate	Difference of unit rate	Loss on re-measurement of investment
	A	B	C	D	E	F	G=F-D	H=G*E
Units held	21,846,628	12,985,024	100	11.28	8,865,248	9.11	(2.173)	19.260
Unit rate	9.108	11.397	-	-	-	-	-	-
Net present value already invested in fund	118.263	147.994	-	-	-	-	-	29.731
Grand Total								48.991

Audit is of the view that management failed to invest the funds in a prudent manner which shows inefficiency and professional negligence. The imprudent investment of Rs. 48.991 million resulted in loss of Rs. 19.260 million to organization.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19.

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

5.2.4.4 Wasteful expenditure on stores, spares and slow moving stock – Rs. 47.395 million

Rule 8 of PPRA, 2004 states that all procuring agencies shall devise a mechanism for planning in detail for all proposed procurement to determining the requirement of the procuring agency.

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

During audit of National Security Printing Company (NSPC) for the year 2018-19, it was observed that management procured inventory items under the head of spares and stores of Rs. 35.085 million in the years 2012 to 2014. The said inventory remained unutilized for more than 6 years. Besides, provision was also recorded of unutilized slow moving and obsolete stock of Rs. 12.310 million as on June 30, 2019. The details were not provided to audit despite requisitions.

Audit is of the view that due to ill-planning and lack of due diligence on part of the management wasteful expenditure of Rs. 47.395 million was made.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19.

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

5.2.4.5 Mis-procurement of ballot Paper from foreign supplier – Rs. 27.955 million

Rule 12(2) of PPRA, 2004 states that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Further, Rule 40 explains no negotiations with the bidder having submitted the lowest evaluated bid or with any other bidder.

During audit of National Security Printing Company for the year 2018-19, it was observed that management awarded contract for procurement of water marked (W/M) off white paper to foreign supplier, M/s. Papeteries de Visille, for US \$ 211,144.50 against quoted price of US\$ 232,887.70 (unit price 500 sheets at US\$ 34.90 for quantity of 6,673 paper having total value US\$ 232,887.70) without being part of prequalification process. Moreover, at the time of pre-qualification, management used to get examined sample of papers through Document Analytical Process Lab (DAPL), but same was not done in this case before and after shipment.

Audit is of the view that management mis-procured the ballot paper from the foreign supplier and avoided open competition. Moreover, the major check and balance of examination of paper by end-user was also not done.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19.

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

5.2.4.6 Mis-procurement of toners – Rs. 25.590 million

As per Rule 20 of PPRA, 2004, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

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

During audit of National Security Printing Company (NSPC) for the year 2018-19, it was observed that the management purchased TROY MICR toners for HP printer having value of Rs. 25.590 million from single source M/s. Marium & Co. on quotation basis by declaring it as a proprietary item. However, the certificate issued by the fora seems to be prepared to just fulfill the PPRA requirement.

Audit is of the view that the due diligence of declaring the proprietary item was not done to extend undue favor to the particular supplier.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19.

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

5.3 Pakistan Security Printing Corporation (Pvt.) Limited

5.3.1 Introduction

Pakistan Security Printing Corporation (Private) Limited was incorporated in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017) and is wholly owned by the State Bank of Pakistan (SBP). The registered office and the factory of the Corporation are located at Jinnah Avenue, Malir Halt, Karachi. The Corporation is principally engaged in the printing of currency notes and prize bonds on behalf of State Bank of Pakistan.

5.3.2 Comments on Audited Accounts

5.3.2.1 The working results of the Corporation for the year ended June 30, 2020 as compared with the preceding years are given below:

(Rs. in million)					
	2019-20	% Inc / (Dec)	2018-19	% Inc / (Dec)	2017-18
Sales	16,522.88	18.47	13,947.17	14.19	12,214.28
Cost of Sales	(13,325.21)	17.40	(11,349.93)	21.97	(9,362.22)
Gross Profit	3,197.67	23.12	2,597.23	(11.36)	2,852.06
Administrative Expenses	(767.21)	(1.72)	(780.62)	34.93	(591.42)
Other expenses	(186.592)	(67.99)	(582.97)	144.45	(218.44)
Other Income	342.673	(34.39)	522.268	23.18	376.98
Financial charges	(2.98)	(26.60)	(4.06)	24.16	(3.27)
Share of profit from associates excluding dividend	797.87	32.52	602.06	1.57	691.42
Profit before taxation	3,381.43	43.61	2,354.58	(24.09)	3,107.33
Profit after taxation	2,600.15	38.49	1,877.52	(11.16)	2,059.21

(Source: Annual audited accounts)

5.3.2.2 Other income decreased by 34.39% to Rs. 342.673 in the year 2019-20 from Rs. 522.268 million in 2018-19, which needs justification.

5.3.2.3 Cost of sales increased by 17.40 % to Rs. 13,325.21 million in 2019-20 from Rs. 11,349.93 million in 2018-19, which needs explanation.

5.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2002-03	4	3	1	67.2	75
2007-08	5	2	3	49.2,50	40
2010-11	13	-	13	7.3.1, 7.3.2, 7.3.2.1, 7.3.2.2, 7.3.2.3, 7.3.2.4, 7.3.3, 7.3.4.1, 7.3.4.2, 7.3.4.3, 7.3.4.4, 7.3.4.5, 7.3.4.6	-
2013-14	7	4	3	6.2.2.1, 6.2.2.3, 6.2.2.5, 6.3.3	57
2015-16	8	1	7	6.3.4.4, 6.3.2.2, 6.3.2.3, 6.3.3, 6.3.4.1, 6.3.4.2, 6.3.4.3, 6.3.4.5	13
2016-17	6	1	5	6.2.2.1, 6.2.3, 6.2.4.1, 6.2.4.2, 6.2.4.3	17
Total	43	11	32	-	25%

The overall compliance of PAC directives needs improvement.

5.3.4 Audit Paras

5.3.4.1 Mis-procurement of intaglio machine – Rs. 922.160 million

PPRA Rules 36-b (v) (vi) states that the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements. And during the technical evaluation no amendments in the technical proposal shall be permitted.

During audit of PSPC for the year 2018-19 and 2019-20, it was observed that the management floated tender on March 31, 2017 for procurement of Intaglio Bank note printing machine which was awarded to M/s. Komori Corporation for JPY 895.305 million (Rs. 922.160 million). This was despite the fact that the equipment quoted by M/s. Komori Corporation was not in accordance with the tender specifications and the user department also did not accept the machine. Despite non-acceptance by user department, the management

awarded the contract to M/s. Komori Corporation, Japan. Thereafter, the cylinder of the machine cracked within only 20 days of operation.

Audit is of the view that undue favor was extended to M/s. Komori Corporation despite falling short of the technical specifications as well as rejection by the user department.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

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

5.3.4.2 Non-payment of stamp duty - Rs. 247.706 million

According to Section 15 of the Sindh Revenue Board (Amendment) Act, 2002 any instrument in the nature of memorandum of agreement made or entered into by contractor with Government, a Corporation, local body, local authority, commercial or industrial concern, body registered under the Company Law, a cooperative society or any other organization to execute any work or to supply or to undertake cartage of stores and materials and to provide engineering consultancy services or any other services covered under above documents including a purchase order, work order, cargo bill, a railway ticket of ACC, a running rate contract and other levies and taxes pertaining to local bodies shall pay twenty paisa for every hundred rupees or part thereof of the amount of the contract. The Sindh Board of Revenue Stamp amendment Act 2020, b (4) states that “where any person fails to pay the proper stamp duty to gather with a penalty as required under sub section (1) (b), even after the expiry of period of thirty days, shall be liable to pay a surcharge of two percent per month of the total deficit duty.”

During the audit of Pakistan Security Printing Corporation (PVT) Ltd. (PSPC) for the year 2018-19 & 2019-20, it was observed that an amount of Rs. 199.706 million was payable to Sindh Board of Revenue on account of Stamp Duty as on 30.06.2020. Instead of paying the stamp duty regularly, the management was making provisions on yearly basis. Non-payment of principal

amount leads to an annual penalty of Rs. 48.000 million bringing the total payable amount to Rs. 247.706 million.

Audit is of the view that management should have timely paid the duties and taxes in order to avoid any penalties by the tax authorities.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

Audit recommends that management may take corrective measures and fix responsibility on the person (s) at fault.

5.3.4.3 Unjustified wastage of bank notes - Rs. 230.394 million

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

During audit of Pakistan Security Printing Corporation (Pvt.) Ltd. (PSPC) for the year 2018-19 & 2019-20, it was observed that PSPC incurred loss of Rs. 230.394 million during the period 2018-19 due to wastage of bank notes. The production department of bank note was not maintaining the wastage / destroyed report of each bank note (**Annex-33**). Moreover, the record pertaining to wastage / destruction of notes of each denomination as well as the permissible limits of wastage were not provided to audit.

Audit is of the view that non-maintenance of destroyed record creates doubts on authenticity of wastage / destroyed notes. Due to non-availability of authentic record, the expenditure of Rs. 230.394 million is unjustified and loss to the corporation.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

5.3.4.4 Wasteful expenditure on purchase of stores, spares and obsolete stock of ink and paper – Rs. 119.486 million

Rule 08 of PPRA, 2004 states that all procuring agencies shall devise a mechanism for planning in detail for all proposed procurement to determining the requirement of the procuring agency.

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

During audit of PSPC for the years 2018-19 and 2019-20, it was observed that management procured inventory under the head of spares and stores items of Rs.65.992 million and slow moving and obsolete stocks of paper and ink valuing Rs. 53.494 million. The said inventory remained unutilized as on 30.06.2020 and was declared as obsolete. The same obsolete stock is also being showed as work in process. The detailed record along with category and ageing was called for scrutiny, but the same was not provided.

Audit is of the view that due to ill-planning and lack of due diligence on part of the management, wasteful expenditure of Rs. 119.486 million was incurred. The stock has remained unutilized and the element of misappropriation/misuse could also not be ruled out.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

5.3.4.5 Undue favor in awarding contract of study of existing HVAC system in BN factory - Rs. 16.950 million

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

Rule-48 of PPRA states that the procuring agency shall constitute a committee comprising of odd number of persons, with proper powers and authorizations, to address the complaints of bidders that may occur prior to the entry into force of the procurement contract.

During audit of PSPC for the year 2018-19 and 2019-20, it was observed that the management awarded contract of Study, Planning, Designing, and Documentation and Supervision of replacement of existing HVAC system in Bank Note factory to M/s. Fahim, Nanji and Desouza Pvt. Ltd. for Rs. 16.950 million. However, the management unjustifiably rejected bid of M/s. NESPAK Ltd. on technical grounds for non-completion of 2000 TR projects despite the fact that M/s. NESPAK had completed more than 4 projects of over 2500 TR. The same criteria were not even met by M/s. Fahim, Nanji and Desouza Pvt. Ltd. Upon rejection, the aggrieved party i.e. M/s. NESPAK filed a grievance complaint in this regard but instead of forming redressal committee, contract was awarded to M/s. Fahim, Nanji and Desouza Pvt. Ltd.

Audit is of the view that the management extended undue favor to M/s. Fahim, Nanji and Desouza Pvt. Ltd. in awarding the contract and rejected the M/s. NESPAK Pvt. Ltd. without justification. Therefore, the award of contract stands irregular.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

5.3.4.6 Irregular award of contracts - Rs. 15.258 million

As per Rule 20 of PPRA, 2004 the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

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

During audit of Pakistan Security Printing Corporation (PSPC) for the year 2018-20, it was observed that procurements of Rs. 15.258 million were made during the year without competitive bidding as required under the PPRA rules. The detail is as below:

(Rs. in million)			
Name of supplier	Item procured	Purchase order date	Amount
M/s. MAL Pakistan Limited	Mobil Oil DTE-25	14.02.2019	2.932
M/s. Orient Rental Modarba	Operation and maintenance of 02 Nos, gas generator of co-generation power plant	03.08.2018	7.141
M/s. Agrico International Tractor Limited	Millat Tractor MF385(4WD)	31.10.2019	3.223
M/s. Apple Shop	Tablets/PCs	-	1.962
Total			15.258

Audit is of the view that management extended undue favor to the contractors by avoiding the principal method of open competitive bidding. Thus, management was deprived of competitive rates.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however,

the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

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

5.3.4.7 Irregular borrowing services of Director Operation of M/s. SPL in PSPC - Rs. 5.000 million

As per HRM Rule-15 clause-(iii), non-disclosure of conflict of interest situations is treated as misconduct, and can lead to termination of service if willful with-holding of information is proved.

During audit of Pakistan Security Printing Corporation (PSPC) for the years 2018-19 and 2019-20, it was observed that the management hired services of Dr. Muhammad Ashraf Butt as Director Operations from M/s. Security Paper Limited (SPL), a client of PSPC. While having dual charge, he failed to achieve the targets assigned to him since he was having conflict of interest being employee of PSPC and SPL at the same time. He was also favored for foreign training, marked specifically for the permanent employees of PSPC.

Audit is of the view that his parent organization is the sole client for supplying security papers to PSPC which tantamount to conflict of interest. The management extended undue favor to the incumbent by hiring his services.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

5.3.4.8 Award of contract of procurement of ACs to the second lowest bidder – Rs. 3.282 million

Rule 38 of PPRA states that the bidder with the lowest evaluated bid shall be awarded the procurement contract, within the original or extended period of bid validity.

During audit of PSPC for the year 2018-19 and 2019-20, it was observed that the management procured seven industrial AC units (cooling capacity 04 TR) from the 2nd lowest bidder, M/s. Ice Berg Industries, for Rs. 3.282 million (including taxes) instead of the 1st lowest, M/s. Zemco Engineering. The details of financial bids are as under:

S#	Name of Supplier	Required cooling capacity	Cooling capacity	Bid (per unit)
1.	M/s. Ice Berg Industries	48,000 Btu/h	40,000 Btu/h	400,800
2.	M/s. Zemco Engineering	48,000 Btu/h	48,800-52,800 Btu/h	372,000

Audit is of the view that award of contract of procurement of ACs to the second lowest bidder reflected undue favor to the contractor at the cost of the Corporation, negligence and slackness of the management in awarding the contract by compromising the value for money.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

Audit recommends to take immediate corrective measures and to fix responsibility on the person (s) at fault.

5.3.4.9 Non-Production of auditable record

Section 14 (2) & (3) of Auditor General's (Functions, Powers and Terms and Condition of Service) Ordinance 2001, state that:

(2) The officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete form as possible and with all reasonable expedition.

(3) Any person or authority hindering the auditorial function of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During the audit of Pakistan Security Printing Corporation for the year 2018-19 & 2019-20, audit issued 29 requisitions to the management for production of auditable record / information. In response, incomplete and partial record was provided by the management. The information received was not

backed by concerned files and working papers despite repeated verbal and written reminders (**Annex-34**).

Audit is of the view that non-production of record / information is violation of the above mentioned rules.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

Audit recommends that corrective measures may be taken and responsibility may be fixed on person (s) at fault.

5.3.4.10 Non-assessment of performance of senior management and Board of Directors

As per Rule 8 (2) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall monitor and assess the performance of senior management on a periodic basis, at least once a year, and hold them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.

During the audit of Pakistan Security Corporation (PSPC) for the years 2018-19 and 2019-20, it was observed that neither the ministry conducted any performance evaluation of members of Board of Directors nor the Board conducted any performance evaluation of senior management on a yearly basis.

Audit is of the view that without the performance evaluation of senior management and BoD, the working of the organization cannot be assessed and is against the corporate governance rules.

The matter was reported to the management on September 18, 2020, but no reply was received. The DAC meeting was held on January 29, 2021 however, the irregularity could not be discussed as the management was affected with COVID-19 as per its intimation vide letter dated January 26, 2021.

Audit recommends compliance of Corporate Governance rules in letter and spirit.

5.4 State Bank of Pakistan

5.4.1 Introduction

State Bank of Pakistan (SBP) is the Central Bank of Pakistan and is incorporated under the State Bank of Pakistan Act, 1956. It is an autonomous institution. Under the provisions of the SBP Act, 1956, the general superintendence and direction of the affairs and business of the Bank rests with the Central Board of Directors. Through an amendment in SBP Act in 1994, the Central Board of Directors was enlarged and now consists of the Governor, Secretary Finance Government of Pakistan and seven directors nominated by the Federal Government. From these seven directors, one Director from each province is nominated while ensuring representation to agriculture, banking and industrial sectors.

Strategic objectives are:

- i. Broadening access of Financial Services.
- ii. Ensuring viability of the Financial Sector.
- iii. Maintaining Price Stability with Economic Growth.
- iv. Exchange and Reserve Management.
- v. Strengthening the Payment System.
- vi. Human Resources Development.
- vii. Information Technology Development.

5.4.2 Comments on Audited Accounts

5.4.2.1 The working results for the year ended June 30, 2020 as compared with the preceding years are given below:

(Rs. in million)

	2019-20	% Inc / Dec	2018-19	% Inc / Dec	2017-18
Discount, interest / markup and / or return earned	1,218,679.95	85.50	656,953.38	104.27	321,606.85
Less: interest / mark up Expense	(73,346.29)	(33.78)	(110,763.56)	247.85	(31,840.39)
Net Income	1,145,333.67	109.70	546,189.82	88.49	291,839.00
Fair Valuation adjustments on COVID loans	(4,193.82)				
Commission income	4,647.79	12.36	4,136.40	1.30	4,083.40
Exchange gain / (loss) - net	66,402.53	113.12	(506,131.05)	600.23	(72,280.20)
Dividend income	460.69	18.13	390.00	(6.02)	415.00
Share of profit from Associates	579.908	17.43	702.297	1.57	691.417
Other operating income / (expense)-net	8,603.99	97.93	4,346.93	461.25	(774.51)
Other income - net	1,424.80	347.47	318.41	(60.02)	796.53
Total operating income-net	1,223,259.55	2,348.83	49,952.81	(77.78)	224,768.69
Cost of printing bank notes and Prize Bonds	13,325.21	16.69	11,419.14	21.97	9,362.22
Agency Commission	10,668.55	0.24	10,642.74	(2.77)	10,945.40
General administrative and other expenses	35,168.24	26.01	27,909.42	0.74	27,705.61
Provision /(Reversal of provision) for Other doubtful assets	(42.14)	(90.76)	456.04	498.87	(76.15)
Total Provision / (reversal)	(72.90)	(114.71)	495.59	1,252.22	36.65
Profit / (loss) after tax	1,164,170.45	111,685.40	(1,043.30)	(100.59)	175,672.65

(Source: Annual Audited Accounts 2019-20)

5.4.2.2 Fair valuation adjustments on COVID loans of Rs. 4,193.820 million was created by management in year 2019-20, which needs clarification.

5.4.2.3 Share of profit from associates decreased by 17.43% from Rs. 702.297 in 2018-19 to Rs. 579.908 million in year 2019-20, which needs explanation.

5.4.2.4 Cost of printing bank notes and Prize Bonds increased by 16.69% from Rs. 11,419.14 million in year 2018-19 to Rs. 13,325.21 million in year 2019-20, which needs justification.

5.4.2.5 General administrative and other expenses increased by 26.01% from Rs. 27,909.42 million in year 2018-19 to Rs. 35,168.24 million in year 2019-20, which needs explanation.

5.4.2.6 Total provision against loans reversed by 114.71% from a provision of Rs. 495.590 million during 2018-19 to a reversal of provision of Rs. 72.900 million during year 2019-20, which needs justification.

5.4.2.7 Net interest income have been increased by 109.70% from Rs. 546,189.820 million in year 2018-19 to Rs. 1,145,333.670 million in year 2019-20, which is appreciable.

5.4.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2005-06	13	11	2	73, 76	85
2006-07	9	3	6	43.2, 43.3, 44, 46, 47, 48	33
2007-08	5	2	3	51.2, 52,53	80
2008-09	5	4	1	63	80
2009-10	6	4	2	68, 69	67
2010-11	12	-	12	7.4.1, 7.4.2, 7.4.2.1, 7.4.2.2, 7.4.2.3, 7.4.2.4, 7.4.2.5, 7.4.3, 7.4.4.1, 7.4.4.2, 7.4.4.3, 7.4.4.4,	
2013-14	24	1	23	6.3.2.1, 6.3.2.2, 6.3.2.3, 6.3.2.4, 6.3.2.5, 6.3.2.6, 6.3.2.7, 6.3.2.8, 6.3.2.9, 6.3.2.10, 6.3.3, 6.3.4.1, 6.3.4.2, 6.3.4.3, 6.3.4.4, 6.3.4.5, 6.3.4.6, 6.3.4.7, 6.3.4.8, 6.3.4.9, 6.3.4.10, 6.3.4.11, 6.3.4.12	4
2015-16	15	1	14	6.4.4.3, 6.4.4.8, 6.4.2.1, 6.4.2.2, 6.4.2.3, 6.4.2.4, 6.4.3, 6.4.4.1, 6.4.4.2, 6.4.4.4, 6.4.4.5, 6.4.4.6, 6.4.4.7, 6.4.4.9	7
2016-17	12	5	7	6.3.4.1,6.3.2.1, 6.3.3, 6.3.4.2, 6.3.4.3, 6.3.4.5, 6.3.4.8,	42
Total	101	31	70		30%

The overall compliance of PAC directives needs improvement.

5.4.4 Audit Paras

5.4.4.1 Blockage of funds in foreign bank involved in money laundering – US \$ 265 million (Rs. 43,195.000 million)

One of the objectives of Investment Risk Analysis Division (IRAD) of State Bank of Pakistan (SBP) is to evaluate new counterparty relationships and Monitor and report credit worthiness of counter parties through Early Warning System on daily basis.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2018-19, it was observed that M/s. Danske Bank A/S was an active counterparty of SBP with Global Credit Limit (GCL) of US\$ 290 million and Money Market Placement limit of SBP of US\$ 275 million. On September 07, 2018 the bank was the target of criminal investigations in Denmark and Estonia in connection with Estonian operations that were suspected to be involved in money laundering of almost US\$ 9.00 billion, mostly from Russia, between 2007 and 2015. Denmark's regulatory authority - Financial Supervisory Authority (FSA) - had also reiterated the failures in Danske's internal procedures. Danske Bank's Equity registered a decline of 7.3% and its 5-year Credit Default Swap (CDS) had increased by more than 29% indicating troubles in the debt market. Since August 01, 2018, its CDS spread increased by 44% which indicates significant increase in credit risk.

Audit is of the view that SBP faced Counterparty Default risk and Liquidity Risk. Had the regulators imposed restrictions on settlement of outstanding commitments of Danske Bank as outcome of investigation, the default and liquidity risk could have been avoided. SBP's Risk Management Department did not take any action on August 01, 2018 when Danske's CDS increased by 44%. SBP terminated counterparty limit on September 13, 2018 after 43 days. Consequently, US\$ 15.00 million having maturity of September 05, 2018 was received on September 10, 2018 with a delay of 05 days without any penalty.

The matter was reported to management in the month of February, 2020. The irregularity was discussed in DAC meeting held on 04 September, 2020. The management stated that the full amount was recovered. DAC directed the

management to get the recovered amount verified by the audit. However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.4.4.2 Non-recovery of outstanding amount – Rs. 20,619.138 million

Rule 26 of GFR provides that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of State Bank of Pakistan for the years 2018-19 & 2019-20, it was observed that the management failed to effect recovery of the outstanding amount of Rs. 20,619,138,880 as on June 30, 2020 under different heads of account. The detail is as under:

S#	Bank DFIs	Amount (Rs.)
1.	Industrial Development Bank Of Pakistan	1,054,285,215
2.	Banker's Equity Limited	1,063,630,109
3.	SPCB	59,864,420
4.	Industrial Development Bank Of Pakistan	13,340,783,333
5.	N.C.B.	982,493
6.	Zarai Taraqiati Bank Limited	323,400,000
7.	Recoverable outstanding markup from ZTBL	4,765,337,500
8.	Recovery under National Financial Literacy Program (Annex-35)	10,855,810
	Total	20,619,138,880

Audit is of the view that non-recovery of outstanding amount reflected inefficiency and weak internal controls.

The matter was reported to management in February & November, 2020. The irregularity was discussed in DAC meeting held on 04 September, 2020, and following decisions were made:

S#1-6: The management stated that efforts were being taken to recover the amount. DAC directed management to get the recovered amount along with relevant record verified by the audit.

S#7: The management stated that outstanding amount had been recovered. DAC directed management to get the recovered amount along with relevant record / document verified by the audit.

However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends expeditious recovery of the amount in question and strengthening of internal controls.

5.4.4.3 Irregular remittance of funds in violation of mandatory conditions - Rs. 2,133.000 million

As per Guidelines of Internal Control of SBP No. 4.5 Supervisor / Regulator, during the course of regular inspection of banks/DFIs or when required, Banking Inspection department of State bank of Pakistan shall review the internal control system of all banks/DFIs in order to ensure compliance with these guidelines and all other relevant regulations and laws, issued and enforced from time to time. In addition to that, the SBP will review the report of the internal auditor of the banks / DFIs, assessment report of the management regarding effectiveness of the internal control and Boards' endorsement thereof and the external / statutory auditors' evaluation of the management regarding effectiveness of the internal control".

During audit on the accounts of SBP Banking Service Corporation for the year 2018-19, it was observed that State Bank of Pakistan vide letter No. EDP/INT/C-3466/12(283)-2008, dated 13.05.2008, permitted HSBC Bank, Karachi to remit funds for client M/s. Azgard Nine Ltd., for the acquisition of foreign brand (s). The permission was granted to remit to Sweden an amount of Euro 23.758 million from inter-bank market in five equal monthly installments of Euro 4.75 million through HSBC Bank, Karachi (now merged into Meezan Bank Ltd. Pakistan), subject to mandatory conditions (**Annex-36**).

Audit observed that SBP failed to supervise / regulate instances of non-compliance by the said bank. M/s. ANL remitted Euro 23.758 million in one Installment and actual remittance was sent to Switzerland on 29th December 2008 rather than Sweden. Furthermore, funds were supposed to be routed through HSBC but sent to foreign bank "Julius Bear, Zurich" bearing swift code No. DNBIDN269ZA. M/s. ANL requested SBP for the acquisition of foreign brand (s) but funds used in the purchase of shell company "New Montebello".

Resultantly, M/s. ANL was fined by SECP for Rs. 13.000 million due to siphoning off the funds and evading regulatory requirements.

Audit is of the view that it was the responsibility of SBP to regulate and monitor funds outflow on the agreed terms. M/s. ANL remitted Euro 23.758 million (calculated @ $89.82 \times 23,758,000 = 2,133,943,560$ as on date 01.01.2008) illegally in violation of SBP's permission and sustained loss of precious foreign exchange which could have been saved by effective internal controls / regulatory mechanism.

The matter was reported to the management vide observation memo on October 04, 2019. The irregularity was discussed in the DAC meeting held on January 29, 2021. The management informed the DAC that the matter pertains to regularity function of SBP, therefore, any reply will be submitted after consultation with the management of SBP. The DAC directed the management to submit a reply to the audit observation at the earliest. However, no reply was received till finalization of the Audit Report.

Audit recommends that an inquiry may be conducted under intimation to Audit besides, fixing responsibility on the person (s) found at fault.

5.4.4.4 Non-utilization of Export Refinance Scheme – Rs. 174.042 million

Export Refinance Operations Manual–Part-I states that after grant of ERF-I loan, exporter is under obligation to make shipment within 180 days and submit proof of the same within 30 days from date of shipment or expiry of loan.

During audit of SBP-BSC Hyderabad for the year 2019-20, it was observed from the records that 190 million were financed under pre-shipment scheme of ERF-I to exporters. Detail of non-shipment is as under:

(Rs. in million)				
Name of exporter	Authorized Dealer	Finance Amount	Shipment made	Non-Shipment
M/s. Matol Pvt. Ltd.	MCB Bank Ltd.	115.000	15.958	99.042
M/s. M. Ammar Industries	Soneri Bank Ltd.	50.000	0	50.000
M/s. M. Ammar Industries	Soneri Bank Ltd.	25.000	0	25.000
Total		190.000	15.958	174.042

The short / non-shipment amount of Rs. 174.042 million by exporter reflects that the ERF-I had not been utilized optimally for promoting exports of the country and foreign exchange inflow through realization of export proceeds.

Audit is of the view that loans were not utilized optimally which is unjustified.

The matter was reported to the management on Nov 9, 2020, but no reply was received and the matter was not discussed in DAC.

Audit recommends ensuring realization of export proceeds in order to realize the full benefits of the said scheme.

5.4.4.5 Unjustified / irregular contribution to Audit Oversight Board instead of research activities – Rs. 50.000 million

Section 17 (F) of SBP Act, 1956 states that the Bank may contribute or donate funds to a body corporate in Pakistan for the study or promotion of, or research in, banking, economics and allied subjects.

During audit of State Bank of Pakistan (SBP) for the year 2018-19, it was observed that SBP Board approved contribution in its meetings held on October 25, 2017 and October 23, 2018 of Rs. 30.000 million and Rs. 20.000 million to Audit Oversight Board (AOB). AOB was established pursuant to the Security Exchange Commission of Pakistan (SECP) Act, 1997 for review and examining the work of Quality Assurance Board (QAB) of ICAP, independent assessment of appropriateness of its framework, registration and deregistration of audit firms for conducting the audit of Public Interest Companies (PICs).

Audit is of the view that main functions of AOB were independent assessment, registration and deregistration of the audit firms. There is no such activity of the AOB which is covered under the section 17(F) of the SBP Act 1956. Therefore, the amount of Rs. 50.000 million given to AOB is irregular.

The matter was reported to management in the month of February, 2020. The irregularity was discussed in DAC meeting held on 04 September, 2020. The management stated that under Banking Companies' Ordinance 1962, the bank is liable to maintain a panel of auditors who are eligible to conduct the audit of bank and financial institutions. The establishment of AOB will enhance the credibility of independent audits and the auditors would be subject to independent discipline. It further added that section 17(F) of SBP Act 1956, empowers the SBP Board to contribute or donate funds to corporate body in Pakistan for promotion of banking, economics and allied subjects. DAC directed management to provide revised reply in the case. However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.4.4.6 Loss of foreign exchange due to old export overdue cases – Rs. 33.768 million

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

During the audit of SBP-BSC Hyderabad for the year 2019-20, it was observed that 07 cases of old export overdue are outstanding for 18 years. Show cause notices were issued to Authorized Dealers (ADs) UBL and HBL after a delay of approximately 16 years. However, ADs did not submit appropriate response against these cases. The detail is as under:

S#	E-Form No.	Invoice value (USD)	Delay (in Days)
1.	UBL0094194	14,268	6,132
2.	UBL0326792	40,626	6,062
3.	UBL0134318	11,225	5,901
4.	UBL0134319	7,698	5,901
5.	UBL0134314	7,128	5,901
6.	UBL0233892	20,105	5,901
7.	HBL1761596	110,000	4,114
	Total in USD		211,050
	Total in Rs.*		33,768,000

(*1 USD= RS. 160)

Audit is of the view that old export overdue cases are due to negligence of the management which resulted into loss of inflow of foreign exchange.

The matter was reported to the management on November 9, 2020, but no reply was received. The irregularity was not discussed in DAC.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

5.4.4.7 Irregular procurement and issuance of medicines – Rs. 39.817 million

Rule 20 of the PPRA, 2004 states that procuring agency shall use open competitive bidding as the principal method for the procurement of goods, services and works. Further, Rule-4 of PPRA states that Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of State Bank of Pakistan-BSC (SBP-BSC) Sukkur & Hyderabad for the year 2019-20, it was observed that the Medical Services Department incurred an expenditure of Rs. 25.499 million on the purchase of medicines from July 01, 2019 to June 30, 2020. All procurements were made without competitive bidding. The medical department made the purchases of medicines directly from the distributors. Moreover, quantity of medicines of Rs. 14.318 million were being issued to the employees in routine during the whole year without due diligence (**Annex-37**).

Audit is of the view that the entire procedure of procurement of medicines and issuance of medicine was non-transparent and in clear violation of PPRA Rules, 2004. Thus, the expenditure of Rs. 39.817 million stands irregular and un-justified.

The matter was reported to the management in December 2020, but no reply was received. The matter was not discussed in DAC.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

5.4.4.8 Non-disposal of assets – Rs. 20.920 million

As per SBP-BSC Fixed Asset disposal policy, as with the passage of time and constant usage, Fixed Assets become unusable / unserviceable and are required to be disposed. Therefore, a detailed procedure has been developed for disposal of fixed assets (Furniture & Fixture, Office Equipment, EDP Equipment and Motor Vehicles) through a transparent and controlled procedure with the aim of realizing best possible value to the Bank.

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

During audit of State Bank of Pakistan (SBP-BSC), Hyderabad for the year 2019-20, it was observed that management could not dispose off the assets of Rs. 20,916,243 despite completing their useful life (**Annex-38**).

Audit is of the view that timely disposal of assets could not be achieved due to negligence of the management.

The matter was reported to the management on Nov 9, 2020, but no reply was received. The matter was not discussed in DAC.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

5.4.4.9 Irregular / unjustified appointment and promotion as Managing Director – Rs. 12.376 million

Public Sector Companies (Appointment of Chief Executive) Guidelines, 2015 state that every public sector company shall appoint its Chief Executive in accordance with the procedure specified in Schedule-I to the Guidelines i.e. development of Job profile/description, advertisement for the position, shortlisting process, evaluation of candidates, interviewing process, recommendation of minimum three candidates from the Board to competent authority/concerned line ministry and finally the appointment of the CEO upon concurrence of the competent authority.

Clause 12 of Deposit of Protection Corporation Act-2016 stipulates that the State Bank shall appoint a professional person who has significant experience in banking, finance, accountancy, business administration or public

administration as Managing Director of the Corporation for a term of five years and he shall be eligible for re-appointment for another term of five years on the basis of his performance in the first terms: Further, if the office of Managing Director is vacant, the State Bank may appoint any of its senior executive as acting Managing Director for a period not exceeding three months.

During audit of State Bank of Pakistan (SBP) for the year 2018-19, it was observed that management appointed Ms. Lubna Malik as MD of Deposit of Protection Corporation (DPC) on deputation for a period of five years in 2017 without following procedure laid down by Corporate Governance rules for the appointment of MD and DPC Act, 2016. This was despite the fact that she was in grade OG-07 as against the required criteria of OG-08 for the post of MD. Later on, incumbent was promoted in OG-08 against the non-sanctioned post. The merit list of the promotion of OG-07 officers for OG-08 is shown below:

S. #	Name	Members			Avg. Interview Marks	Weightage (50%)	Max. PMS Marks in Stipulated number of years	Weightage (50%)	Total Marks Obtained
		Governor - SBP	Deputy Governor	Chairman – HR					
1.	Lubna Farooq Malik	22.5	24	24	23.50	47	5	50	97.00
2.	M. Javaid Ismail	20	21	20	20.33	40.67	10	40	80.67
3.	Fazal Mahmood	19	20	17	18.67	37.33	10	40	77.33
4.	M. Akmal	16	19	18	17.67	35.33	10	30	65.33

The members of the committee had given maximum marks to the incumbent so that promotion of incumbent could be secured over other candidates. She was drawing salary of Rs. 1.768 million per month approximately.

Audit is of the view that management deputed / appointed incumbent for the period of five years which was in violation of Corporate Governance rules and DPC Act, 2016. Thus, appointment and subsequent promotion granted to the incumbent and payment of pay and allowances of Rs. 12.376 million stands irregular and unjustified.

The matter was reported to the management in February 2020. The irregularity was discussed in DAC meeting held on 04 September, 2020. The management stated that deputation and promotion were made as per existing

policy of SBP. DAC directed management to provide revised reply in the case. However, no reply was provided to Audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.4.4.10 Irregular cash payment to vendor – Rs. 8.642 million

Expenditure Regulation (ER-19) of SBP-BSC states that bills in respect of the electric, water, gas and Generator fuel charges, consumed in the Bank's Office and residential premises may be paid on presentation by the Director Engineering or the Chief Managers.

Under Sub-section (1) of Section 73 of Finance Act, 2019, the FBR made it mandatory for buyers to make payment for any transaction above Rs. 50,000 through crossed cheque or through any banking instrument.

During audit of SBP-BSC Hyderabad for the year 2019-20, it was observed that the management was procuring diesel for generators from M/s. Poonam Petroleum Service. The payment to the firm was made through cash under the head advances for official expenses to staff (Code No. 237502). Withholding tax was also not being deducted from payments to the vendor.

Audit is of the view that the payment to vendor through cash is irregular.

The matter was reported to the management on November 9, 2020, but no reply was received. The matter was not discussed in DAC.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

5.4.4.11 Irregular appointment-cum-scholarship – Rs. 6.106 million

According to the advertisement in the daily newspaper DAWN dated 9th July, 2000 states that any person in good health and of good character who secures admission in one of the following universities for pursuing a course of study leading to Ph.D. in Economics/Finance may apply to State Bank of Pakistan for Scholarship provided he/she is a national of Pakistan or Azad Kashmir, is not more than 35 years of age (40 years in the case of State Bank

employees) and has not secured any partial or full scholarship from any other organization.

During audit of State Bank of Pakistan for the year 2018-19, it was observed that Mr. Mian Farooq got enrolled for Ph.D. program Information System in 2001 as against the criteria in advertisement. He was awarded scholarship without the approval of the Board. The Ph.D. program in which he was enrolled had no course contents in economics. Subsequently, he was appointed as Joint Director in 2001. Total expenditure on foreign scholarship was of Rs. 6.106 million.

Audit is of the view that undue favor was extended to the incumbent in initial awarding of foreign scholarship and appointment thereof.

The matter was reported to the management in February, 2020. The irregularity was discussed in DAC meeting held on 04 September, 2020. The management stated that the incumbent was offered scholarship as per the SBP's policy. DAC directed management to provide revised reply in the case. However, no relevant record was provided by management to audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.4.4.12 Irregular award of currency contract - Rs. 4.108 million

Issue Department Manual clause 42.17 states that the work relating to removal of boxes in and outside the vault will be carried on by laborers either engaged on daily wages or through Currency Contractors appointed by the Bank by an agreement containing necessary terms and conditions as per guidelines. The Currency Contractor may be asked to produce (a) Bank's statement to assess his financial stability, (b) Details of logistics held by him or at his disposal, (c) Total number of laborers with full particulars.

Rule 20 of the PPRA, 2004 states that procuring agency shall use open competitive bidding as the principal method for the procurement of goods, services and works.

During audit of SBP-BSC Sukkur & Hyderabad for the year 2019-20, it was observed that the management hired currency contractors for carrying the

remittances of notes from railway stations to SBP BSC offices, without following PPRA Rules. Moreover, SBP's regulations regarding financial stability and performance guarantee were not obtained. The details are as under:

Name of contractor	Regional Office	Amount (Rs. in million)
M/s. Muhammad Zaman logistics	BSC- Sukkur	1.413
Mr. Muhammad Ramzan Burfat	BSC- Hyderabad	2.695
Total		4.108

Audit is of the view that awarding of currency contract without following PPRA rules and guidelines laid down by SBP's manual is irregular.

The matter was reported to the management in December 2020, but no reply was received. The matter was not discussed in DAC.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

5.4.4.13 Undue favoritism in awarding of foreign trainings

HRD Circular letter No. 23 / (SC-1) / FT-07/ 2016 dated 24.05.2016 stipulates that an officer, who had attended a foreign training in the last six months, shall not be ordinarily nominated again in the following six months. Moreover, in case an officer who previously has attended one or more training(s), has again been nominated, then justification for nomination should include the rationale as to why an officer who has not attended any foreign training is not being nominated for the current training. In addition to above, HRD Circular letter No. HRD (TDD)/77/2018 dated 16.11.2018 explicitly states that partially funded or non-funded programs are advised to be avoided, except those specifically approved in the annual business plan.

During audit of State Bank of Pakistan (SBP) and SBP-Banking Services Corporation (BSC) for the year 2018-19, audit observed following irregularities in foreign trainings:

- a) Various officers were awarded another foreign training within 6 months of attending a previous foreign training contrary to the above policy of State Bank (**Annex-39**).
- b) Despite policy of discouraging fully/partially SBP funded foreign trainings. Almost 80% of all foreign trainings during last three years were either fully or partially funded by SBP. Moreover, complete details of

expenditure on foreign trainings of employees were requisitioned by Audit, which were not provided by the management.

Audit is of the view that the management violated its own circular and favored officers in awarding foreign training twice in a year and allowed fully/partially funded foreign trainings/seminars against its own circulars and austerity policy of the government.

The matter was reported to management in the month of February, 2020. The irregularity was discussed in DAC meeting held on 04 September, 2020. The management stated that foreign trainings were awarded as per policy and prior approval from relevant authority. DAC directed management to furnish revised reply with full justification in the case and get the relevant record verified by the audit. However, no relevant record was provided to the audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directive.

5.4.4.14 Non-production of record

Section 14 (2) & (3) of Auditor General's (Functions, Powers and Terms and Condition of Service) Ordinance 2001, state that:

(2) The officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete form as possible and with all reasonable expedition.

(3) Any person or authority hindering the auditorial function of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

During audit of the SBP and SBP-BSC for the year 2018-19, audit team issued various requisitions for provision of the auditable record of SBP & SBP-BSC. However, management failed to provide the auditable records even after the issuance of reminders from time to time. **(Annex-40)**

Audit is of the view that the management did not provide the auditable record/information in violation of the above mentioned rule which tantamount to gross misconduct on part of the management.

The matter was reported to management in the month of February, 2020. The irregularity was discussed in DAC meeting held on 04 September, 2020. The management stated that record is available at SBP's premises. DAC directed the management to provide all auditable record to audit. However, the management did not comply with the DAC directives till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

5.5 Kissan Support Services (Pvt.) Limited

5.5.1 Introduction

Kissan Support Services (Private) Limited (“the Company”) was incorporated in Pakistan as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a subsidiary of Zarai Taraqiati Bank Limited (ZTBL) which holds 100% shares. The registered office of the Company is situated at Zarai Taraqiati Bank Limited, head office 1-Faisal Avenue, Zero Point Islamabad.

The Company’s principal business was to provide consultancy, advisory, agency and other support services on contractual basis or otherwise to ZTBL. In the year 2016, the Company has changed its Memorandum of Association and now the Company can provide services/ undertake business with other corporate sector as well.

5.5.2 Comments on Audited Accounts

5.5.2.1 The working results of the company for the year 2019 as compared to previous year are tabulated below:

(Rs. in million)					
	2019	% Inc./ (Dec)	2018	% Inc./ (Dec)	2017
Revenue	1233.58	(4.30)	1289.02	3.66	1,243.54
Cost of services	1103.35	(3.76)	1146.52	5.63	1,085.41
Gross Profit	130.23	(8.58)	142.46	(9.91)	158.13
Administrative Expenses	40.34	1.48	39.75	(6.19)	42.37
Operating Profit	89.89	(12.51)	102.75	(11.23)	115.75
Other Income	101.53	99.47	50.90	29.49	39.31
Financial Charges	0.002	-	0.011	10.00	0.01
Profit before taxation	191.41	24.58	153.64	(0.91)	155.05
Taxation	63.32	24.27	50.95	2.84	49.55
Profit after taxation	128.09	24.74	102.68	(2.67)	105.51

(Source: Annual Audited Accounts)

5.5.2.2 Revenue of the Company decreased by 4.3 % in the year under review as compared to previous year i.e. from Rs. 1,289.02 million in 2018 to Rs. 1,233.58 million in 2019. The main source of revenue i.e. services charges was decreased by 8.20 % i.e. from Rs. 164.992 million in 2018 to Rs. 151.47

million in 2019. This resulted into decrease in gross profit by 8.58% and operating profit by 12.51%. The decrease in main source of revenue indicates that the management is not focusing on its prime function. Efforts may be made to enhance the revenue from core functions.

5.5.2.3 Cost of services included expenses on hostel amounting to Rs. 2.15 million which was increased by 74.21% as compared to previous year (Rs. 1.24 million in 2018). Abnormal increase in hostel expenses when sports activities were decreased from Rs. 88.51 million (2018) to Rs. 49.89 million (2019) needs justification.

5.5.2.4 Receivables from the holding company i.e. ZTBL were increased by 35.82% i.e. from Rs. 137.724 million in 2018 to Rs. 187.054 million in 2019. Management may make strenuous efforts for early realization of the receivable amount to improve the financial position of the company.

5.5.2.5 The Officer Inland Revenue LTU, Islamabad initiated proceedings against the Company under Section 161/205 of the Income Tax Ordinance, 2001 for the financial year ended December 31, 2013 i.e. Tax year 2014 and created a demand of Rs. 1.182 million. The Company filed an appeal before the Commissioner Inland Revenue (Appeals). The Commissioner passed an order against the Company and maintained the assessment by the Officer Inland Revenue. The Company filed an appeal to the Appellate Tribunal Inland Revenue Islamabad who through its order dated April 18, 2017 accepted the CPR of tax withheld and deposited by the Company in the month of July 2013 and was rejected by the Officer Inland Revenue LTU. The Commissioner Inland Revenue (Appeals) further directed the Officer Inland Revenue LTU to re-examine the remaining issue by only treating any amount paid to ZTBL as services if payment amount is for other than salary, bonuses, overtime etc. and final order be passed within 180 days. Current status may be intimated to audit.

5.5.2.6 The Company was facing various claims launched in various Courts filed by the employees, pertaining to services /promotion, dismissal from service and others. The matters were still pending before the Courts. The management may ascertain the amount involved in these cases for making provision in the accounts.

5.5.2.7 The Assistant Collector (Grade-I) Employees' Old age Benefits Institutions (EOBI), Islamabad Region has issued Show Cause Notice u/s 79 of the Land Revenue Act, 1967 (W.P. Act XVII of 1967) dated March 21, 2018 and May 28, 2018 in response to EOBI, Islamabad Region Demand Notice dated March 07, 2018 issued u/s 12(3) of EOBI Act, 1976. The Assistant Collector EOBI has created a demand of Rs. 69.804 million being dues of contributions under section 9, 9B and increase levied under Section 13(1) of the EOBI Act, 1976 for recovery as arrears of land revenue. The Company filed writ petition before the Honorable Islamabad High Court against the said order and got stay order on April 04, 2018. The next date of hearing was yet to be fixed. Current status of the case may be expedited.

5.5.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2013-14	05	01	04	6.7.4.2,6.7.4.3,6.7.4.4,6.7.4.1	20
2016-17	08	08	0	6.6.2.5, (6.6.1 & 6.6.2,6.6.2.1,6.6.2.2,6.6.2.3,6.6.2.4,6.6.2.6,6.6.3)	100
2017-18	05	0	05	9.7.1, 9.7.2.1, 9.7.2.2, 9.7.2.3, 9.7.3	0
Total	18	9	9		50

Overall compliance of PAC directives was very poor which needs immediate attention of PAO.

5.6 SME Bank Limited

5.6.1 Introduction

SME Bank Limited was formed and incorporated on October 30, 2001, as a public limited company under the Companies Ordinance, 1984 (now Companies Act 2017). The prime objective of the Bank was supporting and developing SME sector of the country. Total paid up capital of the Bank was Rs. 2,390 million, out of which Rs. 2,244 million (93.89%) is owned by the Government of Pakistan. Other shareholders are NBP (2.56%), UBL (1.66%), HBL (0.830%), MCB (0.62%), ABL (0.32%) and IDBP (0.12%). The Bank was operating through a network of 13 commercial banking branches.

The Bank obtained its business commencement certificate on April 16, 2005, which became effective from the date of its issue. The main objectives of Bank were:

- To support, develop and promote SMEs by providing them with the necessary technical and financial assistance.
- To concentrate on value addition and export oriented SMEs.
- To enable SMEs to play a vital role in stimulating GDP growth, create job opportunities and reduce poverty.
- The Bank was on the list of Privatization Commission of Pakistan.

5.6.2 Comments on Audited Accounts

5.6.2.1 The financial performance of the bank for the year ended December 31, 2019 as compared with previous years is as follows:

	(Rs. in million)				
	2019	% Inc./ (Dec)	2018	% Inc./ (Dec)	2017
Mark Up/return / interest earned	776.306	4.70	741.444	14.20	649.278
Mark Up/return / interest expensed	1,149.619	58.86	723.660	39.06	520.408
Non-markup / interest income	(373.313)	-	17.784	(86.20)	128.870
Fee and Commission income	9.933	5.21	9.441	(20.11)	11.818
Dividend Income	2.247	392.76	0.456	(8.43)	0.498
Gain on Securities	0.007	(99.30)	1.001	(90.00)	10.009
Other Income	0.980	(19.61)	1.219	(49.48)	2.413
Total Non-mark up/interest income	13.167	8.67	12.117	(51.02)	24.738
Total (loss)/Income	(360.146)	-	29.901	(80.53)	153.608
Non-Mark-up/interest expenses					
Operating expenses	877.195	4.54	839.127	(0.13)	840.252
Other Charges	69.426	2,980.12	2.254	-	-
Total non-mark-up/ Interest expenses	946.621	12.51	841.381	0.13	840.252
Loss before provision	(1,306.767)	-	811.480	18.18	686.644
Provisions & Write offs – Net	(19.358)	-	64.796	88.56	34.363
Loss before taxation	(1,287.409)	46.92	(876.276)	21.54	(721.007)
Taxation	(215.100)	327.31	(50.338)	(88.21)	(426.985)
Loss after taxation	(1,072.309)	29.83	(825.938)	180.91	(294.022)
Basic/diluted (Loss) per share (Rupees)	(4.48)	29.86	(3.45)	180.49	(1.23)

5.6.2.2 The markup / return / interest earned by Bank increased from Rs. 741.444 million in 2018 to Rs. 776.306 million in 2019 registering an increase of 4.70%, whereas the markup / return / interest expenses increased from Rs. 723.660 million in 2018 to Rs. 1,149.619 million in 2019 registering an increase of 58.86% over previous year. Due to increase in expenses, net loss for the year increased to Rs. 1,072.309 million (2018: Rs. 825.938 million) and accumulated loss increased to Rs. 4,811.162 million (2018: Rs. 3,857.090 million) as on December 31, 2019. Further, SME bank is functioning with 13 branch offices in all over the country; the survival of bank with such a least number of branches is not possible. The management may focus on operational activities to improve the financial health of the bank; otherwise the sustainability of the Bank would be at stake.

5.6.2.3 Despite handsome increase of 31% in Deposits, and other accounts i.e. from Rs. 5,721.008 million in 2018 to Rs. 7,500.708 million in 2019, the increase in markup was by only 4.70%. Despite increase in deposit base, the banks failed to improve its operations.

5.6.2.4 The current liabilities for the year ended December 31, 2019 stood at Rs. 12.664 million as against current assets of Rs. 10.152 million which was 1.25: 1 against the required ratio of 1:2. This shows the liquidity position of the company is not in satisfactory range, hence matter needs to be reviewed.

5.6.2.5 The non-performing loans were transferred to NBP for recovery from July 1, 2010 on certain terms and conditions. Out of total outstanding amount of Rs. 4,883.623 million as on December 31, 2018 not a single penny could have recovered by the NBP / SME Bank management till December 31, 2019. Efforts made for the recovery of said loans need to be explained.

5.6.2.6 Cash and bank balance with treasury banks includes balances with SBP which has increased by 58.80% from Rs. 294.873 million as on December 31, 2018 to Rs. 468.270 million as on December 31, 2019. Detail of such balance along-with statutory requirements issued by the SBP needs to be highlighted. Further Balance with NBP bank has increased by 38.99% from Rs. 42.080 million as on December 31, 2018 to Rs. 58.486 million as on December 31, 2019. The management may elaborate the terms & conditions of deposits with said banks along with detail of markup earned on deposits.

5.6.2.7 Chartered Accountant issued Qualified Opinion on the financial statements of the bank. The basis of qualified opinion is that the bank has an investment in SME Leasing Ltd. (SMEL) Rs. 80.748 million (net of provision of Rs. 134.709 million) and has outstanding running finance exposure of Rs. 142.156 million. SMEL continues to operate on a net loss basis and therefore the recoverability of investment and running finance exposure is doubtful. Position needs early attention.

5.6.2.8 During the year operating expenses were increased by 4.53% to Rs. 877.195 million (2018- Rs. 839.127 million). The figure included depreciation Rs. 50.905 million in 2019 (2018 – Rs. 0.780 million). The abnormal increase under the head was due to adoption of IFRS 16 “Leases” the

2nd effect of said change was in rent & taxes which were decreased to Rs. 7.553 million in 2019 from Rs. 69.724 million in 2018. The figures are silent by means of notes. Position needs clarification.

5.6.2.9 During the year operating expenses were increased by 4.53% to Rs. 877.195 million (2018 - Rs. 839.127 million). The figure included expenses under the heads Network charges, Outsourced services costs, Travelling conveyance and Deposits premium which were increased by 50.35%, 9.90%, 97.74% and 100% respectively to Rs. 14.253 million (2018 - Rs. 9.480 million), Rs. 26.630 million (2018 - Rs. 24.232 million), Rs. 5.260 million (2018 - Rs. 2.660 million) and Rs. 3.617 million (2018 - Rs. 1.808 million). The abnormal increase under the heads, in circumstances the management required to control the expenses, needs clarification.

5.6.2.10 Other charges were increased by 2,980% to Rs. 69.426 million in 2019 (2018 – Rs. 2.254 million). The figure included penalties imposed by the SBP during the year Rs. 2.089 million (2018 - Rs. 2.254 million) and right of use assets – unwinding of PV Rs. 67.337 million (2018 - Nil). The figure of penalty as well as right of use assets are silent by means of notes. Position needs clarification.

5.6.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1990-91	04	02	02	221,225	50
1991-92	03	02	01	210	67
1992-93	06	05	01	73	83
1993-94	12	09	03	53, 54, 57	75
1994-95	10	03	07	68, 74, 76, 77, 79, 81, 125	30
1995-96	04	02	02	88, 96	50
1996-97	11	09	02	66, 71	82
1997-98	13	12	01	79	92
1998-99	10	07	03	84, 85, 86	70
1999-00	21	13	08	110, 121, 122, 124, 125, 126, 127, 129	62
2000-01	23	0	23	86, 88, 89, 91, 92, 94, 95, 97, 98, 99, 100, 101, 102, 104, 106, 107, 108, 109, 110, 111, 112, 114, 115	-
2001-02	07	02	05	144, 145, 146, 147, 148	29
2002-03	15	11	04	72 & 72.1, 73, 74, 77	73
2003-04	15	06	09	67, 68, 69, 70, 71, 73, (74, 75, 76-CIRC)	40
2004-05	05	04	01	47-CIRC	80
2005-06	11	06	05	88.4, 89, 90, 91, 92	55
2006-07	14	06	08	53, 54, 55, 56, 57, 58, 59, 60	43
2007-08	07	05	02	55, 56	71
2008-09	07	0	07	64, 65, 66, 67, 68, 69, 70	-
2009-10	08	05	03	70.3, 70.4, 71	63
2013-14	12	01	11	6.5.1&6.5.2.1, 6.5.2.2, 6.5.2.3, 6.5.4.4, 6.5.4.1, 6.5.4.2, 6.5.4.5, 6.5.4.3, 6.5.2.4, 6.5.2.5, 6.5.3	8
2016-17	15	08	07	6.4.2.2, 6.4.2.3, 6.4.2.4, 6.4.2.5, 6.4.2.6, 6.4.3, 6.4.4.2	53
2017-18	07	0	07	9.5.1, 9.5.2.1, 9.5.2.2, 9.5.2.3, 9.5.2.4, 9.5.2.5, 9.5.3	0
Total	240	118	69		49

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

5.6.4 Audit Paras

5.6.4.1 Non-adjustment / reconciliation of Sundry Creditors / Accounts payable & other pre-payments since long – Rs. 108.946 million

As per SBP Prudential regulation O-3 “All entries outstanding in the Inter-Branch Accounts (by whatever name called) and/or suspense Account must be reconciled/cleared and taken to the proper head of account within a maximum period of 30 days from the date the entry is made in the above-named accounts”.

During audit of SME Bank, for the years 2016 to 2019, it was observed that balance of Rs. 108.946 million (Rs. 106.871 million sundry creditors and Rs. 2.174 million other pre-payments) were shown outstanding since 2001 & 2003 as detailed below:

Details of Sundry creditors and Accounts Payable

Particulars	Head Office (Rs)	Business Branch (Rs)	SAM Office (Rs)	Total (Rs)
Sundry Creditors	93,846,209	6,175,688	6,761,788	106,783,685
Accounts Payable	0	87,609	0	87,609
Total	93,846,209	6,263,297	6,761,788	106,871,294

Details of other Pre-payments

Particulars	Head Office (Rs)	Business Branch (Rs)	Recovery Office (Rs)	Total (Rs)
Other pre-payments	1,423,624	359,828	391,012	2,174,464

The files regarding above shown data was demanded vide requisition No.07 dated 28.10.2020, but the same was not provided to audit.

Audit is of the view that non-adjustment of Accounts payable under head Collateral charges, VSS Benefits and security deducted from VSS benefits of employees and Other Prepayments since long depicts poor financial management and clear violation of SBP Prudential regulations.

The matter was reported to the management on 21.12.2020. In DAC meeting held on 11.01.2021, the management explained that Bank has maintained Sundry Creditors, Account Payables and Prepayment-others (Head of Accounts) as per Policy other than Suspense account. Bank parks / retains the various customer balances in these accounts whose individual accounts are not

maintained. The DAC directed the management to furnish revised reply with supporting documents.

Audit recommends compliance of the DAC directives.

Para-16 SME, 2016-19

5.6.4.2 Loss due to not taking legal action against defaulters despite lapse of 180 days – Rs. 64.487 million

According to para 4.64 of SME Credit Manual, responsibility of settlement of accounts lies primarily with the concerned credit officers. However, in case of default of the loan by 180 days past due, the legal action was to be initiated for recovery within 30 days by the Bank Management.

During the audit of SME Bank for the years 2016 to 2019, it was observed that SME Bank disbursed 18 loans to different borrowers during June 2008 to June 2019 but the loanees failed to repay their dues within the scheduled time. The Bank did not initiate legal action as per procedure prescribed in the credit manual, despite the fact that 180 days limit was passed. Even in two cases more than eleven (11) years have passed. This indicates the negligence of the management and undue favor to the defaulters, which resulted into non-recovery of Rs. 64.487 million.

Audit is of the view that management should have taken legal action against these defaulters but negligence of the management in this matter might result in loss to the bank.

The matter was reported to the management on 21.12.2020. In DAC meeting held on 11.01.2021, the management apprised the DAC that out of 18 loan cases one case has been regularized, in 03 cases SME intends to apply Section-15 of the Recovery Ordinance 2001 and in 14 cases, the loanees are depositing partial amounts due to their poor financial position. The DAC directed the management to follow up the cases vigorously and get verified the recovered amount from audit.

Audit recommends compliance of the DAC directives.

Para-1 SME, 2016-19

5.6.4.3 Irregular appointment of employees without advertisement - Rs. 28.807 million

As per Establishment Division OM dated April 17, 2003 (referring to a decision of Supreme Court of Pakistan) (i) all initial appointments should be made through open advertisement (ii) all selections for appointment should be through duly constituted Selection/ Promotion Committee/Board (iii) there should be pre-determined criteria for each post (iv) no provision for relaxation of rules should be given in favor of any individual.

During audit of SME Bank for the years 2016 to 2019, it was observed that management of SME Bank hired 70 officers/officials during the period. Out of these, 22 employees were hired without advertising the post and subsequently Rs. 28.807 million were paid to them.

Audit is of the view that appointments were made by violating the criteria defined by the Establishment Division which resulted into irregular/ unjustified appointment and payment of salary Rs. 28.807 million therein.

The matter was reported to the management on 21.12.2020. In DAC meeting held on 11.01.2021, the management explained that all the 70 officials were hired during the period through proper procedure applicable to the bank. The DAC directed the ministry to hold a fact finding inquiry.

Audit recommends compliance of the DAC directives.

Para-20 SME, 2016-19

5.6.4.4 Regularization of services of officers in violation of Privatization Commission directives - Rs. 62.390 million

According to para-04 (d) of Privatization Commission OM No. PC/GEN/2005 dated November 28th 2005 regarding privatization of State Enterprise Units directions by the Commission, “No induction of employees under any category either through the company or through contractors.”

During the audit of SME Bank Limited, for the years 2016 to 2019, it was observed that SME Bank is on the approved list of Privatization Commission. Contrary to the directions issued by the Privatization Commission the services of 70 officers / officials were hired and irregular expenditure of Rs. 62.390 million was incurred.

Moreover, the SME management during the period also promoted certain employees without the prior concurrence of Privatization Commission. Details along-with files of employees were demanded through requisition No.01 dated 21.10.20 but the same were not provided.

The appointments and promotion of the officers in violation of the guidelines of Privatization Commission is held irregular in audit.

The matter was reported to the management on 21.12.2020. In DAC meeting held on 11.01.2021, the management explained that the instructions referred dated 28.11.2005 had lost their strength after subsequent decision taken in a meeting held on 14.09.2009 to discuss the privatization status of SME Bank and other financial and operational issues faced by the bank. After the decision, bank did not receive any instructions whereby restrictions on hiring and promotion were imposed by the Privatization Commission. The DAC directed the management to refer the case to Privatization Commission for clarification.

Audit recommends compliance of the DAC directives.

Para-21 SME, 2016-19

5.7 Zarai Taraqati Bank Limited

5.7.1 Introduction

In pursuance of Section-3 of Agricultural Development Bank of Pakistan (ADBP) (Re-organization and Conversion) Ordinance 2002, ZTBL was incorporated as a public limited company under the Companies Ordinance 1984 (now Companies Act 2017) on October 23, 2002. All assets, contract, liabilities, proceedings and undertakings of ADBP were transferred to and vested in ZTBL on December 14, 2002 at a total worth of Rs. 870 million. Out of total issued shares of 1,252.24 million, 1,251.19 million are held by Federal Government, remaining shares are held by four Provincial Governments and Erstwhile East Pakistan. The Bank's principal office is situated at 1-Faisal Avenue, Zero Point, Islamabad.

Main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low-income households to strengthen the rural and agricultural sector, mitigate poverty, capital market, and investment activities and other banking business. The Bank was disbursing loans of two categories i.e. production loans for short term and development loans for long-term purposes. The Bank was being operated through 32 Zones with a total number of 460 branches. On December 31, 2016, the net advances amounted to Rs. 141.27 billion (2015: Rs. 134.69 billion).

5.7.2 Comments on Audited Accounts

5.7.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2017-18 to 2019-20 till December 31, 2020.

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

5.7.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1989-90	19	14	05	226, 230, 233, 234, 235	74
1990-91	14	10	04	174, 175, 176, 178	71
1991-92	13	06	07	154, 155, 148, 150, 152, 151, 153	46
1992-93	18	12	06	8, 16, 17, 18, 19, 21	67
1993-94	17	10	07	9, 11, 12, 13, 15, 16, 22	59
1994-95	19	13	06	7, 12, 15, 20, 14, 22	68
1995-96	24	15	09	8, 13, 14, 16, 17, 18, 19, 23, 28	63
1996-97	06	04	02	7, 11	67
1997-98	18	11	07	46, 49, 53, 56, 58, 59, 62	61
1998-99	10	05	05	68, 70, 73-S, 74-S, 75-S	50
1999-00	11	01	10	1.2, 1.3, 1.4, 2.1, 2.2, 3.1, 3.2, 4.1, 4.2,5 (SAR-141)	9
2000-01	14	06	08	68, 72, 73, 74, 76, 79, 75, 80	43
2001-02	10	05	05	133, 134, 135, 138, 139	50
2002-03	02	01	01	69	50
2003-04	10	05	05	62.6, 62.2, 62.4, 64, 65	50
2004-05	03	01	02	45, 46	33
2005-06	14	07	07	80.5, 80.6, 81, 82, 84, 85, 86	50
2006-07	14	07	07	62.6, 63, 64, 65, 66, 67, 68	50
2007-08	11	07	04	59, 60, 61, 62	64
2008-09	14	06	08	71.3, 72, 73, 74, 75, 76, 77, 78	43
2009-10	07	02	05	74, 75, 76, 77, 79	29
2013-14	13	0	13	6.6.4.2, 6.6.4.3, 6.6.4.1, 6.6.1 & 6.6.2.1, 6.6.2.4, 6.6.2.8, 6.6.4.4, 6.6.2.2, 6.6.2.3, 6.6.2.5, 6.6.2.6, 6.6.2.7, 6.6.3	
2016-17	21	12	09	6.5.2.2, 6.5.2.3, 6.5.2.4, 6.5.3, 6.5.4.1, 6.5.4.3, 6.5.4.5, 6.5.4.6, 6.5.4.8	57
2017-18	24	02	22	9.6.1, 9.6.2.1, 9.6.2.2, 9.6.2.3, 9.6.2.4, 9.6.2.5, 9.6.2.6, 9.6.2.7, 9.6.2.8, 9.6.2.9, 9.6.2.10, 9.6.2.11, 9.6.2.12, 9.6.3, 9.6.4.1, 9.6.4.3, 9.6.4.4, 9.6.4.5, 9.6.4.7, 9.6.4.8, 9.6.4.9 & 9.6.4.10	8
Total	326	162	164		50

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

5.7.4 Audit Paras

5.7.4.1 Steady decrease in agricultural credit disbursement of ZTBL from 2016-17 to 2019-20 - Rs. 39,935 million

According to clause 1.2.1 and 1.2.2 of the ZTBL Credit Manual, the prime objective of Zarai Taraqati Bank Ltd. was to provide sustainable rural finance and services particularly to small farmers and low income borrowers to strengthen the rural and agricultural sectors and mitigate poverty.

During audit of ZTBL (HO) Islamabad for the year ended December 2019, it was observed that the agricultural credit disbursement of ZTBL decreased from 2016-17 to 2019-20 from Rs. 92,451 million to Rs. 52,476 million. During this period, agricultural loan of Commercial and domestic private banks increased from Rs. 342,068 million to Rs. 515,248 million and Rs. 139,061 million to Rs. 169,298 million respectively as detailed below:

S No	Fiscal year	ZTBL	(Rs. in million)	
			Commercial Banks	Domestic private banks
1.	2016-17	92,451	342,068	139,061
2.	2017-18	83,187	523,930	184,863
3.	2018-19	71,478	653,531	211,942
4.	2019-20	52,476	515,248	169,298

The steady decrease in agricultural loan of ZTBL needs to be explained.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that the Bank's contribution in agriculture financing is the highest in terms of average loan disbursement and outstanding loan portfolio. The DAC directed that strategy to improve the decreasing trend in agri loaning of ZTBL may be shared with audit.

Audit recommends compliance of the DAC directives.

Para-3 ZTBL, 2019-20

5.7.4.2 Imposition of tax due to un-documented expenditure and un-explained income - Rs. 2,169.894 million

According to the provisions of Sub-Section 1 & 2 of the Section 174 of Income Tax Ordinance 2001, unless otherwise authorized by the Commissioner, every tax payer shall maintain in Pakistan such accounts, documents and records as may be prescribed. The Commissioner may disallow (or reduce) a taxpayer's claim for a deduction if the taxpayer is unable, without reasonable (cause) to provide receipt, other record or evidence of the transaction or circumstances giving rise to the claim for deduction.

According to the provisions of Section 111 of Income Tax Ordinance 2001, if a taxpayer offers no explanation about the nature and source of amounts credited in books of accounts, the amount credited shall be included in the person's income chargeable to tax under the head income from other source to the extent it is as per record and sufficient opportunity was provided to the taxpayer for explanation about the nature and source of amount credited in books of accounts and taxpayer failed to offer any explanation, reconciliation along with documentary evidence.

During audit of ZTBL (HO) Islamabad for the year ended December 2019, it was observed that the management failed to furnish any documentary evidence, record and explanation regarding deduction claimed under certain heads of expenditure to Income Tax Department on October 25, 2018. The Income Tax Department disallowed expenditure of Rs. 150.170 million u/s 172(2) of Income Tax Ordinance 2001 and not added in expenditure for the tax year 2014.

Furthermore, management also failed to offer plausible explanation along with reconciliation to Tax Authorities regarding addition of Rs. 2,019,724,000 on account of un-explained income under the provisions of Section 111 of Income Tax Ordinance 2001 credited in accounts of the bank. This resulted into charging of tax on un-explained income and disallowance of un-documented expenditure worth Rs. 2,169.894 million.

Audit is of the view that it was responsibility of the management to provide explanation of the income and documentary evidences of the expenditure to the satisfaction of the tax authorities but the same was not done which resulted into charging of tax. Furthermore, the management was required to take action

against the persons responsible for un-explained income and un-documented expenditure but no action was taken.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that the Bank filed an appeal against the orders of CIR (Appeals-I) on 21.08.2019 by including the following grounds:

- a. That addition amounting to Rs. 2,019,724,000 u/s 111 of Income Tax Ordinance, 2001 on account of brought forward un-appropriated profit has wrongly been made and has wrongly been remanded back by the Commissioner Inland Revenue (Appeals-I) which is liable to be deleted.
- b. Further, addition u/s 111 of Income Tax Ordinance 2001 is also liable to be deleted as the same was not specifically been confronted through show cause notice.

The DAC directed the management to share the outcome of the case with audit.

Audit recommends compliance of the DAC directives.

Para-6 ZTBL, 2019-20

5.7.4.3 Non-auction and non-transfer of acquired properties of borrowers – Rs. 146.153 million

According to Section-18.3 (ix) of the Banking Companies Ordinance-1962, in order to avoid violation of section 10 of Banking Companies Ordinance, 1962 it may be ensured that all the acquired properties may be disposed off within limitation period of seven years from the date of purchase through open auction duly advertised in Local / National edition of Urdu/English newspapers.

During the audit of ZTBL Head Office Islamabad for the year ended 2019 it was observed that the management fixed target of 142 for the disposal of bank's acquired properties valuing Rs. 49.360 million out of total 313 acquired properties valuing Rs. 169.154 million. The Bank failed to 100% dispose off the same as detailed below:

S. No.	Name of Zone	Total No. of properties 01.01.2019	Value (Rs)	Not transferred	Target for 2019	Actual auctioned	Minimum cash recovery
1.	Islamabad	35	11,707	21	14	3	3.185
2.	Sheikhupura	5	1,586	0	5	0	0.420
3.	Sargodha	7	3,405	0	7	3	2.685
4.	D. G. Khan	68	26,029	41	27	5	8.356
5.	Jhang	4	3,447	0	4	0	0.600
6.	Faisalabad	65	41,439	39	26	3	9.374
7.	Rahim Yar Khan	24	28,306	14	10	8	17.010
8.	Muzaffargarh	40	16,403	24	16	7	13.356
9.	Peshawar	53	29,944	32	21	6	6.550
10.	D. I. Khan	2	0,891	0	2	1	0.725
11.	Abbottabad	8	2,905	0	8	3	1.285
12.	Mingora	2	3,092	0	2	1	1.088
	Total	313	169,154	171	142	40	64.634

Furthermore, management also failed to get the mutation of 171 properties transferred in the name of bank which was also held irregular.

Audit is of the view that the management was required to auction the acquired properties of the borrowers and recover bank funds but it failed to auction the same. Furthermore, 171 properties were required to be transferred in the name of bank before auction but same were not transferred in the name of bank which was also held irregular.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that the Agri land auction is a difficult process due to the reason that properties are not commercial or residential in settled / Urban Areas like other Banks / DFIs. Their sale is very easy as well. While, in rural areas, geographical and social impediments make their sale difficult. The DAC directed the management to share the progress with audit.

Audit recommends sharing progress of the case with audit.

Para-20 ZTBL, 2019-20

**5.7.4.4 i. Colossal loss to the bank due to inefficiency of COO and CFO
ZTBL – Rs. 361.400 million**

ii. Loss to the bank due to revised AMI to CFO ZTBL – Rs. 4.974 million

According to para 23.2(D) III of HR Procedural Manual 2017, if the employee of ZTBL fails to provide to his controlling officer any information, data, documents or return on time or willfully provide an information that is wrong, false or misleading in any particular material or willfully conceal any information, data or document in any statement or return he shall be guilty of an offence, punishable under the relevant Law/Rules/Regulations.

According to clause 14(1) of the Public Sector Companies (Corporate Governance) Rules 2013, the Chief Financial Officer shall be responsible for ensuring that appropriate advice is given to the Board on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

During the audit of ZTBL Head Office Islamabad for the year ended 2019, it was observed that Sheikh Amanullah PP No: 98907 SEVP/ Provincial Chief (NPLs & SAM Recovery), Baluchistan the then Chief Operating Officer (COO) ZTBL and Mr. Abdul Ghaffar Bhatti PP No: 98988 SEVP / Provincial Chief (NPLs & SAM Recovery), Sindh, the then Chief Financial Officer (CFO) ZTBL made following irregularities:

- i The officers used their position for personal motives and advised on July 25, 2014 to reconsider the report on pay package in the light of proposal for grant of Annual Merit Increase on the basis of running monetized salary to employees governed under SR-2005 and subsequently cleared the revised Pay Package-2014 on August 05, 2018 for approval of the competent authority, which caused significant financial impact to the bank and badly affected profit and loss account. Despite weak financial position, rising trend of NPLs and SAM loans and liquidity position, they endorsed the AMI scale for personal motives as they were leading beneficiaries.

- ii The pay package was approved and notified vide circular No: HRD/34/2014 dated August 20, 2014. The additional annual amount paid on account of revised AMI scale to employees governed under SR-2005 caused at least following annual financial impact to the bank during the years 2015, 2016, 2017, 2018 and 2019 which was compounded multifold in each coming year:

(Rs. in million)							
S. No.	Scale for increase	2015	2016	2017	2018	2019	Total
1.	Allied Annual Increase	142.42	167.37	179.89	146.66	184.76	821.10
2.	Possible Annual Increase	81.98	95.73	102.31	79.58	100.05	459.65
1-2	Annual Addl. Financial Impact	60.4	71.6	77.6	67.1	84.7	361.4

- iii The Revised AMI scale also resulted into high increase in severance/ end service benefits of employees with recurring effect, which have been paid since 2015 till date and shall be payable to employees in future as well. This impact was required to be assessed through actuarial firm but file was approved by CFO and COO without these estimates.
- iv As per record Mr. Abdul Ghaffar Bhatti remained one of the top most beneficiary revisions of AMI scale. The officer got resultant increase of 79% approximate as his monetized salary increased from Rs. 526,816 p.m (as on 31.12.2014) to Rs. 941,349 p.m (as on 31.12.2019). Therefore, officer was benefitted by Rs. 4.974 million.
- v An amount of Rs. 4,184,041 million was also outstanding against Sheikh Amanullah and Mr. Abdul Ghaffar Bhatti (Rs. 2,043,590 + Rs. 2,140,451 respectively) at the time of dismissal from bank's service.

The resulted loss of Rs. 361.400 million to the bank due to inefficiency of Chief Operating Officer and Chief Financial Officer of ZTBL due to revised AMI to Chief Financial Officer.

Audit is of the view that weak financial internal controls of the ZTBL resulted in misconduct by Chief Operating Officer and Chief Financial Officer which was very serious offence in the absence of Board of Directors.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that the responsible executives, after conducting disciplinary proceedings, have been

dismissed from Bank services in terms of Grievance Handling & Disciplinary Action Policy duly approved by the Board of Directors. The DAC directed the management to finalize the inquiry cases at an early date.

Audit recommends early finalization of the inquiry case and taking action accordingly.

Para-22 ZTBL, 2019-20

5.7.4.5 Loss due to non-recovery of past dues by branches of Zonal Office Lahore – Rs. 525.319 million

According to clause-15.21 of the ZTBL Credit Manual, Recovery Department will issue targets against recoverable amounts separately against past year dues and recovery installments being fallen due during the year as per bank books whereas SAM Department will issue targets as against SAM Portfolio to each Zone as assigned by the management. The Zonal Chief will be responsible to issue such targets to each branch / MCO circle as per guidelines issued by Head Office. Recovery performance of the field functionaries shall be monitored by controlling offices i.e. Branch Managers , Zonal Managers (Recovery & SAM), Zonal Chief in the field and at Head office by Recovery Department and SAM Department for submission of status to Head of Recovery & SAM Division regularly. Recovery & SAM Division will issue guidelines/ instructions deemed necessary to pursue / achieve the recovery targets. A quarterly status of recovery will be submitted to BOD.

During audit of ZTBL Zonal Office Lahore for the year ended December 31, 2019, it was observed that according to clause-14.3 of the ZTBL Credit Manual, Past Dues (PD) means any amount payable or owed by the customer to the Bank, whether in terms of principal, mark-up or expenses incurred by the bank to meet obligations under any instrument, which was payable as per recovery schedule in previous years but delayed or which the bank had to per force incur to safeguard its interest or fulfill its commitment and carried forward in next year but yet not recovered. Further scrutiny of record revealed that some branches as given in **Annex-41(A)** could affect recovery of Rs. 289.104 million from past dues against total recoverable past dues of Rs. 814.423 million which is only 35.50%.

The position of Kot Radha Kishan branch was very worse as it was maintaining recovery percentage of 21.63% during 2018 and 21.03% during 2019. It requires immediate attention of Zonal Office and ZTBL Head Office. Furthermore, past dues recovery percentage of Batapur (Jalo More) i.e. 26.34%, Kangan Pur i.e. 33.69%, Bhadian Kalan i.e. 33.77% and Rai Wind i.e. 36.14% were also below par and also require immediate attention of branch management and Zonal Chief. Pattoki, Kasur, Lahore Cantt, Bhadian Kalan, Batapur (Jalo More), Mustafaabad, Chunnian, Khuddian and Kanganpur decreased drastically during 2019 as compared to 2018. The above situation got worse when management of above branches extended new loans to old borrowers as detailed at **Annex-41(B)**.

Audit is of the view that the branch and Zonal Office management were required to pay more attention towards past dues but proper attention was not being paid which resulted into transfer of heavy amounts in SAM Loans. The branch management was involved in adjustment lending i.e. new loans were being approved for the repayment/ adjustment of old outstanding loans at the cost of bank's own funds which was irregular and unjustified. Furthermore, the management also failed to make the past dues part of the current demand from the borrowers in violation of the clause-15.26(vii) of the ZTBL Credit Manual.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that overall performance in past dues as on 31st December 2019 was 35.50% with corresponding period of last year which was 36.42% less to the tune of 0.1%. It was further stated that they were making sincere efforts to reduce NPL as it is evident that on 23.12.2020 they reduced NPL amounting to Rs. 182.950 million and reduction of Rs. 68.348 million in provisions, besides certain reasons for shortfall in NPLs target achievement. The DAC directed the management to submit revised reply.

Audit recommends compliance of the DAC directives.

Para-52 ZTBL, 2019-20

5.7.4.6 Loss due to non-recovery of legal charges incurred during hearing from the defaulters after cases decided in bank favor – Rs. 126.478 million

As per para-19(3) of Financial Ordinance No. XLVI of 2001, in case of mortgage, pledged or hypothecated property, the financial institution may sell or cause the same to be sold with or without the intervention of the Banking Court either by public auction or by inviting sealed tenders and appropriate the proceeds towards total or partial satisfaction of the decree. The decree passed by the Banking Court shall constitute and confer sufficient power and authority for the financial institution to sell or cause the sale of the mortgaged, pledged or hypothecated property together with transfer of marketable title and no further order of the Banking Court shall be required for this purpose.

During the audit of ZTBL (HO) Islamabad for the year ended December 2019, it was observed that 350 Court cases were decided in favor of the Bank. An expenditure of Rs. 146.478 million as on December 31, 2019 was incurred during the Court proceedings. However, it was observed that no concrete steps were taken by the Bank management for the recovery of the said amount from the defaulter loanees. This showed the administrative and financial mismanagement. Due to non-recovery of the said legal charges, the Bank could sustain loss of Rs. 146.478 million.

Audit is of the view that the management was required to effect recovery of the legal charges incurred on court proceedings.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that the legal charges are booked to the loan account of the borrowers / defaulters which becomes the part of total outstanding amount. As such the legal charges are realized along with the amount of entire loan at the time of final settlement. Since the properties are duly mortgaged with the Bank therefore no question of loss arises at any stage.

The DAC directed the management to intimate the latest position of recovery.

Audit recommends intimating the latest position of recovery to audit.

5.7.4.7 Non-recovery of crop loan insurance premium claims from SBP/ MoF – Rs. 1,827.330 million

According to clause 11.2.20(B) (1) (a) & (b) of ZTBL Credit Manual Vol-I, based on the internal / external audit verification of the claims, SBP will review the same and forward valid claims to MoF for reimbursement. Further, SBP Banking Inspection Department (BID) will verify the claim process on sample basis during their regular inspections and share its findings with Agricultural Credit & Microfinance Department (AC&MFD), if any. In case of any inconsistency observed during on-site verification, the same will be recovered from the bank along with penalties as per rules. On the basis of validation of claims by internal and external audit and desktop analysis by SBP, the MoF will ensure reimbursement to banks/ MFBs through SBP within two weeks.

During the audit of ZTBL Head Office Islamabad for the year ended 2019, it was observed that the management lodged crop insurance premium claims valuing Rs. 1,827.330 million with State Bank of Pakistan and Ministry of Finance during 2017 to 2020 but same are still pending with SBP.

Audit is of the view that the management was required to pursue the claims with State Bank of Pakistan as MoF was bound to reimburse the claims within prescribed time frame but no concrete efforts were made due to which amount is still receivable from SBP/ MoF.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that the issue of reimbursement was taken up at the highest Senior Management level of ZTBL which requested the SBP/ MoF for reimbursement of insurance premium pertaining to the Crops & Livestock Loan Insurance Schemes numerous times, but no response was received. State Bank of Pakistan was approached telephonically as well with similar fate. The DAC directed the management to follow up the case.

Audit recommends compliance of DAC directive.

Para-24 ZTBL, 2019-20

5.7.4.8 Misappropriation of bank's funds against loan cases – Rs. 81.652 million

In accordance with Para 23(D), Chapter-23 of ZTBL H.R. Manual, it shall be the duty of every employee of the Bank, who comes to possess, receive, obtain or comes across any information regarding involvement/indulgence of any employee in corruption or corrupt practices directly or indirectly, or observes any action or activity on the part of an employee that falls within the ambit of corruption or corrupt practices to report the same to the President or Head, I&C Department. Failure on part of the employee in meeting this obligation shall be deemed as abetment/connivance in the offense, and shall be cognizable under the Regulation.

During the audit of ZTBL Head Office Islamabad for the year ended 2019 it was observed that the bank employees of following branches misappropriated bank funds out of loan amounts valuing Rs. 81.560 million as detailed below:

S. No.	Name	Designation	Amount (Rs)	Remarks
1.	Ammar Abdul Basit PP No. 122270 Arshad Khalid Manager	OG-III MCO Donga Bonga Br. Bahawalnagar Zone	32,985,439	They embezzled the bank funds and misappropriated funds through fake vouchers
2.	Mr. Nazir Ahmed Tabassum PP No 042947	Zonal Chief ZTBL Larkana, Hyderabad and Karachi	30,766,401	He received bribe, obtained advances on 7.1.2014 and 10.1.2014 for arrangement of reception of President ZTBL which was outstanding in suspense account and Transferred to Deposit Account No 3134 of Mr. Hidayat Ali Sheikh Ex Zonal Manager (Operations) Zonal Office Karachi through credit advices originated by different branches of Karachi Zone
3.	Mr. Mehtab Hassan Tahir P.P No.113550	OG-II/MCO, ZTBL Noor Shah Branch, Okara Zone	12,726,287	Mis-appropriated and embezzled bank funds in different loan cases
4.	Muhammad Shafique Awan PP 025000 Muhammad Shabbir PP 067967 Abdul Rashid PP	Manager AVP/A.M. (Ops) AVP/Teller	1,400,000	Embezzled bank funds

	067724 Muhammad Shafique PP 058108	AVP/MCO		
5.	Mr. Hammad Raza PP No. 090134	AVP/Deputy Manager Mir Hazar Khan Branch, Muzaffargarh Zone	3,774,000	Embezzled bank funds through less deposit of loan recovered amount, drew amounts from accounts of loanees
	Total		81,652,127	

Audit is of the view that weak financial internal controls of the bank resulted into misappropriation of bank's funds to the tune of 81.560 million due to connivance of branch Manager and staff which was also not detected by IS Audit System of the ZTBL.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that a reference was received on 03.10.2019 from I&C Department regarding embezzlement and misappropriation against Mr. Ammar Abdul Basit, P.P No. 122270, Ex-OG-III, along with other 05 accused of ZTBL, Donga Bonga Branch, Bahawalnagar Zone. The inquiry officer was appointed on 21.10.2019 by issuing charge sheets to them. Show Cause Notices were served on 08.06.2020 on account of proven charges in the inquiry report dated 03.06.2020. Case of Mr. Ammar Abdul Basit was decided by imposing major penalty of dismissal from Bank's Service and held him responsible for recovery vide OM dated 21.09.2020. His writ petition dated 10.09.2020 filed in Lahore High Court was dismissed on 01.10.2020.

In another case I&CD, ZTBL, H.O, Islamabad sent DSAs against Mr. Nazir Ahmed Tabassum, SVP, Zonal Chief Larkana and other co-accused on account of malpractices, bribe from Managers , loan against defective security and embezzlement of Bank's funds. He was issued charge sheet on 15.07.2014 and thereafter served with a show cause notice. After personal hearing his case was decided vide OM dated 06.09.2017 by imposing upon him major penalty of dismissal from bank's Service along with recovery of Rs. 1,572,951 for loss caused to the Bank. (The loss caused to other employees in the shape of bribe is not included). His writ petition No.249/2018 in Islamabad High Court, Islamabad was disposed of by the court with the advice to the bank to decide his pending appeal. The appellate authority in this case is ZTBL, Board of Directors which

was not functional at that time due to which his appeal remained pending. Now the Board has been constituted and his appeal will be placed before the BOD for decision during its forthcoming meeting. His retiring benefits are already retained by the bank. The DAC directed the management to finalize the inquiry cases at the earliest.

Audit recommends early finalization of the inquiry cases and to take action accordingly.

Para-21 ZTBL, 2019-20

5.7.4.9 Misappropriation through fictitious entries and less deposit in individual accounts – Rs. 16.826 million

According to ZTBL Fraud Prevention Policy 2015, every employee of ZTBL including adhoc, temporary, contract, representative of vendors, suppliers, contractors, consultants, service provider or any other agency(ies) doing any type of business with ZTBL is expected and shall be responsible to ensure that there is no fraudulent act being committed in their areas of responsibility/control. As soon as it is learnt that a fraud or suspected fraud has taken or is likely to take place they should immediately apprise the same to the concerned quarter as per procedure.

During the audit of ZTBL Head Office Islamabad for the year ended 2019, it was observed that the management of ZTBL Khan Garh branch of Zonal Office Muzaffargarh, and ZTBL Mardan Branch made embezzlement of Rs. 16.826 million through fictitious entries, less deposit of amounts in the bank accounts of account holders as detailed below:

S. No.	Name	Designation	Amount (Rs)	remarks
1	Mr. Jam Muhammad Ramzan PP No: 079144	Ex VP ZTBL Zonal Office Muzaffargarh, the then Manager ZTBL Khan Garh branch	1,959,000	Deliberately committed fraud, misappropriated through opening of current accounts in the name of his family members and carried out fictitious transactions in their deposit accounts and deposit accounts of colleagues during 2015 to 2018. He also misused bank vehicle costing Rs. 701,028 and incurred un-authorized expenditure on repair of vehicle valuing Rs. 128,565.

2		ZTBL Mardan Branch	1,340,000	Embezzlement due to less deposit of cash
3		-do-	2,156,055	The account was factitiously debited in 20 bank accounts as entry was made in CDMS but vouchers were not available in bank record.
4		-do-	2,426,130	Voucher, cheque or any instrument for the transaction was not available in the branch record. Entries of the transaction were not available in the voucher posting day ledger.
5	Mr. Pir Dad Khan PP No. 86837	-do-	7,145,000	Same deposit accounts were debited with contra credit to another account amounting to Rs. 4,923,130. The cheques presented for with drawl and cash payment was made to deposit holder through his current account but entry of the same cheque was made to another depositor accounts - Rs. 258,600. Different cheques amounting to Rs. 1,363,000 were posted/ entered with another cheque in CDMS. The cash accounted for towards Deposit Accounts was less than cash actually deposited by Account holders – Rs. 600,000.
6	-do-		1,800,000	The debit advice No.201900585 dated March 15, 2019 for Rs. 1.800 million by HO branch (code 24402) on account of inward clearing dated March 14, 2019 (Realized through NIFT) was responded through said voucher. The entry of transaction were neither available in the voucher nor found in the daily case and transfer scroll generated by CBAS.
	Total		16,826,185	

The above culprits were involved in serious irregularities in branch operations but the same were not detected through Bank financial controls in place. This showed weak financial control and lack of rotation in posting of field staff which needs to be reviewed at appropriate level. This resulted into fraud /

embezzlement through fictitious entry in computer system and bank accounts without supporting vouchers valuing Rs. 7.881 million.

Audit is of the view that due to loop holes in the financial safety and whistle blowing system of the bank an individual succeeded to make fictitious transactions in current accounts of bank branch. Furthermore, Fraud Prevention Committee also failed to detect the fraud which was system failure.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that reference was received on 22.03.2019 from FAD regarding embezzlement and misappropriation of Bank's funds against Mr. Jam Muhammad Ramzan, P.P No. 079144, Ex-VP, Zonal Office Muzaffargarh. The inquiry officer was appointed on 25th April 2019 by issuing him charge sheet. Show cause Notice was served on 2nd September 2019 on account of proven charges by the inquiry officer, vide report dated 20th August 2019. His case was decided by imposing major penalty of dismissal from Bank's Service and held him responsible for recovery vide OM dated 17th January 2020. The employee concerned has filed a writ petition in the Honourable High Court. The case has come left over and next date of hearing is still pending.

Similarly, a Special Audit of ZTBL, Mardan Branch, Peshawar Zone was conducted for the period 1.7.2015 to 31.3.2019 and on the basis of serious irregularities pointed out in the audit report, the following employees were issued charge sheets on 24.12.2019. Formal enquiry was conducted into the incident and charges were proved against all the above accused officers. They were issued Show Cause Notices on 22.04.2020 besides giving them opportunity of personal hearing which took place on 04.12.2020. Subsequent to that a Fact Finding Committee has been constituted on 24.12.2020 to ascertain tenure-wise involved amount/loss caused to the Bank by each accused. The final decision will be taken on receipt of report of the said committee. The DAC directed the management to finalize the inquiries at an early date and take action accordingly.

Audit recommends early finalization of the inquiry cases and taking action against the defaulters.

Para-18 ZTBL, 2019-20

5.7.4.10 Irregular sanction / disbursement of loans over and above the approved maximum ceiling / limit and embezzlement - Rs. 44.054 million

According to clause-4.1 of Credit Manual-I, the bank advances loans against the security of immovable / movable properties and also against personal surety.

In accordance with Credit Manual Vol-1 7.5.2 (ii & iv) “while considering loan Limits against security of agriculture land under pass book system, operational land holdings, cropping pattern and scales of finances are to be taken into account. Operational land holdings may include the leased in lands but exclude leased out lands as per existing policy restricting its admissibility equivalent to owned land or up to 12.5 acres in all provinces. Revolving credit limit of a borrower may be worked out as per prevalent per acre crop-wise ceiling plus 10% additions on account of ancillary activities such as maintenance of agriculture machinery/implements, electricity charges etc.

During the audit of ZTBL (HO) Islamabad for the year 2019, it was observed that the bank staff of various branches recommended / entertained loan cases beyond maximum Credit Limit (MCL) / encumbered amount given in the charge creation certificate in violation of bank standing instructions. This resulted into unsecured loan amounting to Rs. 44.054 million (**Annex-42**).

Audit is of the view that the management was required to entertain the loan cases according to the provision of ZTBL Credit Manual but in above cases it sanctioned beyond the MCL and encumbered amount given in the charge creation certificate which was held irregular. Furthermore, embezzlement was also made by branch management.

The matter was reported to the management on 17th December 2020. During DAC meeting held on 11th January 2021, the management informed that all the loan cases are within maximum loan limit of the borrowers. The DAC directed the management to follow up recovery in the above loan cases.

Audit recommends follow up the recovery in above loan cases.

Para-44 ZTBL, 2019-20

Chapter-6

Ministry of Energy (Power Division)

Overview

The Ministry of Energy, Power Division is a Government's Federal level ministry created on August 4, 2017, after the merger of the Ministry of Petroleum and Natural Resources with the power division of the Ministry of Water and Power (now renamed Ministry of Water Resources), respectively. The ministry has two divisions - Petroleum and Power. The Petroleum Division is headed by the Petroleum Secretary and the Power Division is headed by the Power Secretary.

Aims & Objectives

To ensure availability and security of sustainable supply of power for economic development and strategic requirements of Pakistan, and to coordinate the development of natural resources.

Governing Laws and Policies

- Power Policy 2002
- National Policy for Power Co-Generation by Sugar Industry
- Guidelines for setting up private power projects
- Guidelines for determination of tariff for independent power producers.
- NEPRA Mechanism for Determination of Tariff for Hydro Power Projects
- National Power Policy 1994
- National Power Policy 1995
- National Power Policy 1998
- RE Policy for Development of Power Generation 2006

(Rs. in million)				
Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
Formations	1	1	8,206	-
Assignment Accounts (excluding FAP)	-	-	-	-
Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 6,656.311 million were raised because of this audit. This amount also includes recoverable of Rs. 670.302 million as pointed out by the audit. Summary of the audit observations classified by nature is as under:

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	151.564
B	Procurement related irregularities	994.932
C	Management of accounts with Commercial Banks	56.058
4	Value for money and services delivery issues	18.717
5	Others	5,435.040

6.1 National Engineering Services Pakistan (Pvt.) Ltd.

6.1.1 Introduction

The Company was incorporated in 1973 under the Companies Act 1913 (now Companies Act 1984). The government of Pakistan own it and is engaged in providing engineering consultancy services through its Division Offices at Lahore, Islamabad, Karachi, Peshawar and Quetta in Pakistan and Masqat, Oman, Riyadh, Qatar and Kabul abroad.

6.1.2 Comments on Audited Accounts

6.1.2.1 The working results of the Company for the year 2017-18 as compared to the previous year are tabulated below:

	(Rs. in million)				
	2017-2018	%Inc. / (Dec)	2016-17	%Inc. / (Dec)	2015-16
Consultancy services in Pakistan	7,970.115	(2.19)	8,148.48	13.73	7,164.50
Consultancy services outside Pakistan	345.683	(16.65)	414.72	(28.90)	583.28
Other income	588.986	143.13	242.25	(40.29)	405.74
Total Income	8904.784	(1.13)	8,805.45	7.99	8,153.52
Share of loss from Associates	(2.514)	(267.60)	1.500	(75.51)	6.125
Administrative, general and financial & other charges	8,038.755	7.69	7,464.87	17.97	6,327.55
Profit before taxation	863.515	(35.88)	1,346.75	(26.44)	1,825.97
Taxation	619.682	58.90	389.993	(13.80)	452.42
Profit after taxation	243.833	(74.35)	950.586	(30.79)	1,373.55

(Source: Annual Audited Accounts)

6.1.2.2 There was a decreasing trend in the income of consultancy services both within and outside Pakistan which decreased from Rs. 8,563.195 million in 2016-2017 to Rs. 8,315.798 million in 2017-2018 registering a decrease of Rs. 247.397 million which shows that management failed to get more business in its local as well as overseas operations. Efforts need to be made to curtail fixed cost and to increase market share to become the entity as a viable unit.

6.1.2.3 After-tax profit of the company also decreased from Rs. 950.586 million in 2016-17 to Rs. 243.833 million in 2017-18 registering a decrease of 74.40%. The main reasons for this decrease were increasing in Admin, General and Financial charges. Efforts need to be made to curtail unnecessary expenditures and increase income.

6.1.2.4 NESPAK mostly relies upon public sector projects and due to high operational cost, NESPAK failed to secure private sector projects within Pakistan and losing its market share which needs to be explained.

6.1.2.5 Donations made by the company increased from Rs. 3.405 million in 2016-17 to Rs. 4.437 million in 2017-18 (showing an increase of 30.31%). The justification and detail of donations made along with approval from competent authority may be provided to audit.

6.1.2.6 Loans and advances (Note-15) increased from Rs. 209.970 million in 2016-17 to Rs. 273.068 million in 2017-18 (depicting an increase of 30.05%). The increase in loans and advances need justification besides explaining the nature of loans along with their repayment schedule.

6.1.2.7 Investment property (Note 09) increased from Rs. 15.00 million in 2016-17 to Rs. 110.240 million in 2017-18 (indicating an increase of 634.93%) under the head building on leasehold land to the tune of Rs. 95.240 million. The abnormal increase in investment property besides the decrease in current year's net profit needs clarification and justification.

6.1.2.8 Long term security deposits as shown in the balance sheet for the year 2017-2018 increased from Rs. 33.940 million in 2016-17 to Rs. 57.115 million in 2017-18 (depicting an increase of 68.28 %). Huge increase in long term security needs justification and clarification.

6.1.2.9 Under the head operating cost in Note 26, an amount of Rs. 6.466 million was charged as impairment. The details of the impairment loss along with the approval of the competent authority need to be explained and justified.

6.1.2.10 Deferred tax asset as shown under headnote 13 increased from Rs. 503.761 million in 2016-17 to Rs. 632.874 million in 2017-18 (showing an increase of 25.63%). Reasons for the constant increase in deferred tax asset and their non-realization / adjustments may be elaborated.

6.1.2.11 Contract fee receivable (note-14) increased from Rs. 9,163.031 million in 2016-17 to Rs. 9,766.365 million in 2017-18 (demonstrating an increase of 6.58%) as per details given below:

Period	Aging (Rs. in million)
Up to 6 months	5,924.984
More than 6 months less than one year	1,440.286
More than one year	4,443.375
Total	11,808.645
Provision for bad debts	2,042.280
Net Receivables	9,766.365

Reasons for the constant increase in contract fee receivable along with the provision of bad debts may be elaborated.

6.1.2.12 Provision for doubtful debts increased from Rs. 1,655.019 million in 2016-17 to Rs. 2,042.280 million in 2017-18 (showing an increase of 23.40%). Reasons for huge and constant increase in Provision for doubtful debts may be justified along with the party-wise breakup of receivables.

6.1.2.13 Deposits and short-term prepayments (Note-16) increased from Rs. 240.466 million in 2016-17 to Rs. 281.995 million in 2017-18 (indicating an increase of 17.27%). Deposits and short-term prepayments include an amount of Rs. 246.352 million on account of retention and earnest money. Increase in the retention money indicates that management is not satisfactorily completing its jobs, which needs to be explained.

6.1.2.14 Interest accrued as shown under the head (Note 37) increased from Rs. 7.612 million in 2016-17 to Rs. 16.132 million in 2017-18 (depicting an increase of 111.93%). The huge and constant increase in accrued interest shows a lack of financial management, which needs justification and clarification.

6.1.2.15 Other receivables (Note-17) increased from Rs. 1,564.248 million in 2016-17 to Rs. 2,079.318 million in 2017-18 (indicating an increase of 32.93%). A constant increase in other receivables besides the decrease in current year's consultancy fee needs explanation and clarification.

6.1.2.16 Trade and other payables (Note-23) increased from Rs. 2,987.437 in 2016-17 to Rs. 3,446.353 million (demonstrating an increase of 15.36%). Increase in trade and other payables indicate that the company is unable to collect its debts in time which needs to be justified.

6.1.2.17 Un-appropriated profit (Note-20) decreased from Rs. 687.596 million in 2016-17 to Rs. 20.273 million in 2017-18. The negative balance of un-appropriated profit head needs to be explained.

6.1.2.18 Operating cost increased from Rs. 7,455.287 million in 2016-17 to Rs. 8,033.922 million in 2017-18 (depicting an increase of Rs. 7.76%). Increase in operating cost besides the decrease in current year services fee by 2.90% needs justification and clarification.

6.1.2.19 Operating profit decreased from Rs. 1,107.908 million in 2016-17 to Rs. 281.876 million in 2017-18 (indicating the decrease of 74.62%). The abnormal decrease in operating profit needs justification.

6.1.2.20 Profit for the year decreased from Rs. 950.586 million in 2016-17 to Rs. 243.833 million in 2017-18 (demonstrating the decrease of 74.35%). It is further added that profit of Rs. 243.833, includes an amount of Rs. 588.986 million on account of other income which mainly includes exchange gain of Rs. 432.409 million, the same does not directly relate with the operation of the entity. If we calculate the real net profit from the regular operations of the entity after deducting the non-operational income the entity would have suffered the loss of Rs. 345.153 million (Rs. 588.986 - Rs. 243.833).

6.1.2.21 Share of Profit / (loss) from associates (Note-11) decreased from Rs. 1.5 million in 2016-17 to a negative balance of Rs. (2.514) million in 2017-18. The loss sustained by the NESPAK associates companies need justification and clarification.

6.1.2.22 Cash and cash equivalent under (Note 32) stood at Rs. 2.329 Billion as on June 30, 2017, reduced to Rs. 1.676 billion as on June 30, 2018. The reduction of cash to the tune of Rs. 652.901 million shows that the company is not generating enough cash from its operations.

6.1.2.23 An amount of Rs. 2,216.695 million stands payable as Sales tax to Punjab Revenue Authority and Sind Revenue Board as on June 30, 2018, as against Rs. 1,609.981 million as on June 30, 2017. The company did not make any provision in their accounts and the company had cash at bank to the tune of Rs. 9991.074 million as on June 30, 2018. The financial position of the company and non-provision of the said liability needs to be explained.

6.1.2.24 The current ratio is 1:3.487 which is on the higher against the ideal one i.e., 1:2. The management should convert its excessive current assets into non-current assets for effective utilization of resources.

6.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1991-92	05	04	1	754	80
1995-96	06	04	2	252,254	67
1998-99	01	0	01	295	-
2004-05	01	0	01	115	-
2005-06	08	0	08	238, 238.1, 238.2, 238.3, 238.4, 238.5, 238.6, 239	-
2006-07	10	08	02	206, 207	80
2007-08	03	0	03	178 & 178.1, 178.2	-
2008-09	10	0	10	227, 227.1, 227.2, 227.3, 227.4, 227.5, 228, 229, 230, 231	-
2009-10	06	0	06	237, 238, 239, 240, 241, 242	-
2010-11	24	17	07	25.1.2.1,25.1.2.4,25.1.2.5,25.1.2.8, 25.1.4.2, 25.1.4.3, 25.1.4.5	71
2013-14	32	23	09	18.1.2.2, 18.1.4.1, 18.1.4.4, 18.1.4.10, 18.1.4.5, 18.1.4.6, 18.1.4.12, 18.2.2.5, 18.2.2.7	72
2016-17	21	6	15	18.1.4.1,18.1.4.5,18.1.4.2,18.1.4.6,18.1.4.3,18.1.2. 6,18.1.2.1,18.1.2.2,18.1.2.3, 18.1.3,18.1.4.4,18.1.4.7,18.1.4.8,18.1.4.9, 18.1.4.11,18.1.4.12, Annexure-2	29
2017-18	27	01	26	8.13.1, 8.13.2.1, 8.13.2.3, 8.13.2.4, 8.13.2.5, 8.13.2.6, 8.13.3, 8.13.4.1, 8.13.4.2, 8.13.4.3, 8.13.4.4, 8.13.4.5, 8.13.4.6, 8.13.4.7, 8.13.4.8, 8.13.4.9, 8.13.4.10, 8.13.4.11, 8.13.4.12, 8.13.4.13, 8.13.4.14, 8.13.4.15, 8.13.4.16, 8.13.4.17, 8.13.4.18, 8.13.4.19	4
2018-19	32	05	27	7.1.2.1, 7.1.2.2, 7.1.3, 7.1.4.1, 7.1.4.2, 7.1.4.3, 7.1.4.4, 7.1.4.5, 7.1.4.6, 7.1.4.7, 7.1.4.9, 7.1.4.12, 7.1.4.13, 7.1.4.15, 7.1.4.16, 7.1.4.17, 7.1.4.18, 7.1.4.19, 7.1.4.20, 7.1.4.21, 7.1.4.22, 7.1.4.23, 7.1.4.24, 7.1.4.25, 7.1.4.26, 7.1.4.27, 7.1.4.28	
Total	186	68	118		37

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

6.1.4 Audit Paras

6.1.4.1 Loss due to defective agreements - Rs. 821.497 million

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

During the audit of NESPAK H.O and their allied offices for the year 2019-20, it was observed that management entered into agreements with various clients for the design and construction supervision of the various project. The projects were undertaken after ensuring the minimum 10% profit as contained in the control estimates of each job. Review of project profit & loss summaries for the year 2019-2020 revealed that as on June 30, 2020, NESPAK sustained loss of Rs. 821.497 million as the actual cost incurred on the respective job exceeded the maximum billed amount. The NESPAK undertook that job at far less than their actual cost incurred. The management failed to assess the actual cost to be incurred and their control estimates were based on wrong estimation. These projects were started three to four years back and are still ongoing. Up till June 30, 2020, these projects have sustained loss of Rs. 821.497 million, and over time the loss will further increase.

Audit is of the view that the loss was purely caused due to negligence of the concerned Project Manager and contracts division who failed to safeguard/protect NESPAK interest and undertook such projects which resulted into loss to the organization.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that loss was caused due to higher current man-month rates being charged whereas control estimates are based on old man-month rates and huge overhead rates being charged to the client. The reply of the management is not convincing as the control estimates were made keeping in view the increase in the man-hour rates and overhead rates

being charged. The DAC directed the management to place the matter before BOD for fixing responsibility.

Audit recommends compliance of DAC directives.

Para-8 NESPAK, 2019-20

6.1.4.2 Loss due to defective contracts in Aviation Sector - Rs. 434.613 million

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

During the audit of NESPAK Karachi office Aviation Division for the year 2019-20, it was observed that management entered into agreements with Civil Aviation Authority for the design and construction supervision of Lahore, Sialkot, Peshawar and Islamabad Airports. While reviewing the project profit & loss statement it was observed that NESPAK sustained a huge loss in the above jobs. These projects are still ongoing and the loss on these jobs was worked out to be Rs. 434.613 million as on June 30, 2020, and with time the loss will further increase.

The audit is of the view that the loss was incurred due to negligence of the management as they failed to assess the actual cost of the project while submitting control estimates and proposal, which resulted into loss to the organization.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that NESPAK submitted competitive bids which ultimately led to loss as pointed out by Audit. NESPAK is, however, striving hard to make all new projects to be profitable and exploring the opportunities to achieve this goal not only in Pakistan but in other parts of the world as well. The reply of the management is not convincing as the NESPAK Aviation Division being a commercial entity should have bid the projects by ensuring minimum profit margin. The action of the Aviation Division

put the organization into the loss of Rs. 434.613 million as pointed out by the audit. The DAC directed to refer the matter to the Board of NESPAK for taking decision regarding losses and fixing responsibility.

Audit recommends compliance of DAC directives.

Para-11 NESPAK, 2019-20

**6.1.4.3 Loss due to non-recovery of the disputed receivable from ERRRA
- Rs. 550.297 million**

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

During the audit of NESPAK, DMRD, Islamabad it was observed that an amount of Rs. 1,104.635 million remained outstanding against ERRRA & AJ&K Government. The jobs were executed in Sep 2006 after the earthquake of 2005. The above payments were retained by the concerned authorities due to certain defects in the quality of work. An amount of Rs. 1,104.635 million is receivable from ERRRA as on June 30, 2020, which includes a disputed amount of Rs. 550.297 million. The concerned project manager failed to resolve the issues raised by the client since 2006. Furthermore, the management of DMR Division also failed to resolve the issue of applicability of sales tax with the Government of AJK in respect of Job No 3752 and realization of old outstanding dues as per details given below:

S. N o.	Number of jobs	Name of Project	Disputed Amount (Rs. in million)	Remarks of concerned project manager
1.	Job 2778	Earthquake Reconstruction & Rehabilitation Project	539.387	ERRA has raised certain issues vide its letter No.1-1/Tech Date/CMC/ERRA dated July 18 2018. Such observations have never been shared with us since 2006. However, we are coordinating with ERRA to resolve these issues.
2.	Job 3752	Hazard Mapping and Land Slide Treatment along major Roads in AJ&K	10.910	Coordinating with the client to resolve the issue of Sales Tax deduction from NESPAK fee
		Total	550.297	

The matter is brought to the notice of higher authorities to investigate the reasons for non-recovery of old outstanding dues and fix responsibility on the person at fault.

The audit is of the view that due to non-pursuance of the outstanding amount and slackness of the concerned project managers the organization is likely to sustain a loss in this respect.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that efforts are being made to recover the outstanding dues. However, no recovery has been made yet. The DAC directed to pursue the matter through the Ministry for early recovery of NESPAK dues.

Audit recommends compliance of DAC directives.

Para-23 NESPAK, 2019-20

6.1.4.4 Loss due to poor Contract Management in the execution of Orange Line Project - Rs. 849.180 million

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and the due economy is exercised to reduce wastage. The principle shall be adhered to,

especially concerning handling of public funds, assets, resources and confidential information by directors, executives and employees and claiming of expenses.

During the audit of NESPAK for the year 2019-20, it was observed that Structure Division of NESPAK executed contract with Punjab Mass Transit Authority (PMA) and Chinese Consultants Company M/s CEC for the design and construction supervision of Lahore Orange Line Metro Train Project (LOLMTP) under job number 3765 on October 20, 2015. The contract was awarded to NESPAK through direct contacting and Punjab Public Procurement Authority (PPRA) had declared the project as complex on April 21, 2014. The contract is a fixed fee contract of Rs. 1.150 billion. The total length of the route is 27.1 Km with a completion period of 27 months. As per initial control estimates submitted in November 2015 the projected cash flow along with estimated expenditure with a profit of Rs. 75.855 million.

Against the contract period of 27 months, the project got delayed due to stay order of the court, relocation of utilities, land acquisition and design changes along with cost overruns. As per clause 3.1.2 & 3.1.3 of the contract agreement, the management agreed on an unlimited scope of work along with an unlimited period. However, no additional cost for the delay in the construction was allowed.

The matter was also discussed in the 144th (BOD) meeting held on Sep. 09, 2017 whereby the Board constituted a committee comprising senior officers of NESPAK. The Inquiry committee after a thorough investigation concluded that the loss was incurred due to negotiations of contract at far less cost than the planned cost and unfavourable terms & conditions by having the unlimited scope of work in the contract.

As per profit & loss statement of Job 3765, the organization sustained a loss of Rs. 608.38 million on receipt basis and Rs. 849.18 million up to June30, 2020, as per details given below:

(Rs. in million)							
S. No.	Total Billing Raised	Total Receipt	Receivable	Direct cost	Salary cost	Total cost	Loss sustained
	1,531.72	923.340	608.38	599.52	1,173.01	1,772.52	849.18

As the project is yet to be completed hence it is apprehended that the loss will further increase with time.

Out of the receivables of Rs. 608.38 million as on June 30, 2020, the management raised an invoice of Rs. 499.87 million on July 09, 2018, to TMA for the additional work done out of the scope of the contract. The claim of NESPAK was completely rejected by the TMA management vide their letter dated 11.07.2018. Hence, recovery of the receivable amount of Rs. 608.38 million seems to be doubtful. Presently, the management has deployed around 40 persons on the stopped project and average charging per month comes to Rs. 5.00 million which will further increase the loss on the job.

The Inquiry Committee concluded that the Ex. M.D and their senior members are fully responsible for the loss to the organization and appropriate action should be taken against the persons responsible. However, no action on the recommendation of the Inquiry Committee was taken by the management despite lapse of more than three years.

The audit is of the view that the loss of Rs. 849.180 million was caused due to poor contract management as the management failed to protect the organizational interest and determining the actual scope of the work in violation of the standard terms & condition approved by Pakistan Engineering Consul.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that as on 30.01.2020, the total amount of loss is Rs. 886.462 million. However, to recover the extra expenditures on the project NESPAK has adopted the contractual course and at present is pursuing an amicable settlement with the client after which they may enter the Arbitration process. The reply of the management is not convincing as the loss was caused due to poor contact management and NESPAK failed to protect its interest. The project became operational on 23.10.2020. No action has been taken against the Ex. M.D and senior officers as per recommendations of the inquiry report. The DAC directed to refer the matter to the Board of NESPAK for fixing responsibility for the loss.

Audit recommends compliance of DAC directives.

Para-27 NESPAK, 2019-20

6.1.4.5 Loss due to non-receipt of consultancy fee from closed foreign offices of NESPAK - Rs. 120.005 million

As per Para 13.3 of the minutes of 142nd meeting held on 20.02.2017 the receivables of the company were discussed by the Finance and Audit committee. The Committee directed that every effort should be made for the recovery of the receivables. As per rule 8 of the NESPAK Accounting Manual, subject to such general or special instructions as may be issued by the Board in this behalf from time to time, it is the duty of the employee concerned that the dues of the company are correctly and promptly assessed, collected and paid into the account of the company.

During the audit of NESPAK Overseas Division Lahore, for the year 2019-20, it was observed that management of NESPAK executed different agreements with the collaboration of Planning Commission, Government of Pakistan for design and construction supervision of work in Kabul Afghanistan. Due to security concerns in Afghanistan NESPAK office was closed in 2018. NESPAK Abu Dhabi office was closed as NESPAK failed to secure any new business in that country. An amount of Rs. 120.005 million is receivable from different clients as on 30.06.2020 and are more than 5 years old. The NESPAK consultants provided the required services and raised invoices to clients but said amount was not paid by the clients so far due to, which the company sustained a loss of Rs. 120.005 million. The detail is as under:

S. No.	Name of Foreign Office	Amount receivable (Rs. in million)	Reasons for not recovery
1.	Kabul office, Afghanistan	118.831	Due to Security Reasons office closed in 2018
2.	Abu Dhabi Office	1.174	Office closed due to closure of business
Total		120.005	

The audit is of the view that the management failed to recover its outstanding dues in time and with the passage of time the same will become bad debts.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that efforts are being made to recover an amount of \$ 170,334 receivable from the Government of

Afghanistan on account of consultancy fee. The reply of the management is not convincing as the Ministry of Finance, Government of Afghanistan has refused to pay the outstanding amount on the pretext that the contract has been terminated and the case has been sent to National Procurement Authority for further guidance. Whereas in the case of Abu Dhabi officer management admitted that the receivables are irrecoverable and will be written off. The DAC directed the management to recover consultancy fee from Govt. of Afghanistan.

Audit recommends compliance of DAC directives.

Para-31 NESPAK, 2019-20

6.1.4.6 Loss due to Poor Performance of NESPAK Foreign Offices - Rs. 903.176 million

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

During the audit of NESPAK overseas offices for the year 2018-19, it was observed that NESPAK established its offices in Oman, Afghanistan and the United Kingdom. While examining the financial results of the said offices it was observed that since the last four years the offices of Afghanistan and UK are inactive and Oman office is active only but is running in loss. These offices are operating in loss and their accumulated loss stood at Rs. 903.176 million as per details given below:

Year	Oman (OMR)	Afghanistan (Afghani Rs)	UK (GBP)	Total (Rs)
June 30, 2016		-	(29,872)	
2016-2017	(509,145)	(746816)	4,816	
2017-2018	(447,655)	333,305	(1,477)	
2018-2019	(325,312)	(10,831)	(3,767)	
2019-2020	(88,281)	-	-	
Accumulated Profit/ Loss	(2,078,698)	(424,342)	(30,300)	
Equivalent to PKR	Rs. 895,800,247	Rs. 914,350	Rs. 6,462,005	903,176,602

Audit is of the view that the performance of the NESPAK Foreign offices is extremely poor as they are continuously running in losses and the accumulated loss stood at an alarming position.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that due to financial crisis in Gulf which started in 4th quarter of the year 2015, development works are on hold and most of the tenders are pending. NESPAK Afghanistan office has been closed from the past two (02) years due to the negative attitude of the Government of Afghanistan towards Pakistan. The reply of the management is not convincing as the above-mentioned offices are running in loss for the last four years and no effective steps were taken to overcome the loss. The DAC directed to probe into the matter by conducting fact-finding inquiry at the ministry level and fix responsibility.

Audit recommends compliance of DAC directives.

Para-49 NESPAK, 2019-20

6.1.4.7 Irregular retention of the staff in an office abroad since long

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

During the audit of NESPAK (HO) Overseas Division for the year 2019-20, it was observed that various officers were appointed in NESPAK overseas offices located at Saudi Arabia, Muscat and Qatar since long. There were no criteria for the selection of officers as well as staff posted abroad. Furthermore, there is no fixed tenure for the posting abroad. Further it was observed that the employees were posted abroad from one to eighteen years as per **Annex-43**.

The audit is of the view that the retention of staff at a specific station for such a long time even though the respective office is sustaining huge loss since long is imprudent and irregular.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that the clients do not accept any rotation or replacement of staff except any unavoidable situation related to staff. In case, NESPAK desires to remove their employee, it will be replaced by a Saudi staff because the issuance of new visa is linked with non-availability of a Saudi which is a rare chance now as Saudi candidates are abundantly available. The reply of the management is not convincing as the management failed to produce any record during verification in support of its contention. Retention of staff for the period ranging 5 to 18 years is held irregular. Furthermore, no specific rotation policy was enforced in NESPAK. The DAC directed to probe into the matter by conducting fact-finding inquiry at the ministry level and fix responsibility.

Audit recommends compliance of DAC directives.

Para-37 NESPAK, 2019-20

6.1.4.8 Loss due to unviable operation at QATAR office - QAR 18.717 million

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

During the audit of NESPAK overseas office for the year 2018-19, it was observed that NESPAK QATAR office was established in 2004. The office is running in a loss since last four years and their accumulated loss stood at QAR 18.717 million as on June 30, 2020, as per details given below:

Year	Income (QAR)	Other Income (QAR)	Expenditure (QAR)	Profit/loss (QAR)	Accumulated profit/loss (QAR)
June 2016					(8,826,985)
2016-2017	6,512,930	-	8,265,704	(1,752,774)	(10,579,759)
2017-2018	5,981,180	345,000	8,418,286	(2,092,106)	(12,671,865)
2018-2019	5,092,455	173	8,458,615	(3,365,987)	(16,037,852)
2019-2020	1,609,155	98,261	4,387,422	(2,680,006)	(18,717,858)

Source: Annual Accounts. 1 QAR = PKR 46.45

The overseas office is continuously losing its market share which dropped from 27.14% during the year 2016-2017 to 10.89% in the year 2019-2020 as per details given below:

Year	Number of proposals submitted	Number of proposals accepted	Success Ratio %
2016-2017	70	19	27.14
2017-2018	76	19	25.00
2018-2019	106	25	23.58
2019-2020	101	11	10.89

On the other hand, the receivables are increasing at a very high progression and stood at QAR 639,068 as per details given below:

Year	Total Receivables (QAR)
2016-2017	991,002
2017-2018	813,397
2018-2019	562,952
2019-2020	639,068

The audit is of the view that the performance of the NESPAK Qatar office is extremely poor as they are continuously running in loss and the accumulated loss stood at an alarming position. The considerable decrease in the market shares also caused shadows on the going concern assumption of the office.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that loss was caused due to a reduction in the oil prices and closure of the land border with Saudi Arabia. DAC directed the management to probe into the matter and fix responsibility.

Audit recommends implementation of the DAC directives.

Para-48 NESPAK, 2019-20

6.1.4.9 Irregular appointments and retention of staff in NESPAK - Rs. 151.564 million

As per clause 8 (a) of induction policy of NESPAK, all inductions shall be made based on applications received in response to the requirements given in advertisement.

According to Rule-5(5)(a) of the Public Sector Companies (Corporate Governance) Rules, 2013, the principle of probity and propriety entails that

company's assets and resources are not used for private advantage and the due economy is exercised to reduce wastage. The principle shall be adhered to, especially concerning handling of public funds, assets, resources and confidential information by directors, executives, employees, and claiming of expenses.

During the audit of NESPAK (HO), Lahore for the year 2019-20, it was observed that the management appointed eight Engineers in different grades through advertisements, but the selection of the candidates was made against the advertised criteria in terms of advertised qualification and experience. The management of NESPAK appointed (05) five employees in different cadres during the period from 2007 to 2010. At the time of appointment, the management failed to get verified the educational certificates of the respective employees from concerned Board / Universities. The services of the offices were regularized during the period from 2012 to 2014. After regularization in service, their degrees / certificates were sent to respective Boards for verification which were subsequently proved fake / bogus.

Similarly, the audit pointed out the retention of five idle senior professionals who remained idle during the year 2019-2020, due to which the organization sustained a huge loss. It was further observed that management appointed 11 employees in different cadres during the period from 2012 to 2020 through NESPAK Foundation and TURKPAK. The management hired the services of these employees after the age of 60 years who were ex. employees of NESPAK, without the approval of the Prime Minister, which is against the Government instructions.

S. No.	Nature of irregularity	PDP No.	Amount of irregularity (Rs. in million)	Details as per Annex.
1.	Irregular appointment on account of Fake Degrees	1	14.07	Annex-44 (A)
2.	Irregular appointment of Software Developer by granting undue favour	15	7.60	Annex-44 (B)
3.	appointment of Engineers having deficient experience by granting undue favour	8	23.061	Annex-44 (C)
4	Loss due to retention of idle Professional Staff	4	8.892	Annex-44 (D)
5	Irregular appointment of Senior Engineer	5	7.232	Annex-44 (E)
6	Irregular appointment of Accounts Officer Grade-08 (a)	13	16.350	Annex-44 (F)
7	Non-transparent hiring of System Analyst Grade-08 (b) –	14	8.160	Annex-44 (G)
8	Doubtful/ambiguous appointment of Junior Network Administrator's without advertisement	16	6.450	Annex-44 (H)
9	Irregular appointment of employees after superannuation	2	59.749	Annex-44 (I)

From the above, it is concluded the management of NESPAK incurred irregular expenditure of Rs. 151.564 million due to weak internal controls and poor human resource management which needs to be explained and investigated.

The audit is of the view that the management of NESPAK made appointments in a non-transparent manner by violating their advertised criteria. Retention of superannuated employees without the approval of Prime Minister, and non-verification of degrees during the initial period was considered irregular.

The matter was reported to management on 12th October 2020. The DAC in its meeting held on 15th January 2021 directed the management to:

- i Submit a revised reply concerning the contents of Stay Orders, the present status of recovery and the next date of hearing of each case (S. No. 1)
- ii Probe into the matter by conducting a fact-finding inquiry in Para No.11 to 16 at Ministry level and fix responsibility. (S. No. 2, 3, 4, 5, 6, 7, 8)
- iii Determine the legal status / relationship of NESPAK foundation with NESPAK and whether they should be separately audited (S. No. 9)

Audit recommends to implement the directives of the DAC, explain the reasons for the hiring of employees in non-transparent manner, retention of staff

after superannuation in violation of the Govt. instructions and streamline the internal control systems to avoid recurrence of such events in future.

Para-6, 7 17, 22, 32, 43, 44 NESPAK, 2019-20

6.1.4.10 Poor performance of NESPAK in achievement of its objectives and profitability

National Engineering Services of Pakistan (Pvt.) Limited (NESPAK) was incorporated in 1973 under the Companies Act 1913 (now Companies Act 2017). It is wholly owned by Government of Pakistan and is engaged in providing engineering consultancy services through its Divisional/ regional offices at Lahore, Islamabad, Karachi, Peshawar and Quetta in Pakistan; Saudi Arabia, Afghanistan, Iran and UAE abroad and also through subsidiary company in Oman, Qatar, Saudi Arabia and in UK with a paid-up capital of Rs. 1.50 million.

The basic objective of the company is to develop a talent pool of multi-disciplinary engineering expertise, with a view to reduce dependence on the prohibitively expensive foreign consultants and achieve self-reliance in the consultancy field.

Financial Results:

According to section 223 Company Act 2017 NESPAK was required to finalize and audited their Financial Statements from External Auditors within 120days from the financial close of the year i.e. June 30 of every year.

The company however failed to comply with the statutory requirement and the Annual Accounts of the company for the year 2018-19 and 2019-2020 are yet to be prepared and audited by the External Auditors. Noncompliance with the provision of Companies Ordinance needs to be explained besides fixing responsibility.

The financial highlights of the NESPAK for the year 2017-2018 as compared with the last three years depicts that the percentage of profit after tax decreased in relation to their income from 18.39% in 2013-2014 to 2.93% in 2017-2018.

The organization earned a meagre profit of Rs. 243.833 million as on June 30, 2018 as per details given below:

(Rs. in million)				
Financial Year	Income	Expenditure	Taxes	Profit after Tax
2013-2014	6,360.015	4,936.251	254.032	1,169.732
2014-2015	7,196.763	5,499.90	529.517	1,167.349
2015-2016	8,153.528	6,327.55	452.418	1,373.562
2016-2017	8,563.195	7,455.287	389.993	950.586
2017-2018	8,315.798	8,033.922	619.682	243.833

The above table depicts that expenditure of the company is increasing by 7.76% while the net income of company decreases 2.88% in 2017-2018 as compared to 2016-2017.

Profit of Rs. 243.833 includes an amount of Rs. 588.986 million on account of other income which mainly includes exchange gain of Rs. 432.409 million, the same does not directly relates with the operation of entity.

Debts Management & Collection Policy

The Sundry Debtors of the company stood at Rs. 6.045 billion in 2013-2014 which increased to Rs. 12.684 billion as on June 30, 2020. The debtor's collection period also considerably increased from 353 days in 2013-2014 to 413 days in 2017-2018 as shown below:

(Rs. in millions)		
S. No.	Year	Debtors
1	2013-2014	6,045.851
2	2014-2015	7,033.029
3	2015-2016	8,138.486
4	2016-2017	9,163.031
5	2017-2018	9,956.944
6	2018-2019	11,320.532
7	2019-2020	12,684.127

Aging of Receivables as on June 30, 2020

(Rs. in million)						
Receivables as on June 30, 2020	0-6 Months	6-12 Months	12-24 Months	24-36 Months	36-60 Months	Over 60 Months
12,684.127	5,045.927	2,292.339	1,470.126	833.496	1,307.702	1,734.537

The above data indicates that receivables worth Rs. 1.734 billion are more than five years old whereas receivables worth Rs. 1.307 billion falls between the

categories of 36-60 months. With the passage of time the chances of recovery of the long outstanding dues are remote.

From the above it is clear that the management failed to collect their outstanding dues and a huge amount of Rs. 12.684 billion has been piled up as on June 30, 2020. The receivables include unacknowledged debts. The management is facing severe financial crunch due to non-realization of the outstanding dues.

Audit is of the view that non-realization of receivables shows poor financial management and weak internal control. Management should properly analysis their receivables according to their age and adopts effective collection policy so that their debts may be recovered in time.

Categorization of Human Resource

NESPAK is an Engineering Consultancy Company and their main source of income is the consultancy fee received from different clients. The human resource of the company consists of Professional, Para Professional and Non-Professional i.e. Professionals Staff includes Qualified Engineers who are directly chargeable to any job while the Para Professional includes the support staff who directly worked with the engineers in the field, they are mostly diploma holders & lower staff and others.

Non-professional staff is support staff that is not directly charged to any specific job and charged to the overhead of the company. The breakup of the Human Resources is as follows:

Year	Professional	Para Professional	Non-Professional
2013-2014	38%	40%	22%
2014-2015	37%	38%	25%
2015-2016	44%	33%	23%
2016-2017	38%	36%	26%
2017-2018	40%	30%	30%
2018-2019	40%	29%	31%
2019-2020	40%	28%	32%

The ratio between professional, para professional and non-professional shows an unfavorable balance of 40%, 28% and 32% during the year 2019-2020 as compared to 38%, 40% and 22% during the year 2013-2014. The above data indicates that non-professional staff which was only 22% of the overall strength in 2014-2015 has now 23% which is alarming in 2019-2020.

Resulting, the overhead cost of NESPAK is almost 90% of the direct cost which is an alarming sing for the profitability and the survival of the company. It was also observed that the company losses its market share due to higher charging rates as in majority of the cases the company was technically qualified in the prequalification stage.

Market Share of NESPAK

The market share of the NESPAK only remained 10% to 15% during the year 2013-2014 to 2018-2019. No efforts were made management to increase the market share considering the fact that NESPAK has the sufficient qualified and experienced staff ranging during the period from 2013-2014 to 2019-2020.

S. No.	Years	No. of Proposals Submitted	No. of Proposals Accepted	Success Ratio
1	2014-2015	224	22	10%
2	2015-2016	250	37	15%
3	2016-2017	205	22	11%
4	2017-2018	245	34	14%
5	2018-2019	220	29	13%

Despite decrease in the business acquisition the number of human resource increase during the last five years 2019-2020 as compared to the year 2013-2014.

Audit is of the view that the management failed to increase in market share to a reasonable extent, on the other hand their head counts are continuously increasing, which needs to be explained besides taking corrective measures for the survival of the organization.

The matter was report to management on 12.10.2020. The DAC meeting held on 15.01.2021, the management stated that admitted the fact that the company failed to meet the requirement of section 223 companies Act 2017 to finalize and audited their Financial Statements from External Auditors within 120 days from the financial close of the year during the financial years 2018-19 and 2019-2020. Furthermore the profit of the company has reduced from Rs. 1.169 billion to Rs. 243.833 million (79.15% decrease) during the period from 2013-2018. DAC directed to place the matter before PAC.

Audit recommends compliance of DAC directives.

Chapter-7

Ministry of Federal Education and Professional Training

Overview

Ministry of Professional and Technical Training was established in July 2011 in the wake of the 18th Amendment. Some of the Departments / Organizations previously under MOLM and MOE were placed under this Ministry. Supreme Court of Pakistan in its Judgment dated November 25, 2011, directed that because of insertion of Article 25-A in the Constitution, the Federal Government cannot absolve itself from the responsibility of providing education to its citizens.

In the light of Supreme Court Judgment, a Summary was moved to Prime Minister of Pakistan who was pleased to approve the renaming of Ministry as “Ministry of Education and Training” which was duly notified by the Cabinet Division on July 24, 2012. Subsequently, the Council of Common Interest (CCI) in its meeting held on November 8, 2012, endorsed the renaming of Ministry and approved its functioning with the subjects already assigned to it.

On the reorganization of Federal Secretariat, the Ministry renamed as Ministry of Education, Trainings & Standards in Higher Education vide Cabinet Division’s notification No. 4-8/2013-Min-I dated 07th June, 2013.

On June 19, 2014, Ministry has now renamed as Ministry of Federal Education and Professional Training vide Cabinet Division’s notification No. 4-10/2011-Min-I dated 19th June, 2014.

Aims & Objectives

- National cohesion on education policies and reforms, and focusing national attention on education issues
- Lead Educational Standard setting
- Leading programs of national importance to ensure equity and cohesion
- Leading international cooperation and coordination on education matters
- Integration of Religious Educational Institutions

- Collect, analyze and disseminate information on key education indicators including student learning assessments and education financing
- Manage, supervise and implement formal education in schools and colleges under ICT through the Federal Directorate of Education
- Registration & regulation of Private Educational Institutions in ICT and enforcement of relevant rules & regulations on the private education sector
- Lead coordination of academic evaluation across Pakistan, especially for quality in large scale student exams through the Inter Board Committee of Chairmen (IBCC).

Governing Laws and Policies

- Rule of Business 1973

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	4	1	1,296	1,124
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Audit observations amounting to Rs. 1,226.395 million were raised because of this audit. Summary of the audit observation classified by nature is as under:

S. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	-
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	1,226.395

7.1 National Textile University Faisalabad

7.1.1 Introduction

The Government of Punjab with the help of leading textile industrialists formed an Institute of Textile Technology at Faisalabad in 1954. It was affiliated with University of Engineering and Technology, Lahore in 1965. Federal Government took over the administrative control of Pakistan Institute of Textile Technology, Faisalabad on July 01, 1976. It was renamed as “National College of Textile Engineering” in 1983. The management of the College was transferred to All Pakistan Textile Mills Association (APTMA) in September 1993. The College was upgraded as National Textile University (NTU) under National Textile University Ordinance, 2002 on November 15, 2002. It is controlled by the Board of Governors consisting of 17 members, 7 from APTMA, Vice-Chancellors LUMS and UET, Secretary Ministry of Textile Industry, Textile Commissioner, a representative from Government of Punjab, Khyber Pakhtunkhwa (KP) and Higher Education Commission.

The main purpose of the University is the promotion and dissemination of knowledge and technology in the textile sector, and to provide for instruction, training, research, demonstration and service in the said areas of learning.

7.1.2 Comments on Audited Accounts

7.1.2.1 The working results of the University for the year 2019-20 as compared to previous years are as under:

	(Rs. in million)				
	2019-20	% Inc./ (Dec)	2018-19	% Inc./ (Dec)	2017-18
Income from grants:					
The grant from the Higher Education Commission (HEC) for recurring	219.12	(7)	234.93	7	220.59
Grant from HEC for Tenure Track Faculty	22.92	3	22.3	(3)	22.98
Textile Cess for recurring	4.31	(26)	5.79	0.5	5.76
Total grants	246.35	(6)	263.01	6	249.34
Income from own sources:					
Fee from students	339.38	15	294.56	28	230.96
Profit from Endowment Fund Trust	0.01	-	3.18	16	2.75

Income from sample testing and research projects	13.13	6	12.42	27	9.80
Other income	42.37	52	27.89	(9)	30.69
Total income from own Sources	394.89	17	338.05	23	274.19
Grants amortized during the year	226.30	37	164.76	101	82.18
Total income	867.54	13	765.83	26	605.72
Expenditure:					
Salaries, wages and other benefits	346.15	12	308.25	7	287.96
Employees retirement benefits	155.34	60	96.99	32	73.75
Repair and maintenance	21.68	16	18.75	(0.4)	18.82
Communication	12.11	47	8.21	58	5.2
Utilities	34.45	(3)	35.67	32	27.09
Travelling and transportation	10.99	13	9.70	4	9.32
Printing and stationery	6.33	60	3.95	13	3.50
Remuneration to part-time / visiting teachers	15.78	(6)	16.83	47	11.46
Merit scholarships and gold medals	11.70	(0.3)	11.74	18	9.93
Balance receivable from PTC written off	0	(100)	5.20	-	-
Others	48.59	19	40.71	-	-
Amortization of Development Grant	226.30	37	164.76	101	82.18
Total Expenditure	889.42	23	720.76	25	576.07
Surplus / (deficit) before depreciation	(21.88)	-	45.07	52	29.65
Depreciation	38.15	5	36.41	(3.1)	37.58
Surplus / (deficit) after depreciation	(60.02)	-	8.66	-	(7.93)
Other comprehensive income/(loss)	(14.63)	(92)	(187.35)	232.9	(56.28)
Total Surplus/(deficit) for the year	(74.65)	(58)	(178.70)	178.3	(64.21)

(Source: Annual Audited Accounts)

7.1.2.2 The surplus income amounting to Rs. 8.66 million during 2018-19 converted into a deficit of Rs. 60.02 million due to increase in total expenditure from Rs. 720.76 million during 2018-19 to Rs. 889.42 million during 2019-20. The reasons for conversion of surplus into deficit need to be explained.

7.1.2.3 An amount of Rs. 3.750 million was received from SMEDA for onward payment to the trainers but same was lying unutilized till date. Early utilization of the funds is stressed upon the management.

7.1.2.4 Government grants for outstanding liabilities of Ex-SFDAC and PTC employees were decreased from Rs. 12.859 million during 2018-19 to Rs. 3.124 million. Early payment of the liabilities is stressed upon the management.

7.1.2.5 Against outstanding grant of Rs. 3.365 million the management could pay Rs. 1.199 million during 2019-20 under “Interim Placement of fresh PHDs”. Reasons for non-payment of balance grant received from HEC need to be explained.

7.1.2.6 Against grant of Rs. 10.00 million received from HEC for COVID-19 Initiatives management could expend Rs. 0.039 million. Early utilization of HEC grant is stressed upon the management.

7.1.2.7 Capital work in progress increased by 44% i.e. from Rs. 299.591 million during 2018-19 to Rs. 431.435 million during 2019-20. The main increase was against PSDP Project titled, “Strengthening of NTU” from Rs. 206.701 million during 2018-19 to Rs. 421.435 million. Early completion of the project as per timelines is stressed upon the management.

7.1.2.8 Advances to suppliers increased from Rs. 2.226 million during 2018-19 to Rs. 4.452 million during 2019-20. Early adjustment/ recovery of the advances from suppliers is stressed upon the management.

7.1.2.9 Printing and publication expenses abnormally increased from Rs. 0.637 million during 2018-19 to Rs. 3.981 million during 2019-20. The management is required to justify an abnormal increase of 84% in printing and publication expenses.

7.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of compliance
2007-08	02	01	01	172.2	50
2008-09	08	06	02	221.5,222	75
2009-10	06	05	01	233.5	83
2010-11	06	05	01	23.1.2.4	83
2015-16	06	03	03	18.1.1&18.1.2 & 18.1.2.1,18.1.2.2,18.1.2.3	50
Total	28	20	8		71

The overall compliance of PAC directives needs improvement.

7.1.4 Audit Paras

7.1.4.1 Irregular and unjustified transfer of student's activity fund for recurring expenditure - Rs. 13.500 million

As per clause-17, sub-clause-1 of National Textile University Ordinance 2002, The University shall have a Fund to which shall be credited all direct donations, trusts, bequests, endowments, grants, assistance from international agencies, contributions, shares or fees, and income from any other sources and which shall be under the control of the Board.

As per sub-clause-3, capital and recurrent expenditure of the University shall be met from the allocation made by the Board out of the University Fund.

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

For sub-rule (1), significant issues shall, inter-alia, include the following, namely:

(a) Annual business plans, cash flow projections, forecasts and long-term plans; budgets including capital, manpower and expenditure budgets, along with variance analyses.

As per general practice, activity funds are established to direct and account for monies used to support co-curricular and extracurricular student activities.

The management of National Textile University, Faisalabad transferred an amount of Rs. 13.500 million (on 29.06.2018) from students' activity fund to recurring Account No. 10005349040117 maintained with Allied Bank of Pakistan, Faisalabad for meeting its recurring expenditures including salaries. The approval for transfers of proposed fund of Rs. 12.000 million was given by the Board in its 29th meeting held on 24.07.2017. The revised approval for

transfer of Rs. 13.500 million was accorded by the BOG in 32nd meeting held on 28.06.2018 based on the justification given by the management.

Audit is of the view that student activity fund must strictly be used for the welfare and recreational activities of the students only because it is being paid by the students at the time of admission but due to non-implementation of policies and without the existence of any business plan, amount of students' activity fund was transferred for recurring expenditure which was unjustified and irregular.

The matter was reported to the management on 3rd November 2020. The DAC in its meeting held on 25th January 2021 was apprised that the funds were transferred with the approval of BoG and were used for the purposes approved by the Board for the students' curriculum and extra curriculum activities. A squash court was constructed with the cost of Rs. 2.550 million for students which are operational.

DAC directed that breakup of the expenditure may be provided to Audit for verification.

Audit recommends compliance of the DAC directives.

Para-9 NTU, 2017-19

7.1.4.2 Irregular execution of civil work of foreign faculty hostel without preparation of PC-I – Rs. 44.545 million and non-recovery of liquidated damages from the defaulted contractor – Rs. 3.888 million

As per Para-1.19 of the Manual of Development Projects, the Federal Ministries are responsible for the preparation of programmes and projects in their respective fields of interest including autonomous organizations under their control. As per clause 39 (a) and (b) of tender documents under head compensation for the delay, the contractor is bound to complete the work within the allowed time. In case of delay, the contractor shall pay liquidated damages as compensation equal to 1% of the contract amount for every day that the work remained incomplete subject to a maximum of 10% of the contract price.

The BOG in its 28th meeting approved the policy for hiring foreign faculty. The Board was informed that NTU had been sending its faculty and students under students/faculty exchange programs to different foreign

universities but due to unavailability of suitable accommodation, NTU was not able to host faculty and students from foreign universities under exchange programs. It was therefore proposed that one of the vacated faculty residences may be allocated for the accommodation of foreign faculty as guest house after proper renovation or new hostels may be constructed for foreign faculty and students. Accordingly, the Board accorded approval for having foreign faculty and students' accommodation at the campus and approved to take a suitable course of action after comparing the cost of renovation of existing facilities and that of constructing the new buildings in the light of budgetary constraints vide agenda item No. 7.

Audit observed that instead of presenting the cost comparison of the renovation of existing facilities and constructing a new building to the Board for approval, the management of NTU included an amount of Rs. 10.00 million in the proposed budget 2017-18 for construction of a hostel for foreign faculty having a covered area of 2,408 sq.ft. and presented it to the BOG in its 29th meeting held on 24.07.2017 along with revised budget 2016-17 for approval. The Board approved the proposed budget for 2017-18 accordingly. The scope of work comprised of the Ground floor (3,920Sq.ft.), 1st floor (3,920 sq.ft) and 2nd floor (3,835 sq.ft.) with BOQ cost amounting to Rs. 44.545 million.

The construction work was awarded to M/s M. Umer Engineer & Contractor for the construction of foreign faculty hostel at a bid cost of Rs. 38.881 million on April 12, 2018, with a completion period of 18 months till 19.10.2019. The project was delayed and could not be completed within the scheduled time. The management allowed 60 days extension along with the award of another work order on 29.10.2019 (at the time of completion period) to the contractor for external work of approach road and tuff tiles against the estimated cost of Rs. 4.171 million and revised final contract price to Rs. 43.052 million. It is pertinent to mention that additional work was awarded without prior approval of the BOG. The completion certificate of construction of foreign faculty hostel was issued on 17.12.2019 for which scheduled time was 19.10.2019 therefore, it caused a delay of about 60 days. The management extended undue favour to the

contractor and made payment of contractor's bills without imposing liquidated damages amounting to Rs. 3.888 million.

Audit is of the view that instead of presenting the cost comparison of the renovation of existing facilities and construction of a new building as foreign faculty hostel, the management got approval from Board in the proposed budget for 2017-18 without discussing/ pointing out the matter. Further, the PC-I should have been prepared as per guidelines given in Manual for Development Projects issued by the Planning Commission showing the complete details of the project including the break-up of the costs and submitted to the Textile Ministry and Board for approval which was not done. In the absence of PC-I, the execution of the civil work project was held as irregular. The audit is also of the view that extension of 60 days was only for additional external work of approach road and laying tuff tiles which should not be the part of the construction of foreign faculty hostel. However, the management treating this extension for both works, cleared all payment without imposing and deducting LD charges from the contractor's bills which is held irregular and unjustified.

The matter was reported to the management on 3rd November 2020. In DAC meeting held on 25th January 2021, the management explained that the University has been conducting International Conferences, Seminars and Conventions every year. Due to existing security constraints in the country, the University is not able to invite Foreign Faculty, because there is a risk in pick and drop from Hotel to the University and foreign faculty members hesitate to come to Pakistan. Further, University has also signed MOUs with National and International Universities to provide the better academic scholars, exchange of student's activities by exchange of academic scholars and exchange of students etc. The University is not able to perform all such activities in appropriate manner due to non-availability of suitable accommodation in the premises. Only C-type residence was available having two-bedrooms. By renovation of the same residence maximum, four members can be accommodated in the same and subsequently, neighborhood residents feel uncomfortable due to living of unmarried persons adjacent to their residences. The Board of Governors of the University decided to construct the Hostel Building from university own budget for Foreign Faculty as well as other official guests of the University.

Management also informed that there was significant saving. The consultant M/s Memar Associates, Faisalabad was requested for preparation of B.O.Q for external development work of foreign faculty hostel and by awarding the additional work to the existing contractor on the same terms and conditions, the University saved the significant amount of Rs. 799,754.

DAC directed the management to get the approval of BOG and other records regarding the construction of foreign faculty hostel verified from Audit.

Audit recommends implementation of the decision of DAC.

Para-17, 18 NTU, 2017-19

7.1.4.3 Undue delay in transfer of title of land in the name of NTU - Rs. 1,168.35 million

As per the Ministry of Commerce & Textile, Textile Commissioner's Organization letter No. TC-DD (Admin)/PTC-2017 dated 26.12.2017 and TC-DD (Admin)/DFDAC-2017 dated 26.12.2017, the special resolution passed by the Board of Governors in the 34th and 35th meeting held on 6th and 7th July 2017 and the decision of the final meeting of the members held on 21.12.2017, all known assets and liabilities of Synthetic Fiber Development and Application Center (SFDAC) and Plastic Technology Center (PTC) Karachi as disclosed by the Company Management and assessment by the Auditors in their Report for F.Y 2016-17 after making the necessary payments, have been disclaimed and transferred to NTU.

During the audit of National Textile University, Faisalabad for the year 2017-18 & 2018-19, it was observed that management has taken over the possession of PTC and SFDAC Karachi and upgraded them as NTU, Sub Campus, Karachi since 01.07.2017. The land of both the institutes was not transferred in the name of NTU since then due to the reason that a case regarding transfer of both plots of land measuring 4.377 acres and 1.397 acres donated by National Fiber Limited to SFDAC and PTC respectively was pending for adjudication by Sindh High Court since 2002.

The management has taken over the possession of both institutes since July 2017 but no concrete steps were taken to get the title of said lands (valuing Rs. 1,168.35 million*) transferred in the name of University.

Audit is of the view that management was required to make strenuous efforts to get the title of both lands to avoid future disputes but the same was not done. Thus, due to non-pursuance of the court case vigorously, the NTU may face troubles and suffer loss for the value of land and buildings constructed thereon. The record also revealed that HEC, Islamabad issued provisional NOC for academic operations at NTU sub-campus, Karachi subject to redressal of land transfer deficiency and emphasized that NTU should initiate the process for transferring of the land of Karachi campus in the name of University at the earliest. It was also observed that a PC-I costing Rs. 871.557 million was under execution for the up-gradation of SFDAC and PTC as sub-campus of NTU which in the case of an adverse decision of the court may go waste besides cancellation of HEC accreditation of NTU, Karachi campus.

The matter was reported to the management on 3rd November 2020. In DAC meeting held on 25th January 2021, the management informed that the matter of transfer of land is under litigation at High court of Sindh at Karachi vide Suite No.708/2003. DAC kept the Para pending.

Audit recommends that the matter regarding the transfer of title of land in the name of NTU may be pursued actively to avoid further loss of time and future complications. The aspect of an adverse decision of the court may also be kept in view before making a further investment on the disputed lands. Further, the progress of the case may also be intimated to Audit.

*(5.774-acre x 4047 sq.yds per acre = 23,367.378 sq.yds x Rs. 50,000,000 per 1000 sq.yds.** = Rs. 1,168,368,900)

**Source: Zameen.com.

Para-28 NTU, 2017-19

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

7.2.1 Introduction

The company was incorporated on June 26, 1984 as a Private Limited Company under the name “NFC Technical Training Centre (Pvt.) Limited”. Subsequently the name of the Company was changed to “NFC Institute of Engineering and Technological Training (Pvt.) Limited” on August 30, 1994. Later on, all assets properties, rights and interests of whatever kind, used, enjoyed possessed, owned or vested in or held in trust by and liabilities legally subsisting against the company were transferred to NFC Institute of Engineering and Technology in accordance with the provisions of NFC Institute of Engineering and Technology Multan Act, 2012 passed by the National Assembly on 8th October 2009 and by the Majlis-e- Shoora (Parliament) in its joint sitting on 5th April 2012 which was published in “ The Gazette of Pakistan” on 8th May 2012 and recognized as Degree Awarding Institute. The Institute is engaged in educational and training programs leading to higher degree in the field of Engineering.

7.2.2 Comments on Audited Accounts

7.2.2.1 The working results of the Institute for the year 2019-20 and 2018-2019 as compared to the previous years are given.

	(Rs. in million)						
	2019-20	% Inc./ (Dec)	2018-19	% Inc./ (Dec)	2017-18	% Inc./ (Dec)	2016-17
<u>Income</u>							
Tuition & training fee and other income	538.39	1.86	528.58	4.09	507.79	15.66	439.03
<u>Expenditure</u>							
Teaching	375.46	12.33	334.24	5.71	316.19	20.69	261.97
Training	11.00	(29.62)	15.63	4.13	15.01	18.37	12.68
Admin & general	101.13	18.93	85.03	1.89	83.45	17.46	71.04
Bank charges	0.23	4.55	0.22	(12)	0.25	19.32	0.21
Total Expenditure:-	487.82	12.11	435.12	4.88	414.89	19.94	345.90
Surplus before taxation	50.58	(45.88)	93.46	0.60	92.90	(0.25)	93.13
Taxation	-	-	-	-	-	-	-

Surplus after taxation	50.58	(45.88)	93.46	0.60	92.90	(0.25)	93.13

(Source: Annual Audited Accounts)

7.2.2.2 The income of the institute increased by 1.86% in 2019-20 as compared to previous year 2018-2019 which was mainly due to increase in the other income by 14.52% over the previous year. On the other hand Tuition and Training fee decreased by 3.48% during the year 2019-2020 as compared to the previous year. Teaching, and administration & general expenses disproportionately increased by 12.33%, 18.93% respectively which finally resulted in decrease in surplus of income over expenditure from Rs. 93.46 million in 2018-2019 to Rs. 50.58 million in 2019-20. Efforts need to be made to control the expenses of the Institute as the surplus after tax during the year 2019-2020 was almost half of the preceding year i.e. 2018-2019.

7.2.2.3 Included in the Deferred Grant is an amount of Rs. 20.972 million allocated for Coal Research Center and remained unutilized during the year. The project was transferred from M/o Science & Technology at book value of Rs. 22.878 million. Nature of the grant along with the reasons for non-utilization needs to be explained.

7.2.2.4 An amount of Rs. 5.647 million has been charged under the head Teaching Expenses as “one time repair and maintenance”. The nature and reasons for the repair and its charging under Teaching Expenses needs to be explained.

7.2.2.5 Cash at bank increased from Rs. 6.013 million in 2018-2019 to Rs. 48.452 million in 2019-2020 (88% increase). Reasons for retention of such amount in current account need to be explained.

7.2.2.6 Income Tax receivable as on June 30, 2019 stood at Rs. 8.992 million increased to Rs. 14.712 million as on June 30, 2020. Reasons for the non-refund / adjustment need to be explained.

7.2.2.7 Other receivable from institutes and other stood (accrued interest) at Rs. 28.017 million as on June 30, 2020 however no recovery has been made during the last two years. Reasons for the non-recovery need to be explained.

7.2.2.8 Land freehold of the Institute has been appearing in the books of accounts at a cost of Rs. 36.97 million since the beginning. The Institute is situated on precious land of many acres in the city of Multan but the management

has never revalued its value. Need for revaluation of the Institute from any independent source is stressed upon the management so that the financial statements of the Institute may depict a true and fair value of the assets.

7.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	04	03	01	8.23.2.3	75
2014-15	09	0	09	9.25.1, 9.25.2.1, 9.25.2.2, 9.25.2.3, 9.25.2.4, 9.25.2.5, 9.25.2.6, 9.25.3, 9.25.4.1	0
2015-16	07	01	06	8.24.1, 8.24.2.1, 8.24.2.2, 8.24.2.3, 8.24.2.4, 8.24.2.5	14
2017-18	06	0	06	10.20.1, 10.20.2.1, 10.20.2.2, 10.20.2.3, 10.20.2.4, 10	0
2018-19	07	02	05	9.20.2.1, 9.20.2.2, 9.20.2.3, 9.20.2.4, 9.20.2.5	29
Total	33	6	27		18

The compliance of the PAC directives was not satisfactory which needs immediate attention of the PAO.

Chapter-8

Ministry of Industries and Production

Overview

Ministry of Industries & Production (MOI&P)'s role is that of a facilitator in creating an enabling environment for industrial growth in the country.

Aims & Objectives

The objectives of MOI&P are to achieve efficient, sustainable and inclusive Industrial Development and to play the role of facilitator in industrial development and entrepreneurship through policy intervention, setting up Industrial Parks and Export Processing Zones for investors, skill development of human resource for industrial sector and socio-economic development of country with particular focus on SME development and promotion of traditional crafts of Pakistan.

Governing Laws and Policies

- Rule of Business 1973
- SME Policy, 2007
- Auto Development Policy 2016-21
- Fertilizer Policy, 2001
- Auto Industry Development Programme

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	27	11	11,450.121	59,374.899
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 370,816.707 million were raised as a result of this audit. This amount also includes recoverable of Rs. 4,688.149 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	155.242
3	Irregularities:	
A	HR/Employees related irregularities	912.960
B	Procurement related irregularities	290.488
C	Management of accounts with Commercial Banks	332.000
4	Value for money and services delivery issues	1,837.476
5	Others	367,288.541

8.1 Export Processing Zones Authority

8.1.1 Introduction

The Export Processing Zones Authority (hereinafter referred to as “EPZA / the Authority”) was established by the Government of Pakistan on Feb 06, 1980 through Export Processing Zones Authority Ordinance, 1980. The main objective of the Authority is to plan, develop, manage and operate Export Processing Zones (EPZs) in Pakistan in order to invite / help foreign investors.

8.1.2 Comments on Audited Accounts

8.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2010-11 to 2019-20 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2010-11 to 2019-20 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

8.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2010-11	8	4	4	11.1.4.1, 11.1.4.2, 11.1.4.3, 11.1.4.5	50
2014-15	22	1	21	9.1.4.2, 9.1.4.8, 9.1.4.11, 9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.3, 9.1.4.3, 9.1.4.4, 9.1.4.5, 9.1.4.6, 9.1.4.7, 9.1.4.9, 9.1.4.10, 9.1.4.12, 9.1.4.13, 9.1.4.14	5
2015-16	3	1	2	8.1.2.1, 8.1.3	33
Total	33	6	27		18%

The overall compliance of PAC directives needs improvement.

8.1.4 Audit Paras

8.1.4.1 Loss of export due to sick / closed units US \$ 15.000 million equivalent to Rs. 2,370.000 million

As per part H of Export Projections for five years of Application form for setting up an industrial/ trading unit an investor is required to mention committed annual export which must be maintained. The investors are bound to follow their commitments in case they retain the allocated land.

During audit of Export Processing Zone Authority (EPZA), Karachi for the year 2019-20, it was observed that twelve sick/closed units with committed exports of US \$15.00 million per year and achievement remained zero because of being non-functional, which resulted into loss of export of US \$15.00 million. The details are given below:

S#	Name of Unit	Committed Export in US\$ (million)
1	Arsei Paper Converting	1.00
2	A.K Lubricant	1.00
3	American Gold	3.00
4	Premier Stitching	4.00
5	Alpha Industries	1.00
6	Pearl Lubricants	1.00
7	Sun Gravure	1.00
8	Arsei Trading Corporation	1.00
9	World Wide Traders	0.5
10	Conver Pak International	0.5
11	Indus Traders Group	0.5
12	Zaf Polymers (Trading Unit)	0.5
Total		15.00

Management should have canceled/auctioned the closed/sick units and invited other investors for business which would have resulted into employment opportunity as well as the revenue in terms of AGR, Service Charges and Presumptive Tax to EPZA.

Audit is of the view that the management did not scrutinize the business and financial feasibilities of these units and expensive land was allotted, which resulted into loss of export earning as well as depriving the rights of potential investors.

The matter was reported to the management in October, 2020. The irregularity was discussed in DAC meeting held 15th & 16th January, 2021. DAC directed the management to: (i) expedite the process of cancellation/recovery. (ii) Present management to examine/scrutinize why timely actions of cancellation were not taken. However, no action has been taken by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

8.1.4.2 Non-recovery of receivables from sick / closed / functional units – US \$ 10.248 million equivalent to Rs. 1,618.464 million

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

As per EPZA rules, “the utilities bills were also to be recovered on dates and in case of non-payment two or three consecutive bills, the utility services should have been suspended in order to recover the outstanding balances and to avoid their heavy accumulation.”

During audit of Export Processing Zones Authority (EPZA) for the year 2019- 20, following irregularities were observed:

- (a) An amount of US \$336,431.87 equivalent to Rs. 50.464 million was lying outstanding against sick/inactive units on account of Annual Ground Rent (AGR), Electric and Water charges as on 30.06.2020.

AGR	Electricity	Water	Total (US \$)
326,208.72	9,962.16	260.99	336,431.87

- (b) Further, an amount of US \$9,913,829 equivalent to Rs. 1,568 million was lying outstanding against various parties on account of AGR, Electric, water and Others.

S#	Description	Receivable in US \$	Receivable in Rs.
1.	Sundry Debtors- AGR	2,742,591	436,870,328
2.	Sundry Debtors- Electric	6,707,456	1,057,646,954
3.	Sundry Debtors- Water	300,857	47,467,614
4.	Sundry Debtors- Others	162,925	26,044,870
Total		9,913,829	1,568,029,766

Audit is of the view that the management did not affect recoveries of its dues due to inefficiency and negligence which resulted into blockage of funds and chances of converting the receivables into the bad debts cannot be ruled out. Besides, non- cancellation / auction / recovery of the closed / sick units and non-replacement with fresh / new investors for business compromised potential export receipts for the country.

The matter was reported to the management in October, 2020. The irregularity was discussed in DAC meeting held 15th& 16th January, 2021 and the decisions are as under:

- a. Management informed that non-recovery from inactive / sick units that most of the recovery cases are in litigation. DAC directed to (i) Expedite the recovery and take action against the officers of EPZA who did not take any effective steps in the past for timely recovery, (ii) Pursue the court case vigorously, (iii) Recoveries materialized should be verified from audit, (iv) Status of litigations case be provided to Audit, and (v) Amounts to be received from other units may also be provided to audit.
- b. DAC directed to expedite the recovery and submit progress report on monthly basis to Audit and Ministry of I&P.

However, no action has been taken by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

8.1.4.3 Loss of remittance due to zero export against import – US \$4,918,442.632 equivalent to Rs. 737.766 million

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

matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

As per part H of Export Projections for five years of application form for setting up an industrial/ trading unit an investor is required to mention committed annual export which must be maintained. The investors are bound to follow their commitments in case they retain the allocated land.

During audit of Export Processing Zones Authority (EPZA) for the year 2019-20, it was observed that following units made no exports during last five years against imported items value of \$4,918,442.632 equivalent to Rs. 737.766 million in the same period. The detail is as under:

S#	Name of Unit	Value	S#	Name of Unit	Value (US \$)
1.	Bennatex Exports M.Y.U (T/U)	543,760	6.	Fujiwara Pakistan Pvt. Ltd.	345.22
2.	Bin Ahmed Engineering Ind.	238.752	7.	Multi garment & Print International	343,496.60
3.	Blue Moon Pvt. Ltd.	84,908	8.	Resale Int. Pvt. Ltd.	2,454,526.58
4.	Combine Holdings	575,377.48	9.	White Star Int.	90,024
5.	Cyma Enterprises Inc (T/U)	825,766			
Total			4,918,442.63		

Further, the management did not impose any penalty nor took any legal action against the investors having zero export. This resulted into loss of revenue on account of presumptive tax, service charges and penalty as well.

Audit is of the view that units importing goods against zero export needs thorough investigation regarding probable smuggling of goods in tariff area or to other sister units of EPZA.

The matter was reported to the management in October, 2020. The irregularity was discussed in DAC meeting held on 15th& 16th January, 2021. DAC directed the current management to review the status of export of each unit pointed out by the Audit and submit a detailed report to Audit /Ministry so that

necessary action may be taken against units showing nil Exports. However, no relevant record was provided to Audit by the management.

Audit recommends implementation of DAC directives.

8.1.4.4 Irregular appointment of 194 staff in liaison offices in North & South regions – Rs. 494.250 million

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

Board approved the liaison offices at different chambers for North and South regions for establishing EPZs at different locations alongwith staff requirements. However these appointments may be made on project basis and would continue as long as the project exists. EPZA will get financial support of Federal Government for each project in order to keep it sustainable.

During audit of Export Processing Zones Authority (EPZA) for the year 2019-2020, it was observed that the management appointed 194 employees as per BoD directives on project basis till the project is in existence (South Zone: 40 and North Zone: 154), but employees were regularized and made permanent despite the fact that projects were not continued, thus an expenditure of Rs. 494.25 million (approx.) during the year 2012-13 to 2019-20 on account of salaries and other allied benefits (**Annex-45**) was wasteful and unnecessary burden on the organization as no any financial support was given by the Federal Government.

Audit is of the view that the appointment of aforementioned employees on permanent basis rather than on project basis was in violation of standing orders. Thus, an amount of Rs. 494.25 million (approx.) on salary & other allied benefits from July, 2013 to June, 2020 is also un-justified and un-authorized.

The matter was reported to the management in October, 2020. The irregularity was discussed in DAC meeting held 15th & 16th January, 2021. DAC directed to inquire the matter at ministry level within 60 days. However, no relevant record was provided to Audit by the management.

Audit recommends implementation of DAC directives.

8.1.4.5 Loss of revenue due to non-imposition of penalty - Rs. 337.105 million

As per para 16 of EPZA Rules, 1981, service charges of 0.5% on F.O.B value of all goods exported from any Zone shall be payable to the Authority.

As per item No.2 (3) of 122nd Board meeting of EPZA dated 15.02.2019 “in the event such units fail in their committed export figure as undertaken by them during a particular fiscal year, they shall be liable to pay a penalty equal to 1% of the shortfall from the committed export performance for a particular year”.

During audit of Export Processing Zones Authority (EPZA) for the year 2019-20, it was observed that management did not collect an amount of Rs. 337.105 million from the units which ran into shortfall against their committed exports. The details are as under:

No. of Units	Committed Export	Actual Export	Shortfall	1% Penalty (P) 337.105 million
127	\$412,500,000.0	\$168,220,755.5	\$244,279,244.5	
(Penalty = \$244,279,244.5 @1% @ Rs. 138 = Rs. 337.105 million)				

Audit is of the view that management should ascertain capability of the units with respect to their performance against their committed export figure and examine the circumstances leading to the shortfall.

The matter was reported to the management in October, 2020. The irregularity was discussed in DAC meeting held on 15th& 16th January, 2021. DAC directed the management to conduct fact-finding inquiry within 30 days and share the same with Audit and Ministry. However, no action has been intimated by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

8.1.4.6 Loss due to irregular investment / non-investment of funds – Rs. 322.000 million

As per Sr. No. 3(b) of Memorandum issued by Finance Division dated 02 July 2003, Prior to placing deposits with a bank ..., and in case the total working balances exceed Rs. 10.000 million, the selection of the bank (s) as well as the terms of deposits will be approved by the concerned Board of Directors

/Governing Body on the basis of competitive bids from at least three independent banks. Para 6 states that before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. ... However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During audit of Export Processing Zone Authority (EPZA) for the year 2019-20, audit observed following investment related irregularities:

- a) Management did not invest funds of Rs. 150.00 million which were lying idle in Silk Bank from 05.05.2018 to 05.05.2019. Had the management invested the funds @ 13% (approx.), EPZA could have earned a profit of Rs. 19.500 million.
- b) Management did not invest funds of US \$1,026,000 equivalent to Rs. 172,368,000 (\$ @ 168) which were lying idle with National Bank of Pakistan. Thus, it resulted into the loss to the Authority of \$67,032 equivalent to Rs. 11.261 million due to non-investment. The details are as under:

Principal amount as on 18.2.2019 (US \$)	Rate	Loss from 13.06.2019 to 30.06.2020 (US \$)	Loss in Rs. @ 168
1,026,000	4.9%	67,032	11,261,376

Audit is of the view that keeping surplus investible amount of funds idle, investments at lower rates, lack of Investment Committee (IC) and non-utilization of services of professional fund manager approved by SECP reflected undue favour to the banks at the cost of Authority's interest & non-adherence to the standing orders of the government on investment of surplus funds.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held 15th& 16th January, 2021 and following decisions were made:

- a) DAC directed Chairman EPZA to look in to the matter personally and submit report to audit and ministry within 15 days.

- b) DAC directed the management to conduct fact-finding Inquiry within 15 days. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

8.1.4.7 Unauthorized execution of work on expansion of distribution network – Rs. 225.000 million

Para No.2.11 of Manual for Developmental Projects entails that the autonomous organizations, having a Board are competent to sanction their development schemes with 100 per cent self-financing ... subject to following: i) The DWP should be constituted by each organization and notified to consider and approve their self-financed projects, ii) The decision of the DWP will be subject to the endorsement of the Board of the organization.

During audit of Export processing Zones Authority (EPZA) for the year 2019-20, it was observed that pursuant to BoD decision dated August 29, 2019 on enhancement of electric load from 11.02 to 27.00, to be financed through bridge financing and subsequent recovery from EPZA investors against security charges & development charges, management awarded the contract to M/s. Barqtron Engineering Solutions at a cost of Rs. 159.30 million. However, it was observed that the approval for execution of work of Rs. 225.000 million was accorded by Chairman on 26.02.2020 and the execution of work was carried out without concurrence of investors & approval of BoD, which is the competent authority. Further, the development scheme was executed without approved PC-I from the competent forum i.e. Development Working Party (DWP) and its subsequent endorsement by the Board.

The matter was reported to the management in October, 2020. The irregularity was discussed in DAC meeting held on 15th& 16th January, 2021. DAC directed the management to verify the following to Audit within 30 days:

- i) The approval of PC-I by the Competent Authority and concurrence of the investors regarding bridge financing.
- ii) Verification of recovered / to be recovered amount from the investors. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

8.1.4.8 Irregular award of contract & payment against defective work& non-imposition of liquidated damages – Rs.79.202 million

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

As per Rule 4 of PPRA, 2004; Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Export processing Zones Authority (EPZA) for the year 2019-2020, audit observed following irregularities in the award of following works contracts:

(a) Management awarded works contract of following works to M/s. Transfo Tech Engineering (SMC-Pvt.) Ltd., a contractor of C-3 instead C-10 category of Pakistan Engineering Council, at a cost of Rs.57.456 million. Moreover, the contract was initiated without PC-I and awarded to the contractor without technical evaluation.

Construction of sub-station	Re-furbishment of MDS	Extension of MDS	Total (Rs.)
5,086,793.66	4,312,951	48,057,222	57,456,966.66

Further, the management did not impose the liquidated damages of 10 % value of the contract amount in terms of para (vi) of the work award in the preceding case nor did it encash the performance / bank guarantee of Rs. 5.746 million as the contract was not completed on time. The details are as under:

Work Order	Start Date	To be completed	Actual completion	Excess days
02.12.2019	23.12.2019	180 days (21.04.2020)	270 days	90

(b) The management made payment of Rs. 3.200 million to the contractor, Muhammad Siddique & Brothers, for infrastructure development work in B-I Sector awarded vide work order dated 25.06.2016. However, the record reflected that the contractor had laid power cable of aluminum instead of copper cable. Despite EPZA correspondence vide letters dated June 08, 2017, June 13, 2017 & July 04, 2017, sub-standard electric cable was not replaced in accordance with terms & conditions of contract, tender documents, and BOQ specification.

(c) The management awarded another contract for infrastructure development works of leveling, gardening & allied work to M/s. Muhammad Siddique & Brothers who failed to complete the work of Rs. 124.830 million till-date. However, the management did not impose the liquidated damages of 10 % value of the contract nor did it encash the performance / bank guarantee of Rs. 12.480 million as the contract was not completed on time. The details are as under:

Start Date	To be completed	Status
03.03.2017	150 days (02.08.2017)	Incomplete

Audit is of the view that management extended undue favor to the contractors as contracts were awarded without PC-I, technical evaluation, disregarding the categories of the contractors, approval of competent forum, payment made for sub-standard material and non-imposition of liquidated damages. Hence, the contract management in the organization is poor, causing loss to the organization.

The matter was reported to the management in October, 2020. The irregularity was discussed in DAC meeting held on 15th & 16th January, 2021 and the following decisions were made:

- a) DAC directed the management to conduct fact-finding inquiry and submit the same within 30 days.
- b) DAC directed the management to conduct fact-finding Inquiry by including one member from ministry within 15 days.
- c) DAC directed the current management to investigate the matter and fix responsibility on person (s) at fault.

Audit recommends implementation of DAC directives.

8.1.4.9 Award of the contracts without standard documents & approvals – Rs. 72.910 million

According to planning & development Division Government of Pakistan letter No.8 (60) WR/PC/2008 dated February 12, 2008 ECNEC directed to implement the revised standard form of bidding documents prepared by PEC on June 11, 2017 for procurement of all engineering goods, works & services. The Federal, Provincial Department's organization and district government responsible to implement the decision of ECNEC.

Moreover, according to standard form of bidding documents for procurement of work issued by PEC on June 11, 2007, the bidding documents shall include instruction to bidder, bidding data, general conditions of contract, particular condition of contracts, special provision, technical provision, form of bid & appendices of bid, bill of quantity (BOQ) form of bid security, form of agreement, form of PBG and mobilization guarantee, drawings.

During audit of Export Processing Zones Authority (EPZA) for the year 2019-2020, it was observed that the management awarded two contracts valuing Rs. 57.460 million to M/s. Info Tech Engineering and M/s. Hassan Engineering Rs. 15.450 million for expansion of sub-station building & existing MDS without the standard bidding documents reflecting basis of determination of BOQ items. Instead, the works were awarded only against TORs. (Term of Reference) and the same without PC-Is & due approvals.

Audit is of the view that award of the contracts without standard documents & approvals reflected poor functioning and weak internal controls within the organization.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held on 15th & 16th January, 2021. DAC directed the management to justify that whole process of awarding the contract was made as per ECNEC directives in transparent manner. DAC further directed the management to get their contention verified from Audit within 15 days. However, no relevant record was provided to Audit by the management.

Audit recommends implementation of DAC directives.

8.1.4.10 Loss due to non-observance of guidelines / building bylaws during construction phase - Rs. 18.646 million

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

Rule C-1, C-2 & C-3 of Guidelines/ Building laws for the construction of building in EPZA that the built up area shall not exceed 72% of the total area of a plot. It is in the interest of investors to have adequate foundations to cater for expansion in the vertical direction from basement to upper three floors. All buildings, except those allowed within the compulsory vacant strips, should have permanent open spaces, 04 meters from road side i.e. front, 1.5 meter from near and any one side and 3 meters from other side.

During audit of Export Processing Zones Authority (EPZA) for the year 2019-2020, it was observed that the management incurred expenditure of Rs. 18.650 million on fire-extinguishers at three factories on plot Nos.1, 2 & 8 in Sector-A of Phase-II on December 16, 2019. The details of expenditure are as under:

(Rs. in million)			
AFF Foam	Water	Labour Charges	Total
1500 liters *1200 = Rs. 1.8	355,318 *45 Gallons = Rs. 15.98	0.866	18.65

Audit is of the view that fire incidents indicated non-observance of Guidelines/ Building laws during construction phase and negligence of the management in enforcement of laws providing for ample space between the factories. Thus, EPZA sustained the loss of Rs. 18.656 million.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held on 15th& 16th January, 2021. DAC directed that Chairman EPZA conduct a detailed inquiry covering all

industrial units at EPZA and point out deviations/ irregularities in Building by laws within EPZA premises within 03 months. However, no progress was reported to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

8.1.4.11 Irregular / unjustified posting of Deputy Manager on deputation and absorption as Manager – Rs. 14.233 million

ESTA Code Sl. No.28 read with para 04, states In case a deputation is proposed to be absorbed permanently in the borrowing office (either a government or a corporation etc.) such a proposal shall be initiated by the borrowing office at least six months before the expiry of the deputation period of the deputation concerned. Such a proposal with written consent or request of the deputation, shall be made by the borrowing office to the lending office (or parent office of the deputationist) which shall convey its decision (if necessary, in consultation with the Establishment Division) to the borrowing office as well as the deputationist by the expiry of the term of his deputation. In the event of non-acceptance of the proposal, the individual shall revert back to his parent office.

During audit of Export Processing Zones Authority (EPZA) for the year 2019-20, it was observed that Ministry of Industries (MoI&P) posted Deputy Manager (BS-18) of Pakistan Machine Tool Factory, Mr. Sarfaraz Khan Leghari, as Manager (Electric-III) on deputation in EPZA on November 23rd, 2011 for a period of three years. He was posted against non-existing post and the same without any requisition from EPZA management. Thereafter, he was absorbed in EPZA vide BoD decision dated November 26th, 2012 and office order dated February 15th, 2013, subject to condition that his seniority in the service of EPZA shall be determined from the date of his joining (not absorption).

Audit is of the view that deputation, absorption, and seniority of the officer is not as per rules & regulations. Thus, payment of Rs. 14.233 million on account of salaries and other allied benefits was irregular and un-justified.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held on 15th & 16th January, 2021. DAC directed the management to hold an inquiry to ascertain violations, fulfillment of codal formalities in deputation followed by absorption in EPZA

without any vacancy along with promotion right of any other employee was violated or otherwise in 60 days to Audit for further comments. However, no relevant record was provided to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

8.1.4.12 Loss of revenue due to auction below reserve price and payment of excessive sale proceeds to Pakistan Customs - Rs. 11.556 million

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

As per letter of Collectorate of Customs (Exports) dated 16.06.2002, the Principal Appraiser posted in EPZA shall fix the Reserve Price of garbage/waste ... the duty and taxes shall be calculated and such amount shall be deposited by the EPZA into the relevant head of accounts.

During audit of Export Processing Zones Authority (EPZA) for the year 2019-20, the following action - related irregularities were observed:

- a) The management allowed disposal of the industrial waste at lower rates than the reserve price. Further, the process of auction of the waste in EPZA is not transparent and record revealed that management made payment of sale proceeds of auction of industrial waste of Rs. 14,904,607 to Pakistan Customs instead of paying only duties & taxes of Rs. 7,188,887

(Annex-46). The summary is as under:

Loss of revenue from sale proceeds of auction of industrial waste					Amount (Rs.)	
Value of waste	Taxes	Reserve price	Deposit in Custom	Bid amount	Reserve price –	Difference in taxes

			Treasury		Bid Amount	and duties
11,976,758	7,188,887	19,165,375	14,904,607	17,125,000	2,040,375	7,715,720
Total Loss of Revenue 2,040,375 + 7,715,720 = 9,756,095						

- b) M/s. Fida Muhammad was awarded the auction of yard # 6 but he failed to lift the entire volume of industrial waste within ten working days from the clearance of custom, ending on December 01st, 2019 whereas fire incident occurred on December 26, 2019. However, the management allowed to lift the waste of equivalent value of Rs. 1.800 million to the contractor from yard No.05 as a compensation.

Audit is of the view that value of the waste realized is the income of EPZA and the same should be deposited in relevant account of the Authority after due payment of amount of duty & taxes. Furthermore, EPZA's allowing lifting of another yard's waste to M/s. Fida Muhammad without assessment of its volume and valuation (reserved value) indicates that EPZA management decision lacked in prudence and propriety in subject case as the contractor had failed to lift the agreed quantity in time due to his own fault/slackness, therefore, he didn't deserve any compensation.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held 15th& 16th January, 2021 and following decisions were made:

- a) DAC was not satisfied with the present mechanism for disposal of industrial waste and directed that the whole process be reviewed and place the same before BoD so that transparency in the process may be maintained and financial management in the whole system may be strengthened. DAC further directed that matter may also be taken with Custom Authorities in light of Audit observation regarding fixing of reserve price. Additionally, all receipts on this account in the current audit year be provided to Audit for verification to ascertain whether the amount due to EPZA has been credited in the receipt account of EPZA.
- b) It was apprised by the management that the window of 10 days for lifting the waste starts from clearance letter which was issued on 26.12.2019 by customs authorities. DAC directed to submit revised reply covering all the aspect of the incident and management action thereof.

However, no relevant record was provided to audit by the management.
Audit recommends implementation of DAC directives.

8.1.4.13 Irregular promotions from Deputy Manager to Manager (E-III) – Rs. 7.980 million

According to EPZA's Employee Service Rules, the promotion criteria for next post is as under:

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

During audit of Export Processing Zones Authority (EPZA) for the year 2019-20, it was observed that following officers were promoted in violation of EPZA's Service Rules. The details are as under:

Name of Officer	Promoted		Relaxed Period	(Rs. in million)
	From	To		
Mr. Muhammad Siddique	Stenographer	Assistant Manager	04 months	4.200
	Deputy Manager(E-II)	Manager (E-III)	02 years	
Mr. Muhammad Yousaf	Deputy Manager(E-II)	Manager (E-III)	03 years	3.780
Total				7.980

Audit is of the view that undue favor was extended to the officers on account of irregular promotions. Thus, the payment of Rs. 7.980 million made to officers is irregular.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held on 15th& 16th January, 2021. The management informed that favour in terms of relaxation of required service length for promotion to the post of Managers E-III was extended to M/s. Muhammad Siddique and Muhammad Yousaf without approval of the Board. DAC directed the management to ascertain violations and to verify whether promotion right of any other employee was violated or otherwise and inform the Audit accordingly. However, no relevant record was provided to Audit by the management.

Audit recommends implementation of DAC directives.

8.1.4.14 Irregular appointment, promotion and award of additional charges - Rs. 6.840 million

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

According to EPZA's Employee Service Rules, the promotion criteria for next post is as under:

Grade	Duration of Service
From Deputy Manager to Manager	05 years' service as Deputy Manager

During audit of Export Processing Zones Authority (EPZA) for the year 2019-20, it was observed that Mr. Junaid Ahmed Alvi was working as Assistant Manager at Pakistan Automobile Corporation Limited (PACO), M/o Industries & Production. The PACO management terminated his services w.e.f. 15.02.2001. He made an appeal against termination of his services vide request dated 14.05.2001 to the then Secretary (I&P). However, EPZA management appointed him afresh as Assistant Manager on 02.11.2001 on the recommendation of M/o I&P vide letter dated 24.10.2001 without advertisement /written test/interview and approval of the Board.

Further, contrary to EPZA rules, he was promoted from Deputy Manager (E-II) to Manager (Security) on 15.02.2013 by relaxing two years' service length. The details below reflect unjustified multiple charges held by him.

1	02.11.2001	Appointed as Assistant Manager Security	7	24.05.2017	Assigned the look-after work of Manager (S)
2	16.03.2010	Promoted as Deputy Manager	8	08.08.2018 to 05.12.2018	Additional charge of DGM (S)
3	10.03.2011 to 14.02.2013	Additional charge of Manager (Security)	9	05.12.2018 to 02.01.2019	Additional charge of Manager Security
4	15.02.2013	Promoted as Manager (Security)	10	04.01.2019 to 20.11.2019	Additional charge of DGM (Finance) on OPS
5	24.10.2013	Re-designated as	11	26.11.2019 to	Additional charge of

		Manager Accounts		26.09.2020	DGM (Finance) on OPS
6	26.08.2016	Additional charge of DGM (Finance)	12	-	-

Audit is of the view that undue favour has been extended to Mr. Junaid Alvi from his irregular appointment, promotion to assigning of different additional charges beyond period of 3 months by the same authority. Thus, expenditure of Rs. 6.840 million on account of his salary and other benefits is irregular.

The matter was reported to the management in September, 2020. The irregularity was discussed in DAC meeting held 15th& 16th January, 2021. Management informed that Mr. Junaid was terminated by PACO and was reappointed into EPZA on the directions of Mo I&P and favour in terms of relaxation of required service length for promotion to the post of Manager was extended to Mr. Junaid Alvi without approval of the Board. DAC directed the management to ascertain genuineness of appointment besides verifying whether promotion right of any other employee was violated or otherwise and inform the Audit accordingly within 15 days. However, no relevant record was provided to Audit by the management.

Audit recommends implementation of DAC directives.

8.2 ENAR Petrotech Services (Pvt.) Limited

8.2.1 Introduction

The Company was incorporated in July, 1974 as a private limited company and is working under the Ministry of Industries and Production. The Company provides complete range of services including design engineering project management, construction supervision, operational and management services for executing projects in oil and gas sector. The Company also offers project development / planning services and undertakes sectoral / feasibility studies, technology evaluations and environmental impact assessments.

8.2.2 Comments on Audited Accounts

8.2.2.1 The working results of the Company for the year 2018-19 as compared to previous years are as under:

	(Rs. in million)						
	2018-19	% Inc / (Dec)	2017-18	% Inc / (Dec)	2016-17 (Restated)	% Inc / (Dec)	2015-16
Income from Services	141.559	41.76	99.86	(18.43)	122.41	(18.47)	150.15
Cost of Services	111.545	1.38	110.03	1.79	108.09	(9.81)	119.85
Gross Profit / loss	30.013		(10.17)	-	14.32	(52.71)	30.29
Administrative and general expenses	27.323	0.82	27.10	12.30	24.13	0.37	24.04
Other income	3.208	32.56	2.42	(50.12)	4.85	6.59	4.55
Profit/ Loss before taxation	2.515		(35.24)	570.07	(5.26)	-	10.80
Taxation	12.464	(33.42)	18.72	74.62	10.72	223.87	3.31
Loss after taxation	9.080	(83.17)	(53.96)	237.68	(15.98)	0.00	7.49

(Source: Annual Audited Accounts)

8.2.2.2 Administrative and general expenses increased by 0.82%, from Rs. 27.100 million in 2017-18 to Rs. 27.323 million in 2018-19, which need justification.

8.2.2.3 Other income decreased by 32.56% from Rs. 2.420 million in 2017-18 to Rs. 3.208 million in 2018-19, which need justification.

8.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1996-97	5	4	1	163	80
1999-00	6	-	6	319.320,321,322,323,324	-
2000-01	5	4	1	296	80
2004-05	1	-	1	72	-
2005-06	6	2	4	129.1, 129.2, 129.4, 130	33
2008-09	22	21	1	120.1	95
2013-14	18	2	16	8.18.2.1, 8.18.2.2, 8.18.2.3, 8.18.2.4, 8.18.2.5, 8.18.2.6, 8.18.2.7, 8.18.3, 8.18.4.1, 8.18.4.2, 8.18.4.3, 8.18.4.4, 8.18.4.5, 8.18.4.6, 8.18.4.7, 8.18.4.8	11
2015-16	14	1	13	8.12.4.7, 8.12.2.1, 8.12.2.2, 8.12.2.3, 8.12.2.4, 8.12.3, 8.12.4.1, 8.12.4.2, 8.12.4.3, 8.12.4.4, 8.12.4.5, 8.12.4.6, 8.12.4.8	7
Total	77	34	51	-	44%

The overall compliance of PAC directives needs improvement.

8.2.4 Audit Paras

8.2.4.1 Non-recovery of receivables and service charges - Rs. 42.312 million

Rule-26 of GFR provides that it is the primary responsibility of the departmental authorities to see that all revenues or debts due to governments which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of ENAR Petrotech Services (Private) Limited for the year 2018 – 19, it was observed that the management did not conduct the recovery of service charges of Rs. 38,965,864 and receivables from various clients of Rs. 3,346,188 for its rendered consultancy services for the period of 2018-19 (**Annex-47**).

Audit is of the view that ENAR Petrotech Services (Private) Limited is a service providing company and its main sources of income are service charges for meeting its operating expenses. Therefore, non-recovery of receivables and service charges may lead the Company to financial crisis.

The matter was reported to the management in June 2020, but no reply was received. DAC meeting was also not convened despite requests by Audit.

Audit recommends that the management should take concrete efforts to recover outstanding dues and responsibility may be fixed on the person (s) at fault.

8.2.4.2 Irregular appointment & promotions - Rs. 35.532 million

As per decision in Case Nos.104 (i), (ii), (iii) & (iv) of 1992 of honorable Supreme Court of Pakistan , it has been found that ... statutory bodies and the public authorities have been making initial recruitments, both ad hoc and regular to posts without publically and properly advertising the vacancies and at times by converting ad hoc appointments into regular appointments. This practice is prima facie violation of fundamental rights (Article-18 of the Constitution) guaranteeing every citizen “freedom of profession”. Steps shall immediately be taken to rectify, so as to bring the practice in accordance with the constitutional requirements.

During audit of ENAR Petrotech Services (Pvt.) Limited for the year 2018-19, audit observed following irregularities in HR management:

- a) The management appointed 22 mechanical and civil engineers on contract basis without advertising the vacancies and despite of the fact that there is an excess in the available strength against the sanctioned strength of officers / officials, which resulted into irregular payment of Rs. 31,932,000 (**Annex-48**).
- b) The management made irregular promotion of Mr. Khalid Mohiuddin as General Manager and allowed him additional charge of Managing Director without due approval from concerned Ministry & Establishment Division, thus paid irregularly an amount of Rs. 3,600,500.

Audit is of the view that the above irregularities reflect poor human resource management.

The matter was reported to the management in June 2020, but no reply was received. DAC meeting was also not convened despite requests by Audit.

Audit recommends that the management may conduct a fact-finding inquiry and fix the responsibility accordingly.

8.2.4.3 Irregular withdrawal from pension fund – Rs. 23.171 million

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

During audit of ENAR Petrotech Services (Private) Limited for the year 2018-19, it was observed that the management irregularly withdrew an amount of Rs. 15.000 million 2017-18 and Rs. 12.700 million in year 2018-19 as loan from employee Pension Fund. The detail of withdrawal from pension fund is as under:

Description	Rs. in million)
Opening Balance	15.000
Loan from Staff Pension Fund (2018-19)	12.700
Less : Repayment	(6.000)
Closing Balance	21.700
Add : Interest Payable	1.471
Total	23.171

Further, the management has not carried out any exercise on actual valuation of the staff pension fund since December 2011.

Audit is of the view that withdrawal of pension fund of Rs. 23.171 million was not in order. Thus, such withdrawals without due approvals and non-valuation of staff pension fund reflected poor management & weak internal controls.

The matter was reported to the management on June 2020, but no reply was received nor was DAC meeting convened despite requests by Audit.

The audit recommends that the funds of Rs. 23.171 million may be deposited into the employees' pension fund on priority and responsibility may be fixed on the person (s) at fault.

8.3 Karachi Tools, Dies and Moulds Centre

8.3.1 Introduction

Karachi Tools, Dies and Moulds Centre (KTDMC) was incorporated in 2006 as a company limited by guarantee having share capital under Section 42 of the Companies Ordinance, 1984. The primary objective of the Company is to establish and run an Information Technology (IT) based common facility center primarily for improving the skills of engineers and designers, enhancing the quality of designing, engineering and manufacturing of local tools, dies and moulds. The Company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Private) Limited (PIDC).

8.3.2 Comments on Audited Accounts

8.3.2.1 The working results of company for the year ended June 30, 2019 as compared to previous years are given below:

	(Rs. in million)						
	2018-19	% Inc / Dec	2017-18	% Inc / Dec	2016-17	% Inc / Dec	2015-16
Income	200.67	14.59	175.12	20.36	139.47	0.67	138.536
Other Income	8.93	51.35	5.90	(14.34)	6.75	4.09	6.48
Total Income	209.60	15.78	181.02	19.23	146.22	0.83	145.02
Direct Cost	(149.14)	(20.33)	(123.94)	(18.55)	(100.95)	(14.44)	(117.99)
Admin Expense	(30.29)	(24.44)	(24.34)	(6.84)	(22.68)	(14.89)	(19.74)
Total Expenses	(179.43)	(21.00)	(148.28)	(16.63)	(123.63)	(10.24)	(137.73)
Surplus/Deficit	30.16	(7.85)	32.73	31.00	22.58	209.82	7.29

(Source: Annual Audited Accounts)

8.3.2.2 Other income of the company increased from Rs. 5.900 million in 2017-18 to Rs. 8.930 million in 2018-19, registering an increase of 51.35%, which should be enhanced in forthcoming years.

8.3.2.3 Total expenses increased by 21.00%. Direct cost also increased by 20.33% from Rs. 123.940 million in 2017-18 to Rs. 149.140 million in 2018-19, which needed justification.

8.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2013-14	5	1	4	8.2.4.1, 8.2.2.1, 8.2.2.2 & 8.2.3	20
2015-16	7	3	4	8.4.2.2, 8.4.4.1, 8.4.4.2, 8.4.4.3,	43
Total	12	4	8	-	33%

The overall compliance of PAC directives needed to be improved.

8.3.4 Audit Paras

8.3.4.1 Non-recovery of tax refunds from government - Rs. 59.756 million

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

As per Section 100 C (1) & (2) of the Income Tax Ordinance, 2001, (1) the income of non-profit organizations, trust or welfare institutions, as mentioned in sub-section (2) shall be allowed a tax credit equal to one hundred percent of the tax payable, including minimum tax and final taxes payable under any of the provision of this Ordinance.

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) Karachi for the year 2018-19, it was observed that KTDMC is incorporated under section 42 of the company's ordinance 1984 as a non-profit organization. Thus, the Company is exempt from payment of withholding tax (WHT). However, being a non-profit organization, the Company is entitled to claim hundred percent tax refunds of those deducted tax amounts. The detail thereof as under:

S#	Description	Amount (Rs)	S#	Description	Amount (Rs)
1.	WHT U/s 231 Deduction from Bank.	76,659	5.	WHT U/s 153-1B Services	10,956,986
2.	WHT U/s 236 Telephone	289,176	6.	WHT U/s 234 Motor Vehicles	90,052
3.	WHT U/s 148 Import of Goods	8,784,504	7.	WHT U/s 235 Electricity	2,150,457
4.	WHT U/s 153-1A Sales of Goods	34,694,980	8.	WHT on PLS profit U/s 151	2,713,094
Total					59,755,908

Audit is of the view that due to slackness of management, the Company was deprived of its legitimate dues. If the matter is left unattended, this would cause the Company problems in its cash flow. Furthermore, had the management recovered its outstanding tax refunds and invested in TDR/other securities, it would have earned reasonable profit.

The matter was reported to the management vide Memo dated 03.07.2020. The irregularity was discussed in DAC meeting held on 15&16 January, 2021. The management informed that an amount of Rs. 7.500 million had already been refunded by Tax authorities and the management is pursuing the recovery of the remaining amount. DAC reduced the para extent to the recovered amount of Rs. 7.5 million and directed the management to vigorously pursue the matter with FBR through Ministry for early dissolution of the instant issue. However, no supporting documents in favour of stated refunds were provided to audit by the management.

Audit recommends implementation of DAC directives.

8.3.4.2 Non-resolution of cantonment tax dispute - Rs. 5.874 million

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

During audit of Karachi Tools, Dies & Moulds Centre (KTDMC) Karachi for the year 2018-19, it was observed that Cantonment Board Korangi Creek has served a notice to the KTDMC for the payment of Rs. 5.870 million to the Cantonment Board in respect of following taxes. The detailed breakup is as follows:

S#	Description	Arrears (Rs.)	Current (Rs.)	Total (Rs.)
1.	House Tax	3,586,905	751,905	4,338,810
2.	Conservancy Tax	1,062,787	222,787	1,285,573
3.	Demand Notice Fee	200	100	300
4.	5% Surcharge	-	233,245	233,245
5.	T.P.T	10,000	1,000	11,000
6.	License Fee	5,000	500	5,500
Total		4,664,892	1,209,537	5,874,428

Audit is of the view that the issue is lagging for last 05 years. If the management did not take concrete efforts to resolve the issue, it may cause the loss of Rs. 5,874,428.

The matter was reported to the management in July 2020. The irregularity was discussed in DAC meeting held on 15 & 16 January, 2021. Management informed that the subject tax as mentioned in Audit Para is not applicable on following grounds:

- i. After 18th amendment, Cantonment Board is not empowered to levy such taxes.
- ii. The management had already filed an appeal in this regard Sindh High Court Karachi bench.

DAC directed the management to take up the matter with Law Division through MoI&P regarding the applicability of cantonment taxes on KTDMC being the Government entity. However, no further progress was intimated to the audit by management.

Audit recommends implementation of DAC directives.

8.4 National Industrial Parks Development and Management Company

8.4.1 Introduction

The National Industrial Parks Development and Management Company (NIPD&MC) was incorporated as a public company with a share capital limited by guarantee on March 07, 2005 under Section 42 of the Companies Ordinance, 1984. Government of Pakistan (GOP) holds 58.31% shares and Pakistan Industrial Development Corporation (Private) Limited (PIDC) holds 41.69 % shares in the Company. The principal activity of the Company is establishing, developing and managing industrial estates of parks and upgrading existing estates and undertaking related activities.

The Company has entered into agreements with PIDC for establishment of Korangi Creek Industrial Park (KCIP) and Pakistan Steel Mills (PSM) in respect of Bin Qasim Industrial Park (BQIP) Project as a consequence of which the Company incurs expenditure on development of industrial parks on land owned by PIDC and PSM respectively.

8.4.2 Comments on Audited Accounts

8.4.2.1 The working results of the Company for the year 2019-20 as compared to previous years are given below:

	(Rs. in million)				
	2019-20	% Inc / (Dec)	2018-19	% Inc / (Dec)	2017-18
Revenue	41.916	(3.10)	43.259	(66.70)	129.905
Administrative Expenses	(117.44)	3.55	(113.416)	1.11	(112.170)
Reversal of management fees	(194.893)	100.00	-	-	-
Operating profit/(loss) for the year	(270.417)	285.45	(70.156)	1161.57	5.561
Other Income	292.162	35.11	216.238	45.62	148.490
Financial Charges	(0.062)	100.00	(0.031)	(31.11)	(0.045)
Profit/(loss) before taxation	21.682	(85.15)	146.049	(5.10)	154.006
Taxation	-	-	-	-	-
Profit/(Loss) after taxation	21.682	(85.15)	146.049	(5.10)	154.006

(Source: Annual audited accounts)

8.4.2.2 Revenue of the company decreased to Rs. 41.916 million from previous year's revenue of Rs. 43.259 million, registering decrease of 3.10%

whereas, administrative expenses increased from Rs. 113.416 million in 2018-19 to Rs. 117.440 million in 2019-20.

8.4.2.3 Reversal of management fees of Rs. 194.893 million during the year 2019-20 was made, which needs justification.

8.4.2.4 Operating loss increased upto Rs. 270.417 million in 2019-20, by 285%, from Rs. 70.156 million in 2018-19. The same needs justification.

8.4.2.5 Profit before taxation decreased to Rs. 21.682 million in 2019-20, by 85.15%, from Rs. 146.049 million in 2018-19, which needs justification.

8.4.2.6 Other receivables increased to Rs. 164.854 million, by 34%, during the year under review from Rs. 122.960 million in 2018-19. It needs justification.

8.4.2.7 Current liabilities of the company increased from Rs. 4,737.000 million in 2018-2019 to Rs. 5,180 million in 2019-20, registering an increase of 9.35% which required justification.

8.4.2.8 Development expenditure of the company increased from Rs. 3,475.000 million in 2018-2019 to Rs. 4,269.000 million in 2019-20, registering an increase of 22.85% which required justification.

8.4.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2013-14	9	3	6	8.4.4, 8.4.3, 8.4.2.4, 8.4.2.1, 8.4.2.2, 8.4.4.1	33
2015-16	9	2	7	8.6.2.1, 8.6.4.3, 8.6.4.2, 8.6.4.4, 8.6.2.2, 8.6.4.1, 8.6.4.5	22
Total	18	5	13		28%

The overall compliance of PAC directives needs to be improved.

8.4.4 Audit Paras

8.4.4.1 Loss on account of sale of 461.925 acres of land below the determined sale value based on the cost of land and infrastructure development costs – Rs. 1,992.520 million

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

During audit of National Industrial Parks Development & Management Company (NIP) for the year 2018-19, it was observed that management incurred loss of Rs. 1,992.52 million on account of sale of 461.925 acres of land at Bin Qasim Industrial Parks below the determined sale value (**Annex-49**). The summary of loss is as under:

Loss on account of sale of 461.925 acre land		Rs. in million
Total Cost (Purchase Value + Development)	Cost Charged to the Customer	Loss
9,735.267	7,742.749	1,992.52

Audit is of the view that cost of sale of land is not being managed with objectivity, due diligence and proper planning which indicated lack of sound business principles and commercial practice for allotment of lands and it has resulted into total loss of Rs. 1,992.520 million.

The matter was reported to the management in July, 2020. The Management confirmed that the matter had been enquired into. The irregularity was discussed in DAC meeting held on 15 & 16 January, 2021. DAC directed that inquiry already conducted may be reviewed by the PIDC being the holding company and submit a comprehensive report to audit and Ministry within 30 days.

Audit recommends implementation of DAC directives.

8.4.4.2 Loss to government by virtue of non-issuance of sub-lease deed to allottees – Rs. 1,935.280 million

Clause-3 of Memorandum of Understanding dated March 19, 2009 states that upon issuance of sub-lease deed by PIDC to the allottees, NIP shall transfer the amounts received from allottees / sub-lease holders after deducting its development cost and service charges, on a periodical basis to PIDC who shall share the same with Government of Sindh on agreed 50:50 basis.

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

During audit of National Industrial Parks Development & Management Company (NIP) for the year 2018-19, it was observed that as on 30.06.2019, sixty two (62) license agreements pertaining to Korangi Creek Industrial Park (KCIP), entitling allottees access to the premises for commencement of construction work, had been executed measuring 61.303 acres with an aggregate sale price of Rs.1,935.280 million. The company was required to transfer the amount received from the allottees to PIDC upon issuance of sub-lease deed by PIDC to the allottees till year end, which has not been done since the commencement of the project in 2009. MoU had expired in March 2014 and had not been extended till-date. Consequently, due to expiry and non-extension of MoU, PIDC was no more liable to issue sub-lease deed to allottees.

Audit is of the view that sub-lease deed was not executed periodically as per terms of MoU during its validity or afterwards. This resulted into loss of Rs. 1,935.280 million as sale revenue sharing of 50:50 in favour of Government of Sindh was kept pending due to non-issuance of sub-lease deed by PIDC to allottees.

The matter was reported to the management in July, 2020. The irregularity was discussed in DAC meeting held on 15 & 16 January, 2021. Management informed that the process of sub-lease and allotment is in process. DAC directed to get the facts verified regarding sub lease finalization and further directed the Management to expedite the same. Quarterly report in this regard may also be intimated to Ministry and Audit. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

8.4.4.3 Non-extension of MoU on Industrial Park - Rs. 1,004.072 million

Clause-7 of Memorandum of Understanding dated March 19, 2009 states that this MOU shall enter into force on the date of signing and shall remain in force for a period of 5 years and may be extended for another similar period by mutual consent of parties.

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of National Industrial Parks Development & Management Company (NIP) for the year 2018-19, audit observed following MoU – related irregularities:

- a) Management has failed to initiate the case of extension of MoU between the Company, PIDC, Government of Sindh and the Government of Pakistan on Korangi Creek Industrial Park (KCIP). Signed on March 19, 2009 with enforceability of five years & further extension for another similar period by mutual consent of parties, the MoU entailed role & responsibility of each signing party with respect to principal activity of the Company, recovery of development cost & service charges and most significantly the profit-distribution arrangement between Government of Sindh and PIDC. Further, the management has incurred development expenditure on plots of KCIP of Rs. 1,004.072 million which may go into

litigation & blockage of further activities of the Industrial park as the agreement has not been renewed.

- b) Management recognized revenue of Rs. 36.947 million and management fees of Rs. 1.022 million on account of execution of four license agreements relating to plots measuring 2.446 acres with an aggregate sale price of Rs. 69.687 million under Korangi Creek Industrial Park (KCIP). However, contrary to above, the MoU was not extended and the apportionment of revenue sharing was also not made accordingly. Thus, recognition of above mentioned revenue and management fees is irregular as the MoU had expired and not been extended.

Audit is of the view that the arrangement amongst the parties is not legally enforceable and its non-extension may result into litigation problems for the concerned parties.

The matter was reported to the management in July, 2020. The irregularity was discussed in DAC meeting held on 15 & 16 January, 2021, and following decisions were made:

- a) Management informed that land has been developed and sold to industrialists and 30 acres of land is presently under litigation in Courts. DAC directed the management to take up the matter with Government of Sindh for extension in MoU to avoid any legal complications in future and remit share of Government of Sindh and pursue the case in court of law regarding 30 acres of land.
- b) Management informed that land has been developed and sold to industrialist and 30 acres of land is presently under litigation in Courts. DAC directed that to take up the matter with Government of Sindh to avoid any legal consequences in future and pursue the case in Court of law.

However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

8.4.4.4 Loss due to irregular allotment of 100 acres of land – Rs. 813.500 million

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

During audit of National Industrial Parks Development & Management Company (NIPD & MC) for the year 2018-19, it was observed that NIP BoD in the 59th meeting on January 04, 2018 expressed serious concern over the findings of initial enquiry report against the ex-CEO NIP, Mr. Mudassar Iqbal for allotment of 100 acres of land of BQIP to M/s. KIA Lucky Motors only on the recommendations of the Allotment & Procurement Committee which was contrary to the directives of the NIP BoD meeting on November 22nd, 2016, wherein only Board was authorized to accord the approval of allotment of plots.

It was further observed that as per NIP letter dated January 23, 2017, 100 acre plot was allotted to M/s. KIA lucky on the condition that KIA will deposit Rs. 630.000 million as per pre-defined payment plan by Feb 04, 2017. However, NIP received the first installment of Rs. 50.000 million only, leaving a balance payment of Rs. 580.000 million stating that the remaining amount will be paid by the allottee by February 19, 2017. However, balance amount was received by June 29, 2017 after a delay of 5 months.

Moreover, plot was allotted at price of Rs. 18.000 million per acre to M/s. KIA Lucky Motors in Bin Qasim Industrial Park without the approval from Board. Further, M/s. KIA Lucky Motors failed to deposit the payment as per pre-defined payment plan thus, a new price i.e. Rs. 26.000 million per acre was required to be charged. However, the then CEO NIP assured M/s. KIA Lucky Motors that they will not be charged more than Rs. 18.000 million per acre (the old price).

Audit is of the view that undue favor was extended to M/s. KIA Lucky Motors by not charging the new price i.e. Rs. 26 per acre. This resulted into loss of Rs. 813.000 million (Rs. 26.000 million per acres less Rs. 18 per acre = Rs. 8.000 million per acre @ 100 acres + interest loss of Rs. 13.050 million).

The matter was reported to the management in July, 2020. The irregularity was discussed in DAC meeting held on 15 & 16 January, 2021. DAC directed that inquiry report already conducted into the matter may be reviewed by PIDC being the holding company and submit a comprehensive report to audit and Ministry within 02 months for further comments/action. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

8.4.4.5 Loss due to sale of land at lower rates - Rs. 488.000 million

As per Article-5 of the Agreement for Development and Management of Industrial Park dated 13th July 2007 between Pakistan Steel Mills Corporation (Pvt.) Ltd. and National Industrial Parks Development & Management Company, NIP and PSM agree that the price of each plot of the land mentioned in the GOP letter shall be mutually reviewed by NIP and PSM after a period of five years from the date of Agreement and thereafter, on an annual basis where after any increase in the amount shall be determined by PSM and NIP on the basis of the situation existing at the time of the said revision.

During audit of National Industrial Parks Development & Management Company (NIP) for the year 2018-19, it was observed that NIP allotted 5.027 acres of land to M/s. Mid Pakistan Coil Center at the rate of Rs. 6.000 million per acre, 50.275 acres to M/s. Yamaha at Rs. 6.000 million acre and 16.93 acres to five additional companies (including Horizon Steel) at the rate of Rs. 7.000 million per acre. NIP was required to discuss and agree upon a revised price of land, this was reiterated by PSM in its letter reference No. Sec-NIP/324/2017/1405 dated September 06, 2017. Meeting of Minutes of Ministry to resolve the price dispute of the land between PSM and NIP indicates that PSM Board had approved a price of Rs. 13.000 million/acre.

The company incurred a loss of Rs. 488.000 million because it did not pass on the increase in the cost of land to the customers as per price determined by PSM Board. The details are as under:

(Rs. in million)			
Land	Old rates (a)	Revised Rates (b)	Difference (loss) (a-b)
5.027 acres	6	13	5.027 * 7 = 35
16.93 acres	7	13	16.93 * 6= 101.58
50.275	6	13	50.275* 7= 351.93
Total			488

Audit is of the view that the management should have revised the cost of land as per Article-5 of contractual agreement wherein, it was clearly mentioned that fixation of price of plot shall be revised annually after first 05 years of agreement in consultation with PSM. Subsequently, it should have collected the differential from customers. This could have prevented a loss of Rs. 488.000 million.

The matter was reported to the management in July 2020. The irregularity was discussed in DAC meeting held on 15 &16 January, 2021. DAC directed the incumbent CEO, PIDC to hold fact-finding inquiry for onward submission to ministry for further action thereof and share the same with Audit within 60 days. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

8.4.4.6 Wasteful expenditure on account of development of Sargodha Industrial Park - Rs. 95.130 million

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

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of National Industrial Parks Development & Management Company (NIP) for the year 2018-19, it was observed that management incurred expenditure of Rs. 95,130,218 on account of development expenditure, bonus to employees, inauguration of the project for the development of Sargodha Industrial Park, but project remained un-operational till August, 2020. The expenditure was incurred without due diligence and proper planning as not a single plot was sold.

Audit is of the view that the management failed to exercise control over the spending / releasing of funds, which resulted into wasteful expenditure of Rs. 95.130 million. This showed poor financial management & improper planning.

The matter was reported to the management in July, 2020. The irregularity was discussed in DAC meeting held on 15 & 16 January, 2021. The management informed that subject matter is under investigation in NAB. DAC directed the management to pursue the case in NAB and a report on quarterly basis be shared with Audit and Ministry. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

8.4.4.7 Poor performance of the company resulting in operational loss - Rs. 70.156 million

As per Rule 4 (3) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements

to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of National Industrial Parks Development & Management Company (NIP) for the year 2018-19, it was observed that revenue of the company had decreased by more than 5 times compared with previous year's revenue whereas, administrative expenses had increased during the year, resulting in operating loss of Rs. 70.156 million. The details are as under:

Description	(Rs. in million)	
	2018	2019
Revenue	568.986	89.830
Cost of services	439.080	46.571
Gross Profit	129.905	43.259
Administrative Expenses	(112.170)	(113.416)
Provision for expected loss	(12.174)	-
Operating profit/loss	5.560	(70.1)

It was further observed that development expenditure during the year also decreased to Rs. 46.571 million in year 2019 from Rs. 439.080 million in 2018.

Audit is of the view that there is significant decrease in revenue compared to previous year's and increase in expenses which resulted in operational loss of Rs. 70.156 million. This indicates inefficiency of the management.

The matter was reported to the management in July, 2020. The irregularity was discussed in DAC meeting held on 15 & 16 January, 2021. DAC showed serious concern on the performance of the company and directed the management to place the matter before BoD to have a strategic plan for the company so that its performance can be improved. Quarterly report on the actions taken by BoD and management for improving performance of the company may be provided to the Ministry and Audit. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

8.4.4.8 Non-recovery from others - Rs. 12.583 million

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

During audit of National Industrial Parks Development & Management Company (NIP) for the year 2018-19, it was observed that management had failed to effect recovery of outstanding receivables against others of Rs. 12.583 million as on June 30, 2019.

Audit is of the view that delay in recovery of the outstanding amount reflect inefficiency of the management& weak internal controls.

The matter was reported to the management in July, 2020. The irregularity was discussed in DAC meeting held on 15 & 16 January, 2021. The management informed that recently a meeting with M/s. Yamaha in which an amount of Rs. 4.000 million has been received against a total payment of Rs. 15.000 million. DAC directed to verify the recovered amount from Audit and pursue the recovery of remaining amount. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

8.5 Pakistan Industrial Development Corporation

8.5.1 Introduction

Pakistan Industrial Development Corporation (Private) Limited (PIDC) was incorporated on January 01, 1985 under the Companies Ordinance 1984, now the Company's Act 2017. Pursuant to an order of Federal Government, the business, project properties and all the shares held by ex-Pakistan Industrial Development Corporation in the capital of the managed companies and subsidiaries were transferred from April 01, 1985. The primary aim of establishment of PIDC was to set up industries in such fields where the private sector was shy and where large amount of capital outlay with long gestation period was required. Secondly, the object was to set up industries in such areas, which were backward with a view to creating employment opportunities and removal of regional disparities.

8.5.2 Comments on Audited Accounts

8.5.2.1 The working results of the Corporation for the year ended June 30, 2020 as compared to the previous years are given as follows:

	2019-20	% Inc / (Dec)	2018-19	% Inc / (Dec)	2017-18
Interest income	715.633	75	409.318	16	354.376
Property income	235.181	9	216.566	10	196.042
Dividend income	126.938	(53)	269.181	(10)	299.068
Total income	1,077.752	20.41	895.065	5.37	849.486
Expenses	(258.681)	(13.17)	(297.929)	7.47	(277.212)
Operating profit/(loss)	819.071	37.17	597.136	4.34	572.274
Other charges	(8.364)	(97.79)	(378.559)	16.11	(326.026)
Profit/(loss) before taxation	819.666	274.73	218.735	(13.83)	253.841
Taxation	(210.828)	(16.72)	(253.158)	167.14	(94.766)
Profit/(loss)after taxation	608.838	-	(34.423)	(121.64)	159.075

(Source: Annual Audited Accounts)

8.5.2.2 Total income increased by 20.41% from Rs. 895.065 million in the year 2018-19 to Rs. 1,077.752 million in the year 2019-20.

8.5.2.3 Out of total income, Dividend income decreased by 53% from Rs. 269.181 million in the year 2018-19 to Rs. 126.938 million in the year 2019-20. This is a sharp decline which requires explanation.

8.5.2.4 Loans & Advances increased by 37% from Rs. 15.548 million of 2018-19 to Rs. 21,343 million in the year 2019-20 which requires justification.

8.5.2.5 Unearned rent increased by 189.89% from Rs. 11.132 million in 2018-19 to Rs. 30.118 million in 2019-20, which requires justifications.

8.5.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1994-95	74	71	3	67, 69, 70	96
1997-98	74	73	1	180	99
1998-99	20	17	3	137,138,141	85
2005-06	8	7	1	108	88
2006-07	5	4	1	94	80
2008-09	4	3	1	104	75
2009-10	3	2	1	197.1	67
2013-14	4	1	3	8.1.2.1, 8.1.2.2, 8.1.3	25
2015-16	8	1	7	8.2.4.1, 8.2.2.1, 8.2.2.2, 8.2.2.3, 8.2.2.4, 8.2.3, 8.2.4.2	13
Total	200	179	21	-	89%

The overall compliance of PAC directives is satisfactory which needed to be maintained.

8.5.4 Audit Paras

8.5.4.1 Non-sharing of cost of land against the 250-acre plot - Rs. 2,456.500 million

As per Memorandum of Understanding (MoU) signed between Government of Sindh (GoS) PIDC and NIP dated 19th March, 2009, the Government of Sindh shall facilitate NIP/PIDC to establish the Industrial Park in order to expand industrialization and create job opportunities in Sindh province. PIDC and the GOS shall share the value of land in the ratio of 50:50 after recovery of total development cost and service charges by NIP following the sale of plot (s).

As per Clause-3, upon issuance of sub-lease deed by PIDC to the allottees, NIP shall transfer the amounts received from the allottees / sub-lease holders after deducting its development cost and service charges, on a periodical basis to PIDC who shall share the same with GoS on agreed 50:50 basis.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that the management of National Industrial Park did not pay share of sold plots to the PIDC / Government of Sindh (GoS) against the 250-acre land handed over by GoS to PIDC / NIP. As per MoU, the NIP after recovery of total development cost and services charges, was required to share the cost of land to PIDC for further sharing the same with GoS at 50:50 ratio of sale value of plots but the same was not done.

Further, as per Note-1.2 to annual accounts of 2019-20, 70 license agreements entitling allottees access to the premises for commencement of construction work, had been executed on 68 acres with an aggregate sale price of Rs. 2,456.5 million. The management of NIP developed and sold plots, but the amount recovered on behalf of GoS/PIDC was not transferred to PIDC and GoS.

Audit is of the view that the management should have recovered the amount from NIP in lieu of the sold plots, but the same was not done. Besides, the management should have taken action against the NIP for violating the agreement on account of non-payment of the share of the sold land.

The matter was reported to the management in November, 2020. The irregularity was discussed in the DAC meeting held on 15 & 16 January, 2021. The management informed that recovery process has been initiated and an amount of Rs. 646.000 million has so far been recovered from NIP. DAC directed to expedite the recovery of remaining amount if any under intimation of Audit and Ministry and to the share details of total reconciled amount to be recovered from NIP with Audit. Amount so far recovered may be verified from Audit within one month. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.5.4.2 Loss due to imprudent investment in loss making PIDC subsidiaries – Rs. 1,254.510 million

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

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

During audit the of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that the management made irregular investment of Rs. 1,254.510 million into five (5) of its subsidiary companies and created provision for decline in the value of investments in the accounts of 2019-20. It was further observed that PIDC subsidiary companies had accumulated losses of Rs. 1,829.430 million. The details are as under:

S#	Company	Share of PIDC	Investment amount	Rs. in million
				Accumulated losses
1.	Technology Up-gradation and Skill Development Co. (TUSDEC)	100%	238.830	(575.411)
2.	Pakistan Automobile Corporation Ltd. (PACO)	100%	22.375	(1.238)
3.	Pakistan Hunting & sports arms development Co.	100%	241.680	(195.908)
4.	Aik Hunar Aik Nagar (AHAN)	100%	523.177	(552.216)
5.	Furniture Pakistan	100%	250.823	(504.656)
Net total investments under Section 42 as on 30.06.2020			1,254.510	(1,829.430)
Provision for Decline in value of Investment			(1,254.510)	

Audit is of view that the management made investment into its subsidiary companies which were having increasing trend of accumulating losses every year. Thus, such investments for Rs. 1,254.510 million were imprudent.

The matter was reported to the management in October, 2020. The management replied on 22.12.2020 that the payments were made on the instructions of the Ministry and by approval by the BoD after receiving sustainability plan from the subsidiaries.

DAC was convened on 15 & 16 January, 2021. However, matter could not be discussed due to non-furnishing of working papers by the management.

Audit recommends the management may justify the matter or fix the responsibility on person (s) at fault.

8.5.4.3 Non-recovery of shares for the advances against equity – Rs. 967.472 million

Rule 26 of GFR provides that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of Pakistan Industrial Development Corporation, Karachi, for the year 2019-20, it was observed that the management paid advances against equity to its subsidiaries worth Rs. 967.472 million, but the same were not recovered / adjusted despite lapse of significant time. The details are as under:

(Rs. in million)			
S#	Name of Subsidiary	2019-20	2018-19
1.	Southern Punjab Embroidery Industries	26.604	26.604
2.	Industrial Facilitation Centre	100.00	245.00
3.	Furniture Pakistan	479.641	420.376
4.	Pakistan Chemical and Energy	100.00	100.0 0
5.	Aik Hunar Aik Nagar (AHAN)	-	10.696
6.	Skilltech Centre, Karachi	5.00	5.00
7.	Furniture Pakistan (center of excellence)	216.305	216.305
8.	Pakistan Hunting and Sporting Arms	39.922	-
Total		967.472	1,023.981

The annual audit accounts of PIDC for the year 2019-20 reflected that these advances to its subsidiaries were not recovered. However, PIDC didn't receive shares against it in order to adjust them till close of the financial year 2019-20.

Audit is of the view that the recovery of shares against the equity could not be realized due to slackness and poor pursuance by the management.

The matter was reported to the management in October, 2020. The management replied on 22.12.2020 that they were pursuing the subsidiaries for issuance of shares against PIDC advances against equity shares and were devising mechanism for materializing the same. Reply of the management is not tenable as the management failed to recover the shares against equity.

DAC was convened on 15 & 16 January, 2021. However, matter could not be discussed due to non-furnishing of working papers by the management.

Audit recommends that the management may effect recovery / adjust without any delay.

8.5.4.4 Loss due to closure of operations of the project - Rs. 964.480 million

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

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that PIDC approved project of Furniture Pakistan on 17.12.2007 to be completed in 03 years. Despite extension of 10 years & expenditure of Rs. 964.48 million up to 30.06.2020, it has not yet been completed and the management stopped the operation of the project.

Audit is of the view that management failed in realizing the objectives of the project & its centers due to ill-planning, poor monitoring and negligence. This resulted into wasteful expenditure of Rs. 964.48 million.

The matter was reported to the management in November, 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. The management informed that the Furniture Pakistan is a subsidiary company of PIDC. It is under merger process with PIDC on the directives of Cabinet /

Government. DAC directed that a cost benefit analysis should be carried out by PIDC being the holding company to ascertain whether this company achieved any of its objectives or otherwise. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.5.4.5 Non-transferring of title of the properties - Rs. 863.871 million

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

During audit of Pakistan Industrial Development Corporation (PIDC) Karachi for the year 2019-20, it was observed from independent valuator / surveyor's report dated 12.09.2020 that PIDC has made payment of an amount of the following three properties with the market value of Rs. 863.871 million as on 30.06.2020. However, the title has not been transferred in the name of PIDC. The detail is as under:

(Amount in Rs.)			
S#	Name of property	Area (sq.ft)	Market value
1.	Finance & Trade Centre (FTC)	32,283.35	532,675,000
2.	Progressive plaza	6,324	75,888,000
3.	SCCP (Shanti Nagar)	7,170	255,308,000
Total			863,871,000

Audit is of the view that the management has not yet got transferred the title of the properties in the name of the Corporation despite the lapse of significant time. There are chances that these properties may end up in litigation and PIDC may suffer loss on this account.

The matter was reported to the management in October 2020. The management replied on 22.12.2020 that they are pursuing the said cases with the

authorities concerned and in the court of law. Reply of the management is not tenable as it failed to reclaim its properties in its name even after a long time.

DAC was convened on 15 & 16 January, 2021. However, matter could not be discussed due to non-furnishing of working papers by the management.

Audit recommends that the management may take concrete efforts for early transfer of title of the properties in the name of PIDC and progress of the same may be intimated to Audit.

8.5.4.6 Loss of income due to non-investment of funds in PIBs - Rs. 700.000 million

Board of Directors decided on 29.05.2019 and allowed the CFO to invest an amount of Rs. 1.000 billion each in PIBs (for three years) and in T. Bills (in all categories) to secure maximum profit.

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

During audit of Pakistan Industrial Development Corporation for the year 2019-20, it was observed that contrary to above, the management invested an amount of Rs. 300 million in Pakistan Investment Bonds (PIBs) instead of Rs. 1,000 million. Further the management had invested its funds in TDRs. on lower market rates from April, 2020, causing loss to the company.

Audit is of the view that had the management made timely investment in PIBs, it could have avoided the loss on investment in TDRs. at lower rates.

The matter was reported to the management in October 2020. The management replied on 22.12.2020 that they could not invest in the PIBs due to delay in opening of an IPS account and non-availability of funds which were

already invested in TDRs. Reply of the management is not tenable as the IPS account was opened in November, 2019 and after that the matured funds in the TDRs. could have been invested in the PIBs, but the same was not done. Despite request and reminders by the audit, the DAC was not convened.

Audit recommends the management may justify the matter or fix the responsibility on person (s) at fault.

8.5.4.7 Unjustified withdrawal of investment - Rs. 600.000 million

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

During audit of Pakistan Industrial Development Corporation for the year 2019-20, it was observed that the management called for quotations from different banks on 02.9.2019 for investment of funds in TDRs. for the period of three months, six months and one year. In response, nine banks participated in the bidding process and, UBL being one of them. The management decided to invest an amount of Rs. 600 million in UBL @13.75% for the period of one year. However, the management cancelled the investment in UBL without stating reasons and the said amount was kept in the daily product account in the National Bank account of PIDC, causing loss to the Corporation.

Audit is of the view that investment was irregular being in the violation of government rules and regulations.

The matter was reported to the management in October 2020. The management replied on 22.12.2020 that PIDC was required to open a checking bank account in UBL for investment in TDRs. and failing to do so, the funds could not be invested. Reply of the management is not tenable as the management

kept the funds idle, withdrew the investment from UBL, causing loss to the company.

DAC was convened on 15 & 16 January, 2021. However, matter could not be discussed due to non-furnishing of working papers by the management.

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

8.5.4.8 Loss due to pre-mature closure of the project - Rs. 499.870 million

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

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that the PIDC approved Aik Huner Aik Nagar (AHAN) project on 17.12.2007 with objectives to develop sustainable market-driven interventions in rural areas aimed at enhancing employment opportunities and increasing income in the informal rural markets. Management incurred cost of Rs. 499.870 million up to 2019 and subsequently closed the project.

Audit is of the view that the project was established without taking into account its viability and self-sustaining capacity.

The matter was reported to the management in November 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. The management informed that the AHAN is a subsidiary company of PIDC. It is under liquidation process on the directive of Cabinet/Government. DAC directed that a cost benefit analysis should be carried out by the PIDC being the holding company to ascertain whether this company achieved any of its objectives or otherwise. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.5.4.9 Blockade of funds due to purchase of unviable land for industrial

park - Rs. 132.500 million

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

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that the National Industrial Park (NIP), a subsidiary of PIDC, purchased a PIDC-financed 100-acre land at Sargodha against an amount of Rs. 132.500 million for setting up industrial park for small and medium industry at Sargodha with the condition that the land should be situated on the main road within 20 KMs of Sargodha city. Since its acquisition in 2012, the land is lying un-utilized.

Audit is of the view that due to ill-planning, the industrial park could not be developed and is found un-viable by the management. This resulted into blockage of funds of Rs. 132.500 million.

The matter was reported to the management in November 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2020. The management informed that the matter is under investigation in NAB. DAC directed to pursue the case vigorously. However, no progress was intimated to audit by the management till finalization of Audit report.

8.5.4.10 Non-recovery of outstanding amount receivable from NIP against the cost of land - Rs. 96.660 million

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

During the audit of Pakistan Industrial Development Corporation, Karachi for the year 2018-19, it was observed from the annual accounts of PIDC for the year 2016-17 that company has not recorded the receivables of Rs. 96.660 million in contradiction of the record from annual accounts of National Industrial Parks and Development in its note 10 which states “payable against cost of land” which has recorded the cost of land payable to PIDC Rs. 96.660 million. Moreover, it was observed from scrutiny of National Industrial Park annual accounts of 2017-18, the said amount is not appearing in the accounts as payable to PIDC. On the other hand, PIDC account does not show the amount as received during the year under observation.

Audit is of the view that the management of NIP developed and sold plots but the amount recovered on behalf of PIDC was not disclosed in the audited accounts of both PIDC and NIP.

The matter was reported to the management in November 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2020. The management informed that efforts are being made to renew MOU with Govt. of Sindh and amount already due is yet to be paid to GoS. DAC directed the management to expedite the process regarding renewal of MoU with Govt. of Sindh and remit the said amount to Govt. of Sindh in accordance with the terms and condition of the MoU. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.5.4.11 Non-recovery of outstanding amount of feasibility charges - Rs. 52.092 million

Rule 26 of GFR states that it is primarily the responsibility of the departmental authorities to see all revenues or other debts due to Government which have to be brought to account are correctly and promptly assessed, realized and credited to public account.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that management has not recovered a long outstanding amount of feasibility charges of Rs. 52.092 million from National Fertilizer Corporation. The Corporation approached the National Fertilizer vide a

letter dated 25.04.2017 for recovery of the outstanding amount, but no progress was made.

Audit is of the view that the management has failed to recover the long outstanding amount which may result into bad debts.

The matter was reported to the management in November 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. The management informed that despite follow-ups, recovery from NFC has not been effected so far. DAC directed that the matter may be taken at Ministry level for early recovery. DAC further directed the management to send a self-contained summary to the ministry on the subject for further necessary action. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.5.4.12 Loss due to non-implementation of feasibility study on sports goods sector development—Rs. 42.582 million

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

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that the PIDC Board approved feasibility study of Sports Goods Sector Development in July, 2008 and intimated the Ministry vide letter dated 20.10.2017. A finalized feasibility study from the funds of PIDC was to be executed by Small & Medium Enterprises Development Authority (SMEDA). However, SMEDA has failed to implement the said feasibility study.

Audit is of the view that due to non-monitoring by PIDC management, SMEDA could not achieve its objectives to reposition the sports goods sector on

a more competitive basis in domestic, regional & international market and to increase the exports of the sector upto Rs. 42.582 million.

The matter was reported to the management in November 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. DAC directed that Ministry may refer the case to SMEDA asking for justification / reasons for not adopting the measures proposed in feasibility study funded by PIDC. Further any inquiry / responsibility fixed therein for not adopting the measures in the feasibility study may also be provided to Ministry and Audit. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.5.4.13 Loss of income on account of vacant space and rented out premises at lower rates - Rs. 40.212 million

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

Section 8 (1) (a) of the Sindh Rented Premises Ordinance, 1979 states that the Controller shall on application by the tenant or landlord determine fair rent of the premises after taking into consideration that the rent of similar premises situated in the similar circumstances, in the same or adjoining locality.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that management incurred loss of Rs. 10.164 million due to non-renting-out of the vacant space and loss of Rs. 31.257 million on renting premises at lower rates. The details are as under:

Name of Tenant / M/s.	Place	Rate per sq. ft.	Difference in rates per sq.	Area rented out (sq. ft.)	Loss in (Rs.)

			ft.		
1	2	3	4	5	(4 x 5) 6
Dewan Mushtaq Group	FTC, Karachi	64.45	(205.21 - 64.45 =140.76)	18,505	2,604,764
Japan External Trade Organization (JETRO)		205.21	-	-	-
Loss of rental income per annum (2,604,764*12)					31,257,168
Non-renting of vacant spaces					8,955,000
Total					40,212,168

Audit is of the view that loss of income on account of vacant space and rented out premises at lower rates indicated inefficiency of management and weak internal controls.

The irregularity was pointed out to the management in October 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. With respect to non-renting of vacant spaces, DAC directed the management to expedite the matter, so that financial interest can be safeguarded. With respect to renting out premises at lower rates, DAC showed serious concern on abnormal difference in rentals of both the tenants. It further directed to hold fact-finding inquiry to ascertain reasons for having such a low rental ceiling. In addition, the DAC directed the management to take efforts for enhancing the rentals in the light of prevailing rates. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.5.4.14 Loss due to payment against un-utilized plots - Rs. 14.845 million

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

Clause (f) of agreement for allocation of land to PACO by PSM, stipulates, “in case dues are not paid in time, a late payment surcharge equal to 2% of the total dues outstanding per month will be recovered”.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that management has paid total accumulated amount of Rs. 14.845 million on account of late payment charges of annual ground rent and maintenance charges to the Pakistan Steel against the two plots of 17.853 acre land, bearing Nos. DSU-27 & DSU-3, Pakistan Steel Downstream Estate, Bin Qasim. The plots were allocated to M/s. Pakistan Automobile Corporation Ltd. by Pakistan Steel in 1993 for setting up vendor industries for trucks / bus assembly plant. On 14.05.2009, PACO transferred the land to PIDC. However, PIDC has failed to execute the project since 2009.

Audit is of the view that the management has failed to make optimum utilization of the plots. This resulted into loss of Rs. 14.845 million to the Company.

The matter was reported to the management in October 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. The management informed that the subject property was inherited from M/s. PACO and current management of PIDC is taking efforts for change of title. DAC directed to place the matter before BoD to formulate a policy for early utilization of subject property. Further progress report may also share with MoI&P and Audit. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.5.4.15 Non-recovery of outstanding rent from tenants - Rs. 10.445 million

As per Clause (2) of tenancy agreement clause, the lessee shall pay the agreed rent to the lessor in advance on or before 10th day of each calendar month.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that an amount of Rs. 10.445 million was lying outstanding on account of rent against the various tenants of the PIDC buildings as on 30th June 2020. The detail is as under:

S #	Name of Party/tenants	Amount (Rs)	S #	Name of party/tenants	Amount (Rs)
1.	National Management Co.	312,249	6.	Shoaib Associates	1,466,444
2.	Highland Tours	184,394	7.	Pakistan Dairy Development Co.	2,675,000
3.	Coastal Development Authority	254,798	8.	Gems and Jewellery	1,310,359
4.	Pakistan Stone Development Co.	231,166	9.	Mushtaq Group	3,577,941
5.	Shadab Goods and Transport	433,324			
Total			10,445,675		

Audit is of the view that non-recovery of the amount reflected inefficiency & weak internal controls.

The matter was reported to the management in October 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. The management informed that Rs. 6,500 million has been recovered from the concerned organizations. DAC directed the management to get verified the recovery from Audit and pursue the remaining amount. However, no record was provided to audit by the management till finalization of Audit report

Audit recommends implementation of DAC directives.

8.5.4.16 Irregular appointment of Chief Financial Officer - Rs. 4.419 million

According to press advertisement published in daily “DAWN” dated 15.09.2019 for the vacancy / post of Chief Financial Officer (CFO):

- i. The applicant having maximum age limit of 50 years as on January 1st, 2020.
- ii. Only shortlisted candidates will be invited for interview / selection process.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that contrary to the published criteria, the management appointed Mr. Saleem Ahmed as CFO, PIDC, on contract basis vide letter dated 15.01.2020 at a salary of Rs. 460,000 per month. He was above 50 years. Besides, his contract time-period was not specified.

Audit is of the view that appointment of CFO without matching eligibility criteria reflected favoritism and thereby the payment of Rs. 4.419 million is irregular.

The matter was reported to the management in October 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. The management informed that appointing authority in case of appointment of CFO is BoD. DAC directed the management to place the matter before BoD regarding irregularity in the appointment of CFO as pointed out by Audit for further action in the light of rules and regulations. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.5.4.17 Irregular appointment of Manager (Monitoring) without advertisement

Establishment Division's O.M.No.6/4/96-R.3, dated 10.5.1997, Sl. No. 140 (ii)(c) states, the cases of appointment to various posts in autonomous / semi-autonomous bodies shall be processed through the Ministry / Division concerned for approval of Secretary of Ministry/Division concerned.

Establishment Division's O.M.No.3/1/92-R.2, dated 02.01.1992, Sl. No. 76 (1) (h) states, the vacancies in each Corporation, against the provincial/regional quotas, shall be advertised.

During audit of Pakistan Industrial Development Corporation (PIDC) for the year 2019-20, it was observed that the management appointed Ms. Samina Qasim Manager (Monitoring) in executive Grade, E-IV, on July 12, 2010 without advertisement.

Audit is of the view that the management appointed Ms. Samina Qasim as Manager (Monitoring) without advertisement. Her appointment was not routed through the concerned Ministry and the Secretary.

The matter was reported to the management in October 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. The management accepted the contention of the Audit. DAC directed to conduct inquiry and responsibility may also be fixed on those who made irregular

appointment. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.6 Pakistan Gems and Jewellery Development Company

8.6.1 Introduction

Pakistan Gems & Jewellery Development Company (PG&JDC) was incorporated in 2006 as a company limited by guarantee having share capital under Section 42 of the Companies Ordinance, 1984 (now Company's Act 2017). The registered office of the company is situated at PIDC House, Karachi. PG&JDC became operational in April 2007. The primary objective of the company is to promote and develop value added gems and Jewellery products and to enhance its competitiveness internationally by facilitation, technology up-gradation, skill development, marketing and branding and to support growth of Gems and Jewellery Industry by way of supporting and facilitating business development services for the enterprises across the Gems and Jewellery value chain.

8.6.2 Comments on Audited Accounts

8.6.2.1 The working results of the company for the year 2019-20 compared with the previous years are given below:

(Rs. in million)							
	2019-20	% Inc / (Dec)	2018-19	% Inc / (Dec)	2017-18	% Inc / (Dec)	2016-17
Income							
Training Fees	-	-	3.43	(59.65)	8.50	(0.47)	8.54
Income from Exhibitions	-	-	-	-	-	(100.00)	8.31
Grant related to Investment	-	-	-	(100)	50.00	25.01	40.00
Other Income	0.21	(83.44)	1.99	(0.85)	2.01	41.55	1.42
Expenditure							
Direct Costs	(32.01)	(68.40)	(101.30)	(17.22)	(122.37)	(21.43)	(155.75)
Administrative Expenses	(29.01)	(8.80)	(31.81)	(27.09)	(43.63)	(4.82)	(45.84)
Other expense	-	-	-	-	(2.46)	169.18	(0.92)
Excess of expenditure over income	(20.77)	(83.52)	(126.07)	19.94	(105.11)	(26.40)	(142.82)

(Source: Annual Audited Accounts)

8.6.2.2 Other income decreased from Rs. 1.99 million in the year 2018-19 to Rs. 0.21 million in the year 2019-20, which needed clarification.

8.6.2.3 The company's current assets as at June 30, 2020 stood at Rs. 25.192 million which are lower than its current liabilities of Rs120.170 million. The accrued and other liability of the company as at June 30, 2020 was Rs. 41.853 million which is 9.31% higher than the previous year Rs. 38.287 million, which required elucidation.

8.6.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2013-14	3	1	2	8.5.2.1, 8.5.3	33
2015-16	8	2	6	8.7.4.1, 8.7.2.1, 8.7.2.2, 8.7.2.3, 8.7.2.4, 8.7.2.5	25
Total	11	3	8	-	27.27%

The overall compliance of PAC directives needs improvement.

8.6.4 Audit Paras

8.6.4.1 Loss due to non-increase of exports target of \$1.5 billion equivalent to Rs. 157,500.000 million & reduction in export of \$1,182 million equivalent to Rs. 124,110.000 million annually – Rs. 281,610.000 million

As per Section-5 of PC-1 of 2007, project objectives were to establish Pakistan as a high value-added, international competitive, world class hub for precious stone cutting and Jewellery manufacturing. Further, As per Section-6 of PC-1, the Export of Gem & Jewellery was to be increased from \$29 million in 2004-05 to \$1.5 billion in 2017.

During audit of Gems and Jewellery Training and Manufacturing Center (GJTMC) - Assaying & Hallmarking Center (Lahore) for the years 2016-17 & 2017-18, it was observed that the management did not achieve the targets as it could only realize the amount of \$10.40 million in 2016-17 and \$9.8 million in 2017-18 as against target of increase from \$29 million in 2004-05 to \$1.5 billion in 2017 equivalent to Rs. 157,500 million (\$1.5 billion x Rs. 105). However, actual exports declined.

It was further observed that the management could not fulfill the objectives of establishing the Centre as there was reduction in export of

gemstones and jewellery of Rs. 124,110 million annually (\$1,182 million) for past few years.

Audit is of the view that the management did not take measures towards development and proper operation of the projects. This organization failed in increasing the export target from \$29 million in 2004-05 to \$1.5 billion in 2017. Further, the company did not take any measure for amendments in the said SRO as till 2012-13, export was increasing, but after issuance of the above SRO, export had been declining.

The matter was reported to the management in April 2019. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. The management informed that decline in the export of sector was due to issue of SRO by Ministry of Commerce. DAC directed MoI&P to take up the matter at appropriate forum so that performance of this section may be enhanced. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.6.4.2 Loss due to non-renewal of software - Rs. 5.616 million

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

During audit of Gems and Jewellery Training and Manufacturing Center (GJTMC) - Assaying & Hallmarking Center (Lahore) for the years 2016-17 & 2017-18, it was observed that computer software of Rs. 5.616 million was purchased for training and hallmarking Centre Lahore. Out of total, an amount of Rs. 4,248,933 was charged to GJTMC, Lahore and an amount of Rs. 1,367,700

was charged to Assaying & Hallmarking Center, Lahore. However, the licenses of software were not renewed nor were the trained employees retained.

Audit is of the view that due to ill-planning and imprudent decisions of the management the software could not be utilized and the management could not achieve the desired objectives.

The matter was reported to the management in April 2019. The irregularity was discussed in the DAC meeting held on 15-16 January 2021. The management claimed that software's were being utilized during the Project period. DAC directed the management to provide evidence and justification of utilization of these software. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.6.4.3 Loss due to withdrawal of laboratory Accreditation Certificate for assaying and hallmarking - Rs. 0.925 million

Under Clauses 5 & 11 of Memorandum of Association of Pakistan Gems & Jewellery Development Company, objectives of the Company are to promote the establishment of Assaying and Hallmarking of precious metal in Pakistan by formulating/ drafting internationally acceptable quality (purity) standards and getting the same approved and notified by the competent authorities; and to provide inputs to the concerned ministries, institutions, organizations, departments and authorities of the Government of Pakistan including the provincial and local governments, propose new rules, regulations, bye-laws and standards for providing a level playing field and conducive regulatory environment for the development of Industry and propose amendments thereof in any existing rules, regulations, bye-laws and standards.

During audit of Gems and Jewellery Training and Manufacturing Center (GJTMC) - Assaying & Hallmarking Center (Lahore) for the years 2016-17 & 2017-18, it was observed that Head Office initiated process for ISO/IEC 17025 laboratory accreditation for Assaying and Hallmarking Center. Application was forwarded to PNAC (Pakistan National Accreditation Council, Islamabad) by Assaying & Hallmarking Center, Lahore. An expenditure of Rs. 924,800 was incurred for certification which was issued on 10.09.2018. The certificate was

required to be renewed annually. However, the management failed to get the certificate renewed. Rather, it requested the PNAC to withdraw the certificate w.e.f 01.02.2019. Due to withdrawal of certification, Assaying and Hallmarking Center, Lahore has become an un-certified institution.

Audit is of the view that the management has no interest towards standardization of the assaying and hallmarking due to which certificate has been withdrawn.

The matter was reported to the management in April 2019. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. The management informed that due to financial constraints fee could not be paid for certification. DAC directed the management to justify and give facts of the issue within one month. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.7 Pakistan Institute of Management

8.7.1 Introduction

Pakistan Institute of Management (PIM) was established in 1954 by Pakistan Industrial Development Corporation (PIDC) under the Ministry of Industries, Government of Pakistan. In December 1975, it was transferred to the Ministry of Industries and Production, Government of Pakistan and subsequently through SRO dated November 15th, 1976 an autonomous Board of Governances was constituted to promote management development in the country. Its primary mission is to serve the growing and complex need of organizational managers to achieve managerial excellence. Toward this end, PIM seeks to contribute to the enhancement of the managerial skills through training consultancy and research.

8.7.2 Comments on Audited Accounts

8.7.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2018-19 to 2019-20 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2018-19 to 2019-20 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

8.7.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2009-10	8	-	8	Annex-I Item-09, 94, 94.1, 94.2, 94.3, 94.4, 95, 96	-
2010-11	-	-	-	-	-
2013-14	7	4	3	8.6.2.1, 8.6.3, 8.6.4.1	57.14
2015-16	3	2	1	8.8.2.1	66.67
Total	18	06	12		33.33 %

The overall compliance of PAC directives needs to be improved.

8.7.4 Audit Paras

8.7.4.1 Irregular & ineffective working of the Institute due to non-existence of the Board since 2017 & non-formulation of standard procedure on core functions - Rs. 253.341 million

As per Section 2 of S.R.O 1113 (1)/76, the government constituted an autonomous Board of Governances to be responsible for administering the Pakistan Institute of Management. As per Section 6 (v) of the S.R.O, the Board shall approve the budget and receive the half-yearly statements of account and progress reports.

During audit of Pakistan Institute of Management (PIM) for the year 2019-20, it was observed that the Board of Governances (BoG) has not been appointed in the institute since 2017 by the Ministry. The management expensed the funds of Rs. 253.341 million against an unapproved budget. The Ministry approved grants only and the overall budget estimates were not duly approved by the relevant authority. Moreover, audit observed that departments of administration, accounts, internal audit, information technology, and directorate of financial reporting of the institute are administered without any approved standard procedure / SOP.

Audit is of the view that the working of the institute is ineffective due to non-existence of the Board since 2017 & non-formulation of standard procedure on core functions. This indicated inefficiency of the management.

The matter was reported to the management in September 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. With respect to non-existence of BoG, DAC directed that Ministry should look into the matter and finalize BoG to avoid any legal and financial obligations. With respect to utilization of budget without approval of competent authority, Management informed that competent forum i.e. BoG is not functional since 03 years, therefore budget and subsequent expenditure is not approved. It was further informed that formation of BoG is in final stage and once the BoG is formed, all budget and expenditures will be submitted before BoG for ex-post facto approval. DAC directed Ministry to expedite the formation of BoG in order to avoid any financial complications of the organization. With respect to non-

formulation of standard operating procedure (SOPs) for core functions of PIM, Management informed that SOP / Rules are prepared however, could not be approved due to non-formation of BoG. DAC directed the management to provide copies of rules framed by the PIM and further directed the Ministry to expedite the matter of formation of BoG. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives on priority.

8.7.4.2 Loss due to renting out space on lower rates of Rs. 4.177 million and non-fulfillment of investment condition of renovation of the Institute for Rs. 15.000 million – Rs. 19.177 million

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

As per Clause 3 (2) of the bidding documents, the successful bidder will be required to invest Rs. 15.000 million or more in the renovation and up gradation of PIM facilities in Karachi and / or Lahore, as per requirement of PIM, within the period of 3 to 6 months starting from the date of taking possession.

During audit of Pakistan Institute of Management (PIM) for the year 2019-20, it was observed that management entered into rental agreement with M/s. JS Bank Limited on 18.05.2019. As per agreement PIM rented out the space of premises having covered area of 7880 sq.ft in Karachi and Lahore for a period of 11 months. The monthly rent was agreed at the rate of Rs. 101.80 per sq.ft with an amount of Rs. 802,230 per month in addition to fixed utility expense of Rs. 100, 000 per month. However, it was observed that the premises were rented out without assessed market-based rental value of the area from an independent evaluator.

It was further observed that contrary to agreed terms & conditions, the successful bidder did not invest the requisite amount of Rs. 15.000 million or more in the renovation and up-gradation of PIM facilities.

Audit is of the view that renting out of space without assessed market-based rental value of the area from an independent evaluator and non-enforcement of investment condition of renovation of the Institute indicated weak internal controls & improper monitoring of the interest of the Institute by PIM management.

The matter was reported to the management in September 2020. The irregularity was discussed in the DAC meeting held on 15-16 January, 2021. DAC directed that the instant matter may be inquired at Ministry level and report may be submitted within 30 days. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.7.4.3 Irregular appointment of Project Director for Centre for Security Disaster Management – Rs. 7.740 million

As per Establishment Division's O.M No. F.53/1/2008-SP dated 22.10.2014, (vi) It is mandatory to obtain NOC from Establishment Division for all recruitments in public sector organization. According to the Cabinet Secretariat Establishment Division OM No.6/2-2000/R.C dated May 06, 2000 vacancies to be filled through contract appointment should be made through regularly circulated Newspaper and Selection Committee/ Board.

Furthermore, the S.C.P passed an order on Human rights case No.104 of 1992 on Dec 26,1992 (circulated by the Cabinet Division),which shows that initial appointments both ad hoc /regular without publicity and proper advertisement indicates the violation of Fundamental rights (Article -18 of the Constitution)and the court further ordered to discontinue this practice forthwith.

During audit of Pakistan Institute of Management (PIM) for the year 2018-19, it was observed that Major (R) Mr. Muhammad Irfanullah was appointed on September 1st 2018 in the institute as Project Director for newly established Centre for Security Disaster Management (CSDM) without advertisement in the press which is clear violation of rules. Moreover, appointment has been done without NOC from Establishment Division. He was appointed for a period of three years against fixed salary of Rs. 200,000 including 1300 cc Car and additional

Rs. 15,000 for fuel and maintenance. The total amount of three years' salary and emoluments comes to Rs. 7.740 million.

Audit is of the view that incumbent has been appointed in violation of rules and payments of Rs. 7.740 million paid up to June 2020 is held irregular.

The matter was reported to the management in August 2010. The irregularity was discussed in DAC meeting held on 15-16 January, 2021. Management informed that the inquiry as per previous directives of DAC is being concluded and will be shared with Audit accordingly. DAC directed to provide the inquiry report to audit within a week. However, no progress was intimated to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.8 Pakistan Steel Mills Corporation (Pvt.) Limited

8.8.1 Introduction

Pakistan Steel Mills Corporation (Pvt.) Limited (PSM) was incorporated on July 02, 1968 as a Private Limited Company and is wholly owned by the Government of Pakistan. The Corporation was engaged in the manufacturing and sale of iron and steel products. Pakistan Steel Mills is the Country's largest Steel Industrial undertaking, now its operations have closed for the last four years.

8.8.2 Comments on Audited Accounts

8.8.2.1 The management of PSM did not provide the audited accounts for the years ended June 30, 2018-19 and 2019-20. However, the working results of the Corporation for the year 2017-18 as compared with those of the previous years are given below:

(Rs. in million)					
	2017-18	% Inc / Dec	2016-17	% Inc / Dec	2015-16
Sales-Net	539.03	23.85	435.24	(85.63)	3,029.39
Cost of Sales	(8,903.58)	1.18	(8,799.69)	(30.91)	(12,735.73)
Gross Profit/(Loss)	(8,364.55)	0.00	(8,364.45)	(13.82)	(9,706.34)
Distribution costs	(175.12)	23.52	(141.78)	(30.58)	(204.24)
Administration expenses	(2,515.53)	40.71	(1,787.69)	(13.85)	(2,075.00)
Other Operating Expenses	(1210.39)	15.69	(1046.2)	84.94	(565.69)
Finance Cost	(8,055.36)	(4.54)	(8,438.33)	64.13	(5,141.18)
Total expenses	(11,956.4)	4.75	(11,414)	42.92	(7,986.11)
Other Income	12,869.83	(5.50)	13,619.27	2691.41	487.90
Profit (loss) before Tax	(7,484.22)	21.56	(6,156.80)	(64.21)	(17,202.94)
Taxation	(31.86)	(9.15)	(35.07)	12.87	(31.07)
Net Profit/ (Loss) after Tax	(7,516.08)	21.39	(6,191.88)	(64.07)	(17,234.00)
Accumulated losses	(174,031.96)	4.24	(166,955.77)	5.80	(157,806.38)

(Source: Annual Audited Accounts)

8.8.2.2 Sales increased to Rs. 3,539.030 million in the year 2017-18 as compared to Rs. 435.240 million in the year 2016-17 registering increase of 23.85%. However, cost of sales has shown nominal increase of 1.18% from Rs. 8,799.690 million in 2016-17 to Rs. 8903.58 million in the year 2017-18.

8.8.2.3 Total expenses increased from Rs. 11,414.000 million in 2016-17 to Rs. 11,956.400 in 2017-18 recorded an increase of 4.75%. However, Administration expenses have shown an increase from Rs. 1,787.690 million in 2016-17 to Rs. 2,515.50 million in 2017-18 registering an increase of 40.71% which needs justification.

8.8.2.4 Net loss after tax for the year 2017-18 was Rs. 7,516.080 million as compared to net loss after tax of Rs. 6,191.880 million in 2016-17 recorded an increase of 21.39% in losses after tax, which required justification.

8.8.2.5 Accumulated losses of the corporation continued to rise from Rs. 166,955.770 million in 2016-17 to Rs. 174,031.960 million in 2016-17 showing an increase of 4.24%.

8.8.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1990-91	06	05	01	700	83
1992-93	25	19	06	136, 137, 138, 140, 143, 145	76
1994-95	12	09	03	118, 120, 126	75
1995-96	28	26	02	121, 122	93
1996-97	36	11	25	100, 101, 111, 112, 113, 114, 117, 118, 123, 1.1, 1.3, 1.5, 1.8, 1.9, 1.10, 2.2, 2.3, 2.7, 2.8, 2.9, 2.10, 2.11, 2.13, 2.15, 3.1	31
1997-98	10	7	03	209, 210, 215	70
1999-00	10	9	01	219	90
2000-01	10	6	04	216, 218, 220, 224	60
2003-04	12	9	03	92.5, 92.6, 92.7	75
2004-05	08	05	03	65, 66, 70	63
2005-06	28	24	04	117, 118, 122, 124	86
2008-09	16	12	04	106, 107, 109, 110	75
2009-10	19	11	08	98.1, 99, 100, 104, 105, 109, 110, 112	58
2010-11	10	09	01	11.3.4.6	90
2013-14	15	02	13	8.7.1, 8.7.2.1, 8.7.2.2, 8.7.2.3, 8.7.2.4, 8.7.2.5, 8.7.2.7, 8.7.3, 8.7.4.2, 8.7.4.3, 8.7.4.4, 8.7.4.5, 8.7.4.6 (PAC referred for DAC level)	13
2015-16	18	01	17	8.9.4.5, 8.9.4.8, 8.9.2.1, 8.9.2.2, 8.9.2.3, 8.9.2.4, 8.9.2.5, 8.9.2.6, 8.9.2.7, 8.9.3, 8.9.4.1, 8.9.4.2, 8.9.4.3, 8.9.4.4, 8.9.4.6, 8.9.4.7, 8.9.4.9	6
Total	263	165	98	-	63%

The overall compliance of PAC directives needs improvement.

8.8.4 Audit Paras

8.8.4.1 Irregular expenditures out of employees Provident Fund contribution instead of crediting into relevant account - Rs. 29,929.624 million

Section 218 of the Companies Act, 2017 requires that the provident fund Contribution collected from employees and the Corporation's own Contribution needs to be deposited within fifteen (15) days from the date of collection.

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

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that contrary to above, management did not deposit the provident fund amount, both employees and corporation fund, into relevant head of account.

It was further observed that the management expended out the employees' provident fund amount of Rs. 29,929,624,584 as on 30.06.2020 stating serious liquidity crunch faced by the Corporation. The details are as under:

S#	Description	Amount (Rs.)
1.	Outstanding Employee's, Employer, loan deduction & interest	17,129,497,750
2.	Accrued Markup on PF unpaid Contribution	11,664,151,028
3.	Accrued markup on PF Loan	1,135,975,808
Total		29,929,624,584

Audit is of the view that due to poor internal control the management expended the employees Provident Fund elsewhere, instead of crediting the same into relevant head of account.

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting was held on 15-16 January

2021. Management informed that the amount used for provident fund was due to emergency. DAC directed the management that the issue regarding legality of withdrawal and recoupment of Provident Fund amount and other impact if any along with reconciliation be provided to Audit for verification. DAC further directed the management to place the issue before BoD under intimation to Audit. However, no relevant record reflecting progress on subject matter was produced to audit by the management.

Audit recommends implementation of DAC directives.

8.8.4.2 Loss due to encroachment of PSM land - Rs. 5,005.600 million

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

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

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that management has failed to recover its encroached land of township scheme worth Rs. 5,005.600 million (250 acres @ 20 million/acre). The details of encroached land are as under:

S#	Description	Area (Acres)	S#	Description	Area (Acres)
1.	Pir Sirhindi Goth	15.93	5.	Abbasia Society	100
2.	Mian Khan Jokhio Goth	27.12	6.	Northern side of Parking Terminal	00.09
3.	Photo Goth	52.33	7.	Ghulshan-e- Hadeed Phase- III	35.29
4.	Ali Akbar Goth	19.52			
Total acres					250.28

Audit is of the view that the management has failed to remove the encroachment from its land which indicates inefficiency of the management and weak internal controls.

The matter was reported to the management in November 2020. The irregularity was discussed in DAC meeting held on 15-16 January 2021. Management informed that a total of 34 acres has being retrieved out of 95 acres after lapse of almost 12 years. Audit is of the view that those officers/officials who were responsible to safeguard the land of the organization must be taken to account. DAC directed to:

- i. Verify the documents about the land so far recovered from encroachers.
- ii. Expedite the recovery of remaining land by engaging the Ministry of I&P.

However, no record was provided to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.8.4.3 Non-recovery of PSM share from M/s. National Industrial Park - Rs. 734.264 million

As per section 5.1 of agreement between PSM and NIP dated 13.07.2007, PSM and NIP agree that the price of each plot of the land shall be Rs. 7.000 million per acre, which includes Rs. 1.500 million per acre for the cost of land while the remaining amount of Rs. 5.500 million is the cost of infrastructure development charges. Provided that NIP and PSM agree that the price of each plot of the land mentioned in the GOP letter shall be mutually reviewed by NIP and PSM after a period of five years from the date of this agreement and thereafter on an annual basis where after any increase in the amount shall be determined by PSM and NIP on the basis of the situation existing at the time of the said revision.

As per section 5.2 of agreement between PSM and NIP dated 13.07.2007, it is understood by both PSM and NIP that the aforesaid amount pertaining to the cost of each plot of the land shall be paid by NIP to PSM on a pro-rata basis once NIP receives such amount from the third party in accordance with the Terms and conditions.

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that management of PSM entered into an agreement with NIP on 13.07.2007 for the purpose of the development and establishment of an industrial park at PSM lands for which PSM provided 930 acres of land to NIP. The plots were allotted to investors by M/s. NIP from 2013 to 2019. However, the huge amount of Rs. 734.264 million is still outstanding and recoverable from NIP on account of PSM share for cost of land. The detail thereof is as under;

S#	Name of allottee	Area in acre	Date of allocation	Cost of land/acre (Rs. in million)	Receivable from M/s. NIP (Rs.)
1.	MID Coil Centre	5.027	23.04.2014	6	5,027,000
2.	Horizon Steel	6.072	11.09.2014	7	5,000,000
3.	Ahmed Glass Industries	6.524	19.01.2017	13	3,837,256
4.	Master Motor	15	11.09.2017 & 20.04.18	22	275,400,000
5.	International Steel Limited	15	20.04.2018	22	330,000,000
6.	Lucky Auto Industries	5	30.06.2019	23	115,000,000
Total					734,264,256

Moreover, there is dispute on the market rate of plots between the parties as no such provision for receiving cost of land from NIP at market rate was included in the agreement which need to be resolved.

Audit is of the view that it is due to inefficiency of management that the matter could not be resolved for such a long time with M/s. NIP and thereby could not recover their legitimate dues.

The matter was reported to the management in October 2020. The irregularity discussed in DAC meeting held on 15-16 January 2021. Management informed that negotiations are being concluded and are in final stages. DAC directed the management to expedite the matter on priority basis and share progress of recovery with Audit. However, no record was provided to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.8.4.4 Non-recovery / adjustment of amounts under multiple heads of account - Rs. 706.590 million

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

Rule 26 of GFR provides that it is the primary responsibility of the departmental authorities to see that all revenues or debts due to governments which have to be brought to account are correctly and promptly assessed, realized and credited to the public account.

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that management failed to recover outstanding amount of Rs. 706.590 million as on 30th June, 2020 (**Annex-50**). Detail of outstanding is as under:

(Rs. in million)					
S#	Description	Amount	S#	Description	Amount
1.	Advances to suppliers	261.737	4.	Commercial units	82.475
2.	Electricity bills	197.193	5.	Residential units of township	15.012
3.	Outstanding dues of water	148.137	6.	Various Downstream Industrial Units	2.036
Total			706.59		

Audit is of the view that non-recovery / adjustment of amounts under various categories indicated slackness of the management and weak internal controls.

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting was held on 15-16 January 2021, and following decisions were made;

1. DAC directed to expedite the recovery and share updated report on monthly basis with Audit and Ministry.
2. DAC was not satisfied with the explanation and recovery procedure of the management and directed that Ministry should take up the case with Sindh Government for decentralization of the bulk meter and further

directed the management to pro-actively pursue the remaining recovery from all consumers and share progress with audit.

3. Management informed that an amount of Rs. 0.750 million has been recovered so far, DAC was not satisfied with the explanation and recovery procedure of the management and directed the management to proactively pursue the remaining recovery.
4. Management informed that a total of Rs. 12.270 million has been recovered against 82.47 million. DAC directed to get the same verified from Audit and to vigorously pursue the remaining recovery.
5. Management informed that the recovery process has already been initiated. DAC showed serious concerns on delayed action on part of the management and directed to take immediate recovery action for realization of amount and a progress report in this regard be shared with audit and Ministry on monthly basis.
6. Management informed that an amount of Rs. 1.588 million has been recovered and efforts are underway to recover the remaining amount. DAC directed to get the recovered amount verified from Audit and vigorously pursue the remaining amount.

However, no record was provided to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.8.4.5 Loss due to non-utilization of store & spares - Rs. 668.157 million

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

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that the management did not utilize or dispose of the store & spares of Rs. 1,468,428,000 instead, created provision for dead & obsolete items of Rs. 668,157,000. This resulted into loss Rs. 668.157 million. The details are as under:

Description	Amount (Rs.)
Total Store and Spares	1,468,428,000
Less : Provision for dead & obsolete store items	(668,157,000)
Net Stores and Spares	800,271,000

Audit is of the view that non-utilization of store items and non-auctioning of the same in time indicated weakness of the internal controls and negligence of the management in safeguarding the interest of the Corporation.

The matter was reported to the management in November 2020. The irregularity discussed in DAC meeting was held on 15-16 January 2021. Management informed that due to closure of Mill's operations these items became obsolete. DAC directed the management to conduct physical verification and assess their being obsolete due to passage of time and share the same with Audit. However, no record was provided to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.8.4.6 Loss due to shortages in stock-in-trade - Rs. 266.806 million

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

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that the management did not safeguard the stock-in-trade of raw material and finished goods which resulted into shortages of inventory of Rs. 266,806,000 due to theft or loss.

Audit is of the view that shortages of stock-in-trade indicated weakness of the internal controls and negligence of the management in safeguarding the interest of the corporation.

The matter was reported to the management in the month of November 2020. The irregularity was discussed in DAC meeting held on 15-16 January

2021. DAC directed the management to provide industry standards with respect to shortages in accordance with tolerance level and verify the same from Audit. However, no record was provided to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.8.4.7 Loss of rental income due to non-finalization of disputed cases - Rs. 57.003 million

Rule 26 of GFR provides that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that management has failed to realize an amount of Rs. 57,003,506 of rent recovery due to non-finalization of disputed cases (**Annex-51**).

Audit is of the view that non-recovery of such a huge amount due to non-finalization of disputed cases reflected slackness and inefficiency of the management.

The matter was reported to the management in November 2020. The irregularity was discussed in DAC meeting was held on 15-16 January 2021. DAC directed the management to pursue the matter vigorously. However, no record was provided to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.8.4.8 Loss due to theft incidents - Rs. 3.380 million

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

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that PSM sustained a loss of Rs. 3,380,239 due to theft incidents of various items. **(Annex-52)**

Audit is of the view that despite having a full-fledged security department of 600 security employees the items were stolen which is clear negligence of security department. The theft material couldn't be recovered till the close of audit.

The matter was reported to the management in the month of October 2020. The irregularity was discussed in DAC meeting was held on 15-16 January 2021. The management informed that instant Para has already been printed in ARPSE 1996-97 vide Para 117 & 123. However, it was checked and found that management assertion was not correct as the occurrence of the incidences were in the year 2019-20. DAC directed the management to provide action/efforts including registration of FIR, responsibility be fixed against the involved officials of PSM in each case under intimation to Audit for verification.

Audit recommends that efforts may be taken for recovery of stolen items and responsibility may be fixed on person (s) at fault.

8.8.4.9 Non-removal of audit qualifications and non-finalization of audited Financial Statements for the year 2019-20

According to the Section 223 of the Companies Act, 2017, the Board of every company must lay before the company in Annual General Meeting (AGM) its financial statements for the period up to the date of close of financial year adopted by the company. The financial statements must be laid within a period of four months following the close of financial year of a company.

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

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that the management not finalized the financial statements for the year 2019-20.

It was further observed that management has not taken any corrective action on the qualifications remarks by the external auditors on accounts of 2018-19. The detail of audit qualification is hereunder:

1. The Corporation is in dispute with SSGCL with regard to late payment surcharge of Rs. 61.712 million as on June 30, 2019 for which SSGCL stopped gas supply and filed suit in Sindh High Court against outstanding gas bills. PSM also filed a counter-suit against SSGCL claiming damages for losses occurred due to stoppage of gas supply.
2. Auditor draw attention towards material uncertainty relating to going concern, accumulated losses upto 30 June 2019 of Rs. 189,729 million. The current liabilities of the PSM exceeded its current assets by Rs. 159.366 million.
3. Supreme Court took action for the losses incurred by PSM in the year 2008-09 and the matter is pending with relevant authorities.
4. PSM has deducted the amount from employees on account of provident fund Contribution whereas, Corporation didn't deposit its portion in the fund account.

Audit is of the view that non-finalization of audited accounts and non-removal of qualifications reflects non-professionalism of management and weakness of internal control.

The matter was reported to the management in October 2020. The irregularity was discussed in DAC meeting was held on 15-16 January 2021. The management informed that due to revaluation of plant and machinery, building as desired by PC could not be finalized. DAC directed to get the requisite job done and qualification / observation in the accounts of 2018-19 may be removed. DAC further directed the Management to share progress report in this regard on quarterly basis with Audit and Ministry. However, no record was provided to audit by the management till finalization of Audit report.

Audit recommends implementation of DAC directives.

8.8.4.10 Irregular appointment of Chief Executive Officer

Section 3 of Public Sector Companies (Appointment of Chief Executive) Guidelines, 2015, states that while making appointment of the Chief Executive, the Board shall evaluate the candidates based on the fit and proper criteria.

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Pakistan Steel Mills (PSM) for the year 2019-20, it was observed that pursuant to BoD decision on appointment of Chief Executive in 405th meeting on 31.10.2019, management appointed Chief Executive of the corporation without relevant qualification & experience.

It was further observed that BoD did not evaluate the candidates for Chief Executive based on the fit and proper criteria **(Annex-53)**.

Audit is of the view that Chief Executive was appointed without following the Guidelines 2015 on appointment of the Chief Executive which require fit & proper criteria entailing sectoral expertise, organization awareness, understanding of the role of the government as a shareholder, financial literacy and business acumen irrespective of the professional background, knowledge of the statutory responsibilities of a Chief Executive, the capability for a wide perspective on issues and leadership qualities. This resulted into irregular appointment of CEO.

The matter was reported to the management vide memo dated 03.10.2020. The irregularity discussed in DAC meeting held on 15-16 January 2021. The management informed that there is no fixed criterion existing for the appointment of CEO, Steel Mills. In instant case, all codal formalities have been complied. Further, the services were appointed for privatization of the PSM rather than effective management. Audit contended that the said appointment was not done fairly as the criteria of relevant qualification was not formed and relevant experience was also ignored. Additionally, as per advertisement the hired was

made for running of PSM rather than privatization. However, the PAO was of the point of view that as a Government-own Company, the Government is in best place to determine the criteria for selection to the Post. All procedural requirements have also been met and therefore recognizing the difference of opinion with Audit Authority the PAO proposed the para for settlement. However, no relevant documents were provided to audit by the management.

Audit recommends that the management may provide relevant documents reflecting that rules and regulations were followed in appointment of Chief Executive.

8.9 Pakistan Machine Tool Factory (Pvt.) Limited

8.9.1 Introduction

Pakistan Machine Tool Factory (Pvt.) Limited (PMTF) was established with technical collaboration of M/s. Oerlikon Buhrle of Switzerland. It was incorporated on Jul 23, 1974 as a private limited company under the Companies Act, 1913 (now Companies Act 2017). The Company is engaged in manufacturing and marketing of machine tools, transmission components for trucks and tractors, die-casting and other classified defence-based products. PMTF is wholly owned by the Government of Pakistan and its working is controlled through State Engineering Corporation (Pvt.) Limited.

8.9.2 Comments on Audited Accounts

8.9.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2018-19 to 2019-20 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2018-19 to 2019-20 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

8.9.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2007-08	7	3	4	82.1, 82.2, 82.4, 82.7	43
2008-09	5	2	3	121.1, 121.3, 122	40
2013-14	9	5	4	8.20.3, 8.20.4.3, 8.20.4.4, 8.20.4.5	56
2015-16	7	-	7	8.11.2.1, 8.11.2.2, 8.11.3, 8.11.4.1, 8.11.4.2, 8.11.4.3, 8.11.4.4,	-
Total	28	10	18	-	36%

The overall compliance of PAC directives needs improvement.

8.9.4 Audit Paras

8.9.4.1 Loss due to improper operation management & underutilization of capacity – Rs. 1,638.000 million

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

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

During audit of Pakistan Machine Tool Factory (PMTF) for the year 2018-19, it was observed that management did not achieve the budgeted sales target & underperformed by 80.68 percent / less realization of amount of Rs. 988,554,000. This reflected lack of appropriate monitoring which compromised profitability. The details are as under:

S#	Product	Sales Target (Rs.)	Actual Sales (Rs.)	Less achievement (Rs.)	Less achievement (%)
1.	Transmission	281,829,000	104,559,000	177,270,000	62.90
2.	Die Casting	53780,000	13,327,000	40,453,000	75.22
3.	Special Products	721,483,000	82,483,000	639,000,000	88.57
4.	Machine Tools	168,175,000	36,344,000	131,831,000	78.39
Total		1,225,267,000	236,713,000	988,554,000	80.68

It was further observed that the sales of the company declined by Rs. 643 million during the year 2018-19 compared to 2017-18 due to underutilization of capacity and non-completion of confirmed orders of production. This reflected

lack of appropriate strategy for optimum utilization of the establishment. The details of underutilized capacity during 2018-19 are as under:

S#	Descriptions	Units	Installed Capacity	Actual utilized Capacity
1.	Transmission	Sets	12,000	1,194
2.	Die Casting	M.Tons	684	24.3
3.	Special Products	Units	2,004	114
4.	Machine Tools	No.	84	17

Moreover, various customers returned their goods stating that the same were defective / not as per specifications / sales order. This caused a loss to the Company of Rs. 4.909 million due to poor quality control mechanism.

Furthermore, the management failed to deliver supply quantity of 50 Gear Axles 60 Teeth against purchase order of Pakistan Railways dated 04.08.2018 by stipulated time on 06.02.2019 which resulted into payment of Rs. 1,173,234 on account of liquidated damages. This reflected poor operational efficiency by the Business Development Division.

The matter was pointed out vide Memo Nos.01, 10, 11 & 24 in March, 2020, but no reply was received from the management. DAC meeting was also not convened despite request by Audit.

Audit recommends that management may conduct a fact-finding inquiry and may also adopt robust strategy for capacity utilization.

8.9.4.2 Non-recovery / adjustment of outstanding recovery & advances – Rs. 200.627 million

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

During audit of Pakistan Machine Tool Factory (PMTF) for the year 2018-19, it was observed that management has failed to recover following outstanding amount of Rs. 200.627 million as on 30.06.2019.

Particulars	(Rs. in million)	Particulars	(Rs. in million)
Advance against expenses	5,284,119	Utility & rent charges from tenants	5,609,071
Advance against medical expenses	526,565	Govt. Agencies, State Enterprises, Industries and Commercial Customers	181.122
Provision of doubtful debts	8.086	Total	200.627

It was further observed that instead of recovery from the govt. agencies, state enterprises, industrial and commercial customers, the management has created provision of declaring an amount of Rs. 8.086 million for the year 2018-19 as bad debts.

Audit is of the view that non-recovery of the outstanding amounts /adjustment of advances and creation of provision for the recoverable amounts reflected negligence of the management & poor internal controls.

The matter was pointed out to the management in March 2020, but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends that management may conduct a fact-finding inquiry and may also effect recovery / adjustment on priority.

8.9.4.3 Non-deposit of provident fund - Rs. 116.358 million

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

As per section 23 of PMTF Employees Provident Fund Deed of Trust, the trustees shall from time to time pay into any scheduled bank jointly selected by the company and the trustees, to the credit of the fund to an account to be opened in the name of the fund.

During audit of Pakistan Machine Tool Factory (PMTF) for the year 2018-19, it was observed that the management did not deposit employees' contributory provident fund (CPF) of Rs. 116.385 million as on June 30, 2019 in a separate bank account on monthly basis.

Audit is of the view that non-depositing of employees' contributory provident fund (CPF) of Rs. 116.385 million reflects poor financial management and weak internal controls.

The matter was pointed out to the management in March 2020, but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends that management may conduct a fact-finding inquiry and may also do needful on priority.

8.9.4.4 Loss due to non-repayment of loan – Rs. 17.073 million

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

As per Clause-3 of the agreement between ENAR Petrotech Services Private Limited (EPSL) and Pakistan Machine Tool Factory (PMTF), the loan shall be repayable to ENAR by PMTF in earliest possible time, latest by March 17, 2012 with interest at mark up of 11.50% per annum for the period from the payment of loan to the date of its repayment.

During audit of Pakistan Machine Tool Factory (PMTF) for the year 2018-19, it was observed that PMTF management borrowed short-term loan of Rs. 20.000 million from ENAR Petrotech services to meet its current obligations i.e. payment of salary to staff. The arrangement was made under the directive of the Ministry to EPSL on November 11, 2011. Furthermore, PMTF pledged its special saving certificates of the employees' provident fund as guarantee of the borrowed amount. Further, PMTF has neither paid back the full amount of loan to EPSL (paid only an amount of Rs. 5.000 million) nor did it get back the special saving certificates of the employees' provident fund. PMTF has yet to pay an amount of Rs. 15.000 million with the total mark up of Rs. 17,073,035 as on 31.12.2019.

Audit is of the view that due to non-payment of the loan amount of Rs. 20.000 million in time, PMTF has suffered from loss of mark up of Rs. 17,073,035.

The matter was pointed out to the management in March 2020, but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends that management may conduct a fact-finding inquiry.

8.9.4.5 Irregular appointments of 50 employees after superannuation – Rs. 12.262 million

As per Govt. of Pakistan, Establishment Division O.M.No.4/1/84-R.I, dated 02.09.1990, all Ministries/Divisions were requested to adhere to the instructions issued by the Establishment Division and not to allow any officer to continue in service beyond the age of superannuation or contractual appointment without prior approval of the competent authority i.e. prime minister. Further, as per policy guidelines for contract appointments in autonomous/semi-autonomous bodies/corporation, issued by the Government of Pakistan, Establishment Division vide O.M No. 6/2/2000-R.3, dated 6th May 2000, the post should be advertised.

During audit of Pakistan Machine Tool Factory (PMTF) for the year 2018-19, it was observed that the management made irregular re-employment of fifty (35 Job contractors & 15 Job consultants) after the age of superannuation from 2013 onwards.

The audit is of the view that undue favour was extended to the retired employees as they were employed without due approvals from the competent authority. Thus, the payment of Rs. 12,262,000 is irregular.

The matter was pointed out to the management in March 2020, but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends that management may conduct a fact-finding inquiry.

8.9.4.6 Irregular investment of funds – Rs. 10.000 million

As per Sr. No. 3(b) of Memorandum issued by Finance Division dated 02 July 2003, Prior to placing deposits with a bank ..., and in case the total working

balances exceed Rs. 10.000 million, the selection of the bank(s) as well as the terms of deposits will be approved by the concerned Board of Directors/Governing Body on the basis of competitive bids from at least three independent banks. Para 6 states that before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. ... However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During audit of Pakistan Machine Tool Factory (PMTF) for the year 2018-19, it was observed that the management invested an amount of Rs. 10.000 million in MCB on short-term basis for a period of three (03) months without obtaining competitive rates and without following due process of investment through Investment Committee and utilization of services of the SECP approved fund manager.

Audit is of the view that management has not followed standing orders of the government on investments which resulted into irregular investment of funds of Rs. 10.000 million.

The matter was pointed out to the management in March 2020, but no reply was received. DAC meeting was not convened despite request by Audit.

Audit recommends that management may conduct a fact-finding inquiry.

8.9.4.7 Irregular procurement through cash instead of crossed cheques to the vendors - Rs. 5.876 million

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

During audit of Pakistan Machine Tool Factory (PMTF) for the year 2018-19, it was observed that the management purchased stores items of Rs. 5.876 million through cash instead of crossed cheques to the vendors. The detail of the cash payments during 2018-19 is as under:

Account code	17-10-01244	17-10-01356	Total (Rs.)
Amount in (Rs.)	2,831,873.00	3,043,680.00	5,875,553.00

Audit is of the view that payments in cash of Rs. 5,875,553 instead of the crossed cheques are irregular.

The matter was reported to the management in March 2020, but no reply was received. DAC meeting was not convened despite requests by Audit.

Audit recommends that management may conduct a fact-finding inquiry and strengthen the internal controls.

8.10 Furniture Pakistan (Pvt.) Limited

8.10.1 Introduction

The Furniture Pakistan Company is limited by guarantee and was incorporated on August 06, 2007 under Section-42 of the Companies Ordinance, 1984 (now Companies Act 2017). The company is a wholly owned subsidiary of Pakistan Industrial Development Corporation (Pvt.) Ltd. (PIDC), Ministry of Industries & Production. The registered office of the company is situated at 4-A Lawrence Road, Lahore. The overall objective of the company is to promote, develop and upgrade furniture sector of Pakistan and to strengthen and support the technical capabilities thereof to enhance competitiveness of the sector.

8.10.2 Comments on Audited Accounts

8.10.2.1 The working results for the year 2019-20 as compared to the previous years are as under:

	(Rs. in million)				
	2019-20	% Inc. / (Déc.)	2018-19	% Inc. / (Déc.)	2017-18
Income					
Profit on bank accounts	0.1	(82)	0.57	(73)	2.12
Income from projects	1.16	(76)	4.77	74	2.74
Gain on disposal of fixed assets	0	(100)	0.03	(94)	0.54
Others income	0	(100)	0.79	618	0.11
Total income	1.26	(80)	6.16	12	5.51
Expenditure					
Salaries & Wages	13.97	(21)	17.63	9	16.24
Advertisement	0	(100)	2.22	455	0.4
Legal & professional charges	0.24	(48)	0.46	(35)	0.71
Other expenses	21.74	(39)	35.66	(3)	36.94
Total expenditure	35.95	(36)	55.97	3	54.29
Surplus/ (deficit) for the year	(34.69)	(30)	(49.81)	2	(48.78)

(Source: Annual Audited accounts)

8.10.2.2 The company continued to be in deficit from 2017-18 to 2019-20. In 2019-20 the deficit was at Rs. 34.69 million. Efforts need to be made to further reduce the deficit to make the company a going concern.

8.10.2.3 Income from projects is declined from Rs. 4.77 million in 2018-19 to Rs. 1.16 million in 2019-20 registering a decrease of 76% that indicating no efforts were made to initiate new projects. It will make very difficult for the company to survive in the long run.

8.10.2.4 Cash and bank balances increased from Rs. 1.10 million in 2018-19 to Rs. 4.16 million in 2019-20. However, profit on deposits in banks is decreased from Rs. 0.568 million in 2018-19 million to Rs. 0.101 million in 2019-20 which shows that management is not utilizing its resources in best possible way.

8.10.2.5 As per note 8, Stock in Trade includes Furniture items and Raw Wood having value of Rs. 1.289 million was same/static in 2018-19 & 2019-20. It indicates that management failed to convert its stock into sales which needs to be justified.

8.10.2.6 As per note 12, an amount of Rs. 58.43 million received as advance from Parent Company for improvement in operations. However, no significant change was observed in the performance of the company and management failed to convert its deficit into surplus.

8.10.2.7 An amount of Rs. 3.64 million as Unsecured Advances considered doubtful during the year 2019-20 indicating weak financial management and failure of getting deliverables against said amount.

8.10.3 Compliance of PAC Directives

There was no pending PAC directives for compliance.

8.11 Heavy Electrical Complex (Pvt.) Limited

8.11.1 Introduction

The Company was incorporated as a Private Limited Company on December 09, 1991, fully owned by State Engineering Corporation (Pvt.) Limited Ministry of Industries and Production, Government of Pakistan. The registered office of the company is situated at Third Floor, Software Technology Park, (STP-I), 5-A Constitution Avenue, F-5/1, Islamabad. The Company is engaged in the manufacturing and repair of power transformers.

8.11.2 Comments on Audited Accounts

8.11.2.1 The working results of the Company for the year 2019-20 as compared to the preceding years were tabulated below:

	(Rs. in millions)				
	2019-20	% Inc/ (Dec)	2018-19	% Inc/ (Dec)	2017-18
Sales	221.80	(27.46)	305.78	18.06	259.00
Cost of sales	127.86	(57.67)	302.03	31.37	229.90
Gross profit/(loss)	93.94	2411.76	3.74	(87.15)	29.10
Operating expenses					
Administrative expenses	61.82	4.11	59.38	(0.07)	59.42
Selling & distribution expenses	11.80	15.46	10.22	(3.58)	10.60
Operating profit/(loss)	20.31	(130.84)	(65.86)	60.95	(40.92)
Other income	7.96	48.51	5.36	(39.91)	8.92
Financial charges	71.63	25.78	56.95	50.94	37.73
Loss for the year before tax	43.36	(63.08)	117.44	68.42	69.73
Taxation	3.36	(11.11)	3.78	2420.00	0.15
Loss after taxation	46.72	(61.46)	121.22	74.22	69.58

(Source: Annual Audited Accounts)

8.11.2.2 The Chartered Accountants in their qualified opinion expressed that the company has not taken into consideration the impact of liquidation damages / late delivery charges while determining the transaction price as per provisions of IFRS-15. Accordingly revenue is required to be reduced by penalties comparing late delivery charges. Resultantly, trade debts include an amount of Rs. 176.901 million relating to liquidation damages which is doubtful for recovery. The company has recognized provision of only Rs. 32.609 million there against instead of recognition of allowance for expected credit loss considering current

and forward looking factors enumerated. Consequently revenue for the year is overstated by Rs. 0.801 million, whereas retained earnings and trade debts are overstated by Rs. 144.291 million as at June 30, 2020. The management may review the case and position needs to be explained.

8.11.2.3 Sales of the Company decreased by 27.46% from Rs. 305.78 million in 2018-19 to Rs. 221.80 million in 2019-20 while the cost of sales also decreased by 57.67% from Rs. 302.03 million in 2018-19 to Rs. 127.86 million in 2019-20. The huge decrease in sales shows that the company has no production orders for completion. Reasons for huge decrease in sale need to be explained.

8.11.2.4 Although Trade Debts decreased from Rs. 370.662 million in 2018-19 to Rs. 276.60 million in 2019-20 but these are still on higher side. Early recovery stress upon the management.

8.11.2.5 Stock in trade include work in progress valuing Rs. 314.010 million in 2019-20 as compare to Rs. 168.645 million in 2018-19. Reasons for non-completion of WIP need to be explained besides their early completion.

8.11.2.6 Advance payable to customers increased by 98.44% from Rs. 185.062 million in 2018-19 to Rs. 367.244 million in 2019-20. This includes an amount of Rs. 75 million against WAPDA order placed during the year 2005. WAPDA did not accept the delivery due to non-fulfillment of respective requirements. However order was not cancelled till date. Reasons for non-fulfillment of WAPDA requirements need to be explained besides early resolving of the issue.

8.11.2.7 As per Note-36 of the Annual Accounts against the capacity and production, plant has practical capacity of 1,328 Nos. MVA (310 MVA in 2018-19) against which could only produce 442 MVA. Reasons for continuous less production of MVAs need to be explained.

8.11.2.8 Accumulated loss increased up to Rs. 756.147 million. The management failed to utilize its full production capacity due to non-obtaining of business. The management is stressed upon to take up effective measure for obtaining of business activities from the market by reducing production cost.

8.11.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	%age of compliance
1995-96	05	04	01	190	80
1996-97	05	04	01	169	80
1998-99	03	02	01	262	67
2000-01	04	03	01	299	75
2002-03	09	07	02	103.5,103.8	78
2003-04	05	0	05	104.2,107&107.1,107.2,104&104.1, 108.3	-
2005-06	06	05	01	132.3	83
2006-07	05	04	01	107.1	80
2007-08	03	02	01	80.2	67
2009-10	03	02	01	132	67
2010-11	09	01	08	11.11.1, 11.11.2.1, 11.11.2.2, 11.11.2.3, 11.11.2.5, 11.11.2.6, 11.11.3, 11.11.4.1	11
2013-14	04	01	03	8.19.1&8.19.2.1, 8.19.2.2, 8.19.2.3, 8.19.2.4, 8.19.2.5, 8.19.2.6, 8.19.2.7, 8.19.4.1, 8.19.4.3, 8.19.4.5	25
2015-16	09	01	08	8.20.1, 8.20.2.1, 8.20.2.2, 8.20.2.3, 8.20.2.4, 8.20.2.5, 8.20.2.6, 8.20.3	11
Total	70	36	34		51

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

8.11.4 Audit Paras

8.11.4.1 Loss due to poor performance of the company - Rs. 228.628 million

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

During the audit of Heavy Electrical Complex for the years 2018-20, it was observed that management received 41 orders for manufacturing of transformers for financial years 2017-18 to 2019-20. Despite the fact that management had sufficient orders and staff for manufacturing of transformers only 10 out of 41 transformers were manufactured during this period. Thus, management suffered a loss of Rs. 228.628 million. Detail is as under:

Financial Year	Orders in hand	Transformers manufactured (No.)	Manpower used (No.)	Loss during the year (Rs. in million)
2017-18	10	04	292	69.579
2018-19	14	05	282	121.224
2019-20	17	01	258	37.825
Total	41	10		228.628

The above table shows a declining trend in manufacturing for the last three years despite the fact that management had sufficient orders in hand as well as sufficient man power for manufacturing of transformers.

Audit is of the view that management could have utilized the capacity of plant as well as labour hired for the purpose of manufacturing but the same had not been done which shows serious concerns for survival of the company and poor performance on behalf of the management.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 20th January 2021, the management explained that transformers were not supplied after expiry of delivery schedule due to financial constraints. DAC directed the JS/MD, HEC to hold inquiry for working capital assessment at the time of receipt of orders for manufacturing of transformers.

Audit recommends compliance of DAC directives.

Para-29 HEC, 2018-20

8.11.4.2 Loss due to sale of transformers below production cost - Rs. 47.880 million

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

During the audit of Heavy Electrical Complex for the years 2018-20, it was observed that management sold four transformers to different clients for Rs. 191.70 million (excluding GST). Management incurred Rs. 239.580 million as production cost of these transformers excluding administrative expenses. Thus management suffered loss of Rs. 47.880 million. Detail is as under:

(Rs. in million)

S. No.	Transformer No.	Client	Production Cost (Material + FOH)	Sale price	Loss
1.	T8-35	HESCO	54.298	47.50	6.798
2.	T8-36	HESCO	60.152	47.50	12.652
3.	T8-37	HESCO	53.120	47.50	5.620
4.	T8-39	NETRACON	72.010	49.20	22.810
	Total		239.580	191.70	47.880

The matter was discussed with the management and it was stated that they participated in the tenders and quoted lowest cost to win the tender.

Audit is of the view that quoted rate below the production cost was not acceptable in any business. Management should minimize the cost to avoid the loss.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 20th January 2021, the management explained that HEC was bound to deliver the order according to the purchase order at the price quoted at the time of tender. Further, cost estimate of material based on US\$ rate fluctuated sharply. DAC directed the management to verify the reply by the concerned wing of MoI&P regarding fluctuations in US\$ and then send it to Audit.

Audit recommends compliance of DAC directives.

Para-19 & 34 HEC, 2018-20

8.11.4.3 i. Loss due to less charging of FOH to the transformers supplied to a private party - Rs. 41.808 million
ii. Loss to government exchequer on account of GST – Rs. 7.107 million

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

During the audit of Heavy Electrical Complex for the years 2018-20, it was observed that on the request of M/s Green Industrial Solution (GIS) (Pvt.)

Limited Lahore, HEC sent a quotation for 02-Nos 20/26 MVA power transformers to the said party on August 28, 2019. Management quoted Rs. 57.00 million cost of one transformer. Management revised its quotation on September 12, 2019 on the request of the party and offered Rs. 52.50 million instead of Rs. 57.00 million. M/s Green Industrial Solution (Pvt.) Limited issued purchase order to HEC on November 01, 2019 on the basis of revised quotation for two transformers of Rs. 52.50 million each without GST. In April 23, 2020, GIS issued a revised P.O. No. 79190092-4 to HEC with the amendment that all the required material and equipment will be supplied by GIS and an amount of Rs. 10.20 million for two transformers will be paid to HEC. Management of HEC manufactured two transformers having Nos. T5-27A and T5-28A and delivered to the GIS in October 2020 after receiving an amount of Rs. 10.20 million.

The cost of production reports for the year 2017-18 to 2019-20 revealed that management charged amount ranging from Rs. 25.00 million to Rs. 28.00 million on account of FOH proportionately on the basis of material procured on one transformer of the same specification. But in this case management received the material from the client and charged FOH @ Rs. 8.192 million (Rs. 7.177 million on T5-27A + Rs. 1.015 million on T5-28A) to the client of two transformers. Thus management granted undue benefit to the private party and HEC suffered a loss of Rs. 41.808 million (Rs. 50.00 million – Rs. 8.192 million) on account of FOH. Further, government was deprived from GST of Rs. 7.107 million (Rs. 41.808 million x 17% GST) due to less charging of FOH.

Audit is of the view that management should charge FOH on standard costing method when material was provided by the client to avoid loss to HEC and government exchequer.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 20th January 2021, the management explained that transformer was sold due to financial constraints. The DAC directed the JS/MD, HEC to hold inquiry for working capital assessment at the time of receipt of orders for manufacturing of transformers.

Audit recommends compliance of DAC directives.

Para-43 HEC, 2018-20

8.11.4.4 Irregular promotion of casual employees - Rs. 21.477 million

According to Rule-5(7) (q) of the Public Sector Companies (Corporate Governance) Rules, 2013, the Board shall formulate Human Resource Policy of the Public Sector Company.

During the audit of Heavy Electrical Complex for the years 2018-20, it was observed that management has about 250 employees on regular, contract and casual basis. Management promoted 24 casual employees on pick and choose basis without any policy as under:

S. No.	Name	Current Designation	Promoted as	Per Month Salary (Rs)
1.	Mr. Naveed Ahmed	Management Trainee	Assistant Manger	39,632
2.	Mr. Sudhair Badsha	Management Trainee	Assistant Manger	39,632
3.	Mr. Imran Khan	Management Trainee	Assistant Manger	39,632
4	Mr. Jahanzaib	Management Trainee	Assistant Manger	39,632
5.	Mr. Abdul Mughees	Management Trainee	Assistant Manger	39,632
6.	Mr. Asim Riaz	Management Trainee	Assistant Manger	39,632
7.	Mr. Niaz Akbar	Management Trainee	Assistant Manger	39,632
8.	Mr. Ishitaq ur Rehman	Management Trainee	Assistant Manger	39,632
9.	Mr. Moiz Azam	Management Trainee	Assistant Manger	39,632
10.	Mr. Khan Muhammad	Management Trainee	Assistant Manger	39,632
11.	Mr. Sajid Mehmood	Management Trainee	Assistant Manger	39,632
12.	Mr. Shoaib Khan	Assistant Manager	Deputy Manager	51,008
13.	Mr. Anwar ul Haq	Assistant Manager	Deputy Manager	51,008
14.	Mr. Abdul Samad	Assistant Manager	Deputy Manager	51,008
15.	Sayed Jamat Ali Shah	Office Assistant	Junior Officer	34,396
16.	Mr. Javaid	Sr. Office Assistant	Junior Officer	34,396
17.	Mr. Muhammad Asif	Winding Technician	Junior Officer	34,396
18.	Mr. Baseer Hussain Shah	Supervisor	Junior Officer	34,396
19.	Mr. Gul Rehman	Sr. Store Keeper	Junior Officer	34,396
20.	Mr. Riaz Hussain Shah	Technician	Supervisor	27,062
21.	Mr. Shafique Ahmed	Sr. Technician	Supervisor	27,062
22.	Mr. Zia Ur Rehman	Office Assistant	Supervisor	27,062
23.	Mr. Yasir Khan	Electrician	Supervisor	27,062
24.	Mr. Muhammad Ali	Office Assistant	Supervisor	27,062
			Total	896,266
Salary paid for financial year 2018-19 & 2019-20 (Rs. 896,266 x 24 months)				21,476,784

Audit is of the view that BoD should formulate the policy for up-gradation and promotion to avoid the personal choice of the management.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 20th January 2021, the management explained that promotions were made keeping in view the qualifications and length of service. The DAC directed the MD HEC to look into the matter on case to case basis and submit the report to BoD.

Audit recommends compliance of DAC directives.

Para-28 HEC, 2018-20

8.11.4.5 Loss due to late delivery of transformer - Rs. 9.264 million

As per purchase order dated July 27, 2018 issued by HESCO to HEC for supply of 04 Nos. power transformers of 132/11 KV, 31.5/40 MVA, full quantity shall be delivered within 120 days from the date of issue of purchase order. As per purchase order dated December 16, 2019 issued by GEPCO to HEC for supply of 07 Nos. power transformers of 132/11 KV, 31.5/40 MVA, full quantity shall be delivered within 120 days from the date of issuance of purchase order.

During audit of Heavy Electrical Complex for the years 2018-20, it was observed that management was bound to deliver the four transformers on November 23, 2018 to the HESCO as per P.O. dated July 27, 2018. Out of four, HEC delivered two transformers within scheduled period. Management requested the HESCO regarding extension in delivery period due to financial constraints but was not considered by the HESCO. Third transformer was delivered on Feb 04, 2019 and last one was not delivered to date. HESCO deducted L.D of Rs. 3.335 million due to late and non-delivery of transformer.

Further, in case of GEPCO, management was bound to deliver seven transformers upto August 10, 2020 as per P.O. dated December 16, 2019. Out of seven transformers, HEC delivered only one transformer upto August 24, 2020. HEC requested the GEPCO regarding extension in delivery period due to Covid-19 but was not considered and an amount of Rs. 5.929 million was deducted by GEPCO. Thus management suffered loss of Rs. 9.264 million (Rs. 3.335 m + Rs. 5.929 m) due to mismanagement.

Audit is of the view that management already knew that purchase orders for manufacture of transformers were awarded on July 27, 2018 by HESCO and indent dated August 10, 2018 was also issued by PPC Department for purchase of

material in case of HESCO. At that time the management might have ordered the raw materials to avoid liquidated damages. Further in case of GEPCO the factory remained open in Covid-19 period as per monthly progress reports.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 20th January 2021, the management explained before the DAC that 02 numbers power transformer against contractual quantity of 04 numbers were delivered within delivery schedule and 3rd was supplied after expiry of delivery schedule due to financial constraints. The DAC directed the JS/MD, HEC to hold inquiry for working capital assessment at the time of receipt of orders for manufacturing of transformers.

Audit recommends compliance of DAC directives.

Para-11 & 33 HEC, 2018-20

8.12 National Fertilizer Corporation (Pvt.) Limited

8.12.1 Introduction

National Fertilizer Corporation of Pakistan (Pvt.) Limited (NFC) was established in August, 1973 as a private limited company to carry out the business of manufacturing, buying, selling, exporting and importing all types of chemical fertilizers. The Corporation has three wholly owned subsidiaries including two institutes of engineering and one marketing company. The Company's main source of income includes dividend from investment in subsidiary companies and return on bank deposits and other investments.

Due to privatization of all fertilizer manufacturing units of NFC, the principal activities of the Corporation like manufacturing, buying, selling, exporting and importing all types of chemical fertilizers were stopped. However, marketing and selling of fertilizer imported by Trading Corporation of Pakistan is being carried out by the subsidiary company National Fertilizer Marketing Limited which was also merged with TCP w.e.f. Dec. 23, 2019.

8.12.2 Comments on Audited Accounts

8.12.2.1 The working results of the National Fertilizer Corporation of Pakistan (Pvt.) Limited for the year 2019-20 as compared with the previous years are given below:

	(Rs. in million)						
	2019-20	% Inc /(Dec)	2018-19	% Inc /(Dec)	2017-18	% Inc /(Dec)	2016-17
Income:							
Dividend	6.123	(26.37)	8.316	(27.94)	11.540	(40.55)	19.410
Profit on bank deposits	638.421	46.55	435.632	44.71	301.030	(3.13)	310.770
Other Income	18.333	(20.44)	23.044	(18.28)	28.200	5131.54	0.540
Total Income	662.878	41.94	466.993	37.04	340.770	3.04	330.720
Expenses							
Administrative Expenses	148.272	24.138	195.450	31.03	149.160	(13.92)	173.270
Financial Charges	0.0560	(18.84)	.069	(23.33)	0.090	(26.67)	0.120
Total Expenses	148.328	(24.136)	195.519	31.00	149.250	(13.93)	173.390
Profit before taxation	514.549	89.54	271.473	41.75	191.520	21.73	157.330
Taxation	148.416	90.172	78.043	35.82	57.460	17.33	48.970
Profit after taxation	366.133	89.29	193.430	44.29	134.060	23.72	108.360

Source: (Annual Audited Accounts)

8.12.2.2 The profit after taxation of the company increased from Rs. 193.430 million in 2018-19 to Rs. 366.133 million in 2019-20 registering an increase of 89.28% which was mainly due to increase in profit on bank deposits from Rs. 435.632 Million in 2019-20 to Rs. 638.421 Million (46.55% increase). No income has been generated through any operational activity as main source of income of NFC is profit on bank deposits. Efforts needs to be made to decide the fate of NFC, either assigning some function of the Company or otherwise.

8.12.2.3 Included in the property, Plant and Equipment an amount of Rs. 32.742 million for free hold land purchased in the name of NFC institute Nausharo Feroz (sub campus of NFC-IET Multan). However the title of the land was not transferred in the name of the NFC as yet. The project has now been declared abundant due to improper selection of site and non-viability of the project which caused loss to the Government exchequer. Reason for wrong selection of site and subsequent expenditure incurred needs to be explained.

8.12.2.4 Federal Government vide notification dated Dec. 23, 2019 merged NFML with TCP and two institutes in Ministry of Education and the administrative control was transferred on April 30, 2020. However, as on June 30, 2020 the shareholdings were not transferred and still appearing in the books of accounts.

8.12.2.5 Dividend income decreased from Rs. 8.316 million in 2018-19 to Rs. 6.123 million in 2019-20 mainly due to decrease in the dividend income from Sonofi – Aventis Pakistan Limited from Rs. 7.671 million in 2018-19 to Rs. 2.040 million in 2019-20 (73.34% decrease). Reasons for abnormal decrease in the dividend income need to be explained.

8.12.2.6 Other income includes an amount of Rs. 17.317 million receivable on account of markup on loan amounting to Rs. 120 million given to M/s Machine Tool Factory (PMTF) a sister concern of NFC. Now the unit has been transferred to Strategic Planning Division (SPD). Neither any acknowledgement from MTF regarding the payment of markup receivable nor was any recovery plan regarding repayment of principal amount was available with the management which needs to be explained.

8.12.2.7 Included in non-current Assets is an amount of Rs. 18.800 million representing 10% shares held in Pak China Fertilizer. The company is inactive since long. Fate of the investment along with the returns may be explained.

8.12.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1995-96	36	35	1	36	97
1999-00	28	27	1	294	96
2000-01	35	33	2	271,273	94
2001-02	17	16	1	286	94
2006-07	23	22	01	118.3	96
2010-11	08	06	02	11.3.1, 11.13.2.5	75
2013-14	03	02	01	8.22.2.2,	67
2015-16	11	0	11	8.22.1, 8.22.2.1, 8.22.2.2, 8.22.2.3, 8.22.2.4, 8.22.2.5, 8.22.2.6, 8.22.2.7, 8.22.2.8, 8.22.2.9, 8.22.3	0
Total	161	141	20		88

The compliance of the PAC directives was satisfactory; efforts need to be made for 100% compliance.

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

8.13 Pakistan Hunting and Sporting Arms Development Company

8.13.1 Introduction

Pakistan Hunting and Sporting Arms Development Company is a Company limited by guarantee having share capital duly incorporated under Section 42 of the Company Ordinance, 1984 on September 29, 2006. The Company obtained the requisite certificate of business under Section 146(2) of Companies Ordinance 1984 and was thus entitled to commence business with effect from April 25, 2007. The Company was formed with the primary objective to uplift, develop and build hunting and sporting sector of Pakistan for exports and commercial activities with a view to generate foreign exchange and to develop quality and capacity to eventually compete in the international market. The registered office of the Company is situated at Ground Floor, State Life Building, The Mall, Peshawar.

The Company is a subsidiary of PIDC and fully owned by the GOP and has paid-up capital of Rs. 86.49 million. The Company is working under the administrative control of Ministry of Industries and Production.

8.13.2 Comments on Audited Accounts

8.13.2.1 The working results of the Company for the year 2019-20 as compared to previous years are given below:

	(Rs. in million)				
	2019-20	% Inc/ (Dec)	2018-19	% Inc/ (Dec)	2017-18
Income from Training Centre (CFTC)	3.11	27.46	2.44	(35.79)	3.80
Income from National Training & Vocational Center	0.27	-	-		
Income from exhibition and events	0.04	-	-		
Consultancy income	0.51	529.63	0.081		
Other income	1.01	(50.25)	2.03	(33.86)	3.19
Total income	4.94	8.57	4.55	(34.91)	6.99
Administrative expenses	30.44	16.14	26.21	13.86	23.02
Marketing expenses	0.14	(88.89)	1.26	293.75	0.32
Financial expenses	0.24	5900	0.004	(95.56)	0.09
Total Expenditure	30.82	12.19	27.474	17.26	23.43
(Deficit) of income over expenditure	23.88	4.14	(22.93)	39.48	(16.44)
Actuarial (loss) / gain	0.311	7.24	(0.29)	(44.23)	(0.52)
(Deficit) for the year	23.57	1.51	(23.22)	36.91	(16.96)

Accumulated Surplus / (deficit)	196.87	0.14	(173.30)	15.47	(150.08)

Source: (Annual Audited Accounts)

8.13.2.2 Total Income of the Company increased by 8.57% to Rs. 4.94 million in 2019-20 (Rs. 4.55 million 2018-19). The main contributory factor for such increasing trend was the increase in Income from training which was increased by 27.46% to Rs. 2.44 million in 2019-20. Deficit for the year increased by 1.51% from Rs. 23.22 million in 2018-19 to Rs. 23.57 million in 2019-20. Thus the accumulated loss increased from Rs. 173.30 million in 2018-19 to Rs. 196.87 million in 2019-20. The main reason for such loss was the management's failure to properly execute the operational activities in the coming years to convert the company into a self-sustaining entity. The loss needs to be controlled and steps should be taken to increase the operational income of the Company.

8.13.2.3 As pointed out by External Auditor of the Company the Company incurred total deficit Rs. 23.57 million (2019: 23.22 million) during the year June 30, 2020 and as of that date, the accumulated deficit stood at Rs. 196.87 million (2019: 173.30 million). These conditions as explained in Note 1.2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

8.13.2.4 Depreciation charges during the year stood at Rs. 10.146 million as against Rs. 5.56 million of the previous year, showing an increase by 82.48%, whereas addition during the year was only Rs. 0.113 million. Position was not explained by means of notes to the accounts. Such abnormal increase in depreciation charges as compared to previous years needs elucidation.

8.13.2.5 Due from customers increased from Rs. 2.29 million as on June 30 2019 to Rs. 2.77 million over the previous year, which showing an increase of 21%. This shows poor financial management toward recovery. Early recovery is stressed upon the management.

8.13.2.6 Cash in hand stood at Rs. 1.83 million as against Rs. 0.080 million of the previous year showing an increase of 2,190%, such a huge increase in cash balance needs to be explained.

8.13.2.7 Advance tax under the head Current Assets of the Company stood at Rs. 6.13 million against Rs. 6.01 of the previous year registering an increase of

2%. The payment of advance tax was not explained by means of notes to the accounts. Early adjustment of advance tax is stressed up the management.

8.13.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
2013-14	06	01	05	8.15.2.3, 8.15.2.2, 8.15.2.4, 8.15.2.5, 8.15.2.6	17
2015-16	05	0	05	8.16.1, 8.16.2.1, 8.16.2.2, 8.16.2.3, 8.16.2.4	0
Total	11	01	10		6

Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

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

8.14 Pakistan Stone Development Company

8.14.1 Introduction

Pakistan Stone Development Company (PASDEC) is a public company limited by guarantee incorporated under Companies Ordinance 1984 (now Companies Act 2017). The objective of the Company is to upgrade the supply of marble and granite in Pakistan through improved quarrying practices and support infrastructure. This involves introduction of new technologies and techniques and establishment of model quarries, up gradation of existing quarries, establishment of industrial cities and establishment of Rock Mining Training Institutes to impart quarrying skills in Pakistan. The company was required to introduce mechanized mining practices keeping in view the enormous mining potential in the provinces of Sindh, Balochistan and Khyber Pakhtunkhwa. However, the company has suffered badly due to corporate governance issues, financial instability and lack of cooperation from the provincial governments. The company has not been able to improve mining practices resultantly the fixed investment in machinery and equipment is depleting.

8.14.2 Comments on Audited Accounts

8.14.2.1 The working results of Pakistan Stone Development Company for the year 2019-20 as compared with the previous years are given below:

(Rs. in million)			
	2020	% Inc/(Dec)	2019
Revenue	97.628	(13.25)	112.535
Cost of Sales	71.673	(12.95)	82.338
Gross Profit	25.955	(14.04)	30.196
Administrative Expenses	82.784	1.40	81.642
Provision for doubtful debts	17.899	(18.12)	21.860
Impairment on receivables from projects	107.089	-	-
Programme expenses	0.518	(24.27)	0.684
Other income	25.303	65.54	15.285
Reversal of impairment due to increase in NRV of Marble City RISALPUR	-	-	10.282
LOSS FOR THE YEAR	157.033	224.31	48.421

Source: (Annual Audited Accounts)

8.14.2.2 Income from PASDEC machinery pool decrease by 19% from Rs. 96.651 million during the year 2018-19 to Rs. 78.059 million during the year 2019-20. Management needs to justify the decrease in revenue from machinery pool.

8.14.2.3 Management has booked impairment loss of Rs. 512.8 million (Rs. 405 million in 2014 and Rs. 107.089 million in 2020) on account of receivable from project during the year 2015-16 and 2019-20. The management failed to manage their project and suffered loss of investment in these projects.

8.14.2.4 Remained Rs. 695.550 million as on 30 June, 2020. The management needs to conduct fact finding inquiry on account of loss suffered by projects and share their facts with audit.

8.14.2.5 The organization is continuously running in loss and accumulated loss stood at Rs. 1,857.589 million as on June 30,2020 which is almost 200% of the authorized capital of the organization i.e. Rs. 1,021.855 million. Keeping in view such huge loss the status of organization as going concern is at stake. The management needs to seriously look into the matter.

8.14.2.6 The company received advance of Rs. 729.309 million from customer against allocation of industrial plots in marble colony Risalpur. However, the company failed to allocate plot to the customers in the marble colony and the sum of Rs. 694.484 million was booked as liabilities in their accounts. The management needs to justify the non-allotment of Industrial Plots to the customers.

8.14.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2015-16	03	0	03	8.17.1, 8.17.2, 8.17.4.1	-
Total	03	0	03		-

Compliance of the PAC directives was very poor which requires immediate attention of the PAO.

8.15 Small and Medium Enterprises Development Authority

8.15.1 Introduction

Small and Medium Enterprises Development Authority (SMEDA) was created under a notification dated October 13, 1998 issued by the Prime Minister of Pakistan office and is working under the Ministry of Industries, Government of Pakistan. On August 12, 2002, an Ordinance was promulgated for the establishment of SMEDA as an autonomous body under the Federal Government for encouraging and facilitating the development and growth of small and medium enterprises in Pakistan.

SMEDA was primarily working as an apex policymaking body for economic and commercial development of Small and Medium Enterprises (SMEs). The primary objective of the Authority is to provide a fresh impetus to Pakistan's economy through launching aggressive SMEs support programs. The head office of SMEDA is situated on the sixth floor, LDA Plaza, Egerton Road, Lahore.

8.15.2 Comments on Audited Accounts

8.15.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the years 2017-18 to 2019-20 till December 31, 2020.

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

8.15.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2003-04	02	0	02	120 & 121	-
2004-05	02	01	01	77	50
2006-07	04	03	01	86.3	75
2009-10	07	05	02	114.4, 114.6	71
2015-16	04	0	04	8.26.1, 8.26.2, 8.26.3, 8.26.4.1	

Total	19	9	10		47

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

8.15.4 Audit paras

8.15.4.1 Loss of revenue income by SIDC and SBCC Sialkot – Rs. 452.494 million

According to the Revised PC-I of the Sialkot Business & Commerce Center Sialkot 2013, during first two years of the operations, the revenue generation of the various facilities of the SBCC would be as follows:

Year	Particulars	1st year Revenue 2017-18 (Rs)	2nd year Revenue 2018-19 (Rs)	Total expected revenue (Rs)
1.	Display Halls	3,265,900	4,311,000	7,576,900
2.	Short Term Exhibition	3,628,800	5,748,000	9,376,800
3.	Business Incubation	1,500,000	1,980,000	3,480,000
4.	Conventional Hall Services	51,2000	67,600	579,600
	Total	8,906,700	12,106,600	21,013,300

According to the revised PC-I of the Sialkot Business & Commerce Center Sialkot 2013, during first two years of the operations the revenue generation of the residential rooms would be as follows:

Year	Capacity Utilization (%)	No. of rooms planned to be occupied	Proposed room charges per day (Rs)	Expected revenue (Rs)
1	20	1229	5,000	6,145,000
2	24	1475	5,500	8,112,500
				14,257,500
		Total		14,257,500

As per table 17, Projected Profit & Loss Statement of Revised PC-I of Sports Industries Development Center (SIDC), Sialkot (approved by Ministry of Industries & Production vide letter No. 3(6)/2006-Projects dated July 27, 2009), the estimated revenue for the year 2018-19 and 2019-20 were Rs. 198.213 million and Rs. 256.285 million respectively.

During audit of SMEDA SIDC Project and SBCC Sialkot for the year 2018-19, it was observed that these were completed in 2016 and November, 2018 respectively but revenue generation was not started from business activities

despite provision of the same in the respective PC-Is. This resulted into loss of revenue income of Rs. 452.494 million as detailed below:

(Rs. in million)

S No.	Name of the project	Detail of facilities	Expected revenue as per PC-I	Actual Revenue from operation	Revenue loss
	SIDC Sialkot	Services to Football industry	454.498	37.207	417.291
	SBCC Sialkot	Display Halls, Short Term Exhibition, Business Incubations and Conventional Hall	21.013	0.064	20.949
	-do-	Residential rooms	14.254	0	14.254
	Total		489.765	37.271	452.494

Audit is of the view that the management was required to take measures for enhancing their service activities to achieve their planned targets but they failed to do so. Furthermore, the management was also required to advertise the various facilities available in SBCC and get the booking of these facilities soon after the completion of building in November 2018 with the help of Sialkot Chamber of Commerce & Industries as no operational expenses were provided in PSDP. A meager amount of 64,400 was earned from booking of display halls. Non-renting out of facilities despite investment of Rs. 484.61 million was waste of public funds and held irregular.

The matter was reported to the management on 22.07.2020. The DAC in its meeting held on 18.12.2020 decided to discuss the subject matter in PAC.

Audit recommends compliance of DAC directives.

Para-13, 18 & 20 SMEDA, 2018-19
Para-19 SMEDA, 2018-19

8.15.4.2 Non-registration of the gift deed and non-transfer of mutation of SBCC land in favour of SBCC Project - Rs. 634.61 million

According to the Rule 17B (1) of Registration Act 1908, where a contract for sale of immovable property is executed but not registered prior to coming into force of section 17A- (a) the parties to the contract shall, within six months from the date of coming into force of that section, (i) present the instrument of sale of immovable property under the contract for registration, or (ii) present the contract for sale itself for registration; or, (b) either of the parties, if aggrieved for non-

compliance with any of the provisions mentioned in clause (a), shall, notwithstanding anything contained to the contrary in any law for the time being in force as to the law of Limitation, institute a suit for specific performance or recession of the contract within six months next after the expiry of the period mentioned in clause (a), failing which the contract shall stand void.

During audit of the SMEDA SBCC Project Sialkot for the year 2018-19, it was observed that the Sialkot Chamber of Commerce & Industries provided piece of land measuring 3 kanal 14 marlas valuing Rs. 150.00 million at Paris Road Sialkot to the project through gift deed dated April 08, 2011. The gift deed was not registered with District Registrar Sialkot till May 2020 in violation of the above quoted rules which was held irregular. Furthermore, the mutation of the land measuring 3 kanal and 14 marlas was also not transferred in the name of SBCC Project which was also held irregular. Thus projects valuing Rs. 634.61 million (Rs. 150.00 million + Rs. 484.61 million) were at risk.

Audit is of the view that the management was required to ask the Sialkot Chamber of Commerce & Industry to get the gift deed of land registered with District Registrar Sialkot through insertion of a clause in the agreement dated March 24, 2010 with SCCI but clause was neither inserted in the agreement nor gift deed registered. The investment of huge public funds of Rs. 484.61 million on a piece of land not owned by the project and gift deed without registration is also at risk.

The matter was reported to the management on 22.07.2020. The DAC in its meeting held on 18.12.2020 directed the management to submit revised reply after scrutinizing all aspects of the matter.

Audit recommends compliance of the DAC directives.

Para-24 SMEDA, 2018-19

8.15.4.3 Irregular grant of price escalation to civil works contractor – Rs. 22.802 million

According to Rule-23(2)(d) of Public Procurement Rules 2004, Procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid. For competitive bidding, whether open or limited, the bidding

documents shall include (a) invitation to bid;(b) instructions to bidders;(c) form of bid;(d) form of contract.

During audit of SMEDA SBCC Sialkot Project for the year 2018-19, it was observed that the project titled, “Sialkot Business & Commerce Center Sialkot Project” was approved by CDWP on August 04, 2008 at total cost of 341.67 million. The project management invited tenders for the award of civil works on May 09, 2009 and re-advertised on September 28, 2009. Five bidders participated in the bid. The bid of M/s Malik Naseem & Co. Rs. 114.373 million was lowest in first tender while his bid of Rs. 117.767 million was again lowest in second tender. The PC-I of the project was revised to Rs. 484.61 million on May 27, 2014 and cost of civil work was also revised to Rs. 117.767 million against which a payment of Rs. 192.444 million (Rs. 79.929 million + Rs. 12.085 million + Rs. 100.428 million) was made to the civil work contractor M/s Malik Naseem & Co. up till July 2019. This resulted into cost overrun of Rs. 74.677 million.

Due to significant delay in award of civil works and execution of civil works, the work was planned to be completed within 18 months i.e. up to 2011. But the project was actually completed on November 28, 2018 i.e. after lapse of seven years. Furthermore, delay in completion of the civil works resulted in escalation of cost worth Rs22.802 million as detailed below:

S. No.	EPC #	Amount (Rs)
	First Phase	
1.	1 st Escalation Bill	2,164,199.00
2.	2 nd Escalation Bill	3,290,750.90
3.	3 rd Escalation Bill	2,451,264.47
4.	4 th Escalation Bill	1,035,069.00
5.	5 th Escalation Bill	898,791.00
6.	6 th Escalation Bill (Part-I)	638,201.00
7.	6 th Escalation Bill (Part-II)	457,693.00
8.	7 th Escalation Bill	1,129,839.00
9.	Second Phase	0
10.	Variation Order-1	5,190,975.73
11.	Variation Order-2	148,586.38
12.	Variation Order-3	1,664,026.14
13.	Variation Order-4	3,732,774.81
	Total	22,802,170.43

The escalation valuing Rs. 22.802 million paid to M/s Malik Naseem & Co was in excess of the 15% of contract cost i.e. Rs. 117.767 million; hence held irregular. Furthermore, the CEO SMEDA while approving the EPC-7, directed GM (M&E) to examine the case regarding escalation in the cost of project and fix responsibility for the same. Neither detailed examination was carried out nor responsibility fixed.

Audit is of the view that management executed civil works without detailed examination of the escalation claims of the contractor and fixing responsibility for escalation of cost.

The matter was reported to the management on 22.07.2020. The DAC in its meeting held on 18.12.2020 decided to hold a fact finding inquiry by a committee comprising officers from the Ministry as well as Organization.

Audit recommends holding fact finding inquiry into the matter and to take action in the light of the recommendations of the inquiry report.

Para-21 SMEDA, 2018-19

8.15.4.4 Irregular award of construction contract to M/s Malik Muhammad Naseem & Co. – Rs. 117.767 million

According to Rule 16(1) of PPRs. 2004,, The procuring agency engaging in pre-qualification shall announce, in the pre-qualification documents, all information required for pre-qualification including instructions for preparation and submission of the pre-qualification documents, evaluation criteria, list of documentary evidence required by suppliers or contractors to demonstrate their respective qualifications and any other information that the procuring agency deems necessary for prequalification.

According to Rule 30(1) of PPRs. 2004, all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents; save as provided for in sub-clause (iv) of clause (c) of rule 36 no evaluation criteria shall be used for evaluation of bids that had not been specified in the bidding documents.

During the audit of SMEDA SBCC Project Sialkot for the year 2018-19, it was observed that the management floated tender in press on April 05, 2009 for pre-qualification of firms regarding construction of SBCC building. 32

companies participated in the bid. As per criteria specified by GM (CS) SMEDA Head Office, Lahore, 60 points and above were required to qualify for bid. Detail of criteria is as under:

S. No.	Name of contractor	PEC registration	Similar Building Exp.	Building Machinery	Precast Facilities	Technical Staff	Financial Status	Client feedback & repute	Marks Obtained
Marks Allocated		5	25	10	10	15	15	20	100
1	HA Construction	5	20	10	7	10	10	10	72
2	Tijarat Developers	5	18	5	5	10	10	15	68
3	Malik M. Naseem & Co	5	10	5*	5	5	9	10	49

As per above criteria, 12 contractors qualified for this bid but M/s Malik Naseem & Co. did not qualify because they obtained less points than required to qualify. Financial and Technical Bids were opened on June 04, 2009. Only two contractors M/s HA Constructions and M/s Tijarat Developers submitted their Financial and Technical bids. On September 04, 2009 a meeting was held at SMEDA head office regarding revision of Tender Documents. It was decided to invite PWD & C&W's enlisted contractors for pre-qualification. After that decision, the management again floated tender in press on September 28, 2009 with the condition that "the approved contractors of Pak PWD and C&W Deptt" can apply. Six contractors participated in this bid. Some changes were made in selection criteria.

Extra 7 (total 12) marks were given in equipment as compared to the 5 marks given previously in building machinery to M/s Malik M Naseem & Co. Extra 10 marks were also added after revision of evaluation criteria of registration with PWD & C&W which clearly shows that M/s Malik M Naseem & Co was given special favour as against the PP rules. Furthermore, total financial & technical points of M/s Malik M Naseem & Co. were 91.38 (1st lowest) while that of/s H. A Construction (second lowest) was Rs. 89.88 hence contractor was obliged after revision in evaluation criteria.

Audit is of the view that the management added registration clause in tender documents to give undue favor and extra marks in equipment and registration with PWD & C&W department as his bid was rejected in earlier tender. Hence, the award of contract and payment of Rs. 117.767 million to contractor was considered irregular.

The matter was reported to the management on 22.07.2020. The DAC in its meeting held on 18.12.2020 decided to hold a fact finding inquiry by a committee comprising of officers from the Ministry as well as organization.

Audit recommends to hold fact finding inquiry as per directives of the DAC and to take action against responsible(s).

Para-26 SMEDA, 2018-19

8.15.4.5 Blockade of funds due to preparation of Inland LC to avoid lapse of project funds - Rs. 78.465 million

According to Rule 4(i)(ii) & (ix) of the Revised Procedure for Operation of Assignment Account of Federal Government issued by Finance Division dated June 20, 2012, the commitment i.e. an obligation to make a future payment, funds for which are allocated in the budget, shall be recorded on memorandum basis against funds authorized from Assignment Account. The commitment can only be raised for those expenditures expected for to be paid in current financial year. Commitments which are not renewed shall be cancelled.

According to Rule 3(iii) of the Revised Procedure for operation of Assignment Account of Federal Government (Local Currency) issued by Finance Division vide letter No: F.2 (2)-BR-II/2008-948/18 dated October 12, 2018, the officers holding assignment account will ensure that no cheque is drawn from Assignment Accounts unless it is required for immediate disbursement to the goods /services provider.

During audit of the SMEDA SBCC project Sialkot for the year 2018-19, it was observed that the SMEDA management closed assignment account of the project on June 30, 2016 and made advance withdrawal of funds valuing Rs. 78.465 million from Assignment Account of PSDP Project, Sialkot Business & Commerce Center Sialkot. They prepared inland Letter of Credit No: 0300-16-ILC-03 dated September 01, 2016, from National Bank of Pakistan Main Branch Lahore for the payment against civil works to avoid lapse of funds. The civil work of the project was completed on November 28, 2018 and funds transferred from assignment account remained with bank in violation of the above referred rules of Finance Division. Furthermore, no commitment was recorded on memorandum basis by the management and no renewal of memorandum was obtained from Finance Division till 2018 when procedure for operation of

Assignment Account of Federal Government was revised by Finance Division. The SMEDA Head Office after making payment of Rs. 63.498 million to the civil works contractor closed the Inland Letter of Credit No: 0300-16-ILC-03. The SMEDA Head Office also released the unspent balance of Inland Letter of Credit amounting to Rs. 14.968 million into SMEDA bank account with Standard Chartered Bank on October 31, 2019 in violation of the Finance Division instructions. The amount was further transferred to the SBCC Bank Account No: 3163153151 in National Bank of Pakistan City Branch Sialkot.

This resulted into irregular advance withdrawal of funds from Assignment Account three and half years earlier to avoid lapse of funds in assignment account.

Audit is of the view that the management was required to withdraw funds from Assignment Account only for immediate disbursement or make commitment for payment of expenses within same financial year. But funds were withdrawn three and half year before in violation of above referred rules of Finance Division which was held irregular. Furthermore, the balance funds were required to be surrendered to Finance Division but funds were transferred into SMEDA and SBCC bank account in violation of above referred directions of Finance Division.

The matter was reported to the management on 22.07.2020. The DAC in its meeting held on 18.12.2020 decided to hold a fact finding inquiry by a committee comprising of officers from the Ministry as well as Organization.

Audit recommends to hold fact finding inquiry into the matter as per directions of the DAC and take action in the light of report.

Para-21 SMEDA, 2018-19

8.16 Technology Up-gradation and Skill Development Company

8.16.1 Introduction

Technology Up-gradation and Skill Development Company (TUSDEC) is a Company incorporated in January 2005 and licensed under Section 42 of the Companies Ordinance 1984. The principal activity of TUSDEC is to upgrade technology & skills of the key and strategic Industrial Clusters and connect Pakistan to the global value chain. TUSDEC is a subsidiary of Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC). The principal office of TUSDEC is located at State Cement Corporation Building, Kot Lakhpat, Lahore.

8.16.2 Comments on Audited Accounts

8.16.2.1 The working results of the company for the year 2019-20 as compared to previous years are as under:

	2019-20	% Inc/ (Déc)	2018-19	% Inc/ (Déc)	2017-18
Income from services	78.509	(23.94)	103.221	53.90	67.068
Amortization of grant related to income	24.822	(14.92)	29.174	72.47	16.915
Total Income	103.331	(21.95)	132.395	57.64	83.983
Operating Cost	122.450	2.84	119.069	5.45	112.912
Project expenses	25.044	(30.11)	35.831	133.79	15.326
Administrative and general expenses	106.819	(18.16)	130.517	(1.77)	132.866
Selling expenses	1.153	(9.78)	1.298	2.12	1.271
Total expenditure	255.466	(10.90)	286.715	9.28	262.375
Other Income	5.775	(13.57)	5.085	(32.43)	7.526
Deficit before taxation	(146.361)	(1.92)	(149.233)	(12.66)	(170.866)
Taxation	-	-	-	-	-
Deficit for the year	(146.361)	(1.92)	(149.233)	(12.66)	(170.866)

(Source: Annual Audited Account)

8.16.2.2 Although the deficit of the company for the year 2019 of Rs. 149.233 million slightly decreased to Rs. 146.361 million during 2020 but operating cost was increased from Rs. 119.069 million during 2019 to Rs. 122.450 million. The increase in operating cost may be controlled.

8.16.2.3 Income from services, including trainings, projects, laboratory test and 3D scanning, toll manufacturing decreased to Rs. 78.509 in 2020 as compared to Rs. 103.221 million in 2019 registering a decrease in income by 31.47%. The income from trainings decreased from Rs. 67.729 during 2019 to Rs. 34.174 million during 2020. Income from projects also decreased from Rs6.261 million during 2019 to Rs. 0.660 million during 2020. Income from Laboratory tests and 3D scanning also decreased from Rs. 11.884 million during 2019 to Rs. 7.770 million during 2020. The decrease in above income needs explanation.

8.16.2.4 The expenses on project titled, “GIZ” increased from Rs. 6.605 million during 2019 to Rs. 19.944 million during 2020 despite overall decrease in project income by Rs. 33.555 million during 2020. The management is required to explain the reasons for such abnormal increase in expenses with justification /performance.

8.16.2.5 The trade debts of the company although reduced to Rs. 12.465 million during 2020 from Rs. 28.377 million during 2019. The management is required to make efforts for an early recovery of long outstanding debts.

8.16.2.6 The Tax refund receivable from Government increased from Rs. 18.728 million during 2019 to Rs. 19.830 million during 2020. Early efforts need to be made for refund of tax from government.

8.16.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of compliance
2010-11	15	01	14	11.9.1, 11.9.2, 11.9.2.2, 11.9.2.3, 11.9.2.4, 11.9.4.1, 1.9.4.2, 11.9.4.3, 11.9.4.4, 11.9.4.5, 11.9.4.6, 11.9.4.7, 11.9.4.8, 11.9.4.9	7
2013-14	06	-	06	8.10.1 & 8.10.2.1,8.10.2.2,8.10.4.1, 8.10.4.2, 8.10.2.3,8.10.2.4,	-
2015-16	07	0	07	8.13.1, 8.13.2.1, 8.13.2.2, 8.13.2.3, 8.13.2.4, 8.13.2.5, 8.13.2.6	-
Total	28	01	27		4

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

8.17 Utility Stores Corporation of Pakistan (Pvt.) Limited

8.17.1 Introduction

Utility Stores Corporation of Pakistan (Pvt.) Limited (the Company) was incorporated on September 03, 1971 as Private Limited Company under Presidential order issued vide President Secretariat U.O dated March 26, 1971. The Corporation is registered under Companies Ordinance 1984 (now Companies Act, 2017) with its registered office at Islamabad.

The Company has paid up capital of Rs. 737.73 million fully owned by the Government of Pakistan. The Company is working under administrative control of Ministry of Industries and Production. The key objectives of the Company are to:

- i. Undertake the procurement of essential consumer goods from domestic and external sources.
- ii. Ensure the availability of quality goods in adequate and regular quantities and market them at prices lower than the market, through a chain of store operations.

8.17.2 Comments on Audited Accounts

8.17.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2019-20 till December 31, 2020. Audit recommends that the annual audited accounts for the year 2019-20 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts.

8.17.2.2 The working results of the Corporation for the year 2018-19 as compared to previous years are given below:

	(Rs. in million)			
	2018-19	2017-18	2016-17	2015-16
Sales	9,589.32	26,416.50	53,619.49	48,593.95
Subsidy	374.56	850.67	4,250.60	1,779.47
Net Sales	9,963.88	27,267.17	57,870	50,373
Increase/(Decrease) in Sales Revenue	(63.70)	(50.73)	10.34	(13.43)
Other Revenue	447.87	288.00	306.00	392.00
Profit/ (Loss) before Tax	(5,918.76)	(4,710)	(2,837)	(2,604)
Profit/ (Loss) for the year	(6,028.66)	(5,023.76)	(3,374.02)	(3,073.96)
Share Capital & Reserves	(9,273.54)	(2,542.98)	2,424.25	6,013.47
Non- Current Liabilities	3,483.14	2,365.14	2,292.14	2,147.96
Current Liabilities	38,235.88	39,414.55	49,456.42	44,963.76
Total Equity & Liabilities	32,445.48	39,236.71	54,172.81	53,125.19
Fixed Assets	4,224.23	4,277.46	4,324.91	4,377.77
Long Term Deposits	4.74	4.75	4.72	4.72
Current Assets	28,215.95	34,954.50	49,843.18	48,742.69
Total Assets	32,444.92	39,236.71	54,172.81	53,125.18
Net Cash Flow from Operating Activities	932.20	(5,361)	2,111	(212)
Net Cash Flow from Investing Activities	68	62	106	176
Net Cash Flow from Financing Activities	-	-	-	(100)
Increase/ (Decrease) in Cash & Cash Equivalent	1,000.29	(5,299)	2,217	(136)
Cash & Cash Equivalent at beginning of the year	1,599	6,898	4,681	4,817
Net Changes in Cash & Cash Equivalent	2,599.62	1,599	6,898	4,681
Gross Profit to sales	9.52	8.67	8.01	7.73
Other Income	4.49	1.06	0.53	0.78
Profit/(Loss) Before Taxation	(59.40)	(17.28)	(4.90)	(5.17)
Net Profit/(Loss) to sales	(60.51)	(18.42)	(5.83)	(6.10)
Selling and distribution expenses	68.89	25.31	12.65	12.78
Admin Expenses	4.39	1.57	0.71	0.81
Finance Cost	0.14	0.12	0.08	0.09
Current Ratio	0.74	0.89	1.01	1.08
Quick Ratio	0.68	0.75	0.77	0.79
Cash to Current Liabilities	0.07	0.04	0.14	0.10
Net Working Capital	(10,019.93)	(4,460.06)	387	3,779
Earnings/(Loss) Per Share Basic	(81.72)	(68.10)	(45.74)	(41.67)
Earnings/ (Loss) Per Share Diluted	(49.43)	(41.19)	(27.66)	(25.20)
Inventory Turnover	3.96	2.95	4.26	3.40
Average Age of Inventory	92.25	123.62	85.67	107.34
Receivable Turnover	0.49	1.08	2.03	1.81
Average Collection Period	744.90	338	180	202
Payable Turnover	0.24	1	1.07	1.03
Average Payment Period	1,520.83	365	339	353
Debt to Total Asset	117.85	106.5	96	87

(Source: Annual Audited Accounts)

8.17.2.3 Sales of the corporation decreased by 63.70% i.e. from Rs. 26,416.50 million during 2017-18 to Rs. 9,589.32 million during 2018-19 whereas Selling & Distribution expenses only decreased by 0.55%. Also, administrative expenses increased by 2.17% i.e. from Rs. 428.15 million during 2017-18 to Rs. 437.39 million during 2018-19. Disproportionate decrease/increase in Selling & Distribution expenses and Administrative expenses with respect to sales needs explanation.

8.17.2.4 The Corporation has loss after taxation increased from Rs. 5,023.76 million during 2017-18 to Rs. 6,028.66 million during 2018-19 resulted in increase in accumulated loss to Rs. 14,347.08 million which converted the Government equity into negative equity of Rs. 9,273.54 million. The Company has positive cash flows from operations amounting to Rs. 932.20 million this is just because of Govt. subsidy in advance.

8.17.2.5 Gross profit margin ratio of the USC remained between 7% and 9% for the financial year 2017 to 2019. A low gross profit margin of USC shows that the corporation is not managing its cost of sales well. On the other hand, Gross profit is insufficient to cover operating expenses of the corporation. A low profit margin indicates a high cost of goods sold, which can be attributed to adverse purchasing policies, low sales, stiff market competition, or wrong sales promotion policies.

8.17.2.6 Net Profit Margin is one of the Profitability Ratios that use to measure and assess the proportion of an entity's net profit after reducing the operating expenses. Financial statements of the Utility stores Corporation show continuous loss for last 3 years with increasing trend. Net loss of Rs. 6,028.66 million and net loss to sales ratio is 60.51 % in the year 2019. It is because of decreasing revenue and increasing operating expenses.

8.17.2.7 A lower Expense Ratio typically means the business is being managed efficiently and is more profitable for investors. Selling & Distribution Expense Ratio of the Utility Store Corporation is very high because of decrease in sales or revenue. S&D Expenses are 68.89% of the sales in the financial year 2018-19. On the other hand Gross profit is just 9.51% of the sales which seems very dangerous for the corporation.

8.17.2.8 The current ratio for the Utility Stores Corporations is 0.74 for the year 2018-19 that is continuously decreasing for last 4 years. 0.74 is very low because a current ratio of 2:1 is considered safe.

8.17.2.9 Similarly Quick ratio for the Utility Stores Corporations is 0.68 for the year 2018-19 that is continuously decreasing for last 4 years. 0.68 is considered very low because the ideal liquidity ratio or the generally accepted 'norm' for liquidity ratio is '1'. Quick ratio evaluates the liquidity of a company by comparing its cash plus almost cash current assets with its entire current financial obligations.

8.17.2.10 Net working capital is a measure of liquidity. It shows how much short-term resources the Corporation would have in continuing its operations if it had to settle all of its current liabilities. The net working capital is calculated by deducting all current liabilities from all current assets. The net working capital of USC resulted in a negative amount of Rs. 10,019.93 million. It means that the Corporation has to pay current liabilities that are more than current assets of Rs. 10,019.93 million which is very alarming.

8.17.2.11 Liquidity ratios of the Utility Stores Corporation are less than '1' which are very low than industry average or ideal ratios and negative working capital. It means the corporation has much lesser current assets to pay off current liabilities.

8.17.2.12 Earning per share (EPS), also called net income per share that measures the amount of net income earned per share of stock outstanding. The higher the earnings per share of a company, the better is its profitability.

EPS ratio of the Utility Stores Corporation for the year 2018-19 is negative 81.72 which on the increasing trend from last four years. It means the corporation is bearing loss of Rs. 81.72 per share instead of earning profit.

8.17.2.13 The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. This measures how many times average inventory is "turned" or sold during a period. Low inventory turnover would likely indicate weaker sales, excessive inventory (dead or obsolete), and some products cross their expiry.

8.17.2.14 Financial Ratio Analysis of utility Store Corporation shows that the inventory turnover ratio is between 3 to 4 times for the year 2016, 2017, 2018 and 2019 which is very low. This means that there is just 3 to 4 inventory turns per year due to poor inventory management control. Similarly, Inventory Age ratios for the Utility Stores Corporation are 107 days, 85 days, 124 days and 92 days for the financial years 2016, 2017, 2018 and 2019 respectively. This indicates that Corporation sells its entire inventory within 85-days to 107-days period. It means for long time inventory is blocked instead of sale which is very high for such industry.

8.17.2.15 The average collection period is the average number of days required to collect receivable amounts from Debtors. Average collection period for the Utility Stores Corporation was 202 days for the year 2016 which increased up to 745 days in the year 2019. It means 745 days are required to collect debt amount from debtor which needs justification.

8.17.2.16 Average payment period (APP) is a solvency ratio that measures the average number of days it takes a business to pay its vendors for purchases made on credit. Average payment period is the average amount of time it takes a company to pay off credit accounts payable. Average payment period for the Utility Stores Corporation was 353 days for the year 2016 that was increased up to 1,520 days in the year 2019. It means after 1,520 day payable amount is paid to a vendor or creditor.

Activity ratios of the Utility Stores Corporation indicate that the corporation is not managing well its inventories, cash, receivables and payables.

8.17.2.17 The debt to total asset ratio is a ratio that measures the amount of total assets that are financed by creditors. Generally, a ratio of 40 percent or lower is considered a good debt ratio. A ratio above 60% is generally considered to be a poor ratio.

Debt to equity ratio for the Utility Stores Corporation is from 87% to 117% in last four years. It means company that the major portion of the Assets is financed by Debt portion which seems that corporation is highly leveraged which may be putting themselves at risk of insolvency or bankruptcy.

8.17.2.18 The management had made provisions on various heads of accounts

without any reason/justification which needs to be explained:

(Rs. in millions)			
S. No.	Provision for	2018-19	2017-18
1	Slow moving and obsolete items	106.67	13.809
3	Doubtful insurance claims	9.31	12.741
4	Doubtful recoverable from Store In charges	16.28	51.560
5	Misc. receivables	0.182	0.531
Total		132.442	78.641

The management required immediate attention to curb the tendency of making such provisions despite the fact that the financial health of the corporation is very weak.

8.17.2.19 The shortage in stocks recoverable from store in charges valuing Rs. 1,485.225 million as on June 30, 2019 audit recommend for provision of aging of these provisions besides basis of calculation of these provisions in books of accounts. However, timely efforts need to be made for an early recovery of the shortage amount besides minimizing the chances for shortage.

8.17.2.20 The Government of Pakistan granted subsidy to the Corporation in order to stabilize the essential commodity prices in market and this subsidy is granted particularly in the holy month of Ramadan. The subsidy was allowed about Rs. 1,475 million for the year 2018-19 but due to decrease in sales the corporation, the subsidy to the amount of Rs. 374.56 million has been realized in 2018-19 as compared to Rs. 850.67 million in 2017-18 showing a decrease of 56 % which needs to be explained.

8.17.2.21 Long Term Loan represent “Cash Development Loan (CDL)” amounting to Rs. 500.00 million approved by ECNEC for expansion of USC network (establishment of 22 warehouses and 5,000 stores at Union Council level) in F.Y. 2007-08 at a total cost of Rs. 1,778.44 million. The terms and conditions of CDL loan of Rs. 500 million have not yet been finalized which needs to be explained with reasons.

8.17.2.22 The Chartered Accountants issued a qualified opinion in their audit report for the year 2018-19 on the following basis:

❖ Plots and agricultural land in Multan amounting to Rs. 21.892 million which are appearing in the land in the books of accounts at the year end. These were confiscated and transferred against recoverable from store in charge, however, the title of land is not in the name of the company which need

justification.

❖ Interest free long-term loan amounting to Rs. 500 million from Ministry of Industries and Production had not been shown at amortized cost as required by the International Financial Reporting Standard 9, “Financial Instrument: Recognition and Measurement” which needed justification.

❖ As per qualification of the Chartered Accountants, in the absence of proper inventory software system, tracking of quantitative data of goods sold is not maintained by USC which resulted in auditor’s inability to obtain assurance on the completeness of item-wise sales.

❖ Finance division through office memorandum F.15 (3) R-14/84 dated 16 October, 1984 has directed all autonomous / semi-autonomous bodies and corporations are under their administrative control, where the pension scheme does not exist that the payment of gratuity in addition to contributory provident fund should not be allowed to their employees on their departure for quitting the service. However, the company has accounted for provision of gratuity amounting to Rs. 1,266.178 million at the yearend which mainly relates to employees appointed after 1984 which need justification.

❖ Trade creditor amounting to Rs. 296.814 million has been written back during the year for which no bases are available for verification. In the absence of appropriate basis we are unable to obtain assurance on the valuation and right and obligations of the trade creditors written back which needs clarification and justification.

8.17.2.23 It is emphasized on the matter regarding “Other receivables” which states that total amount of Rs. 382.425 million is still recoverable from store in charge, which is fully provided for against embezzlement of cash funds in Quetta Region.

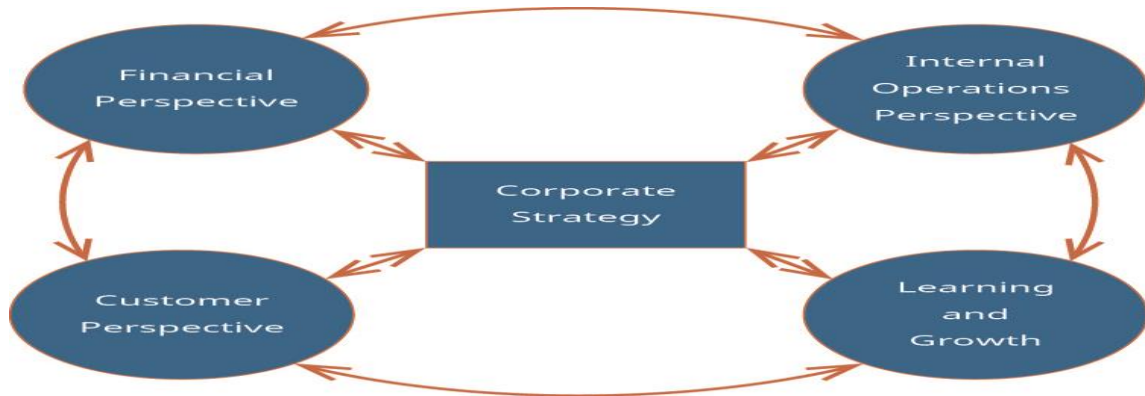
8.17.2.24 The balanced scorecard model is a tool used to measure the performance of an organization. This model considers four main aspects of a business for evaluating the performance:

1. Financial Perspective.
2. Customer Perspective.
3. Internal Business Process.

4. Learning & Growth Perspective.

Why USC needs Balance Score Card Model?

The balanced scorecard method is a business analysis technique that translates an organization's mission and vision statements and overall business strategies into specific, quantifiable goals. This technique also lets to monitor the corporation's performance in achieving its goals.



Financial Perspective:

Under financial perspective performance is measured by ratios analysis to ensure that increasing profitability, increasing revenue and decreasing operating costs etc. If Profitability and revenues are increased and operating costs are decreased, it means performance of the company is good.

Financial statements of the Utility Stores Corporation shows that the corporation is sustaining loss instead of increasing profitability, Revenues are decreasing with increasing trend and operating costs are increasing with amounts. This shows organization is not performing well.

Internal Operations Perspective:

The internal business processes perspective looks at how smoothly business is running. Efficiency is important here. It's all about reducing waste, speeding things up, and doing more with less.

Financial Statement of Utility Stores Corporations for the year 2018-19 shows the damaged and obsolete goods amounting to Rs. 439.836 million. Further it was observed from ratios analysis that the corporation is not managing

well its inventories, cash, receivables and payables. Hence, internal operations are not satisfactory.

Learning & Growth Perspective:

Under Learning & growth perspective performance of organization is considered good if knowledge, skills and technologies are improved.

During the audit of the Utility Stores Corporation for the year 2019-20 it observed that inventory records at stores are maintained in manual sheets and not any automated system. Errors and inaccuracies may result due to use of manual working system. Further probe into the matter revealed that there is no Enterprise Resource Planning (ERP) solution, Retail solution & point of sale solution. Further it was observed that employees of the corporation did not undergo in orientation course arranged by the company to apprise them of the material development and information.

Customer Perspective:

This perspective focuses on performance objectives that are related to customers and the market. In other words, it determines that how much the customers are satisfied?

It was observed during audit of Utility Stores Corporation for the year 2018-19 that the sales targets set on monthly basis have not been met by various zones. Reason behind not achieving sale targets may be dissatisfaction of the customers.

8.17.2.25 It is clear from the above performance analysis that the corporation performance is very poor in the last four years which is likely to deteriorate in years to come. These conditions created doubt of material uncertainty and Corporation's inability to continue as a going concern which needs explanation. Management needs to address the current situation and devise a plan to overcome the present alarming situations.

8.17.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1990-91	03	02	01	250	67
1992-93	05	02	03	149,150,151	40
1994-95	08	05	03	156,157,160	63
1995-96	13	12	01	131	92
1997-98	02	01	01	214	50
1998-99	07	06	01	172	86
1999-00	04	01	03	251,252,253	25
2002-03	08	07	01	142.4	88
2005-06	05	04	01	147.3	80
2006-07	07	05	02	87.2,87.4	71
2007-08	07	02	05	89.2,89.3,90,91,93	29
2008-09	06	04	02	116,118	67
2009-10	12	06	06	117.2,117.4,118,120,122,123	50
2010-11	16	07	09	11.6.2, 11.6.3, 11.6.4.1, 11.6.4.2, 11.6.4.3, 11.6.4.4, 11.6.4.6, 11.6.4.7, 11.6.4.8	44
2013-14	09	02	07	8.25.2.5,8.25.1&8.25.2.1,8.25.2.3, 8.25.2.4, 8.25.2.6, 8.25.2.7,8.25.2.8	22
2015-16	12	05	07	8.27.1, 8.27.2, 8.27.3, 8.27.4.1, 8.27.4.3, 8.27.4.4, 8.27.4.7	42
2019-20	23	0	23		0
Total	147	71	76		48

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

8.17.4 Audit Paras

8.17.4.1 Revenue loss due to non-supply of Oil & Ghee by the suppliers - Rs. 341.571 million

As per clause-l of the agreement, if execution of purchase order is delayed /suspended by vendor for over one month without any valid reason, the corporation at its sole discretion may cancel or continue its business agreement with vendor. After cancellation, for revalidation/restoration of business agreement, renewal fee of Rs. 10,000 shall be charged from vendor.”

As per clause-p, for any violation and breach of any clause of this agreement on vendor’s part, the loss if any arising thereof to USC, shall be compensated by vendor to USC. No execution of purchase order by due date will be deemed to be a violation of business agreement.

The USC management issued various purchase orders to two suppliers i.e. M/s Shujabad Agro Industries (Pvt.) Limited and M/s Unity Food Limited for the supply of ghee/oil. The said suppliers failed to supply the required quantity till close of audit. Resultantly, USC sustained loss of Rs. 341.571 million as detailed below:

Supplier Name	PO amount (Rs)	Expected Revenue (Rs)	Loss (Rs)
Shujabad Agro industries (Pvt.) Limited	1,788,698,677	1,987,816,676	199,117,998
M/s Unity Food Limited	1,420,255,745	1,562,708,900	142,453,155
Total	3,208,954,422	3,550,525,576	341,571,153

No action was taken against the defaulter suppliers by making recoveries from their earnest money or otherwise. Thus due to non-supply of ghee / oil by the suppliers, the corporation sustained revenue loss of Rs. 341.571 million.

The matter was reported to the management on 24th November 2020. In DAC meeting held on 18-19th December 2020, the management explained that USC sustained loss of Rs. 320 million due to non-supply of desired stock by the two Ghee/Oil companies. USC Regions raised demand and POs were issued accordingly but the vendors were reluctant to supply desired quantity of stock due to long outstanding dues since 2017. The DAC directed the management to submit revised reply along with detail justifications with rule position under PPRA / agreement.

Audit recommends compliance of DAC directives.

Para-9 USC, 2019-20

8.17.4.2 Loss due to non-achievement of sales targets – Rs. 22,884.70 million

As per Clause-5 (a) of Public Sector Companies (Corporate Governance) Rules, 2017, the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely: (a) the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to the following, namely: (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses.

As per Clause 3.07 of USC Store Operational Manual, sales targets are fixed on previous performance and on minimum sales turn over expected for each Division/Zone for each financial year. The sales targets for individual stores are also fixed by the Head Office. Further, as per Clause 3.11, if a Divisional/Regional Manager/ Area Manager Incharge store fails continuously for a period of 3 months to achieve 75% of the Divisional/Regional/Area, store target respectively, he will be asked to vacate his post. Further, as per Clause 1.10, stores which continue to give poor sales performance, despite provision of adequate goods and sufficient sales stocks are closed down without waiting for any alternative location.

During audit of Utility Stores Corporation (USC) for the year 2019-20, it was observed that management fixed zone /region wise monthly sales targets for the year 2019-20 but the zonal/ regional management were unable to achieve sales targets fixed by the head office from the month of July-2019 to February 2019. Thus, the corporation sustained loss due to non-achievement of sales target of Rs. 22,884.70 million as detailed below:

(Rs. in million)						
S. No.	Zone/ Region	Period	Actual Sales (From July- 2019 to Feb. 2020)	Sale Target (From July-2019 to Feb. 2020)	% Sales Target Achieved	Sales Less than Target
1	Abbottabad	12.12.2018 to 04.06.2020	1,670.94	4,399.45	37.98	2,728.51
		05.06.2020 to present				
2	Islamabad	17.06.2019 to 16.12.2019	3,127.81	7,352.81	42.54	4,225.00
		17.12.2019 to present				
3	Karachi	02.03.2019 to 16.12.2019	1,134.18	2,837.49	39.97	1,703.31
		17.12.2019 to present				
4	Lahore	17.06.2019 to present	2,559.12	6,487.64	39.45	3,928.52
5	Multan	17.06.2019 to 16.12.2019	2,184.62	5,126.84	42.61	2,942.22
		17.12.2019 to present				
6	Peshawar	01.11.2017 to present	2,313.14	5,378.74	43.01	3,065.60
7	Quetta	03.5.2019 to 30.07.2019	228.74	941.90	24.29	713.16
		31.07.2019 to 05.06.2020				
		06.06.2020 to present				
8	Sargodha	17.06.2019 to 31.10.2019	2,224.37	4,825.42	46.10	2,601.05
		01.11.2019 to present				
9	Sukkur	17.06.2019 to 06.04.2020	700.59	1,677.92	41.75	977.33
		05.06.2020 to present				
Grand Total			16,143.52	39,028.22	41.36	22,884.70

Audit is of the view that poor monitoring contributed towards non-achievement of sales targets. Zonal/ Regional management was required to achieve the sales targets fixed by USC head office but they failed to achieve the same.

The matter was reported to the management on 24th November 2020. In DAC meeting held on 18-19th December 2020, the management explained that due to diversified efforts of the management and support of the Government, USC started provision of stock at stores. However, due to financial conditions the vendors were reluctant to supply the stock to USC. This resulted in non-availability of stocks at stores hence sales targets were not achieved. The management presented justifications / explanations regarding non-achievement of sales target. However, Audit contended to justify / explain the same before PAC.

Audit recommends compliance of the DAC directives.

8.17.4.3 Overpayment on account of Corporate Allowance – Rs. 198.161 million

As per Para-10 of the Finance Division O.M. No. F. No. 1(3)/Imp/2015-630 dated 07.07.2015, all the special pays, special allowances or the allowances admissible as percentage of pay (excluding those which are capped by fixing maximum limit) including house rent allowance and the allowance/special allowance equal to one month basic pay, granted to Federal Government employees irrespective of his / her posting in Ministry / Division / Department / Office etc. including civil employees in BPS 1-22 of Judiciary shall stand frozen at the level of its admissibility as on 30.06.2015.

The Board of Directors in its 116th meeting held on 10.12.2013 allowed Corporate Allowance @ 20% of running basic pay to all the USC employees, employed on regular and contract basis (excluding daily wagers) w.e.f. 01.01.2014. Later on, in pursuance of Federal Government orders regarding revision of Basic Pay Scales and Allowances, the USC vide its Circular Order No. HR&A-05/2015 dated 04.12.2015 adopted the Revised Pay Scales, 2015.

The payroll of the USC employees for the year 2019-20 revealed that instead of payment of Corporate Allowance at the frozen level of its admissibility as on 30.06.2015, the same was being paid @ 20% of the running pay of the employees in violation of Government instructions and Para-9 of the USC circular dated 04.12.2015.

Non-observance of Government and USC instructions resulted into overpayment of Rs. 198.161 million from 01.07.2015 to 30.06.2020 to the employees.

The matter was reported to the management on 24th November 2020. The DAC in its meeting held on 18-19th December 2020 was informed by the management that necessary legal opinion has been prepared by Legal Consultant. The DAC directed the management to seek comments of M/o Law and Justice Division through Ministry and share the same with Audit.

Audit recommends to implement the decision of the DAC or otherwise overpaid amount may be recovered from the concerned employees or the person(s) held responsible for making overpayment. Besides, the overpayment

made to the employees of all the USC Regions on this account may also be worked out and recovered under intimation to Audit.

Para-22 USC, 2019-20

8.17.4.4 Unjustifiable consecutive payment of Eid package / honorarium to regular / contractual employees – Rs. 110.066 million

As per Government of Pakistan, Finance Division, O.M. No. F.3 (5) R.12/80(R.14) Vol-II/2001-544 dated November 30, 2001, applicable to all Autonomous Bodies/ Public Sector Enterprises, the payment of bonus to the employees subject to concurrence of Finance Division. Furthermore, the bonus should be paid to the employees on the basis of operational profit of the organization.

Government decision No. 5 under FR 9(9) clarifies that any work which falls within the orbit of the normal duties of a government servant, cannot, as far as he is concerned, be treated as ‘special work’.

According to engagement letter, appointment of Daily Wages Employee was on fixed pay.

The management of USC set the annual sales target of Rs. 71,028.22 million against which actual sales remained as Rs. 54,370.74 million which is 76.50% of the sale target.

The management of USC paid Rs. 110.166 million as Eid Package/ honorarium to its employees (Rs. 6.928 million in HO and Rs. 103.238 million to Regions) including Daily Wages employees. As per audited accounts 2018-19, company sustained a net loss of Rs. 6,028.66 million and accumulated loss of Rs. 14,347.086 million resulting into negative equity of Rs. 9,273.536 million depicting poor performance of the corporation.

Audit observed that the management was making payment of over time, sales commission, and special allowance / corporate allowance etc. to the employees. Further, in Bahawalnagar and Bahawalpur Regions, payment of honorarium of Rs. 78,340 + Rs. 107,760 respectively was made to the employees involved in disciplinary cases against the instructions issued by the higher management.

Thus, keeping in view the financial health of the corporation, non-achievement of sales target and payment of over time, sales commission and special allowance / corporate allowance etc. to the employees, the payment of eid Package/ honorarium Rs. 110.166 million without concurrence of the Finance Division and in disregard to the Government instructions was held unjustified.

The matter was reported to the management on 24th November 2020. The DAC in its meeting held on 18-19th December 2020 was informed that payment of honorarium was paid with the approval of BoD. However; Audit was of the opinion that payment of honorarium to contract employees and daily wages was not covered under the rules. The DAC directed the management to seek opinion from Finance Division (Reg. Wing) through Ministry.

Audit recommends to implement the decision of the DAC.

Para-25 USC, 2019-20

8.17.4.5 Non-obtaining of performance guarantee from suppliers - Rs. 626.620 million

As per PPRA para 39 where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten per cent of the contract amount.

The management of USC, Islamabad made agreements/contract with different suppliers for the supply of Rice, Pulses, Dates and Sugar valuing Rs. 6,267.195 million during the financial year 2019-20. Detail is as under:

S. No.	Items	Contract Value (Rs)	10 % Performance Guarantee was to be deducted
1	Rice	2,346,658,000	234,565,800
2	Pulses	3,853,217,000	385,321,700
3	Dates	67,320,000	6,732,000
Total		6,267,195,000	626,619,500

Audit observed that the agreements were executed without obtaining 10% performance guarantee as per PPRA Rules. Audit further observed that management did not insert clause regarding performance guarantee in the agreements executed between USC and suppliers for the supply of Rice, Pulses, Dates and Sugar.

Audit is of the view that award of contract to the suppliers without obtaining performance guarantee was undue favor extended to the suppliers in violation of PPRA.

The matter was reported to the management on 24th November 2020. In DAC meeting held on 18-19th December 2020, the management explained that earnest money @ 3% was adjusted into performance guarantee to attract more vendors in the tendering process. Mostly vendors are reluctant to participate in the tenders due to such type of terms where amount of money is blocked in initial stage. Performance guarantee clause was relaxed in the larger interest of the Corporation for making healthy competition during tenders. The reply of the management was not convincing as amount of earnest money was very nominal as compared to performance guarantee and USC was exposed to higher risk. DAC kept the para pending.

Audit recommends that the matter may be investigated to fix responsibility on the persons at fault. Besides, the insertion of performance guarantee clause in future agreements must be ensured.

Para-35 USC, 2019-20

8.17.4.6 Loss due to involvement of USC employees in Embezzlement / Fraud / Theft / Misappropriation & Blast of stock committed - Rs. 155.242 million

As per Para (a) and (b) of Circular dated October 21, 2008, in case of detection of any shortage, misappropriation embezzlement at any store of Region for any reason whatsoever, the concerned Zonal Manager, Regional Manager, Accounts Officer and Area Manager shall render himself liable for disciplinary action and summary proceedings under the provision of special powers ordinance.

During audit of Utility Stores Corporation (USC), for the year 2019-20, it was observed that embezzlement / misappropriations / fraud were committed by employees of USC working as incharge stores or warehouse. These cases of embezzlements and misappropriations were observed 39 times at different regional offices amounting to Rs. 155.242 million. Whereas, in this regard fact finding inquiries were conducted in which the accused were found guilty in embezzlement / misappropriations of Corporation funds. Subsequently the

management at Regional and Zonal offices and even at head office level could not follow-up these cases for timely recovery. Recovery from NICL could not be effected also due to time barred cases. Similarly, no action against the Area Managers was initiated as per referred policy of the USC. This resulted into loss of public funds due to embezzlement / fraud / theft / misappropriation and blast Rs. 155.242 million.

Audit is of the view that lack of control / policy decision against the culprits of embezzlement / fraud / theft / misappropriation & blast was a result of poor monitoring activities causing loss of stock valuing Rs. 155.242 million. Further, audit pointed out these cases as illustrative purpose for the higher management, as a result of selective regional / zonal offices of USC, which it needs to exercise across the USC to ensure early recovery either from employees involved or from the Area Managers / Regional Managers.

The matter was reported to the management on 24th November 2020. The management replied that the main reason of embezzlement /fraud/theft/ misappropriation was the non-availability of ERP system. In the absence of an ERP system it was almost impossible to keep 100% record of itemized sale and inventory in hand.

The DAC in its meeting held on 20th January 2021 directed the management to work out Embezzlement / Fraud / Theft / Misappropriation cases in all 09 regions and standing instructions shall apply in all over USC and to recover the amount forth with. Further, DAC directed to put up Region wise/nature of cases to concerned wing of Ministry regarding action taken in each category with due diligence under intimation to audit.

Audit recommends compliance of DAC directives.

Para-54 to 58, 61 to 63, 65, 66, 68, 69, 71 to 78,
101 102 to 105, 158, 164, 206, 236, 240, 339,
374, 375, 414, 417 & 422 USC, 2019-20

8.17.4.7 Blockade of funds / loss due to non-replacement of damaged and expired stores - Rs. 1,964.747 million

As per clause-7.02 of the USC Stores Operational Manual, each store In-charge is required to submit a list of damaged goods together with his monthly requisition. In case there is no damaged stock, a certificate to that effect will be

submitted by the concerned stores to the Divisional Manager (Regional Manager) along with the requisition for fresh stock. As per Clause-7.04, each case of damage must be thoroughly investigated by the Area Manager concerned and the responsibility of loss may be fixed by the Divisional Manager and suitable action should be taken. The damage in the warehouse / store is the personal responsibility of the In-charge concerned after the stock taking is carried out.

During audit of USC with its regional offices for the year 2019-20, it was observed that in 10 cases stores & stocks valuing Rs. 1,964.747 million were turned into blockade stocks and could not be sold out due to damages / expiry. The store was lying at various warehouses / stores of various regions since long as at year ended on 30th June, 2020 mainly due to non-genuine demand of the warehouses / stores. In addition to this non-sale of stocks procured without the regional demands was shifted from other one to another regions.

No efforts were made by the management for return of expired / damaged stocks to the vendors. Thus, non-initiating replacement / sales out of total stock held for replacement has not been taken seriously and the funds of Rs. 1,964.747 million would turn into loss to the Corporation.

Audit is of the view that lack of control / policy decision for non-replacement of damaged /expired stocks resulted in loss of stock valuing Rs. 1,964.747 million. It was observed for illustrative purpose for the higher management, at limited regional / zonal offices of USC which needs to be exercised across the USC to ensure early replacement from vendor or from employees.

Audit recommends 100% physical verification and to investigate the reasons for blockade of funds / damaged and expired material at USC stores and warehouses.

The matter was reported to the management on 24th November 2020. The management replied that in a chain business like USC, damaged and expired stock is ongoing process. As per agreement with the supplier all damaged / expired stock was lifted back by the concerned vendors and recovery / adjustment of subject stock made from the payment of the concerned vendors.

The DAC in its meeting held on 20th January 2021 directed the management to review the replacement mechanism of damaged / expired stock with more efforts.

Audit recommends compliance of DAC directives for replacement of damaged / expired stocks.

Para-70, 107, 108, 369, 401, 437, 450, 464 & 465 USC, 2019-20

8.17.4.8 Loss to the Government due to less deposit of stamp duty – Rs. 44.225 million

As per clause-29 read with Article 22-A of Schedule I to the Stamp Act, 1899 In the absence of an agreement to the contrary, the expense of proper stamp shall be payable by the contractor in whose favour the instrument is executed. As per Article 22-A of Schedule I, the stamp duty is equal to Twenty-five paise for every one hundred rupees or part thereof of the amount of the contract subject to a minimum of twelve hundred rupees.

The management of USC entered into various contracts for the procurement of Sugar, rice, and pulses etc. with various contractors / suppliers. However, the stamp duty as per Stamp Act was not paid by the contractors which resulted into loss of Rs. 44.225 million to the Government.

The matter was reported to the management on 24th November 2020. The DAC in its meeting held on 18-19th December 2020 was informed by the management that necessary legal opinion is being prepared by Legal Consultant. DAC directed the management to seek comments of M/o Law and Justice Division via Ministry within three months i.e. before 18th March, 2021.

Audit recommends to implement the decision of the DAC and opinion of the Law & Justice Division may be shared with Audit.

Para-3 USC, 2019-20

Chapter-9

Ministry of Information Technology and Telecommunication

Overview

The Ministry of Information Technology and Telecommunication (MoITT) is the national focal Ministry and an enabling arm of the Government of Pakistan for planning, coordinating and directing efforts to initiate and launch Information Technology and Telecommunication programs and projects aimed at economic development of the country.

Aims & Objectives

The following are the functions of the Ministry of Information Technology and Telecommunications:

- Preparation of an overall integrated plan as well as the formulation of policy for the development and improvement of Information Technology and Telecommunications, including related infrastructure, in Pakistan.
- Co-ordination with the Provincial Governments, autonomous bodies, private sector, international organizations and foreign countries in respect to Information Technology and Telecommunications.
- Human resource development in the field of information technology and telecommunications.
- Promotion of information technology applications.
- Providing guidelines for the standardization of software for use within the Government.
- Planning, policy-making and legislation covering all aspects of telecommunication excluding radio and television and issuance of policy directives.
- Matters relating to the National Information Technology Board and Pakistan Software Export Board.
- All matters relating to National Telecommunication Corporation (NTC), Telecommunications Foundation (TF), Special Communications

Organization (SCO), Virtual University (V.U) and Electronic Certification Accreditation Council (ECAC).

- The administration of the Prevention of Electronic Crimes Ordinance 2007 and the rules made thereunder.
- Safeguard the interest of Government of Pakistan in entities having public shares or government equity-like PTCL, USF Co & Information and Communication Technology R&D Co.

Governing Laws and Policies

- The Prevention of Electronic Crime Act, 2016
- Pakistan Telecommunication (Re-Organization) Act, 1996.
- ETO Act
- Telegraph Act 1885
- Wireless Act
- SF Rules, 2006
- R&D Fund Rules, 2006
- Rule of Business 1973

(Rs. in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	1	1		
2	Assignment Accounts (excluding FAP)				
3	Authorities /Autonomous Bodies etc. under the PAO				
4	Foreign Aided Projects (FAP)				

Classified Summary of Audit Observations

Audit observations amounting to Rs. 996.526 million were raised as a result of this audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	488.104
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	508.422

9.1 Pakistan Software Export Board (Guarantee) Limited

9.1.1 Introduction

Pakistan Software Export Board (Guarantee) Limited was founded in Pakistan under the Companies Ordinance, 1984 on June 13, 1998, as a company limited by guarantee. It is an apex Government body mandated to promote Pakistan's IT Industry in local and international markets. PSEB facilitates the IT industry through a series of projects and programs in infrastructure development, human capital development, company capability development, international marketing, strategy and research, and the promotion of innovation and technologies to deliver high value-added services and enhance IT and IT-enabled services export from Pakistan. The registered office of the Company is situated at 2nd floor, Evacuee Trust Complex, Sector F-5/1 Islamabad. The company is wholly owned and controlled by the Federal Government through the Ministry of Information Technology.

9.1.2 Comments on Audited accounts

9.1.2.1 The working results of the Board for the year 2019-20 as compared to previous years are as under:

(Rs. in million)							
	2019-20	% Inc/ (Dec)	2018-19	% Inc/ (Dec)	2017-18	% Inc/ (Dec)	2016-17
Revenue:							
Amortization of deferred grants	26.67	(72.91)	98.44	(48.07)	189.56	105.61	92.19
Federal Govt. grant	106.18	8.35	97.97	(0.84)	98.825	13.92	86.75
Amortization of deferred grant in-kind	29.34	5.40	27.83	52.08	18.3	5.66	17.32
Revenue from bandwidth and related services	62.77	(2.64)	64.47	23.88	52.043	0.64	51.71
Registration and renewal fee	52.07	10.79	47.00	53.11	30.696	29.33	23.74
Other income	25.29	40.22	18.04	77.01	10.19	28.27	7.94
Total income	302.31	(14.55)	353.77	(11.47)	399.61	42.90	279.65
Expenditure:							
Project Cost-Deferred grant related to projects	26.666	(72.91)	98.44	(48.07)	189.56	105.61	92.19
Salaries allowances and benefits	114.524	13.25	101.13	12.32	90.035	11.86	80.49

Data node bandwidth & related charges	31.561	15.43	27.34	24.11	22.03	6.56	20.68
Rent, rates and Taxes	13.773	(9.36)	15.19	46.27	10.39	1.18	10.27
Repair & Maintenance	3.347	16.38	2.88	8.20	2.66	15.67	2.23
Others Expenses	49.206	(12.65)	56.33	13.37	49.69	8.04	45.99
Total expenditures	239.077	(20.65)	301.31	(17.30)	364.36	44.64	251.92
SURPLUS BEFORE TAXATION	63.235	20.54	52.46	48.81	35.25	27.12	27.73
Taxation	9.631	66.63	5.78	(35.97)	9.03	232.36	2.72
SURPLUS AFTER TAXATION	53.604	14.84	46.68	77.99	26.23	4.84	25.02

Source: Annual Audited Accounts

9.1.2.2 The total Income of the board decreased to Rs. 302.312 million during the year 2019-20 as compared to Rs. 353.771 million during the year 2018-19, registering 14.55% decreased over the year which is needed to be explained.

9.1.2.3 The revenue from bandwidth and related services decreased to Rs. 62.769 million during the year 2019-20 as compared to Rs. 64.469 million for the years 2018-19, registering a 2.64% decrease. However, the expenditure incurred on the data node bandwidth & related charges increased to Rs. 31.56 million during the year 2019-20 as compared to Rs. 27.34 million for the year 2018-19 and registering 15.43% increase over the year. Therefore, the percentage increase in expenditures is more than the percentage increase in revenue which needs to be justified.

9.1.2.4 The repair and maintenance of the board increased to Rs. 3.35 million during the year 2019-20 as compared to Rs. 2.88 million for the year 2018-19, recording 16.38% increase over the year which needs to be justified.

9.1.2.5 An amount of 79.33 million, (Rs. 29.81 million for the year 2020, Rs. 25.08 million for the year 2019 and Rs. 24.44 million for the year 2018), was lapsed/surrendered since 2018. The deferred grants related to projects show a lapse of funds with an increasing trend. The lapse of funds and increased in trend needs to be clarified.

9.1.2.6 The surplus before taxation increased to Rs. 63.24 million during the year 2019-20 from Rs. 52.46 million for 2018-19, registering a 20.54% increase over the previous year. Similarly, surplus before taxation increased to Rs. 52.46 million during the year 2018-19 from Rs. 35.25 million during 2017-18,

registering 48.81% increase over the previous year. Hence, the reason for the percentage decrease in the surplus before taxation from 48.81% in 2018-19 to 20.54% in 2019-20 needs explanation.

9.1.2.7 The Advances and short-term prepayments increased to Rs. 19.45 million during 2019-20 as compared to Rs. 10.14 million during the year 2018-19 registering 91.87% increased. Similarly, The Advances and short-term prepayments increased to Rs. 10.14 million during 2018-19 as compared to Rs. 6.90 million during the year 2017-18 registering 46.94% increased. The ageing of the advances should be arranged and the increasing trend in advances and short-term prepayment from 46.94% to 91.87% needs to be justified.

9.1.2.8 Other receivables were increased to Rs. 7.94 million during the year 2019-20 from Rs. 4.06 million during the years 2018-19, registering an increase of 95.57% over the year which needs to be explained.

9.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
2004-05	01	0	01	82	-
2005-06	02	01	01	159	50
2008-09	04	03	01	147	75
2010-11	17	0	17	13.1.1, 13.1.2.1, 13.1.2.2, 13.1.2.3, 13.1.3, 13.1.4.1, 13.1.4.2, 13.1.4.3, 13.1.4.4, 13.1.4.5, 13.1.4.6, 13.1.4.7, 13.1.4.8, 13.1.4.9, 13.1.4.10, 13.1.4.11, 13.1.4.12	-
Total	23	05	18		22

Overall compliance with the PAC directives was very poor which requires immediate attention of PAO.

9.1.4 Audit Paras

9.1.4.1 Irregular award of contract in violation of PC-I – Rs. 422.703 million

As per PC-I of PSDP Project Certification of IT Professionals, the Project Steering Committee will be constituted to oversee and monitor the project deliverables in line with the approved PC-I the members of the project steering committee include;

- i Member IT, MoITT
- ii Managing Director, PSEB
- iii Director Projects, PSEB
- iv One representative from the top IT Exporter
- v One representative from SMEs

The project committee shall perform the technical evaluation on this as well as the award of work/purchase order to the selected local or international firms/service providers in line with PPRA guidelines. The members of the project committee include;

- i Director Projects PSEB
- ii Director Technical, PSEB
- iii One representative from MoITT

During the audit of Pakistan Software Export Board (PSEB) for the year 2018-19 and 2019-20, it was observed that under the PSDP project Certification of IT Professionals work orders were awarded to six firms, valuing Rs. 422.703 million on May 05, 2020, to conduct/deliver 32 courses of IT training to 6000 participants as per PC-I. The technical evaluation of the said firms was done by the three contractual employees instead of above said members mentioned in PC-I. Furthermore, the work was executed by the Project Director in May 2020 without the concurrence of the above-mentioned Project Steering Committee. The First meeting of the Project Steering Committee was held in July, chaired by Secretary IT who took serious notice on the execution of the said project without the approval of the project steering committee. The subject work was held irregular by the auditor in violation of PC-I. The Details of Projects is as under:

Sr. No.	Name of Firm	W/O No.	No. of Courses	No. of participants	Amount of Work order (Rs)	Advance @ 20%
1	M/s Phalia International	PMO(01)/PSEB/2020-2810 dated 05.05.2020	10	1300	141,642,500	28,328,500
2	M/s new Horizons	PMO(01)/PSEB/2020-2811 dated 05.05.2020	06	600	122,512,500	24,502,500
3	M/s Corvit	PMO(01)/PSEB/2020-2808 dated 05.05.2020	05	1600	64,849,200	12,969,840
4	M/s Global and Sigma	PMO(01)/PSEB/2020-2809 dated 05.05.2020	01	200	54,945,000	10,989,000
5	M/s 360 Technologies	PMO(01)/PSEB/2020-2813 dated 05.05.2020	03	300	22,714,200	4,542,840
6	M/s Minhaj University	PMO(01)/PSEB/2020-2812 dated 05.05.2020	03	130	16,039,800	3,207,960
Total					422,703,200	84,540,640

Furthermore, the matter was also discussed in detail in the 3rd project steering Committee dated September 29, 2020, and highlighted the following discrepancies:

1	As per RFP the vendors were required to submit job history/ previous work orders of job done but M/s Phalia and M/s Sigma enterprises only provide one work order of job done while they were awarded full (100) marks which also needs justification.
3	In CMMI project, allocation of 46 million as consultant cost, out of which 23 million was allocated for consultant logistics, but there is no scope mentioned in written form.
4	All the work orders and contract agreements were signed by the Project Officers instead of Project Director/ higher management.

Audit believes that the work awarded to the above vendors without conducting technical evaluation by the Project Committee and the execution of work without the concurrence of Project Steering Committee is negligence on the part of management which needs to be investigated through Controlling Ministry.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 23rd December 2020, the management informed that a Fact-Finding Inquiry Committee has been constituted to investigate the irregularities. DAC decided that a Show Cause notice is to be issued to the defaulting officer before 31.12.2020 by the management. The fact-finding inquiry report is to be completed and shared with the audit.

Audit recommends that the decisions of the DAC may be implemented and fact-finding report be shared with Audit.

9.1.4.2 i. Similar nature of CMMI training component in the project of certification of IT Professionals – Rs. 331.158 million

ii. Irregular award of contract (addendum) leading to extra payment - Rs. 21.214 million

As per Corporate Governance Rules (CGR), 2013 rule 5 (5)(a) stated that “The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely:- the principle of probity and propriety entails that company’s assets and resources are not used for private advantage and the due economy is exercised to reduce wastage. Principle shall be adhered to, especially for the following, namely: - (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and (ii) claiming of expenses”.

During Audit of PSEB for the year 2018-19 and 2019-20, it was observed that the management of PSEB got the approval of a component of CMMI training for Rs. 331.158 million through PC-I under PSDP project, “Certification of IT Professionals” in 2019-20. The same training component had already been running in another PC-I project, “Enhancement of IT Exports” since 2016 and management could only achieve 40% of its targets even after the lapse of 4 years.

The work order under the new PC-I was awarded to M/s Technologies (Pvt.) Ltd. dated February 10, 2020, valuing Rs. 329.673 million for similar training and paid an advance of Rs. 53.610 million before getting any services which need to be justified.

Furthermore, a contract was signed between PSEB and Capital technology dated February 12, 2020, and the following was the payment mode for 3 training programs:

S. No.	Description of Deliverables	Description of Expenses	Qty.	Unit Price	Total Amount (QTY* Unit Price)
1	Foundation of Capability, Development Excellence, Services Excellence & High Maturity Concepts	This include 05 days Training Fee, return air-ticket, Visa Fee, hotel stay for 6-days & meal for 6-days	40 people	<u>Training Fee</u> \$2955 Rs. 472,800 <u>Logistics</u> Rs. 817,920 <u>Total</u> Rs. 1,290,720	<u>Training Fee</u> \$118,200 Rs. 18,912,000 <u>Logistics</u> Rs. 32,716,800 <u>Total</u> Rs. 51,628,800
2	Applying CMMI for Development & Services (Combined)	This include 04 days Training Fee, return air-ticket, Visa Fee, hotel stay for 5-days & meal for 5-days	12 people	<u>Training Fee</u> \$6000 Rs. 960,000 <u>Logistics</u> Rs. 904,093 <u>Total</u> 1,864,093	<u>Training Fee</u> \$72000 Rs. 11,520,000 <u>Logistics</u> Rs. 10,849,116 <u>Total</u> Rs. 22,369,116
3	Lead Appraiser for Development & Services (Combined)	This include 05 days Training Fee, return air-ticket, Visa Fee, hotel stay for 6-days & meal for 6-days	12 people	<u>Training Fee</u> \$9000 Rs. 1,440,000 <u>Logistics</u> Rs. 1,003,267 <u>Total</u> Rs. 2,443,267	<u>Training Fee</u> \$108,000 Rs. 17,280,000 <u>Logistics</u> Rs. 12,039,204 <u>Total</u> Rs. 29,319,204

Later, an addendum without any date was issued for the above three training programs in which it was mentioned that due to COVID-19, the training could not be conducted physically in USA/UAE and it would be delivered through ZOOM or any other online technology. In this context, the prices were revised to Rs. 68.926 million while the training fee was to be Rs. 47.712 million which leads to an extra financial burden of Rs. 21.214 million. The detail is as under:

S. No.	Description of Deliverables	Qty.	Revised Unit Price (Rs)	Revised Amount (QTY* Unit Price) (Rs)	Actual Training Cost (@ Rs. 160/USD)	Excess amount to be paid (Rs)
1	Foundation of Capability, Development Excellence, Services Excellence & High Maturity Concepts	40 people	750,879	30,035,160	Rs. 18,912,000 (\$2955= Rs. 472,800*40)	11,123,160
2	Applying CMMI for Development & Services (Combined)	12 people	1,367,269	16,407,228	Rs. 11,520,000 (\$6000= Rs. 960,000*12)	4,887,228
3	Lead Appraiser fir Development & Services (Combined)	12 people	1,873,687	22,484,244	Rs. 17,280,000 (\$9000= Rs. 1,440,000*12)	5,204,244
	Total			68,926,632	47,712,000	21,214,632

The audit is of the view that when the training was conducted through ZOOM or any other online mode then management should have paid the scheduled training fee excluding logistics. An extra amount other than training agreed to pay Rs. 21.214 million needs to be justified.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 23rd December 2020, the management informed that a fact-finding Inquiry Committee has been constituted to investigate the irregularities. DAC decided that a Show Cause notice be issued to the defaulting officer before 31.12.2020 by the management. Fact-finding inquiry report should be completed and shared with audit.

Audit recommends that the decisions of the DAC may be implemented under intimation to Audit.

Para-3 PSEB, 2018-20

9.1.4.3 Expected non-utilization charges of leased land – Rs. 130.68 million

As per Clause-4 of lease deed dated October 01, 2015, signed between PSEB (the lessee) and the Civil Aviation Authority (the lessor) for transfer of leasehold rights of 6 acres land at Jinnah International Airport, Karachi, “the Lessee shall develop and complete the construction and/ or allied works, within

the specified period of 4 years from the date of signing of the lease deed or during the specified extended period if granted by the Lessor. In case of Lessee fails to commence construction work within one year from the execution of the lease deed or fails to complete the construction for launching/operation of the project within the specified period of four years, it shall inform CAA in writing with the reason of such failure and seek extension in the specified period for commencement of construction or affecting its completion. In case, however, the extension was not granted, PSEB will subject to a penalty ranging between Rs. 100 to Rs. 300 per sq. yd. per months as non-utilization charges or termination of lease and resumption of the land by the Lessor”.

During the audit of Pakistan Software Export Board (PSEB) for the year 2018-19 and 2019-20 it was observed that PSEB management got land of 6 acres (29042 sq. yds.) on lease basis from Civil Aviation Authority (CAA) at Jinnah International Airport, Karachi @ Rs. 12,000 per sq. yd. for establishing IT Park and signed a lease deed on October 01, 2015. PSEB management possessed said land from CAA on July 25, 2019. As per provision of lease deed, the PSEB management was bound to commence construction work within one year of the execution of lease deed and complete the construction and allied works within 4 years from the signing of the lease deed. However, the management neither commenced the construction work nor submitted its construction plant to CAA even a lapse of one year and three months from the date of possession of the land.

The above scenario indicates that management failed to utilize the said land for the purpose it was attained and as per above lease deed management must pay non-utilization charges for Rs. 130.68 million ($\text{Rs. } 300 \times 29,040 = 8.712 \text{ million} \times 15 \text{ months} = \text{Rs. } 130.68 \text{ million}$).

Audit is of the view that non-utilization of leased land well in time and in a good manner is negligence on the part of the management and need to be justified.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 23rd December 2020, the management explained that an agreement between PSEB and CAA for the lease of 06 acres of land for the establishment of IT Park, Karachi was signed on 1st October 2015. PSEB submitted PC-II proposal to Ministry of Information Technology for feasibility

and design of IT Park, Karachi on 5th October 2015 which was considered and approved by DDWP. Unfortunately, despite repeated reminders to the Planning Commission, the allocation of funds for the said project could not be ensured even in subsequent years.

The DAC directed PSEB to take up the case with CAA for waiving off the non-utilization charges and submit outcome to audit.

Audit recommends compliance of DAC directives.

Para-18 PSEB, 2018-20

9.1.4.4 Lapse of PSDP funds due to inefficient management – Rs. 25.37 million

Para-95 of GFR (Vol-I) provides that anticipated savings should be surrendered to Government immediately when foreseen but not later than 15th May of each year in any case, unless required to meet shortfall under some other unit or units which are foreseen at the time.

During the audit of Pakistan Software Export Board (PSEB) for the year 2018-19 and 2019-20 it was observed that the funds of Rs. 40.368 million of PSDP projects were lapsed due to inefficiency of management and inordinate delay to start the process of hiring of services. Management neither utilized the funds nor surrender in time so that it could be used for another development purpose. The detail is as under:

(Rs. in million)			
S. No.	Name of the Project	Allocation of Funds	Funds Lapsed
1.	Enhancement of IT Export		
	2018-19	30.00	10.831
	2019-20	30.490	1.454
2.	Certification of IT Professionals		
	2019-20	114.242	10.486
3.	Replacement of Data Nodes		
4.	2019-20	19.350	2.599
TOTAL			25.37

The above fact indicating that management has a very lenient view for focusing the PSDP funded projects and failed to achieve deliverables, therefore, an amount of Rs. 40.368 million has lapsed in two years which needs justification.

The audit is of the view that management should focus on the deliverables and achievement of the targets. An extra fund should be surrendered in time so that it can be utilized for another development project.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 23rd December 2020, the management explained that the project was approved by the DDWP on 15th October 2019, but admin approval of the same was issued on 18th December 2019 i.e., after the lapse of almost 6 months of the FY 2019-20.

The DAC directed that explanation be issued to Head PSEB for lack of superintendence. Further, show cause is to be issued to the defaulting officer by 31st December 2020.

Audit recommends implementing the decision of the DAC.

Para-1 PSEB, 2018-20

9.1.4.5 Mis-procurement for hiring of training services and loss due to hiring of trainer at higher rates – Rs. 65.401 million

As per PPRA S.R.O No. 1077 (I)/2010 dated 29.11.2010 stated in rule 3 (B) (i) Quality and cost-based selection method shall be used where high quality is the prime consideration while the cost is a secondary consideration; and (ii) Procedures for selection under the quality and cost-based selection stated in (c) “the evaluation of proposals shall be carried out in two stages in the following manner, namely:

- i the technical proposals shall be evaluated and the procuring agency may discuss technical details, if it may deem necessary;
- ii the financial proposals of technically responsive proposals shall be opened in the presence of the applicants or their representatives who may wish to attend the opening session; and
- iii A combined evaluation of technical and financial proposals shall follow and the applicant with the winning proposal will be accepted.

During Audit of PSEB for the year 2018-19 and 2019-20, it was observed that the management awarded work orders to the two vendors M/s Phalia International valuing Rs. 9.094 million and M/s Sigma Global Rs. 54.945 million for conducting of IT training. In RFP 70% weightage was fixed for technical

aspect and 30% to the financial aspect and work was to be awarded to the vendor who acquired the highest accumulated score. The above work orders were awarded to the 2nd highest vendors in violation of said PP rules and RFP which is held irregular by audit and in one case it caused a loss of Rs. 1.362 million. The detail is as under:

S. No.	Name of the Firm	W/O No.	Name of Course	No. of participants	Amount of Work order (Rs)	Remarks
1	M/s Phalia International	PMO (01) / PSEB / 2020-2810 dated 05.05.2020	(Python) Certified Associate in Python Programming 2	100	9,094,000	As per technical evaluation, 100 marks for 10 years of work history/ experience were awarded to the vendor while in the bidding document the vendor could only provide 3 years previous work history so it was eligible only for 30 marks. The accumulated scoring of M/s Phalia was 83.12 marks instead of given 88.02 marks and offered price was Rs. 90,940 per participant while the scoring of another vendor M/s 360 technologies was 84.31 marks and offered price was Rs. 77,319 per participant depicting the loss of Rs. 1.362 million = (90,940-77,319*100)
	M/s Global and Sigma	PMO (01) / PSEB / 2020-2809 dated 05.05.2020	(Software Quality Assurance) Penetration testing	200	54,945,000	As per technical evaluation, 100 marks for 10 years of work experience were awarded to the vendor while in the bidding document, the vendor could not provide the work history/ previous work done agreements. The accumulated scoring of M/s Global & Sigma was 83.2 marks instead of given 90.20 while the scoring of another vendor M/s New

						Horizon technologies had a scoring of 87.90 marks, acquired the highest scoring and was eligible for the work order.
		Total			64,039,000	

The audit was of the view that the bidding evaluation criteria was quality and cost-based method where quality had a 70% and cost had 30% weightage. Compromising on quality is negligence on the part of the management and needs justification. Furthermore, high marks given to the vendors without any evidence of previous work history shows an undue favour which needs justification.

The matter was reported to the management on 18th November 2020. In DAC meeting held on 23rd December 2020, the management explained that a Fact-Finding Inquiry Committee has been constituted to investigate irregularities.

DAC decided that a Show Cause notice be issued to the defaulting officer before 31.12.2020 by the management. The fact-finding inquiry report is to be completed and shared with the audit.

Audit recommends implementation of the recommendations of the DAC.

Para-12 PSEB, 2018-20

Chapter-10

Ministry of Information, Broadcasting and National History & Literary, Heritage Division

Overview

The Ministry is responsible to release the Government information, media galleries, public domain and government unclassified non-scientific data to the public and international communities. The MoIB has jurisdiction for administering the rules and regulations and laws relating to information, broadcasting and the press media in Pakistan.

Aims & Objectives

The goal of MIBS is “to achieve country wide media coverage for a well-informed public”

The specific objectives are:

- To provide legal and policy framework in order to guide the operations of the media industry
- To coordinate the provision of government information to the public in order to ensure consistency and portray a positive image of government
- To interpret Government policy to the public in order to solicit their support and participation in national programmes
- To provide timely news and information to the public
- To improve the capacity of the public media in order to attain countrywide coverage
- To conduct research in media and national topical issues in order to improve the quality of media products, measure public response and influence government policy
- To facilitate the protection of copyright and related rights in order to reduce piracy and unfair exploitation of intellectual property
- To develop and manage human resources in order to enhance the performance of the ministry

- To provide effective financial management services and oversight in order to ensure accountability and transparency
- To provide administrative and logistical support services for efficient operations of the Ministry
- To establish and maintain an information management system in order to improve accessibility to information for speedy and informed decision making
- To plan, coordinate, monitor and evaluate the implementation of ministerial policies, legal framework, projects and programmes in order to ensure their effective implementation and compliance

Governing Laws and Policies

- Rule of Business 1973
- Information Policy of the Federal Government.
- Copy right Act.

(Rs. in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	4	4	16,252.509	5,692.739
2	Assignment Accounts (excluding FAP)	1	1	669.903	764.793
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 46,668.510 million were raised as a result of this audit. This amount also includes recoverable of Rs. 1,545.693 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	51.749
3	Irregularities:	
A	HR/Employees related irregularities	4,309.962
B	Procurement related irregularities	543.057
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	479.771
5	Others	41,283.971

10.1 Associated Press of Pakistan Corporation

10.1.1 Introduction

Associated Press of Pakistan (APP) was taken over by the Government of Pakistan through APP Ordinance 1961. Later on the APP was converted into Corporation vide Ordinance dated Oct 19, 2002. Its main objectives are efficient flow of information, supply of un-biased and reliable news to the newspapers and news agencies in Pakistan and abroad.

10.1.2 Comments on Audited Accounts

10.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2017-18 to 2019-20 till December 31, 2020.

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

10.1.3 Compliance of PAC Directives

Details of Paras in which PAC Directives were not complied with:

S. No.	Audit Report	Total Paras	Compliance received	Compliance not received (Total Paras)	Compliance not received (Break up of paras)	Percentage of compliance
1	1992-93	06	04	2	200, 201	67
2	1994-95	08	05	3	208,210,212	63
3	1999-00	04	01	3	156,157,158	25
4	2004-05	01	0	01	78	-
	Total	19	10	9		53

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

10.1.4 AUDIT PARAS

10.1.4.1 Loss due to non-revision of APP subscription rates - Rs. 576.338 million

Board of Director of APPC in its 12th meeting held on 28.12.2010 revised and approved Tariff Plan/ Subscription charges for provision of its services to all categories of various Urdu, Pashto, Sindhi and Arabic newspapers, periodicals, TV Channels, Radio Stations (FM) and Websites.

During the audit of Associated Press of Pakistan Corporation (APPC) for the year 2019-20, it was observed that management was providing services to the 66 (Current) Subscribers / News Agencies in Pakistan/abroad at old tariff plan / subscription charges. According to the above approval of the BOD, the rates were to be revised and applied to all subscribers but management did not implement the above revised tariff plan which resulted into loss of Rs. 576.338 million since January, 2011 to October, 2020.

Audit holds that the management should have implemented the revised tariff plan w.e.f. 1st January 2011 and recovered the amount with arrears from the concerned subscribers.

The matter was reported to the management on 10th December 2020. In the DAC meeting held on 7th January 2021, the management explained that the recovery of subscription from subscribers is a continuous process along with the arrears. The APP services have already been discontinued to many subscribers due to non-payment. The DAC directed to revise the APP Subscription rate through BOD at the earliest.

Audit recommends compliance of DAC directives.

Para-1 APPC, 2019-20

10.1.4.2 i. Non-contribution to CP Fund by the Corporation - Rs. 391.806 million

ii. Interest loss to employees - Rs. 27.426 million per annum

As per rule 15 (iii) of APPC Contributory Provident Fund rules, the contribution of the agency shall be made on monthly basis. In case the agency is unable to meet its obligations due to certain unavoidable circumstances, its full

contribution shall be paid before the last date of financial year, including the profit accrued thereon.

During audit of the Associated Press of Pakistan (APPC), it was observed that an amount of Rs. 391.806 million was payable to the contributory provident fund as on 30.06.2020. This amount includes both deductions from employees, as well as, contribution from APPC. According to the above rules, the agency could not withhold the amount deducted from the employees. However, the management withheld the deducted amount. Thus not only the management committed violation of APPC Contributory Fund Rules but, also resulted into accumulation of liabilities of amount of Rs. 391.806 million.

Furthermore, the employees of Corporation are being deprived of the interest @ 10% p.a. (Approx.) on the 70% of the funds required to be invested as mentioned above. (i.e. Rs. 391,806,126 x 70% = Rs. 274,264,288 x 10% = Rs. 27,426,429)

APPC was also required to pay the interest on the outstanding amount which was neither paid nor booked as a liability.

Audit holds that the management should pay the accumulated liability to the provident fund along with interest thereon. During discussion on 09.11.2020, the management replied that efforts are being made to pay off liabilities.

The matter was reported to the management on 10th December 2020. In the DAC meeting held on 7th January 2021, the management explained that APPC has been facing acute shortfall of budget, a demand has been moved to Secretary for further budget. The DAC directed to fill the gap and final position may be shared with audit.

Audit recommends compliance of DAC directives.

Para-7 APPC, 2019-20

10.1.4.3 i. Irregular transfer of funds from assignment account to other accounts - Rs. 5,717.607 million

ii. Irregular retention of funds – Rs. 95.774 million

According to Controller General of Accounts Office Letter No. 574/CGA/AC-IV/I-I/2011 dated 20th June, 2012 and para-2 (VI) of the Revised Procedure for Operation of Assignment Accounts, the transfer of funds from the assignment account for deposit into chest or any bank account is completely forbidden. Moreover, as per O.M of the Finance Division (Expenditure Wing) issued vide No.F.2 (2)-BR-II/2008-695/2017, dated 16.06.2017, Principal Accounting Officer of the concerned Ministry will ensure that no such transactions take place. In case of any deviation/violation from the prescribed procedure, the head of the organization and officers / officials of AGPR will be held responsible and a case will be forwarded to be proceeded under E&D rules against all concerned.

According to F. T. Rules 290, no money was to be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

According to GFR-95 & 96 all anticipated saving should be surrendered to Government immediately when they are foreseen, but not later than March of each year in any case. However saving accruing funds provided after 31st March shall be surrendered to government immediately when they are foreseen, but not later than 30th June of each year.

During the audit of Associated Press of Pakistan Corporation (APPC) Islamabad for the year 2019-20, it was observed that the management transferred all funds from Assignment Account No.2434-4 and deposited into other bank accounts and then incurred expenditure from those accounts even after close of the financial year. During last 6 years Rs. 5,717.747 million have been transferred which is irregular.

Audit is of the view that the transfer of funds from assignment account to other accounts is in violation of Revised Procedure for Operation of Lapse-able Assignment Account. This also resulted in non-return of funds amounting to

Rs. 95,774,405 to the government, lying in various accounts maintained in NBP Branches and retained there during 2014-15 to 2019-20 which was also irregular.

The matter was reported to the management on 10th December 2020. In the DAC meeting held on 7th January 2021, the management explained that the amount was stashed for the specific purpose for salary of the employees, pension and operational expenses. The DAC directed to constitute a 03 members' Inquiry Committee at Ministry level in order to check transfer of funds and expenditure incurred from Assignment Account.

Audit recommends compliance of DAC directives and report of inquiry be shared with Audit.

Para-15 & 17 APPC, 2019-20

10.1.4.4 Loss to the Corporation due to poor performance of business and recovery / marketing department - Rs. 542.852 million

As per clause (5) (a) of the APPC Ordinance 2002, Corporation was required to undertake the work of a news agency or news agencies in any part of the world and in particular to collect, transmit, circulate in Pakistan and abroad such news, features, photographs, videos or any such material, for distribution to such persons or corporations, newspapers or organizations desirous of obtaining such news and material or any part thereof on such terms and conditions as the Board may, from time to time determine.

Furthermore, as per as per clause (5)(j) corporation was required to sell news, features, photos, audios and videos to mass media, news agencies and any other organization within and outside Pakistan.

During the audit of Associated Press of Pakistan for the year 2019-20, it was observed in Audit Bureau of Circulation that there are 1,095 valid certified newspapers / periodical on central media list as on 30th June 2020 in the country. Whereas, the Associated Press of Pakistan is providing services to only 82 news agencies / departments. As per above mentioned provision of APPC Ordinance, the corporation was required to sale news, features, photos, audios and videos to mass media, news agencies and any other organization within and outside Pakistan. For this purpose, a separate business & recovery / marketing department has been working. But the services are being provided to only 82

news agencies / departments and remaining 1,013 news agencies were neither contacted nor services provided. This showed poor performance of business and recovery of marketing department due to which corporation lost revenue of Rs. 542.852 million.

Audit is of the view that had the efforts been made by business and recovery / marketing department to extend its services to 1,013 news agencies; Corporation could have fetched revenue of Rs. 542.852 million.

The matter was reported to the management on 10th December 2020. In the DAC meeting held on 7th January 2021, the management explained that more than five hundred media entities were contacted for inclusion and offered in APP's paid services / subscribers list. The DAC directed to make efforts for early recovery under intimation to Ministry and Audit.

Audit recommends compliance of DAC directives.

Para-23 APPC, 2019-20

10.1.4.5 i. Loss due to non-recovery of Pay & Allowances from the employees dismissed on providing fake degrees / certificates - Rs. 64.411 million

ii. Irregular appointment due to non-verification of degrees of employees at the time of appointment - Rs. 13.202 million (per month)

As per judgment of Supreme Court of Pakistan (Case 2009 SC MR 1497) no leniency should be shown in favor of employees possessing fake / bogus degrees / certificates. Supreme Court of Pakistan authorizes to examine the possibility of getting registered criminal case against such employees so that in further no one should dare to commit such misconduct. Further, the authority awarding punishment of dismissal from service to an employee cannot reinstate him in service.

Furthermore, according to Cabinet Secretariat (Establishment Division) vide D.O. No. 6(28)2011-DG-II dated March 08, 2011, all the Autonomous bodies / Companies, Corporations were required to take the measures to authenticate degrees/certificates of all the employees of their organization. It

would be of concerned Head of Organization to have the degrees / certificates verified.

During the audit of Associated Press of Pakistan Corporation Islamabad for the financial years 2019-20, it was observed that management dismissed 32 employees on providing fake / bogus and tempered degrees / certificates on initial appointment. An amount of Rs. 64,411,018 was paid on account of pay and allowances during their services. All the sacked employees were directed in the dismissal from service office orders issued by the APPC management to deposit all amount received by them on account of pay & allowances including advances since the date of initial appointment within seven days failing which APPC will seek recovery of amount through filing civil as well as criminal proceedings against them through concerned Police Stations, followed by judicial proceedings in a competent court of law. Record showed that necessary action in this regard was not taken by the management for recovery of pay and allowances from the dismissed employees. Corporation sustained loss of Rs. 64.411 million.

It was further observed that the management appointed 193 employees since inception to 2020. As per above referred letter, degrees / certificates of all the employees were to be got verified at the time of appointment. But the management did not verify the educational certificates of said employees from concerned boards / universities. Due to non-verification of degrees at the time of appointment, the appointment of these employees and payment of monthly salary of Rs. 13.202 million per month was irregular.

Audit is of the view that the management should have appointed the employees after verification of degrees from concerned boards / universities but the same was not done and undue favor was granted to the employees.

The matter was reported to the management on 10th December 2020. In the DAC meeting held on 7th January 2021, the management explained that as per judgment of Islamabad High Court, the Ex-Messenger was reinstated. The management also explained that the verification of degrees of remaining employees is under process from concerned institutions. The DAC directed to follow up the litigation.

Audit recommends compliance of DAC directives.

10.2 Pakistan Broadcasting Corporation Limited

10.2.1 Introduction

Pakistan Broadcasting Corporation (PBC) was incorporated under the Pakistan Broadcasting Corporation Act, 1973 effective from 20th December, 1972. PBC has its own Board of Directors constituted under the provision of above act and being managed through Ministry of Information & Broadcasting and National Heritage.

The core operational activities of the PBC are to provide broadcasting services for general reception in all parts of Pakistan and the territorial waters thereof and on board ships and aircrafts (home services) and in other countries and places (External Services) for the purpose of disseminating information, education and entertainment through programme which maintain a proper balance in their subject matter and a high general standard of quality and morality.

10.2.2 Comments on Audited Accounts

10.2.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited annual accounts of the organization for the year 2016-17 to 2019-20 till December 31, 2020.

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

10.2.3 Compliance of PAC directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1990-91	06	04	02	354, 359	67
1991-92	11	10	01	300	91
1992-93	07	05	02	205, 209	71
1993-94	10	08	02	182, 183	80
1994-95	05	04	01	219	80
1996-97	06	04	02	180, 182	67
1997-98	09	08	01	115	89
1998-99	28	26	02	1.1, 8 (SAR-56)	93
1999-00	06	02	04	159, 160, 162, 163	33
2000-01	04	03	01	127	75
2003-04	17	14	03	124.4, 125, 130	82
2006-07	03	01	02	120.1, 120.2	33
2007-08	19	13	06	94.3, 94.4, 99, 100, 102, 105	68
2008-09	15	08	07	132, 133, 134, 135, 131.5, 131.6, 136	53
2009-10	02	0	02	148, 149	-
2010-11	12	09	03	12.2.1, 12.2.2, 12.2.2.4	75
2013-14	05	0	05	9.1.1, 9.1.2.1, 9.1.3, 9.1.4.1, 9.1.4.2	-
2016-17	09	0	09	8.1.4.3, (8.1.1 & 8.1.2, 8.1.3, 8.1.4.1, 8.1.4.2, 8.1.4.4, 8.1.4.5, 8.1.4.6, 8.1.4.7)	-
Total	174	119	55		67

Overall compliance of the PAC directives was not satisfactory and needs immediate attention of the PAO.

10.2.4 Audit Paras

10.2.4.1 i. Loss due to renting out buildings at less rates - Rs. 130.105 million

ii. Non-receipt of rent from Lessees due to non-signing of lease agreements and loss due to non-rent out of PBC building situated at BH Multan – Rs. 99.122 million

According to Ministry of Housing & Works letter dated 14th April, 2008, rates for hiring office accommodation was fixed at monthly rent of Rs. 30 per Sq. Ft for other floors (other than basement) at all locations of Islamabad / Rawalpindi except Blue Area, Super / Jinnah Super Markets, F-8 Markaz, F-10 Markaz, F-11 Markaz. The rates were enhanced to Rs. 60 per sq. ft. vide letter dated 27th March 2017 for Islamabad and so on the rates for other cities were enhanced from Rs. 22 per Sq. Ft. to Rs. 35 per Sq. Ft. w.e.f. March 17, 2017.

During audit of the Pakistan Broadcasting Corporation (PBC) for the year 2019-20, it was observed that management rented out 24,115 Sq. Ft area to PBF School on monthly rent of Rs. 100,000 during 2005. After that the management failed to enhance the monthly rent despite passing of more than 15 years. The enhancement of monthly rent was necessary as Ministry of Housing and works has revised monthly rent during 2008 and 2017 but the same was not done by management due to which the PBC was suffering loss on account of less receipt of monthly rent. The management also rented out 3,000 Sq. Ft. to PID Multan on monthly rent of Rs. 37,500 w.e.f. June 01, 2017 which was also less than the monthly rent fixed by the Government which is a loss to the PBC. The PBC suffered loss of Rs. 130,104,650 due to less receipt of monthly rent on account of these properties.

Moreover, the management rented out 28,994 sq.ft area to M/s Intellectual Property Organization, Karachi @ Rs. 28 per sq. ft. w.e.f. 01.02.2016. The lease agreement expired on 28.02.2019 and was not signed so far due to which the PBC received less rent of Rs. 30,443,700 (28,994 Sq. Ft. x Rs. 50 per Sq. Ft x 21 months upto December, 2020).

The PBC provided 4 Kanal land during 2003 to PTV for establishment of PTV Center at Muzaffarabad. The PTV also failed to pay monthly rent to PBC

due to non-signing of lease agreement. The rent from 2003 to 2020 valuing Rs. 48,181,749 is still receivable from PTV. Further, the management also rented out four flats having covered area of 3,900 Sq.ft during 2011 at Quetta. The lessee refused to pay the rent w.e.f. June, 2013 as no agreement was signed between the parties which resulted into non-receipt of rent valuing Rs. 8,014,500 for the period of June 01, 2013 December 31, 2020. Thus, the PBC failed to receive rent valuing 86.640 million due to non-signing of agreements.

Similarly, Broadcasting House, Multan was established in PBC building having five floor (Basement, Ground and three top floors). This building was situated at prime location in center of city. The ground floor and some parts of 1st floor were being utilized by Broadcasting House. The 2nd floor and some portion of 3rd floor were rented out to PID and Pakistan Academy of Letter. The remaining 5,944 Sq. Ft covered area was vacant since five years. The management failed to make any efforts to rent out the said vacant space due to which the corporation sustained loss of Rs. 12,482,400 (5,944 Sq. Ft Rs. 35 per Sq. Ft x 12 months x 5 years).

Audit is of the view that the management should have rented out the properties by following the rates announced by the Government as well as agreement with lessees. Further, due efforts should have been made for renting out of vacant space of office building.

The matter was reported to management on 18th November 2020. The management replied that since the establishment of the PBF International College, no agreement for renting out the building to PBF International College has been signed. The rent of Rs. 50,000 was decided in a meeting of Board of Management (BOM) held on 7th December 2000. The DAC in its meeting held on 7th January 2021, directed the management to enhance the rent as per market rates and get it approved from the BoD. DAC also directed to review the entire situation regarding non-signing of lease agreement / non-renting out of building and take up the case with the BOD, Ministry and share with Audit.

Audit recommends that the decisions of the DAC may be implemented under intimation to Audit.

Para-1, 10, 18, PBC, 2019-20

10.2.4.2 Ill-planned execution of project for installation of 2x100 KW MW Transmitter at Landhi, Karachi resulted into wasteful expenditure – Rs. 479.771 million

As per Rule-10 of GFR Vol-I, same vigilance should be exercised 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 government revenues should not be utilized for the benefit of a particular person or section of the community.

During audit of the Pakistan Broadcasting Corporation (PBC) for the year 2019-20, it was observed that the Central Development Working Party (CDWP) approved a project for Installation of 2 x 100 KW Transmitters at Landhi, Karachi on January 21, 2006. The management imported transmitters during 2008. The said transmitters could not be installed due to non-completion of civil works. The civil works i.e. foundations of rotatable antenna system and poles of transmission line were completed in July, 2018. The management has incurred expenditure of Rs. 479,771,059 on this project so far.

Considering the sequence of project work, the management should have initially completed civil works which was necessary for installation of transmitter. After that, procurement of high value transmitter could be made in order to complete installation and commissioning immediately for full utilization of complete warranty period. The Original Equipment Manufacturer (OEM) has also denied to install these transmitters with the remarks that due to passing of more than 10 years, the quality of the transmitters has deteriorated and warranty period has also expired. Before installation, a physical inspection by the OEM engineers was mandatory. Now, the management has requested to local firm for installation of transmitters which is in process since 2017.

The matter was reported to management on 18th November 2020. The management replied that the major cause of delay in execution / completion of the project was the piecemeal release of PSDP funds with respect to financial plan given in the approved PC-1. As a result, import of equipment and execution of civil works got delayed. In DAC meeting held on 7th January 2021 the matter was discussed in detail. DAC directed the management to explain the position before PAC.

Audit recommends that the decisions of the DAC may be implemented.

Para-2 PBC, 2019-20

10.2.4.3 i. Loss of 39 Kanal 02 Marla land due to less mutation of land situated at Lahore in the name of PBC- Rs. 508.300 million
ii. Non-measurement of land since long resulting into non-confirmation of possession of complete land

As per clause 45 (i) of GFR Vol-I, no department or authority may, without previous consent of the Ministry of Finance issue orders involving any grant of land or assignment of revenue, or concession, grant, lease, or lance of mineral or forest rights or right to water power, or any easement or privilege in respect of such concessions.

During audit of the Pakistan Broadcasting Corporation (PBC) for the year 2019-20, it was observed that the PBC purchased 841 Kanal 12 Marla land for installation of High Power Transmitter at Multan Road, Lahore. The Land Acquisition Collector announced award of 841 Kanal 12 Marla land in the favor of PBC on September 28, 1962 after receipt of payment from PBC. During review of land record, the audit observed that the revenue department confirmed that the PBC has ownership of 802 Kanal 10 Marla land rather than 841 Kanal 12 Marla land. The status of ownership of land was confirmed from FARAD issued by Punjab Land Record Authority which also proves that PBC has ownership of 802 Kanal 10 Marla land only. Thus, PBC was deprived of 39 Kanal 02 Marlas land.

Further, the management also failed to physically measure the land to know the actual land in possession of PBC. The management should take up the matter with Punjab revenue department to obtain complete ownership of land. In case of any sale/purchase activities or any other operational activities, the PBC will face problems due to non-ownership of 39 Kanal 02 Marla land. The price of land in this area was Rs. 650,000 per Marla as the PBC sold 8 kanal land to NHA at this rate from HPT-II. Thus, the PBC suffered loss of said land valuing Rs. 508,300,000 (39 Kanal 02 Marla i.e. 782 Marla x Rs. 650,000 per Marla)

Audit is of the view that the management should take up the matter with concerned authorities for mutation of all the land.

The matter was reported to management on 18th November 2020. The management replied that PBC had acquired full possession of land measuring 841 Kanal as per the award of acquisition since 1964. This was the fault on measurement side, every time when revenue department measured the land it resulted in different measurements. However, during the entire period, there is not a single encroachment on said land, so the possession of whole land remains with PBC. After detailed discussion, the DAC in its meeting held on 7th January 2021 advised the management to process the case for obtaining mutation of property under intimation to audit.

Audit recommends that the decisions of the DAC may be implemented under intimation to Audit.

Para-5 PBC, 2019-20

10.2.4.4 Irregular promotion as Assistant Accounts Officer due to non-verification of degrees of Accounts Assistants for fifteen years – Rs. 159.600 million

As per Government of Pakistan, Cabinet Secretariat Establishment Division (Management Services Wing) letter dated March 08, 2011, the Prime Minister has been pleased to direct that measures should be taken to authenticate degrees/ certificates of all Government employees of the respective Ministries/ Divisions, their attached department's subordinate offices and autonomous bodies under their administrative control.

During audit of PBC Islamabad for the year 2019-20, it was observed that management appointed 13 employees as Accounts Assistants during the year 2004 and 2007 but did not get their academic qualifications verified from respective universities / boards and institutions after more than 16 years. Moreover, out of these 13 Accounts Assistants, six namely Mr. Saqib Raza, Mr. Javed Iqbal, Mr. Rashid Yousaf Khan, Mr. Faisal Mahmood Zia, Hafiz Imran Ahmed and Mr. Israr Ahmed, were further promoted as Assistant Accounts officer w.e.f. May 30, 2019 & October 17, 2019 without verification of degrees from respective universities / board. This resulted into irregular appointment / promotion and payment of salary Rs. 159,600,000 to these employees.

Audit is of the view that genuineness of the educational degrees / certificates of the concerned employees should be verified at the time of

appointment and promotion. Despite lapse of more than 16 years, the management failed to comply with the directives of the government.

The matter was reported to management on 18th November 2020. The management replied that all the educational degrees of the officers have been verified from the concerned Board / Universities. Therefore, their promotion was made by the concerned Selection Board is in order. The DAC in its meeting held on 7th January 2021 directed the management of PBC to put up the case to the Ministry through CF&AO and check if they could be promoted. Further, management directed to complete the verification process of degrees.

Audit recommends that the decisions of the DAC may be implemented under intimation to Audit.

Para-11 PBC, 2019-20

10.2.4.5 Non-Installation of 1,000 KW Transmitter at 324 Kanal 19 Marla land may lead to return back of land to original land owners in light of court directions – Rs. 520.00 million

According to clause-14(1) of Punjab Land Acquisition Rules-1983, where any land has been acquired for any department of the Government or a local authority for a public purpose and it is proposed to abandon the same, it shall be handed over to the collector who shall be responsible for the disposal of the same in accordance with the order of Government. As per clause 14(2), the disposal of land under sub rule (1) shall be made by government in its discretion, and its possession restored to the persons from whom it was acquired or to their heirs on refunding the amount paid as compensation.

During audit of the Pakistan Broadcasting Corporation (PBC) for the year 2019-20, it was observed that the management acquired 324 Kanal 19 Marla land for receiving center Multan during 1968. The said land is lying without any operational activity. The heirs of land owners filed a case in court of law to return the land under the above said rules because the land was lying unutilized since 1968. The court inquired the management regarding utilization of land. The management submitted that the land will be utilized for installation of 1000 KW transmitter. The court directed the management on 19.04.2019 to install the same within one year; otherwise the court shall make a decision regarding the disposal of land in accordance with above said rules. The management failed to install any

transmitter on land and the same is lying unutilized so far. Now, period of more than one year has passed and legal heirs of land are pursuing the court for decision. Thus, due to slackness of management, the court might return the land to the heirs resulting into possible loss of Rs. 520.00 million (325 Kanal x Rs. 1,600,000 per Kanal as per rates determined by management).

Audit is of the view had the management made efforts to rent out the land, the Corporation could have earned rental income.

The matter was reported to management on 18th November 2020. The management replied that as per feasibility study conducted by M/s Gates Air USA, area of land at Multan was not enough to install 1000 KW Transmitter. Due to this, location of said project was changed from Multan to Rawat. Now, as per direction of the Audit, PBC will soon work out a viable plan to rent out / lease out the vacant space, along with old building, on 'as is where is' basis, through tendering process, in order to generate revenue for PBC. The DAC in its meeting held on 7th January 2021 directed to expedite the matter.

Audit recommends that the decisions of the DAC may be implemented under intimation to Audit.

Para-15 PBC, 2019-20

10.2.4.6 Loss on account of withholding of income tax by bank due to non-recognition of Provident Fund – Rs. 93.525 million

According to Clause 91(1) of Income Tax Rules, 2002, an application for recognition of a provident fund shall be made in writing by the employer maintaining the fund. As per Clause-05 of Part-I of the Sixth Schedule of Income Tax Ordinance, 2001, where the accumulated balance due to an employee participating in a recognized provident fund is included in his total income, the Commissioner shall calculate the total of the various sums of tax which would have been payable by the employee in respect of his total income for each of the years concerned if the fund had not been recognized as provident fund. According to Clause 47B (Part-II) of Income Tax Ordinance, 2001 regarding reduction in tax rates, the provision of sections 150, 151 and 233 shall not apply to any person making payment to National Investment Trust or a collective Investment Scheme or a Modaraba or Approved Pension Fund or an approved Income Payment Plan

or a REIT Scheme or Private Equity and Venture Capital Fund or a Recognized Provident Fund or an approved superannuation fund or an approved gratuity fund.

During audit of the Pakistan Broadcasting Corporation (PBC) for the year 2019-20, it was observed that the management maintained Provident Fund and invested the contribution of employees in National Saving Bank. During scrutiny, it was noted that the management failed to get recognized the Provident Fund from Commissioner, Inland Revenue in pursuance of above said rules. Due to this, the bank was at liberty to withhold the amount of Income Tax from Profit. The management made investment by purchasing saving certificates of 290 million (110 million + 180 million) which matured during 2019-20. The National Saving Bank credited the profit valuing Rs. 623.50 million on maturity of Saving Certificates and withheld an amount of Rs. 93.525 million on account of Income Tax @ 15% on profit due to which the employees proportionately suffered loss equivalent to total value of Income tax withheld by bank.

The matter was reported to management on 18th November 2020. The management replied that they are gathering and compiling required documents for FBR to process the case of recognition of Provident Fund. The case for recognition of G.P. Fund will be submitted to FBR shortly. The DAC in its meeting held on 7th January 2021 directed the management to take up the case with FBR for refund of money and also directed to distribute due share among employees.

Audit recommends that the decisions of the DAC may be implemented under intimation to Audit.

Para-16 PBC, 2019-20

10.2.4.7 Embezzlement in pension fund by transferring payments to irrelevant bank account – Rs. 51.749 million

As per clause 10 of GFR Vol-I, same vigilance should be exercised 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 Government revenues should not be utilized for the benefit of a particular person or section of the community.

During audit of the Pakistan Broadcasting Corporation (PBC) for the year 2019-20, it was observed that pension fund was established since 1985 for pension payment to PBC employees. The federal government was releasing payments for this purpose on yearly basis for onward payment to pensioners of PBC. It was observed that the management failed to conduct internal audit of the accounts of pension payments made to PBC's Pensioners since inception. Thus, due to weak internal controls, the employees deputed for pension payments were at liberty to act as per their own will. Accordingly, the employees manipulated the pensioner's data and succeeded to transfer the pension in the name of deceased pensioners by making changes in bank account from April, 2015 to May, 2020. In some cases, the pension payment was transferred by generating arrears in the name of pensioners to whom regularly pension payments were being made. All these payments were made by making changes in bank account to transfer the payments in their own bank account.

Resultantly, the employees managed the situation and succeeded to transfer fraudulent payment of Rs. 51,749,039 to irrelevant bank account from pension fund. The management imposed major penalty on two employees by terminating them from service besides forwarding the case to FIA. However, the said fraudulent payment was not recovered. The special audit of pension payments for at least 10 years also needs to be conducted through independent auditors.

Audit is of the view that the management should strengthen the internal audit as well as other necessary measures be taken for processing of pension payments.

The matter was reported to management on 18th November 2020. The management replied that criminal suit has been filed in the court of Law through FIA. Three culprits are on judicial remand. The case will be concluded in due course. Moreover, M/s Baker Tilly Mehmood Idress Qamar, Chartered Accountants have been hired to conduct Forensic Audit of PBC Pension Fund to dig out more facts. They have taken up their assignment on 3rd December 2020. The DAC in its meeting held on 7th January 2021 advised the management to pursue the case in the Court and FIA. Moreover, forensic audit report may be shared with Audit.

Audit recommends that the decisions of the DAC may be implemented under intimation to Audit.

Para-3 PBC, 2019-20

10.3 Pakistan Television Corporation Limited

10.3.1 Introduction

Pakistan Television Corporation Limited (PTVCL) was established as an un-quoted public limited company under Companies Act 1913 (Now Companies Act 2017) on Nov 26, 1964. All its shares are held by Government of Pakistan. There is no change in the pattern of shareholding of company since incorporation.

Aims & Objectives

The main purpose and objectives of the corporation are:

- i To provide television broadcasting services by telecasting programs of all kinds, news pictorials and documentaries, local and foreign films of all kinds and nature for the purpose of disseminating information, education and entertainment.
- ii To carry out instructions of the Government of Pakistan with regard to general pattern or policies of programs, announcements, news etc.
- iii To carry on the business of commercial advertisement by selling programs and advertising time of television stations either directly or through advertising agencies or by setting up advertising agencies or by other means.

10.3.2 Comments on Audited Accounts

10.3.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited annual accounts of the organization for the year 2019-20 till December 31, 2020

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

10.3.2.2 The working results of the Corporation for the year 2018-19 as compared to previous years are given below:

		2018-19	2017-18	2016-17
Revenue	Rs	11,163,321	9,221,454	10,160,610
Operating Expenses	Rs	(8,322,667)	(6,361,113)	(7,238,745)
Administrative Expenses	Rs	(2,636,613)	(3,094,615)	(3,568,035)
Finance Cost	Rs	(16,610)	(21,576)	(31,245)
Total Expenditure	Rs	(10,975,890)	(9,477,304)	(10,838,025)
Operating Profit/(Loss)	Rs	187,431	(255,850)	(677,415)
Other Operating Income / (Loss)	Rs	666,516	(195,731)	59,307
Profit / (Loss) Before Taxation	Rs	853,947	(451,581)	(618,108)
Taxation	Rs	372,368	(24,962)	(30,646)
Profit / (Loss) After Taxation	Rs	1,226,315	(476,543)	(648,754)
Non- Current Liabilities	Rs	14,011,057	14,227,682	13,753,513
Current Liabilities	Rs	6,078,939	4,525,566	4,558,144
Equity	Rs	2,939,404	1,866,751	2,500,671
Total Equity & Liabilities	Rs	23,029,400	20,619,999	20,812,328
Non-Current Assets	Rs	12,131,425	11,644,161	11,771,737
Current Assets	Rs	10,897,975	8,975,838	9,040,591
Total Assets	Rs	23,029,400	20,619,999	20,812,328
Profitability Ratios				
Return on Capital employed	%	42	-26	-26
Operating Profit	%	2	(3)	(7)
Profit/(Loss) Before Taxation	%	8	(5)	(6)
Net Profit/(Loss) to sales	%	11	(5)	(6)
Expense Ratios				
% of Operating Expenses	%	(75)	(69)	(71.24)
% of Admin Expenses	%	(24)	(34)	(35)
% of Finance Cost	%	(0.15)	(0.23)	(0.31)
Liquidity Ratios				
Current Ratio	Times	1.79	1.98	2.0
Quick Ratio	Times	0.051	0.062	0.077
Net Working Capital	Rs	4,819,036	4,450,272	4,482,447
Investment Ratios				
Earnings/(Loss) Per Share Basic	Rs	29	(11)	(15)
Earnings/ (Loss) Per Share Diluted	Rs	22	(9)	(12)
Activity Ratios				
Receivable Turnover	Times	2	2	4.08
Average Collection Period	Days	243.06	230.72	89
Capital Structure Ratios				
Debt to Total Asset	%	61	69	66

10.3.2.3 The Chartered Accountants issued a qualified opinion in their audit report for the year 2018-19 on the following basis which needs to be removed / resolved:

- i. The corporation has not prepared consolidated financial statements as required by Section 228 of Companies Act 2017, and by IAS-27 (consolidated & separated financial statements) and IFRS-3 (Business combination) of its subsidiaries. The factors of the failure to consolidate subsidiaries could not be determined.
- ii. The Corporation has retained the pension fund with itself and not invested in the fund name. The present value of defined benefit obligation as at year end amounts to Rs. 12,562.868 million against fair value of its plan assets of Rs. 52.433 million, which is in excess of Rs. 12,510.435 million and the accumulated loss of the Corporation amounted to Rs. 10,149.304 million (2018: Rs. 11,375.619 million) which casts significant doubt about the entity's ability to pay off the excess liability.

10.3.2.4 The current ratio for the Pakistan Television Corporation Limited is 1.79 for the year 2018-19 that is continuously decreasing for last 2 years. 1.74 is not good because a current ratio of 2:1 is considered safe.

10.3.2.5 Similarly Quick ratio for the Corporations is 0.051 for the year 2018-19 that is continuously decreasing for last many years. 0.051 is considered very low because the ideal liquidity ratio or the generally accepted 'norm' for liquidity ratio is '1'. Quick ratio evaluates the liquidity of a company by comparing its cash plus almost cash current assets with its entire current financial obligations.

10.3.2.6 Liquidity ratios of the Pakistan Television Corporation Limited are lower than the industry average or ideal ratios. It means the corporation has much lesser current assets to pay off current liabilities.

10.3.2.7 The average collection period is the average number of days required to collect receivable amounts from Debtors. Financial Ratio Analysis shows that Average collection period for the Pakistan Television Corporation Limited was 89 days for the year 2017 which increased up to 243 days in the year 2019. Huge increase in average collection period needs justification.

10.3.2.8 The debt to total asset ratio is a ratio that measures the amount of total assets that are financed by creditors. Generally a ratio of 40 percent or lower is considered a good debt ratio. A ratio above 60% is generally considered to be a

poor ratio.

10.3.2.9 Debt to equity ratio for the Pakistan Television Corporation Limited remained from 61% to 69% in last three years. It means company, having the major portion of the Assets is financed by Debt portion, seems that corporation is highly leveraged which may be putting themselves at risk of insolvency or bankruptcy.

10.3.2.10 Trade debtors of the corporation stood at Rs. 3,207.73 million as at June 30, 2019. These included a sum of Rs. 3,190.814 million receivable from advertisers and considered as unsecured. Party wise aging of trade debts and chances of its recovery need to be elaborated.

Furthermore, provision of Rs. 34.735 million made during the year 2019 needs justification.

10.3.2.11 Receivable on account of license fee increased to Rs. 4,226.143 million as at June 30, 2019 from Rs. 3,930.339 million as at June 30, 2018. Reasons for increase and chances of its recovery need to be elaborated. Breakup of the same along with their aging may also be explained along with supporting documents.

10.3.2.12 Long term loans included loan amounting to Rs. 48.5901 million given to PTV Foundation. The loans were interest free and terms of payment have not been decided. There was chance of impairment loss for the amount as decision to wind up foundation was made by the BoDs. The corporation has made provision for doubtful receivables of Rs. 40 million. The reasons for non-deciding the terms of repayment may be explained. Steps need to be taken for recovery of loan from foundation.

10.3.2.13 The management had made provisions on various heads of accounts without any reason/justification which needs to be explained:

(Rs. in millions)			
S. No.	Provision for	2018-19	2017-18
1	Provision for doubtful receivable (Loan to PTV Foundation)	40.00	40.00
4	Provision for recoverable tax	247.645	24.959
5	Provision for doubtful receivable (other receivables)	2.5	2.5
Total		290.145	67.459

The management is required immediate attention to curb the tendency of making such provisions despite the fact that the financial health of the Corporation is very weak. Effort needs to be made for an early recovery of the amount receivable.

10.3.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	%age of compliance
1989-90	09	08	1	478	89
1990-91	06	04	2	362,364	67
1991-92	07	06	1	312	86
1992-93	05	3	2	212,214	60
1994-95	05	02	3	223,225,228	40
1996-97	05	03	2	184,187	60
1997-98	09	05	4	121,122,123,124	56
1998-99	06	04	2	1.1.4,2.1.1(SAR-55)	67
1999-00	09	02	7	165,166,168,169, 170,172,173	22
2000-01	18	06	12	133, 134, 137, 170, (1.1, 1.1.1, 1.1.3, 1.1.2, 1.1.5, 1.1.6, 1.1 .7, 4.11)	33
2001-02	03	02	1	158	67
2002-03	09	05	04	166.1, 166.3, 166.4, 166.7	56
2003-04	08	06	02	126.2, 130	75
2004-05	03	01	02	79, 81	33
2005-06	12	10	2	154.2, 154.4	83
2006-07	21	10	11	121.8, 122, 124, 126, 127, 128, 129, 130, 133, 121.6, 123	48
2007-08	06	05	01	100 &100.1	83
2008-09	13	05	08	138, 139, 140, 141, 142, 143, 144, 145	38
2009-10	13	04	09	152, 153, 154, 155, 156, 157, 158, 159, 160	31
2010-11	23	17	06	12.3.2.5, 12.3.2.6, 12.3.2.7, 12.3.2.13, 12.3.4.5, 12.3.4.7	74
2013-14	19	0	19	9.2.1, 9.2.2.1, 9.2.2.2, 9.2.2.3, 9.2.2.4, 9.2.2.5, 9.2.3, 9.2.4.1, 9.2.4.2, 9.2.4.3, 9.2.4.4, 9.2.4.5, 9.2.4.6, 9.2.4.7, 9.2.4.8, 9.2.4.9, 9.2.4.10, 9.2.4.11, 9.2.4.12	-
201-16	35	07	28	9.1.1, 9.1.2.1, 9.1.2.2, 9.1.2.3, 9.1.2.4, 9.1.2.5, 9.1.2.6, 9.1.2.7, 9.1.2.8, 9.1.2.9, 9.1.2.10, 9.1.2.11, 9.1.3, 9.1.4.1, 9.1.4.2, 9.1.4.3, 9.1.4.4, 9.1.4.6, 9.1.4.8, 9.1.4.9, 9.1.4.10, 9.1.4.12, 9.1.4.16, 9.1.4.17, 9.1.4.18, 9.1.4.19, 9.1.4.21, 9.1.4.22	20
2016-17	10	0	10	8.2.4.2,8.2.4.8, 8.2.1 & 8.2.2, 8.2.3, 8.2.4.1, 8.2.4.3,	-

				8.2. 4.4, 8.2.4.5, 8.2.4.6, 8.2.4.7	
Total	254	115	139		45

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

10.3.4 Audit Paras

10.3.4.1 Irregular continuation of services having an open contract - Rs. 3,175.092 million

As per Establishment Division O.M. No.6/2/2000-R.3, dated 06.05.2000, Estacode Sl. No 141 (v) the contract appointment, where justified, may be made for a period of two years initially, on standard terms including termination clause of one month's notice or one month's pay in lieu thereof. Extension may be made on two yearly basis.

During audit of PTVCL Head office, for the year 2019-20 scrutiny of personal files revealed that management extended the services of employees without formal agreement of service in violation of above referred letter. Thus, retaining of center wise employees without services contract was in contradiction to Establishment Division's instructions. Therefore, payment of Rs. 3,159.955 million made on account of open contract was held irregular in audit.

Similarly, in another case professional employees were working under open contracts at different places.

Audit is of the view that the management extended undue favour to the employees in violation of the above instruction of the Establishment Division. Therefore, an amount of Rs. 3,175.092 million (Rs. 3,159.955 million + Rs. 15.137 million) was held irregular.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management explained that PTVCL is a public limited company having its own rules / regulations duly approved by Govt. of Pakistan. The said appointments on open contracts have been made according to those rules and regulations. The DAC directed the department to review the case and revised reply may be submitted to the PAO and shared with Audit.

Audit recommends compliance of DAC directives under intimation to audit.

Para-15 PTVC, 2019-20

10.3.4.2 Loss due to non-recovery of outstanding amount – Rs. 107.22 million

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

During scrutiny of record in PTV HQ Islamabad for the year 2019-20, it was observed from the sale report of different dramas that income generated from 11 programmes was Rs. 177.95 million out of which only Rs. 70.73 million i.e. 40% was recovered up to 30.10.2020 leaving balance of Rs. 107.22 million. Detail of is as under:

S. No.	Drama	Income earned (Rs)	Recovery (Rs)	Outstanding (Rs)
1	Abba	13,344,729	7,027,142	6,317,587
2	To Zindgi Hay	19,865,752	10,103,466	9,762,286
3	Suno Chanda	11,386,316	377,497	11,008,819
4	Yakin Ka Sofa	10,866,400	444,018	10,422,382
5	Alif Allah Aur Jugan	13,825,816	353,492	13,472,325
6	Dar Si Jati Hai Sila	6,874,600	63,609	6,810,991
7	Ishq Tamasha	7,500,377	44,281	7,456,096
8	Suno Chanda (2)	13,857,502	7,978,458	5,879,044
9	Angan	8,135,530	1,419,380	6,716,150
10	Bewaja	46,980,926	33,538,577	13,442,346
11	Janzeb	25,318,772	9,382,329	15,936,443
	Total	177,956,720	70,732,251	107,224,469

Audit is of the view that as per sale reports, a huge portion of the revenue was outstanding for more than 12 months from advertising agencies. Moreover, management did neither incorporated the penalty clause in agreements in case of delay in payments nor made the efforts for blacklisting these media houses. PTV might sustain a huge loss of Rs. 107.22 million in this regard.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management explained that major portion of the outstanding amount has been recovered and efforts are being made

to recover the remaining amount. The DAC directed to recover the amount and verify it from Audit.

Audit recommends compliance of DAC directives under intimation to audit.

Para-26 PTVC, 2019-20

10.3.4.3 Loss due to non-recovery from foreign debtors - Rs. 399.226 million

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

During audit of PTV for the year 2019-20, it was observed from the aging statement of receivables that management could not recover its receivables from foreign debtors for a period ranging from 10 to 20 years from different news agencies amounting to Rs. 399.226 million. Audit demanded the details of recovery cases, which was not provided. The summary of outstanding balances is as under:

(Rs. in million)			
Up to 5 years	Up to 10 years	More than 10 years	Total receivables
121.500	177.568	100.157	399.226

Audit is of the view that management did not pursue the case for recovery of corporation's outstanding balances. The relevant files were not shared with audit despite repeated requests. Hence, in the absence of individual case files of advertising agencies, Audit could not verify the status of the receivables amounting to Rs. 399.226 million.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management explained that out of 38 pointed out cases, 17 have already been settled and efforts are being made for remaining recovery. The DAC directed to follow up the case in the Court on regular basis and quarterly report may be submitted to the Ministry.

Audit recommends compliance of DAC directives.

Para-27 PTVC, 2019-20

10.3.4.4 Loss due to non-collection of TV license fee from electricity supply companies - Rs. 5,531.371 million

According to the Television Receiving Apparatus Rules 1970, the Government of Pakistan levied T.V. license fee on each and every T.V. set holder to pay monthly T.V. license fee @ Rs. 35 per domestic and Rs. 60 for commercial T.V. set. Under Agreement 2004, the fee has to be collected through monthly electricity bills.

During audit of PTVC (Headquarter) Islamabad for the year 2019-20, it was observed from JV No. 2020/86 dated 16.09.2019 that Pakistan Television Corporation Limited (PTVCL) could not recover the TV license fee till 30.11.2020 amounting to Rs. 5,531.371 million (Rs. 5,086,059,824 recoverable from M/s PEPCO and Rs. 445,311,121 from M/s K. Electric).

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management explained that due to continuous pursuance with PEPCO and K-Electric, receivables have been reduced from Rs. 5,531.371 million to Rs. 4,668.880 million and trying best to recover receivable from the Distribution Companies and K-Electric. The DAC directed to carry out reconciliation with the Electric Companies at Ministry's level.

Audit recommends compliance of DAC directives.

Para-28 PTVC, 2019-20

10.3.4.5 Blockade of funds due to non-completion of projects – Rs. 183.462 million

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

During audit of Pakistan Television Corporation Limited (PTVCL) for the year 2019-20, it was noticed that management awarded contracts of civil work of RBS located at different places. These PDWP projects were approved and started during the period 2003-04 to 2011-12 but due to different reasons none of the projects was completed within given time schedule. The management granted several extensions but no fruitful results were achieved. The detail of projects and expenditure incurred thereon is as under:

(Rs. in million)							
S. No.	Name of project	Name of contractor	Date of commencement	Date of completion	% of completion	Approved cost	Expenditure incurred
1.	RBS Ziarat	Aftab & Co.	01.06.2006	15.11.2008	37.42	16.729	30.667
2.	RBS Kotli Sattian	Nafcon Construction Co.	15.04.2009	30.09.2012	80.54	19.944	35.694
3.	RBS Pandu (AJK)	Saleem Construction Co.	05.09.2008	02.01.2009	39.68	6.009	2.384
4.	RBS Kharan	Mengal builder	20.12.2008	23.03.2010	25.104	23.070	24.461
5.	RBS Barkhan	M/s Z.S Pvt.	10.07.2009	10.10.2010	36.09	26.365	7.087
6.	RBS Pooran	Zainul Abdeen	15.01.2007	15.01.2008	87.85	22.854	24.544
7.	RBS Mian Chunnu	M/s Baz .M. Khan	15.11.2008	09.11.2009	80.12	30.663	45.990
8.	RBS Bagh	Zainul Abdeen	15.03.2005	14.06.2006	7.53	11.243	0.847
9.	RBS Rawalakot	M. Nabi & Brother	10.03.2005	10.06.2006	17.02	11.017	1.875
10.	RBS Kotli	M/s Shukat Khan	15.02.2007	15.05.2008	49.75	14.092	4.367
11.	RBS Mirpur	Rana construction Co.	15.02.2009	15.03.2011	34.36	12.710	2.773
12.	RBS Plandri	Sardar M. Shamim	15.06.2006	14.09.2007	22.02	12.594	2.773
Total:						207.29	183.462

Audit is of the view that civil works of the Corporation are not run with due regard to policy objectives and development targets of the company. The non-construction of RBS station is a serious inefficiency on the part of management which needs justification and corrective measures for its early completion. Moreover, the cost would also be escalated.

Thus, due to ill planned projects and mismanagement, funds of the Corporation amounting to Rs. 183.462 million remained blocked un-necessarily.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management explained that projects were delayed due to some unavoidable circumstances such as court cases, law and order situation, dispute in billing, land disputes and late approval of revised PC-I. The DAC directed the department to explain the position before PAC.

Audit recommends compliance of DAC directives.

Para-36 PTVC, 2019-20

10.3.4.6 Loss due to foreign exchange adjustment – Rs. 157.517 million

As per clause 12 (3) of Corporate Governance Rule 2017 that the Board shall concern itself with policy formulation and oversight and not the approval of individual transactions except which are of an extraordinary nature or involve materially large amount.

During audit of PTV (Headquarter) Islamabad for the year 2019-20, it was observed that management entered into agreements and MOUs with sports broadcasting rights holders. Scrutiny of record revealed that initially syndicate committee comprising DMD, Director Finance, Director Sports and Chief Commercial Officer is primarily responsible for negotiation and acquisition of all sports broadcasting rights. The CCO Karachi assesses the market potential of media rights at the time of acquisition then deal is locked for as a result of negotiated bidding.

During audit of PTV for the year 2019-20, it was observed that management paid its liability on account of sports media rights to different sports vendors /parties. Whereas, as per review of partial information provided by the Sports department, these events were telecasted as per schedule dates. Resultantly, due to delayed payment to Right holders of sports vendors / parties, the Corporation sustained foreign exchange adjustment loss of Rs. 157.517 million.

Audit demanded to provide event wise revenue generated and schedule of payments which were not provided. These events were telecasted on PTV Sports Channel. Recoveries from the advertising agencies were deliberately delayed to

extend undue favour to the advertising agencies. These rights were acquired without proper market assessment. Thus, due to delay in payments of rights, the corporation had to sustain a loss of Rs. 157.517 million.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management explained that the foreign exchange adjustment was made due to fluctuation in Foreign Exchange Rates. The DAC directed to conduct a regular facts finding inquiry at ministry's level and report may be shared with Audit.

Audit recommends compliance of DAC directives.

Para-41 PTVC, 2019-20

10.3.4.7 Loss due to excess deduction of service charges on collection of TV License Fee by K-Electric - Rs. 438.689 million

As per Ministry of Water and Power letter dated 16.05.2016 "service fee collected by electric distribution companies on collection of TV License Fee from electricity bill is reduced to Rs. 01 from Rs. 05 per paid bill from 01.04.2016".

During Audit of PTVC CSO Karachi for the year 2019-20, it was observed that Ministry of Water and Power vide its letter dated 16.05.2016, directed the Electric Distribution Companies that service fee collected by electric distribution companies on collection of TV License Fee from electricity bill is reduced to Rs. 01 from Rs. 05 per paid bill from 01.04.2016. In addition to Ministry, NEPRA (Regulator) also issued instructions to K-Electric through their letter dated 28.08.2020 to comply the Ministry letter dated 16.05.2016. Contrary to this, K-Electric Company is still deducting service charges @ Rs. 05 per paid bill instead of Rs. 01. Resultantly K-Electric deducted excess service charges of Rs. 438.689 million as detailed below:

S. No.	Particulars	
1	Period	Apr 2016 to Oct 2020 (Rs)
2	Total Consumers paid bills	109,672,299
3	Service charges required to be deducted @ Rs. 01 per paid bill	109,672,299
4	Service charges deducted by K-Electric @ Rs. 05 per paid bill	548,361,495
5=4-3	Excess deduction by K-Electric	438,689,196

Audit is of the view that due to poor administrative and financial management, PTVC sustained loss of Rs. 438.689 million.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management explained that they contacted K-Electric authorities to come-up for a new agreement which will cover all these features including the reduction of service fee, so that such a situation can be avoided in future. The DAC directed the department to explain the position before PAC.

Audit recommends compliance of DAC directives.

Para-55 PTVC, 2019-20

10.3.4.8 Less recovery from actual consumers of K-Electric – Rs. 1,102.114 million

Corporate Governance Rules 2013 (5) state that the Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty and relationship with the stakeholders.

As per Ministry of Water and Power letter dated 16.05.2016 “service fee collected by electric distribution companies on collection of TV License Fee from electricity bill is reduced to Rs. 01 from Rs. 05 per paid bill from 01.04.2016”.

During audit of PTVC CSO Karachi for the year 2019-20, it was observed that K-Electric billed Rs. 35 to every domestic consumer as TV Set fee and Rs. 60 to commercial consumers and in lieu of that K Electric charged Rs. 5 per TV set as service charges. K-Electric sent every month a summary of TV license fee deducted from the domestic and commercial consumers, which was accepted by the PTVC without any reconciliation or any evidence of authentic data. Audit

observed while comparing the total numbers of consumers to whom TV license fee received with total numbers of consumers as per financial statements of K-Electric that Rs. 1,102.114 million was less received by the PTVC from the K-Electric during 04/2016 to 10/2020.

Audit is of the view that due to non-reconciliation of exact number of consumers with K-Electric, PTVC sustained loss to the tune of Rs. 1,102.114 million which is increasing with the passage of time.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management intimated that TV Fee is being collected and remitted by K-Electric on monthly basis as per agreement executed between PTV and K-Electric. They provided a computerized “summery (data) of TV License Fee” regarding consumer number and TV fee billed / collected as per agreement. The DAC directed the department to explain the position before PAC.

Audit recommends compliance of DAC directives.

Para-56 PTVC, 2019-20

10.3.4.9 Poor performance of PTV Production and Sales department resultantly non-utilization of air time for Commercials - Rs. 21,585.633 million

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

During audit of PTV Center and Sales Office Karachi and for the year 2019-20, it was observed that PTVC is operating five channels with different names. As per approved tariff Rs. 4,542.243 million could be earned through commercials by channel (**Annex-54**), and total Revenue of Rs. 22,711.213 million. These channels could earn only Rs. 1,125.58 million. Resultantly, PTVC was deprived of the revenue of Rs. 21,585.633 million. The main reason for not

attracting the commercial business is non-production of any drama serial during the year and repeat telecast of old drama serials.

Audit is of the view that had the management produced new dramas and quality programs, its revenue from commercials as well as utilization of idle staff could also have increased.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management intimated that programmes including drama serials are allocated from PTV-Headquarters. Without the allocation from PTV-Headquarters, Centers cannot produce any programme including drama series/serials at their own. Further, sales department always tried its best to boost up sales revenue with hectic efforts for which they have surpassed various targets / events in previous years and they are committed to meet revenue targets as given by Headquarters Islamabad. The non-utilization of airtime is due to the fact that the current ROI for investing on PTV are far below as compared to private channels. DAC directed the department to explain the position before PAC.

Audit recommends compliance of DAC directives.

Para-63 PTVC, 2019-20

10.3.4.10 i. Non-transparent acquisition of sports media rights - Rs. 2,346.922 million

ii. Loss due to non-generation of income against procurement of media rights -Rs. 210.265 million

As per Rule 4 of Public Procurements Rules, 2004, Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. As per provision to Rule 42 (d) of Public Procurements Rules, 2004, any procuring agency desirous of using negotiated tendering as a method of procurement shall record its reasons and justifications in writing for resorting to negotiated tendering and shall place the same on record.

The BoD of PTVCL approved procedure for the Syndication/Acquisition of sports rights on Nov 16, 2012. As per the procedure, a five member Price

Negotiating Committee was formed to negotiate the price with right holders. As negotiations are primarily conducted via telephone, at least 3 members of the Committee are required to be present during the negotiation process on speaker phone/conference call and the final negotiated price is submitted to the managing director for approval.

During audit of PTVCL for the year 2019-20, it was observed that the Corporation acquired sports rights. The scrutiny of record relating to the acquisition of sports rights revealed that:

- i. Management did not record reasons and justifications in writing for resorting to negotiated tendering.
- ii. Negotiations were primarily held via email and telephone. However, email record of instances was not given as evidence for the above mentioned query. It was noticed with great concern that either there was no mechanism to maintain the record of the negotiation process or selective record was shared with the audit.
- iii. There was no minutes/record of speaker phone/conference call conversation at the negotiation process to ensure whether at least 3 members of the Price Negotiation Committee were present during the negotiation process.
- iv. There was no written policy for calculating the value of sports media rights and it was not clear as to what factors were considered by the management as the basis for calculating the value of the sports rights.
- v. As per procedure approved by the Board of Directors for procurement of sports rights as properties procedure at S. No. iii. Vide letter dated 25.02.2015 “that commercial viability and sale revenue potential of the subject event be obtained from the chief commercial officer in writing”. Whereas, the CCO, and Director Sports could not provide the breakup of income earned from the events procured for Rs. 210.265 million. However, audit calculated the figure of loss on the basis of event wise partial information provided.
- vi. The final negotiated price shared with Director Marketing, Chief Marketing Officer, Head of Sales input and then submitted to the managing director for approval, with cost benefit analysis (CBA) along with transmission costs of event telecasted were not shared with audit despite written and verbal requests.
- vii. Private email addresses were used for conducting negotiation which was against the official norms.

- viii. Audit also demanded telecast / transmission reports of the matches to verify the number of actual matches telecasted but the same were not provided.

Audit is of the view that the procedure for acquisition of sports media rights was not transparent and not in line with rules of PPRA 2004. The PTVCL did not develop a well-defined and detailed mechanism to procure sports media rights to ensure value for money. Thus, in the absence of mechanism the procurement was considered as non-transparent to the extent of rights acquisition of Rs. 2,346.922 million and loss on account of non-confirmation of event wise income generated of rights acquired Rs. 210.265 million at the time of audit.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management stated that the international cricket rights (global) and other sporting events are generally held exclusively with one international broadcaster. Therefore, tendering is not a prerequisite. Negotiations are done on the pricing and they are primarily conducted on telephone in the presence of at least three members of the negotiation committee. Further, events other than Cricket involving Pakistan are not revenue generating events but screen fillers. PTV is not only a Cricket Channel but Sports Channel; therefore other sports events even if they do not generate revenue have to be acquired. DAC directed to provide a revised reply in detail along with supporting documents.

Audit recommends compliance of DAC directives.

Para-31 PTVC, 2019-20

10.3.4.11 Irregular procurement of programs in violation of PPRA Rules, 2004 and PTV Policy - Rs. 71.750 million

In terms of Chapter 5 clause 5.32 (b)(i) of Purchase Procedure & Stores Control Manual of PTVCL, the purchase procedure & function of concept /idea Evaluation committee will publicize on quarterly basis, PTVCL policy of purchasing concept/ideas from open market and invite private sector Writers, Directors and Producers to submit their Concept/Ideas/Proposals. The Publicity will be made in at least two National dailies one in English and other in Urdu having wide circulation. In addition, the requirement shall also be posted at website of PTVCL and Public Procurement Regulatory Authority website.

As per Rule 12 (2) of Public Procurements Rules, 2004, “All procurement opportunities over two million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu”.

During audit of PTVCL for the year 2019-20, scrutiny of different programs files revealed that the management purchased different category wise programs i.e. sitcom and dramas from private production houses for its own TV channels. Although, the programs were procured, after assessment of program previewing committee and price negotiation committee but management acquired programs amounting to Rs. 71.850 million without following the PPRA procedure.

Audit is of the view that the management was required to follow the procedure for acquiring of programmes but it failed to do so which resulted in irregular procurement of programmes.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management stated that PTV Policy clause 5.32 (b) (i) referred in the para is for Concept/Ideas Evaluation Committee (CIEC) who is responsible for evaluating Concepts / Ideas / Proposals only. The mentioned programs were purchased under the clause 5.32 (c) which says the committee (PPC or PEC) will be responsible for previewing any sort of programme received for evaluation according to PTV Censor Policy / guidelines. Contents, star / market value and quality of production will be the main focus of appraisal. Reply was not convincing and DAC directed the department to explain the position before PAC.

Audit recommends compliance of DAC directives.

Para-17 PTVC, 2019-20

10.3.4.12 Appointment under political influence – Rs. 10.965 million

As per Supreme Court of Pakistan orders dated December 26, 1992, the practice adopted by the Federal Government, Provincial Governments, Statutory Bodies and the Public Authorities for making initial recruitments, both ad-hoc and regular to posts and offices without publicity and properly advertising the

vacancies and at times by converting ad-hoc appointments into regular appointments is prima facie violation of Fundamental Rights (Article-18 of the Constitution) guaranteeing to every citizen freedom of profession. The Supreme Court of Pakistan ordered that the violation of Fundamental/ Human Rights should be discontinued forthwith. Further, as per instructions/ directives of the Federal and Provincial Government issued from time to time the appointments should be made only after wide publicity / advertising the vacancies.

During audit of PTVC (Headquarter) Islamabad for the year 2019-20, it was observed from the personal file of Mr. Ali Naseer Ahmad that he was recommended by the President's Secretariat Awan e Sadar, Islamabad on 27.05.2015 in PTV, Islamabad for employment as per rules and government policies. Resultantly the then Managing Director regularized his appointment by constituting Interview Selection Board recommendation on 08.04.2016, Contract appointment letter was issued to the Mr. Ali Naseer Ahmad @ Rs. 170,000 p.m. w.e.f. 11.04.2016 for the period of one year. He was awarded fixation of pay in professional pay scale-I and his salary was enhanced and fixed at Rs. 183,400 with effect from 20.09.2016. The detail of his pay and allowances is as under:

(Rs. in millions)			
Period of Contract	Pay package	Period served	Amount
08.04.2016	170,000	170,000*5 months	0.850
20.09.2016	183,400	183,400*21 months	3.851
01.07.2018	216,000	216,000*29 months	6.264
		Total Rs	10.965

As the appointment was made in violation of the directives of Supreme Court, therefore the appointment and payment on account of his pay and allowances of Rs. 10.965 million was considered irregular.

Audit is of the view that appointment was made without advertising the post in violation of directives of the Supreme Court of Pakistan. He was awarded increment within one year contract hence, held irregular.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management stated that in the year-2015, in response to advertisement dated 14.03.2015, Mr. Ali Naseer Ahmad applied for a position. However, his request for re-instatement was also received through President's Secretariat (Public) vide its letter dated 27.05.2015. Further,

being an ex-employee of the Corporation, he was well versed with the organization culture and media industry with excellent service record, the then Controller News, PTV-World vide her note dated 07.04.2016 recommended to hire his services in order to improve the content/screen quality of programmes, the case was processed in the light of PTV service rules and recruitment procedure. The reply was not convincing and DAC directed to conduct a facts finding inquiry and share report with audit.

Audit recommends compliance of DAC directives.

Para-37 PTVC, 2019-20

10.3.4.13 Wasteful expenditure due to idle working hours on account of 37 Producers - Rs. 35.811 million

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

During audit of the Pakistan Television Corporation Limited (Lahore & Karachi Center) for the year 2019-20, it was observed that 30 No. producers of Program department were working at Lahore Centre. These employees were appointed for production of programs, however, audit observed that there was fewer production activities in Lahore Centre. During review of "Time Produced Statements" provided by Program department, it was noted that the production department just worked for 21,075 minutes during 2019-20 which proved that per day average production activities were just 58 minutes (21,075 minutes/365 days). This scenario proves that the said production activities could be managed by only one producer. During discussion, the management contended that the services of other producers were utilized for pre-production activities. The contention was not tenable as the producer who works for one hour on average on production activities, the remaining time of the day of the same producer could be utilized for pre-production activities.

Further, the Studios utilization record also revealed that Studios were hardly utilized for one hour per day during 2019-20 which also proved that production activities were meager. The production work load could be managed by one producer due to which 29 Nos. producers out of 30 Nos. producers were lying idle. Resultantly, the annual payment of Rs. 27,840,000 (Rs. 80,000 per month average salary x 29 No. Producers x 12 months) made to 29 Nos. Producers on account of salary was burden on Corporation's exchequer.

Audit further observed that 08 out of 12 producers remained idle in Karachi center and failed to produce a single program / idea during the year. Resultantly Rs. 7,970, 928 were paid to them on account of salary. Detail is as under:

S. No.	Name of Producer	Per month Pay (Rs)	Annual Pay (Rs)
1	Aftab Kareem Baloch	116,732	1,400,784
2	Mrs. Aliya Ahmed	78,204	938,448
3	Sobia Kaleem	98,668	1,184,016
4	Khurram Aziz Khan	105,975	1,271,700
5	Ms. Mehreen Tasleem	83,523	1,002,276
6	Syed Hussan Rizvi	65,849	790,188
7	Syed Bilal Naqvi	43,288	519,456
8	Shahid Niaz	72,005	864,060
Total amount in Rupees		664,244	7,970,928

Audit is of the view that management was required to review the requirement of producers but the same was not done resulting in annual wasteful expenditure of Rs. 35.811 million.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management stated that all network programmes are allocated from PTV-HQ, Islamabad. The allocation of Regional Language programmes is made at Centre level. For delivering the final/finished product, producers perform various functions such as pre-production, production and post-production. These phases are, as a matter of fact, very demanding and time taking. In a nut shell, all producers play a pivotal and active role in production process. After detailed discussion, DAC directed to submit a detailed report of idle hours to the PAO.

Audit recommends compliance of DAC directives.

Para-58 PTVC, 2019-20

10.3.4.14 Loss due to procurement of dramas at higher rates - Rs. 18.88 million

As per PTVC Purchase Procedure clause-5.32 (b) (i) provide procedure for purchase of privately produced programmes that “The Committee will publicize on quarterly basis, PTVC’s policy of purchasing concept/ideas from open market and invite private sector writers, directors and producers to submit their concept/ideas/proposals. The publicity will be made in at least two National dailies one in English and other in Urdu having wide circulation. In addition, the requirement shall also be posted at website of PTV and Public Procurement Regulatory Authority website”.

During audit of PTVC HQ Islamabad for the year 2019-20, it was observed that PTVC management procured different dramas from private production houses, after approval and recommendation of Programme Evaluation Committee and Programme Negotiation Committee. Further, sale report of the dramas revealed that the subject dramas could not earn the revenue even equal to the procurement price and remained in loss in its first run. This shows the poor evaluation and doubtful negotiation of concerned committees. Detail of which is as under:

S. No.	Name of Programme	Total value (Rs)	Total Income (Rs)	Loss (Rs)
1	Tu Zindgi Hai	34,000,000	19,865,752	14,124,248
2	ABB A	18,096,000	13,344,729	4,751,271
	Total			18,885,519

Audit is of the view that PTVC management procured B-class dramas at higher rates due to which PTVC sustained loss of Rs. 18,885,519.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management stated that the mentioned programmes were purchased under the clause 5.32 (c) which says the committee (PPC or PEC) will be responsible for previewing any sort of programme received for evaluation according to PTV Censor Policy/guidelines. Contents, star/market value and quality of production will be the main focus of appraisal. The committees evaluate the programmes on the basis of assessments built on various factors such as script, direction, cast, performances, cost and market potential of any programme. They make judgments to the best of their knowledge and expertise of the field. However, the committee can neither

guarantee any fixed income nor there is any fixed formula of a successful project specifically in the field of visual arts and this is a known fact worldwide. Keeping in view the facts, DAC directed the department to explain the position before PAC.

Audit recommends compliance of DAC directives.

Para-21 PTVC, 2019-20

10.3.4.15 i. Irregular retention of staff over & above the sanctioned strength and payment on account of pay & allowances – Rs. 61.342 million

ii. Irregular payment of pay & allowances without concurrence of pay scale from Finance Division - Rs. 825.350 million

According to the Finance Division OM No. F.1 (1) Imp/94 dated Jun 26, 1999, the revision of pay structure of salaries, allowances and perquisites of the supervisory and executive staff of Public Sector Corporations, Autonomous / Semi-Autonomous Bodies may be carried out by the respective BoD / BOGs. Such revision should invariably be tagged with the financial position of the respective organization. Clearance from the Finance Division would however, be necessary to ensure a rational basis and a degree of uniformity in such revisions. No corporation will announce the revision of salary/allowances, structure without prior approval of the competent authority.

PTV is a Public Limited Company, wholly owned by Govt. of Pakistan, engaged in carrying the business of commercial advertisement by selling programmes and advertising time of television stations either directly or through advertising agencies. The Corporation has a sanctioned strength of its employees duly approved by the competent authority.

The HR record showed that in PTV the management retained a number of officers/officials beyond sanctioned strength of the Company, which ultimately resulted in increase of overhead charges of the Company. The retention of officials over & above the approved sanctioned strength of the Corporation showed poor managerial control in the organization which resulted in extra expenditure of Rs. 61.342 million (Head Office Rs. 20.520 + Lahore Rs. 32.054 & Karachi Rs. 8.282 million) on account of pay & allowances of officers retained beyond sanctioned strength from July, 2019 to June, 2020. The detail of officers,

retained beyond sanctioned strength and expenditure there against is given hereunder:

S. #	Group	Center	Sanctioned strength	Available strength	Surplus	Monetary affect (Rs) Average pay
01	Group-9	Academy	03	04	01	47,430*12 =569,160
02	Group-7	Karachi	30	35	05	34,900*12*5 =2,094,000
02	Group-7	PTV Home	28	37	09	34,900*12*9 =3,769,200
03	Group-6	PTV News Islamabad	94	110	16	25,686*12*16=4,931,712
04	Group-6	CSO Karachi	12	15	03	25,686*12*3=924,696
05	Group-6	Academy	3	17	14	25,686*12*14=4,315,248
06	Group-5	-do-	12	19	07	22,405*12*7=1,882,020
07	Group-4	-do-	8	09	01	16,780*12 =201,360
08	Group-1A	PTV HQ	0	07	07	9,550*12*7=802,200
09	Group-1A	PTV News Islamabad	37	46	09	9,550*12*9=1,031,400
		Total	227	299	72	20,520,696

Similarly, field audit teams observed following discrepancies of the information provided at head office and actual field visits in CSO Karachi and Lahore Centre offices following staff position was observed:

Designation at CSO Karachi	Sanctioned Strength	Actual Strength	Excess Strength	Per Month Salary (Rs)	Annual Salary (Rs)
1	2	3	4	5	6 (4x5x12)
Chief Camera man G-8	01	02	01	191,199	2,294,388
Senior Purchase Officer (G-08)	0	01	01	0	0
	Jan 2017	June 2017	6 months	126,090	756,540
	July 17	June 18	12	128,950	1,547,400
	July 18	June 19	12	150,636	1,807,632
	July 19	June 20	12	156,359	1,876,308
Total					8,282,268

Designation at Lahore Centre	Sanctioned Strength	Actual Strength	Excess Strength	Per Month Salary (Rs)	Annual Salary (Rs)
1	2	3	4	5	6 (4x5x12)
Camera Facilities Department, Lahore					
Lights man(G-05)	15	17	2	65,000	1,560,000
News Department, Lahore					
News Producer/Reporter (G-05)	9	25	16	65,000	12,480,000
Programs Department, Lahore					
Program Producer (G-09)	0	1	1	175,000	2,100,000
Program Producer (G-08)	2	3	1	147,539	1,770,468
Chief Makeup Artist (G-07)	1	2	1	123,630	1,483,560
Producer Programs(G-07)	3	10	7	105,000	8,820,000
Sr. Makeup Artist (G-06)	1	2	1	80,000	960,000
Revenue Department, Lahore					
Recovery Officer (G-06)	0	2	2	80,000	1,920,000
Revenue Officer (G-06)	0	1	1	80,000	960,000
Total					32,054,028

The Corporation is running its business on commercial lines, thus, the management was required to control the overhead expenditure by keeping the manpower within sanctioned strength. The retention of employees over & above the sanctioned strength was held irregular which caused irregular expenditure to the tune of Rs. 61.342 million based on initial pay scale at head office level and at actual from Centers. Further, the pay/packages allowed to the employees of different cadres i.e. Managing Directors, Directors and officers/officials ranging from Group-1 to Group-9 was approved by the Board of Directors w.e.f. 01.07.2015 without vetting from Finance Division. The management paid an amount of Rs. 825.350 million on account of pay and allowances to the officers and staff from July 2019 to June 2020.

Audit is of the view that these employees were posted in excess of sanctioned strength just to accommodate them at local station due to which the utilization of their services and payment of annual salary valuing Rs. 32,054,028 was held irregular. The pay and allowances were required to be allowed to the officers and staff with due concurrence of the Finance Division in the light of approvals from the BoD as well as the Administrative Ministry concurrence / approval of Finance Division as required under the rules was however not obtained. Thus pay / packages allowed by the management are held irregular.

The matter was reported to the management on 17th December 2020. In DAC meeting held on 7th January 2021, the management stated that the PTV has never ever appointed employees over and above the sanctioned strength at any Centre/Unit. As far as concurrence of Finance Division regarding pay scales is concerned, it is to inform that PTV is Public Limited Company registered under the companies Act 2017. Its affairs are managed through a Board of Directors duly nominated by the Federal Government which is competent authority. The Additional Secretary (Budget) Ministry of Finance suggested to send a reference to Ministry of Finance in this regard which will be considered favorably in line with the pay & allowance of unionized staff. Since then they are writing to Ministry of Finance but concurrence is still awaited. DAC directed to provide a revised reply in detail along with supporting documents. Sanctioned and available strength designation wise may be provided to audit.

Audit recommends compliance of DAC directives.

Para-33 PTVC, 2019-20

10.4 Shalimar Recording and Broadcasting Company Limited

10.4.1 Introduction

Shalimar Recording and Broadcasting Company Limited (SRBC) is an unlisted public limited Company, incorporated in Pakistan on December 18, 1974. The Company commenced its commercial business on July 01, 1976. In 1989 it created a wholly owned Peoples Television Network (Pvt.) Limited which was later on amalgamated with SRBC with the new name of “STN” now called ATV. Currently it is a recording and broadcasting company with 20 ATV stations in the urban centers of Pakistan.

Corporate Information

Government of Pakistan holds 92.81% shares of the Company through Pakistan Television Corporation Limited (70.95%), Pakistan Broadcasting Corporation (19.67%) and Pakistan National Council of Arts (2.19%). The Company is engaged in operating, telecasting and broadcasting facilities. The registered office of the Company is situated at 36, H/9 Islamabad. The Company is under the administrative control of Ministry of Information and Broadcasting, Government of Pakistan.

10.4.2 Comments on Audited Accounts

10.4.2.1 According to the Section 233 of the Companies Ordinance 1984, the company should finalize its annual accounts within four months after closing the date of accounts for the specific year. Contrary to the above the management did not provide audited accounts of the Company for the year 2017-18 to 2019-20 till December 31, 2020.

Audit requires providing the accounts and ensuring its timely submission in future besides fixing responsibility.

10.4.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2015-16	08	01	07	9.2.2.1, 9.2.2.2, 9.2.2.3, 9.2.2.4, 9.2.2.5, 9.2.2.6, 9.2.2.7	13
Total	08	01	07		13

10.4.4 Audit Paras

10.4.4.1 Loss due to non-recovery of airtime rent from the defaulter firm / party - Rs. 276.40 million

As per clause 7.1, 7.2, 7.3 and 7.4 of the airtime agreement executed between SRBC and SSI:

7.1: Monthly airtime charges shall become due for payment to SRBC at the end of the following month which shall be transferred by SSI into the bank account of SRBC.

7.2: SSI shall furnish a bank guarantee to SRBC securing the amount of 60 days airtime charges. Failure on part of SSI to furnish the stipulated Bank Guarantee within three months of the date of the agreement; SRBC may exercise its right to invoke clause 16 (ii) of the agreement.

7.3: If the monthly airtime charges are not received on the due date, SRBC shall recover the same by issuing a notice to the bank to encash the Bank Guarantee to the tune of defaulted amount.

7.4: In case SRBC recovers the amount by encashing the bank guarantee, SSI shall furnish a fresh bank guarantee to SRBC securing airtime charges for 60 days within 7 days of such encashment. Failure on part of SSI to furnish the fresh bank guarantee to SRBC securing airtime charges of 60 days; SRBC may exercise its right to invoke clause 16 (ii) of the agreement.

During the audit of SRBC Islamabad for the years 2015-19, it was observed that SRBC's management rented out airtime to M/s SSI through agreement dated 2nd May, 2005 for a period of three years up to 1st May, 2008. The agreement was extended up to 31st August 2018 through addendums dated 09th May, 2007, 12th September, 2014 and 7th September, 2017. Moreover, SRBC's management and the party also failed to comply with clause 7.1, 7.2, 7.3 and 7.4. Resultantly, amount of Rs. 276.40 million was outstanding on account of airtime rent, electricity charges, space rent and monthly repair since last extension of the agreement. Due to non-payment of installments by the defaulter party, the agreement was terminated vide letter No. S-52/761 dated 30th May, 2018.

Despite the non-recovery of airtime rent and other charges on monthly basis, the SRBC management did not take any action against the defaulter party for blacklisting directed by the board. As a result, SRBC had to sustain loss of Rs. 276.40 million.

The matter was reported to the management on 31st August 2020. In DAC meeting held on 7th January 2021, the management explained that the MoIB filed a complaint with NAB against the firm. However, NAB authorities could not proceed against the firm because the matter is sub-judice in Islamabad High Court. DAC recommended a fact finding inquiry into the matter and report may be shared with audit.

Audit recommends compliance of DAC directives.

Para-2 SRBC, 2015-19

10.4.4.2 Irregular award of airtime contract by violating PPRA rules - Rs. 429.276 million

As per clause 42 (iii) of PPRA-2004, the contract shall not exceed three years in duration. Furthermore, as per clause 5 (k) of the airtime agreement dated 2nd May 2005, SRBC will advertise inviting the bids for Air Time three months before expiry of this agreement. M/s SSI shall have the right to match the highest bid when tenders are invited by SRBC for allocation of Air Time of Shalimar TV channel, provided that SSI is not in default of any of its financial obligations to SRBC under the agreement.

During the Audit of SRBC Islamabad for the years 2015-19, it was observed that Airtime agreement valuing Rs. 251 million with 5% annual increase was made with M/s SSI (Pvt.) Ltd. on May 02, 2005 for a period of 03 years i.e. up to May 01, 2008. The agreement was extended up to August 31, 2018 through addendums and memorandum. Last extension was made on September 07, 2017 for a period of one year i.e. August 31, 2018 valuing Rs. 429.276 million at the rate of Rs. 35.773 million per month despite the fact that he defaulted in payments of due installment against previous agreement. Due to non-compliance of contractual obligations and default in due installment from M/s SSI, the agreement was terminated on May 30, 2018 by SRBC management.

As per rules, agreement was required to be made for a period of 03 years (maximum) and to be re-advertised for competitive bidding. But in this case airtime agreement was enforced beyond 03 years which shows the violation of PPRA Rules 2004. The award of Airtime contract / agreement for a period of more than 03 years was in violation of laid down procedures/rules and held irregular by audit.

The matter was reported to the management on 31st August 2020. In DAC meeting held on 7th January 2021, the management explained that in terms of PAC Report adopted on 15.05.2014, the Public Sector Companies (PSC's) and their BODs have the power to take decisions without requirement of taking Government approval. Audit considered the reply non-convincing and DAC recommended to probe the matter and Fact Finding Committee be constituted at Ministry level and responsibility may be fixed.

Audit recommends compliance of DAC directives.

Para-3 SRBC, 2015-19

10.4.4.3 Loss due to ignoring the highest offer - Rs. 170.72 million

According to article 4 of PPRA rules "Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical."

During the Audit of SRBC Islamabad for the years 2015-19, it was observed that Airtime agreement was made on 2nd May, 2005 with M/s SSI and expired on 31st, August, 2017 vide addendum dated 12th September, 2014. Audit, however, observed from the record that instead of calling the competitive rates through press, SRBC management extended the contract for another period of one year i.e. 1st September, 2017 to 31st August, 2018 @ Rs. 35.773 million per month addendum dated 7th September, 2017 despite they were defaulter of rent of Rs. 4.098 million pertaining to October, 2016. A financial and technical proposal to purchase the airtime of ATV was submitted by M/s JK Media Group (Pvt.) Ltd. of Rs. 50 million per month for a period of five years vide their letter dated on 28th July, 2017. The Ministry as well as SRBC management did not consider this proposal and agreement was extended for another period of one year w.e.f.

01.09.2017 to 31.08.2018 with M/s SSI @ 35.773 million per month by ignoring the PPRA Rules and safe guarding the interest of SRBC. Further M/s SSI, subsequently failed to pay any rent as per agreement and lastly terminated on 30th May, 2018 vide letter No. S-52/761.

Thus due to violation of PPRA Rules 2004 and ignoring the best offer, SRBC sustained a loss of Rs. 170.724 million ($50 - 35.773 = 14.227 \times 12$) on this account.

The matter was reported to the management on 31st August 2020. In DAC meeting held on 7th January 2021, the management explained that under section 183 of the Companies Act, 2017 the Board is competent to take decisions and therefore the Board of Directors in its 201st meeting decided to renew the Airtime Sales Agreement in the best interest of the company. The reply of the management is not convincing and therefore DAC directed the management to explain its position before PAC.

Audit recommends compliance of DAC directives.

Para-17 SRBC, 2015-19

10.4.4.4 Loss due to release of bank guarantee of the defaulter firm - Rs. 23.151 million

As per article 13 of the agreement, “the agreement may be terminated by SRBC after the service of a prior written notice of 15 days”

During the Audit of SRBC Islamabad for the years 2015-19, it was observed from the record that airtime of FM 94.6 Radio was rented out to M/s Sardar Media (Pvt.) Ltd. through an agreement on November 30th, 2018 for a period of 5 years. As per agreement, the firm had to pay Rs. 92.6 million per annum @ Rs. 7.717 million per month. Moreover, the party had to increase prevailing airtime charges every year @ of 8%. SRBC obtained a Bank Guarantee of Rs. 23.151 million, which equals to three months airtime charges from the party. On the request of the party, 8% annual increase was waived off for a period of 3 years. The party again approached that due to shrinking market, monthly rent should be reduced by 40% vide their letter dated 8th July, 2019. However, this request was not considered by SRBC’s management. In response, M/s SML served a termination notice to SRBC on 22nd August, 2019. The party

also requested to release the Bank Guarantee on 23rd September, 2019. The matter was discussed in detail and remarked by the company secretary that termination of contract was the sole prerogative of SRBC and that SML had no right to terminate the agreement. However, Managing Director of SRBC did not agree with the viewpoint of the Company secretary and directed to run the channel themselves. The matter was referred to Secretary Ministry of Information and Broadcasting who allowed to proceed as per rules vide note sheet 27 dated 23rd October, 2019. The SRBC management released the Bank Guarantee to the party on 5th November, 2019.

Audit is of the view that there was no provision in the agreement for the party to terminate contract before expiry of the agreement. Thus, release of Bank Guarantee instead of claiming it shows that undue favor was extended to the party and SRBC had to sustain loss of Rs. 23.151 million.

The matter was reported to the management on 31st August 2020. In DAC meeting held on 7th January 2021, the management explained that under section 183 of the Companies Act, 2017 the Board of SRBC is mandated to exercise all powers relating to contractual engagement with external parties. As there was no financial default on the part of M/s Sardar Media, the bank guarantee was released. The reply of the management is not convincing as other party was not entitled to terminate the agreement. DAC recommended to probe into the matter and called for Fact Finding inquiry at ministry's level so that responsibility can be fixed.

Audit recommends compliance of DAC directives.

Para-4 SRBC, 2015-19

10.4.4.5 Loss due to non-obtaining of security – Rs. 35.773 million

As per agreement vide clause 6 “SSI shall maintain a security deposit equal to one month's Air time charges with SRBC at all times during the currency of the agreement. The security shall be refunded /adjusted at the time of termination of the agreement. Markup shall be payable to SSI on the security amount”. Furthermore, according to rule 39 of PPRA rules 2004, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten percent of the contract amount.

During the audit of SRBC Islamabad for the years 2015-19, it was observed that an Airtime agreement was made with M/s Sports Star International (Pvt.) Ltd. valuing Rs. 251 million per annum for a period of 3 years w.e.f. 2nd May 2005. The agreement was extended time and again up to 31st August 2018. However, the SRBC management failed to claim the security deposit of Rs. 35.773 million from the party i.e. M/s Sports Star International. Later, due to non-compliance of agreement clauses and default in monthly rent consecutively, SRBC management issued termination notice on 3rd May 2018 vide letter No. S-52/697 and agreement was terminated on 30th May 2018 vide letter No. S-52/761.

SRBC management did not safeguard the interest of the company regarding the claim of guarantee bond. This not only violated PPRA rules and the agreement but also incurred a loss of Rs. 35.773 million to the company

The matter was reported to the management on 31st August 2020. In DAC meeting held on 7th January 2021, the management explained that SRBC budgetary support matters are not reflected in Finance Division Budget Book. Further, SRBC does not fall under the ambit of Auditor General of Pakistan. The reply of the management was considered non-convincing and DAC recommended probe into the matter and directed that a Fact Finding inquiry at ministry's level so that responsibility could be fixed.

Audit recommends compliance of DAC directives.

Para-1 SRBC, 2015-19

Chapter-11

Ministry of Interior

Overview

Interior Ministry is responsible for policing, emergency management, national security, registration, supervision of local governments, conduct of elections, public administration and immigration matters.

Aims & Objectives

To make Islamic Republic of Pakistan a country where rule of law reigns supreme; where every Pakistani feels secure to lead a life in conformity with his religious beliefs, culture, heritage and customs; where a Pakistani from any group, sect or province respects the culture, tradition and faith of the other, where every foreign visitor feels welcome and secure.

Polices

- National Internal Security Policy 2018-2023
- SOPs 2017
- Government Procedures 2017
- Rules of Business
- Visa Policy General
- Visa Abolition Agreements
- Visa Policy For Indian Nationals
- Private Security Companies
- Updated Arms Policy 2012

(Rs. in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	1	1	33,606.6	30,913.2
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 1,847.450 million were raised as a result of this audit. This amount also includes recoverable of Rs. 841.383 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	-
B	Procurement related irregularities	940.005
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	907.445

11.1 National Database and Registration Authority (NADRA)

11.1.1 Introduction

National Database and Registration Authority (NADRA) was established on March 10, 2000 by the Government of Pakistan under the National Database and Registration Authority Ordinance 2000 by merging the National Database Organization (NDO) and the Directorate General of Registration (DGR). The principal office of the Authority is situated at Islamabad. The purpose and object of the Authority is to formulate and implement policies and plans for:

- (i) The development and establishment of an improved and modernized system of registration in the Country;
- (ii) The broadening of the registration base to bring within its purview all persons and things, wherever they may be to the extent and in the manner laid down in the Ordinance; and
- (iii) The establishment and maintenance of multi-purpose databases, warehousing, networking, interfacing of databases and related facilities and services.

11.1.2 Comments on Audited Accounts

11.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2018-19 and 2019-20 till December 31, 2020.

Audit recommends that the annual audited accounts of 2018-19 and 2019-20 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

11.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras #	% of Compliance
2003-04	75	27	48	11.3, 11.4, 11.5,11.6, 11.8, 11.13, 11.14, 11.15, 11.16,11.22, 11.24, 11.25, 11.11, 11.12, 11.23, 11.25,11.26, 11.27, 11.28, 11.29, 11.30, 11.32, 11.35, 11.37, 11.44, 11.45, 11.48, 11.36, 11.38, 11.39, 11.40, 11.42, 11.54, 11.57, 11.71, 11.75, 11.46, 11.50, 11.51, 11.53, 11.54, 11.55,11.59, 11.61,11.65, 11.67, 11.68, 11.69	36
2016-17	22	0	22	10.1.4.6,10.1.4.7,10.1.4.2, 10.1.4.3, (10.1.1 &10.1.2,10.1.3,10.1.4.1,10.1.4.4, 10.1.4.5,10.1.4., 10.1.4.9, 10.1.4.10,10.1.4.11,10.1.4.12,10. 4.4.13,10.1.4.14,10.1.4.15, 10.1.4.16, 10.1.4.17, 10.1.4.18, 10.1.4.19,10.1.4.20)	0
2017-18	10	02	08	13.1.2 & 13.1.2.1, 13.1.4.2,13.1.4.3,13.1.4.4, 13.1.4.5, 13.1.4.6, 13.1.1.4.8, 13.1.3	20
Total	107	29	78		27

The overall compliance of PAC was very poor. Immediate attention of the PAO was required to improve the situation.

11.1.4 Audit Paras

11.1.4.1 Irregular procurement of vehicles without clearance from austerity committee - Rs. 879.435 million

As per Ministry of Finance letter No: 7(1) Exp. IV/2016-577 dated 03.12.2018, there was complete ban on purchase of all types of vehicles. A committee was also constituted in Finance Division in order to review the proposals seeking relaxation of ban for purchase of vehicles.

During audit of NADRA for the years 2018-19 & 2019-20, it was observed that management purchased a number of vehicles without obtaining relaxation from austerity committee. As per Financial statements an addition of Rs. 879.435 million was booked under the head vehicles during period under audit.

Audit is of the view that NADRA has been using Government Authority for collection of revenues from public. Thus, it was binding upon it to observe the austerity measures, announced by the government and to seek relaxation of ban from the Finance Division Committee. Thus, in view of said facts the procurement of vehicles valuing Rs. 879.435 million was held irregular.

The matter was reported to management on 15th December 2020. In the DAC meeting held on 21st January 2021, it was apprised by the management that austerity measures of Finance Division are not applicable on NADRA procurement. DS Expenditure Finance Division clarified that austerity measures are applicable on NADRA's procurement. The DAC directed the management to get record of procurement of vehicles verified from Audit within two weeks

Audit recommends compliance of DAC directives.

Para-5 NADRA, 2018-20

11.1.4.2 Loss due to non-recovery of service charges from the client - Rs. 841.383 million

As per clause – 9.2.2 of the agreement signed between NADRA and Directorate General Immigration & Passport “all payments under this agreement shall be processed and made by the Client (DG I&P) to the Vendor (NADRA) within thirty (30) days of the receipt of an invoice by the Client. Further, Clause-7.1 of the CNIC Verification Services Agreement the Customer (DG I&P) shall

pay NADRA Rs. 12 for each CNIC and NICOP for availing verification system (Verisys). It was further clarified in the agreement vide clause – 1.11 that payment date means the thirtieth (30th) day from the date on which an invoice is raised by NADRA and admitted by DG (I&P) in accordance with the terms and condition of the agreement.

During audit of NADRA for the year 2018-19 & 2019-20, it was observed that the management entered into an agreement with DG Immigration & Passport for provision of different services like Verisys, Automated Finger Identification System (AFIS) and Machine Read Passport (MRP) at a cost of Rs. 231.665 million, Rs. 184.649 million and Rs. 440.223 million respectively. The record revealed that an amount of Rs. 410.770 million on account of Verisys Services, Rs. 334.479 million on account of AFIS, while, an amount of Rs. 96.134 million is outstanding on account of MRP-Phase-I. It is pertinent to mention here that the charges on account of Verisys has already been recovered by the department from the concerned person(s), however, the same could not be passed on to the NADRA. Thus, an amount of Rs. 841.383 million is outstanding against DG (I & P) since long. It is further intimated that in 2016 the management of NADRA has established 13 Executive Passport Centers at major cities under an agreement with DG (I&P). The NADRA is charging 2,500 from the client on account of Service Charges, out of which Rs. 2,300 is NADRA's share while, Rs. 200 are being paid to DG (IM). The management can adjust the said outstanding amount from the said fee, however, no such action was initiated by the management. The Federal Govt. released an amount of Rs. 755.470 million to the DG (I&P) for clearance of liability of NADRA, however, the management DG (I&P) did not clear the liability.

Further, it was clearly mentioned in the agreement that in case of delayed payment the client will pay LD Charges @ 7%, however, neither the management booked any amount on this account nor case was initiated. The management may work out the amount of LD Charges for its recovery from the client.

The matter was reported to management on 15th December 2020. Management in its reply stated that outstanding amount of Rs. 841.383 million comprises of Rs. 600.051 million under master agreement 2004 whereas, under Addendum No. 1 of Master agreement (2015) the outstanding amount is Rs.

241.325 million. Out of total outstanding amount of Rs. 241.325 million under addendum of master agreement, Rs. 90.841 million has been released.

The DAC in its meeting held on 21st January 2021 directed to pursue the recovery vigorously.

Audit recommends compliance of DAC directives.

Para-16 NADRA, 2018-20

11.1.4.3 Irregular award of purchase order - Rs. 44.004 million (US \$ 366,703)

As per Rule – 4 of Public Procurement Rules, 2004 “procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. It was further clarified in Rules – 31 (1) that “no bidder shall be allowed to alter or modify his bid after the bids have been opened. However the procuring agency may seek and accept clarifications to the bid that do not change the substance of the bid”.

During audit of NADRA Islamabad for the years 2018-19 and 2019-20, it was observed that tenders were called for in April, 2018 for purchase of Blade Chassis, Storage System and Library & Backup Software. The date of opening tenders was May 17, 2018. However, the date was extended up to May 24, 2018 on the request of bidders. In response to press tender, six (06) firms quoted their rates out of which M/s Metis was declared the lowest for Blade Chassis and Tape Library & Backup Software. Accordingly, the purchase orders were issued to the firm at US \$ 195,460 equal to Pak Rs. 23.455 million and Rs. 8.578 million. Whereas, for Storage System M/s IBL Unisys was declared technically responsive and lowest with US \$ 99,756 equal to Pak. Rs. 11.970 million. The purchase order was issued to the firm on July 31, 2018. The total cost of the purchase orders comes to Rs. 44.004 million.

The scrutiny of record showed that the tenders were called for in April, 2018 and bids opened on May 24, 2018, whereas, the technical evaluation was carried out on April 6, 2018. The position showed that firms were selected prior to tendering process and procedural formalities were just eyewash. Further, in

tender enquiry the management showed its demand for Half Height Blade Servicers (Qty. 8) under Lot No. 01. Later on after opening of bids, the management changed its requirement to Full Height Blade Servers, which is not allowed under the rules. In view of these facts, the procurement cannot be considered as transparent. Thus, the procurement of Rs. 44.004 million is termed as irregular.

The matter was reported to management on 15th December 2020. DAC in its meeting held on 21st January 2021, was apprised that evaluation report was not signed in advance, rather date was written in MM/DD/YY format which was misconceived by Audit. Audit contended that only one member signed the report and the same was earlier to the tendering date. The management stated that Full Height blade size was required.

The DAC directed inquiry into the matter and submission of report within one month. DAC further directed that degree of the member of evaluation committee should also be verified by inquiry committee.

Audit recommends compliance of DAC directives.

Para-2 NADRA, 2018-20

11.1.4.4 Wasteful exercise of developing i-voting software – Rs. 66.062 million

As per Clause 6.1 of General Conditions of the Contract between NADRA and Election Commission of Pakistan (ECP) for i-Voting project, “The Service Provider shall perform the services and carry out its obligations with all due diligence, efficiency and economy in accordance with generally accepted professional techniques and practices and shall observe sound management practices and employ appropriate advanced technology and safe methods. The Service Provider shall always act, in respect of any matter relating to this Contract or to the Services, as faithful advisor to the Client--.”

During audit of NADRA for the years 2018-19 & 2019-20, it was observed that the management signed an agreement with Election Commission of Pakistan for development and implementation of i-Voting System for overseas Pakistanis so that they could cast their vote in General Elections. System was developed for more than six million Pakistanis living abroad in different

countries. Total cost breakup of the project was Rs. 95 million. Election Commission of Pakistan conducted a Technical Audit of the software and a number of findings were given. The most serious one was (Sr. No. 1.3(1)) which states that i-Vote categorically does not provide ballot secrecy as required in Clause 94 of the Elections Act 2017 and Article 226 of the Constitution. In the presence of this inherent risk, i-Voting software was first launched in bye-elections of 37 constituencies on 14.10.2018. Only 6,233 votes were casted by overseas Pakistanis. ECP had paid an amount of Rs. 66.062 million to NADRA till date. On 28.08.2020, Government constituted an Advisory Committee for review and preparation of EOI (Expression of Interest) to hire consultancy for analysis, design and implementation of a new internet voting solution.

Audit is of the view that NADRA management has not exercised due diligence and all the legal and constitutional requirements were not catered for while designing the i-Voting Software. Consequently Government is again hiring the consultancy services for analysis, design and implementation of a new internet voting solution. Thus the whole expenditure of Rs. 66.062 million has gone wasteful. Moreover, audit is of the opinion that such solutions should be devised which are cost efficient. In this case, after an expenditure of Rs. 66.062 million only 6233 votes were casted in By-elections which seems to be extravagant and imprudent.

The matter was reported to management on 15th December 2020. The DAC in its meeting held on 21st January 2021, directed to pursue the recovery vigorously.

Audit recommends compliance of DAC directives.

Para-15 NADRA, 2018-20

11.1.4.5 Loss due to purchase of store for a project that could not be launched
– Rs. 16.566 million (US \$ 240,084)

As per Rules-4 of the Public Procurement Rules, 2004, procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical. Further, as per GFR-145, purchases must be made in the most

economical manner in accordance with definite requirements of the public service.

During audit of NADRA Islamabad for the years 2018-196 and 2019-20, it was observed that in 2004 the management planned to start a project under the name of Vehicle Identification & Tracking System (VTIS). For purchase of necessary store, required for the project, the management entered into an agreement with M/s BNC Neology, Mexico for purchase of RFID Decal Forms with holographic Material Integrated RFIC VHF Tag. The order was placed on the firm for purchase of 210,600 Forms at a total cost of US \$ 240,084 (@ US \$ 1.14 per form). The store was received in NADRA in March, 2005. The 1st lot was rejected by the QC Directorate. However, thereafter, the Project was suspended but the forms and other related material is still lying in store in deteriorated conditions.

Audit is of the view that the order for purchase of store was placed without assessing and finalizing the project. On receipt of stores, the project was dropped and expenditure of Rs. 16.566 million (@ US\$ = Rs. 69), presently valuing Rs. 39.134 million (US \$ 240,084) was incurred on procurement of relevant store.

The matter was reported to the management on 15th December 2020. In the DAC meeting held on 21st January 2021, the management apprised that Vehicle Identification Tracking System Project was conceived in 2002-03 and accordingly procurement was made. The DAC directed an inquiry and submission of report within one month.

Audit recommends compliance of DAC directives.

Para-17 NADRA, 2018-20

Chapter-12

Ministry of Maritime Affairs

Overview

Ministry of Maritime Affairs in Islamabad is the central administrative authority of the Government of Pakistan primarily assigned to facilitate the ports and shipping industry of Pakistan by providing policy guideline to encourage port development and growth in shipping while maintaining safety standards. The Ministry is headed by the Federal Minister for Maritime Affairs assisted by the Secretary, Maritime Affairs. In Karachi Director General (Maritime Affairs) represents Ministry.

Aims & Objectives

- To formulate and implement plans and policy in conformity with International best practice to transform the ports of Pakistan into modern, competitive, user friendly and a transshipment hub of the region with hinterland connectivity.
- To encourage private ship owning under Pakistan flag by creating favourable conditions.
- To improve governance of the ports while focusing of modern and innovative approaches of land lard posts strategies.
- To maintain safety and security standards as per international Maritime Organization (IMO) Conventions with strenuous efforts aimed at maintaining world class standards of marine pollution control
- To ensure and maintain quality of Pakistani seafarers in accordance with the Standards for Training Certification and Watch-keeping (STCW) 1978 Convention.
- To promote Deep Sea Fishing of Pakistan.
- To regulate the export of Fish and Fisheries Products and also to bring a pronounced positive change in the Harbour Environment.

Governing Laws and Policies

- i. GPA Ordinance, 2002
- ii. KoFHA Ordinance, 1982
- iii. Pakistan National Shipping Ordinance, 1979
- iv. Companies Ordinance 1984
- v. PP Rules 2004.

(Rs. in million)

S#	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue/ Receipts audited FY 2019-20
1	Formations	4	4	3,380.578	4,628.179

Classified Summary of Audit Observations

Audit observations of Rs. 125,725.100 million were raised as a result of this audit. This amount also includes recoverable of Rs. 9,094.482 million as pointed out by audit. Summary of the audit observations classified by nature is as under:

S#	Classification	Amount (Rs. in million)
1.	Non-production of record	-
2.	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities	-
A	HR / Employees related irregularities	14.782
B	Procurement related irregularities	65,611.196
C	Management of Accounts with Commercial Banks	8,963.300
4	Value for Money and service delivery issues	1,843.639
5	Others	49,562.200

12.1 Gwadar Port Authority

12.1.1 Introduction

Gwadar Port Authority (GPA) was established as a separate organization, after promulgation of the GPA Ordinance No. LXXVII of 2002 dated October 17, 2002, for construction, operations, management, and maintenance of Gwadar Deep Water Port.

The Government of Pakistan has adopted the landlord concept for development of Gwadar Port. This means that GPA will drive the overall development of the port and will raise the funds for development of general port infrastructure (primarily dredging of channels and construction of breakwaters), while private sector investors will be the primary source for the development of terminals and cargo handling capacity. Reputable private investors/operators will be sought on a Build–operate–transfer (BOT) basis for the design, construction and operations of the various terminals that are foreseen. In the longer term, as much as possible, different cargo types will be handled by dedicated terminals. This will allow for terminals to be developed and operated by dedicated operators who are specialized in these particular operations.

12.1.2 Comments on Audited Accounts

12.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 1986-87 to 2019-20 despite a number of reminders.

Audit requires that the annual audited accounts of the years 1986-87 to 2019-20 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

12.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2014-15	4	1	2	18.1.4.1, 18.1.3, 18.3.2.1	-
2013-14	5	1	4	16.1.2, 16.1.3.1, 16.1.3.2, 16.1.3.3	20
2015-16	5		5	17.1.4.3, 17.1.2.1, 17.1.4.1, 17.1.4.2, 17.1.4.4	-
Total	14	2	11	-	14%

The overall compliance of PAC directives needs improvement.

12.1.4 Audit Paras

12.1.4.1 Loss of revenue due to non-implementation of PC-I – Rs. 17,077.000 million

According to revised PC-1 of June, 2001 (Phase-1 Development), following projected port revenue for the period 2019 was envisaged.

Port revenues (US\$000)					
S#	Description	2019	S#	Description	2019
1	Port dues	6,000	8	Wastage General Cargo	2,780
2	Berthage	3,070	9	Wastage Liquid cargo	10,600
3	Stevedoring Dry Bulk	7,441	10	Wastage container	0
4	Stevedoring General cargo	12,613	11	Pilotage	1,779
5	Stevedoring Containers	21,871	12	Towage	2,022
6	Stevedoring/ handling Liquid cargo	26,501	13	Storage	11,005
7	Wastage Dry Bulk	1,134	Total		106,817

During audit of Gwadar Port Authority (GPA) for the year 2019-20, it was observed that management failed to implement the project with return of estimated port revenue of US\$106.817 million equivalent to Rs.17,091.000 million (US\$ 106,817,000 @ Rs. 160 = Rs. 17,090,720,000) for the year 2019 due to non-achievement of revised PC-I of 2001. However, Port earned only revenue of Rs. 14.000 million, resulting in shortfall of Rs. 17,077 million during the year 2019.

Audit is of the view that no efforts were made by the management and other stakeholders to make the Port fully operational and achieve the targets as

envisaged the revised PC-I showing inefficiency and lack of coordination among the various stakeholders.

The matter was reported to the management in August 2020. The irregularity was discussed in DAC meeting held on 21.01.2021. The management informed that port is incurring losses due to its non-utilization on account of lack of business at Port. DAC directed the management to submit a detailed report specifying the roles and responsibilities of different departments/ organizations and specify the delays on their part. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.1.4.2 Loss due to defective concession agreement on port commercial operations – Rs. 10,171.000 million

As per Clause 4.10.2 of concession agreement between Gwadar Port Authority (GPA) and Port of Singapore Private Ltd. (PSA), upon the commencement of commercial operations, the concession-holder shall pay nine percent (9%) of its gross revenue from the terminal services to GPA for the entire term of the concession (40 years).

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Gwadar Port Authority (GPA) for the year 2019-20, it was observed that the Gwadar Port Authority sustained accumulated deficit of Rs. 10, 171 million in lieu of depreciation cost of Assets because of non-inclusion of minimum guaranteed revenue clause in Concession agreement with Port of Singapore Private Ltd. (PSA) for 40 years. The Gwadar Port Authority Accounts reflected that different grants of Rs. 29, 530.000 million were received from Government of Pakistan but the total value of its Assets as on as on 30.06.2020 stands at Rs. 19,359.000 million.

Audit is of the view that the concession agreement is defective as it favours the concession holder at the cost of the GPA which is losing its operating assets of billions of rupees without earning any income in return through operations. There is no any clause to review / revisit the concession agreement during the tenure of 40 years, therefore, GPA being the owner of terminal, is sustaining huge loss despite investment of billions of rupees. Further, the loss could have been avoided by inserting the clause on minimum guaranteed revenue to port Authority.

The matter was reported to the management in August 2020. The irregularity discussed in DAC meeting held on 21.01.2021. The management informed that port is incurring losses due to non-utilization and lack of business at Port caused by delay on the part of different stakeholders. DAC directed the Management to submit a detailed report specifying the roles and responsibilities of different departments / organizations and specify the delays on their parts. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.1.4.3 Non-utilization of GPA Business Complex at Port area – Rs. 2,381.884 million

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

During audit of Gwadar Port Authority (GPA) for the year 2019-20, it was observed that the management has failed to utilize Business Complex at Port Area, conceived to facilitate port business & to generate revenue, completed at a cost of Rs. 2,381.884 million. Despite Board resolution on rental revenue, the Complex is lying idle.

Audit is of the view that non-utilization of Business Complex at port area reflected inefficiency & slackness of the management.

The matter was reported to the management in September 2020. The irregularity was discussed in DAC meeting held on 21.01.2021. The management informed that efforts are being made for utilization of the business complex. DAC directed to take vigorous efforts for utilization of the complex and safeguarding the revenue of The GPA. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.1.4.4 Recurring loss due to depreciation of operating assets of the port - Rs. 436.886 million

Section 11.2 of Revised PC-1 of May, 2010, on revenue earned from port operations from January, 2008 to December, 2009 states that as per Concession Agreement, GPA's share in the operational revenues of the port would be as under:

PSA Gwadar International terminal Ltd.	9%
Gwadar Marine Services Ltd.	9%
Gwadar Free Zone Company Ltd.	15%

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Gwadar Port Authority (GPA) for the year 2019-20, it was observed that the management incurred loss due to depreciation of operating assets of the port by amount of Rs. 436.886 million. The details of accumulated depreciation as on 30.06.2020 are as under:

Accumulated depreciation during 2019-20 (Amount in Rs.)		
Off shore	Marine Works Project	Total
37,822,692	399,064,084	436,886,776

The operating assets of the company are being depreciated by 32 times higher than the operational income and management is losing all of its assets rapidly instead of earning reasonable revenue from operating assets. Hence, there is annual recurring loss of Rs. 436.886 million.

Audit is of the view that the concession agreement is defective at it favour the concession holder at the cost of the GPA which is losing its operating assets of billions of rupees without earning any income in return through operation. There is no any clause to review / revisit the concession agreement during the tenure of 40 years, therefore, GPA being the owner of terminal, is sustaining huge loss despite investment of billions of rupees. Further, the loss could have been avoided by inserting the clause on minimum guaranteed revenue to port Authority & by starting of the 3rd operational company, M/s. Free Zone Company, in time.

The matter was reported to the management in August 2020. The irregularity discussed in DAC meeting held on 21.01.2021. The management informed that port is incurring losses due to non-utilization and lack of business at Port caused by delay on the part of different stakeholders. DAC directed the management to submit a detailed report specifying the roles and responsibilities of different departments/ organizations and specify the delays on their parts. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.1.4.5 Irregular award of contracts at higher bid rates - Rs. 353.325 million

Clause – 52.3 (b) of the Part –I of General Conditions of International Federation of Consulting Engineers (FIDIC) states that sum shall be based only on the amount by which such additions or deductions shall not be in excess of 15 per cent of the Effective Contract Price.

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 4 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner,

the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During the audit of Gwadar Port Authority (GPA) for the year 2019-20, following irregularities were observed in award of contract:

- a) Contrary to FIDIC clause of the General Conditions, the management awarded the contract to M/s. R.A.B Construction Company at a cost of Rs. 184.6 million, at an increase of 36 % from detailed engineer estimate. The details are as under:

S#	Name of Bidder / (M/s.)	Quoted Bid Price (Rs.)	Bid Price with premium (Rs.)	Corrected Amount (Rs.)	% Increase from Engineer's Estimate
1.	Al-Saat & Company	240,888,175	224,026,002.75	227,452,250	33.8% Above
2.	Echo West International (Pvt.) Ltd.	234,523,996.97	204,035,877.37	184,618,029	19.5% Above
3.	R.A.B Construction Company	221,388,327	210,318,910	236,349,726	36% Above

- b) Management awarded the work of study of construction of breakwater at Gwadar port to the 2nd lowest evaluated bidder, M/s. Techno Consultant International (Pvt.) Ltd. in collaboration with Royal Haskoning of UK (TCL-RH). Out of 03 pre-qualified responsive consultancy firms, for the bid under single stage two envelope procedures, M/s. Engineering Associates (EA) Consulting (Pvt.) Ltd. in collaboration with PDRW of South Africa was the lowest financially evaluated responsive bidder. However, the contract was awarded to the 2nd lowest bidder because the bid was evaluated against weighted average based on score of 80 % to technical & 20 % to financial evaluation. This resulted into irregular award of work of Rs. 167.725 million.

S#	Name of Bidder / (M/s.)	Quoted Bid Price (Rs.)	Corrected Bid Price with rebate (Rs)	Remarks
01	R.A.B Construction Company	351246324	522,378,912 Inc 20% rebate	1 st Lowest
22	Times Group (Pvt.) Ltd.	591021392	590,977,275 Inc. 14.70% rebate	2 nd lowest

Audit is of the view that the contracts were either awarded on higher rates or were awarded to the 2nd lowest bidder instead of the 1st lowest bidder was in violation of PPRA rules which resulted into loss of Rs. 68.600 million to the organization. Further, award of contract in disregard of the FIDIC clause reflected negligence & lax attitude of the management.

The matter was reported to the management in August & September, 2020. The irregularity was discussed in DAC meeting held on 21-22 January, 2021, and the decisions are as under:

- a) Management informed that the overall increase was within 15% which is admissible under rules. DAC directed to get its assertion verified from Audit within 15 days.
- b) Management informed that the contract was of technical nature and therefore was awarded on multiplicative criteria under rules. DAC settled the Para subject to verification of record. However, no relevant record was provided to audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.1.4.6 Non-insurance of civic center building - Rs. 233.659 million

As per Clause-166 (3) of National Insurance Company Ltd., all insurance business relating to any public property, or to any risk or liability pertaining to any public property, shall be placed with the Company only and shall not be placed with any other insurer.

During audit of Gwadar Port Authority (GPA) for the year 2019-20, it was observed that the management failed to get Civic Centre building valuing Rs. 233.659 million insured from National Insurance Company Ltd.

Audit is of the view that non-insurance of Civic Centre building reflected lax attitude & inefficiency of the management.

The matter was reported to the management in September, 2019. The irregularity was discussed in DAC meeting held on 21.01.2021. Management informed that it was responsibility of tenant M/s. Bahria Foundation for insurance of the building. DAC has given following directions:

1. Recovery from Bahria Foundation should be made for the period under its occupancy
2. The matter may be placed before the Board for appraisal of the issue and future decision.

However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.1.4.7 Loss due to receiving of revenue in Rupee instead of USD and other currency- Rs. 152.639 million

As per Clause 4.10.2 of concession agreement between Gwadar Port Authority (GPA) and Port of Singapore Private Ltd. (PSA), upon the commencement of commercial operations, the concession-holder shall pay nine percent (9%) of its gross revenue from the terminal services to GPA. Further, Clause 4.10.3 entails that the revenue share payments shall be made to GPA in US Dollars if the revenue accrues in US dollars or in any currency other than rupees and in rupees if the revenue accrues in rupees.

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

During audit of Gwadar Port Authority (GPA) for the year 2019-20, it was observed that under agreement in 2007, M/s. Port of Singapore Private Ltd. (PSA), the concession-holder for construction, operation & maintenance of a port-facility at Gwadar, and under assignment & transfer agreement on 27 April 2013 between PSA China Overseas Ports Holding Company Ltd. (COPHEC), the PQA management failed to receive 9% of the gross revenue from port operations in US Dollar or in any currency. Port authorities are receiving revenues in rupees without ascertaining the actual currency of the revenue realized. The detail is as under:

S#	Description	Year	GPA Share %	International Terminal	Marine Services	Total (Rs.)
1.	Port Operation Revenue by M/s. PSA	Jan, 2009-March, 2013	9	59,999,173	14,226,876	74,226,049
2.	Port Operation Revenue by M/s. COPHEC	August, 2013-Nov, 2018	9	54,536,480	23,876,851	78,413,331
Total						152,639,380

Further, there is no mechanism available to GPA to reconcile the actual revenue generated by the concession holder and actual amount of 9% to be received by GPA (**Annex-55**).

Audit is of the view that the management must have been informed about the actual revenue statistics. Further, revenue received from port operation in rupees instead of US dollars is in violation of the terms and condition of the agreement and reflected inefficiency & negligence of the management.

The matter was reported to the management in September, 2019 & 2020. The irregularity was discussed in DAC meeting held on 21.01.2021. DAC directed that an Inquiry be conducted at Ministry level to ascertain the rule position and amount of remittances / revenue paid to GPA. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.1.4.8 Loss due to encroachment of land - Rs. 108.429 million

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

During audit of Gwadar Port Authority (GPA) for the year 2019-20, it was observed that the management failed to protect the property reserved for future facilities and other port-related activities from encroachment of land by

Pakistan Navy at Mullah Bund and foot of Koh-e-Batil along the Gwadar Port access road. On referral pursuant to declaring PQA claim on land as invalid by Pakistan Navy, Tehsildar Gwadar clarified that the land is property of Gwadar Port.

Audit is of the view that loss due to encroachment of land of Rs. 108,429,552 (426,888 sq.ft @ Rs. 254 per sq.ft) reflected negligence & weak internal controls to safeguard the assets of the Authority.

The matter was reported to the management in September, 2019. The irregularity was discussed in DAC meeting held on 21.01.2021. The management informed that the Pakistan Navy requested the GPA for temporary use of land along with structure for security purposes. Despite completion of the temporary assignment, Pakistan Navy is not vacating the land. DAC directed the management to take up the matter with MoD through MoMA for early resolution of the matter. However, no progress in the matter was intimated to the Audit till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.1.4.9 Loss due to non-investment of funds - Rs. 19.800 million

As per Sr. No. 3 (b) of Memorandum issued by Finance Division dated 02 July 2003 “in case the total working balances exceed Rs. 10.000 million, the selection of the bank (s) as well as the terms of deposits will be approved by the concerned Board of Directors / Governing Body on the basis of competitive bids from at least three independent banks”. Besides, Para 6 states, “it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. ... However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP”.

During audit of Gwadar Port Authority (GPA) for the year 2019-20, it was observed that management was maintaining GPA fund which was deposited in NBP and flow of this account was very slow. As per bank statement for the

month of July, 2019, there was an opening balance of Rs. 351.500 million and the closing balance was Rs. 330.000 million. Bank statements reveal that an amount of

Rs. 300.000 million was lying idle in the whole year in the bank account which was not invested in any profitable investment schemes contrary to the standing orders of the Finance Division.

Audit is of the view that the management has not constituted the Investment Committee (IC), nor has it utilized the services of professional fund manager approved by SECP for investment of the surplus funds. This resulted into opportunity loss @ 6% of Rs. 19.800 million.

The matter was reported to the management in September 2020. The irregularity was discussed in DAC meeting held on 21.01.2021. DAC directed to hold a fact-finding inquiry at Ministry level. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.1.4.10 Loss of 15 % share of revenue due to non-operation of Gwadar Free Zone Company

Section 11.2 of revised PC-1 of May, 2010, on revenue earned from port operations from January, 2008 to December, 2009 states that as per Concession Agreement GPA's share in the operational revenues of the port would be as under:

PSA Gwadar International terminal Ltd.	9%
Gwadar Marine Services Ltd.	9%
Gwadar Free Zone Company Ltd.	15%

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Gwadar Port Authority (GPA) for the year 2019-20, it was observed that management has failed to operationalize Gwadar Free Zone

Company Ltd. and thereby, incurred loss of 15 % share envisaged in revised PC-1 of May, 2010.

Audit is of the view that loss of 15 % share of revenue due to non-operation of Gwadar Free Zone Company indicated inefficiency & negligence of the management.

The matter was reported to the management in August 2020. The irregularity was discussed in DAC meeting held on 21.01.2021. The management informed that the free zone could not be operationalized due to lack of tax concession mentioned in the Concession Agreement. However, these tax concessions have been approved in the last Finance Bill, 2020. Moreover, Free Zone Rules are pending with the FBR. DAC directed that the Ministry should take up the issue with FBR for early decision of the same. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.2 Korangi Fisheries Harbour Authority

12.2.1 Introduction

The Korangi Fisheries Harbour Authority (KoFHA) was established under Ordinance No. XVI of 1982 for making all arrangements for planning, construction, operation, management and maintenance of Korangi Fisheries Harbour for exploiting fisheries resources beyond territorial waters.

The Harbour was completed in 1992 at a cost of Rs. 938.14 million including foreign component of Rs. 644.24 million (US\$ 26.121 million) financed by Asian Development Bank.

12.2.2 Comments on Audited Accounts

12.2.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2015 to 2020 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2015 to 2020 be provided immediately and timely submission be ensured in future besides, fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

12.2.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2003-04	5	4	1	180.2	80
2014-15	3	1	2	18.2.3, 18.2.2.1	33
2013-14	8	1	7	16.2.2.1, 16.2.2.2, 16.2.2.3, 16.2.2.4, 16.2.2.5, 16.2.3, 16.2.4.1	13
2015-16	7	1	6	17.2.4.1, 17.2.4.4, 17.2.2.1, 17.2.3, 17.2.4.2, 17.2.4.3	14
Total	23	7	16		30%

The overall compliance of PAC directives needs to be improved.

12.2.4 Audit Paras

12.2.4.1 Non-payment of outstanding loan - Rs. 841.953 million

According to Financing Agreement signed between GOP & KoFHA on 13.07.1982, the Authority is required to make repayment of loan within 30 years in equal semi-annual installments commencing from April, 1995. The Authority has to make repayment of a total US\$ 26.121 million equivalent to Rs. 664.643 million of the loan amount with 4% interest.

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2018-19, it was observed that Asian Development Bank (ADB) granted a loan of US\$26.121 million (Rs. 664.643 million) with 4% interest to Government of Pakistan (GOP) as sponsor for the construction of Korangi Fisheries Harbour Authority. GOP relented the same to KoFHA through an agreement on 13.07.1982. The Authority was required to make repayment of loan within 30 years in equal semi-annual installments commencing from April, 1995. However, it was observed that the Authority paid an amount of Rs. 104.214 million so far. The accrued liability of unpaid loan installments stood at Rs. 841.953 million as on 30.06.2019. The detail is as under:

(Rs. in million)					
Principal Amount	Principal amount due	Interest (4% due)	Principal Paid	Interest Paid	Total (Principal +Interest)
664.643	518.388	427.778	66.460	37.754	841.953

Audit is of the view that non-payment of outstanding loan on time impacted badly credit profile of the Authority. This reflected negligence & inefficiency of the management.

The matter was reported to the management through observation memo on 31.10.2019. The irregularity was discussed in DAC meeting held on

21.01.2021. The management informed that due to financial constraints the management could not make the payment in time but so far almost 190 million has been paid to the government of Pakistan. However, the management has been making the regular payments since 2018-19. DAC directed to ensure timely payments in future under intimation to audit and Ministry. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.2.4.2 Non-utilization of Harbour facilities - Rs. 441.125 million

As per KoFHA Ordinance 1982, the primary objective of Harbour was to make all arrangements for planning, construction, operation, management and maintenance of Korangi Fisheries Harbour for exploiting fisheries resources beyond territorial waters.

Section 9 (2) (j) of KoFHA Ordinance, 1982 requires the Authority to undertake the efficient operation of Harbor facilities and carry out maintenance and repairs of Harbour structures, buildings, installations, road and equipment and undertake periodic inspection of all facilities to ensure that they meet statutory standards of safety and hygiene.

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

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the years 2018-19, audit observed following irregularities:

- a) Jetty and related structures i.e. unloading jetty, supply jetty, waiting jetty and approach bridges were being used for unregulated fishing within 12 nautical mile (nmi) by local fisherman whereas, the Authority / Harbor was built for exploiting fishery resources beyond territorial waters or

deep-sea. Furthermore, local fishermen also made installation of power winches on trawlers and used fine trawl nets which were harmful for juvenile fish. As a result, the fish stock in Exclusive Economic Zone (EEZ) including internal waters from 12nmi to 200nmi (area falling under jurisdiction of Federal Government) had depleted. Thus, management has failed to utilize the jetty and -related structures of Rs. 441.125 million.

- b) Jetty repair & maintenance was not carried out by the management as audit observed that there were severe cracks in the deck on the unloading, supply and waiting jetty and its approach bridges. Due to wear & tear, the jetty is in dilapidated condition.

Audit is of the view that management had failed to utilize Authority's Harbour facilities in accordance with its main purpose of exploiting fishery resources beyond territorial waters. Further, management also failed to inspect and control the wrongdoings and harmful practices of local fisherman, which had reduced deep-sea fish resources. Besides, the jetty & allied structures are not maintained accordingly. This reflected inefficiency & negligence of the management in utilization of the assets of the Authority.

The matter was reported to the management on 21.10.2020. The irregularity was discussed in DAC meeting held on 21.01.2021 and following decisions were made:

- a) Management informed that due to non-formulation of deep-sea fishing policy by a competent forum, the harbor could not achieve its objectives. DAC directed that the matter should be referred to the Ministry for consideration and formulation of deep-sea fishing policy.
- b) Management informed that the scheme was approved by the government but subsequently it was deleted from the list while rationalizing the portfolio of PSDP. However, the management is now considering to undertake maintenance of jetty from its own funds. The DAC showed concerns on deteriorated condition of the jetty since it is the primary asset of the harbor authority and directed that the progress on the scheme be sent to MoMA and audit on quarterly basis.

However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.2.4.3 Non-recovery of amount from various parties - Rs. 35.892 million

Section 24 of KoFHA Ordinance, 1982 says that all fees and sums due on account of property all arrears of tolls, charges, rates and dues may be recovered as arrears of land revenue.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2018-19, it was observed that the management failed to effect recovery of Rs. 35.892 million as on 30.06.2020 from various parties (**Annex-56**). The summary is as under:

S#	Particulars	Rs. in million
1.	Non-recovery from various parties	16.989
2.	Non-recovery of monthly ground rent from business units/lessee companies	1.563
3.	Non-recovery of occupancy value, annual ground rent and monthly rent from Government's Institutions	13.56
4.	Non-recovery of rent from Tenant	1.23
5	Non-utilization charges from investor (Maritime Sea food)	2.550
	Total	35.892

Audit is of the view that non-recovery of the amounts showed slackness and inefficiency of the management.

The matter was pointed out to the management during October, 2020. The irregularity was discussed in DAC meeting held on 21.01.2021, and following decisions were made:

S#1- 3: The management informed that the partial recovery has been effected from the defaulters and the rest is being pursued. The DAC directed to place the recovery record for verification and directed to pursue the remaining recovery vigorously.

S#4: Management informed that due to non-formation of BoD and MD, the process of cancellation of plot cannot be initiated, however the case for cancellation/NUF charges will be placed before BoD now. DAC directed to

expedite the matter of recovery/cancellation of plot and quarterly report be submitted to the Ministry and audit.

However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.2.4.4 Loss of income due to non-auction of fish – Rs. 17.452 million

Section-3 of Korangi Fisheries Harbor Authority's Ordinance 1982 states that the Authority shall frame rules for appropriate arrangements for a wholesale auction of fish on the premises of the harbor area and cause the auction fees to be received there from to be credited to the account of Authority for the purpose of funding of operation, maintenance, repair and up keeping of the harbor area.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the years 2018-19, it was observed that management has failed to earn revenue of Rs. 17.452 million on account of auction of fish catch through mole-holders (authorized commission agents) during 2018-19 as the management stopped the fish auction from July, 2018 onwards despite of the fact that it had earned an amount of Rs. 1.083 million from April-June, 2018 as share of the Authority @ 3.125%. The detail is as under:

Description	Year	Quantity (kg)	Rate / (kg)	Total Price (Rs.)	Commission @ 6.25%	Authority share 3.125% (Rs.)
Mix shrimp	2018-19	1,486,185	60	89,171,100	5,573,193	2,786,596
Mix Fish	2018-19	7,883,448	45	354,755,160	22,172,197	11,086,098
Trash	2018-19	8,813,047	13	114,569,611	7,160,600	3,580,300
Total						17,452,994

Further, deep-sea fishing licensing policy issued / amended in 2018, has not been implemented in its true spirit as no license has been issued till-date. Non-issuance of deep sea fishing license under policy has resulted in substantial decline in revenue of the KoFHA compared with the revenue figures on account of fish landing and berthing charges during years 2002-2007 when revenue increased exponentially due to deep-sea fishing.

Audit is of the view that management has failed to realize the resources of the corporation causing loss of millions of rupees.

The matter was reported to the management in October, 2020. The irregularity was discussed in DAC meeting held on 21.01.2021. The DAC directed to conduct a detailed appraisal at the Ministry level of the whole mechanism of auctioning the catch including the quantity mentioned in the subject para besides different charges being collected by KoFHA. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.2.4.5 Irregular extension of security contract instead of competitive bidding – Rs. 15.398 million

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

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

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the year 2018-19, it was observed that the management in violation of PPRA rules, extended the security contract initially awarded in 2015 in favour of M/s. Pacific Security Services Pvt. Ltd. till 30.11.2020 without any condition of extension in original contract. **(Annex-57).**

Audit is of the view that the firm was granted undue favor by the management initially in award of contract and through subsequent extensions. This was in violation of PPRA rules & reflected favoritism to a firm at the cost of the Harbour Authority in terms of compromising value for money.

The matter was reported to the management on 21.10.2020. The irregularity was discussed in DAC meeting held on 21.01.2021. The management informed that from 2015 to 2020, there has been no increase in contract price and that the PPRA procedures have been followed. The management also informed

that it is in the process of short-listing as per PPRA rules. The DAC directed to hold a fact-finding inquiry at Ministry level. However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.2.4.6 Irregular allotment of plot for petrol pump & encroachment of precious land

As per terms and conditions of lease, if allottee fails to start construction in three months, two warning / caution notices will be issued at the gap of fifteen, and if the allottee failed to start construction, the firm will be blacklisted and deposited amount (s) will be forfeited and no claim whatsoever will be entertained. If the allottee failed to complete and finish the construction work within the time fixed herein above or by the date finally fixed by the Authority, the Authority may terminate this agreement or alternatively recover from the allottee non-utilization fee and damages for default and inconvenience (not penalty) sum equal to 1% of the estimated cost of work remaining incomplete for every month till the work is completed.

Section 10 (2) (c) of KoFHA Ordinance, 1982 requires the Managing Director to frame rules and regulations for the effective planning, construction, operation, management and maintenance of Harbour area.

During audit of Korangi Fisheries Harbour Authority (KoFHA) for the years 2018-19, audit observed following land-related irregularities:

- a) Management had allotted a plot PP-I of 1,500 Sq.m at the rate of Rs. 300 per Sq.m to Mr. Mushtaq Ali Malkani, proprietor of M/s. Bismillah Petroleum Services, at occupancy value and Rs. 20 Sq.m as annual ground rent, through allotment letter dated 26.11.2008 and agreement of lease dated 06.01.2009. However, instead of allotment on merit among the four applicants, the plot for establishment of petrol pump was allotted on favoritism basis. The management also allotted him additional plot PP-II, measuring 2,000 Sq.m on 29.03.2011 for establishment of allied facilities, i.e. tuck shop, mosque, tyre shop and service station. However, his plot PP-II was cancelled on 20.09.2011 due to non-payment of charges of occupancy value. Later on, management revived his allotment of plot, PP-II, with the condition that

allottee would commence construction work within one month from approval of building plan & would complete construction within eighteen months. However, he neither submitted building plan for approval nor started construction thereon, and management had not cancelled his plot despite issuance of final notice for cancellation. Thus, undue favor was granted by the management to M/s. Bismillah Petroleum Services initially in allotting plot, PP-I, and again allotting additional plot, PP-II, after its cancellation despite being aware of his habitual late payment of charges and non-seriousness. This reflected favoritism to an individual at the cost of the Authority & its mandate.

- b) Management failed to safeguard the landed property of the Harbour authority. It did not take any preventive measures for protecting the land from land grabbers who initially dumped sand along the access road in year 2011 and then encroached the land during 2019-2020 and have built huts and residential buildings. Thus, land of the Harbour Authority has not been safeguarded efficiently. This reflected negligence, inefficiency & weak internal controls for protection of the assets of the Authority.

The matter was reported to the management on 21.10.2020. The irregularity was discussed in DAC meeting held on 21.01.2021, and following decisions were made:

- a) DAC directed to conduct fact-finding inquiry at Ministry level.
- b) Management informed that around 2,000 Square meter of land is under illegal occupation however the final position will be ascertained when survey will be completed. The DAC directed to expedite the survey and outcome of the same be apprised to the ministry and audit. DAC further directed to safeguard the land of the harbor authority for further illegal occupation and measures to be taken in this regard.

However, no relevant record was produced to audit till finalization of Report.

Audit recommends implementation of DAC directives.

12.3 Pakistan National Shipping Corporation

12.3.1 Introduction

Pakistan National Shipping Corporation (the Holding Company), its subsidiary companies and associates (together 'the Group') were incorporated under the provisions of the Pakistan National Shipping Ordinance, 1979 and the Companies Ordinance 1984, respectively. The Group is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services.

12.3.2 Comments on Audited Accounts

12.3.2.1 The working results of the Corporation for the year 2019-20 as compared with the preceding years are given below:

	(Rs. in million)				
	2019-20	% Inc / (Dec)	2018-19	% Inc / (Dec)	2017-18
No. of Ships	11.00		11.00		9.00
Cargo carried by owned and chartered vessels	8.81	(15.17)	10.38	(18.86)	12.80
Operation Revenue					
Own vessels	12,279.63	52.71	8,040.97	40.13	5,738.18
Chartered vessels	1,295.86	(53.71)	2,799.42	(32.38)	4,139.77
Total income from shipping business	13,575.49	25.23	10,840.39	9.74	9,877.95
Rental Income	228.08	35.24	168.65	(12.32)	192.34
Other income	946.17	(47.88)	1,815.23	4.13	1,743.18
Total revenue	14,749.75	15.01	12,824.27	8.56	11,813.47
Operating expenses					
Fleet expenses Direct and indirect	(9,056.29)	10.99	(8,159.30)	4.33	(7,820.78)
Admin expenses	(1,120.28)	0.63	(1,113.28)	4.67	(1,063.57)
Other expenses including Real Estate Exp.	(399.83)	(38.21)	(647.10)	(18.73)	(924.14)
Total expenses	(10,576.40)	6.62	(9,919.68)	5.72	(9,808.50)
Operating profit/(loss)	3,717.21	27.98	2,904.58	16.63	2,104.44
Finance Cost	(1,135.46)	152.24	(450.15)	79.77	(250.40)
Profit/(Loss) before Taxation	2,581.75	5.19	2,454.43	85.97	1,854.04
Profit/(Loss) after Taxation	2,413.88	10.00	2,194.37	33.71	1,641.12

(Source: Annual Audited Accounts)

12.3.2.2 Total cargo carried has declined by 15.17%, from 10.38 million tons in 2019 to 8.81 million tons in 2020. This has an overall impact on company's business. The management may justify the decline with supporting documents.

12.3.2.3 Revenue from chartered vessels decreased by 53.71% in the Financial Year 2020 to Rs. 1,295.860 million as compared to Rs. 2,799.420 million during previous year. The management may justify the decline with supporting documents.

12.3.2.4 Total fleet expenses increased by 10.99% in year 2020, from Rs. 8,159.300 million in 2019 to Rs. 9,056.29 million in 2020. The management may justify the increase with supporting documents.

12.3.2.5 Other income decreased by 47.88%, from Rs. 1,815.230 million in 2019 to Rs. 946.170 million in 2020. This massive decline needs justification.

12.3.2.6 Finance cost of the company has shown a massive increase of 152.24%, from Rs. 450.150 million in 2019 to Rs. 1,135.460 million in 2020 owing to huge financings. The management may justify the increase with supporting documents.

12.3.2.7 Trade debts increased by 20.10%, from Rs. 2,615.138 million in 2019 to Rs. 3,141.100 million in 2020 which reflects that funds are blocked in non-recoveries. The management may justify the increase with supporting documents.

12.3.2.8 Total Liabilities increased by 11.80 % in 2020, from Rs. 2,293.760 million in 2019 to Rs. 2,563.910 million in 2020. The management may justify the increase with supporting documents.

12.3.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2003-04	6	5	1	181	83
2006-07	18	17	1	189	94
2008-09	5	4	1	212	80
2014-15	12	1	11	18.3.2.1, 18.3.2.2, 18.3.2.3, 18.3.3, 18.3.4.1, 18.2.4.2, 18.2.4.3, 18.3.4.4, 18.3.4.5, 18.3.4.6, 18.3.4.7	8
2013-14	10	7	3	16.3.2.1, 16.3.4.2, 16.3..4.4	70
2015-16	11	1	10	17.3.2.1, 17.3.2.2, 17.3.2.3, 17.3.2.4, 17.3.3, 17.3.4.1, 17.3.4.2, 17.3.4.3, 17.3.4.4, 17.4.2.1	9
2016-17	5	-	5	15.3.4.1, 15.3.4.2, 15.3.4.3, 15.3.4.4, 15.3.4.5	-
Total	67	35	32		52%

The overall compliance of PAC directives needs improvement.

12.3.4 Audit Paras

12.3.4.1 Irregular strategic purchase of two vessels – Rs. 8,540.000 million

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 04 of PPRA Rules, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used

economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2018-19, it was observed that management procured two vessels to strengthen its managed fleet as per details shown below:

Description	M.T Bolan	M.T Khairpur	Total (Rs. in billion)
Purchase Price	4.29	4.25	8.540
Date of induction	25.03.2019	16.04.2019	

The approval for procurement of three vessels was accorded by the BoD in 2015-16 at a total estimated cost of Rs. 10.500 billion (Rs. 3.500 billion per vessel). However, procurement of only two LR-1 product tankers was made after a lapse of 4 years at a cost of Rs. 8.540 billion. Thus, due to delay in procurement, management incurred extra cost of Rs. 1.500 billion (approx.). The reason behind procuring LR-1 product tankers was PNSC's business with PSO, however, it was observed that business with PSO declined from Rs. 2.200 billion to Rs. 184.000 million, as per detail given below:

(Amount in Rs.)		
2016-17	2017-18	2018-19
2,259,068,527	1,837,667,500	184,000,000

The minutes of the 391st meeting of BoD dated 11.12.2018 keep referring to BoD decisions made 3 to 4 years ago instead of revisiting the whole process in view of the prevalent business scenario. This lack of planning resulted in year-end losses of Rs. 60.500 million by the two vessels. It was also observed that management did not opt an open competitive method of procurement but instead adopted negotiated tendering process which is only applicable in the scenario of extreme urgency, thus the procurement was made in violation of PPRA Rules, 2004.

Audit is of the view that there has been complete mismanagement in the procurement of such important strategic assets. The management failed to reassess and review its decisions in light of current business/market scenario, acting hastily making the whole affair murky. The incremental business generation was not evident which could set-off the principal plus mark-up of the loan. This rendered obsolete the entire business plan behind such a strategic investment.

The matter was reported to the management in July, 2020. The irregularity was discussed in DAC meeting held on 29.01.2021. The DAC directed the management to provide rationale and feasibility for purchase of two vessels to Audit within 15 days. However, the same was not provided to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of the DAC directives.

12.3.4.2 Irregular investment of funds – Rs. 6,880.000 million

Para-3 (e) of Finance Division's O.M. No.F.4 (1)/2002-BR.II, dated July 02, 2002 states that the working balance limit of each organization should be determined with the approval of the administrative ministry in consultation with Finance Division. The Chief Executive of the PSE/Local/Autonomous Body will be required to issue a certificate on annual basis that the above instructions are being followed in respect of the working balance and surplus funds of the organization.

Para 3 (a) of OM No.F.4 (1)/2002-BR.II issued by Finance Division dated 2nd July, 2003, states that the banks / financial institutions taking a deposit should have a minimum "A" rating (long-term) as appearing on the web-site of the State Bank of Pakistan. This "A" rating refers to the rating scale used by Pakistan Credit Rating Agency and JCR-VIS Credit Rating Company. Para 4 states that the public sector entities may invest their surplus funds in the non-government securities/TFCs/shares also, up to a maximum of 20% of the total funds under management.

As per Sr. No. 3 (b) of OM by Finance Division dated 02 July 2003, in case the total working balances exceeds Rs. 10 million, the selection of the bank (s) & the terms of deposits will be approved by the concerned Board of Directors on the basis of competitive bids from at least three independent banks. Before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an

equivalent forum. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2018-19, the following investment irregularities were observed:

- a) An amount of Rs. 4.080 billion was placed in TDR with different banks on short term basis. The management neither sought approval of administrative ministry for working balance limit, after due consultation of Finance Division, nor a certificate was issued on annual basis by the Chief Executive of PNSC on compliance of Ministry of Finance (MoF) instructions in respect of the working balance and surplus funds of the organization. Further, the investment was done while PNSC was already availing a large loan facility of Rs. 25.490 billion at a heavy cost of financing.
- b) An investment of Rs. 2,800.000 million (Rs. 1,400.000 million each in JS Bank and Silk Bank) was made in October & December 2018 (**Annex-58**) without adhering to the 20% investment restriction per bank vide standing orders of Ministry of Finance on investment. Further, Silk Bank then was not 'A' rated, which is a minimum requirement under policy.

Audit is of the view that the investment in the banks was not made on the basis of competitive bids. The management had not duly constituted the Investment Committee (IC), nor had it utilized the services of professional fund manager approved by SECP. At the same time, non-adherence to the standing government orders on investment is irregular and unjustified. Also, the investment of Rs. 2,800.000 million in J.S Bank and Silk Bank beyond the maximum allowed limit and therefore stands irregular. Thus, undue favour was given to the banks at the cost of Corporation's interest.

The matter was reported to the management in July, 2020. The irregularity was discussed in DAC meeting held on 30.11.2020. The DAC recommended the para for settlement subject to verification of management assertion that the investments in TDRs. was in accordance with standing orders and that as per standing orders, the maximum investment in one bank was restricted to 20% of total portfolio. However, no documentary evidence was

provided to Audit to prove the management assertions till finalization of the Audit Report.

Audit recommends that management may conduct an inquiry into the matter, besides, putting into place the relevant internal controls.

12.3.4.3 Non-recovery and creation of provision for expected losses - Rs. 3,538.000 million

As per clause 8 (c) of contract of affreightment, a contract between a ship-owner and a charterer, all other payments due to the Carrier shall be made within a period of fifteen days of the mutually-agreed amount becoming due and payable under this agreement.

Clause (v) of rent agreement between Pakistan National Shipping Corporation and tenants' states that "rent of the subsequent years will be paid by the tenant to the landlord in advance on or before 15 of the month when the rent becomes due and payable to the landlord."

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2017-18, it was observed that PNSC has outstanding balances under different heads. Accumulated receivables as on June 30, 2019 stand at Rs. 2,997.000 million on account of freight charges, rent, heating charges, demurrages, etc. **(Annex-59)**. As a result of non-recovery an amount of Rs. 540.936 million has been provisioned as expected credit loss by the Corporation. The summary is as under:

S. No.	Nature of Recovery	Amount (Rs. in million)
a.	Heating claim charges	61.505
b.	Freight charges	798.798
c.	Slot business outstanding	432.571
d.	Various parties	2,121.38
e.	Tenants	15.350
f.	Misc.	108.396
	Total	3,538.000

Audit is of the view that the management failed to safeguard the Corporation's interest as it did not timely recover the amounts and instead, created the provision for expected losses. With the passage of time the chances of

recovery are becoming remote and eventually more provision of bad debts will have to be created causing further losses to the organization.

The matter was reported to the management on July, 2019 & 2020. The irregularity was discussed in DAC meeting held on 30.11.2020, and following decisions were made;

- a) DAC directed the management to provide to audit relevant documents, including minutes of meetings on the matter, reflecting efforts taken so far and further directed the management to pursue the recovery.
- b) Management informed the DAC that from oil refineries outstanding amount of Rs. 366.000 million as on 30.06.2020, one freight voyage amount of Rs. 55.000 million, is outstanding, recovery of which is in process.
- c) Management informed that from slot business outstanding amount of Rs. 432.000 million as on 30.06.2020, an amount of Rs. 276.000 million has already been recovered and remaining amount of Rs. 156.000 million pertains mainly to Defence Organizations which have lengthy procedures for releasing payment following a detailed SOP. The DAC directed the management that relevant documents of recovery stated to have been effected may be provided to audit for verification and pursue the remaining amount vigorously.
- d) The audit expressed concern on non-recovery against huge outstanding amounts, which compromised liquidity position and affected overall financial leverage of PNSC. The DAC directed the management to provide acknowledgement of outstanding amounts from clients and pursue the recoveries accordingly.
- e) Management informed the DAC that the subject matter is in court of law. The DAC directed the management to pursue the court cases vigorously.
- f) DAC directed the management to pursue the recovery of outstanding receivables vigorously.

However, no relevant record was provided to Audit by the management till finalization of the Audit Report.

Audit recommends expeditious recovery of amount from the concerned along with taking disciplinary action against those who failed to safeguard Corporation's interest.

12.3.4.4 Loss of revenue due to sharp business decline – Rs. 2,075.068 million

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

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2018-19, it was observed that overall tanker business of PNSC, in terms of quantity, has seen a massive decline. Pakistan State Oil was considered as one of the major clients of PNSC. However, PSO has not been on the same business terms with PNSC as it was before 2018-19. This has resulted into severe decline of PNSC business with PSO. The details are as under:

(Amount in Rs.)		
2016-17	2017-18	2018-19
2,259,068,527	1,837,667,500	184,000,000

Audit is of the view that all prudent managers operate the business of corporation to earn profit by full utilization of available sources. Thus, PNSC should have approached PSO as well as the relevant Ministry in order to settle the business differences causing the loss of business as well as for settlement of old outstanding dues against the same client in national interest.

The matter was reported to the management on July, 2020. The irregularity was discussed in DAC meeting held on 30.11.2020. The DAC decided that the management may take up the matter through Ministry of Maritime Affairs to implement the Merchant Shipping Policy-2019 in its letter and spirit. However, no progress was reported till finalization of the Audit Report.

Audit recommends implementation of the DAC directives.

12.3.4.5 Irregular award of bunker supply contract - Rs. 2,065.000 million

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

Clause 4 (b) of eligibility criteria of bunker prequalification guidelines of PNSC states that incomplete information not supported by required documents / evidence is liable to be rejected.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2018-19, it was observed that a tender for prequalification of bunker suppliers was floated on July 03, 2016. In response, eight bunker suppliers were finalized on the basis of bid evaluation criteria, whereas the 9th supplier was finalized upon recommendation by the Committee, not on the basis of evaluation criteria, but rather on its old business relations with the Corporation. The management kept requesting all major suppliers to fulfill the required documentation even after the last date of bid submission.

Audit is of the view that the prequalification was not in line with the required standards set and suppliers were unable to submit requisite documents within stipulated time. Thus, the subsequent procurements of Rs. 2,065.000 million stand irregular.

The matter was reported to the management on July, 2020. The irregularity was discussed in DAC meeting held on 30.11.2020. The DAC recommended the para for settlement subject to verification of prequalification documents reflecting management assertion that no undue favor was extended to any particular bidder. However, the management failed to provide any relevant record to prove its assertion that the prequalification process was transparent and no undue favour was extended to any particular bidder.

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

12.3.4.6 Loss due to arrest of vessels – Rs. 1,856.000 million (\$11.6 million)

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used

economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2018-19, it was observed that PNSC's vessels "M.V Hyderabad" and "M.V Chitral" were arrested in South Africa on 11th August 2016 and 29th July 2017, respectively. For their release, PNSC arranged security through International Sureties up to the value of each vessel i.e. USD 11,600,000 under Government of Pakistan assurance to indemnify PNSC. The vessels were subsequently released on Aug 26, 2016 and August 04, 2017, respectively, but no indemnity was received against the paid cost to PNSC, which resulted in a loss of Rs. 1,856.000 million.

Audit is of the view that due to mismanagement, PNSC sustained the said loss. Given the fact that the first vessel was arrested in South Africa in August 2016, the management should not have allowed another vessel into South African territory.

The matter was reported to the management on July, 2020. The irregularity was discussed in DAC meeting held on 29.01.2021. The management informed the DAC that arrest of the ships was due to litigation between Pakistan Steel Mills and Coniston and presently matter is sub judice in the court of law as well as pending in ECC for review. The DAC directed that Ministry of Industries be requested to pursue the case in the Court of Law and PNSC should provide full support in this regard. However, no progress was reported till finalization of the Audit Report.

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

12.3.4.7 Wrongful booking of demurrages losses as receivables – Rs. 419.144 million

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its

fiduciary duties with a sense of objective judgment and in the best interest of the company.

Clause 5 (a) of contract of affreightment between PSO and PNSC dated 05.10.2012 states that Tanker schedules and advices states that “the Company shall advice the Carrier of its monthly schedule at least 15 days in advance, enabling Carrier to arrange suitable tanker. The Company shall secure consecutive lay days so as to keep the tanker vessel continuously employed, if possible.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2017-18, it was observed that the accounts of PNSC are made to reflect demurrage losses as receivables in the accounts with the management assertion that the expenditure was not incurred due to any fault of PNSC. However, it was observed that an amount of Rs. 419.144 million was paid by PNSC for the demurrage expense of previous years (2015 to 2018).

Audit is of the view that PNSC wrongfully booked the amount as receivables in order to absolve itself of these losses and eventually after 3 to 4 years made these payments itself. The business model of the organization also becomes questionable when it is always PNSC that pays the demurrages (revenue or expenditure) while putting the responsibility on its clients/third parties at the same time. Payment on account of demurrage charges and non-settlement of the same in time reflects inefficiency, lax attitude of the management in addressing the issue which has heavily compromised liquidity position of the Corporation.

The matter was reported to the management on July 17, 2020. The irregularity was discussed in DAC meeting held on 30.11.2020. The management informed the DAC that continuous follow-up is being made to recover the demurrage amount from PSO. Audit expressed concern on payment of huge demurrage charges by PNSC on part of the client and non-settlement of outstanding amounts, which resulted in blockage of PNSC resources. The DAC directed the management to provide acknowledgement of demurrage payables from PSO and pursue the recoveries accordingly. However, no record was provided to support the management assertions till finalization of the Audit Report.

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

12.3.4.8 Losses in various voyages - Rs. 229.436 million

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

As per Job Description (JD), General Manager Commercial Division was required to utilize vessels in the most profitable manner, prepare and maintain vessel schedule, and ensure proper execution of the voyage, etc.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2017-18, it was observed that PNSC incurred losses of Rs. 22.436 million on voyages made by the organization's vessels. The details are as under:

- a) The vessel "MV Shalamar" made a total of 16 voyages during the year, but made losses on 5 of these voyages (31%). The cumulative losses of these 5 voyages amounted to Rs. 168.912 million (**Annex-60**).
- b) The newly inducted vessel "MT Bolan" performed its first voyage on 01.04.2019, which resulted in a gross /operation loss of Rs. 26.185 million. After this voyage, management was unable to depute MT Bolan on next voyage which caused the vessel to laid up idle for 09 days, which caused further operational loss of Rs. 15.872 million to the corporation. This makes total operational loss to MT Bolan of Rs. 42.057 million.
- c) The newly inducted vessel "MT Khairpur" made its first voyage on 25.04.2019 for carrying soft fuel from Fujairah to Karachi, vessel was chartered out for 19 days resulting in an operation loss of Rs. 23.495 million, another voyage of the vessel costs PNSC operational loss of Rs. 2.277 million, making total operational loss of MT Khairpur to Rs. 25.772 million.

Audit is of the view that the subsidiary companies losses on the voyages are indicative of flawed business operation, improper planning and delayed decision-making. This reflected inefficiency, negligence & weak internal controls. The business model of the organization also becomes questionable when it is always PNSC that pays the demurrages (revenue or expenditure) while putting the responsibility on its clients/third parties at the same time.

The matter was reported to the management on July, 2019 & 2020. The irregularity was discussed in DAC meeting held on 30.11.2020, and following decisions were made:

- a) Management informed the DAC that with the addition of demurrage revenue this voyage will result in cumulative profit of Rs. 185.000 million. Thus, no loss has occurred to PNSC. The DAC directed the management to provide to audit relevant documents reflecting voyage-wise income against the demurrage charges.
- b) Management informed the DAC that with the addition of the demurrage & deviation earning (which is operational revenue) of Rs. 32.600 million for the particular voyage, this voyage will result in overall profit of Rs. 6.400 million. The other loss of Rs. 15.872 million for 9 days was due to the fact that the vessel was undergoing mandatory change-over procedures from old to new owner, which was being handled at Fujairah by SM Division.
- c) Management informed the DAC for 1st voyage of Khairpur that with the addition of the demurrage earnings of Rs. 31.54 million for the particular voyage, this voyage will result in overall profit of Rs. 8.000 million. For 3rd voyage of Khairpur, with the addition of the deviation earning of Rs. 5.600 million for the particular voyage, this voyage will result in overall profit of Rs. 3.300 million. The DAC directed the management to provide relevant documents to audit in support of its contention that there were no operational losses in these particular cases.

However, no relevant record was provided to audit to verify the management assertions till finalization of the Audit Report.

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

12.3.4.9 Losses on charter-in of ships – Rs. 192.452 million

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

As per Job Description (JD), General Manager Commercial Division was required to utilize vessels in the most profitable manner, prepare and maintain vessel schedule, and ensure proper execution of the voyage, etc.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2017-18, it was observed that the management used “chartered-in” vessels to fulfill its contractual obligations. Eleven of these voyages caused a cumulative loss of Rs. 192.452 million to the corporation. Details are as under:

- a) The management paid heavy demurrages to M/s. Unit Maritime Tankers for chartering vessel “MT Brizo”. The voyages had been involved in many anomalies raised by ship-owner from time to time, causing heavy demurrages to be paid by PSNC. The approvals for the said voyages were made by the Chartering Committee in a way which caused a loss of US \$624,818.85 (Rs. 70.545 million) on account of demurrages.
- b) PNSC chartered the ship “MT Omera Queen” vide CP dated 24.03.2015 for carrying HSFO fuel oil of Pakistan State Oil from Fujairah to Karachi for total laycan of 96 hours. MT Omera Queen arrived at Fujairah port on 09th April at 19:06 hours to lift HSFO fuel and anchor aweigh on 25th April, it took gross lay time of 374.20 hours, approx. 16 days to load HSFO, involving demurrage time of 343.87 hours, on disport side it take gross lay time of 148.67 hours, involving demurrage time of 129.37 hours worth Rs. 53.899 million.

- c) PNSC chartered a vessel “MT Wafrah”, from Kuwait Petroleum Corporation at US \$450,000 for loading laycan of 96 hours. Financial results of the voyage indicate that income earned from MT Wafrah was Rs. 53.916 million against hiring charges of Rs. 63.090 million. Further, demurrage costs of Rs. 28.091 million were incurred by PNSC hence, the corporation sustained a total loss of Rs. 37.264 million on this voyage.
- d) Other “Chartered-In” voyages of the corporation resulted in a cumulative loss of Rs. 30.743 million (**Annex-61**). These losses were a result of hiring and operational charges paid by PNSC being higher than the freight income.

Audit is of the view that due to inefficient financial management the corporation chartered the vessels at high cost making the losses inevitable. To further add to the losses the management did not utilize the vessels in profitable manner causing laycan delays thereby, incurring demurrage expenses. The business model of the organization also becomes questionable when it is always PNSC that pays the demurrages (revenue or expenditure) while putting the responsibility on its clients/third parties at the same time.

The matter was reported to the management on July 17, 2020. The irregularity was discussed in DAC meeting held on 29.01.2021, and following decisions were made:

- a) The management informed the DAC that demurrage charges payment was due to non-arrangement of timely berthing at load and / or discharge port for which PSO is responsible. PNSC’s obligation was to provide vessel to PSO as per their nominated laycan, which was accordingly done. The management further informed that in the 5 voyages of MT Brizo, PNSC achieved a total net profit of PKR 163.4 million. The audit expressed concern on payment of huge demurrage charges by PNSC on part of the clients, which resulted in blockage of PNSC resources. The DAC directed the management to provide acknowledgement of demurrage payables from PSO and pursue the recoveries accordingly.
- b) The DAC directed the management to provide relevant reply entailing specific factors / circumstances / voyage-wise justification for chartering of ships at higher rates.

- c) The management informed the DAC that vessel was berthed after 2 days of delay due to PSO's supplier / load port terminal issue. Then, vessel cargo specification was found unsatisfactory due to which vessel had to wait for discharging and re-loading. The audit expressed concern on payment of huge demurrage charges by PNSC on part of the clients, which resulted in blockage of PNSC resources. The DAC directed the management to provide acknowledgement of demurrage payables from PSO and pursue the recoveries accordingly.
- d) The DAC also directed that matter should be referred to the BoD to examine the losses incurred on these voyages in light of operational and demurrages charges, the circumstances in the context of chartering of these vessels and determine the fact that payable losses incurred due to deficiency/negligence on the part of the management. In this regard, Audit may be provided within 60 days.

However, no progress was reported till finalization of the Audit Report.

Audit recommends implementation of DAC directives at the earliest.

12.3.4.10 Irregular award of works and services contracts - Rs. 132.440 million

Rule-38 of PPRA, 2004 stipulates that the bidder with the lowest evaluated bid shall be awarded the procurement contract.

Rule 20 of PPRA Rules, 2004 stipulates that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Rule 4 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Pakistan National Corporation (PNSC) for the year 2017-18, audit observed following procurement-related irregularities:

- a) The contract of dry docking of M.T Karachi to the second lowest bidder, M/s. Dubai Dry Dock world, at cost of \$1,111,301 equivalent to Rs. 117.353 million (1 US \$ = Rs. 105.600) instead of 1st lowest,

M/s. Changxi Shipyard China, which offered bid of US\$708,253 (1 US\$ = Rs. 105.600) equivalent to Rs. 74.791 million.

- b) The management appointed chartered accountant firm, M/s. A. F. Ferguson & Company and Ernst & Young Ford Rhodes Sidat Hyder at Rs. 15.090 million without open competition. Further, the management has not followed PPRA rules, since enforcement of the rules, in appointment of the chartered accountant firms.

Audit is of the view that non-following of the public procurement rules since 2002 in procurement of the services of the chartered accountant firms and award of work to the 2nd lowest reflected negligence & slackness of the management.

The matter was reported to the management in July, 2019 and 2020. The irregularity was discussed in DAC meeting held on 30.11.2020, and following decisions were made:

- a) The management informed the DAC that as per evaluation criteria, other additional factors were also included to the repair cost of each yard in the evaluation i.e. opportunity cost for passage days and repair days and bunker cost for passage, etc. Thus, the lowest evaluated responsive bidder was selected. The addition of other factors in the evaluation criteria was in accordance with the bidding documents and PPRA rules. The DAC recommended the para for settlement subject to verification of management assertion that the evaluation was made in accordance with procurement rules.
- b) The management informed the DAC that the matter of procurement of services of Charter Accountant firms through competitive process in accordance with public procurement rules has been noted for future compliance. The DAC directed the management to do needful on priority.

However, no relevant record was produced to audit by the management.

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

12.3.4.11 Loss due to short delivery of crude oil - Rs. 74.298 million

As per the agreement clause it was agreed that:

- i. Ocean loss in respect of cargo carried shall not exceed 0.4% by weight of crude oil Loaded quantity as per Bill (s) of Lading per voyage compared with measurement of shore tanks at discharge port. The quantity delivered shall be quantity actually received in the Company's shore tanks.
- ii. If ocean loss on each cargo carried under this agreement exceeds 0.4% by weight...the cost of ocean loss in excess of 0.4% by weight and freight thereof, without prejudice to any liabilities of the Carrier.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2018-19, it was observed that PNSC vessels undertook voyages to deliver crude oil of different companies during the year. However, certain voyages made ocean losses due to short delivery of oil of Rs. 74.298 million (**Annex-62**). These losses were over and above the allowable limit of 0.4% as per the above agreement and PNSC was liable for payment of the difference in quantity supplied. As a result, PNSC had to bear freight charges as well as material price (FOB value) of the crude oil.

Audit is of the view that due to negligence of the management, losses on account of short deliveries took place on regular basis. This shows weak operational performance and lack of proper monitoring of crude oil transactions.

The matter was reported to the management in July 2020. The irregularity was discussed in DAC meeting held on 29.01.2021. The DAC directed the management to review the existing arrangement and to take up the matter with the refineries/customers in order to minimize such losses. However, no progress was reported till finalization of the Audit Report.

Audit recommends implementation of the DAC directives.

12.3.4.12 Loss due to unjustified expenditure on salary payment – Rs. 14.782 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements

to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2017-18, it was observed that an expenditure of Rs. 14.782 million was incurred on account of salaries to four employees of Vigilance Cell of Ministry of Maritime Affairs (**Annex-63**). It was observed that the Vigilance Cell was non-functional since long but the corporation continued to pay salaries to these employees without performing any duties.

Audit is of the view that payment of salaries against a non-functional Vigilance Cell is a loss to the organization, depicting weak internal controls and negligence on part of the management.

The matter was reported to the management in July, 2017. The irregularity was discussed in DAC meeting held on 29.01.2021. The management informed the DAC that these appointments were made on the directives of the Ministry and task the vigilance, however order there is no such provision of these employments either in the PNSC Rules or in any Government Rules. Management further informed that on the direction of the honorable High Court PNSC is paying the salary of these employees and is contesting the case in the Court. The DAC directed to pursue the case in the Court and quarterly report be sent to the Ministry and the audit. However, no progress was reported till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.3.4.13 Anchoring loss due to negligence at Fujerah – Rs. 10.300 million (\$73,011)

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

During audit of Pakistan National Shipping Corporation (PNSC) for the year 2018-19, it was observed that the management incurred a loss of Rs. 10.269 million on account of an incident of vessel, MV Hyderabad, during anchoring at Fujerah. The summary of loss is as under:

Cost of off-hire from commercial activity.	\$28,011
Cost of anchor and cable recovery.	\$45,000
Total -US \$	\$73,011
Total Rs. (@140,652)	Rs. 10,269,143

Audit is of the view that the responsibility of management cannot be ruled out due to negligence for such an incident. Therefore, an impartial enquiry should be carried out to identify all responsible for the incident.

The matter was reported to the management on July, 2020. The irregularity was discussed in DAC meeting held on 30.11.2020. The DAC directed the management to pursue the court case vigorously. However, no relevant record was produced to audit by the management.

Audit recommends implementation of DAC directives.

12.3.4.14 Un-justified expenditure on award of contract of Condition Assessment Program - \$41,400 equivalent to Rs. 4.574 million

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

During audit of Pakistan National Shipping Corporation (PNSC) for the year ended 2017-18, it was observed that the PNSC floated tender on May 28, 2017 for Condition Assessment Program (CAP) of hull and machinery of vessel MT Karachi. The tender was opened on July 03, 2017 and two contactors responded and sent price to PNSC. However, it was observed that PNSC vessel M.T Karachi, IMO No. 9257814 LR classed, was due for special & annual survey & dry docking in January 2018 for Condition Assessment Program. The management unjustifiably carried out condition assessment program (CAP) of hull and machinery. The management had already signed five year block fee agreement with M/s. Lloyd's Register at the cost of US \$145,000 to carry out the

annual special survey, intermediate survey and five years special survey of Hull and machinery of the vessel MT Karachi. The detail is as under:

S#	Description	M/s. Lloyd's Register EMA Price in US \$	M/s. ABS Consulting Europe Division Price in US \$
1.	CAP (Hull and Machinery/Congo System) Consultancy Service for MT Karachi	58,900	-
2.	Non ABS Vessel and our Involvement for Cap only	-	73,275
3.	Transferring the Vessel's Class during the CAP Attendance and vessel then becomes an ABS Classed Vessel	-	-
Total US\$		58,900	73,275
Total (Rs.)		6,184,500	7,693,875

Audit is of the view that PNSC management put the burden on the national exchequer on account of extra expenditure of US\$41,400 equivalent to Rs. 4.574 million ($\$41,400 \times 110.5 = 1 \text{ US\$}$), whereas annual survey and dry docking and special survey was due in January 2018.

The matter was reported to the management on July, 2019 & 2020. The irregularity was discussed in DAC meeting held on 30.11.2020. The management informed the DAC that condition assessment program (CAP) is a commercial requirement and is voluntary, whereas the surveys covered under the block fee are mandatory, and that CAP survey was not covered in the scope of work of block fee agreement for MT Karachi, because of which it was tendered separately. The DAC directed the management to provide relevant documents to audit reflecting justification for carrying out Condition Assessment Program. However, no relevant record was produced to audit by the management till finalization of the Audit Report.

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

12.4 Port Qasim Authority

12.4.1 Introduction

Port Qasim Authority was established in 1973 under the Port Qasim Authority Act, 1973 (the PQA Act). The principal activities of the Authority are to provide services of ship movement, storage, berthage, wharfage, and towage, etc., besides developing and managing an industrial and commercial estate within its occupied area. The location of operations and principal office of the Authority is situated at Port Muhammad Bin Qasim, Karachi.

12.4.2 Comments on Audited Accounts

12.4.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this, the management failed to provide audited accounts of the organization for the years 2006 to 2019 despite a number of reminders.

Audit requires that the annual audited accounts of the years 2006 to 2019 be provided immediately and timely submission be ensured in future besides fixing responsibility for non-submission of annual audited accounts (*refer Annex-2*).

12.4.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
1999-00	5	2	3	67, 68, 70	40
2000-01	13	10	3	59, 62, 64	77
2003-04	5	3	2	182, 183	60
2005-06	14	11	3	225.1, 225.4, 228	79
2006-07	1		1	194	-
2008-09	5	3	2	213, 214	60
2013-14	13	5	8	16.4.3.1, 16.4.3.2, 16.4.3.3, 16.4.3.4, 16.4.3.5, 16.4.3.8, 16.4.3.10, 16.4.3.11	38
2014-15	63	3	60	18.4.4.2, 18.4.4.4, 18.4.4.27, 18.4.4.26, 18.4.4.1, 18.4.4.43, 18.4.4.34, 18.4.4.29, 18.4.4.15, 18.4.3, 18.4.4.3, 18.4.4.5, 18.4.4.6, 18.4.4.7, 18.4.4.8, 18.4.4.9, 18.4.4.10, 18.4.4.11, 18.4.4.12, 18.4.4.13, 18.4.4.14, 18.4.4.16, 18.4.4.17, 18.4.4.18, 18.4.4.19, 18.4.4.20, 18.4.4.21, 18.4.4.23, 18.4.4.24, 18.4.4.25, 18.4.4.28, 18.4.4.30, 18.4.4.31, 18.4.4.32, 18.4.4.33, 18.4.4.35, 18.4.4.36, 18.4.4.38, 18.4.4.39, 18.4.4.40, 18.4.4.41, 18.4.4.42, 18.4.4.44, 18.4.4.45, 18.4.4.46, 18.4.4.47, 18.4.4.48, 18.4.4.49, 18.4.4.50, 18.4.4.51, 18.4.4.52, 18.4.4.53, 18.4.4.54, 18.4.4.55, 18.4.4.56, 18.4.4.57, 18.4.4.58, 18.4.4.58, 18.4.4.59, 18.4.4.60	5
2015-16	18	1	17	17.4.4.1, 17.4.4.3, 17.4.4.5, 17.4.4.10, 17.4.4.15, 17.4.3, 17.4.4.2, 17.4.4.4, 17.4.4.6, 17.4.4.7, 17.4.4.8, 17.4.4.9, 17.4.4.10, 17.4.4.11, 17.4.4.12, 17.4.4.13, 17.4.4.14	6
2016-17 (Paras More Than 50M)	2	-	2	15.4.4.5, 15.4.4.1	-
	139	38	101		27%

The overall compliance of PAC directives needs improvement.

12.4.4 Audit Paras

12.4.4.1 Encroachment of PQA land - Rs. 12,280.650 million

As per Land Allotment Policy of Port Qasim Authority, “Should there be any encroachment in contravention hereof the Lessor will be entitled to recover from the Lessee a sum equivalent to Rs. 100/= (Rupees One Hundred only) per square meter per day of the area covered by such encroachment and shall have the right to recover such sum without prejudice to any other right or action available to the Lessor under this agreement and / or in law”.

During audit of Port Qasim Authority for the financial year 2017-18, it was observed that the land of the Authority was encroached as per details given below:

- a) PQA initially allotted land measuring 139.07 acres to M/s. QICT who later on started encroaching the land and total area of about 35-acre land reserved for future road interchange was encroached and development was made without prior permission / allotment by the PQA. The owner of M/s. QICT, DP World, vide its letters dated 07th February, 2017 & 30th May, 2017 confirmed encroachment of 35-acre area and intimated to the PQA that they would not make any rental payment for this area. Thus, the Industrial Management (IM) department's anti-encroachment cell failed to stop the encroachment of the land by QICT. The management imposed a penalty of Rs. 12.246 billion on the QICT. Neither penalty nor land was recovered.
- b) An allottee encroached an area 0.392 acres (valuing approximate amount Rs. 34.650 million) adjacent to his plot Nos.15 & 16, SWIZ since 1998 which is evident from request letter dated 30.09.1998 for regularization, however, management neither got the plot vacated nor any penalty was imposed. After 5 years, management wrote a letter dated 13.12.2003 for removal of unauthorized construction. Thus, undue favor was extended to the allottee by not taking any action in the matter.

Audit is of the view that PQA management showed slackness while protecting the land from the encroachers. Further, the encroachment of land to

such a large extent cannot be made without connivance of the management. This reflected negligence & inefficiency of the management.

The matter was reported to the management in Feb-April, 2020. The irregularity discussed in DAC meeting held on 11-12 December, 2020, and the decisions are as under:

- a) Management informed that the matter is in the court of law (High Court of Sindh). DAC directed the management to pursue the case in court vigorously.
- b) Management informed the DAC that the extra land measuring 0.392 acres adjacent to plot No. 15 & 16 and Plot No. 28 & 29 has not yet been regularized. DAC directed the management to conduct fact-finding inquiry regarding construction by the firm without prior permission and fix responsibility covering financial impacts.

However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

12.4.4.2 Irregular award of contract of QICT II - Rs. 22,500.000 million

As per Rule 20 of PPRA, 2004, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

As per Clause 13.1 Neither party may assign or transfer this agreement on its right or obligations hereunder without the prior written consent of the other party which consent shall not be unreasonably withheld.

During audit of Port Qasim Authority for the year 2018-19, it was observed that the management advertised the Expression of Interest for establishment of 2nd Container Terminal on Build, Operate and Transfer (BOT) basis on 25th April, 2006, for which last date of submission was 31st July, 2006 and the same was extended till 31st August, 2006. Four companies submitted the proposals. However, the management withdrew the EOI from the advertisement in newspapers. The committee headed by the Chairman PQA visited Dubai and held negotiations with DP World, and directly awarded the contract for the period 30 years at a cost of US\$ 375 million, in violation of PPRA rules.

Audit is of the view that undue favour was extended to M/s. DP World for award of 2nd Container Terminal at Port Qasim without competitive bidding in violation of PPRA rules, which is irregular and unjustified.

The matter was reported to the management in April 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that contract was awarded without competitive bidding. DAC directed the current management to investigate and furnish report within three months. However, no relevant record was provided to audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.3 Irregular award of 2nd LNG terminal establishment contract - Rs. 13,000.000 million

As per Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013, the directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Port Qasim Authority for the year 2017-18, it was observed that management of PQA and M/s. Pakistan Gas Port Ltd. (PGPL) signed Implementation Agreement on 28th April, 2007 for LNG Site at Korangi Creek on BOT basis. After allocation of site by PQA, a license for construction of LNG receiving terminal was granted by OGRA to PGPL for their site at Kadiro Creek, Port Qasim in year 2011. PGPL was unable to initiate the project/meet project timelines. However, they requested OGRA for extension in timelines with changed site for construction at Mazhar point, which was previously allocated to M/s. FOTCO.

The allocation of new site by PQA to PGPL required a new Implementation Agreement (IA) and all relevant studies which may include Navigational Studies, Environmental Studies and fresh NOCs from concerned. The management made Implementation Agreement (IA) on 05.01.2017 without fresh studies and NOC from Ministry of Defense. Moreover, neither the previous

allotment of 35 acres of land was cancelled nor was the amount of 10% deducted, as directed by the Board dated 25.05.2016. Similarly, no land rent and NUF charges were imposed on PGPL for not utilizing the land. Thus, the award of LNG terminal worth Rs. 13.000 billion to M/s. PGPL is irregular and unjustified.

The matter was reported to the management in April 2019. The irregularity was discussed in DAC meeting held on 11-12 December, 2020 in which the management informed that some record pertaining to this issue has already been obtained by NAB. The DAC directed that the entire case be referred to NAB for detailed inquiry / investigation. However, no updated status was provided to audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.4 Irregular award of contract of coal terminal – US \$ 98.03811 million equivalent to Rs. 11,763.000 million

As per Rule 10 of PPRA, 2004, “specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications.

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

During audit of Port Qasim Authority for the year 2017-18, it was observed that contrary to wider competition, the management invited the bids only from the contractors with the eligibility criteria as follows:

- a) GOP sanctioned Coal Fired Power Plant Developers/Operators independently or through joint venture for their self-use only.
- b) Coal suppliers independently or through joint ventures having confirmed contract(s) with GoP sanctioned Coal Fired Power Plant Developers/ Operators for supply of coal only for the use of the coal power plant(s) with which they have Coal Supply Agreement(s) to undertake the Project for establishment of a dedicated Coal Terminal by converting existing

Berths No. 3 & 4 at Marginal Wharf , PQA, Karachi on Build Operate & Transfer (BOT) basis for supply of coal mandatory to Coal Fired Plant Developer(s)/ Operator(s) for self-use.

The above conditions limited the participation in bidding. Accordingly only one bidder participated.

In addition to above, the working capital of bidder, M/s. Huaneng Shandong Ruyi (Pakistan), was negative US\$ 2215.83 million during 2013 which further increased up to US\$ 2361.93 million during 2014, even then the contract was awarded to the party. Further, there was a difference of names of the participant company M/s. Hua Neng Ruyi Pakistan Energy Company Limited– China Harbour Engineer Company (CHEC) and contract awarding company M/s. Huaneng Fuyun Port & Shipping (Pvt.) Limited, which makes the participant doubtful.

Audit is of the view that tender with conditionality and the award of work to the company with negative working capital reflected lack of due diligence and favoritism to the contractor.

The matter was reported to the management in April 2019. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that Consultant had followed PPRA process. DAC directed to conduct the fact-finding inquiry at ministry level. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

12.4.4.5 Hiring of 04 LNG tugs in violation of rules – Rs. 5,908.530 million

Rule 5 of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the Directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company.

During audit of Port Qasim Authority for the year 2017-18, it was observed that the management hired 04 LNG tugs on March 2015 from M/s. Smit

Lamnalco at US \$34,980 per day without observing financial standards of propriety. The management did not advertise appropriately the tender due to which only one bidder participated. The only bidder quoted bid rates much higher than the rates of already hired tugs in PQA. Previously, tugs were hired at US\$5,150 per day, whereas the tugs in instant case were hired at US\$8,745 per day excluding fuel, which is 70% higher. PQA was required to retender properly to avail of the competitive rates. Further, the contract was awarded initially for 02 years from March 2015 to March 2017, which was extended 02 times. Before expiry of contract, fresh tenders were required to be floated for availing competitive rates, but the management continued the contract with same contractor at slightly reduced rates. The details are as under:

S#	Contract Period	Hiring Rates / per day (US\$)	No. of months	Total (US\$)
	March 2015 to August 2016	34,980	20	20,988,000
	September 2016 to February 2017	31,850	06	5,733,000
	March 2017 to February 2018	31,130	12	11,206,800
	March 2018 to March 2020 (March 2019)	29,000	13	11,310,000
Total		126,960	51	49,237,800

Moreover, the observations raised by Mr. Babar, a member of the board, were not properly addressed nor were the financial implications worked out and presented to the Board of Directors for well-informed decision regarding hiring and extension of contract.

Audit is of view that the management extended undue favour to the private contractor by hiring of tugs at higher rates. There are chances that the management delayed the purchase of PQA own tugs to continue the hiring of tugs from private party. Thus, the hiring of tugs of US \$ 49,237,800 equivalent to Rs. 5,908.530 million (US\$49,237,800 x Rs. 120) from single bidder at non-competitive rates and continued extensions without re-advertising is irregular.

The matter was reported to the management vide Memo No.42 dated 15.04.2019. The management stated that tender was invited in local and international newspapers. Rate was different as previous hired tugs were 65 tons & 45 tons bollard pull hired in 2011-12, whereas new hired tugs are 75 tons and 85 tons hired in 2015. Contract period was extended as per terms and conditions & as per directive of BoD. PQA moved the case for procurement of (4)

LNG tugs in 2017, due to delays in approvals, bid validity of the lowest bidder expired after extension. PQA is in process of finalization of cost & benefit analysis report between hiring and purchase of tugs. The reply of management is not tenable because hiring cost of (4) LNG tugs was US\$25.535 million for two years and US\$51.071 million for four years and purchasing cost from KS&EW of (4) LNG tugs was US\$54.875 million. Thus, instead of increasing the assets of PQA, management made irregular expenditure by hiring of tugs. Further, management did not provide the total cost of tugs hired with manning and total other cost/expenses along with details of revenue earned.

The irregularity was discussed in DAC meeting held on 11-12 December, 2020. The DAC directed that a committee comprising of CF&AO, Ministry of Maritime Affairs and technical staff of PNSC be formed to comprehensively examine the issue and give its suggestion to the Ministry and Audit. However, no progress was intimated to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.6 Non-recovery of port dues / outstanding amount against various parties - Rs. 5,520.590 million

As per Section 21 of PQA Act, 1973, if the master of any vessel in respect of which any tolls, dues, rates, charges or penalties shall be payable under this Act, or any part thereof on demand, it shall be lawful for the Board to distrain or arrest of its own authority such vessels, and the tackle, apparel or furniture belonging thereto, or any part thereof and detain the same until the amount so due shall be paid.

Clause (ii), (x) of Para-2 of allotment letter requires the parties to remit remaining Peripheral Development Charges (PDC) within 30 days and Annual Land Rent (ALR) payable yearly in advance. Port Qasim is committed to provide infrastructure facilities in the respective zones against the PDC. Further, the allottees are required to start physical execution of the project within the time specified in PQA's Policy. In case of default, Non-Utilization Fee (NUF) at 1st years @ 25%, 2nd years @ 50 %, 3rdyear @ 75 % & 4th year @ 100 % and so on of the PDC will be realized.

The Article 18.25 (a) of the Implementation Agreement provides that where a company does not achieve completion by the required date as a result of a default attributable to the company and not attributable to any act or omission of PQA then the company shall be liable to pay liquidated damages for every day of delay such damages not exceeding Rs. 500,000 per day until it achieves completion date.

During audit of Port Qasim Authority for the year 2018-19, it was observed that the management failed to effect recovery of Rs. 11,116.43 million as on 30.06.2019 on account of following heads.

S#	Name of Party	Head of a/c	Amount (Rs. in million)
1.	Ocean Prince-1 & M/s. Alpine	Port dues	30.00
2.	Various Parties	PDC, land rent & allied charges	5,307.73
3.	Pakistan Navy		45.00
4.	K-Electric	Outstanding dues and non-utilization fee	137.86
Total			5,520.59

Audit is of the view that non-recovery of the outstanding amount under multiple heads of account reflected negligence, inefficiency & slackness of the management.

The matter was reported to the management during February-April, 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020, and following decisions were made:

- a. Port dues: the management informed that the ship MT Ocean is undertaken by the port authority and the case is sub judice in Sindh High Court, wherein the PQA is one of the parties in the case and has requested the court for payment of dues by the owner of MT Ocean. New date of hearing is 14.01.2021. DAC directed the management to pursue the case vigorously.
- b. PDC, land rent & allied charges from various parties: Management informed that the matter is in the Court of Law. The DAC directed the management to expedite the recovery process of PDC and pursue the case in court of law vigorously.
- c. Pakistan Navy: Management informed that as far as 75% PDC is concerned, PQA had received an amount of Rs. 1,782,000 vide challan

no. 242 dated 28.06.1989. DAC directed the management to get the original record verified from Audit.

- d. Outstanding dues and non-utilization fee from K-Electric: Management informed that the action would be taken as per PQA policy. DAC directed the management to recover due amount from the KE under intimation to Audit.

However, no relevant record was provided to audit by the management till finalization of the Audit Report.

Audit recommends expeditious recovery of amount from the concerned along with taking disciplinary action against those who failed to safeguard Corporation's interest.

12.4.4.7 Irregular investment of funds - Rs. 1,793.500 million

Para 3(a) of OM No.F.4 (1)/2002-BR.II issued by Finance Division dated 2nd July, 2003, states that the banks / financial institutions taking a deposit should have a minimum "A" rating (long-term) as appearing on the web-site of the State Bank of Pakistan. The public sector entities may invest their surplus funds in the non-government securities/TFCs/shares also, up to a maximum of 20% of the total funds under management.

As per Sr. No. 3(b) of OM by Finance Division dated 02 July 2003, in case the total working balances exceeds Rs. 10.000 million, the selection of the bank (s) & the terms of deposits will be approved by the concerned Board of Directors on the basis of competitive bids from at least three independent banks. Before making any investment under this policy, it would be necessary for public sector entities to set up in-house professional treasury management functions. Specifically, they would need to have an Investment Committee (IC) with defined investment approval authority. Transactions above the limit of the approving authority of the IC will be subject to approval of the Board of Directors or an equivalent forum. However, it will be necessary for public sector enterprises to use the services of professional fund managers approved by SECP.

During audit of Port Qasim Authority for the year 2018-19, Audit observed following investment related irregularities:

- a) The management obtained Term Deposit Receipts (TDRs) through NIB Bank for an amount of Rs. 1.500 billion in June, 2016, at KIBOR plus 0.16%. A bank guarantee against the said TDR was furnished to the High Court of Sindh in a case and a lien was marked on the said TDR. However, after the merger of NIB with the MCB, the rate was unilaterally revised at rack rate in June, 2017. The PQA has still not got its amount. Thus, investment of Rs. 1.500 billion was made without due diligence and evaluating financial stability of the bank.
- b) Contrary to consideration of conflict of interest, the management by utilizing the services of the fund managers, M/s. Jahangir Siddiqui Investments, invested an amount of Rs. 800.000 million in an open-ended mutual fund of JS Investments Ltd. during the year 2007 and incurred accumulated loss of Rs. 293.170 million as on 30.03.2010.

Audit is of the view that above investment decisions were made without due diligence which caused losses to the organization.

The matter was reported to the management during February, 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020, and the decisions are as under:

- a) Management informed that the dispute of unilateral revision of the downward interest rates is in the court of Banking Mohtasib of Pakistan. DAC directed (i) To pursue the case vigorously in Court, and share progress report with the Ministry and Audit and (ii) Management to consider replacement of the guarantee with the one having higher commercial value.
- b) Management informed that PQA has earned profit and not sustained loss. DAC directed to hold the inquiry at ministry level within three month and share with Audit.

However, no relevant record was provided to the audit by the management.

Audit recommends that the management may take necessary steps on priority.

12.4.4.8 Blockage of funds due to advance payment against land not transferred to Authority – Rs. 1,691.000 million

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

During audit of Port Qasim Authority for the year 2018-19, audit observed following irregularities in land acquisition matters:

- a) Management made payments of Rs. 1,250.000 million on 24.10.2007 to Land Utilization Department, Government of Sindh to acquire leasehold land measuring 1250 acres, at the rate of Rs. 1.000 million per acre, situated at Deh un-surveyed Ghara, Taluka Mirpur Sakro, District Thatta. The possession and title of the aforesaid land has still not been transferred to PQA as the land is in possession of Pakistan Navy.
- b) Payment of Rs. 440.740 million was made to Pakistan Railways in respect of transfer of land measuring 220.370 acres at the rate of Rs. 2.000 million per acre. However, title of the land has not so far been transferred in favour of the authority.

Audit is of the view that non-transfer of land title against payment made in advance reflected non-propriety approach, inefficiency and lax attitude of the management. This resulted into blockage of funds due to advance payment against land not transferred to authority of Rs. 1,691.000 million.

The matter was reported to the management in February, 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020, and following decisions were made:

- a) Management informed that the case is sub judice. The DAC directed the management to pursue the case vigorously in the court and take necessary

action as per policy and law. Moreover, progress report be shared with Ministry and Audit on quarterly basis.

- b) Management admitted the audit Para on advance payment to Pakistan Railways for land acquisition. DAC directed the management to expedite the process of change of title of land in favor of PQA from Pakistan Railways and progress report be shared with Ministry and Audit.

However, no relevant record was provided to audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.9 Non-cancellation of K-Electric plot - Rs. 864.000 million

Clause ix of agreement between PQA and KE, transfer of lease hold rights of plot to KE dated 06.01.2016, provides that infringement of any terms & conditions of allotment letter dated 14.04.2009 and this letter will lead for cancellation of plot and forfeiture of deposited amount. Further, clause iv) of modified/ revised Land Allotment Policy of PQA 2005 says that, the allottee will start work on the plot within six months from the date of possession. The project / industry should be operational within 2 to 3 years.

During audit of Port Qasim Authority for the year 2018-19, it was observed that the lease-hold rights of land measuring 216 acres were transferred to K-Electric on 06.01.2016 from private parties, which were allotted land in 2009-10. It was the condition of the allotment order dated 14.04.2009 that work shall be started on the plot within 06 months from the date of possession of the plot and the project/ industry shall be operational within 02 to 03 years. Further, infringement of any terms & conditions will lead to cancellation of plot and forfeiture of deposited amount. Instead of cancellation of the plots, the management of PQA transferred the plot to KE. Further, the KE also failed to construct the plot even after lapse of about four years which is violation of terms and conditions of allotment order.

Audit is of the view that the K-Electric violated the terms and conditions of the land allotment order as well as the Land Allotment Policy. Thus, management neither earned revenue nor cancelled the plot valuing Rs. 864.000 million.

The matter was reported to the management in March 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that in case K-Electric will not build the power plant, Port Qasim Authority will accordingly exercise the cancellation which is due by next year or will take necessary action as per decision of the Board. DAC directed to take action as per policy and progress report in this respect be shared with Ministry and Audit on quarterly basis. However, no progress in the matter was intimated to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.10 Un-justified and unauthentic fuel consumption of tugs hired through private party – Rs. 310.875 million

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

During audit of Port Qasim Authority for the year 2017-18, it was observed that the management issued 4,298,880 liters of Hi-Speed diesel to the private party, M/s. Smit Lamnalco, for the use in tugs during the 2017-18 wherein following irregularities were observed:

1. Log books were not maintained by the private party.
2. PQA used private tugs excessively instead of using its own 03 tugs. One private tug was used more than the usage of 03 tugs of PQA. This shows poor control over tug utilization, which caused excess use of fuel.
3. The average fuel consumption of private tugs was 04 times higher than that of PQA tugs. The average consumption of private tug was 341.74 liter per hour, whereas that of PQA tugs consumption was 90.67 liters per hour. Thus, PQA 03 tugs consumed 322,345 liters of HSD (main engines

less auxiliary engines) in 3555 hours, whereas private tugs consumed 3,431,100 liters in 10,040 hours, which is unjustified.

4. The agreement with private party was required to be made at the rate including fuel charges after observing actual fuel consumption in trial to avoid the chances of mis-utilization of fuel, which was not done.

Audit is of the view that the management extended undue favour to the contractor and failed to have control over the tugs fuel utilization, which shows inefficiency and poor planning of the Management. Thus, PQA main engine consumption was 322,345 liters and private hired tugs main engine consumption was 3,431,100 due to less utilization of PQA own tugs management sustained a loss of Rs. 310.875 million $(3,431,100 - 322,345 = 3,108,755 \text{ liters} \times \text{Rs. } 100 \text{ per liter})$ due to excess utilization of fuel by the private tug.

The matter was reported to the management vide Memo No.43 dated 15.04.2019. The management stated that no space for hired tugs is available and required power onboard vessel is of 24/7, Instead of utilizing shore power, they use their onboard generators for production of electricity. Log books are maintained onboard by private firm as per international maritime standards and same are available for verification if, required by PQA. Less utilization of PQA assets instead of recommended repair & maintenance of PQA craft has indeed resulted in cost saving. Private tugs fuel consumption is high due to higher engine capacity than PQA tugs' engine. The reply of management is not tenable due to non-availability of logbooks and relevant record of berth and fuel issuance/consumption in support of management reply.

The irregularity was discussed in DAC meeting held on 11-12 December, 2020. The DAC directed that a committee comprising of CF&AO, Ministry of Maritime Affairs and technical staff of PNSC be formed to comprehensively examine the issue and give its suggestion to the Ministry and Audit. However, no progress was intimated to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.11 Misuse of fuel - Rs. 267.795 million

Board vide BR No.2/2017 dated 26.01.2017 directed PQA management for installation of fuel flow meters on engines of all PQA crafts including dredger by Operation Maintenance Department of PQA and that the same should be connected to online system at PQA available to concerned department in such a manner that individual and cumulative consumption of fuel by PQA crafts is available at any point of time.

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

During audit of Port Qasim Authority for the year 2018-19, it was observed that contrary to above Board resolution, operations department PQA did not install the fuel flow meters on PQA Crafts to avoid misuse of fuel. Two instances of misuse of fuel are as under:

- a) Management recorded excess fuel consumption of dredger of Rs. 239.090 million as the dredger performed less work with more fuel consumption in year 2018-19 compared to previous year performance. The details are as under:

S#	Year	Qty- volume dredged	HSD consumed in liters	Value of diesel consumed (Rs.)
1.	2017-18	5.05 M CUM	4,540,000	405,748,000
2.	2018-19	5.02 M CUM	5,800,000	644,838,000
Difference			1,260,000	239,090,000

- b) Management made un-authorized issuance of fuel of Rs. 28.705 million in respect of following boats which was not covered under the contract agreements with PQA during 2017-18 & 2018-19. The detail of payment is as under:

Year	PB Sea Prince	PB Ocean Prince	Total HSD 2017-18	Year	PB Sea Prince	PB Ocean Prince	Total HSD 2018-19
2017-18	90,918	6,600	97,518	2018-19	0	157,945	157,945
Total HSD issued during 2017-18 and 2018-19 = 97,518 liters + 157,945 liters = 255,463 liters							
Average cost per liter in 2017-18 = Rs. 100 x 97,518 liters = Rs. 9,751,800							
Average cost per liter in 2018-19 = Rs. 100 x 157,945 liters = Rs. 18,953,400							
Total = Rs. 28,705,200							

The matter was reported to the management during February and April, 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020, and the decisions are as under:

- Management informed that consumption of HSDO is linked with dumping site from the area under dredger and also the nature / hardness of the sea bed. DAC directed the management to justify its contention with documentary evidence.
- Management stated that fuel was given to alternate boat as per clause of the agreement. DAC directed the management to get facts verified from the audit within 10 days.

However, no relevant record was provided to audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.12 Transfer of plots in violation of the Board's directives - Rs. 207.500 million

As per directives of the board vide resolution no. 49/2017, (i) The Board fixed rate of transfer fee for open and unconstructed plot in SWIZ and NWIZ as Rs. 2.500 million per acre for each zone after one transfer with imposition and payment of Transfer Surcharge, (ii) As per prevalent policy no further transfer of open plot shall be allowed without further specific approval by the BOD; and any such request shall be placed before and decided by the Board, on case to case basis. (iii) However, directed that in future the rates of Transfer Surcharge shall be charged as per policy approved by the Board, and (iv) The Board ratified collection of Transfer Surcharge at revised rates pursuant to the recommendations of the Development Committee;

During audit of Port Qasim Authority (PQA) 2018-19, it was observed that the management transferred 116 open plots of commercial and industrial zones, in violation of the Board directives.

Audit is of the view that the Industrial Management (IM) department processed the plots against the Land Allotment Policy as neither the record of financial feasibility, certificate of membership of chambers of commerce and previous experience of the trade for which the plot is required, was collected from the parties. Further, specific approval of the Board in these plots was also not obtained. This reflected undue favor to the parties and negligence of the management.

The matter was reported to the management in May 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that it has not allotted any plot in violation of policy. DAC directed that the list of plots transferred with/without approval of board directive should be shared with Audit. The PQA should send the reply to audit within 10 days. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

12.4.4.13 Irregular award and extension of additional work contract of Mehran Highway - Rs. 94.000 million

Rule 42 (c) (iv) of PPRA, 2004 states that repeat orders not exceeding fifteen per cent of the original procurement. Rule 4 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

During audit of Port Qasim Authority for the year 2018-19, it was observed that the management awarded additional contract worth Rs. 44.000 million against the above rules. The project Mehran Highway Phase-III (3.13Km) was funded by the government of Japan in the shape of grant. The PC-I of the project was approved by the Central Development Working Party (CDWP) in its meeting held on 21st February, 2013. The management awarded the contract to M/s. HBZ Construction Company at the cost of Rs. 166.438 million. The commencement of the contract started on 07th March, 2006 and date of

completion was fixed as 06th December, 2016, but the same contract was extended till 30th of June, 2017. An additional work of Rs. 44.000 million (approx.) was awarded to the same contractor which was 26% of the total awarded work and same was also out of the scope of approved PC-1. The extra work includes additional layer of Asphaltic wearing Course to overlay and additional 60mm thick with same approved formula.

Audit is of the view that an unnecessary extra work was created in order to exhaust the maximum JICA grant of Rs. 248.000 million. Therefore, additional work was violation of PC-1 and PPRA rules.

The matter was reported to the management in April 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that no extension was given. Moreover, amount incurred was on separate scheme. DAC was not satisfied with the management reply and directed to hold inquiry at Ministry level within three months. However, no relevant record was provided to audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.14 Non-encashment of performance bond - Rs. 90.000 million

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

During audit of Port Qasim Authority for the year 2018-19, it was observed that PQA and JV GEI Pakistan (Pvt.) Ltd. & Global Energy Infrastructure Ltd. signed an Implementation Agreement on 16.12.2011 for construction and operation of an LNG floating storage and re-gasification terminal on BOT basis, in remote area in LNG zone in Chara-Chhan Waddo

Creek. The Agreement was made effective on 16.12.2011. The consortium did not achieve the Financial Close. The PQA Board in its meeting held on 6th December, 2017, extended deadline for one year, subject to earlier decision i.e. revision of terms of Implementation Agreement (IA), re-negotiation subject to re-adjustment of site vide Board Resolution dated 06.12.2017. M/s. GEIP submitted the revalidated Performance Bond of US\$ 1 million valid upto 16.02.2019. The Oil & Gas Regulatory Authority (OGRA) vide letter dated 01.01.2019 revoked the Confirmed Construction License of the GEIP which put the GEIP at default as per one of the conditions of IA. The management proceeded for encashment of Bank Guarantee, but the GEI/GEIP obtained stay order from High Court of Sindh.

Audit is of the view that despite failure of the party in obliging terms of Implementation Agreement and financial close by 31.12.2018, the management did not encash the performance bond and did not take timely action against the party which resulted into unnecessary litigation and blockage of US\$ 01 million (Rs. 90.000 million).

The matter was reported to the management in February 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. DAC directed to hold the inquiry at Ministry level and share with Audit within three months. However, no progress in the matter was reported to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.15 Irregular exemption and waiving of land charges and markup - Rs. 84.586 million

Rule 4 (3) of Public Sector Companies (Corporate Governance) Rules, 2013 states that the Chief Executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the Ordinance and these rules. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used

economically, efficiently and effectively and in accordance with all statutory obligations.

During audit of Port Qasim Authority for the year 2018-19, it was observed that:

- a) Management exempted/waived off arrears of Rs. 65.178 million against Fauji Fertilizer Bin Qasim Ltd. (FFBL), being the allottee of plot No.EZ/1/P-1, measuring 350 acres in Eastern Industrial Zone, PQA. In the year 2016-17, the FFBL bifurcated and transferred 100 acres out of 350 acres to its sister company namely, Fauji Power Company Ltd. (FPCL). Both companies have been paying of land rent, maintenance and other charges dues as per the old rates instead of revised rates Rs. 67,006 per acre were to be paid by the allottee but the management of PQA waived off this outstanding amount in favour of allottee. This resulted into irregular waiving of charges of Rs. 65.178 million on account of new rates for 2016-17 & 2017-18.
- b) The minutes of the meeting of Development Committee held on 03.12.2011 showed that M/s. National Molasses was allotted plot No.9 & 10 measuring 02 acres in the year 1991 on yearly rental basis for the 10-year lease period. Due to default of annual land rent and markup, a notice was served to M/s. National Molasses on 17.07.2002, but the allottee did not deposit the amount rather, challenged it in the High Court of Sindh. The PQA also filed a recovery suit against M/s. National Molasses of Rs. 19,408,264 in year 2008. However, the management resolved the issue through out-of-court settlement instead of cancel the plot. This resulted into undue favour to the contractor.

Audit is of the view that exemption of land charges and waive-off of markup/late payment was undue favour to the allottee at the cost of the Authority and this reflected negligence and lax attitude of the management.

The matter was reported to the management during March – April, 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020, and following decisions were made:

- a) Management informed that the authority has prepared only summary for Board, but no such waiver have been passed by PQA Board nor any waiver on the arrears of Rs. 65,178,225 has been given to M/s. FFBL. DAC directed the management to recover the due amount with markup and get the contention as stated above verified from Audit.
- b) Management informed that said plots were transferred from M/s. National Molasses to M/s. Oil Refinery through out-of-court settlement with waiver of mark-up. The DAC directed the management to provide record to audit reflecting competency of the Board on the subject matter and in respect of out-of-court settlement.

However, no progress in the matter was reported to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.16 Hiring of pilot boat without competitive bidding - Rs. 63.750 million

Rule 10 of PPRA, 2004 states that specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage.

Rule 04 of PPRA, 2004 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Rule 40 of PPRA, 2004 states that there shall be no negotiation with the bidder having submitted the lowest evaluated bid or with any other bidder.

During audit of Port Qasim Authority for the year 2017-18, it was observed that the management hired pilot boat from M/s. Ocean World at Rs. 125,000 per day vide contract dated June 09, 2017 wherein following irregularities were observed:

- i. The boat was hired without transparent process of the hiring.

- ii. The unnecessary / unjustified specifications of pilot boat were given in the tender, which limited the participation of the bidders. The previous specifications differed from that of current specifications.
- iii. Only one bidder participated in bidding and quoted 48% higher rates than the rates of previously hired boats.
- iv. International tender was required to be made, but the management advertised locally. The response time for bidding was 22 days. The advertisement was published in national newspapers on 26.04.2017 and the date for the opening of technical proposal was 18.05.2017.
- v. Management negotiated with bidder and got the rate reduced from Rs. 134,000 to Rs. 125,000.
- vi. Documents showing eligibility of the contractor (ownership documents, boat specifications, valid class certificates, income tax certificate, sales tax certificate and 3 years audited financial statements, etc.) were not available on file.

The matter was reported to the management vide Memo No.11 dated 28.03.2019. The management stated that specification of pilot boat was not unjustified. Tendering rates of M/s. Smit Qasim were Euro €1850 per day and that of M/s. Ocean World of Rs. 125,000 per day. International tendering is not recommended as such services & resources are available within Pakistan. No negotiation was carried out with the firm. The boat was owned by the contractor. Reply of management is not tenable because same firm i.e. M/s. Ocean World quoted Rs. 84,000 per day flat rate during financial bid opened on 30.05.2016 and quoted higher rate of Rs. 134,000 and it is evident from documents that management made negotiation for decreased rate from Rs. 134,000 to Rs. 125,000. Further, certificates and ownership certificates do not show the information as mentioned in advertisement i.e. pilot boat capable of operation of minimum 2 hours at 18 knots speed on up-and-down voyage, built to carry out pilot age duties up to sea-state of Beaufort Scale 6, maximum age of pilot boat 30 years and hull made of steel / aluminum with valid class (IACS).

The irregularity discussed in DAC meeting held on 11-12 December, 2020. After listening the view of the management, the DAC directed to hold an

inquiry at the Ministry level to ascertain the facts. However, no progress was intimated to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.17 Irregular release of bank guarantee in advance for 4 RHIB boats of Rs. 43.738 million and loss due to non-imposition of liquidity damages of Rs. 14.579 million – Rs. 58.317 million

Sub-clause 16.1 of particular conditions of contract states that payments of the contract price shall be made by the purchaser/ PQA to the supplier by installments as follows:

1st Installment: 30%: As advance payment, preferably within 30 days after signing of the contract against a Bank Guarantee issued by commercial sector bank scheduled AA rating, located at Karachi. The advance payment Bank Guarantee will be released after Harbour and Sea Acceptance Tests mentioned below.
Interim Installment: 60%: On furnishing the clean bill of lading, bill of entry, shipping documents and consignment of contracted goods have arrived in Port Qasim and made ready for final tests, trials. Same to be confirmed by PQA team. After Harbour and Sea Acceptance Tests of each security boat in Port Qasim, Karachi and delivery of all items, spares, tools documents, drawings, certificates, inventory, accessories and belongings and touch up work if any and rectification of deficiency observed during any of all boats operations and adjustment of non-provisions, if any
Last Installment: 10%: Retention money, it will be payable after one year guarantee period has been completed after deductions on account of un-remedied warranty claims, if any.

Sub clause 26.2 (k) of tender documents states that after arrival in the PQA, confirmatory trials shall be carried out. The PQA with prior approval of the Engineer shall then issue a Final Acceptance Certificate.

During audit of Port Qasim Authority for the year 2017-18, it was observed that tender for 4 new boats (RHIB Type) for security/ escorting of LNG vessel in PQA channel was published in daily Jang and Dawn dated 21.07.2016. In response 08 firms submitted their bids on 25.08.2016. Three (03) firms were technically qualified. Financial bids were opened on 07.12.2016. Tender was

awarded to 1st lowest bidder, M/s. Business Engineer Trend (BET), at a cost of Rs. 145,794,080 vide LOI dated 18.01.2017. Contract agreement was signed on 07.02.2017. Project cost was Rs. 145,794,080 with delivery time of 04 months from the date of signing of the contract agreement. Bank guarantee issued by Habib Metropolitan Bank Limited, Lahore for advance payment of Rs. 43,738,224 was received on 17.02.2017 with validity up to 16.08.2017. M/s. BET requested for release of Bank Guarantee of Rs. 43,738,224 vide their letter dated 22.05.2017 stating that on 10.05.2017 the Harbour Acceptance, Factory and Sea Acceptance trials were undertaken in UAE by the officials of PQA. The trials were found satisfactory and the same acceptable to PQA team. Hence, their advance bank guarantee dated 17.02.2017 of Rs. 43,738,224 may be released at the earliest so that the boats can be easily cleared from Customs.

The Director (Operations Maintenance) vide Note 53-55 of file No.PQA / OPS/OM/RHIB BOATS/16-17 requested Finance Department on 30.05.2017 to release the advance bank guarantee of Rs. 43,738,224 immediately as requested by M/s. BET in order to clear the boats from Custom for delivery to PQA. Bank Guarantee of Rs. 43,738,224 was released on 03.06.2017 vide Note-57. BET intimated vide letter dated 31.5.2017 that boats cannot be delivered by 07.06.2017 and requested for extension in delivery time for further 15 working days. Boats were delivered on 17.06.2017 vide delivery Note dated 17.06.2017. Further, no liquidity damages of Rs. 14.579 million @ rate of 10% of the contract price were imposed for late delivery by the supplier.

Audit is of the view that the management extended undue favour to the supplier as the Bank Guarantee was released without mandatory tests. Thus, the release of bank guarantee is held irregular. Further, non-imposition of liquidity damages of Rs. 14.579 million is favour to the contractor at the cost of the Organization.

The matter was reported to the management vide Memo No.33 dated 15.04.2019. The management stated that boats were scheduled to be delivered to PQA on 07.06.2017 and left-over on 17.06.2017. Reason for late delivery was a strike call due to which the consignments could not be off-loaded from ship. Therefore, no LD charges were applicable. PBG was released on 12.06.2017 about two days earlier as test and trials of boats were very much satisfactory at

U.A.E. The reply of management is not tenable because management provided old news-cutting dated 16.05.2017, which has no relevance with extension of 15 days from 07.06.17. Further, as per contract agreement, PBG will be released after harbour and sea acceptance tests at Port Qasim, which was not done by PQA management.

The irregularity was discussed in DAC meeting held on 11-12 December, 2020. The management informed that the Bank Guarantee was released two days in advance only. The DAC directed that to hold inquiry at Ministry level. However, no progress was intimated to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.18 Loss due to non-availing of rebate - Rs. 57.841 million

KW&SB agreed as per ECNEC decision to charge at the rate of Rs. 28/1000 gallons (half of Rs. 56/1000 gallons) in the year 1998 for supply of 20 MGD raw water to PQA.

During audit of Port Qasim Authority for the year 2018-19, it was observed that contrary to agreement with KW&SB on 29.12.1998 for supply of 20 MGD of raw water to PQA, the management since 18.12.2012 is making payment at 30% rebate instead of availing 50% (**Annex-64**). The detail is as under:

2018-2019	Gallons	2018-2019	Gallons	2018-2019	Gallons
Water Billed by KW&SB to PQA in gallons	597,534,865	Water Billed in gallons	597,534,865	rebate to be availed @ 30%	145
Rate of per 1000 Gallons in Rs.	242	Rate @ 50% billed	242	less obtaining of rebate 20%	97
Total Rs.	144,603,437	100% Rate= (242/50%)	484	Excess payment	57,841,375

Thus, due to payment of 70% tariff instead of 50%, the PQA had to pay an extra 20% of tariff due to which it sustained a huge loss of Rs. 57.841 million.

Audit is of the view that the decision taken by ECNEC cannot be withdrawn by the management as ECNEC is a high-level council of the Planning

Division. Hence, the withdrawal of subsidy is in violation of the ECNEC decision.

The matter was reported to the management during February, 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that due to non-installation of bulk water scheme by the PQA authority, Karachi water and sewerage board withdrew its concessional rate. The reason of no installation of water line was a NAB case. DAC directed the management to pursue the NAB case and progress in this regard be shared with Ministry and Audit. However, no progress in the matter was intimated to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.19 Unjustified allotment of plot - Rs. 50.000 million

As per land allotment policy, 2005, the Peripheral Development Charges for Eastern Industrial Zone are Rs. 10.00 million per acre.

During audit of Port Qasim Authority for the year 2018-19, it was observed that the management made change in size and number of plot without any solid reason.

- Zone has been mentioned NWIZ and EIZ in the table. It could not be ascertained which the actual zone was applied for by the applicant.
- Size of plot has been mentioned 4 acres twice in the table and it is not possible that typographical mistake shall take place two times with the same figure.
- Recommended plot was mentioned in column 8 as No.G-3/1-A or A-37 EIZ. Recommendations seem to be false as two plots cannot be recommended for allotment simultaneously with the condition of “or”.
- Recommendation of 5-acre plot instead of 4-acre is questionable as so many mistakes occurred in one plot during typing as the case is submitted along with working papers with the approval of several authorized officers after many formalities.

Name of applicant	Zone	Size	Purpose	Amount received processing fee	Application date	Development Committee recommendation
M/s. SLC Metal & Refining Pvt. Ltd.	NWIZ	4 acres	Extraction of copper from PCB circuits	100,000	09.09.2017	Recommended 4 acres plot No. G-3/1-A or A-37 EIZ

Audit is of the view that the management gave undue favour to the allottee by changing the size and zone of the allotted plot on the pretext of typographical mistake.

The matter was reported to the management vide OM No.28 dated 10.02.2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that a typographic error in the number and area of land was made in the minutes of Development Committee meeting held on 24.10.2017 pertaining to above tabulated plot wherein the number and

area is A-17 and 05 acres in EIZ. DAC directed to conduct an inquiry and fix responsibility at ministry level within three months. However, no progress in the matter was reported to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.20 Unjustified payment of donation for purchase of vehicles – Rs. 25.980 million

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

During audit of Port Qasim Authority for the year 2018-19, it was observed from Note.25 of annual accounts for the year 2007-08 that the management donated an amount of Rs. 25.98 million to Sindh Police for purchase of vehicles without any provision for the same in PQA Act. This resulted into unjustified payment of Rs. 25.980 million.

Audit is of the view that unjustified donation for purchase of vehicles reflected negligence, poor financial management & lax attitude of the management.

The matter was reported to the management vide OM No.80 dated 15.04.2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that subject vehicles were donated on the directive of the Prime Minister of Pakistan, conveyed through Ministry of Maritime Affairs. The DAC directed to get the facts verified from audit especially the confirmation that subject vehicles are registered by Sindh police immediately

after receipt of the vehicles. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

12.4.4.21 Irregular change in the size and category of the plot - Rs. 18.696 million

As per land allotment policy, 2005, broad terms and conditions for allotment of land in Port Qasim Authority, following sections provide:

- xx. That you shall complete / commission the proposed unit within the time specified in PQA's Land Allotment Policy, 2000. In `case of failure, the allotment of plot shall be cancelled and 25% of total Peripheral Development Charges shall be forfeited.
- xxxv. The allotment of plot shall be cancelled and 10% of total PDCs of whole plot area shall be forfeited against PQA administrative charges and also annual land rent will be charged for the period the plot is retained by you, if any of the above terms / conditions are infringed / not carried out within six months from the receipt of the Provisional Letter of Allotment and permissions / (NOCs) on the basis of which plot was allotted is withdrawn by the sanctioning authority / authorities.

During audit of Port Qasim Authority for the year 2018-19, it was observed that the plot No.F-24 measuring 02 acres situated in EIZ was allocated to

Mrs. Abida Mustafa on 15.09.2005 to establish auto spare parts industry on fast-track basis. On 25.08.2010 the management relocated and changed the category of plot from plot No.F-24 EIZ to W2/46 in NWIZ. Thereafter, the management re-appropriated the plot No.W2/46 measuring 02 acres in NWIZ and decided to relocate the available plot No.W3/07, 03 acres in the same zone with extra 1 acre of land on 14.03.2017. The allottee requested on 22.07.2017 to allot an extra land of half an acre adjacent to her plot which was allotted to her on 22.09.201.

Audit is of the view that frequent transfers from one zone to another zone without cogent reasons shows undue favor to the allottee against the financial interest of the organization.

The matter was reported to the management in June 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. The management informed that it was a mistake and not a change in the size and category of plot. The DAC was not satisfied with the justification of the management and directed to conduct inquiry at Ministry level and fix responsibility within sixty days. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

12.4.4.22 Irregular conversion of plots from warehouse into commercial - Rs. 12.503 million

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

During audit of Port Qasim Authority for the year 2018-19, following irregularities were observed in estate matters:

- a) Plot No. CP-1/7 measuring 540.5 M² in Commercial Area (SWIZ) Port Operation Zone was allotted in the name of M/s. Eastern Express Company Ltd. to setup a warehouse on 03.09.1991. The plot was transferred to M/s. Sea express (Pvt.) on 05.07.2012 in which a condition was that no change in trade except ware house within the area of plot will be allowed. M/s. Sea express (Pvt.) requested on 13.08.2013 to change category of plot from Commercial warehouse to Commercial Bank Building which was allowed on 16.10.2014.
- b) The allotment file of plot No.CP-1/2 SWIZ showed that a plot No.CP-1/2 measuring 1620 M² (0.4 acre), commercial area, port operation zone, was originally allotted to M/s. A. R. Sons for the purpose of ware house vide

allotment letter dated 04.09.1991. The allottee did not pay the PDC in time as mentioned in letter of 10-1994, but the plot was still not cancelled. M/s. A. R. Sons stated vide letter dated 24.09.2013 that they intend to sale the plot and requested to issue no dues certificate which was subsequently issued on 27.09.2013. Transfer letter of leasehold rights to Mrs. Taskeen Khan was issued on 20.11.2014. The PQA management allowed change in trade from warehouse to commercial building at plot No. CP-1/2 SWIZ on 22.05.2015 in violation of LAP.

Audit is of the view that the plots were converted from warehouse to commercial without observing the relevant rules and undue favour was extended to the allottees by allowing change of trade.

The matter was reported to the management in June 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. The management informed that the conversion of plots from commercial (warehouse) to commercial building comes under preview of trade change policy and has been carried out according to rules. DAC directed the management to provide the original record along with competence of and rational for change of trade, including financial implications to audit for verification within 10 days. However, no record was produced to Audit for verification.

Audit recommends implementation of DAC directives.

12.4.4.23 Loss due to advance payment to the consultancy firm for design services of channel dredging - Rs. 10.661 million

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

During the audit of Port Qasim Authority for the year 2018-19, it was observed from note-4.2.4 of Annual accounts for the year 2009-10 that the mobilization advance of Rs. 10,661,100 at 10% of contract price of Rs. 106.611 million was given to M/s. Engineering Consultants International (Private) Limited (ECIL) as consultancy services for the deepening and widening of Port Qasim navigation channel. But the management suspended the contract with ECIL on account of tendering of the projects. Due to suspension of the contract, the management made full provision against this balance of Rs. 10, 661,100.

Audit is of the view that there is no effective SOP / Policy and internal controls for the award of technical contracts due to which imprudent decision was taken for the award of consultancy contract. This resulted into loss of Rs. 10,661,100 to the PQA.

The matter was reported to the management in March 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. The management admitted the audit para. The DAC directed the management to hold an inquiry and fix the responsibility within 3 months and share report with Audit and Ministry. However, no relevant record was provided to audit by the management.

Audit recommends implementation of DAC directives.

12.4.4.24 Failure of the management to develop strategic islands

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

During audit of Port Qasim Authority for the year 2018-19, it was observed that despite ECC decision dated 21.09.2006 and PQA Board decision dated 08.05.2013 for development of Budoo & Bundal islands (having area of

1,250 acres), the PQA management has so far failed to develop these strategic islands.

Audit is of the view that non-compliance of ECC decision & BoD resolutions on island development reflected negligence and slackness of the management.

The matter was reported to the management in April 2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that these islands belong to PQA. However, Federal Government has excluded these islands from PQA and given to Pakistan Island Development Authority (PIDA). There is litigation in Sindh High Court against PIDA. Previously, two attempts were made to develop these islands in 2012 and 2016. However, both attempts were not successful due to various reasons and litigations. DAC directed the management to share the progress report with audit on these issues, especially court proceedings on quarterly basis. However, no progress was intimated to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

12.4.4.25 Irregular allotment of plots against the Policy

As per clause-xix of annexure-2 of Land Allotment Policy of Port Qasim Authority, the allottees are required to start physical execution of the project within the time specified in PQA's Land Allotment Policy, 2000. Further, as per Criteria Sr.7 (ii) of the Land Allotment Policy, following requirements are mandatory for the party willing to acquire land:

- i. Previous experience of trade for which plot is required.
- ii. Copy of Income Tax returns for preceding 03 years.
- iii. Bank Certification regarding financial stability.
- iv. Articles of Association/Partnership Deed (if applicable).
- v. Any other supporting documents establishing financial credibility.
- vi. Acceptance of broad terms and conditions for allotment.
- vii. Feasibility Report.
- viii. In case of foreigners, company should be registered in the country.

During audit of Port Qasim Authority (PQA) for the year 2018-19, it was observed that the PQA management allotted 13 plots measuring 1 to 20 acres to various parties (**Annex-65**) contrary to the land allotment policy. This resulted into irregular allotment of plots (approximate value of Rs. 1,500.000 million).

Audit is of the view that the Industrial Management (IM) department of the PQA processed the above stated cases against the Land Allotment Policy and without acquiring financial feasibility, certificate of membership of chambers of commerce, previous experience of the trade for which the plot was allotted to the parties.

The matter was reported to the management vide OM No.97 dated 05.05.2020. The irregularity was discussed in DAC meeting held on 11-12 December, 2020. Management informed that the decision was taken at Board level. The audit is of the view that during verification, it was found that the process of allotment of plot was against the land allotment policy. DAC directed to conduct inquiry within sixty days at ministry level and fix the responsibility. However, no progress in the matter was intimated to Audit by the management till finalization of the Audit Report.

Audit recommends implementation of DAC directives.

Chapter-13

Ministry of National Food Security and Research

Overview

The Ministry of National Food Security & Research is mainly responsible for policy formulation, economic coordination and planning in respect of food grain and agriculture. It also includes procurement of food grains, fertilizer, import price stabilization of agriculture produce, international liaison, and economic studies for framing agricultural policies.

Aims & Objectives

A Food Secure Pakistan. To ensure a modern and efficient food production and distribution system that can best contribute towards food security and nutrition, in terms of availability, access, utilization and stability.

Governing Laws and Policies

- Rules of Business

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	3	1	105,905	-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 31,937.584 million were raised as a result of this audit. This amount also includes recoverable of Rs. 27,301.693 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	-
3	Irregularities:	
A	HR/Employees related irregularities	156.929
B	Procurement related irregularities	503.378
C	Management of accounts with Commercial Banks	-
4	Value for money and services delivery issues	-
5	Others	31,277.277

13.1 Pakistan Agricultural Storage and Services Corporation Limited

13.1.1 Introduction

Pakistan Agricultural Storage and Services Corporation Limited (PASSCO) was incorporated on August 31, 1973 as a non-listed public limited company. It is involved in the implementation of the Federal Government's policy of support price program of food grains, equitable distribution of food commodities and maintenance of their reserve stock.

The objectives of the Corporation are to purchase, acquire, sell, supply, market, distribute, exchange, and dispose of, import, export and store agricultural commodities. The Corporation is under the administrative control of Ministry of National Food Security and Research.

13.1.2 Comments on Audited Accounts

13.1.2.1 The working results of the Corporation for the year ended March 31, 2020 as compared to the previous years are as under:

	(Rs. in million)				
	2019-20	% Inc / (Dec)	2018-19	% Inc / (Dec)	2017-18
Sales	56,079.88	75	31,978.97	17	27,231.09
Cost of sales	57,819.90	50	38,651.32	39	27,855.04
Gross (loss)/ profit	(1,740.02)	(74)	(6,672.34)	969	(623.95)
Allowance for incidentals	9,256.54	227	2,832.46	29	2,195.91
Profit/ (loss) after allowance for incidentals	7,516.52	-	(3,839.87)	(344)	1,571.96
Operating expenses	1,660.46	(13)	1,913.16	10	1,744.01
Administrative and general expenses of HO	520.74	8	480.60	(10)	533.14
Administrative and general expenses of Field Offices	955.70	(3)	987.29	(11)	1,105.94
Cost differential	14,840.63	(20)	18,607.34	103	9,152.48
Other income	340.78	40	243.30	34	181.44
Other expense	134.87	-	-	-	-
Profit from operations	19,426.15	67	11,629.69	55	7,522.78
Finance cost	12,817.36	32	9,686.25	42	6,798.24
Profit/ (Loss) before tax	6,608.79	240	1,943.44	168	724.55
Taxation	592.57	69	351.18	11	315.83
Profit/ (Loss) for the year	6,016.23	278	1,592.26	290	408.72
Accumulated Profit	14,305.56	73	8,289.33	24	6,697.07

(Source: Annual Audited Accounts)

13.1.2.2 As per statement of profit or loss for the year 2019-20, Operating profit ratio of the corporation showed an unusual trend. In 2017-18, the ratio was 27.63%, in 2018-19 the ratio was 36.36% and in 2019-20 the ratio is 34.64% with respect to sales of respective year. Although sales for the year increased by 75% but the operating profit ratio decreased by 2%. The reason(s) for unusual relation between sales and operation profit ratio needs to be explained.

13.1.2.3 As per note 20 of the financial statements for the year 2019-20, receivables from Government of Pakistan increased from Rs. 38,911.30 million in 2018-19 to Rs. 45,762.61 million in 2019-20, registering an upsurge of 17%. This shows weak internal control of the corporation with respect to recovery of its outstanding amounts.

13.1.2.4 As per note 21 of the financial statements for the year 2019-20, Rs. 14.16 million were showed as other receivables of corporation, out of which Rs. 1.893 million receivables were termed as doubtful. Same amount of Rs. 1.893 million was showed as doubtful during 2018-19. Further, management maintained a reserve for doubtful debts amounting to Rs. 1.943 million. Same amount of Rs. 1.943 million was showed as reserve for doubtful debts during 2018-19. This depicts weak internal control of the corporation with respect to recovery of outstanding amounts.

13.1.2.5 As per note 26 of the financial statements for the year 2019-20, although sales have increased from Rs. 31,978.97 million in 2018-19 to Rs. 56,079.88 million in 2019-20 registering an increase of 75%, but Polythene charges increased from Rs. 8.974 million in 2018-19 to Rs. 20.027 million in 2019-20 with a price hike of 123%. The abnormal increasing trend in the said expenses of the corporation needs to be explained.

13.1.2.6 As per note 29 of the financial statements for the year 2019-20, Markup on investments decreased from Rs. 48.971 million in 2018-19 to Rs. 9.674 million in 2019-20 (406% decrease). No fluctuation in investment was observed during the period. Further, as per note 29 of the financial statements for the year 2019-20, finance increased from Rs. 9.686 million in 2018-19 to Rs. 12.817 million in 2019-20 (32% increase). This also included increase in bank charges @ 52%.

13.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of compliance
1988-89	11	09	02	297, 300	82
1989-90	07	05	02	318, 319	71
1990-91	07	05	02	233, 237	71
1991-92	07	06	01	222	86
1992-93	14	12	02	121, 122	86
1993-94	06	04	02	100, 102	67
1995-96	15	12	03	105, 106, 108	80
1996-97	15	12	03	118, 122, 123	80
1997-98	05	04	01	98	80
1999-00	04	03	01	141	75
2002-03	04	02	02	82.1, 82.3	50
2004-05	03	0	03	53, 54, 55	-
2008-09	23	14	09	80, 82, 83, 84, 86, 87, 90, 91, 93	61
2009-10	11	09	02	81, 82	82
2010-11	16	9	07	8.1.1, 8.1.2.7, 8.1.2.9, 8.1.3, 8.1.4.1, 8.1.4.2, 8.1.4.5	56
2013-14	11	0	11	11.1.1, 11.1.2.1, 11.1.2.2, 11.1.2.3, 11.1.3, 11.1.4.1, 11.1.4.2, 11.1.4.3, 11.1.4.4, 11.1.4.5, 11.1.4.6	-
2014-15	36	17	19	13.1.2.1, 13.1.2.3, 13.1.2.4, 13.1.2.12, 13.1.2.14, 13.1.2.15, 13.1.3, 13.1.4.1, 13.1.4.3, 13.1.4.4, 13.1.4.5, 13.1.4.6, 13.1.4.8, 13.1.4.12, 13.1.4.13, 13.1.4.14, 13.1.4.15, 13.1.4.17, 13.1.4.18	47
2015-16	27	13	14	12.1.2.3, 12.1.2.6, 12.1.3, 12.1.4.1, 12.1.4.2, 12.1.4.3, 12.1.4.4, 12.1.4.7, 12.1.4.9, 12.1.4.10, 12.1.4.11, 12.1.4.13, 12.1.4.15, 12.1.4.17	48
2017-18	18	0	18	16.1.1, 16.1.2.1, 16.1.2.2, 16.1.2.3, 16.1.2.4, 16.1.2.5, 16.1.3, 16.1.4.1, 16.1.4.2, 16.1.4.3, 16.1.4.4, 16.1.4.5, 16.1.4.6, 16.1.4.7, 16.1.4.8, 16.1.4.9, 16.1.4.10, 16.1.4.11	0
Total	240	136	104		57

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

13.1.4 Audit Paras

13.1.4.1 Loss on sale of wheat at lesser rate to various contractors on account of export of wheat – Rs. 1,797.357 million

As per Para rule 5 (5) of the Public Sector Companies Corporate Government Rules 2017, Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principal shall be adhered to especially with respect to handling of public funds, assets, resources and confidential information by Directors, Executive and Employees.

During audit of PASSCO for the year 2019-20, it was noted that the management of PASSCO made six (6) agreements on 31.01.2019, 15.02.2019 and 11.06.2019 for sale of 153,325 metric tons wheat. These agreements were done for export of wheat or wheat products through sea and land route @ Rs. 32,759 per metric ton. During examination of the record, it was observed that the rate of wheat export was required to be @ Rs. 44,481.53 (35,225 per Metric Ton + incidentals 9,256.53) per metric ton including incidental charges. It was observed that in these cases, the management did not include incidental charges and dispatched/export sale of 153,325 metric tons which resulted into loss of Rs. 1,797.357 million (32,759 – 44,481.53=11,722.53).

The matter was reported to the management on 19.11.2020. In the DAC meeting held on 08.01.2021, the management explained that PASSCO has no liberty to dispose of wheat stocks at its own. PASSCO had implemented the decision of ECC of the Cabinet. Accordingly, tender was floated, and the rate quoted was Rs. 32,759 per metric Ton, which is above the purchase rate of Rs. 32,500 per M.Ton. Rates offered were ranging from Rs. 20,100 to Rs. 32,759 per M.Ton, higher than sale price i.e. Rs. 32,500 per M.Ton. It is highlighted that if surplus stocks were not disposed of timely, there were chances of their deterioration. The DAC directed the management to make efforts to minimize the loss.

Audit recommends compliance of DAC directives.

13.1.4.2 i. Irregular release of wheat due to non-recovery from Sindh Government – Rs. 5,197.282 million
ii. Interest on delayed payment – Rs638.807 million

As per MOU signed between PASSCO and Sindh Government vide dated: 05.11.2019, 12.12.2019 and 13.03.2020 at Para 4(c), “the Food Department Government of Sindh will pay Total amount through Bank Draft / Pay Order / Online transfer”. The Sindh Government shall provide a certificate to PASSCO for the amount that it has received from flour mills and that the same amount shall be transferred to PASSCO Bank Account within a week. On receipt of the certificate, PASSCO shall allow lifting of wheat stock commensurate to the certified amount to the authorized representative of Sindh Government.

During the audit of PASSCO for the year 2019-20, it was observed that three Memorandum of Understanding (MOU) regarding provision of 500,000 Metric Ton (100,000+300,000+100,000) wheat were signed between PASSCO and Sindh Government Food Department. The purpose of these MOUs was to release stock in the local market upon payment of total amount through Bank Draft / Pay Order / Online transfer and certificate regarding transfer of amount to PASSCO. Contrary to this, PASSCO released the wheat stock to Government of Sindh Food Department without receiving amount of Rs. 5,197.282 million. This amount is still outstanding since December 2019. The wheat was released under verbal orders of Managing Director PASSCO as evident from letter dated 15.02.2020. Audit holds that PASSCO operates on borrowed funds. The violation of MOU caused blockade of an amount of Rs. 5,197.282 million (3,672.449 + 11,017.347 + 3,883.674). In addition to this, wheat cultivation and production in Sindh is quite satisfactory. The reason of release of 500,000 Metric Tons wheat from PASSCO to Government of Sindh was asked, but the management did not respond.

Further, it was observed that the entire operation of PASSCO is carried out on the borrowed funds from various banks and PASSCO pays additional markup on these funds. The management released the wheat without receipt of funds due to which the funds were blocked. Interest markup of bank with 12.29% loans basis of Rs. 5,197.282 million with interest of Rs. 638.807 million needs to

be recovered either from Government of Sindh or responsibility be fixed on persons at fault.

Audit pointed out non-recovery of wheat price and interest on delayed payment in October 2020. The management replied Food Department Sindh lifted 483,195M.Ton of wheat. S&C Wing raised bills amounting to Rs. 17,885.303 million against the lifted quantity. An amount of Rs. 12,351.000 million has been received against the billed amount. Thus, an amount of Rs. 5,534.303 million (Rs. 17,885.303 million – Rs. 12, 351.000 million) is outstanding against the agency since May, 2020.

The matter was reported to the management on 19.11.2020. In DAC meeting held on 08.01.2021, the management explained that PASSCO is continuously pursuing this issue telephonically with additional Director Food Sindh. S&C vide letter No. 1382 dated 11.08.2020 and letter No. 1432 dated 31.08.2020 has requested the concerned quarter to furnish the latest position relating to payment by Sindh Food Department. The DAC directed the management to make efforts to get full recovery and verify from Audit.

Audit recommends compliance of DAC directives.

Para-2 PASSCO, 2019-20

13.1.4.3 Un-necessary purchases of Bardana resulting into blockage of funds – Rs. 503.378 million

As per clause (4) of wheat Procurement Policy 2020, Economic Coordination Committee (ECC) of the Cabinet has fixed 2.061 million M, Ton as PASSCO procurement target for wheat crop 2020.

During the audit of PASSCO Lahore for the year 2019-20, it was observed that Economic Coordination Committee (ECC) of the Cabinet fixed 1.800 million Metric Ton wheat Procurement target for Crop 2019. The management could only procure 1.178 million Metric Ton, which is only 65.48% of the Procurement Target 2019. The management of PASSCO made contract agreements with various Mills at total cost of Rs503.478 million. The detail is as under:

S. No.	Name of Mills	Description	Quantities & rate	Amount (Rs)
01	M/s Thal Ltd. (Jute division)	Bardana	11250 balesx300=3375,000 @ Rs. 174.68	589,545,000
02	M/s Madina Jute Mills Ltd.	Bardana	5785 balesx300=1,735,500 @ Rs. 174.68	303,157,140
03	M/s Sargodha Jute Mill Ltd.	Bardana	10,150 balesx30=3,045,000 @ Rs. 174.68	531,900,600
04	M/s White Pearl Jute Mill	Bardana	6,415 bales x300=192,450@ Rs. 174.68	33,617,166
			Total	1,458,219,906

Audit is of the view that the management failed to achieve their target of wheat i.e. 1.800 million Metric Ton Crop 2019. Bardana to tune of Rs. 1,458.219 million was procured to deliver the same to farmers for purchase of wheat. It was further observed that as per stock for the year 2019, the bardana of wheat was 3,181,349 bags in various zones. Thus, due to non-achievement of target of wheat as well as millions of stock in year, the amount of bardana purchased up to Rs. 503.378 million of 34.52% (100%-65.48%) was blocked which needs immediate attention of higher management for fixing of responsibility.

Audit pointed out blockage of funds due to un-necessary purchase of bardana in October 2020. The management replied that bardana was purchased considering the target of 1.8 million M.Tons fixed by the ECC.

The matter was reported to the management on 19.11.2020. In DAC meeting held on 08.01.2021, the management explained that PASSCO started procurement of wheat earlier than the previous year but due to extended winter season, rains, moisture laden air and lockdown (Covid-19), the farmers' response was lukewarm, affecting the procurement drive, negatively. Moreover, the prices of wheat in the local market also rose sharply and the farmers were not selling their wheat. Hence, PASSCO could procure only 1,178,688 M.Ton wheat. The same bardana is being used in import of wheat. The DAC directed the management to get the record verified and share report with Ministry.

Audit recommends compliance of DAC directives.

Para-5 PASSCO, 2019-20

13.1.4.4 Non-recovery of cost of wheat including markup from various government agencies – Rs. 21,427.845 million

The Provincial and other government agencies were bound to make payment to PASSCO for the supply of wheat from March to May for each crop year.

During audit of PASSCO for the year 2019-20 it was observed that trade debts valuing Rs. 21,427.845 million were outstanding against various government departments as detailed below:

S. No.	Name of agency	Principal as on 07.08.2015
1	AJK	1,616,495,717
2	Gilgit Baltistan	10,445,278,395
3	M/o Defence	1,047,370,521
4	Food Department Sindh	5,197,282,466
5	KP	2,946,970,129
6	Food Department Balochistan	174,447,498
	Total	21,427,844,726

It was noticed that out of total Rs. 12,061.774 million outstanding against AJK & GB, an amount of Rs. 8,092.533 million was outstanding for more than three years which needs immediate recovery.

Audit was of the view that management should take immediate steps to reduce the burden of receivables of Rs. 21,427.845 million as PASSCO is operating on borrowed funds. Due to non-recovery of trade debts, extra burden was to be borne by the Corporation.

Audit pointed out non-recovery of cost of wheat including markup in October 2020. The management replied that during the FY 2019-20, an amount of Rs. 56,588.553 million was received by PASSCO from wheat recipient agencies. It was further replied that it was an ongoing process.

The matter was reported to the management on 19.11.2020. In DAC meeting held on 08.01.2021, the management explained that major portion of outstanding amount has been recovered and efforts are being made for full recovery. The DAC directed the management to make strenuous efforts regarding recovery and put-up quarterly report to Ministry.

Audit recommends compliance of DAC directives.

Para-21 PASSCO, 2019-20

13.1.4.5 Undue benefit to the contractors due to non-obtaining of performance / bank guarantee – Rs. 2,149.212 million

As per Clause 15 of tender documents Pakistan Agriculture Storage & Services Corporation Limited for the work “Sale of 100,000 Metric Tons Wheat for Export” stated that successful bidder would be required to deposit bank guarantee (BG) against difference of issue price (Rs. 32,500 per Metric Ton) and quoted price @ 120% before signing the agreement. BG would be return after completion of wheat export and submission of export documents by bidder. Documents duly submitted by bidder will be got verified from concerned quarters by PASSCO before return / release of BG. As per notification dated 12.12.2018 issued by Ministry of National Food Security and Research clause “c” stated that the successful bidder will provide a performance guarantee of 120% of the amount of difference between the issue price of wheat (to flour mills) and the bid price, which may be released on submission of export documents within 90 days.

During audit of PASSCO for the year 2019-20, it was noted that the management of PASSCO made a contract agreement with Hassan Ali Rice Export Company at total cost of Rs. 1,637,950,000 for export of 50,000 Metric Ton wheat @ Rs. 32,759 per metric ton through Sea route. The agreement was signed on 15.02.2019. Additionally, the management made four (04) agreements on 31.01.2019 for sale of 100,000 metric ton for wheat export through sea @ Rs. 32,759 per metric ton. During examination of the record, it was observed that the contractors did not furnish the required bank guarantee for Rs. 2,149.212 million (Rs. 1,421.850 + Rs. 727.362). By not ensuring receipt of bank guarantee, the management of PASSCO extended undue benefit to the contractors at public expense.

Audit pointed out that non-obtaining of performance / bank guarantee in October 2020. The management replied that Obtaining of Bank guarantee @ 120% was not required as the bid price was higher than sale / issue price.

The matter was reported to the management on 19.11.2020. In the DAC meeting held on 08.01.2021, the management explained that the bank guarantee was not demanded because the bid price i.e. Rs. 32,759 was higher than the

issued price i.e. Rs. 32,500 whereas the notification F.No.4-12/2014/DFSC-II/Wheat Export dated 12.12.2018, contains the direction regarding obtaining of security against difference in price. In this particular case it was Rs. 259. The DAC directed the management to get the record verified from Audit.

Audit recommends compliance of DAC directives.

Para-7 & 8 PASSCO, 2019-20

13.1.4.6 Unauthorized expenditure on account of work charged staff - Rs. 156.929 million

The temporary establishment required for execution of work(s) and to be charged to these works is provided in the PC-I of the relevant works. In PC-I this provision is made. As per Finance Department letter dated 08.05.2017, para 2 stated “work charge employee is a workman who has been engaged for the actual execution of specific work or sub-work of specific project which is of an essentially temporary nature likely to be finished within specified period”.

As per Para 2.03 of Central Public Works Department Code, ‘the engagement of work charged establishment shall be subject to the rules laid down by the Government. The work charged staff shall not be engaged on any work unless provided for in the estimate as a separate sub-head of the estimate for that work’.

During the audit of PASSCO Lahore for the year 2019-20, it was noted that management booked expenditure of Rs. 156.929 million (**Annex-66**) for the year 2019-20 (01.04.2019 to 30.03.2020) on account of work charged establishment in different cadre pertaining to original works (properties). Audit observed that the management engaged the work charge staff in different cadres for the period of 89 days and re-engaged the same without any breakup with monthly remuneration from Rs. 15,000 to Rs. 24,000. Total expenditure on work charged establishment was Rs. 156.929 million. Further, there was no PC-I project for engagement of work charged establishment. This resulted into unauthorized expenditure of Rs. 156.929 million. Furthermore, detail of contingent/work charge/daily wages staff hired and their posting with financial impact was demanded which was not provided.

The irregularity was pointed out in October 2020. The management replied that PASSCO Board of Directors had approved regular strength of 1,250 employees for PASSCO during its 103rd meeting, while 1,068 work charged employees on 30.04.2011.

The reply is not convincing as the work charged staff is only appointed for PC-I Project for 89 days, whereas the PASSCO has no such projects. Thus, the appointments were held irregular.

Audit recommends fixing responsibility for appointment of work charged staff.

Para-34 PASSCO, 2019-20

13.1.4.7 Non-achievement of wheat procurement target of 1.800 million metric ton crop year 2020

As per clause (4) of wheat Procurement Policy 2020, Economic Coordination Committee (ECC) of the Cabinet has fixed 2.061 million M.Ton as PASSCO procurement target for wheat crop 2020.

During the audit of PASSCO Lahore for the year 2019-20, it was observed that Economic Coordination Committee (ECC) fixed 1.800 million M.Ton wheat Procurement target for Crop year 2020. The management could only procure 1.178 million Metric Ton of wheat which is only 65.48% of the Procurement Target 2020. The detail of Wheat Procurement Target and Achievement at provincial level is as under:

S. No.	Province	Target (M. Ton)	Achievement	%age of achievement
01.	Punjab	1,450,000	967,255.600	66.71%
02.	Sindh	250,000	168,347.000	67.34%
03.	Baluchistan	100,000	43,085.500	43%
	Total	1,800,000	1,178,688.100	65.48%

Audit is of the view that major reason for non-achievement of target was lack of coordination and provision of information between federation and the provinces. The mechanism among all stakeholders was not available. However, it is required to revisit the mechanism with more scientific and reliable information for decision making. ECC must base its decision on both long-term and short-term analysis and decision must be implemented for desired result.

Audit pointed out non-achievement of wheat procurement target in October 2020. The management replied that the process of wheat procurement was initiated on 10th March 2020. PASSCO managed to procure 500,000 M. Ton more wheat as compared to what was procured during 2019. Because of the extended winter season, rains, moisture laden air and lockdown (Covid-19), the farmers' response was lukewarm, affecting the procurement drive, negatively. These were the main reasons that the procurement target was not achieved.

The reply is not convincing as already stated in para that the main factor for non-achievement of target of wheat was lack of coordination and provision of information between federation and the provinces.

The matter was reported to the management on 19.11.2020. The DAC in its meeting held on 08.01.2021 directed the management to put-up complete operational procedures of procurement of PASSCO to Ministry.

Audit recommends compliance of the DAC directives.

Para-11 PASSCO, 2019-20

**13.1.4.8 Loss due to allowing higher premium on market schedule rate items
- Rs. 29.015 million**

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

During audit of PASSCO for the year 2019-20, it was observed that the management made the Engineering Estimates of five works, approved by General Manger (works), PASSCO. These works were required to be awarded according to schedule rate as notified by Provincial Finance Division for six (6) months which includes item's current market prices (for fluctuation of market) plus contractor's profit and overhead. However, contrary to this, the management awarded the work over and above 5% to 10% premium, which resulted into loss of Rs. 15.664 million. The details are as under:

S. No .	Name of Work	Engineer Estimate Rs	% added	Premium Rs	Total Estimate Rs
1	135-16 L Khanewal Godowns	94,447,852	5%	4,722,393	99,170,245
2	Iqbal Nagar Hafizabad Godowns	39,189,198	5%	1,959,460	41,148,658
3	Sukkur Godowns (Civil work schedule)	53,908,307	10%	5,390,831	59,299,138
4	Musa Virk Godowns	31,404,998	5%	1,570,250	32,975,248
5	Okara Godowns	40,476,815	5%	2,020,702	42,497,517
Total				15,663,636	

Audit further observed that the management made Engineering Estimates for the Construction of 8x Godowns at site area Sukkar amounting to Rs. 73,142,021 according to Provincial Sindh schedule rate with 10% Premium. After bidding process, the management awarded the work to M/s Abdul Wahid with quoted rate of 13% above on engineer's estimate.

Audit is of the view that after the management added 10% premium on estimate, the works were required to be awarded up to estimated cost of work. The same was made over and above which resulted into loss of Rs. 13.351 million.

Audit pointed out loss due to allowing premium on market rate item in October 2020. The management did not furnish reply to the para 18, and as far as para No. 19, management replied that PASSCO framed estimates for construction of Godowns at Sukkur on Sindh Schedule Rates 2012 basis. The detailed justification given by the management in reply is not convincing as the rates quoted by the PASSCO management is more than higher limit as compared to prevailing schedule of rates of Punjab. However, for settlement of para the reply is required to be verified from audit with documentary evidences.

The matter was reported to the management on 19.11.2020. DAC in its meeting held on 08.01.2021, directed the management to conduct a fact-finding inquiry into the matter at Ministry level.

Audit recommends compliance of the DAC directives.

Para-18 & 19 PASSCO, 2019-20

13.1.4.9 Loss due to non-recovery of cost of empty bags - Rs. 37.758 million

According to Para-6 of the Image Building Policy of PASSCO issued vide letter dated Dec 31, 2019, in case any report/complaint received regarding malpractices or negligence at any level, strict and prompt disciplinary action will be taken against the delinquents.

During audit of PASSCO for the year 2019-20 it was observed that an amount of Rs. 63.759 million was outstanding against PASSCO employees from July 30, 2017 to June, 2019 on account of shortages of empty bags vide Annual Stock Report March, 2020. Thus, PASSCO failed to recover the same from respective employees. Audit further observed that a quantity of 139,787 No. bardana valuing Rs. 32.151 million was also found missing at various zones. The record relating to their consumption was not produced. Hence, due to huge number of missing bardana, the management sustained a loss of Rs. 37.758 million

(Rs. 5.607 m + Rs. 32.151 m) indicating weak internal control.

Audit pointed out the loss in October 2020. The management replied that the concerned Zonal Heads have been directed to submit necessary reply / clarification regarding the said observation.

The reply is not acceptable as the shortage / missing of bardana was found and taken up from stock register which needs to be recovered from defaulters.

Para-3 & 12 PASSCO, 2019-20

13.2 Pakistan Tobacco Board

13.2.1 Introduction

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

13.2.2 Comments on Audited Accounts

13.2.2.1 The working results of Pakistan Tobacco Board for the year 2019-20 as compared with those of the previous years are tabulated below:

(Rs. in million)

	2019-20	% Inc / (Dec)	2018-19 Restated	% Inc / (Dec)	2017-18
Income					
Tobacco Cess	357.128	9.93	324.876	8.92	298.26
Farm produce	9.384	9.21	8.593	60.92	5.34
Profit on short term investments	-	(100.00)	12.079	(84.79)	79.4
Other Income/Bank Profit	12.38	25.20	9.888	33.62	7.4
Export Development Fund Income	0.273	(14.95)	0.321	(15.53)	0.38
Income from Pakistan Investment Bond	141.642	36.85	103.501	774.90	11.83
Misc. Income	3.307	(63.80)	9.136	99.04	4.59
Total	524.114	11.90	468.394	15.03	407.2
Expenditure					
Administrative	168.077	11.74	150.417	(3.02)	155.1
Developmental research	123.415	11.25	110.938	8.13	102.6
Marketing research	14.398	19.13	12.086	(15.84)	14.36
Financial	14.868	9.91	13.527	11.06	12.18
Total	320.758	11.77	286.968	0.96	284.240
Excess of income over expenditure	203.356	12.09	181.43	47.55	122.96
Adj: Fixed Assets	-		(0.99)		-
Accumulated excess C/F to Balance Sheet	2,175.55	10.31	1972.19	10.07	1,791.76

13.2.2.2 The audit of financial statements of Pakistan Tobacco Board for the year 2019-20 was conducted by the chartered firm and give adverse opinion on the following basis which needs to attend.

13.2.2.3 An Actuarial valuation for the calculation of pension fund liability as at June 30, 2020 has not been carried out in accordance with the requirement of “IAS-19 Employee Benefits”.

13.2.2.4 The actuarial valuation for the year ended June 30, 2018 shows net pension fund liability amounting to Rs. 1,618.73million and total assets of the Board as at June 30, 2020 is Rs. 2,205.48 million and the pension fund accounting treatment and disclosure in the financial statements has not been made as per the requirement of IAS-19.

13.2.2.5 Furthermore, in note-14 to the financial statements an amount of Rs. 89.73 million (2019: Rs. 71.44 million) has been transferred to Pakistan Tobacco Board employee’ pension fund account and the same has been expense out instead of reducing the fund liability as per the requirements of IAS-19.

13.2.2.6 Moreover, matured investment of pension fund amounting to Rs. 195.9 million along with another matured investments have been reinvested during the year in Pakistan Investment Bonds however, the collective investment does not mention the portion invested under pension fund assets and profit from the Pension funds used in operating activities. This matter is described in details in note 7.3 to the financial statements.

13.2.2.7 An amount of Rs. 13.972 million (2019: Rs. 13.972 million) appearing under the account head “other receivables” as detailed in note 9.3.1 to the financial statements. The said amount is long outstanding receivables and is subject to litigation however, the board has not booked any provision as per the requirement of International Financial Reporting Standards.

13.2.2.8 Long Outstanding payable amounting to Rs. 15.525 million (2019: Rs. 15.525 million) under the account head “security/earnest money” as detailed in note 11 to the financial statements is not backed by the supporting documents.

13.2.2.9 No short Term Investment has been made during the Year 2019-20 & 2018-19 whereas, Rs. 12.079 million has been shown in income statement as a Profit from Short Term investment in 2018-19 which needs to be explain.

13.2.2.10 Miscellaneous income decreased to Rs. 3.307 million during the year 2019-20 from Rs. 9.136 million during the year 2018-19 registering 63.80% decreased over the previous year. Moreover misc. income was not described by means of notes to accounts. However the Details and nature of Misc. income needs to be provided.

13.2.2.11 The Receivable from Tobacco Cess-Contractor increased to Rs39.525 million during the years 2019-20 as compare to Rs10.290 million during the year 2018-19 registering 284.11 % increase over the year 2018-19 needs to be justified.

13.2.2.12 The Other Receivables Rs 13.972 million is still in litigations since 2018-19 however the amount paid under the head legal & Professional Fee in both year Rs. 7.201 million (2020: Rs. 3.495 and 2019: Rs. 3.706 million) to recover Rs. 13.972 million. The same figure of receivables is also appeared in accounts as on June 30, 2018. The Board is incurring huge expenditure under the head legal and professional fee needs to be justified.

13.2.2.13 Advances to staff (official) increased to Rs. 50.909 million during the years 2019-20 as compare to Rs. 41.610 million during the year 2018-19 and registering 22.35% increase over the year. This advance showed increasing trend. The board has been practicing this increasing trend since 2016-17. Further this increasing trend also showed that management granted advances to staff instead of recovery of previous advances. Circumstances under which the huge advances were granted and non-adjustment of the same be known. Besides early adjustment, ageing of the said advance be also made and needs to be justified.

13.2.2.14 The income statement shows that the board has incurred Finance expenses amounting to Rs14.868 million (including major portion of salaries & wages of Rs. 14.623 million) during the Year 2019-20. Rs. 14.423 million of salaries & wages in Finance Expenses is 98.35% of total Finance expenses i.e. Rs14.868 million. The matter needs to be explained.

13.2.2.15 The Balance Sheet for the year 2019-20 showed accumulated surplus amounting to Rs2.176 billion. As per actuarial valuation for the year ended June 2018, the pension fund liability is Rs. 1.618 billion and total assets of the Board as on June 30, 2020 were of Rs. 2.205 billion. No provision of pension liability was made as on June 30, 2020. Therefore, accumulated profit of Rs. 2.205 billion seems to be overstated which needs to be justified.

13.2.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1999-00	03	03	0	-	100
2003-04	04	02	02	18 & 18.1, 18.2	50
2005-06	04	03	01	26	75
2007-08	02	01	01	17	50
2009-10	08	04	04	27, 28, 30, 33	50
2010-11	16	0	16	2.5.1, 2.5.2, 2.5.2.1, 2.5.2.2, 2.5.2.3, 2.5.2.4, 2.5.2.5, 2.5.2.6, 2.5.2.7, 2.5.2.8, 2.5.2.9, 2.5.2.10, 2.5.2.11, 2.5.2.12, 2.5.3, 2.5.4.1	-
2013-14	11	03	08	4.6.2, 4.6.2.1, 4.6.4.2, 4.6.4.5, 4.6.4.1, 4.6.3, 4.6.4.3, 4.6.4.7, 4.6.4.8	27
2016-17	15	01	14	3.6.4.5, 3.6.2.3, (3.6.4.2, 3.6.4.6, 3.6.4.7, 3.6.4.3, 3.6.4.4, 3.6.4.10, 3.6.4.11, 3.6.4.8, 3.6.4.1, 3.6.1 & 3.6.2, 3.6.2.1, 3.6.3	7
Total	63	17	46		30

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

Chapter-14

Ministry of Planning, Development and Special Initiatives

Overview

To manage Pakistan's socio-economic development in a strategic and sustainable manner"

Aims & Objectives

Designing and implementing methodology for leadership for planning social and economic development. Development economic programmes designed to achieve competitiveness and leadership for national economy.

Establishing and implementing an approach to strengthen partnership with public agencies private sector and other stakeholder. Coordinating efforts to formulate and achieve development objectives plan and objective to ensure efficiency in performance.

Developing the planning and implementation capabilities of public entities, to facilitate their roles in formulating and implementing plans and strategies.

Governing Laws and Policies

- Rule of Business 1973
- Economic Development Policy of Federal Govt.

(Rs. in million)

S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	3	1	27,886.9	30,384.431
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. 28,431.335 million were raised as a result of this audit. This amount also includes recoverable of Rs. 1,113.050 million as pointed out by the audit. Summary of the audit observation classified by nature is as under:

Sr. No.	Classification	Amount (Rs. in million)
1	Non-Production of record	-
2	Reported cases of fraud, embezzlement and misappropriation	456.698
3	Irregularities:	
A	HR/Employees related irregularities	131.719
B	Procurement related irregularities	13,916.848
C	Management of accounts with Commercial Banks	61.203
4	Value for money and services delivery issues	-
5	Others	13,864.584

14.1 National Logistics Cell

14.1.1 Introduction

National Logistic Cell (NLC) was established by the Government of Pakistan vide Notification No. 120/19/78-Min dated August 12, 1978 with main objective of providing uninterrupted logistic facilities in the country. NLC is also engaged in construction activities, infrastructure rehabilitation, and development sector, Management of Dry Ports & Border Terminals, Technical Institutes and Express Freight Train Service, toll collection and other engineering related activities. It is an attached department of Ministry of Planning, Development & Reform of Government of Pakistan.

The main objectives are as under:-

- Transportation of commodities from one location to other by all available means.
- Hiring / maintenance of storage facilities.
- Carrying out construction of roads and other engineering projects
- Building of truck bodies and chassis of various makes.
- Revenue generation through toll collection.
- Management of Dry Ports and Border Terminals.
- Express Freight Train Service.

14.1.2 Comments on Audited Accounts:

14.1.2.1 The working results of the NLC for the year 2019-20 as compared to the previous years are as follows:

(Rs. in million)					
	2019-20	%Inc /(Dec)	2018-19	%Inc/(Dec)	2017-18
Revenue	28,894.095	(0.81)	29,130.071	(15.77)	34,582.561
Operating Costs	26,635.886	0.35	26,543.123	(16.34)	31,727.873
Gross Profit	2,258.209	(12.708)	2,586.948	(9.38)	2,854.688
Administrative expenses	1,234.821	30.381	947.088	(37.79)	1,522.498
Other operating expenses	1,490.336	46.850	1,014.869	(15.89)	1,206.570
Operating profit	2,513.724	(5.311)	2,654.729	4.57	2,538.760
Finance costs	16.193	(65.209)	46.544	60.82	28.942
Net Profit	2,497.531	(4.243)	2,608.185	3.92	2,509.818

(Source: - Annual Audited Accounts)

14.1.2.2 Revenue of the organization decrease by 1% during the year 2019-20. The major decrease in revenue is revenue from construction which decreased from Rs. 17,402.615 million as on 30th June 2019 to Rs. 15,615.00 million as on 30th June 2020. The management failed to complete the construction works assigned during the contract period. The completion period of 39 projects was extended out of 58 ongoing projects as on 30th June 2020. The management needs to explain the reason of non-completion of ongoing project in time.

14.1.2.3 136 Nos of projects worth Rs. 164,131.00 million completed but not technically and financially closed. The management failed to clear financial transaction with clients and sub-contractors of these projects even after more than eight years. The management needs to justify the reasons of abnormal delay in non-technical and financial completion of these projects.

14.1.2.4 Retention money worth Rs. 5,243.124 million receivable against projects completed and not technical and financial closed. The poor execution of civil works lead to blockade of huge fund since long. Early recovery of retention money is stressed upon the management.

14.1.2.5 Trade debts stood Rs. 15,098.705 million as on 30th June 2020 against Rs. 15,554.524 million as on 30th June 2019. The management failed to recover their debts from clients. Early recovery of trade debts is stressed upon the management.

14.1.2.6 Current liabilities increased by 25% worth Rs. 4,390.853 million from Rs. 17,430.822 million as on 30th June 2019 to Rs. 21,821.675 million as on 30th June 2020. The management failed to clear their liabilities to sub-contractors and creditors.

14.1.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1988-89	11	10	01	541	91
1989-90	23	19	04	635,640,648,650	83
1990-91	05	03	02	491,494	60
1991-92	08	07	01	458	88
1993-94	14	09	05	234,235,238,240,243	64
1994-95	11	09	02	257,264	82
1995-96	06	05	01	232	83
1999-00	11	10	01	235	91
2001-02	03	02	01	213	67
2005-06	15	13	02	212,214	87
2006-07	08	07	01	178	88
2007-08	04	01	03	154.2,154.3,155	25
2008-09	08	06	02	202, 207	75
2013-14	08	01	07	14.1.1&14.1.2.1, 14.1.4.1, 14.1.4.2, 14.1.4.3,14.1.3, 14.1.4.4	12.5
2017-18	05	0	5	18.1.4.1, 18.1.4.2, 18.1.4.3, 18.1.4.4, 18.1.4.5	-
2018-19	32	0	32	16.1.4.1 to 16.1.4.32	-
Total	172	102	70		59

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

14.1.4 Audit Paras

- 14.1.4.1 i. Mis-procurement of fleet vehicles - Rs. 1,721.488 million**
ii. Loss due to procurement against approved specifications in tender documents - Rs. 750.000 million
iii. Loss due to award of contract by ignoring technically qualified lowest bidder - Rs. 115.000 million
iv. Loss due to import of prime movers on fake grounds by a commercial organization - Rs. 835.936 million

In accordance with Rule-4 of the PPRA “A procuring agency while making any procurement shall ensure that the procurement is made in a fair and transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of National Logistic Cell (NLC) Rawalpindi for the year 2019-20, it was observed that the management called rates from the local manufacturers for procurement of 150 Prime Movers (PM) vide letter dated 29 March, 2018 in connection with CPEC requirements. Three companies namely M/s ISUZU, M/s Hyundai Xcient and M/s Sitrak were technically qualified.

Purchase orders were issued to M/s Ghandhara (ISUZU) for procurement of 100 PMs valuing JPY 829,356,310 equivalent to Pak. Rs. 1,185.979 million @ Rs. 11.860 million/Pm vide contract dated 29th October 2019 and M/s Sitrak China for procurement of 50 PMs valuing RMB 22,982,250 equivalent to Pak Rs. 535.509 million @ Rs. 10.710 million/Pm vide contract dated 10th June 2020.

The following irregularities were observed in technical evaluation process and award of contract:

- i Administrative approval from the competent forum i.e. NLB was not obtained.
- ii No open tendering was made for procurement of Prime Movers. Administration avoided open tendering. Formal approval from the competent forum was also not shown to Audit.
- iii Technical and commercial offers were called and received through a single bid from the companies. Resultantly commercial rates of the companies received were opened before technical evaluation process.

- iv Approved technical specifications of engines with 12 speed capacity as per General Staff Requirement (GSR) were ignored and the engines with 7 speed capacity were procured against the approved specification.
- v No approved drawings/design of engine with 380 HP from the manufacturer is available on record. Technically, 380 HP engine with 7 speed engine capacity is not available in the market.
- vi Resultantly the original vehicles as per specifications were not procured. Furthermore, the management sustained loss of Rs. 750 million due to price difference between 12 speed and 7 speed engine capacity as per market difference.
- vii Purchase order to the second lowest bidder was issued for procurement of 100 Prime Movers worth Rs. 1,185.979 million on October 29th, 2019 without any justification and purchase order to 1st lowest bidder M/s Sitrak China was issued for 50 Prime Movers worth Rs. 535.509 million on June 10, 2020. Resultantly the organization sustained loss of Rs. 115.00 million due to procurement from the 2nd lowest bidder at higher rates.
- viii Being a commercial organization tax exemptions were availed on the basis of fake grounds wherein it was claimed that the said consignment falls under the category of Defence imports. Resultantly, the Government treasury was put to loss of Rs. 835.936 million (GST) on import of said vehicles.

Thus award, as well as, execution of contract for procurement of Prime Movers worth Rs. 1,721.488 million (Rs. 1,185.979 million + 535.509 million) is held irregular.

The matter was reported to the management on 17th January 2021. In the DAC meeting held on 26th January 2021, the management apprised the committee regarding the method adopted for subject procurement in detail. Audit informed the committee that procurement was made in violation of PPRA rules and procurements were made in deviation of approved specifications. DAC directed the management of NLC to conduct fact finding inquiry through three members of BOD and place before NLB. The decision of NLB may be placed before PAC.

Audit recommends compliance of DAC directives.

Para-1 NLC, 2019-20

14.1.4.2 i. Irregular award of contract for procurement of steel - Rs. 899.081 million

ii. Loss due to non-obtaining of earnest money - Rs. 42.997 million

As per para-5(I) of the NLC Procurement Manual, “amount of earnest money will be equal to 2-5% quoted value of the bid and in any case should not be less than 2% of the bid value. Further earnest money may be forfeited in the case of a successful bidder fails to furnish the required performance security/ guarantee or sign the contract agreement without valid reason”.

During audit of NLC Rawalpindi for the year 2019-20, it was observed that the management called Tender Inquiry (TE) No. 12/Steel/NLC/2019 on 16.4.2019 for procurement of different types of steel. In response 13 bidders submitted their bids.

It was observed that contract worth Rs. 899.081 million was awarded to M/s HSJ Steel Industries vide contract No. 5641/Proc/HSJ/South & Bln/D. Steel/NLC-7693 dated 29.10.2019. The following irregularities were observed in evaluation of contract.

- i M/s HSJ Steel did not submit bid security of Rs. 43.196 million against its quoted bid price of Rs. 2,159.831 million.
- ii The firm failed to submit performance security as per terms and conditions of contract, even then the contract was awarded to the firm.

It was observed that the firm failed to supply the requisite store. The management cancelled the contract on forfeiture of earnest money worth Rs. 200,000 and stopped business with the firm for next two years.

Audit is of the view that as per procurement rules of the NLC and PPRA, the management was required to obtain earnest money of Rs. 43.197 million @ 2% against bid value of Rs. 2,159.831 million but, obtained only Rs. 200,000 due to which contractor backed out from the contractual obligations. Further the management seized the business with the firm for next two years instead of proper blacklisting by publishing on PPRA's web-site. Thus due to non-

compliance of PPRA and NLC procurement rules, it sustained a loss of Rs. 42.997 million (Rs. 43.197 million – Rs. 0.200 million).

The matter was reported to the management on 17th January 2021. The DAC in its meeting held on 26th January 2021, was apprised that as per PPRA rules 25 “Procuring agency may require the bidders to furnish a bid security not exceeding 5 % of bid” so lower limits not fixed. NLC fixed it as Rs. 200,000 so that maximum steel firms should participate in the tenders. DAC observed that the management of NLC has made clear violation of the extant rule. DAC directed that the case may be placed before the NLB for detailed deliberation and final decision be intimated to Ministry as well as Audit.

Audit recommends compliance of the DAC directives.

Para-5 NLC, 2019-20

14.1.4.3 Irregular execution of enterprise resource planning (ERP) system without proper feasibility - Rs. 202.763 million

According to Project Management Guide lines Ministry of Planning Government of Pakistan, “The term project management covers all activities that are necessary to: (i) ensure that the project is implemented with due diligence to achieve planned objectives within approved cost and time frame; (ii) to identify problems promptly as they arise, help resolve them, and modify the project if necessary, or as circumstances change; (iii) to close a project if it is no longer justified, particularly if it can no longer achieve its developmental objectives and targets”.

During the audit of National Logistic Cell (NLC) Rawalpindi for the year 2019-20, it was observed that management of NLC awarded contract worth Rs. 102.793 million to M/s System Innovative Private Ltd. in January 2005 for procurement of Enterprise Resource Planning (ERP) i.e. Oracle System and its implementation along with hard ware. As per composite agreement the project was to be completed in 18 months i.e. up to June 2016. However, it was observed that company failed to completely implement software and left the organization in August 2008. Total payment of Rs. 90.067 million was made to the company as per detail given below:

Service Description	Rs. (in million)
Software Sale agreement	30.993
ERP Professional Services	59.074
Total	90.067

It was observed that the Project was reviewed in 2017 after lapse of nine years and payment of Rs. 52.696 million was made to M/s Ora TECH System Pvt. Ltd. and Oracle System Pakistan Ltd. on account of Annual Support Fee Oracle as per detailed given below:

Date	Name of Company	Description of Services	Rs. (in million)
30.05.2017	ORA TECH System Pvt. Ltd.	Annual Support Fee Oracle (2009-2018)	34.875
25.10.2018	Oracle System Pakistan Ltd.	Annual Support Fee Oracle (2018-19)	5.786
20.04.2020	Oracle System Pakistan Ltd.	Annual Support Fee Oracle (2019-21)	12.035
	Total		52.696

Furthermore, it observed that contract was awarded to M/s Cellmore Pakistan Pvt. Ltd. in October 2020 on single tender basis for implementation of ERP modules which was left incomplete by System International.

Date	Name of Company	Description of Services	Rs. (in million)
20.11.2020	M/s Cellmore Pakistan Pvt	“Implementation of ERP Project Accounting Modules”	60.00

It was observed that total expenditure of Rs. 202.763 million was made without proper feasibility due to which the ERP system could not be implemented even after lapse of more than 15 years.

The matter was reported to the management on 17th January 2021. No reply was given by the management. The DAC in its meeting held on 26th January 2021, directed the management to produce relevant record to Audit for re-verification in the light of discussion in DAC.

On verification of record, it was revealed that M/s System Innovative Private Ltd. failed to complete the assigned job as per terms & conditions of contract. The actual payment of Rs. 90.067 million was made against the contracted amount of Rs. 102.793 million. Further, the remaining work was

awarded to M/s Cellmore Pakistan at the cost of Rs. 60.00 million in October, 2020.

Audit also recommends that a fact finding inquiry be conducted by three member technical committee, responsibility be fixed and placed it before NLB for ratification. Besides, the loss may be made good from the person(s) held responsible.

Para-9 NLC, 2019-20

14.1.4.4 i. Irregular execution of express freight train project - Rs. 1,098 million

ii. Non-recovery of lease rental from Pakistan Railways - Rs. 1,100 million

According to Project Management Guide lines Ministry of Planning Government of Pakistan, “The term project management covers all activities that are necessary to: (i) ensure that the project is implemented with due diligence to achieve planned objectives within approved cost and time frame; (ii) to identify problems promptly as they arise, help resolve them, and modify the project if necessary, or as circumstances change; (iii) to close a project if it is no longer justified, particularly if it can no longer achieve its developmental objectives and targets”.

During the audit of National Logistic Cell (NLC) Rawalpindi for the year 2019-20, it was observed that new business idea of Express Freight Train was approved in 2012. The management procured 10 locomotives worth Rs. 1,098 million in 2013-14 and hired operational staff for the purpose. However, Pakistan Railways refused NLC to use their railway track for operation of these trains. Ultimately the management leased out these locomotives to Pakistan Railways for 12 years along with operational staff w.e.f. June 2015. The following irregularities were observed during the execution of the project.

1. Administrative approval of the project was not provided.
2. The project was initiated without proper feasibility.
3. No procurement process for purchase of used locomotive was shared with Audit.

4. No Objection Certificate (NOC) for the purpose was not obtained from Pakistan Railways to use railway track for the project.
5. Operational staff was hired for NLC Express Freight Train Karachi, Lahore and Head Quarter since 2012 and huge expenditure was incurred on idle operational staff for three years up to June 2015.
6. The locomotives purchased were leased out to Pakistan Railways along with operational staff. However, continuous recruitments are made even after lease of locomotives to Pakistan Railways for the purpose.
7. The management failed to achieve the planned objectives.

Furthermore, it was observed that management failed to recover the lease rental from Pakistan Railways as per terms and conditions of lease agreement. A sum of Rs. 1.10 billion is receivable from Pakistan Railways.

The matter was reported to the management on 17th January 2021 and DAC meeting was held on 26th January 2021 where management apprised the committee that the project was executed with the approval of competent authority and proper feasibility carried out and the project has recovered its initial cost incurred on purchase of locomotives. Audit apprised the committee that management failed to provide relevant record to audit. The DAC directed the management to produce relevant record to audit in the light of discussion in DAC in next twenty days.

Audit recommends compliance of the DAC directives. Audit also recommends to investigate the matter and fix responsibility thereof. Besides, recover the lease rental from Pak Railways as early as possible.

Para-10 NLC, 2019-20

14.1.4.5 i. Irregular return of advance to the defaulter - Rs. 116.00 million

ii. Non-recovery of penalty from the defaulter - Rs. 13.050 million

According to clause 3 of the agreement to sell the land, "If the purchaser backs out from the deal or fails to pay the remaining amount at any stage of the payment schedule then the agreement shall be considered annulled and the Biana/Advance of Rs. 116 million along with the penalties imposed @ 10% per annum on unpaid installments shall be forfeited".

During the audit of NLC HQ Rawalpindi for the year 2019-20, it was observed that the management made an agreement with M/s MAXUMAX to sell land of 173.18 kanal situated at Chung Lahore on 29.08.2019. The total sales consideration was of Rs. 1,160.850 million.

The purchaser failed to pay the first installment due on 30.10.2019. He made the request to NLC vide his letter No. NLC/11/2019-06 dated 22.11.2019 to extend the time for depositing the installment by January 15, 2020 due to cash flow problems. Later on the purchaser again failed to pay the installment (first) on new agreed date and made another request for relaxation of time for further two months from the date of request vide letter No. NLC-01/2020/03/08 dated 19.03.2020.

The purchaser was granted two extensions of time till 31st May 2020 but, buyer did not follow the timelines and failed to pay installments. Consequently, agreement was terminated by the management on August 11, 2020 upon request of purchaser. Management returned the advance amount of Rs. 116 million which resulted into the loss to the corporation.

Audit is of the view that management returned the advance to the defaulter in violation of the terms of the agreement. This is held irregular and tantamount to undue favour extended to the purchaser as management neither forfeited the advance nor recovered the amount of the penalties from the defaulter for delay.

The matter was reported to the management on 17th January 2021. The DAC meeting was held on 26th January 2021. Management apprised that the subject land was sold to Maxumax Enterprises Pvt. Limited Islamabad and the company paid initial payment of Rs. 116 million as per terms and conditions of contract. However, company failed to pay 1st and 2nd installment on the plea that the land is industrial in the record of LDA. Therefore, the contract was cancelled and advance was refunded. The DAC directed the management of NLC to place the audit para before NLB for necessary discussion and decision. The decision of NLB may be placed before the PAC.

Audit recommends compliance of the DAC directives.

Para-11 NLC, 2019-20

14.1.4.6 i. Irregular investment in non-core activities for construction of Mix Use Building at Blue Area Islamabad - Rs. 4,231 million

ii. Loss due to expiry of 13 years lease period in construction of Mix Use Building at Blue Area Islamabad - Rs. 588.283 million

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

As per para-1 of CDA letter dated June 30, 2016 “the land will be leased out for a period of 33 years and may be extended for two subsequent terms for 33 years each, on such terms and conditions as may be determined by the Authority at the time of each renewal of the lease”.

During audit of NLC Rawalpindi for the year 2019-20, it was observed that a Commercial Plot No. 63-F(old Plot # 63-E and 63-D), located in Sector F-7/G-7, Blue Area Islamabad was purchased by NLC vide allotment letter No. CDA/PMO (130)2007/4942. Said purchase was done on 1st August, 2007 at a cost of Rs. 1,493.333 million. The purpose of acquisition of land was development of mix use building that would include offices, residential, commercial space and five-star hotel. Para-11 of the allotment letter states that NLC shall start construction in accordance with the plans /drawings of the proposed building within six months from the date of possession, or assumed date of possession. The construction of building shall be completed in all respects within a period of 3 years. Failure to complete the building within the stipulated time may render allotment liable to be cancelled, in such event, 10% of the total premium of the plot shall be forfeited in favour of the Authority. However, NLC could not construct building as per approved plan till June, 2016.

The plot got cancelled in 2013. Consequently, management had to pay restoration charges to CDA of Rs. 356.231 million and delayed charges of Rs. 29.308 million vide letter No. CDA.EM-27(1489)/2016/4675 dated 30.06.2016. CDA granted restoration with the condition to construct the proposed building within five years. A period of four years and six months has already passed up to December 31, 2020, but construction of building could not be materialized

despite having all resources in hand. A total amount of Rs. 4,230,899,756 has been spent till September 9, 2020 on account of cost of land, settlement charges paid on direction of NAB, feasibility studies, mark-up, restoration charges, delayed charges and ground rent. NLB in its 63rd meeting held on January 22, 2020 made decision to sell the land and gave following directions:

1. Services of an expert/ business professional from relevant field be hired to suggest efficient execution and optimum profitability.
2. Professional contract conclusion.
3. Lessons learnt from past JVs on such projects be kept in mind.
4. Project be exit at appropriate time and the profit earned therein be injected into core business of logistics.

Audit is of the view that NLC could not finalize the proposed construction project even after lapse of 13 years. The project has so far incurred a total expenditure of Rs. 4,230,899,756 i.e. cost of land, settlement charges paid on direction of NAB, NAB charges, feasibility studies, mark-up, restoration charges, delay charges and ground rent uptill September 9, 2020. A period of 13 years out of 33 years lease period has already passed but the management failed to construct proposed building. Management is clueless whether to sell the plot or start construction on it. In addition to this, procurement of the plot for mix use building is against the core activities of the NLC. Therefore, construction of mix use building is held irregular by audit. Further, due to non-construction of mix use building on leased plot and waste of 13 years leased period, NLC sustained lease benefit loss of Rs. 588.283 million (Rs. 1,493.333 million /33 years = Rs. 45.253 x 13 years).

The matter was reported to the management on 17th January 2021. In DAC meeting held on 26th January 2021, the management apprised the committee that NLC purchased Blue Area plot considering a JV with Qatri Diar. However, JV did not materialize. The NLB approved the selling of plot to offload business in non-core activities. DAC directed the management of NLC that a plan may be submitted to NLB for its final decision and its outcome may be intimated to ministry, as well as, to Audit.

Audit recommends compliance of the DAC directives.

Para-13 & 14 NLC, 2019-20

14.1.4.7 Irregular appointment of officers on work-charged basis - Rs. 131.719 million

According to work-charged employment policy of the Federal Government, “work charge may be engaged for actual execution of specific work or sub- work of specific project which is of an essentially temporary nature likely to be finished within the specified period. The appointment at a time may not exceed 89 days. Furthermore, according to Rule -19 &20 of NLC Service Rules 1986 standing Selection Boards will be constituted for appointments in BS-18 and above.

During the audit of National Logistic Cell (NLC) for the year 2019-20 it was observed that management of NLC appointed officers at NLC head quarter on work-charged basis. Following irregularities were observed:

- Whole procedure of recruiting officials was made on the basis of hand collected CVs without following proper process.
- Work charged appointments were made on posts of permanent nature which is again violation of the policy. The service record of the officers also establishes the same.
- Said appointments were made upto BPS/SPS 20 which is a gross violation of Federal Government’s directives which allows such appointments to be made up to Grade 4.
- Lucrative pay and allowances were fixed to benefit the officers at the cost of public funds without any approved policy of the government. Detail of the officers appointed in such manner is as under:

Date of Appointment	Name of Officer	Designation	Grade	Monthly Pay in Rs	Total Period in Months till Nov 20	Total Payment made in Rs
02.08.2019	Brig Saad Ullah Fatmi (Retd)	Director Corporate	BPS-20	302,293	16	4,836,688
10.06.2019	Maj Muhammad Nauman (Retd)	GM recovery	BPS-19B	500,000	18	90,00,000
22.07.2019	Brig Umar Farooqui (Retd)	Project Director	SPS-20	301900	16	4,830,400
01.11.2017	Lt Col Samee Bin Hanif (Retd)	Principal	BPS-19A	208,861	37	7,727,857
16.12.2019	Lt Col Syed Bashir Hussain (Retd)	Principal	BPS-19A	322,585	11	3,548,435
02.09.2019	Brig Muhammad Iqbal (Retd)	Director NLC GB	BPS-20	236,395	27	6,382,665
01.01.2016	Col Muhammad Khalid (Retd)	GM Coordination	BPS-19B	206,147	59	12,162,673
01.10.2018	Col Syed	MG Legal	BPS-19B	207,254	16	5,388,604

	Muhamad Naqi (Retd)					
16.09.2019	Brig Rahimudin Farooqi (Retd)	Director Project	BPS-20	350,000	16	5,600,000
28.02.2019	Lt.Col Shahid Mehmood (Retd)	Principal	BPS-19A	283,330	21	5,949,930
16.01.2018	Lt Col Muhammad Shahid (Retd)	Senior Manager Plants	BPS-19A	203,868	34	6,931,512
14.12.2018	Col Muhammad Zaheer (Retd)	Dy. Director	SPS-19B	387,830	23	8,920,090
13.06.2019	Lt. Col Muhammad Faran (Retd)	SM Procurement	SPS-19A	197,422	17	3,356,174
02.09.2019	Lt Col Abid Hussain (Retd)	SM Engineers Contracts	SPS-19A	192,890	15	2,893,350
13.03.2019	Mr. Syed Shahid Junaid	SM Inventory	BPS-19A	222,932	20	4,458,640
16.03.2020	Mr. Muhammad Junaid	GM ICT	SPS-19B	256,901	08	2,055,208
27.01.2020	Mr. Zaheer Baig	Director SPVs	SPS-20	379,022	2	7,580,044
02.04.2020	Mr. Asim Ali Shah	Senior Manager IT	SPS-19A	257,159	8	2,057,272
16.03.2020	Mr. Muhammad Junaid Rashid	General Manager ICT	SPS-19B	256,901	8	2,055,208
21.01.2020	Mr. Mustafa Asif	Senior Manager Corporate	BPS-19A	250,000	10	2,500,000
13.03.2019	Mr. Syed Shahid Junaid	Senior Manager Inventory	BPS-19A	222,932	21	4,681,572
16.03.2020	Mr. Hassan Tayyab Tirmizi	Senior Manager HR	BPS-19A	175,735	8	1,405,880
18.11.2019	Mr. Abul Ghaffar	Assistant Manager Oracle	BPS-17	174,059	12	2,088,708
23.04.2019	Mr. Owais Akram	General Manager Marketing	BPS-19B	256,825	20	5,136,500
13.08.2018	Mr. Junaid Jawed Ali	Manager Finance & Account	SPS-18	118,140	27	3,189,780
23.12.2019	Mr. Aamir Iqbal	Assist. Manager ERP	SPS-17B	116,320	11	1,279,520
16.06.2016	Mr. Anwar ul Haq	Senior Manager F&A	SPS-19A	188,187	53	9,973,911
21.10.2015	Mr. Nasiruddin Chaudhary	Manager Pre-Audit	SPS-18	156,703	61	9,558,883
	Total					131,719,194

According to the SOPs for employment/ Re-employment (extension) of work charge and daily wages employees of NLC, Temporary employees have been categorized into two types depending upon their Pay Scales. Contingent employees bearing Grade 1-8 are termed as daily wages employees whereas those with

Grade 9-20 will be considered as work-charged employees. It is worth

mentioning here that the said SOPs are not in line with Federal Government's directives whereby work-charged employees can be hired up to Grade 4 and not beyond that. The appointment made in accordance with these SOPs is held irregular in audit and needs justification.

The matter was reported to the management on 17th January 2021. The DAC meeting was held on 26th January 2021. The management explained that the appointments were made with approval of BOD. The committee observed that the recruitment rules of NLC have not been approved so far. There is no provision in rules regarding recruitment of work charge staff at higher level. The committee referred the para to NLB for reconsideration as there have been no approved rules and procedures on the subject and the directions of the Federal Government are very clear. The decision of NLB may be placed before PAC.

Audit recommends compliance of the DAC directives. Audit also recommends to fix responsibility on the appointing authority without approved recruitment rules. NLC administration should get the SOPs approved from the Federal Government.

Para-16 NLC, 2019-20

14.1.4.8 Loss due to placement of funds in Askari Commercial Bank without competitive process - Rs. 61.203 million

According to Finance Division (Budget Wing) OM No.F.4(1)/2002-BR-II dated July 2nd 2003 regarding deposit of working balances and investment of surplus funds. Public Sector Enterprise and Autonomous Bodies can deposit their working balances required for their operations with any public or private bank subject to the following requirement:

- (a) For the sake of the safety and security of deposits, the bank /financial institutions taking a deposit should have minimum "A" rating.
- (b) The purpose of selection of banks should be transparent. In case the total working balances exceeds Rs. 10.00 million. The selection of bank as well as the terms of deposit will be approved by the concerned Board of Director on the basis of competitive bids from at least three independent banks.
- (c) In case where a total working balance of an enterprise exceeds Rs. 10.00 million not more than 50% of such balance shall be kept with one bank.

During audit of National Logistic Cell (NLC) for the year 2019-20, it was observed that the huge funds were placed in Askari Commercial Bank Ltd. A/c No.0281480800241 Rawalpindi during the year 2019-20 at profit rate of 6.35% in deviation of the above instructions and without any competitive process. Opening funds of Rs. 2.711 billion were available in the Accounts as on July 1st 2019. During the year funds of Rs. 117.740 billion were received and payment of Rs. 111.279 billion were made. The average balance of the accounts was Rs. 5.942 billion during the year 2019-20.

It was observed that not only an amount of Rs. 5.942 billion was placed with a single bank in sheer violation of Finance Division's investment policy but also the profit rate of Askari Bank was even lower than the minimum of KIBOR rate of 7.38% per week. Thus the organization sustained loss of Rs. 61.203 million as per detail given below.

Average Funds placed in Rs	KIBOR Rate as on June 2020	Askari Commercial Bank rate as on June 30 2020	Difference in rate (Rs)	Loss sustained (Rs)
5,942,092,057	7.38%	6.35%	1.03%	61,203,548

Audit observed that better interest rates could have been achieved if the proper competitive process has been adopted. The organization sustained loss of Rs 61.203 million due to placement of funds in Askari Commercial Bank Ltd. without following due process.

The matter was reported to the management on 17th January 2021. Management replied that AKBL offered highly competitive rate on bank deposit accounts. This rate was achieved after significant negotiations with bank. AKBL offered uniformed profit rate across Pakistan without any minimal balance requirement. The DAC in its meeting held on 26th January 2021, observed the financial impropriety and directed the management to place the case before NLB for not following the policy issued by the Finance Division.

Audit recommends compliance of the DAC directives. The decision of the NLB may also be shared with Audit.

Para-21 NLC, 2019-20

14.1.4.9 i. Irregular construction of building for Army Public School Fort Road Rawalpindi under Corporate Social Responsibility - Rs. 373.468 million

ii. Irregular taking over the management of Army Public School in deviation of approved core functions

The National Logistic Board (NLB) in their 62nd Board meeting held on March 9th 2018 approved the policy of Corporate Social Responsibility (CSR). The chairman approved the policy and desired that CSR projects should be related to the Core Business of NLC on the following lines.

- a) Establishment of mobile dispensaries/hospitals and libraries etc.
- b) Vocational Training and Certified Licensing Programs in Heavy Vehicles driving especially in remote areas including Baluchistan.

During the audit of National Logistic Cell (NLC) for the year 2019-20, it was observed that the management of NLC constructed building for Army Public School Fort Road, Rawalpindi under Corporate Social Responsibility (CSR). Furthermore, the management of school was taken by NLC w.e.f. October 2018. The following irregularities were observed:

- 1. The expenditure incurred on construction of APS building under CSR policy is not in accordance with NLB approved policy.
- 2. Administrative approval of the decision, as well as, complete case file was not provided.
- 3. The detailed break up of expenditure on construction of building was not provided.
- 4. NLC took over the management of APS Fort Road, Rawalpindi since February 2011 in spite of the fact that Army Public Schools are being governed by Pakistan Army. Furthermore, the management of schools are not covered under the approved core functions of NLC.
- 5. The receipts and expenditure of APS were not accounted for in the annual accounts of NLC.

Furthermore, it was observed that a sum of Rs. 68.105 million was paid to Army Public School Fort Road Rawalpindi during the year 2019-20 under the Corporate Social Responsibility of the Company. Afterwards the nature of payment made to APS Fort Road Rawalpindi was changed from Charity and

Donation to other receivables by reversing the original vouchers. A sum of Rs. 63.849 million was reversed.

The expenditure incurred on account of CSR on Army Public School in deviation of policy approved by NLB is held irregular by audit.

The matter was reported to the management on 17th January 2021. The DAC meeting was held on 26th January 2021. Management informed that in 2010, on the initiative of Ex. COAS, Punjab Govt. contributed Rs. 937 million and Army provided 16 acres of land for establishment of APSAC Fort Road. DAC observed that the said project was not in the portfolio of CSR. DAC directed the management to place the case before NLB for decision in the light of CSR.

Audit recommends compliance of the DAC directives.

Para-22 NLC, 2019-20

14.1.4.10 Mis-procurement of fleet vehicles under Vehicle Assembly Plant (VAP) Project – Rs. 1,155.597 million

The National Logistic Board (NLB) in their 60th Board meeting held on February 6th 2017 approved the establishment of Vehicle Assembly Plant on the following parameters:

- a. To undertake assembly on TIB (Truck in Box) concept by gradually converting to CKD (Complete Knock Down) in five years under green field investors category.
- b. Amendment in ADP 2016-21 for rationalization of incentive period for Heavy Cargo Vehicles (HCVs) from 3 to 5 years.
- c. Amendment in Automotive Development Plan (ADP) 2016-21 for levy of 5% customs duty on all commercial vehicles (Prime Movers and Rigid Trucks).

During the Audit of National Logistic Cell (NLC) Rawalpindi for the year 2019-20, it was observed that management of NLC started the establishment of VAP with M/s NORINCO China in collaboration with Heavy Industries Taxila (HIT). The management, in sheer violation of PPRA Rules, procured 50 Prime Movers from the Company vide contract No. 5659/P/FOB Nort Benz/PM/ 2014/ NLC-7547 worth Rs. 334.616 million. It was observed that the Prime Movers

failed during the inspection. Resultantly the project was closed with M/s NORINCO China.

It was observed that management called tender for procurement of dump truck on May 4th 2016. In response, 13 OEM submitted their bids. The 12 companies were simply excluded from competition during technical evaluation on the grounds that the M/s MAN Germany would lay assembly line in Pakistan. This condition was not the part of bidding document. However, despite sale of 69 dump trucks, MAN Germany did not lay assembly line.

The detail of procurements under VAP is as under:

Name of Supplier	Contract No & Date	Quantity	Value (Rs. in million)
M/s NORINCO China	No. 5659/P/FOB Nort Benz/PM/2014/NLC -7547	50	334.616
M/s MAN Germany (MAN Dump Truck)	No.5532/P/CIF/D.Trks/Engineers/20 16/NLC -7621 dated January 31 st 2017	69	820.981
Total		119	1,155.597

Audit holds that:

- VAP Project was initiated without proper feasibility study. Seemingly management rushed to take up the project without any meticulous planning, proper homework and investment appraisal which is a gross negligence on part of planning section.
- There was no mention of procurement of any type of vehicle in original concept paper of VAP.
- The management procured 119 fleet vehicles under the establishment of VAP in violation of PPRA rules.
- NLC established a full fledged branch for this project, employed personnel and conducted extensive foreign tours. This exercise incurred huge expenditure without any substantial results and material outcomes. Whereas there was no financial provision in the VAP project.

Moreover, procurement of any type of trucks / prime movers was not at all envisaged under the VAP.

The matter was reported to the management on 17th January 2021. The management stated that the project was started after financial feasibility and

marketing analysis with the approval of competent authority. The DAC meeting was held on 26th January 2021. Audit appraised that there is serious departure in order to unduly facilitate a particular firm in procurement. DAC directed to constitute a three member's technical committee to carry out regular inquiry and place it before NLB for further decision. A revised para will be issued in the light of facts updated during DAC meeting.

Audit recommends compliance of the DAC directives.

Para-2 & 26 NLC, 2019-20

14.1.4.11 Unjustified payment of revenue share to forces and tribes - Rs. 1,073.233 million

According to rule-12 of GFR "A controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation, but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided"

During the audit of NLC Border Terminals HQ at Swan for the year 2019-20, it was observed that management made payment of Rs. 1,073.233 million to Tribesmen, Frontier Corps and 11Corps @ 24% and 19% share respectively. Said payment was made out of total revenue collection on account of security charges/parking share at Torkham Border during the period from May 2015 to June 2020. Detail of the Tribe, FC & 11 Corps share payment is given as under:

Period	Total Revenue Collection			Tribe Share at Torkham @ Rs. 600 per vehicle about 23@	FC & 11 Corps Share @ 19%	Total of both Shares
	Rs. 2,500 per 14-22 Wh	Rs. 2,000 per 6-10 Wh	Rs. 1,500 per 4 Wh			
FY 2014-15		50.523		12.125	9.599	21.724
FY 2015-16		488.239		119.942	92.765	212.707
FY 2016-17		459.832		117.454	87.368	204.822
FY 2017-18		538.881		136.174	102.387	238.561
FY 2018-19		484.831		122.051	92.118	214.169
FY 2019-20		409.359		103.472	77.778	181.250
Total		2,431.665		611.219	462.016	1,073.233

Moreover, it was observed that share on total revenue collection of NLC boarder terminal was not approved from any competent forum. Law enforcing agencies have been given mandate to maintain law and order situation in the

country under their respective laws. Separate budget is allocated keeping in view their requirement on annual basis. The pay and allowances of the law enforcing agencies are paid from their respective budget. The claim of law enforcing agencies on revenue of NLC is unauthorized and unjustified.

This shows that undue favour was extended that results into extra burden despite the fact that border terminal has sustained loss of Rs. 49.727 million during the year 2019-20.

The matter was reported to the management on 17th January 2021. The DAC meeting was held on 26th January 2021. The organization could not produce any decision on distribution of revenue share at Torkhum Boarder Terminal. Audit held that there is no provision in Government Rules regarding distribution of revenues among different departments. The Committee referred the Para to PAC.

Audit recommends compliance of the DAC directives. Further, responsibility be fixed for un-authorized and un-justified payment of revenue share to law enforcing agencies.

Para-30 NLC, 2019-20

14.1.4.12 i. Irregular procurement of tyres in deviation of approved specification - Rs. 406.240 million

ii. Loss due to non-replacement of defective tyres - Rs. 56.400 million

As per clause-16 of contract dated March 8, 2016 and November 9, 2016, supplier shall ensure free of cost replacement of defective tyres, tubes and flap rust. Defects to be as per international norms/ practice. All major/minor changes, modifications/ enhancements are covered under the scope of work for this contract. If there is technical fault in tyres, tubes and flap rusts, these will be replaced with new items by the supplier free of cost as part of this contract by calculating the difference of unused mileage of the tyre.

During audit of NLC Logistic Services Karachi for the year 2019-20, it was observed that the management awarded two contracts worth Rs. 406.240 million for supply of 10,300 Nos. of Tyres size 1100 R20 to M/s Montsal Dynamic (Pvt.) Ltd. (MSD) for supply of 5,000 valuing Rs. 199.00 million vide

contract dated March 8th 2016 and supply of 5,300 Nos tyres valuing Rs. 216.240 million on November 9th 2016.

Furthermore, it was observed that the supplier failed to supply the tyres as per approved specifications. Out of 10,300 tyres 7,000 tyres exhausted before completion of its warranty period of 160,000 Kms. The management took up the matter with suppliers for replacement of 7,000 defective tyres worth Rs. 56.400 million. However, the suppliers agreed only for provision of replacement of 1128 tyres against claim of 7000 defective tyres. The suppliers failed to supply the defective tyres till date. The bank guarantee of the suppliers also expired in December 2020.

Moreover, the departmental inquiry carried out by the management of NLC was not shared with the Audit.

Audit holds that not only the procured tyres were not according to the specification, but also the management failed to pursue the replacement of tyres within performance guarantee period.

Thus due to non-provision of requisite tyres, NLC sustained a loss of Rs. 56.400 million (Rs. 50,000 x 1,128 tyres).

The matter was reported to the management on 17th January 2021. The DAC in its meeting held on 26th January 2021, directed the management of NLC to conduct departmental inquiry and to place report before NLB for appropriate decision.

Audit recommends compliance of the DAC directives. The inquiry report and NLB decision thereon be shared with Audit.

Para-35 NLC, 2019-20

14.1.4.13 Loss due to writing-off loan of NLC Developers Private Limited - Rs. 583.00 million

According to clause- 1 (b) of the loan agreement executed on February 28th 2008 between National Logistic Cell (NLC) and NLC Developers Pvt. Ltd. (NLCD), the loan shall bear interest and shall accrue in accordance with the following terms and condition.

- iii For disbursement up to June 30, 2007 mark up at the rate of 12.5% per annum.
- iv For disbursement on and after July 1st, 2007 including all disbursements during the term of this agreement, mark at the rate of 6 month KIBOR + 2% per annum.

During the audit of National Logistic Cell (NLC) for the year 2019-20 it was observed that the management of NLC entered into loan agreement with NLC Developers Pvt. Ltd. (NLCD) on February 28th 2008. Said agreement intended grant of loan to NLC Developers worth Rs. 4.00 billion for a period of five years under the above mentioned terms and conditions. The loan agreement was revised and extended up to February 27th 2023.

However, it was observed that contrary to the above mentioned terms and conditions, the management wrote off the principal amount of loan to NLCD worth Rs. 583.00 million. Moreover, no interest was received on loan as per terms and condition of the agreement so far. The management failed to safe guard the interest of NLC and resultantly, the organization sustained loss to that extent.

The writing off of principal amount of loan receivable from NLCD in deviation of approved terms and condition is held irregular by audit.

The matter was reported to the management on 17th January 2021. The DAC meeting was held on 26th January 2021. The management stated that recoverability of loan form NLCD was reassessed and has recognized provision for impairment. DAC directed the management to conduct fact finding inquiry and place report before NLB for its final decision under intimation to Ministry, as well as to audit authorities.

Audit recommends compliance of the DAC directives.

Para-25 NLC, 2019-20

14.1.4.14 Irregular procurement of security equipment for Torkhum and Chaman Borders - US \$ 50 million equal to Pak Rs. 7,000 million and suspected loss of US \$ 18 million

In accordance with Rule-4 of the PPRA “A procuring agency while making any procurement shall ensure that the procurement is made in a fair and

transparent manner, the object of procurement brings value for money to the procuring agency and the procurement process is efficient and economical.

During audit of National Logistic Cell (NLC) Rawalpindi for the year 2019-20, it was observed that the management of NLC called tenders for procurement of security scanners in September 2018 for Torkhum and Chaman Boarder under ITTMS Project funded by Asian Development Bank (ABD).

In response three companies submitted their bids. Technical evaluation of the bids received was carried out on October 5th 2018 and arbitrarily only one firm M/s Karsaz (Smiths Detection) was technically qualified. Amongst the three bidding companies there was a Chinese firm Nuctech that was also technically rejected whose scanners had already been in use in NLC and were performing satisfactorily at the boarder terminals for last fifteen years. Moreover, no reasons were communicated to the bidders technically disqualified in the bidding process.

Financial bids of the single bidder M/s Karsaz (Smiths Detection) was opened on October 25th 2018 and Contract was awarded to the Firm vide contract No. 5546/Proc/ICT & Security/Bvs/ Torkhum/NL-7703 at cost of US \$ 50 million equal to Pak Rs. 7.00 billion (1 US \$ @ Rs140) on November 5th, 2018.

It is not out of place to mention that after six months the scanners of much higher specification were again procured from M/s Neutec vide contract No. 5641/P/CIF/Vehicles Scanner/ 2019/NLC-7698 dated 3.7.2019. While, in the bid under discussion it was technically disqualified.

The following gross violations were observed in Tender of ITTMS:

The board of officers was nominated by NLC Headquarters KP for the subject tender. In the second pre-bid meeting that was held at NLC (HQ), Sowan Camp Rawalpindi on September 10, 2018. It was chaired by Project Director KP along with board of officers. During the meeting, it was expressly pointed out by the participating firms that the specification are being drawn in favour of a particular firm with ulterior motive to technically exclude the competitors from the bid and the equipment that are being procured are of very low specifications, but it was totally ignored by the Board.

No consideration was taken into account for the equipment already held and used in Pakistan. NLC rejected scanners of NEUTECH, while it has been using its scanners for last fifteen years. Its equipment with latest technology are being used in Pakistan, Turkey and Kenya and it conforms to the European standards.

No Cost benefit analysis, earlier use of equipment and market survey on price of items to be procured was carried out. The equipment were procured from M/s Karsaz as single bidder quoted price of \$ 50 million. The audit explored the market and found that with the equipment of same specifications fetch a price around 32 million USD. So it resulted into a loss of around 18 million USD to the organization.

Besides the repeated request by the audit authorities, the NLC officials failed to provide the technical specifications comparison/evaluation of the entire participating firms duly compliant with GSR and recommendation of the technical qualifying firms duly signed and stamped by the board of officers responsible for technical evaluation.

Audit is of the view that evaluation of technical bids was not fair and transparent. The procurement of security equipment on the basis of single bids was also not competitive and economical.

The matter was reported to the management on 17th January 2021. The DAC meeting was held on 26th January 2021. The management apprised that the entire process of procurement of security equipment was transparent and in line with PPRA rules and supervised by FBR bid evaluation committee and Technical Board of NLC. This stance was not accepted and DAC directed the management to hold fact finding inquiry under three members technical team and their findings be placed before NLB for further ratification. The final outcome be placed before PAC.

Audit recommends proper Inquiry to be conducted by a three members' technical committee to investigate the reasons for deliberately designing procurement of equipment of low specification from a particular OEM against clause-10 of PPRA rule.

Para-36 NLC, 2019-20

**14.1.4.15 Loss due to less / short collection of toll fee on 13 toll plazas
- Rs. 403.578 million**

Rule 23 of GFR provides that, every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part. Rule 26 of GFR provides that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

During audit of NLC Tolling HQ Sowan for the year 2019-20, it was observed that management of NLC entered into contract with National Highway Authority (NHA) for Operation, Management & Maintenance, of 32 numbers of Toll Plazas on guaranteed fixed revenue basis till the period ending 30.06.2020.

However, it was observed that the management of NLC failed to collect the net guaranteed fixed revenue on 13 toll plazas during the 2019-20. Resultantly heavy loss of Rs. 403.578 million was made in operation Management & Maintenance of these plazas. Detail is given in **Annex-67**.

Audit is of the view that either the management of NLC has offered excessive bids for these Toll Plazas without proper working before submission of bids or failed to effectively collect the Toll fee on these Plazas which resulted into heavy loss. Moreover, it is also not in line with their core functions.

The matter was reported to the management on 17th January 2021. The DAC meeting was held on 26th January 2021. DAC referred the case to NLB to review in the light of core functions of the organization for appropriate decision.

Audit recommends compliance of the DAC directives.

Para-38 NLC, 2019-20

14.1.4.16 Un-authentic/ un-verifiable payment to the contractor due to non-maintenance of Measurement Book - Rs. 3,134.292 million

As per Para-1 of Public Works Department Code, “the Measurement Book is a most important record being the basis of all accounts of quantities whether of work done by daily labor, or by the piece, or of by contractor or of materials received which have to be counted or measured. The description of the work must be lucid; so as to admit of easy identification and check. Para-6 states that all measurements must be neatly recorded in the authorized form of

Measurement Book and in no other. Para-12 states that the officer making the measurement must calculate the Contents or Areas of each measurement and enter it in ink and abstract the result himself. The Measurement Book should then be submitted to the paying officer for the order. Para-14 further states that from the Measurement Book all quantities should be clearly traceable into the documents on which payment are made. When payment is made for the work measured, every page of the book recording the measurement must be invariably scored out by a diagonal red ink line; and an endorsement must be made. In red; on every abstract of measurement giving a reference to the number and date of the voucher of payments.

During audit of P.D (North) NLC for the year 2019-20, it was observed that amount of Rs. 3,134.429 million (Rs. 2,166.297 million and Rs. 976.297 million) was paid to the various contractors for construction work of infrastructure and allied works for Metro Bus Service from Peshawar Morr to New Islamabad Airport and up gradation of road from PC Bridge Konodass to Naltar Air-Force base. The management paid an amount of Rs. 2,166.995 million to various contractors and up gradation of road from PC Bridge Konodass to Naltar Air-Force base. In order to verify the paid amount, respective Measurement Books (MBs) were called for, but the same were neither maintained nor produced. Keeping in view the above facts, it is concluded that the total amount of Rs. 3,134.292 million paid to various contractors were not verifiable, hence held un-authentic by audit.

The matter was reported to the management on 17th January 2021. In DAC meeting held on 26th January 2021, Audit held that the organization is not maintaining any MBs. The same could not be verified during the course of audit and even could not be produced at the time of DAC. DAC decided that MBs must be produced to audit within next 20 days for inspection of contents of MBs under the rules.

Audit recommends compliance of the DAC directives.

Para-50 & 52 NLC, 2019-20

14.1.4.17 Misappropriation and loss to state due to non-deposit of Income Tax into Government Treasury - Rs. 456.698 million

According to Income Tax Ordinance, 2001, the Income Tax deducted at source under Section 152 (A1) read with Rule 43 of Income Tax Rules 2002 (Collection and Deduction of tax at source - Tax Payers' Facilitation Guide) was required to be deposited in the Government treasury within seven days.

During audit of PD NLC Peshawar for the year 2019-20, it was observed that the management deducted amount of Rs. 456.698 million on account of income tax from different contractors as detailed below:

S. No.	Name of Work	Withheld Income Tax (Rs. in million)
1	DHA Peshawar	38.46
2	CEPC Road Project	241.02
3	Development Work Mardan Project	50.869
4	Border Crossing Facilities Torkham	70.3
5	Improvement of Peshawar Roads	6.599
6	Services Roads on Ring Road (SS), Peshawar	49.45
	Total	456.698

Audit observed that the deducted amount of income tax was not deposited into Government treasury.

The matter was reported to the management on 17th January 2021. The DAC in its meeting held on 26th January 2021, directed the management to produce relevant record to Audit for re-verification in the light of discussion in DAC in next 20 days.

Audit recommends compliance of the DAC directives.

Para-59 NLC, 2019-20

14.1.4.18 Irregular award of work in violation of PPRA – Rs. 1,757.893 million

According to PPRA 2004 under clause 12 Procurement advertisement (Methods of advertisement) 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 in the manner and format specified by regulation by the authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

During audit of Nation Logistics Cell Quetta for the year 2019-20 it was observed that the management awarded a contract agreement to M/s J.S

Enterprises with cost of Rs. 1,757.893 million for providing, laying and testing of pipe line from Mangi Dam site to Terminal point at Quetta. The management instead of advertising the tender in print media, as well as, on the Authority's website obtained three Nos. quotations from M/s Daud Khan & Co, M/s Ibrahim & Son and M/s J.S Enterprises on 05.02.2018. Further probe into the matter revealed that the contract was awarded to M/s J.S Enterprises. Audit is of the view that NLC did not advertise the tender in News Paper, as well as, on authority website due to which competitive rate was not obtained before award of work and whole contract valuing Rs. 1,757.893 million stands irregular and violation of PPRA, 2004.

The matter was reported to the management on 17th January 2021. In DAC meeting held on 26th January 2021, management appraised the committee regarding the method adopted for subject procurement in detail. Audit informed the committee that procurement was made in violation of PPRA rules and without any exemption from the competent authority. DAC directed the management of NLC to place the Audit Para before the PAC for its final decision.

Audit recommends compliance of the DAC directives.

Para-63 NLC, 2019-20

14.1.4.19 Non-obtaining of performance guarantees in shape of bank guarantees – Rs. 124.416 million

According to SOP-1/2017 operation of Engineer Project Para 3.9 "Performance Guarantee" (a).performance guarantee in shape of bank guarantee (5% of value of work) will be provided by contractors/sub-contractors/suppliers at the time of award of the contract exceeding Rs. 500 million, (b). the guarantee will be released on expiry of the defect liability period. As per bidding document clause 1.18 stated that the sub-contractor awarded the works valuing over Rs. 500 million will furnish performance guarantee up to 5% of the bid price in shape of bank guarantee within 30 days after issue of acceptance letter with a validity period up to completion of work as mentioned in the acceptance letter/work order. NLC will be entitled to claim the amount of performance security if the sub-contractor fails to complete the works as per conditions of agreement.

During the Audit of Project Director Quetta for the year 2019-20, it was noted that the management sublet the work “Providing, Laying and testing of pipe from Mangi Dam site to Terminal point at Quetta (Mangi Dam and Water Conveyance System) on 18.03.2018 to M/s JS Enterprises for an estimated cost of Rs. 1,757.892 million with completion period of 36 Months. Further observed from record of PD Centre revealed that eight contractors were engaged in various work, but the performance guarantees were not obtained on signing of the agreement and total agreement amount of Rs. 730.427 million and 5% performance guarantee to tune of Rs. 36.521 million was not obtained.

Audit observed that performance securities/bank guarantees equal to Rs. 87.895 million were not obtained from the contractors to safeguard the contract and public interest. Absence of performance guarantees put the workmanship and equipment at risk and increased the vulnerability of the Department to incur huge liabilities in case of any accident, mishap or default. The violation occurred due to compromised oversight mechanism and weak internal controls. Audit holds that performance security of Rs. 87.895 million with premium amount of insurance period be obtained from the contractor to secure the work in public interest.

The matter was reported to the management on 17th January 2021. The DAC in its meeting held on 26th January 2021, directed the management to produce relevant record to Audit for re-verification in the light of discussion in DAC in next 20 days.

Audit recommends compliance of the DAC directives.

Para-65 & 70 NLC, 2019-20

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

14.2.1 Introduction

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

14.2.2 Comments on Audited Accounts:

14.2.2.1 The working results of the Company for the year 2019-20 as compared to the previous years are given below:

	2019-20	% Inc/ (Dec)	2018-19	% Inc/ (Dec)	2017-18
Revenue/Professional Fee	59.03	68	35.13	(48.40)	68.08
Cost of revenue	48.22	1.29	47.60	(0.42)	47.80
Gross Profit / (loss)	10.8	35	(12.47)	(161.49)	20.28
Administrative Expenses	10.4	(35.8)	16.04	21.33	13.22
Distribution Cost	0.13	8.33	0.12	(20.00)	0.15
Operating Profit / (loss)	21.33	25.5	(28.63)	314.33	6.91
Other operating income	0.046	4.6	-	(100.00)	1.15
Finance cost	0.03	(50)	0.06	(60.00)	0.15
Profit before Taxation	0.449	98.43	(28.70)	(462.83)	7.91
Provision for Taxation	-	-	-	(100.00)	2.37
Profit for the year	0.449	98.43	(28.70)	(618.99)	5.53

(Source: Annual Audited Accounts)

14.2.2.2 Revenue of the organization significantly increased by the 68% from Rs. 35.13 million during the year 2018-19 to Rs. 59.03 million during the year 2019-20. The Organization has earned gross profit of Rs. 10.814 million during the year 2019-20 against gross loss of Rs. 12.471 million during the year 2018-19. The management needs to continue their efforts towards further improvement.

14.2.2.3 Current liabilities of the organization increased from Rs. 77.993 million as on June 30, 2019 to Rs. 101.461 million as on June 30, 2020. Accrued liabilities stood Rs. 53.669 million as on June 30, 2020. The management needs to justify the reasons of non-payment of accrual liabilities.

14.2.2.4 Trade debts of the organization increased from Rs. 90.071 million as on June 30, 2019 to Rs. 110.234 million as on June 30, 2020. 73.5% of total funds managed by the organization have stuck up in trade debts due to poor collection policy. Management needs to justify the reasons of non-realization of trade debts.

14.2.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No	% of compliance
1992-93	03	02	01	138	67
1995-96	03	02	01	123	67
1998-99	03	01	02	103, 104	33
2002-03	06	03	03	47 & 48, 48.4, 49	50
2003-04	02	0	02	35.3, 35.5	-
2005-06	04	02	02	54, 54.3	50
2007-08	02	01	01	41.2	50
2009-10	02	01	01	64	50
Total	25	12	13		48

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

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

14.3 Pakistan Institute of Development Economics

14.3.1 Introduction

The Institute was established on May 01, 1964 as “Pakistan Institute of Development Economics” and was granted degree-awarding status on November 08, 2006. The administrative control of the Institute was transferred to Planning and Development Division for proper functioning and improving its academic performance. The affairs of the Institute are governed by the Board of Governors. The sources of finance of the Institute are Government grants, gifts, endowments and self-generation through sales of publications, receipts for professional service and tuition fee etc.

Main objectives of the Institute are:

- i. To function as an agency for conducting and promoting research, surveys, seminars, conferences, experiments and demonstrations in the field of Development Economics, Islamic Economics, Economic demography and related social disciplines.
- ii. To provide facilities for training in economics and economic demographic analysis and research techniques.
- iii. Arrange to publish papers studies and such other works as are completed at the Institute or are prepared in collaboration with it or which are otherwise of substantial value to the work of the Institute.
- iv. To disseminate information and extend advice to the government and other agencies based on original research in economics and related disciplines.

14.3.2 Comments on Audited Accounts:

14.3.2.1 The working results of the Institute for the year 2019-20 as compared to previous years are given below:

		2019-20	2018-19	2017-18
Restricted Income	Million	9.659	9.624	11.861
General Income	Million	388.386	361.754	385.336
Total Income	Million	398.045	371.378	397.197
Restricted Expenditure	Million	9.659	9.624	11.861
Salaries & Benefits	Million	222.196	245.487	220.870
Project Pre-Investment Analysis	Million	15.531	18.769	16.016
Operating Expenses	Million	44.670	40.713	36.920
Employee Retirement Benefits	Million	96.088	45.840	100.143
Transfers	Million	5.380	6.801	3.053
Repair & Maintenance	Million	3.997	3.691	7.744
Total Expenditure	Million	397.521	370.925	396.607
Surplus of income over expenditure	Million	0.524	0.453	0.590
Non-Current Assets	Million	17.399	20.481	70.333
Current Assets	Million	89.820	111.097	99.025
Total Assets	Million	107.219	131.578	169.358
Non-Current Liabilities	Million	14.881	41.141	76.242
Current Liabilities	Million	21.720	15.771	18.901
Total Liabilities	Million	36.601	56.912	95.143
Funds	Million	70.618	74.666	74.215
Net Changes in Cash & Cash Equivalent	Million	38.353	47.269	88.188
Expense Ratios				
% of Operating Expenses	%	11.222	10.963	9.295
% of Employee Retirement Benefits	%	24.140	12.343	25.212
Liquidity Ratios				
Net Working Capital	Million	68.100	95.326	80.124

14.3.2.2 As per qualification of the chartered accountants the management has only provided a provision Rs. 89.37 million in respect of defined obligation. Had the institute recorded its defined obligation in accordance with actuarial report, the closing defined obligation would have been Rs. 3.21 billion and provision for the year would have been Rs. 453.09 million. Accordingly, provision for pension expense would have been increased and surplus for the year and General Fund would have been reduced by 3.02 billion.

14.3.2.3 Accrued and other liabilities were increased to Rs. 21.720 million as on June 30, 2020 from Rs. 15.770 million as on June 2019 registering an increase of 38%. The increase was mainly due to Scholarships payable Rs. 13.950 million (Rs. 6.505 million – 2018-19) and Earnest money payable Rs. 3.215 million (Nil- 2018-19). The increases need to be justified. Furthermore, reasons for nonpayment of scholarships and earnest money may be elaborated besides early clearing the liabilities.

14.3.2.4 An amount of Rs. 8 million received under the head “Grant for PhD” during the year 2019-20 whereas an amount of Rs. 13.679 million has been incurred on PhD Expenses i.e. Rs. 8 million as PhD salaries (Restricted) and Rs. 5.679 million as PhD Salaries (General). Expenditure over to above the grant received amount needs to be elaborated.

14.3.2.5 Cash and bank balances amounting to Rs. 15 million were retained in saving bank accounts during the year ending June 30, 2020 (Rs. 37.358 million-2018-19). The management of the company failed to determine the working balance limit and deposit the surplus funds in beneficial schemes to earn more profit. The reasons of retention of heavy amount in saving bank accounts may be justified. The working balance limit needs to be determined and surplus funds needs to be invested in beneficial schemes to earn more profit in the company’s interest.

14.3.2.6 Net working capital is a measure of liquidity. The net working capital is calculated by deducting all current liabilities from all current assets. The net working capital of the institute decreased to Rs. 68.100 million as on June 30, 2020 from Rs. 95.326 million as on June 2019 registering a decrease of 28.56%. The decrease was mainly due to current assets Rs. 107.218 million (Rs. 131.578 million – 2018-19). The decrease in working capital need to be justified.

14.3.2.7 Non-Current liabilities (Deferred grants) were increased to Rs. 18.152 million as on June 30, 2020 from Rs. 9.811 million as on June 2019 registering an increase of 85%. The increase was due to restricted grant received during the year of Rs. 10.00 million and detail of its utilization was not provided. Complete break up along with justification for utilization of Rs. 10.00 million may be provided.

14.3.2.8 There is major increase in expenditure given in table below as on June 30, 2020 from previous year but notes to the accounts are silent:

(Rs. in million)		
Expenditure	2019-20	2018-19
Conduct of examination	4.137	2.364
Advertising & Publication	1.370	1.010
Rates & Taxes	1.800	Nil
ERP Subscription	1.213	Nil
Encashment on LPR	6.719	0.806

Total	15.239	4.18

Complete break up of said expense of Rs. 15.239 million may be provided and got verified.

14.3.3 Compliance of PAC Directives:

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2013-14	07	04	03	14.2.4.1, 14.2.4.3, 14.2.2.2	57
Total	07	04	03		57

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

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

Chapter-15

Ministry of Science and Technology

Overview

The Ministry of Science and Technology concerned with Science and Technology in Pakistan and in general, Pakistan's science policy, planning, co-ordination and directing of efforts to initiate and launch scientific and technological programs as well as projects aimed at economic development.

Aims & Objectives

The ministry has a sanctioned strength of 176 personnel and 17 on development side. The work is divided amongst Administration & Finance Wings and five technical wings; namely, (i) Policy & Coordination, (ii) the Planning & Development, (iii) the Technology, (iv) the International Liaison, and (v) the Electronics Wing. Efforts to consolidate achievements in the priority areas included: Human-Resource Development; Transfer of Technology from R&D Institutions and Universities to Industry; Food & Agriculture; Analytical Centers for Industrial Analysis, Industrialization, Health, Electronics, Ocean Resources, New Materials, Biotechnology, Textiles, and Pharmaceuticals.

Governing Laws and Policies

- Rule of Business 1973

(Rs. in million)					
S. No.	Description	Total	Audited	Expenditure audited FY 2019-20	Revenue /Receipts audited FY 2019-20
1	Formations	1	-		-
2	Assignment Accounts (excluding FAP)	-	-	-	-
3	Authorities /Autonomous Bodies etc. under the PAO	-	-	-	-
4	Foreign Aided Projects (FAP)	-	-	-	-

Classified Summary of Audit Observations

Audit observations amounting to Rs. Nil were raised as a result of this audit. This amount also includes recoverable of Rs. NIL as pointed out by the audit. Summary of the audit observation classified by nature is as under:

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

15.1 STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited

15.1.1 Introduction

STEDEC Technology Commercialization Corporation of Pakistan (Private) Limited was established in 1987 under the Companies Ordinance 1984. The primary objective is to facilitate commercialization of indigenously researched products, processes and technologies and to assist all Public Sector R&D Institutions in their commercialization efforts. STEDEC generates revenues through its commercial activities and no development or non-development budgetary allocation is made to STEDEC in the Federal Government budget. STEDEC is a government owned company working under the administrative control of Ministry of Science and Technology and mandated to assist public sector R&D organizations in commercialization of their indigenously researched products, processes and technologies. STEDEC House, Adjacent Aiwan-e-Science Building, Ferozpur Road, Lahore.

15.1.2 Comments on Audited Accounts:

15.1.2.1 The working results of the Corporation for the year 2019-20 as compared to previous years is given below:

	2019-20	% Inc. / (Dec)	2018-19	% Inc. / (Dec)	2017-18
Sales-net	88.378	(40)	148.18	(25)	198.16
Cost of sales	74.961	(38)	120.22	(23)	156.61
Gross Profit	13.417	(52)	27.96	(33)	41.54
Distribution Cost	11.008	(7)	11.89	(11)	13.40
Administrative cost	13.648	(17)	16.37	(33)	24.29
other expenses	0.105	(34)	0.16	(30)	0.23
other income	2.064	(13)	2.37	58	1.50
Profit/ (Loss) from operations	(9.28)	-	1.90	(63)	5.13
Finance cost	1.28	(41)	0.91	49	0.61
Profit/ (Loss) before taxation	(10.56)	-	0.99	(78)	4.52
Earnings/ (Loss) per share	(16.58)	(1293)	(1.19)	-	2.30

(Source: Annual Audited Accounts)

The above table showed that the net sales of STEDEC was decreased by 40% from Rs. 148.18 million in 2018-19 to Rs. 88.378 million in 2019-20 and the costs including cost of sales, distribution and administrative also decreased by 38%, 7% and 17% respectively but the profit from operations has been converted into loss which depicted abnormal behavior and needs justification with full facts and figures.

15.1.2.2 Earnings per share were Rs. 8.07 per share in 2016-17 which decreased continuously over the years and converted into loss per share Rs. 16.58 per share in 2019-20 which creates going concerns problem for the company. Explain the reason for negative earnings per share and made strenuous efforts to make the company going concern.

15.1.2.3 As per note 6 of the financial statements for the year 2019-20, long term investment contain Rs. 6.00 million during 2018-19 and 2019-20 placed in Habib bank having mark-up rate of 5.5%. whereas short term investment Rs. 8.00 million during 2018-19 and 2019-20 placed in Bank Al Habib Limited at mark-up ranging from 5.8% to 12.10%. Explain reason for placement of Rs. 6.00 million in long term investment at Habib bank for two years at less rate than short term investment mark-up rate.

15.1.2.4 As per note 12 of the financial statements for the year 2019-20, refund on account of taxation stand at Rs. 33.838 million as on June 30, 2020. During the year company received only Rs. 15.701 million as refund from taxation authority. Strenuous efforts are required for refund from taxation authorities.

15.1.2.5 As per note 13 of the financial statements for the year 2019-20, cash and bank balance increased from Rs. 0.283 million to Rs. 7.348 million in 2019-20 registering an increase of 2,494%. The matter of concern here is that company placed huge funds in current account i.e. Rs. 7.294 million instead of saving account which resulted into loss to company @ daily product and needs justification.

15.1.2.6 As per note 20 of the financial statements for the year 2019-20, goods sold on account of own manufactured was decreased from Rs. 146.698 million in 2018-19 to Rs. 85.820 million in 2019-20 registering decrease of 41% while Goods sold on account of purchased from PCSIR for resale was increased from

Rs. 1.479 million in 2018-19 to Rs. 2.558 million in 2019-20 registering an increase of 73% which showed that company is not making efforts to manufacture its own goods and relied on other parties for the sales. Hence, need corrective measures to increase the sales of own manufactured goods.

15.1.2.7 The external auditors has expressed qualified opinion on financial statements on the grounds that the company during the year had withdrawn amounts aggregating Rs. 13.00 million from bank account of employee's provident fund in contravention of the requirements of Section 218 of the Companies Act, 2017; provident fund contribution aggregating Rs. 3.554 million had also not been deposited with the trustee of the fund. Further, the company had not complied with the requirements of the aforesaid section regarding making investments of provident fund contribution; however, mark-up had been accrued at the rate of 12% per annum on amounts withdrawn from the fund. The reason for the aforesaid qualifications needs to be explained.

15.1.3 Compliance of PAC Directives

There were no pending PAC directives as no audit of entity has been conducted so far.

Chapter-16

16.1 Pakistan Institute for Parliamentary Services

16.1.1 Introduction

Pakistan Institute for Parliamentary Services was established in 2008 under the Pakistan Institute for Parliamentary Services Act, 2008 to promote research, provide training and to extend the facility of information to the parliamentarians in performance of their duties and for matters connected therewith and ancillary thereto. Office of the Institute is in Islamabad.

16.1.2 Comments on audited accounts

16.1.2.1 The annual audited accounts are required to be provided to audit for review each year. Contrary to this the management failed to provide audited accounts of the organization for the year 2018-19 & 2019-20 till December 31, 2020.

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

16.1.3 Compliance of PAC Directives

Audit Year	Total Paras	Full Compliance	Partial Compliance	Pending Paras No.	% of Compliance
2017-18	07	0	07	2.2.1, 2.2.2.1, 2.2.2.2, 2.2.2.3, 2.2.2.4, 2.2.2.5, 2.2.2.6	-
Total	07	0	07		-

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

16.1.4 Audit Paras

16.1.4.1 Irregular payment of additional benefits to the employees - Rs. 99.823 million

The Board of Governors, Pakistan Institute for Parliamentary Services, in their fifth meeting held on October 5th 2010, approved employees (Recruitment and Conditions of Service) Rules, 2010. The Board approved the structure of the service, pay & allowances and other perquisites for the employees of the Institute.

Pre-requisites	Service Structure	
	Officer Grade OG-I to OG-V	Staff Grade SG-I to SG-V
Basic pay	Rs. 195,000 to Rs. 40,000	Rs. 30,000 to Rs. 10,000
House Rent Allowance	30% of pay	30% of pay
Utility Allowance	10% of pay	10% of pay
Conveyance Allowance	5% of pay	10% of pay
Annual Increment	10% of basic initial basic	10% of basic initial basic

During the audit of Pakistan Institute for Parliamentary Services for the year 2015-16 to 2019-20, it was observed that contrary to the above-approved pay structure, the employees were paid additional benefits over and above the approved pay structure announced by the Federal Government from time to time for the employees of Basic Pay Scales. The detail is as under:

Description of Additional Benefits	Yearly payment in Rs					Total payment in Rs
	2015-16	2016-17	2017-18	2018-19	2019-20	
Medical Allowance	4,545,060	4,376,304	4,343,676	4,433,676	4,847,676	22,546,392
Ad hoc Relief 2014	3,054,240	2,952,240	2,934,840	2,966,928	0	11,908,248
Ad hoc Relief 2015	3,213,468	3,104,064	3,087,096	3,113,544	0	12,518,172
Ad hoc Relief 2016	0	4,480,260	4,455,372	4,484,220	5,004,180	18,424,032
Ad hoc Relief 2017	0	0	4,862,784	5,262,948	7,203,228	17,328,960
Ad hoc Relief 2018	0	0	0	5,293,872	7,203,228	12,497,100
Ad hoc Relief 2019	0	0	0	0	4,600,464	4,600,464
Total	10,812,768	14,912,868	19,683,768	25,555,188	28,858,776	99,823,368

The payment of additional benefits over and above the approved pay structure to officers and staff is held irregular in audit.

The matter was reported to the management on 19th October 2020. During the DAC meeting held on 25th November 2020, management explained to the committee that as per rule 9 of PIPS Employees (Recruitment and Conditions of Service) Rules, 2010 the BoG is authorized to determine Pay and Allowance and other benefits to the employees of the Institute. The committee was not convinced with the justification of management and directed to provide a revised reply.

Audit recommends compliance of DAC directives.

Para-22 PIPS, 2015-20

16.1.4.2 Irregular appointment of Director HR& Finance (OG-II/BS-20) on fake degrees - Rs. 4.004 million

As per Government of Pakistan Cabinet Secretariat Establishment Division (Management Services Wing) letter dated March 08, 2011, the Prime Minister has been pleased to direct that measures should be taken to authenticate degrees/certificates of all Federal Government employees of the respective Ministries/Divisions, their attached department's subordinate offices and autonomous bodies under their administrative control.

During the audit of Pakistan Institute of Parliamentary Service (PIPS) for the year 2015-16 to 2019-20, it was observed that management of PIPS appointed Mr. Muzaffar Ali Mahar as Director of HR & Finance (OG-II/BS-20) vide office order dated December 31st 2013. It was observed that the Board of Governor in their meeting held on October 7th 2015 constituted an inquiry committee to inquire the official conduct of Director HR & Finance. The inquiry committee reported that all three degrees proved to be fake/bogus. The services of the officer were terminated vide notification dated February 18th 2016.

Audit observed that management failed to verify the degrees of the officers immediately after their employment which shows slackness. Furthermore, it was observed that the management cleared all dues of the terminated officer on April 20th 2016.

The payment of pay and allowances Rs. 4,004,238 made to the officer during the period from December 2013 till February 2016 is held irregular.

The matter was reported to the management on 19th October 2020. During the DAC meeting held on 25th November 2020, the management explained that the case is pending in the Supreme Court of Pakistan, however, The DAC directed the Para may be placed before PIPS BoG to consider for recovery of the amount from the officers.

Audit recommends compliance of DAC directives.

Para-13 PIPS, 2015-20

16.1.4.3 Irregular appointment of consultants - Rs. 12.820 million

According to Rule-142 Guidelines for Appointment of Consultants:

- i The consultancy should be widely advertised indicating the requirement, range of compensation package. The applicants will be shortlisted and prioritized by in house committee.
- ii No persons who retired from a government organization will be hired as a consultant only to re-employ him.
- iii An objective evaluation and assessment of a consultant's performance should invariably be undertaken periodically.
- iv Consultants should not be appointed to perform routine functions of an organization.

During the audit of Pakistan Institute for Parliamentary Services (PIPS) for the year 2015-16 to 2019-20, it was observed that in disregard to the above rules the management of PIPS hired consultants without competitive process on request of the individual without the justified need for routine functions of the organizations. Retired employees of Senate of Pakistan were hired as a consultant on their request just to compensate them. Detail of consultants hired is as under:

Name of Consultant	Period		Monthly Pay (Rs)	Total Payment (Rs)
Mr. Khusro P. Malik	Aug 19, 2019	Nov 19, 2019	280,000	840,000
Mian Yasir Suliman	Aug 19, 2019	Nov 19, 2019	280,000	840,000
Mr. Zarar Khan	Sept. 2019	Sept. 2020	135,000	1,620,000
Mr. Zia ul Hassan	January 2019	January 2020	100,000	1,200,000
Mr. Khalid Mahmood	January 2017	January 2018	100,000	1,200,000
Ms. Mahvish Naseer	March 2018	October 2019	100,000	1,800,000
Mr. M Hanif Khan	May 2019	Sept. 2019	85,000	425,000
	October 2019	October 2020	165,000	1,980,000
Mrs. Amana Zaman	May 2019	Sept 2019	85,000	425,000
	October 2019	April 2020	165,000	990,000
Senator Farhat Ullah Babar	June 2018	Dec. 2018	250,000	1,500,000
Total				12,820,000

Furthermore, it was observed that consultancy agreements executed with the consultants were not properly observed. Consultancy agreement was executed with Mr. M. Hanif Khan at lump sum amount of Rs. 85,000 per month for one year. However, after four months his salary was increased to Rs. 165,000 per month. Regular payments are made on monthly basis and no monitoring mechanism exists to check the work of the consultants.

The appointment of the consultant in disregard to Government instructions without a competitive process is held irregular.

The matter was reported to the management on 19th October 2020. During the DAC meeting held on 25th November 2020, the management explained that rule position and due process was followed in hiring the consultants / short-term experts. The management further explained that these experts were recruited only for the accomplishment of specific tasks and for a specific period. However, Audit objected for not following a competitive process. The DAC was not satisfied with the contention of the management and directed to inquire into the matter and fix responsibility.

Audit recommends compliance of DAC directives.

Para-9 PIPS, 2015-20

ANNEXURE

Annex-1

MFDAC Paras

The Directorates General, Commercial Audit and Evaluation on behalf of the Auditor-General of Pakistan, conducted the audit of Federal Government organizations which maintain their accounts on commercial pattern.

As a result of audit conducted during 2010-21, various types of financial irregularities and loss of public money etc. were detected and reported to the Ministries/Divisions and organizations concerned. The important irregularities/ loss and malpractices pertaining to various organizations have been printed in this report, while irregularities/ loss not considered worth reporting to the PAC as listed below were left for Departmental Accounts Committees. The same will be discussed with the respective Secretaries to the Ministries/Divisions by the Directorates General, Commercial Audit and Evaluation.

S.#	Title of Para	Rs. in million
	AVIATION DIVISION	
	Pakistan International Airlines	
1	Irregular Posting/Transfer of I.T Manager	1.87
2	Unjustified refund of advance taxes deducted at source	62.560
3	Non-recovery from M/s. RG Blue Communication	7.612
4	Loss due to default by the BSP Agents	6.353
5	Unjustified payments on accounts of denied warranties	2.170
6	Non-deposition of withholding tax into Government treasury	11.757
7	Imprudent decision of handing over Boeing 747 Aircraft	10.0
8	Irregular purchase of stores	26.199
9	Loss due to expenditure over and above the estimated cost	11.818
10	Non-recovery of amount on account of penalties and mark up imposed against financial irregularities	9.4
11	Loss due to non-deposit of duty / tax	270.80
12	Financial loss	3.13
13	Loss due to overconsumption of Rice	8.93
14	Irregular procurement of catering services	1,190.6
15	Irregular award of contract for various items of food	58.465
16	Unjustified award of work of supply of food facility	1.855
17	Irregular award of contract for fresh eggs	18.690
18	Unjustified excess for consumption of fresh milk	18.831
19	Loss due to wasteful expenditure on welcome drink	6.42
20	Loss due to unjustified excess procurement of teabags and melamine items	70.00

21	Blockage of funds due to unnecessary liabilities on PIA	13.27
22	Un-justified/excess uplifting of yogurt	12.90
23	Loss of revenue due to award of contract at lower rates	33.624
24	Irregular award of Passenger Services System contract	2,681.996
25	Blockage of funds due to un-utilized uniform cloth	8.839
26	Irregular award of contract due to change in specifications	11.316
27	Non-recovery of L.D. charges	2.263
28	Irregular award of contract to M/s. APIIL	8.072
29	Irregular award of contract to M/s. Haneef Traders	4.153
30	Loss due wasteful expenditure on dual security systems	19.500
31	Loss due to irregular extension in contract period of M/s. Wateen Telecom Ltd.	67.50
32	Irregular award of contract to M/s. Fauji Foods	15.750
33	Irregular procurement due to non-preparation of procurement plan	4,000
34	Irregular COVID related procurement due to non-preparation of procurement plan	95.958
35	Lack of adequate monitoring and supervision over stations' performance (Incomplete para)	-
36	Irregular award of extension in hiring of services	3.266
37	Irregular award of contract to M/s. Shezan International	8.012
38	Loss due to non-submission of proposal for catering uplift in Karachi	225.00
39	Misappropriation of funds	2.902
40	Excess of officers beyond approved rationalized strength	5.920
41	Loss due to Public Exchequer	6.05
42	Irregular award of contract to M/s AAS Engineering & Contractors	3.272
43	Irregular award of contract in violation of PPRA Rules and non-deduction of security deposit	6.671
44	Irregular hiring of house in violation of PPRA	3.656
45	Irregular award of contract to technically unfit contractor in violation of PPRA, Rules	15.005
46	Less deduction of Income Tax	0.599
47	Loss due to non-recovery mobilization of advance	47.329
48	Non-completion of work	315.528
49	Irregular induction of General Manager against prescribed Criteria	20.70
50	Irregular appointment Ex-Chief Internal Auditor	26.25
51	Irregular foreign posting	17.66
52	Loss due to non-recovery of excess payment from field services officers	4.592
53	Irregular hiring of houses for accommodation of employees	31.789
54	Unjustified revision of cost	48.64
55	Loss due to inefficiency and negligence by officer in-charge of cargo and loss of goodwill of PIAC	3.74
56	Irregular/Unjustified expenditure in respect of building maintenance and water charges in violation of PPRA	6.027
57	Irregular award of catering contract to M/s. Zarghoon Catering Service without PPRA	17.854
58	Non-payment of EOBI, ESSI's contribution and minimum wages	4.847

59	Loss due to delayed deposited of amount in Bank	1.28
60	Loss due to unjustified travelling of crew	3.168
61	Misappropriation. by S.P.O during refund process	0.238
62	Blockage of funds due to procurement of food and non-food items over and above the requirement	5.76
63	Unjustified excess consumption of whitener milk	6.4
64	Loss due to non-retrieval of Beverage	7.22
65	Irregular auction / disposal of Aircrafts	21.90
66	Irregular accommodation of pilots	125.39
67	Wasteful expenditure incurred on hiring of check in counter and reservation office	1.066
68	Loss due to excess expenditure on renting of building	1.138
69	Doubtful issuance of High Speed Diesel (HSD) for generator and AC Van at Airport Sukkur	1.690
70	Loss due to delay deposited of amount in Bank	1.272
71	Loss due to misuse of electricity	1.666
72	Loss due to irrational decision of re-tendering	6.619
73	Irregular award of contract to 2 nd lowest bidder	6.256
74	Abnormal increase in expenditure against increase in passengers travelled	983.083
75	Irregular award of contract to M/s. Quetta Serena Hotel in violation of PPRA rules	15.369
76	Irregular payment to consultant	12.707
77	Loss due to cargo damage/pilferages	4.574
78	Non-deposit of various taxes into Government treasury	36,237.49
79	Loss due to meal wastage and excess meal uplift than passenger travelled	54.513
80	Loss due to meal and excess meal uplift	25.166
81	Loss due to non-recovery of liquidated damages	92.730
82	Loss due to unaccounted chicken meat	48.98
83	Unjustified payments on account of ORC to agents at Paris/Oslo stations	14.986
84	Irregular foreign posting	30.544
85	Loss due to non-completion of construction work	315.528
86	Non-achieving of sales targets despite various sales initiatives on Saudi station	1,391
87	Loss on account of closure of foreign stations without due diligence	1,099
88	Loss due to delay of flights	88.066
89	Non-recovery of cost of deportee and immigration fines	73.484
90	Loss due to penalty charges on late return of exchange components	500.155
91	Non-completion of construction work of international & Domestic cargo terminal	325.528
92	Imprudent award of contract on account of co-sourcing functions of Internal Audit	26.400
93	Unauthorized expenditure on account of supply of meal	12.307
94	Loss due to non-adjustment/settlement of huge outstanding advances	569.673
95	Irregular award of contract for supply of fruit juices	39.455
96	Loss due to re-tender of aircraft engine	88.00
97	Non-deposit of provident fund and markup	16,604.916

98	Non-settlement/adjustment of debit memos	13.262
99	Illegal activities performed by PIA employee	63.250
100	Irregular appointment of European Passenger Sales Agent	253.669
101	Irregular posting of employees at PIAC foreign station	85.35
102	Irregular posting of DGM Commercial Islamabad	25.90
103	Procurement of stationery items without tenders	9.403
104	Unjustified payment on accounts of sponsorship fee	410.104
105	Consistent degrees in revenue due to under performance	92.00
106	Loss due to selling in lower RBDS	116.955
107	Loss due to mis-management in RBDS	14.339
108	Loss due to inefficient utilization of international inventories	1,100.807
109	Loss due to inefficient utilization of domestic inventories	231.985
110	Loss due to difference in fares charges of YZZ Region	113.89
111	Non-achievement of target	1,911.393
112	Non-achievement of cargo target	387.65
113	Non-achievement of Engineering Business Development Revenue target	928.606
114	Loss of revenue due to non-achieving of cargo sales target	70.43
115	Loss of revenue due to non-achieving of cargo sales target	359.12
116	Loss due to delay of flights	2.048
117	Loss due to delay of flights	47.706
118	Loss due to irrational decision for procurement of aircraft part – Rs. 13.28 million (USD \$83,000)	13.28
119	Irregular award of contract of explosive detection – Rs. 8.618 million	8.618
120	Loss of revenue due to allowing regular passengers on special flights – Rs. 10.424 million	10.424
121	In-efficient financial management and debt trap	-
122	Non-conformity of Promotion Policy in Revenue Management Division in Commercial Department	-
123	Continuation of service for eleven years on fake/bogus degree at Medina Station	-
124	Unsatisfactory performance of Finance Manager, Islamabad Station	-
125	Incomplete/missing documents from official government record	-
126	Non-verification of Degrees/Certificate of the Employees/officers	-
127	Non-production of auditable record HR	-
128	Non-production of auditable record Supply Chain Management	-
129	Non-production of auditable record Speedex	-
130	Non-production of auditable record Sukkur	-
131	Non-production of auditable record Engineering Maintenance	-
	Skyrooms (Pvt.) Limited	
132	Non-claiming of funds under the head of Gratuity from PIAC	155.404
133	Loss due to poor performance	248.082
134	Non-reconciliation of bank statement despite huge transactions made from banks	2,413.744
135	Non-recovery of outstanding dues from clients	161.828
136	Irregular award of generator rental contract to a second lowest bidder	2.280

137	Irregular award of contracts without obtaining of performance Guarantees	5.277
138	Malpractices in collection of hotel revenue	2.582
139	Imprudent agreement for hiring of generator services	2.280
140	Appointment of dispenser on fake certificate	11.10
141	Non-refund / adjustment of taxes from Tax Authorities	210.240
142	Non-approval of annual budget for expenditure	183.375
143	Non-preparation of proper Fixed Assets Register and non-conducting of physical verification of fixed assets	42.823
144	Irregular award of contract to M/s. Software Channel (Pvt.) Limited	1.440
145	Irregular award of repair maintenance and renovation work	2.914
146	Unjustified tender for hiring of hotel services	1.944
147	Mis-procurement of different items	3.042
148	Irregular purchases without annual procurement plan	50.867
149	Unauthorized renovation work at Airport Hotel	0.80
150	Non-recovery of food bills from PIAC employees	1.642
151	Non-recovery of overdue credit from clients	2.410
152	Unjustified provision of the manpower services to PIAC	720.00
153	Non-production of auditable record	-
154	Non-finalization of annual audited accounts for the year 2018 and 2019	-
155	Non-finalization of annual accounts, violation of Companies Ordinance, 1984	-
	CABINET DIVISION	
	Printing Corporation of Pakistan	
156	Irregular commencement / award of works to tune of Rs. 25.846 million without receipt of funds and Non-obtaining of Bank Guarantee / Bond Rs. 11.650 million	37.496
157	Non-replacement of defective single color offset printing machine	7.976
158	Irregular / un-authorized provision on account of gratuity	33.534
159	Irregular commencement / award of works to tune without receipt of funds	13.441
160	Irregular award of contracts without competition	4.316
	MINISTRY OF COMMERCE & TEXTILE	
	National Insurance Company Ltd.	
161	Non-recovery of outstanding Auditorium charges from SECP	3.300
162	Violation of SECP circular due to non-appointment of Chief Investment Officer despite investment portfolio	33,000
163	Irregular adjustment of claims against outstanding premium	17.342
164	Irregular payment of Insurance claim to M/s AKLASC	8.141
165	Loss due to non-encashment of Bank guarantee within validity period	4.437
166	Irregular payment to MSP employees without Board approvals	1.3
167	Loss due to non-enhancement of rent rate and non-recovery of rental income within specified period	29.666
168	Non-recovery of claim from PRCL on account of facultative cession	2,387
169	Unjustified settlement of Claim paid to M/s. FTC Management Company	1.095
170	Irregular payment of insurance claim to M/s. OGDCL	36.313
171	Non-recovery of claim from PRCL on account of Aviation	3,137.959

172	Non-recovery of rental income from M/s Population Welfare Department	9.328
173	Non-pursuance of theft cases of motor claim	13.724
174	Non-recovery of various insurance claims from reinsurer	2,285
175	Non-production of record	590
176	Loss of revenue due to non-applicability and lack of regular review of policy rates	411.656
177	Loss due to non-renting of vacant space of NICL House	8.5
178	Irregular appointment and contract extension of Chief Medical Officer	5.579
179	Non-appointment of professional fund manager	24,675
180	Non-recovery of excess of loss claims	1,325.854
181	Loss due to non-disposal of unattractive stocks	58.049
182	Non-preparation of annual accounts	-
183	Irregular Appointment of legal advisor	-
184	Irregular payment of fees to Board of Directors	-
185	Irregular enhancement of Pay & Allowances	-
186	Non-formation of insurance/reinsurance policies, SOPs, rules & regulations in the light of SECP's Code of Corporate Governance for Insurers, 2016	-
187	Violation of rule due to non-conducting of board committees meetings	-
	Pakistan Re-insurance Company Ltd.	
188	Loss due to commission paid on higher margin and received on low margin	1,296
189	Unjustified position of loans to employees & executive	307.173
190	Non-recovery of reinsurance recoveries against outstanding facultative claims	3,767
191	Exchange loss due to differences in exchange	139.412
192	Abnormal increase of 1,132% in prepayments	5,454
193	Non-recovery of receivables from Sindh Revenue Board	2,574
194	Non-recovery of amount due from other reinsurers	327.339
195	Non-compliance of the provision of Governance for Insurers, 2016 In conduct of Management Committees meetings	-
196	Non-conduction of performance evaluation of Board members	-
	State Life Insurance Corporation	
197	Irregular / unjustified payment of incentive & persistency Bonus	216.529
198	Irregular purchases of Air Conditioner (AC) Splits	1.176
199	Loss due to less receiving of premium	154.962
200	Irregular use of cash for procurement of goods and services	7.670
201	Non-recovery of premium	1,268.499
202	Incorrect figures of policy holder's liability in financial statements	3,932.140
203	Loss due to abnormal increase in surrender of Insurance policies	21,877.179
204	Irregular hiring of Chartered Accountant Firm	2.8
205	Loss due to imposition of penalty against SLIC by SECP	1.00
206	Irrational budget allocation resulting in excess expenditure	40.029
207	Less deduction of Income tax against rental payments	1.428
208	Outstanding loan against Insurance Agents	1.043
209	Irregular/unjustified payment of Advance Bonus to Officers	23.244
210	Unjustified payment of due to over strength of officers/staff	37.86

211	Misrepresentation and discrepancy in ledger and trial balance due to improper maintenance of record	138.526
212	Revenue loss due to less receipt of premium income	296.924
213	Irregular/unjustified keeping of the whole working balances	1,100
214	Non-settlement of the outstanding insurance claims	84.636
215	Non-transmitting of withholding tax to FBR	337.243
216	Loss due to renting of commercial buildings at lower rates	170.918
217	Irregular award and extension of contracts without competition	57.271
218	Unjustified expenditure on unexecuted State Life Convention of 2019	6.840
219	Unjustified expenditure on account of conference, meetings and entertainment	4.887
220	Loss due to less receiving of premium	154.962
221	Un-reconciled balances of advance loans in respect of policyholders	1,923
222	Loss of rental income due to non-completion of Islamabad Tower& non-recovery of LD charges	1,109.74
223	Loss due to non-imposition of liquidated damages against the contractor	30.966
224	Non-recovery of premium due to dishonored cheques	25.976
225	Loss due to poor performance	313.519
226	Irregular award of contract on account of janitorial services	2.759
227	Non-recovery of outstanding dues against electricity, gas and parking charges	72.166
228	Outstanding balance of field agents	385.716
229	Non-recovery of outstanding interest of policy loans	520.780
230	Non-recovery of rent from vacated tenants	11.641
231	Loss of revenue due to non-renting of vacant space of building	12.694
232	Non-recovery from M/s Askari Guards (Pvt.) Ltd.	2.090
233	Irregular deposition of working balances without selection of bank	112.042
234	Loss due to surrender of policies	968.685
235	Non-recovery from Area Managers despite non-achievement of business targets	3.836
236	Irregular appointment of advertising agency on SLIC panel	3.172
237	Irregular award of contract to 2 nd lowest bidder	14.165
238	Irregular purchase by splitting	10.260
239	Irregular award of contract of civil works	6.574
240	Irregular hiring of Chartered Accountant Firm	2.80
241	Irregular / un-justified expenditures incurred on prizes and awards	3.292
242	Irregular award of contract for security service	24.777
243	Irregular extension in the contract of janitorial services	50.697
244	Non-recovery of misappropriation of SLIC fund	1.363
245	Loss due to fraud in Sukkur Zone	1.229
246	Irregular award of contract to M/s Darwesh Medical Store for procurement of panel medical store	7.338
247	Irregular & unjustified payment of advance bonus to officers	971.558
248	Irregular posting of computer operator against un-sanctioned seat of cashier despite of his demotion due to established charges of misappropriation	3.654
249	Irregular continuation of contract of Reinsurance without tender	50.755

250	Irregular assumption of dual charge as Chairman BoD by the incumbent Chairman, SLIC	-
251	Nin-formulating of Zonal Claim Committee and underwriting claim committee at SLIC Gulf Zone	-
252	Appointment of Deputy Manager and Assistant Manager in the Gulf Zone in absence of sanctioned strength	-
253	Appointment of members of the Board of Directors without qualification and relevant experience of Life Insurance	-
254	Non-evaluation of Board's performance	-
	Trading Corporation of Pakistan	
255	Loss due to less receipt of two days profit from Commercial Bank	1.795
256	Non-settlement of long outstanding subsidy claims resulting in huge financial loss	76,801
257	Loss due to non-recovery from the tenant	49,314
258	Non-recovery of long outstanding dues on account of sugar and wheat from Utility Stores Corporation	52,102
259	Qualified opinion by the Independent Auditors on the Financial Statements of TCP for the year 2018-19	61,038
260	Non-issuance of tax deduction certificates by Commercial Bank	158,554
261	Loss of rice inspection fee income due to variation in digitalized data	18,568
262	Violation of principle by mis-representation of store and non-realization of income	34
263	Irregular administrative expenses incurred from TDR/PIBs income in violation of BOD directives	395,112
264	Unjustified Leave Encashment Rules	33,669
265	Loss due non-withdrawal of deposited amount from commercial banks	2.99
266	Illegal deputation of Deputy Director (BS-18) as Manager Legal	2,246
267	Irregular deputation/ posting as Director Finance (BS-19) officer without strength/post	15,051
268	Loss due to negligence of the management/ advocate resulting in dismissal of suit for damages/ loss-US\$.29,491	3,391
269	Loss due to impairment of bags	23
270	Irregular appointment and illegal permanent absorption/ promotion in violation of Honorable Supreme Court, Government of Pakistan and Establishment Division orders	6,600
271	Loss due to change in specification of urea from prilled to granular	1,088
272	Loss due to penalty on account of non-release of butter oil to the party	54,599
273	Excess payment for additional quantity of 972 metric tons of urea than the awarded quantity	46,920
274	Non-appointment of professional fund manager for investment	18,840
275	Non-recovery of outstanding dues from various parties	44,752
276	Loss due to opening of letter of credit	482,720
277	Non-forfeiture of expired performance guarantee	5.0
278	Illegal appointment of Mr. Sohial Abbas Rajani, CFO/General Manager Finance	-
279	Inclusion of CFO in Board audit and risk committee	-

280	Non-conduction of performance evaluation of Board Members	-
281	Imprudent contract extension of Chief Finance Officer CFO	-
282	Non-provision of Annual Audited Accounts for the year 2019-20	-
283	Non-separation of the Chairman of the Board and the Chief Executive of the Company	-
284	Discrepancy in degree verification record	-
285	Non-existence of internal audit and ineffective working of Audit & Risk Management Committee	-
	Pakistan Horticulture Development and Export Company	
286	Loss due to non-recovery of advances - Rs. 2.683 million	2.683
287	Irregular expenditure on account of pay & allowances of employees appointed on fake certificates - Rs. 0.991 million	0.991
	MINISTRY OF DEFENCE PRODUCTION	
	Karachi Shipyard & Engineering Works	
288	Irregular award of contract to M/S Amcorp	252.560
289	Loss to KS&EW by imposing of LD charges by Pakistan Navy	84.859
290	Loss on the account of Property Tax paid	4.52
291	Irregular appointments of officers/officials beyond the age of superannuation	9.56
292	Avoidable Loss due to Idleness of Manpower	11.542
293	Irregular payment of Adhoc Relief Allowance @ 10% of pay	275.136
294	Loss due to non-recovery of annual rental charges from Mobile Towers	2.23
295	Irregular procurement vehicles	31.35
296	Un-justified procurement of industrial lockers	7.714
	Pakistan Ordnance Factories (POFs)	
297	Loss due to expiry of chemicals & lubricants - Rs. 16.397 million	16.397
298	Unjustified award of contracts at higher rates over & above MES BoQs - Rs. 31.078 million	31.078
299	Loss to public exchequer due to imprudent acceptance of star prices - Rs. 1.797 million	1.797
300	Revenue loss due to non-completion of production targets 2019-20 Rs. 939.810 million	939.810
301	Loss due to in-efficient inventory management and non-utilization of cloth since procurement - Rs. 6.419 million	6.419
302	Exchange rate fluctuation loss due to non-delivery of items within specified time - Rs. 9.749 million	9.749
303	Non-utilization of store since procurement - Rs. 34.218 million	34.218
304	Loss due to procurement of store at higher rates – Rs. 2.112 million	2.112
305	Irregular enlistment of firms with DCW in higher categories	-
306	Imprudent decision for procurement of store on adverse terms and irregular release of 10% payment without inspection certificate - Rs. 13.991 million	13.991
	Pakistan Ordnance Clothing Factory	
307	Non-production of record of manufacturing of masks & related items w.r.t. covid-19 millions of rupees.	0
308	Irregular expenditure due to acceptance of defective material Rs. 4.067 million	4.067

	Wah Industries Limited	
309	i. Non-supply of items costing Rs. 157.446 million ii. Suspected loss to WIL due to liquidated damages to be claimed by the DGP (Army) - Rs. 15.673 million	173.119
310	Irregular appointment of Managing Director Wah Industries Limited and irregular payment on account of pay and fringe benefits - Rs. 20.575 million	20.575
311	Irregular appointment of consultant and payment on account of remuneration – Rs. 4.500 million	4.500
312	Loss to public exchequer due to non-deduction of stamp duty from the contractors – Rs. 1.213 million	1.213
313	Irregular appointment of officers - Rs. 2.590 million	2.590
314	Irregular appointment of Manager & General Managers - Rs. 12.375 million	12.375
315	Irregular award and execution of civil work - Rs. 9.836 million	9.836
316	Irregular appointment of officers and un-justified payment of pay & allowance of wind-up company - Rs. 7.938 million	7.938
317	Illegal award of contract to M/s Esperanto Enterprises by manipulating the rates – Rs. 4.243 million	4.243
	MINISTRY OF ENERGY (POWER DIVISION)	
	National Engineering Services Pakistan (Pvt.) Ltd.	
318	Irregular appointment of officers & staff at Mohammad Dam Project - Rs. 8.192 million	8.192
319	Irregular purchase of I.T Equipment - Rs. 12.337 million	12.337
	FINANCE DIVISION	
	House Building Finance Corporation	
320	Non-appointment of professional fund manager	10,363.336
321	Loss due to imprudent decision of holding the shares of MCB Bank Ltd.	2.851
322	Irregular appointment and further extension in contract for the post of Head Legal	15.364
323	Loss on account of restructuring of Ghar Asaan Scheme	242.522
324	Irregular payment on account of security services in violation of contract	17.558
325	Non-recovery of outstanding advances from ex-employees	3.443
326	Irregular appointment of Chief Digital Officer	12.0
327	Blockage of funds due to management's irrational decision of advance payment	13.405
328	Blockage of funds due to non-construction on open plot	120.000
329	Irregular Utilization of Construction Financing	3.900
330	Non-recovery of loans from various schemes	149.44
331	Loss due to non-recovery of stuck up loan from defaulters	51.978
332	Non-recovery due to dis-honored cheques	20.870
333	Non-recovery of decreed amount	3.689
334	Non-recovery due to non-filing of application for execution in court of law	34.509
335	Blockage of funds due to pending cases of recovery in courts since long	2,080.16
336	Non-recovery of advances from ex-employees	3.056
337	Un-justified outsourcing of strategic planning to third party	7.236

338	Non-achievement of disbursement targets	928.27
339	Unjustified disbursement of finance in violation of rules	9.60
340	Unjustified disbursement of finance in violation of HBFC rules	4.5
341	Loss due to no legal action on auctioned property	13.574
342	Non-obtaining of original mutation/sale deeds from the Registrar Office against loans	13.050
343	Loss to Government for not transferring assets of Pakistan Refugees Rehabilitation Finance Corporation	11.996
344	Non-payment of building period extension charges to LDA	7.859
345	Loss to Government due to non-payment of dues since 2011	2.711
346	Irregular appointment of Head of Human Resource Management on deputation basis	10.256
347	Loss due to write off on account of outstanding dues from defaulters	6.105
348	Non-receiving of NOC despite payment of augmentation charges	6.020
349	Non- recovery due to non-tracing of company despite Court's decree in favor of HBFCL	5.25
350	Loss due to unjustified waiver of cost of funds	4.371
351	Failure to secure credit risk through secondary collateral due to inherent risk in mortgaged properties	-
	National Security Printing Corporation	
352	Irregular payment of bonus and ex-gratia to employees	201.682
353	Loss due to non-deduction of taxes and duties from foreign suppliers	39.751
354	Non-appointment of CIA, CFO & Company Secretary	-
	Pakistan Security Printing Corporation	
355	Procurement without specifying the bidding method in bidding documents / advertisement in violation of rule	12.694
356	Mis-procurement due to splitting of purchases of similar nature	2.154
357	Irregular awarding and extension of garden maintenance contract	10.326
358	Irregular agreement of system development and maintenance	4.620
359	Loss due to wastage in cutting and printing of bank notes	2.714
360	Loss due to non-appointment on disable quota	5.52
361	Irregular investment of funds	1,072
362	Non-receiving of sales tax refunds	81.189
363	Award of lesser penalty to employees having fake degrees	5.121
364	Non-achievement of production target	69.109
	State Bank of Pakistan	
365	Blockade of fund due to excess stock of commemorative coins	21.852
366	Irregular / unjustified medical facilities	2.577
367	Irregular / unjustified payment to ex-Governor	1.728
368	Irregular / Unjustified award and renewal of contract	5.26
369	Irregular / un-justified award of service contracts	28.43
370	Undue favor extended to Janitorial & Cleaning Services Contractor	11.940
371	Reimbursement of expenditure incurred by National Bank against through Government Assignment Accounts without ensuring authenticity of debit advice so raised	2,624
372	Non-reconciliation of Government Revenue and expenditure with District	64,679

	account office	
373	Irregular heavy balances in inter-company receivable/payable account in violation of Banking Department Manual	22,640.692
374	Irregular heavy balances in inter-company receivable/payable account	1,283,727
375	Loss due to refund of penalty	12.949
376	Loss due to short realization of export proceeds	1.100
377	Irregular / unjustified payment due to extension of contract	2.976
378	Loss due to less recovery of interest from commercial banks/exporters	1.596
379	Unjustified appointment of Chief Legal Advisor	10.920
380	Non-deduction of salary on account of donation for Dam's fund	4.144
381	Irregular / unjustified payment to embargo contractor	1.725
382	Non-recovery of receivables	899.376
383	Irregular payment on account of printing of notes due to non-conducting of cost audit	11,419.149
384	Defective clause in procurement agreement	1,111.44
385	Irregular payment for deployment of guards	14.662
386	Unjustified / irregular award of contract	7.070
387	Irregular procurement of Security services	6.198
388	20Loss due to non-construction of SBP building within validity of NOC	5.114
389	Non-recovery of penalty from the exporters	2.500
390	Irregular / unjustified award of contract of civil works	1.833
391	Non-recovery of bank's liabilities from dismissed employee	1.034
392	Re-imbursement of expenditure incurred by NBP against govt. assignment accounts Rs. 2,264.00 million	2,264.0
393	Irregular promotion cum deputation of SBP employees in SBP-BSC	-
	SME Bank Limited	
394	Irregular appointment of ATM Operation Officer and Dealer without advertisement and mis-stating of facts – Rs. 2.833 million	2.833
395	Irregular and non-transparent appointments who did not applied for the post and in violation of pre-determined criteria - Rs. 1.066 million	1.066
396	Expected loss due to not taking possession of bungalow 45-C- Gulberg-III, Lahore since 2016 – Rs. 224,368 million	224.368
397	Loss due to non-adjustment of house building advances from (19) terminated employees since long – Rs. 13.166 million	13.166
398	Loss due to false statement by SME employee in banking court, Sukkur - Rs. 8.985 million	8.985
399	Non-recovery of penalties from employees imposed by SBP – Rs. 4.342 million	4.432
400	Non-recovery of House Building Advance from Mr. Asif Ghani AVP – Rs. 2.578 million Non-finalization of inquiry for extension of Ex-Pakistan leave without permission	2.578
401	Loss due to disbursement of loans without obtaining collateral securities - Rs. 6.566 million	6.566
402	Irregular appointment on fake degree and bogus experience certificate – Rs. 15.982 million	15.982

403	Irregular appointment of EVP, VP & AVPs without required experience – Rs. 30.151 million	30.151
	Zarai Taraqiati Bank Limited	
404	Irregular grant of loan to the Members ZTBL BODs and Members ZTBL Advisory Committee – Rs. 27.724 million	27.724
405	Loss due to payment of higher rent – Rs. 3.008 million	3.008
406	Mis-procurement of security personals, support and other staff services from M/s KSSL – Rs. 2,338.272 million	2,338.272
407	Non-recovery of principal plus markup from M/s Pakistan Dairy Development Company – Rs. 38.325 million	38.325
408	Irregular disbursement of adjustment / family loaning and over-financing – Rs. 24.407 million	24.407
409	Irregular redemption of loan cases and security land resulting into non-recovery – Rs. 25.511 million	25.511
410	Loss due to procurement of IT items at higher rates – Rs. 29.906 million	29.906
411	(i) Loss due to irregular transactions and double disbursement - Rs. 3.455 million (ii) Loss due to overdraft in deposit accounts - Rs. 5.910 million	3.455 5.910
412	Loss due to time barred loan cases – Rs. 33.700 million	33.700
413	Non-initiation of action and non-recovery of penalties imposed by SBP – Rs. 6.133 million	6.133
414	Non-recovery of loans decided / decreed by courts in favor of bank - Rs. 18.405 million	18.405
415	Loss due to fraud in ZTBL Chiniot branch and non-recovery – Rs. 7.229 million	7.229
416	Irregular adjustment loaning without possession of security land – Rs. 7.470 million	7.470
417	Irregular sanction/disbursement of loans without checking the repayment capacity of the farmers - Rs. 14.176 million	14.176
418	Irregular appointment of Assistant and promotion to Vice President level - Rs. 4.339 million	4.339
419	Irregular investment in TFCs and embezzlement of brokerage commission through privately placed TFCs Rs. 511.717	511.717
	MINISTRY OF FEDERAL EDUCATION AND PROFESSIONAL TRAINING	
	National Textile University Faisalabad	
420	Non-recovery of receivables from HEC and others - Rs. 5.669 million	5.669
421	Irregular appointment and payment to employees without verification of experience certificates - Rs. 39.764 million	39.764
422	Irregular procurement of Chemicals and Horticulture items by splitting the requirement – Rs. 7.988 million	7.988
423	Loss due to acceptance of claim in violation of terms & conditions of the tender – Rs. 2.976 million	2.976
424	Non-appointment of Pro-Chancellor and conflict of interest in the affairs of NTU due to act of Pro Chancellor / Rector as Chairman of BOG	-
	MINISTRY OF INDUSTRIES AND PRODUCTION	

	Export Processing Zones Authority	
425	Loss due to cost escalation of project	1,017.234
426	Loss due to un-accounted Gallons of water	2.522
427	Irregular investment	456.00
428	Irregular investment of funds	300.00
429	Loss due to non-recovery of Security Deposit and AGR from Used Textile Clothing (UTC) Units	183.68
430	Non-recovery of water charges	38.064
431	Loss of Export due to Sick/Closed Units	37,751.68
432	Loss to National Exchequer	2.040
433	Doubtful valuation of Exports amounting by	59.824
434	Loss due to procurement & Installation of weighbridge	12
435	Loss due to un-accounted for units of electricity	56.664
436	Non-forfeiture of performance guarantee and non-imposition of LD charges	4.539
437	Non-adjustment of advances	13.35
438	Irregular payment of Eid Assistance	18.729
439	Irregular appointment of Supervisor for KEPZ-III	28.23
440	Loss due to wasteful expenditure on project	12.00
441	Irregular payment for hiring of consultant	2.042
442	Irregular transfer and renting out of used textile clothing units during ban period - \$1.625 million	260.00
443	Irregular procurement by splitting the purchase orders	29.642
444	Irregular and un-justified posting of staff	7.754
445	Loss due to expenditure over and above the estimated cost	5.55
446	Loss due to variation in gallons of water	2.16
447	Irregular recognition of revenue	69.687
448	Mis-match of water purchased and sold by EPZA with difference of quantity of 7.66 million gallons	-
	ENAR Petrotech Services (Private) Limited	
449	Non-production of auditable record	-
450	Irregular payment of Lunch/Canteen and Maintenance allowances	5.098
451	Loss of Revenue to the Government due to non-payment of Income Tax	71.5
452	Irregular Promotion as General Manager without approval costing	3.600
	Karachi Tools, Dies & Moulds Centre	
453	Unjustified expenditure on outsourcing of machine work	2.275
454	Unauthorized Expenditure over and above the approved Budget	5.544
	Pakistan Industrial Development Corporation	
455	Unauthorized filling of vacancies through outsourcing from M/s Jilani Enterprises	8.574
456	Irregular appointment of a Chartered Accountants firm as External Auditor	1.50
457	Extra / Avoidable expenditure on Board remuneration / fees & expenditure on meetings	14.776
458	Irregular payment of bonus	10.390
459	Weak internal controls in investment of surplus funds causing irregular investment	8,650

460	Non-recovery of dues despite decree in favor of PIDC	2.748
461	Loss due to non-execution of rental agreement	6.717
462	Non-recovery of tax refunds	173.350
463	Non-recovery of temporary loan from PIDC Medical Centre	6.707
464	Imprudent investment without considering financial health of financial institutions/ banks	400
465	Irregular payment to contractor	9.108
466	Irregular procurement through splitting / quotation basis	2.245
467	Blockade of funds in dormant bank accounts	5.85
468	Wasteful expenditure on de-functional unit	1.449
469	Irregular investment of investible funds and loss due to investment at lower rates	200
470	Non-transferring of assets & liabilities	26
471	Unjustified payment of local compensatory allowance	11.091
472	Irregular/unjustified purchase of new vehicle	6.918
473	Irregular investment in Meezan Bank	500.00
474	Non-recovery of advances against engineering development Board	62.251
475	Irregular excess payment to CEO	1.817
476	Non-disclosure & non-realization of income from sale of industrial land MFDAC	-
477	Non-constituting of new Board of Directors	-
478	Non-evaluation of Board's performance	-
479	Irregular appointment of Company Secretary	-
480	Non-preparation of consolidated financial statement	-
	Pakistan Gems and Jewellery Development Company	
481	Unauthorized expenditure on unjustified use of project vehicle by the Chief Executive Officer	2.885
482	Reduction of export of gem stone and jewellery regulation causing loss	124,110
	National Industrial Park & Development Company	
483	Irregular short-term investment in violation of investment policy	2,722
484	Irregular expenditure on salaries due to non-verification of degrees	62.466
485	Irregular / unjustified expenditure on advertisement	4.253
486	Non-recovery from Pakistan Industrial Development Corporation	100.495
487	Loss due to nonpayment by Pak CAMC Pvt. Ltd.	350
488	Loss to Government due to non-payment of withholding tax	6.055
489	Non-conducting of internal audit caused wasteful expenditure on account of Salary	5.28
490	Appointment of ineligible Chief Financial Officer	3.840
491	Probable risk of default due to non-extension of MoU	-
492	Non-production of record	-
	Pakistan Institute of Management	
493	Irregular contract for printing and publishing services by violating PPRA	2.575
494	Irregular expenditure on account of cafeteria services from K-Foods in violation of PPRA	5.059
495	Irregular award of water supply contract without tender to Ms. Lal Badshah	1.632

496	Non-recovery from various parties	1.855
497	Irregular payment of advances against salary	4.744
498	Irregular payment of advances in violation of rules	1.209
499	Non-verification of Degrees/certificate of the Employees/officers	-
500	Violation of rule due to non-existence of Board of Governors	-
501	Non-formulation of standard operating procedure (SOPs) for core functions of PIM	-
	Pakistan Steel Mills	
502	Non-depositing of EOBI contribution	556.516
503	Wasteful Expenditure on appointment of Managers (Security)	6.600
504	Loss due to non-recovery of doubtful advances against expenses	3.608
505	Wasteful expenditure on account of hiring of employees	2.279
506	Irregular and against the merit appointment of Executive Officer (Admin & Personnel) and GM (Security)	-
	Pakistan Machine Tool Factory	
507	Un-adjusted advances against expenses	5.810
508	Loss due to imposition of liquidated damages by the client	1.173
509	Irregular/un-justified payment of contract	2.12
510	Irregular award of canteen contract & improper contract Administration	2.375
511	Irregular payment on account of TA / DA without requisite documents	1.634
512	Loss due to non-charging of annual rental increase	1.202
513	Non-appointment of Chief Internal Auditor (CIA)	-
	Heavy Electrical Complex (Pvt.) Limited	
514	Unnecessary procurement without utilizing the existing material - Rs. 5.82 million	5.82
515	Loss on account of payment of salary of workers in fabrication shop due to outsourcing of work - Rs. 8.453 million	8.453
516	Loss due to additional cost incurred on account of defective transformer - Rs. 2.608 million	2.608
517	Non-compliance of Corporate Governance Rules	-
518	Loss due to sale of transformer on the basis of old quotation instead of revised quotation to a private party - Rs. 4.80 million	4.80
519	Non-utilization the services of Manager R&D and paid an amount on account of pay & allowances - Rs. 7.252 million	7.252
520	Revenue loss due to non-execution of order for manufacturing of Transformers - Rs. 470.000 million ii. Forfeiting of bid security due to non-execution of purchase order for manufacturing of Transformers - Rs. 10.00 million	470.00 10.00
521	Loss due to payment of interest on running finance facility - Rs. 10.827 million	10.827
522	Expected loss on account of forfeiting of Performance Bond due to non-delivery of transformer - Rs. 9.5 million	9.5
523	Double charging of material and overhead to a transformer – Rs. 4.794 million	4.794
524	i. Blockage of funds due to non-manufacturing and repairing of transformers after lapse of 16 to 19 months - Rs. 39.472 million	45.393

	ii Interest loss due to non-manufacturing and repairing of transformers - Rs. 5.921 million	
525	Loss due to acceptance of defective material – Rs. 1.575 million	1.575
	Small and Medium Enterprises Development Authority	
526	Irregular advance withdrawal of funds from NBDP lapsable assignment account - Rs. 16.641 million	16.641
527	Excess and higher rate purchase of IT equipment - Rs. 4.011 million	4.011
528	Irregular hiring of individual trainers under NBDP Project and data enumerators for Mineral Sector Feasibility - Rs. 6.994 million	6.994
529	Wasteful expenditure on construction of residential rooms in SBCC – Rs. 10.024 million	10.24
530	Non-recovery of the operational loss of the SBCC from SCCI due to defective agreement - Rs. 14.383 million	14.383
531	Unjustified payment to the contractors due to inclusion of non-scheduled items in BOQ - Rs. 15.189 million	15.189
	Utility Stores Corporation of Pakistan (Pvt.) Limited	
532	Loss due to non-recovery of insurance claims – Rs. 23.800 million	23.800
533	Loss due to ill-planned procurement of Baisen - Rs. 18.176 million	18.176
534	Non-opening of Covid-19 relief Account and earning of interest income – Rs. 109.511 million	109.511
535	Non-forfeiture of earnest money due to short supply of rice and pulses – Rs. 16.072 million	16.072
536	Overpayment on account of medical allowance – 10.496 million	10.496
537	Irregular appointment of Legal Officer	0
538	Irregular Reinstatement of Regional Manager – Rs. 4.645 million	4.645
539	Non-Submission of Subsidy Accounts, Annual Account and Non-Provision of allied auditable record	
540	Irregular expenditure due to retention of staff in excess of sanctioned strength – Rs. 229.284 million	229.284
541	Loss due to procurement of sugar on LC Basis – Rs. 16.312 million	16.312
542	Loss due to payment of transportation charges in excess of open market rates – Rs. 9.579 million	9.579
543	Loss due to non-recovery of embezzlement / misappropriation of stock – Rs. 5.88 million	5.880
544	Wasteful expenditures on account of Legal & Professional charges - Rs. 3.806 million	3.806
545	Hoarding of Atta due to non-observance of supply of Wheat and Atta per day	
546	Loss due to purchase of sugar on higher rates by splitting the demand – Rs. 16.50 million	16.50
547	Embezzlement / shortages of government money due to non-taking of charge of damaged stock from retired employee - Rs. 3.224 million	3.224
548	Non-accomplishment of special assignment and non-imposition of penalty on delinquent firm - Rs. 9.750 million	9.750
	MINISTRY OF INFORMATION, BROADCASTING AND NATIONAL HISTORY & LITERARY, HERITAGE DIVISION	

	Associated Press of Pakistan Corporation	
549	Irregular payment of allowances – Rs. 3.388 million	3.388
550	Non-deduction of income tax from the salary of foreign correspondents - Rs. 6.786 million	6.786
551	Irregular appointments of staff resulting into irregular pay and allowance - Rs. 3.390 million per month	3.390
552	Irregular payment of telephone allowance to the employees – Rs. 13.938 million	13.938
553	Excess payment of building rent of Karachi Bureau office – Rs. 4.29 million	4.29
554	Non-recovery of Advances / funds - Rs. 28.461 million	28.461
555	Non-recovery of subscription income from ceased subscribers - Rs. 11.601 million	11.601
556	Loss due to non-investment of CP Fund - Rs. 29.614 million	29.614
557	Unauthorized pay & allowances due to unauthorized over stay of correspondent in Beijing – Rs. 7.008 million	7.008
558	i. Non-adherence to the government hiring of accommodation policy resulting into irregular expenditure - Rs. 8.723 million per annum ii. Excess payment of rent over and above fixed rate - Rs. 1.677 million	8.723 1.677
	Pakistan Broadcasting Corporation Limited	
559	Execution of operational activities of different Transmitters at 15% to 40% efficiency level only installed at Lahore resulted wasteful expenditure - Rs. 203.562 million	203.562
560	Irregular expenditure on account of Salary due to posting of employees in excess of sanctioned strength at BH Lahore – Rs. 41.499 million	41.499
561	Non-transferring of actual profit earned on investment of Provident fund in violation of PBC Employees CPF Regulations – Rs. 529.975 million	529.975
562	Irregular Award of contracts in violation of PEC Rules and payment to contractor without Measurement Book - Rs. 11.082 million	11.082
563	Non-adjustment of advance payment made to Public Works Department (Building Division) AJK for construction / renovation of buildings – Rs. 20.434 million	20.434
564	Non-recovery / adjustment of temporary advances from employees - Rs. 23.594 million	23.594
565	Non-deposit of Social Security Contribution by PBC to Social Security Institutions and non-deduction of the same from Security Agency - Rs. 15.587 million	15.587
566	Non-receipt of sale value of flats from employees and non-imposition of late payment surcharge despite passing more than 10 years – Rs. 8.145 million	8.145
567	Wasteful expenditure on hiring of unnecessary Security Guards despite existence of regular employee working as Security Guards – Rs. 20.125 million	20.125
568	Non-utilization of 813 Kanal 11 Marla commercial land resulted revenue loss per year – Rs. 976.260 million	976.260
	Pakistan Television Corporation Limited	

569	Unjustified payment on accounts of leave with pay – Rs. 0.80 million	0.80
570	Unjustified retaining of employee having declared fake degree - Rs. 7.358 million	7.358
571	Irregular payment on account of officiating pay beyond six months – Rs. 1.611 million	1.611
572	Irregular award of contract to head hunting firm - Rs. 3.778 million	3.778
573	Loss due to overpayment on accounts of GST / SST - Rs. 4.87 million	4.87
574	Non-recovery of embezzled amount from employee of RBS Shuja Abad - Rs. 4.057 million	4.057
575	Irregular / unjustified procurement of drama serial “janbaz”- Rs. 27.61 million and loss due to procurement of drama at higher rates – Rs. 2.29 million	2.29
576	Non-recovery of defective work and liquidated damages from the defaulting contractors – Rs. 2.187 million	2.187
577	Non-awarding of work at risk and cost of the defaulter contractors – Rs. 10.87 million	10.87
578	Irregular expenditure on account of legal fee – Rs. 6.00 million	6.00
579	Non-recovery of CPF loan at the time of retirement – Rs. 3.600 million	3.600
580	Irregular payment of pension without reconciliation on quarterly basis - Rs. 89.899 million	89.899
581	Loss due to non-availing the opportunity of advertisement through print media – Rs. 267.804 million	267.804
582	i. Non-conducting of annual physical stock taking of assets by chartered accountant ii. Write off of stock without physical stock taking – Rs. 202.736 million iii. Shortage of stock - Rs. 4.930 million	202.736 4.930
583	Irregular award of contract without obtaining of competitive rates - Rs. 109.955 million	109.955
584	Avoidable expenditure due to non-pursuance of court cases - Rs. 54.095 million	54.095
585	Non-Recognition as revenue on account of payments remained unclaimed since six years – Rs. 99.708 million	99.708
586	Irregular appointment and payment to employees appointed on fake degrees - Rs. 20.115 million	20.115
587	Overpayment on accounts of pay and allowances due to wrong pay fixation - Rs. 1.3 million	1.3
588	Irregular / un-justified award of dubbing work without advertisement to M/s KJ Productions - Rs. 15.21 million	15.21
589	Loss due to acquiring of rights at the staggering cost despite low interest of viewers – Rs. 29.895 million	29.895
590	Un-authorized expenditure in excess of budgetary allocation - Rs. 38.468 million	38.468
591	Un-justified payment of salary / LPR – Rs. 141.443 million	141.443
592	Irregular retention of employees under disciplinary action having bogus certificates ii. Non-verification of degrees of employee	0

593	Loss due to non-recovery of TV license fee from Pakistan Steel Mills & PMTF-residential colonies – Rs. 18.826 million	18.826
594	Loss due to hiring of host over and above the approved rates - Rs. 21.888 million ii. Loss due to production of non-viable show Morning at Home - Rs. 7.21 million	21.888 7.21
595	Non-existence of internal audit department and internal audit report	0
596	Loss due to non-recovery of different items from the Shalimar Recording and Broadcasting Corporation (SRBC) - Rs. 12.745 million	12.745
597	Irregular appointment of Chief News & Current Affairs and Anchor on doubtful degrees - Rs. 10.95 million	10.95
598	Inadmissible payment due to enhancement in monthly package during the currency of contract period - Rs. 5.29 million	5.29
599	Irregular appointment and wrong fixation of pay of head of marketing and Executive Producer resulting into irregular payment - Rs. 34.47 million	34.47
Shalimar Recording and Broadcasting Company Limited		
600	Loss due to non-recovery of air time rental income from PTVC - Rs.131.214 million	131.214
601	Loss to state due to non-recovery of FED from the private party - Rs. 45.203 million	45.203
602	Irregular payment of gratuity – Rs. 14.621 million	14.621
603	Loss due to non-recovery of advertisement income from the advertising agency – Rs. 6.323 million	6.323
604	Irregular payment due to overstay - Rs. 1.140 million	1.140
605	Non-compliance of NAB Ordinance - Rs. 772.876 million	772.876
606	Investment of provident fund in non-transparent manner – Rs. 110.00 millions	110.00
607	Irregular procurement of dramas and non-maintaining of profit and loss accounts - Rs. 126.853 million	126.853
608	Non-appointment of Chief Executive Officer of the company	0
609	Loss due to non-imposition of penalty - Rs. 62.75 million	62.75
610	Loss due to waiving off airtime rental income - Rs. 7.717 million	7.717
611	Non-deposit of Contributory Provident Fund liability – Rs. 41.338 million	41.338
612	Irregular drawal of fund from the Contributory Fund Trust Account – Rs. 20.250 million	20.250
613	Irregular appointment and subsequent retention of underperforming legal advisor - Rs. 4.610 million	4.610
614	Loss due to non-recovery of government dues as per FBR instructions - Rs. 98.152 million	98.152
615	Violation of Public Accounts Committee directives	0
MINISTRY OF MARITIME AFFAIRS		
Gwadar Port Authority		
616	Excess payment of mobilization advance to contractor	26.353
617	Operational loss due to non-taken over the work boat back from KPT	9.180
618	Loss of revenue to GPA amounting to billions of rupees due to unknown rates and tariffs from port operation	-

619	Irregular payment through posting of unqualified Project Directors	37.6
620	Irregular award of contracts to second lowest bidder	167.725
621	Irregular award of contract to the higher bidder	590.977
622	Non-utilization of Government grant in time	106.974
623	Loss due to non-utilization of ferry vessel	73.00
624	Non-preparation of project completion reports	2,800
625	Non-recovery of utilization charges of TUG and work boat from KPT	212.880
626	Non-recovery of rental income from tenants of GPA properties	35.386
627	Loss due to non-payment of rent by the tenants in violation of lease agreement	11.424
628	Non-recovery of outstanding dues from mole holders	2.030
629	Non-recovery of outstanding dues from various tenants	1.617
630	Irregular award of contract for Janitorial services	10.584
631	Irregular award of contract to the higher bidder in violation of PPRA	590.977
632	Non-preparation of project completion reports	-
	Korangi Fisheries Harbour Authority	
633	Irregular /unjustified reimbursement of medical charges	4.3
634	Non-Conducting of physical verification of fixed assets	1,149
635	Irregular withdrawal from Assignment Account	124.478
636	Irregular payment on account of hiring, ad hoc relief allowance & medical charges	26.019
637	Irregular payment of bonus to officers and staff	1.195
638	Loss due to irregular investment & tax deduction at higher rates	1,098.697
639	Blockade of funds due to non-utilization of Auction Hall	36.188
640	Loss on account of investment due to non-filer	6.137
641	Loss of potential revenue due to non-allotment of developed plots	2.875
642	Irregular appointment of stenographers and computer operation	3.74
643	Not maintenance of fixed assets registers and non-condition of physical verification of fixed assets	1.195
644	Wasteful expenditure on police check post due to its non-purpose	1.005
645	Irregular investment	1,092.550
646	Non-cancellation of plots and on forfeiture of occupancy value	12.00
647	Violation of rule due to non-existence of Board of Directors	-
648	In-effective internal audit function	-
649	Irregular payment of Adhoc relief allowance 2016 to 2018	4.9
650	Non-finalization of audited accounts for the year 2014-15 onwards	-
651	Violation of rule due to non-appointment of whole time Managing Director	-
652	Violation of agreement due to production electricity to industrial units after completion of construction work	-
653	Loss of potential revenue due to non-insurance of Deep See Fishing License	-
	Pakistan National Shipping Corporation	
654	Un-justified expenditure without Operational activities	5.34
655	Irregular expenditure on security contract	15.74
656	Un-due favor extended to contractor	2.158

657	Loss due to delayed fund placement	19.488
658	Loss due to undue favour extended to Faysal Bank	2.57
659	Loss due to payment of salary	3.76
660	Irregular appointment of Manager HR	4.8
661	Unjustified award of dry docking contract of MT Quetta	156.97
662	Unjustified expenditure on dry docking – Rs. 117.058 million	117.058
663	Loss due to non-utilization of loan facility– Rs. 14.400 million	14.400
664	Irregular appointment & payment of excessive salary	107.906
	Port Qasim Authority	
665	Irregular procurement of Navigational Aid Equipment	14.334
666	Non-recovery on account of Peripheral Development Charges and Allied Charges	5,090.84
667	Irregular procurement of Automatic Identification System (AIS)	4.259
668	Loss due to non-deduction of Income Tax and Sales Tax	1,341.6
669	Non-recovery of outstanding dues	223.651
670	Loss due to less receipt of wet charges from LNG carriers	7,353
671	Loss due to waiver of land rent and mark-up	30.87
672	Loss due to unjustified and irregular award of contract for manning and maintenance of dredger “Indus Dolphen and irregular release of final payment	5,098.84
673	Appointment of employees on fake degrees by the PQA	7.200
674	Irregular investment of funds in Term Deposit Receipt	3,500
675	Loss due to non-insurance of Pilot Boat (Lahoot)	8.905
676	Non-utilization of budget of capital dredging	900
677	Irregular award of Contract of Vans	70.290
678	Unjustified Hajj grant to the employees	7.070
679	Unjustified expenditure on non-operational boats	43.356
680	Un-authorized formation of Trade Union/CBA	204.000
681	Variances in revenue collection under water charges	2.760
682	Irregular award of contract of manning services tugs	543.930
683	Loss of revenue income due to less charging of royalty	1,142
684	Irregular allotment and transfer of plot	5.00
685	Non-accountal of PDC charges	45
686	Irregular award and Extension of contracts of civil works	23.04
687	Irregular appointment of Deputy Manager	39.889
688	Mis-procurement of 04 tugs	352.350
689	Unauthorized cancellation of scheme for cottage industry	429.660
690	Irregular award of additional maintenance contract	95.00
691	Irregular extension of contract for Manning, Operation and 1st line maintenance	37.992
692	Irregular payment of performance bonus to ex-Chairmen	3.659
693	Loss due to defective work for installation of buoys	74.810
694	Variation in billing of water against the actual usage	160.357
695	Irregular grant of pay and allowances	27,781.202
696	Failure of operation division in enhancement of port operation income	5,821

	resulting in decrease of revenue	
697	Acquisition of faulty pilot boats	429.750
698	Irregular deposit of working balance	1,000
699	Irregular investment in Sindh Bank	600
700	Non-recovery of dues	39.848
701	Irregular investment in Samba Bank	3,958
702	Irregular award of contract of manning and 1st line maintenance	108.770
703	Loss of revenue income in cargo operation	237
704	Irregular hiring of floating staff for manning operations and 1st line maintenance-	384.128
705	Procurement of Motor Cycles without tendering	95.299
706	Recurring loss due to irregular payment of water charges	41,229
707	Non-recovery of Peripheral Development Charges, Land Rent and allied charges	5,307.734
708	Irregular holding up amount instead of timely investment	35,000
709	Non-recovery of liquidated damages	505
710	Non-recovery of outstanding dues and non-utilization fee from K-Electric	137.860
711	Non-charging of Fast Track Charges	100
712	Irregular payment of bonus to PQA employees	20,734
713	Loss due to hiring of 04 tugs instead of use of PQA-own boats	1,945.970
714	Loss due to non-recovery of royalty amount on account of non-completion of jetty	520.750
715	Out-of-Court settlement of Petrol Pump plot, causing a loss	63.200
716	Non-formation of co-operative society	48.94
717	Irregular double payment of leave encashment	38.15
718	Undue favour to the allottee causing loss	19.00
719	Irregular transfer of plot	10.00
720	Irregular evaluation of financial bid of 2 nd Oil Terminal and Storage Farm	10.00
721	Irregular award of contract of water works	5.877
722	Non-installation of fuel flow meters on PQA crafts and the dredger	42.500
723	Un-accounted for use of fuel due to non-installation of petrol pump of fuel flow meters from	1.390
724	Irregular investment in Banker's Equity Limited	97.500
725	Encroachment of storage area	396.36
726	Encroachment of PQA Land worth	208,594.00
727	Loss due to frequent non-operation of plots Boat Lahoot	187.650
728	Non-encashment of K-Electric Bank Guarantee	10.00
729	Loss of royalty due to non-completion of jetty	510.750
730	Non-finalization of annual accounts for year 2011-12 onwards	-
731	Non-production of record	-
	MINISTRY OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION	
	Pakistan Software Export Board (Guarantee) Limited	
732	Loss to govt. Exchequer due to additional cost paid to the same vendor - Rs. 5.075 million	5.075

733	Irregular advance payments against PSDP funded projects and 0% achievement of deliverables even a lapse of 18 months – Rs. 20.128 million	20.128
734	Irregular increase in salaries during temporary arrangement – Rs. 9.335 million Non-approval from the competent authority for extension of temporary arrangement of Managing Director Post	9.335
735	Irregular hiring of Director South Karachi - Rs. 1.165 million	1.165
736	Inefficient management resulting loss of fixed asset (land) - Rs. 332.801 million	332.801
737	Non-fulfillment of training component under the project of replacement of Data Node despite advance payment – Rs. 2.274 million	2.274
738	Additional / extra cost paid to vendors against purchase of band width services – Rs. 1.324 million	1.324
739	Abnormal incurrence of electricity, repair & maintenance of vehicles and equipment – Rs. 11.644 million	11.644
740	Unjustified payment of fuel monetization allowance – Rs. 3.51 million	3.51
741	Irregular hiring of services on quotation basis – Rs. 10.858 million	10.858
742	i. Irregular hiring of APOs in violation of PC-I - Rs. 1.62 million ii. Irregular hiring of APO in Karachi against the Islamabad based position - Rs. 0.81 million	2.43
743	Irregular appointment of Manager Infrastructure - Rs. 12.582 million	12.582
744	Irregular and non-transparent procurement of anti-virus software – Rs. 5.181 million	5.181
745	Irregular promotion of Deputy General Managers in violation of corporate governance rules 2013 - Rs. 4.539 million	4.539
746	Irregular appointment of Managers (Account) in violation criteria of Government of Pakistan - Rs. 1.674 million	1.674
MINISTRY OF INTERIOR		
National Database and Registration Authority (NADRA)		
747	Non-remittance of contract amount launched in Bangladesh- Rs. 51.030 million	51.030
748	Unjustified collection of fee of CNIC due to delivery of card beyond agreed period – Rs. 7.344 million	7.344
749	Irregular procurement of common use items and laptops in piecemeal - Rs. 86.893 million	86.893
750	Loss due to un-necessary procurement of toners later expired – Rs. 2.079 million	2.079
751	Irregular procurement of network & data transfer protection from M/s Nayatel- Rs. 12.870 million	12.870
752	Loss due purchase of Teslin sheets over & above the requirement – Rs. 4.523 million	4.523
753	Loss due to rejection of smart cards – Rs. 6.288 million	6.228
754	Irregular appointment of an official on the basis of fake degree and payment of Rs. 3.145 million	3.145
755	Loss due to award of tax consultancy services contract at higher rates – Rs. 3.05 million	3.05

756	Loss due to non-fulfilling the contractual commitments – Rs. 14.906 million	14.906
	MINISTRY OF NATIONAL FOOD SECURITY AND RESEARCH	
	Pakistan Agricultural Storage and Services Corporation Limited	
757	Irregular award of work to 2nd lowest bidder – Rs. 40.163 million Loss to Authority due to irregular award of work – Rs. 0.534 million	40.697
758	Doubtful expenditure due to non-maintaining of proper log book of vehicle – Rs. 2.349 million	2.349
	MINISTRY OF PLANNING, DEVELOPMENT AND SPECIAL INITIATIVES	
	National Logistics Cell	
759	Loss due to segregation of procurement order of prime movers - Rs. 19.735 million	19.735
760	Loss due to non- finalization of contract within validity period of bid - Rs. 23.171 million	23.171
761	Irregular payment of bonus - Rs. 316.364 million	316.364
762	Irregular revision of pay and allowances - Rs. 55.982 million	55.982
763	Loss due to provision of transportation services without obtaining of security and verification of client - Rs. 31.041 million	31.041
764	Irregular and defective payment to shipment services providers – Rs. 37.053 million	37.053
765	Loss due to non-deduction/less deduction of income tax- Rs. 70.025 million	70.025
766	Avoidable expenditure incurred over and above the actual requirement – Rs. 71.918 million	71.918
767	Irregular transfer of fund to other project – Rs. 213.999 million	213.999
768	Irregular appointment of the Director (SPVS)	2.742
769	Irregular appointment of Chief Executive Officer, Marine Services Having below Qualification	9.388
	Pakistan Institute of Parliamentary Services	
770	Irregular procurement and subsequent extension of catering service - Rs. 14.070 million	14.070
771	Irregular appointment of executive director pips resulted in irregular payment – Rs. 4.553 million	4.553
772	Irregular / un-justified creation of posts of Senior Director General (OG-I / BS-21)	0
773	Irregular purchase of vehicles - Rs. 9.162 million	9.162
774	Irregular upgradation and virtualization / cloud computing – Rs. 4.372 million Loss due to non-receipt of equipment - Rs. 2.186 million	4.372 2.186
775	Irregular expenditure due to appointment of officers after superannuation – Rs. 3.459 million	3.459
776	Lapse of public funds - Rs. 32.963 million	32.963
777	Irregular award of contract for procurement of Enterprise Resource Planning (ERP) System Loss due to defective contracting	1.333 0.773

Annex-2

Non-submission of Audited Accounts

Annual audited accounts of Public Sector Enterprises for the year 2019-20, were required to be submitted to the Directorates General of Commercial Audit and Evaluation, Islamabad by December 31, 2020. Despite requests, the Organizations (listed below) failed to submit their annual audited accounts for the year(s) indicated against each by the prescribed date. While non-submission of audited accounts needs to be explained, efforts should be made for immediate finalization and submission thereof:

S#	Name of Ministry/Division/Organization	Year of Accounts
Aviation Division (Cabinet Secretariat)		
1.	Pakistan International Airlines Corporation	2020
2.	Skyrooms (Pvt.) Limited	2013 to 2020
Cabinet Division		
3.	Printing Corporation of Pakistan (Pvt.) Limited	2018-19 & 2019-20
4.	Islamabad Employees Social Security Institution	2018-19 & 2019-20
5.	Pakistan Tours (Pvt.) Limited (Defunct)	
Pakistan Institute for Parliamentary Services (PIPS)		
6.	Pakistan Institute for Parliamentary Services (PIPS)	2018-19 & 2019-20
Ministry of Commerce & Textile		
7.	Pakistan Horticulture Development and Export Company (PHDEC)	2017-18 to 2019-20
Ministry of Defence Production		
8.	Karachi Shipyard & Engineering Works	2019-20
9.	Wah Brass Mill (Private) Limited.	2018-19 & 2019-20
10.	Wah Nobel (Pvt.) Limited	2019-20
11.	POF Welfare Trust	2019-20
Finance Division		
12.	National Security Printing Corporation	2019-20
13.	SME Bank Ltd.	2019-20
14.	SME Leasing Company	2018-19 & 2019-20
15.	Zarai Taraqati Bank Ltd.	2017-18 to 2019-20
16.	Pak China Investment company	2018-19 & 2019-20
17.	Saudi Pak Agriculture and Investment Company	2018-19 & 2019-20
Ministry of Industries & Production		
18.	Export Processing Zones Authority	2010-11 to 2019-20
19.	Pakistan Industrial Development Corporation Medical Centre	2018-19
20.	Karachi Tools, Dies & Moulds Center	2019-20
21.	Pakistan Chemical & Energy Sector Skill Development Company	2018-19& 2019-20

22.	Pakistan Institute of Management	2012-13 to 2019-20
23.	Pakistan Steel Mills	2018-19& 2019-20
24.	Pakistan Steel Fabricating Company (Pvt.) Limited	2014-15 to 2019-20
25.	Pakistan Machine Tool Factory	2017-18 & 2019-20
26.	ENAR Petrotech Services (Pvt.) Limited	2019-20
27.	National Fertilizer Marketing (Pvt.) Ltd.	2018-19 & 2019-20
28.	Small and Medium Enterprise Development Authority (SMEDA) & its allied projects.	2017-18 to 2019-20
29.	Utility Stores Corporation of Pakistan (Pvt.) Limited	2019-20
30.	Aik Hunar Aik Nagar (AHAN)	2017-18 to 2019-20
31.	Pakistan Engineering Company Ltd.	2017-18 to 2019-20
32.	State Engineering Corporation (Pvt.) Limited	2019-20
Ministry of Information, Broadcasting and National History & Literary, Heritage Division		
33.	Associated Press of Pakistan Corporation	2017-18 to 2019-20
34.	Pakistan Broadcasting Corporation	2016-17 to 2019-20
35.	Pakistan Television Corporation Limited	2019-20
36.	Shalimar Recording and Broadcasting Company limited	2017-18, to 2019-20
Ministry of Interior		
37.	National Database & Registration Authority (NADRA)	2018-19 & 2019-20
Ministry of Maritime Affairs		
38.	Gwadar Port Authority	1986-87 to 2019-20
39.	Korangi Fisheries Harbour Authority	2015-16 & 2019-20
40.	Port Qasim Authority	2006-07 to 2019-20
Ministry of National Food Security And Research		
41.	Livestock and Dairy Development Board	2018-19 & 2019-20
42.	Agribusiness Support Fund	2017-18, to 2019-20
Ministry of Planning, Development and Special Initiative		
43.	Pakistan Environmental Planning & Architectural Consultant (Pvt.) Limited	2019-20
Ministry of Science and Technology		
44.	Pakistan Science Foundation	2017-18 to 2019-20
45.	Pakistan Scientific & Technological Information Centre	2017-18 to 2019-20
46.	Pakistan Museum of Natural History	2017-18 to 2019-20
Ministry of Energy (Power Division)		
47.	National Engineering Services Pakistan (Pvt.) Limited	2018-19 & 2019-20
Ministry of Federal Education & Professional Training		
48.	NFC Institute of Engineering & Fertilizer Research (Pvt.) Ltd. Faisalabad	2019-20
49.	National Book Foundation	2017-18 to 2019-20
Ministry of National Health Services Regulation and Coordination		
50.	National Institute of Health Biological Production Division	2018-19 & 2019-20

Annex-3

Organizations under liquidation / closed

The under-mentioned Corporations / Units have closed their operational activities. In some cases decision about their privatization/liquidation has already been taken but implementation of the same was awaited.

S. No.	Name of Ministry/Division/Organization	Status/Remarks
AVIATION DIVISION (CABINET DIVISION)		
Pakistan International Airlines Corporation		
1	Midway House (Pvt.) Limited	Business closed since 2000; however, liquidation is still in process.
CABINET DIVISION		
2	PTDC Motels South (Pvt.) Limited	Operational activities closed since 1990
3	Malam Jabba Resorts Limited	Operational activities closed since May 2008
4	Associated Hotel of Pakistan Limited	Operation closed since long
5	Pakistan Tours Limited	Operation closed since long
FINANCE DIVISION		
6	Agricultural Marketing and Storage (Pvt.) Ltd.	Under liquidation since 1993
7	Federal Bank for Co-operatives	Under liquidation since 2002
MINISTRY OF INDUSTRIES		
Pakistan Automobile Corporation Limited		
8	Pakistan Motorcar Company (Pvt.) Limited	Operation closed since 1992; however, liquidation is still in process.
9	Republic Motors (Pvt.) Limited	Operation closed since 1986; however, liquidation is still in process.
State Cement Corporation of Pakistan (Pvt.) Limited		
10	Associated Cement Limited, Rohri	Operation closed since 1998. The Company was placed under liquidation on June 28, 2005, which is still in process.

Annex-4

Recoveries made at the instance of Audit

During the year 2020-21, audit of the accounts for the year 2019-20 of Public Sector Enterprises of Federal Government was conducted and results thereof, pinpointing various types of financial irregularities and loss of public money, etc. were communicated to administrative Ministries / Divisions and Organizations concerned in the shape of Audit Inspection Reports and Audit Paras.

In certain cases, the concerned formations while accepting the loss / irregularities pointed out by Audit, made recoveries to the tune of Rs. 9,343.499 million at the instance / pursuance of audit as detailed below:

(Rs. in million)

S#	Name of Ministry / Division / organization	Brief Particulars of Recoveries	Amount recovered at the instance of audit
Ministry of Commerce & Textile			
1	PRCL	Non-Recovery of premium from various companies	3,212.000
2	PRCL	Non-Recovery from other insurance companies	3,814.000
3	PRCL	Non-Recovery from insurance companies	920.000
4	PRCL	Non-Recovery of premium from insurance companies	4.748
Ministry of Defence Production			
5	KS&EW	Non-recovery of dues from customers	431.061
6	KS&EW	Non-recovery of services charges	415.616
Ministry of Industries & Production			
8	EPZA	Non-Recovery of outstanding balance on account of electricity & water bill charges	4.906
9	EPZA	Non-recovery of outstanding dues from a closed unit	4.826
10	EPZA	Non-recovery of various companies	33.741
11	ENAR Petrotech	Non-recovery of services charges	53.720
12	ENAR Petrotech	Audit Comments	5.00
13	ENAR Petrotech	Non-Recovery of prepayments and receivable	6.870
14	ENAR Petrotech	Non-recovery of services charges	40.646
15	ENAR Petrotech	Non-recovery of retention money	1.754
16	ENAR Petrotech	Non-recovery of outstanding dues against different debtors	11.975
17	NIPD& MC	Irregular payment of foreign visits	0.622
18	PIDC	Irregular payment due to benefits rewarded CEO	0.810
19	PIDC	Non-Recovery of outstanding rent from tenants	1.809
19	PIDC	Non-recovery of outstanding dues	0.148
20	PMTF	Expected loss due to non-recovery	33.333

21	PSM	Non-recovery of various charges	13.246
22	PSM	Non-Recovery of water supply charges	3.382
23	PSM	Non-Recovery of electricity charges	40.130
24	USC	Embezzlement due to non-observance of store operational manual - Rs. 14.467 million	2.548
25	HEC	Trade Debts increased to Rs. 285.48 million as on June 30, 2016 (Rs. 204.86 million June 30, 2015). Provision for doubtful debts decreased to Rs. 32.10 million during the year as against Rs. 133.43 million of the previous year. The decrease was due to writing off the doubtful debts of Rs. 100.82 million.	174.738
26	TUSDEC	Irregular appointment of a consultant without advertisement – Rs. 0.744 million	0.744
Federal Education & Professional Training			
27	NBF	As per Note 16, receivable from employees increased by 188.47% i.e. from Rs. 0.78 million in 2013-14 to Rs. 2.25 million in 2014-15 due to some irregularity at Khairpur branch and an inquiry was being held. The same may be shared with audit and responsibility fixed besides early recovery.	1.513
Finance Division			
28	ZTBL	Loss due to disbursement of loan on fictitious documents – Rs. 5.101 million	1.373
29	ZTBL	Default of loan due to deliberate over estimating the mortgaged area - Rs. 1.950 million	2.500
30	ZTBL	Non-recovery of advance from Ex-SEVP – Rs. 5.217 million	5.217
31	ZTBL	Non-recovery of loans from the borrowers under Tractor Scheme and Sada Bahar Scheme - Rs. 4.378 million	3.826
32	ZTBL	Blockage of funds due to non-recovery of SAM Loans – Rs. 1.733 million	1.225
33	ZTBL	Irregular disbursement of loans on the basis of fake CNIC & non-recovery of outstanding balance - Rs. 211.287 million	47.515
34	ZTBL	Non-recovery of penalties imposed by SBP - Rs. 57.28 million	13.152
35	ZTBL	Loss due to laxity on the part of management - Rs. 0.750 million	0.450
National Food Security & Research			
36	PASSCO	Loss due to purchase of super basmati at enhanced rates – Rs. 14.000 million	3.850
37	PASSCO	Shortage of Rice – Rs. 10.713 million	7.700
38	PASSCO	Loss due to non-collection of cess from cigarette manufactures - Rs. 81.13 million	3.810
39	PASSCO	Loss due to ground shortage of head rice, super basmati and broken rice - Rs. 35.10 million	2.103
40	PASSCO	Non-forfeiture of security deposit, performance security bond – Rs. 16.380 million	16.380

41	PASSCO	Overpayment due to paying higher rate to contractor – Rs. 3.793 million	0.512
		Total	9,343.499

Annex-5

(See Para No. 1.1.4.2)

Statement showing detail of mismanagement and mishandling of inventory

Engineering & Maintenance Department

Aircraft wise inventory position		
S.#	Description	Amount of Inventory (Rs.)
1	B 747-300	704,387,489
2	B 707	49,743,594
3	J 747-200	1,077,651,006
4	A 310	2,537,193,888
5	B 737	775,757,179
6	Unidentified rotables	2,027,487,000
	Total	5,144,733,157

Supply Chain Management

S#	Stock Room No.	Short Items	Value in Rs.
1.	SR-26	12	76,693
2.	SR-58	27	136,876
3.	SR-20	572	3,931,744
4.	SR-39	134	22,174,884
5.	SR-81	163	14,684,091
6.	SR-80	3	460,631
7.	SR-89	37	743,443
8.	SR-16	5	48,192
9.	SR-82	11	300,936
10.	SR-41	11	26,455
11.	SR-45	89	63,737,718
	Total	1,064	106,321,663

Statement showing detail of non-recovery of outstanding dues

SALES & MARKETING DEPARTMENT

(Against Agents)

(Amount in Rs.)

Period upto Dec-2019	Sum of upto 31-90 days	Sum of upto 91-365 days	Sum of upto 365+ days	Sum of outstanding Amount
International	63,208,687	730,820,747	955,956,858	1,749,986,292
Domestic	25,838,281	172,150,051	429,093,634	627,081,966
Total	89,046,968	902,970,798	1,385,050,492	2,377,068,258

(VARIOUS CUSTOMERS AND GOVT. PARTIES)

(Amount in Rs.)

Period	Invoice OU	Sum of upto 31-90 days	Sum of upto 91-365 days	Sum of upto 365+ days	Sum of outstanding Amount
Dec-2019	Commercial	5,421,133	23,902,631	180,756,591	210,080,355
	Government	-	1,393,956,812	872,947,572	2,266,904,384
	Total	5,421,133	1,417,859,443	1,053,704,163	2,476,984,739

ENGINEERING & MAINTENANCE DEPARTMENT

(Amount in Rs.)

S#	Customer Name	Outstanding	31-90 Days	91-365 Days	365+ Days
1	Govt. of Sindh	27,284	42,002	185,282	
2	Civil Aviation Authority	2,350,969		2,350,969	
3	Deptt. Of Plant Protection	165,498	165,498	-	-
4	P N S Mehran	11,161,810		11,161,810	
5	Serene Air	147,708		147,708	
6	Govt. of Balochistan	448,453	300,440	113,960	34,053
7	Aviation Wing Sindh	700,161	622,461	77,700	
8	Shaheen Air	93,325		39,171	54,154
9	Pratt & Whitney	44,348,122		44,348,122	
10	Govt. of Punjab	202,020		160,580	41,440
11	Jordan Aviation (PSC)	2,765,024		481,711	2,283,313
12	LUCKY AIR (Pvt.) Ltd.	8,288			8,288
13	Omni Aviation	17,257		681	16,576
14	PAF Base Faisal	171,334		171,334	
	Total	62,807,254	1,130,401	59,239,029	2,437,824

CARGO DEPARTMENT

(Cargo Leisure Club)

Customer	Invoice Type Inv	Days Past Due	365 + Days (Rs.)
Leisure Cargo	BSA-Cargo	730	206,341,594
Leisure Cargo	BSA-Cargo	564	90,409,445
Leisure Cargo	BSA-Cargo	533	61,711,989
Leisure Cargo	BSA-Cargo	442	59,097,015
Leisure Cargo	BSA-Cargo	378	56,525,101
Leisure Cargo	BSA-Cargo	502	51,469,268
Leisure Cargo	BSA-Cargo	411	49,530,485
Leisure Cargo	BSA-Cargo	594	22,030,186
Leisure Cargo	BSA-Cargo	640	6,262,014
Leisure Cargo	BSA-Cargo	472	5,713,764
Leisure Cargo	BSA-Cargo	610	3,090,390
Leisure Cargo	BSA-Cargo	730	1,560,006
Leisure Cargo	BSA-Cargo	683	310,261
Leisure Cargo	BSA-Cargo	655	100,515
Total			614,152,032

(Govt. Departments)

Particulars	Amount (Rs. In million)
Opening Balance	68.36
Add: Invoices raised	116.218
Total	184.579
Less: Payments received	(12.719)
Closing Balance	171.860

(Pakistan Post)

Customer	Days Past Due 91-365 Days (Rs.)	Days Past Due 365+ Days (Rs.)
Pakistan Post	1,058,075.92	6,000
Pakistan Post	249,442.99	192,4094
Pakistan Post	513,990.54	111,564.91
Pakistan Post	466,044.55	111,627.51
Pakistan Post	747,446.58	135,684.48
Pakistan Post	650,154.31	177,401.24
Pakistan Post	1,102,405.54	1,7764
Pakistan Post	517,683.08	167,993.78
Pakistan Post	1,151,088.83	155,408.84
Pakistan Post	649,232.01	587,588.08
Pakistan Post	312,027.02	139,434.34

Pakistan Post	625,349.39	286,679.59
Pakistan Post	278,485.81	459,450.47
Pakistan Post	1,387,670.59	221,754.97
Pakistan Post	1,622,354.16	186,028.36
Pakistan Post	1,661,157.33	281,957.32
Pakistan Post	8,788,420.05	102,127.74
Pakistan Post	1,364,336.56	173,410.93
Pakistan Post	633,702.1	315,131.62
Pakistan Post	4,475,592.41	113,886.97
Pakistan Post	807,709.82	167,213.68
Pakistan Post	331,413.54	273,945.95
Pakistan Post	4,597,452.46	2,042,016.12
Pakistan Post	-	135,404.85
Pakistan Post	-	130,178.55
Pakistan Post	-	782,993.58
Pakistan Post	-	652,519.79
Pakistan Post	-	16,2547
Pakistan Post	-	3,281,26.88
Pakistan Post	-	33,6378.25
Pakistan Post	-	214,359.18
Pakistan Post	-	145,041.88
Pakistan Post	-	335,101.49
Pakistan Post	-	138,487.77
Pakistan Post	-	298328.35
Pakistan Post	-	210339.63
Pakistan Post	-	601,09.38
Pakistan Post	-	197,980.06
Pakistan Post	-	291,773.12
Pakistan Post	-	110,758
Pakistan Post	-	629798.68
Pakistan Post	-	250,914.62
Pakistan Post	-	629,0548
Pakistan Post	-	4,4934
Pakistan Post	-	100,000
Pakistan Post	-	100,000
Pakistan Post	-	11,691.32
Total	33,991,235	20,116,479
Grand Total		54,107,714

SPEEDEX DEPARTMENT**(Speedex Inactive Clients)**

Payment Type	2018 (Rs.)	2019 (Rs.)	2020 (Rs.)
Credit Corporate	16,681	8,224	13,297
Credit Corporate	2,516	88,455	
Credit Corporate			2,278
Credit Corporate			1,315
Credit Corporate	1,885	-	14,914
Credit Corporate			1,411
Credit Corporate			732
Credit Corporate			2,102
Credit Corporate	9,866	99,039	446,332
Credit Corporate		3,105	31
Credit Corporate		926	1,268
Credit Corporate	38,344	7,241	
Credit Corporate			73,779
Credit Corporate	5,661	102	38,411
Credit Corporate	20	-	3,617
Credit Corporate			174
Credit Corporate			162
Credit Corporate	13,340	30,734	34,485
Credit Corporate			729
Credit Corporate	595	108	2,797
Credit Corporate	297	81	6,057
Credit Corporate	11,139	48,036	119,469
Credit Corporate			45,350
Credit Corporate		-	17,505
Credit Corporate		-	25,925
Credit Corporate	1,698		
Credit Corporate	58,571	50,346	83
Credit Corporate		1,418	2,013
Credit Corporate		745	6,051
Credit Corporate			162
Credit Corporate	149		
Credit Corporate		-	10,437
Credit Corporate		1	8,682
Credit Corporate			368
Credit Corporate	11,138	56,187	33,593
Credit Corporate	453	2,574	14,606
Credit Corporate		583	12,477
Credit Corporate		28,355	358,844
Credit Corporate	14	360	5,148
Credit Corporate	2,655	2,328	8,910
Credit Corporate		-	42,534

Credit Corporate			609
Credit Corporate	219,277		1,354
Credit Corporate			1,745
Credit Corporate		-	585
Credit Corporate		-	7,994
Credit Corporate		385	
Credit Corporate	3,145		
Credit Corporate	36,620		
Credit Corporate			81
Credit Corporate		8,085	9,425
Credit Corporate			11,987
Credit Corporate			6,254
Credit Corporate	9,703		49,249
Credit Corporate	71	1	31,763
Credit Corporate	81		3,267
Credit Corporate		11,641	5,355
Credit Corporate	36,968	14,567	
Credit Corporate		257	-
Credit Corporate		-	27,753
Credit Corporate	11,657	9,609	499,929
Credit Corporate		8,500	4,417
Credit Corporate		10,551	45,730
Credit Corporate	880	103	
Credit Corporate		-	636
Credit Corporate		3,885	17,628
Credit Corporate		1	13,061
Credit Corporate	2,725	-	197,010
Credit Corporate	13,794		
Credit Corporate			554
Credit Corporate			591
Credit Corporate	23,673		202
Credit Corporate			70,917
Credit Corporate	16,563		684
Credit Corporate			20,759
Credit Corporate			27,111
Credit Corporate			23,363
Credit Corporate			7,118
Credit Corporate	35,039	15,496	12,989
Credit Corporate			149
Credit Corporate			286
Credit Corporate	5,146	-	37,228
Credit Corporate			3,145
Credit Corporate			61,489
Credit Corporate		-	1,496,659
Credit Corporate		1,143,596	792,714

Credit Corporate		-	22,439
Credit Corporate			5,917
Total	590,364	1,652,027	4,876,194
GRAND TOTAL	7,118,585		

Speedex General Customers)

Name of Customer	Category	Outstanding Amount (Rs.)		
		2018	2019	2020
Dewan Motors Pvt. Ltd.	Credit Corporate	12,670	79,523	177,820
Adil Thread	Credit Corporate			4,272
Atlas Honda Limited	Credit Corporate	94,176	59,502	1,703,821
NIFT	Credit Corporate	64,985	138,057	583,570
NIFT(Chundrigar Branch)	Credit Corporate	11,913	33,035	179,725
Marvi Interiors	Credit Corporate	1,373	1,851	78,009
Deco Rays	Credit Corporate	291	-	177,711
Nadiya Kassam Footwear	Credit Corporate			696
Bobby House	Credit Corporate		987	28,237
Roomi Chemical Industries	Credit Corporate			62,115
Dynamic Interior	Credit Corporate		-	524,044
Augere Pakistan Pvt. Ltd.	Credit Corporate			8,596
Net Sat Pvt. Ltd.	Credit Corporate		-	419,913
Timber Terminal	Credit Corporate		10,000	102,553
M/S Wall Boutique	Credit Corporate		56,359	203,060
Bismillah Traders	Credit Corporate			21,062
Ec & Cs	Credit Corporate			5,767
Jummani Enterprises	Credit Corporate		-	54,266
Sayed International	Credit Corporate			15,285
Total		185,408	379,074	4,350,522
Grand Total	4,915,004			

(Speedex Franchises)

Customer Name	Receivables (Rs.)
ARS Enterprises	64,221
FMS Services	133,456
Hashmi Shipper	52,000
ARS Enterprises	316,320
FMS Services	146,875
ARS Enterprises	38,700
FMS Services	134,077
FMS Cash Sale	106

Mehran Enterprises	8,554
ARS Enterprises	134,094
FMS Services	158,260
FMS Services	143,384
IS International	10,025
ARS Enterprises	14,360
FMS Services	84,582
Hashmi Shipper	782
IS International	36,519
Mehran Enterprises	1,544
ARS Enterprises	16,659
FMS Services	106,753
Mehran enterprises	60,852
ARS Enterprises	124,999
FMS Services	61,980
Mehran Enterprises	12,135
ARS Enterprises	150,000
ARS Enterprises	150,000
FMS Services	244,287
The Cargo Linkers	59,998
ARS Enterprises	656,468
FMS Services	317,071
Hashmi Shipper	353,180
The Cargo linkers	55,326
Total	3,847,567

Speedex Agents Lahore

	Rs. in million
Speedex agents / franchisers	12.511

Speed Ex Sukkur

	Rs. in million
Corporate Clients	3.97

Islamabad Station

(Govt. Authorities)

Sr. No.	Period as on 2010-18	Amount (Rs. In million)
01	M/o Religious Affairs	110.500
02	Mr. Rahmatullah Consultant (PM Secretariat)	2.400
03	Senate & National Assembly Secretariat	301.650
04	M/o Foreign Affairs	1.100
05	HEC	0.657

06	PAF Hospital Islamabad	0.084
07	PAF Shahbaz	0.072
08	Higher Education Commission (HEC)	0.238
09	Higher Commission India	0.002
10	PAF Academy Asghar Khan Risalpur	0.041
11	PAF (AHQ) Kamra	0.210
Total		416.954

(General Receivables)

Aging of trade debts	Aging of Trade Debts	Net Trade Debts as on December 31, 2019 (Rs)
	31-60 days	5,333,808
	61-90 days	306,151
	91-180 days	100,310
	181-365 days	121,878,710
	366 days and above	119,892,945
Total Trade Debts-Net		247,511,924

Quetta Station

S#	Name of entity	Outstanding Amount (Rs)
1	Bank of America	636,824
2	Controller Military Accounts	22,327,528
3	Controller of Naval	12,427
4	Gerry's Dnata Pvt. Ltd.	74,716
5	Pakistan Airforce	687,250
6	Pakistan Frontier Core	3,960
7	Pakistan Navy	18,574
8	Royal Airport Services	1,490,446
9	Shaheen Airport Services	1,257,776
10	Speedex	1,322,251
11	PIA Cargo	125,608
Total:		27,957,360

Food Services

S#	Name of Defaulter	Period	Amount (Rs. in million)
1.	Ministry of Foreign Affairs	March 2015 to August 2015	0.400
2.	Prime Minister House Islamabad	January 2010 to Dec 2018	0.541
3.	President of Pakistan Secretariat	January 2010 to January 2018	0.312
		Total	1.253

FINANCE BHP PETROLEUM

Customer	Invoice Type Inv.	Days Overdue	Amount (Rs)
BHP Petroleum Pak (Pvt.) Ltd.	Open-Misc. Inv.	1,095	3,699,883
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,095	3,699,883
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,926	1,260,651
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,138	1,102,500
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,250	1,036,882
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,719	1,014,425
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,707	768,080
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,838	620,622
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,723	620,622
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,904	597,150
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,923	530,800
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,167	426,424
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,801	409,691
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,851	398,100
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,015	398,100
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,220	385,692
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,143	379,043
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,132	379,043
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,086	331,663
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,801	327,760
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,504	320,843
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,313	315,540
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,250	315,188
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,615	307,402
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sales	1,731	307,402
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,864	303,130
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	3,160	303,124
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,932	298,061
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,722	275,832
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	3,063	267,958
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,526	256,674
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,605	256,674
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,461	256,674
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,313	252,432
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,217	252,432
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,820	245,921
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,650	245,921
BHP Petroleum Pak (Pvt.) Ltd.	Open-Misc. Inv.	1,095	202,859
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,095	202,859
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,978	190,827
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,401	189,324
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,128	145,533
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,939	79,946

BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,208	48,702
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,903	43,997
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,586	42,649
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,868	37,891
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	1,587	16,257
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,706	6,959
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,583	4,385
BHP Petroleum Pak (Pvt.) Ltd.	Pax-Sale-Dom-Inv.	2,864	2,535
Total			24,382,945

Annex-7

(See Para No. 1.1.4.8)

Statement showing detail of non-filing and non-settlement of insurance claims

S#	Date of Loss	Description	Amount outstanding in USD \$
1	20.03.2018	(Hull AP-BHH ATR-42)F.O.D Engine # 2 ED-1458 at ISB	Claim not longed (amount not ascertained)
2	18.03.2018	(Hull AP-BGY B-777) Engine Thrust Reverser ISB	Claim not longed US\$ 554,330.87
3	23.11.2018	(Hull AP-BHP ATR-42) F.O.D. Engine # 2 ED-0006	Claim not longed (amount not ascertained)
4	04.01.2019	(Hull AP-BHI ATR-42)FOD at LHE Engine # EB-1556	Claim not longed (amount not ascertained)
5	30.12.2019	(Hull AP-BGK B-777 Enginee #1 Incident PK-792 ISB	Claim not longed (amount not ascertained)

Annex-8 (A)

(See Para No. 1.1.4.12)

Statement showing the detail of Shortfall in Bank Guarantees**Bank Guarantee vs Sales**

(Amount in Rs.)						
S#	Name of Agency	PSA Gross Sales-2017	Average Six Weeks Sales	Bank Guarantee as on Feb, 2018	Required Bank Guarantee as per Agreement	Bank Guarantee Short Received
1.	Air Bridge	1,015,526,338	117,176,116	2,000,000	117,176,116	115,176,116
2.	Al Saudia	26,236,488	3,027,287	3,000,000	3,027,287	27,287
3.	Rehman	329,409,554	3,8008,795	20,000,000	38,008,795	18,008,795
4.	Travel Times	59,644,463	6,882,053	4,000,000	6,882,053	2,882,053
5.	Streamline	23,878,591	2,755,222	2,000,000	2,775,222	755,222
6.	SAk Travel	57,211,129	6,601,284	2,000,000	6,601,284	4,601,284
7.	Ramada Int	922,070,862	106,392,792	20,000,000	106,392,792	86392,792
8.	VE-Fly Travel	141,226,938	16,295,416	2,000,000	16,295,416	14,295,416
9.	Royal Air Travels	54,376,647	6,274,229	4,000,000	6,274,229	2,274,229
10.	Sonya Tours	1,288,823,117	148,710,360	15,000,000	148,710,360	133,710,360
Total						378,717,994

Islamabad Station

Name of Agent	Bank Guarantee (Rs.)	Financial Exposure (Rs.)	Risk (Rs.)
Ramada International	31,000,000	332,129,429	301,129,429
Sonya Tours	26,500,000	212,397,745	185,897,745
Royal Air Travel	7,000,000	31,565,604	24,656,604
Rehman Travel	20,000,000	27,408,363	7,408,363
Total			519,092,141

Annex-8 (B)

(See Para No. 1.1.4.12)

Statement showing loss due to default by sales and cargo agents**PSA Sales Agents**

S. No.	Periods	Amount in Rs.
1.	1 to 2 years	8,666,357
2.	2 to 3 years	270,400,741
3.	Over 3 years	385,573,710
Total		664,640,808

Cargo Sales Agent

S. No.	Station	Agent Name	Default Date	Default Amount (Rs.)
Domestic				
1	Karachi	M/s Cargo Aids	Sept, 2007	127,414,289
2	Lahore	M/s Cargo Aids	Sept, 2007	87,183
3	Rawalpindi	M/s Pakistan Frt Plus	March, 2010	694,122
4	Peshawar	Tariq Traders	Sept, 2016	390,355
International				
5	New York	Veteran Transport	March, 2011	210,556
Total				128,796,505

Quetta Station PSA

(Amount in Rs.)			
M/s. Mashriq Travel PSA Quetta			
Period	Sale	Bank Guarantee	Type of sale
16-30 APRIL, 2018	3,885,058	700,000	International
01-15 MAY, 2018	2,208,190	-do-	International
16-31 MAY, 2018	8,097,018	-do-	International
Total	14,190,266		
M/s. Rehman Tours & Travels			
Period	Sale	Capping	Type of sale
01-15 January, 2018	6,239,703	4,750,000	Domestic & Inter.
16-31 January, 2018	4,275,334	-do-	Domestic & Inter.
01-15 June, 2018	5,179,894	-do-	Domestic & Inter.
16-31 Dec, 2018	5,890,333	-do-	Domestic & Inter.
01-15 January, 2019	4,709,397	-do-	Domestic & Inter.
16-31 January, 2019	7,686,883	-do-	Domestic & Inter.
01-15 March, 2019	7,053,716	-do-	Domestic & Inter.
16-31 March, 2019	7,099,096	-do-	Domestic & Inter.
01-15 April, 2019	6,726,392	-do-	Domestic & Inter.
16-31 Oct, 2019	5,012,664	-do-	Domestic & Inter.
01-15 Nov, 2019	7,485,578	-do-	Domestic & Inter.
16-30 Nov, 2019	7,031,667	-do-	Domestic & Inter.
16-31 Dec, 2019	6,572,676	-do-	Domestic & Inter.
01-15 Dec, 2019	8,583,539	-do-	Domestic & Inter.
Total	89,546,872		
Grand Total	103,737,138		

Annex-9

(See Para No. 1.1.4.16)

Statement showing detail of irregular extensions of contracts

Department	Name of Supplier / Contractor	Contract Period	Irregular Extension Period	Financial Impact (Rs)
Supply Chain Management	M/s AT&T	(2005-2008) 36 months	(Feb-09 to Nov-14) 70 months	(US\$6,300,000xRs. 80 per US\$) 504,000,000
Supply Chain Management	M/s Filly Transport Services	(2016-2019) 36 months	(Aug-19 to July-20) 12 months	18,888,324
Supply Chain Management	M/s Wateen Telecom	(2014-2017) 36 months	(Dec-17 to Sept-18) 10 months	67,500,000
Manchester Station	M/s Alpha LSG	(2017-2018) 12 months	(June-18 to Oct-18) 98 days	59,071,000
Toronto Station	M/s CLS Catering	(2016-2017) 12 months	(Apr-19 to Sept-19) 128 days	34,043,100
Flight Kitchen	M/s Beijing Air Catering	(2015-2018) 36 months	(Nov-18 to Feb-19) & (July-19 to Oct-19) 8.5 months	57,625,000
Speedex	M/s Filly Transport Services	(2012-2015) 36 months	(July-15 to Mar-17) 16 months	24,000,000
Quetta Station	Various	-	-	52,588,324
Islamabad Station	M/s Mehboob Brothers	(2010-2013) 36 months	(Oct-14 to Oct-15) 12 months	8,400,000
Islamabad Station	M/s Airport Limousine Services	(2017-2018) 24 months	(Jan-18 to June-18) 6 months	15,570,000
Flight Kitchen	M/s Excel Enterprises	(2016-2019) 36 months	(Nov-19 to Mar-20) 120 days	3,266,000
Total				844,951,748

Annex-10

(See Para No.1.1.4.19)

Statement showing details of loss due to extra ordinary delay

S. #	ESN	Off-wing Date	TAT (As per agreement)	Next Removal	Per day lease Rental (US \$)	Date of Return of engine as per TAT	Days excess utilized of Rental Engine	Amount (US \$)
1	900-440	16.04.2019	90-100 days	23.05.2020	7,000	26.07.2019	295	2,065,000
2	906-279	19.08.2018	90-100 days	22.04.2019	10,000	29.11.2018 however rent started from 05.02.2019	77	770,000
Total								2,835,000
Total in Rs. @ Rs. 160 per USD								453,600,000

Annex-11

(See Para No. 1.1.4.22)

Comparison of Previous Rates vs Existing Rates

(Amount in Rs.)

S. #	Description	Station	Quantity (kg)	Av. PPA rate	Factor rate	Total rate	Amount	Previous rate	Amount	Difference amount
1	Chicken Boti	KHI	240,000	158	2.40	379.20	91,008,000	331.80	79,632,000	11,376,000
2	Frozen Boneless	ISB	214,000	158	2.40	379.20	81,148,800		71,007,340	10,141,460
3	Chicken Breast	KHI	47000	158	2.40	379.20	17,822,400		15,595,070	2,227,330
4	Chicken Breast	ISB	30,000	158	2.40	379.20	11,376,000		9,954,300	1,421,700
5	Chicken Carcass	KHI	8400	158	0.275	43.45	364,980		252,168	112,812
6		ISB	2500	158	0.275	43.45	1,086,25		75,500	33,125
Total							201,828,803			25,312,427

Thawing Loss calculation

S. #	Description (Chicken)	Quantity (kg)	Rate (Rs.)	Amount (Rs. In million)	Thawing loss %	Loss (Rs. in million)
1.	Boti frozen Boneless	264,000	379.2	108.98	9.5%	9.53
2.	Breast frozen Boneless	13,838	379.2	5.2	9.5%	0.49

Total	10.02

Annex-12

(See Para No. 1.1.4.30)

Losses due to misconduct of employees

Sr. #	Name	Remarks	Amount (Rs. in million)
1.	Mr. Asim Baber (P-47009)	- As Country Manager UK & Ireland allowed over-trading to the agent M/s AAN Travel Agent - The agent defaulted an amount of GBP 402,468.64 and Mr. Asim Baber was issued show-cause notice 27.4.2016 and was removed from service on 02.07.2020 after a lapse of almost 7 years - No mention of recovery could be found	60.370
2.	Mr. Aftab A. Rajpar (P-45510)	- As Station Manager, Oslo entered into an agreement with travel agent M/s Travel International in conflict with the company policy as well as existing GSA without any legal authority or approval from the competent authority. - Upon inquiry was found guilty compulsorily retired from service on 31.12.219 and penalized an amount of NOK 918,095. - No recovery has been made	16.115
3.	Mr. Khalil A. Mughal (P-49008)	- Upon completion of tenure was transferred back to Pakistan from Amsterdam. - Went into litigation but upon losing legal battle was ordered by the court to pay EUR 57,324 to PIAC and allowed to join back on 22.11.2016 on condition of the said payment. - Was issued a show-cause after 1.5 years for non-payment and no recovery has been made to date	7.739
4.	Mr. Nadeem Bangash	- Caused PIAC a loss of Rs. 6.087 million on account of payments made to contractor M/s A.S. Engineering through forged/tempered documents. - Inquiry report dated 21.12.2017 found him guilty of the offense but no action taken to-date	6.087
Total			90.311

Annex-13

(See Para No. 1.1.4.41)

Irregular payment of inadmissible allowances

(Amount in Rs.)

Pay & Allowances	Y. M. Khan (P-46196)	Usman Akhtar (P-53017)
Special Pay	127,042	118,402
Special Allowance (Officer)	67,477	57,485
Approval Allowance	76,366	76,366
Endorsement Allowance	38,937	28,000
Sub-total	309,822 per month	280,253 per month
Total Period Drawn	24 months	21 months
Total Amount	7,435,728	5,885,313
Grand Total		13,321,041

Annex-14

(See Para No. 1.1.4.47)

Undue favour extended through irregular promotions and selections / re-designations

Mr. Syed Ahmed Faraz (P-56810)

Mr. Syed Ahmed Faraz (P-56810) was appointed as Communication Engineer (PG-V) for a five year contract period and joined his duties on 17.02.2003. A revised offer letter was then issued on 26.02.2003 whereby, he was appointed as Network Engineer (PG-VI). It was further observed that while still being a contractual employee, he was then promoted from PG-VII to PG-VIII on 01.01.2007 with less than four years of total service. His promotion from PG-VI to PG-VII remains a mystery. The service of Mr. Syed Ahmed Faraz was then made permanent on 23.07.2009. He was then promoted to PG-IX w.e.f. from 13.03.2014 after less than the minimum requirement of five years of service. Also, he was then promoted to PG-X on 11.09.2019.

Audit is of the view that promotions of Mr. Syed Ahmed Faraz from PG-V to PG-VIII stand irregular as they were in violation of the above mentioned promotion criteria. Furthermore, his promotions from PG-VIII to PG-X also stand irregular as he did not meet the minimum service period criteria. In the case of Mr. Syed Ahmad Faraz all PIAC HR and Promotion Rules have been completely set aside in order to extend an extra-ordinary undue favour to him. His elevation

from a contractual employee in PG-V to a permanent employee in PG-X within sixteen years of service beggars belief.

Mr. M. Asim Shaikh (P-54852)

During audit of PIAC, Human Resource Department for the years 2018 & 2019, it was observed that Mr. M. Asim Shaikh (P-54852) was inducted in PIA as Trainee Engineer in Group-V on 25.02.1996 and had signed a bond to serve in PIAC for a period of 20 years. On 20.07.2001 he was selected as Planning Officer in PG-VI. Later on, on 27.07.2005 he applied for the position in middle management cadre PG-VIII in response to an advertisement by PIAC. Subsequently, the management through Letter No. EMP: PLC: 05:01:06 dated 19.01.2006 sent him an offer for employment in PG-VIII. Consequently, on 12.06.2006 he resigned from his existing PG-VI and joined in PG-VIII dated 15.06.2006 on contract basis for a period of 2 years w.e.f. 12.10.2006 to 11.10.2008 and his service was then made permanent on 01.11.2012 and is currently working PG-X.

Audit is of the view that Mr. M. Asim Shaikh being employee could not have applied for the middle management cadre Group-VIII as it was two Pay Groups higher than his existing Pay Group-VI. The management wrongfully not only accepted his application but also offered him the post in clear violation of the above mentioned rules. Therefore, his service since 12.10.2006 stands completely irregular. Furthermore, since he resigned from his PG-VI post he should have submitted the bond money as laid down in the bond agreement. Total amount (Bond money + all salaries drawn since PG-VIII) stands recoverable.

Ms. Maryam Khan (P-61403)

Ms. Maryam Khan (P-61403) was appointed as Trainee Officer (PG-VI) for a five year contract period and joined her duties on 14.02.2005. Her services were then made permanent on 01.07.2009. She was promoted from PG-VI to PG-VII w.e.f. 30.08.2012. She was then selected in PG-VIII on 04.03.2016 as Manager, Revenue Management Division of Marketing Department through an internal advertisement without holding a promotion board. The selection order stated that the selected employee will not be re-designated / transferred to another position / location for a period not less than 06 years. Lastly, after just two years of her last elevation she was selected in PG-IX on 17.05.2018 as DGM, Pakistan

again through an internal advertisement without holding a promotion board. Again the selection order stated that the selected employee will not be re-designated / transferred to another position/location for a period not less than 06 years and yet again she was transferred and posted as Manager Manchester (UK) on 11.01.2019 where she is presently posted.

Audit is of the view that elevation of Ms. Maryam Khan from PG-VII to PG-IX stand irregular as they were in violation of the above mentioned promotion criteria. Furthermore, her selections also stand violated as she did not meet the minimum service period criteria on both the occasions.

Mr. Syed Qamar Maqbool (P-51503)

Mr. Syed Qamar Maqbool (P-51503) joined PIAC on 23.09.1990 as Stenographer (PG-IV). Later on, he was promoted to PG-VI w.e.f. 01.01.2007. He was then selected in PG-VII on 07.12.2009 as Assistant Manager, Air Service Agreement of Marketing Department through an internal advertisement without holding a promotion board. Later on, he was promoted to PG-VIII and then PG-IX and is currently working as DGM, Marketing Division.

Audit is of the view that the selection of Mr. Syed Qamar Maqbool in PG-VII through internal advertisements is in violation of the above mentioned rule. His elevation from PG-VI to PG-VII stands irregular since a normal promotion exercise was not held thereby, depriving other senior employees of the opportunity as well as denying the corporation of a competent workforce due to such favoritism. Furthermore, any additional salary/allowances paid due to the irregular selection are recoverable from the employee.

Mr. Taimoor Malik (P-62842)

Mr. Taimoor Ali Malik (P-62842) joined PIAC on a five year contract on 30.07.2007 as Trainee Officer (PG-V) and his services were made permanent on 01.07.2009 in PG-VI. Later on, he was promoted as Assistant Manager (PG-VII) on 22.01.2013 after only three and a half years without having an MBA/MPA degree. He was then selected in PG-VIII on 17.12.2015 as Manager, Revenue Management Division of Marketing Department through an external advertisement without holding a promotion board. The selection order stated that the selected employee will not be re-designated / transferred to another

position/location for a period not less than 06 years. However, on 02.04.2018, after only two and a half years, he was given PG-IX as DGM, Hajj & Umrah again through selection without holding a promotion board. He is currently posted as Country Manager, UK & Ireland since 18.06.2019.

Audit is of the view that the promotion of Mr. Taimoor Ali Malik, from PG-VI to PG-VII is irregular as his service period was less than five years at the time of promotion. Furthermore, his selections in PG-VIII and then in PG-IX through advertisements flout all norms of meritocracy and transparency. His elevation from PG-VI to PG-IX stands irregular since a normal promotion exercise was not held thereby, depriving other senior employees of the opportunity as well as denying the corporation of a competent workforce due to such favoritism. Furthermore, any additional salary / allowances paid due to the irregular selections are recoverable from the employee.

Mr. Abdullah Hafeez Khan (P-62048)

Mr. Abdullah Hafeez Khan (P-62048) joined PIAC on contract on 01.06.2006 as Trainee Officer (PG-V) and his services were made permanent on 01.07.2009 in PG-VI. Later on, he was promoted as Assistant Manager (PG-VII) on 30.08.2012. He was then selected in PG-VIII on 04.03.2016 as Manager, Revenue Management Division of Marketing Department through and internal advertisement without holding a promotion board. The selection order stated that the selected employee will not be re-designated / transferred to another position/location for a period not less than 06 years. However, on 11.10.2018, after only two and a half years, he was given PG-IX as DGM, Brand Management again on through and internal advertisement without holding a promotion board. He is holding the additional charge of General Manager, Public Affairs.

Audit is of the view that the selections of Mr. Abdullah Hafeez Khan in PG-VIII and then in PG-IX through internal advertisements flout all norms of meritocracy and transparency. His elevation from PG-VII to PG-IX stands irregular since a normal promotion exercise was not held thereby, depriving other senior employees of the opportunity as well as denying the corporation of a competent workforce due to such favoritism. Furthermore, any additional salary/allowances paid due to the irregular selections are recoverable from the employee.

Mr. Bilal Noor (P-60657)

During audit of PIAC, Human Resource Department for the years 2018 & 2019, it was observed that Mr. Bilal Noor (P-60657) was given back-dated promotion in PG-VIII on 19.05.2018 w.e.f. 25.05.2012. This was based upon his complain dated 09.10.2017 that he had been unfairly not promoted in PG-VIII when the regular promotion board was held. The management upheld his complain and therefore handed him back-dated promotion. It was noted that his services had been made permanent in PIAC on 01.07.2009. Therefore, at the time of the regular promotion board his total service in PG-VII was 2 years 11 months.

Audit is of the view that he was not eligible to be promoted in PG-VIII and therefore was rightly not promoted. The minimum service should have been 5 years in PG-VII before being eligible to be promoted in PG-VIII. Therefore, his back-dated promotion stands irregular. Also, as per the above-mentioned policy, seniority related grievances could not be addressed after 03 years and clearly undue favor has been extended to him in violation of the above-mentioned rules.

Mr. Ahmed Faraz (P-61885)

Mr. Ahmad Faraz (P-61885) joined PIAC on contract on 15.12.2005 as Trainee Officer (PG-VI) and his services were made permanent on 01.07.2009. Later on, he was promoted as Assistant Manager (PG-VII) on 30.08.2012. He was then selected in PG-VIII on 04.03.2016 as Manager, Revenue Management Division of Marketing Department through an internal advertisement without holding a promotion board. The selection order stated that the selected employee will not be re-designated/transferred to another position/location for a period not less than 06 years. However, on 09.10.2017 he was transferred to Human Resource Department as Officiating Deputy General Manager HR and assigned to look after the functions of GM (HR) and stayed at this post till 19.10.2018. He is currently working as District Manager, Islamabad Station.

Audit is of the view that the selection of Mr. Ahmed Faraz in PG-VIII through internal advertisements stands irregular since a normal promotion exercise was not held thereby, depriving other senior employees of the opportunity. Furthermore, the selection order had categorically stated that the selected employee cannot be re-designated/transferred to another position/location for a period of less than 06 years; therefore his transfer as Officiating DGM (HR) and

any further posting also stands irregular. Any additional salary/allowances paid due to irregular selection are recoverable from the employee.

Mr. Junaid Khan

Mr. Junaid Khan was **promoted** as Manager on February 25, 2019 without observing promotion policy. The following irregularities are made which may please be attended to:

- (1) The Management did not convene any promotion Board and an internal advertisement was given by bypassing the regular promotion policy.
- (2) He was again transferred from the place/position for which he was selected and sent as Manager (C.R.C) clearly showing that his promotion against Revenue Management advertisement was only a transit place and was only sent for an out of turn promotion violating seniority and then sending him to a place / position of his choice.

This shows that Mr. Junaid Khan was given an undue favour due to transfer at Revenue Management without prior experience.

Annex-15
(See Para No. 3.1.4.1)

Statement showing detail of huge placement of funds in Saving Account

(Amount in Rs.)					
Date	Particular	Debit	Credit	Balance	Remarks
02.01.2019	Transfer	0.00	2,800,000,000	6,612,625,890	It took 1 month & 12 days to invest Rs. 6.105 billion out of available balance of Rs. 6.612 billion.
17.01.2019	Transfer (T bills)	2,442,111,000	0.00	3,779,347,626	
14.02.2019	T-Bills	2,684,914,250	0.00	507,869,535	
28.02.2019	Transfer	0.00	2,743,635,125	3,235,395,174	No amount has been invested out of available balance of 3.235 billion from 28.02.2019 to 14.03.2019 (i.e.15 days)
14.03.2019	Transfer	0.00	12,221,646,300	15,457,041,474	08 days has been lapsed to invest Rs. 15.266 billion out of Rs. 15.457 billion available balance.
14.03.2019	Transfer	2,196,666,500	0.00	13,260,374,974	
22.03.2019	Transfer	13,070,383,000	0.00	176,811,975	
16.04.2019	Transfer	0.00	2,494,211,100	2,693,668,336	No amount has been invested from 03.05.2019 to 08.07.2019 (i.e. 05 days)
25.04.2019	Transfer	365,782,125	0.00	1,917,885,661	
29.04.2019	Transfer	1,758,189,600	0.00	159,696,061	
03.05.2019	Transfer	0.00	300,000,000	459,695,511	
03.05.2019	Transfer	0.00	300,000,000	759,695,511	
03.05.2019	Transfer	0.00	239,658,914	999,354,425	
09.05.2019	Transfer	0.00	16,211,548,190	17,210,902,615	
09.05.2019	Transfer	16,386,756,100	0.00	824,146,515	No amount has been invested from 10.07.2019 to 31.07.2019 (i.e.21 days)
18.07.2019	Transfer	0.00	2,166,998,809	2,294,045,962	
18.07.2019	Transfer	0.00	97,750,000	2,391,795,962	
18.07.2019	Transfer	0.00	2,000,000,000	4,391,795,962	
01.08.2019	Transfer	0.00	16,738,013,415	21,420,204,842	It took 1 month 19 days to reinvest 21.239 billion out of 21.420Billion available balance. (i.e. 01.08.2019 to 19.09.2019)
08.08.2019	Transfer	3,357,202,261	0.00	17,223,701,466	
29.08.2019	Transfer	12,116,736,500	0.00	6,102,887,416	
03.09.2019	Transfer	3,884,400,000	0.00	2,218,487,416	
19.09.2019	Transfer	2,037,129,250	0.00	181,358,166	
21.11.2019	Transfer	0.00	16,424,106,675	16,605,463,797	1 month 6 days has been taken to reinvest 16.605 available balance for investment. (i.e. 21.11.2019 to 27.12.2019).
26.11.2019	Transfer	950,255,256	0.00	15,655,208,541	
26.11.2019	Transfer	1,900,510,505	0.00	13,754,697,486	
26.11.2019	Transfer	950,255,253	0.00	12,804,441,683	
03.12.2019	Transfer	1,906,786,572	0.00	10,897,654,561	
03.12.2019	Transfer	1,064,830,997	0.00	9,832,823,014	
03.12.2019	Transfer	952,775,396	0.00	8,880,047,068	
20.12.2019	Transfer	3,824,299,200	0.00	5,055,747,318	
20.12.2019	Transfer	4,500,000,000	0.00	555,747,318	
27.12.2019	Transfer	555,000,000	0.00	746,218	

Annex-16
(See Para No.3.1.4.3)

Statement showing loss due to imprudent share management

Details of decrease in capital value during 2016-18									
	2018			2017		2016		Loss factor 2018 Vs 2016	
Name of Company	Total No. of Shares	Share Value	Total value	Total No. of Shares	Share Value	Total No. of Shares	Share Value	Per Share	Amount
PTCL	2,617,562	9.61	25,154,771	2,617,562	13.05	2,617,562	17.18	(7.57)	(19,814,944)
PSO	452,390	225.43	101,982,278	452,390	293.11	452,390	434	208.57	(94,354,982)
Attock Refinery	190,762	147.52	28,141,210	190,762	234	190,762	425.3	(277.78)	(52,989,868)
Kot Addu Power Company	1,181,944	49.55	58,565,325	1,181,944	53.9	1,181,944	78.61	(29.06)	(34,347,293)
Arif Habib	2,588,722	32.07	83,020,315	2,588,722	35.47	2,588,722	78.8	(46.73)	(120,970,979)
Nishat Power	3,826,488	27.1	103,697,825	3,826,488	34	3,826,488	78.61	(51.51)	(197,102,397)
DG Khan Cement	1,956,760	80.15	156,834,314	1,956,760	133.72	1,956,760	221.11	(140.96)	(275,824,890)
Hubco	7,725,467	85.79	662,767,814	7,725,467	91	7,725,467	123.48	(37.69)	(291,172,851)
Grand total			1,650,672,672						(1,086,578,204)

Annex-17
(See Para No. 3.1.4.6)

Statement showing details of non-recovery of rental income

Non-recovery of rental income					Amount in Rs	
S. #	Tenant M/s NESPAK	Receivable as on 31.12.2018	Rent for the year	Received during the year	Outstanding as on 31.12.2019	
1	(4 th floor-right wing)	9,180,643	13,158,969	12,240,900	10,098,712	
2	(12 th & 13 th Floor-both wing)	40,758,583	39,101,053	53,371,827	26,487,809	
Total (a)					36,586,521	
S. #	Tenant M/s Bearing Point	Receivable as on 31.12.2018	Rent for the year	Received during the year	Outstanding as on 31.12.2019	
1	(10 th floor both floor)	30,869,661	6,865,008	-	37,734,669	
Total (b)					37,734,669	
S#	Tenant M/s SECP	Rev. rates @ 25%	Months	Rent due actual	Rent received	Outstandin g / AR
	2018-2019			@ Rs. 175.78	@ Rs. 140.625	
1	April,18-Sept,18	175.78	6	74,165,098	59,332,500	14,832,598
2	Oct,18-March,19	175.78	6	74,165,098	59,332,500	14,832,598
	Total			148,330,195	118,665,000	29,665,196
3	April, 19-June, 19	175.78	3	37,082,549	29,666,250	7,416,299
4	July, 19- Sept. 19	175.78	3	37,082,549	29,666,250	7,416,299
5	October,19-Dec,19	175.78	3	37,082,549	29,666,250	7,416,299
6	Jan.20 - March, 20	175.78	3	37,082,549	29,642,250	7,440,299
	Total			148,330,195	118,641,000	29,689,196
	Total (c)					59,354,392
	Grand Total					133,675,582

Annex-18
(See Para No. 3.2.4.2)

Statement showing unjustified restatement of figures in annual accounts

Head of A/cs	Note	Restated figures in 2019 Accounts			Restated figures in 2018 Accounts			
		2019	2018 (restated)	2017 (restated)	2018 Actual	2017 (restated)	2018 (difference)	2017 (difference)
Loans and other receivables	14	2,865,239,725	2,863,798,300	2,971,139,157	2,935,562,441	3,030,492,551	71,764,141	-59,353,394
Reinsurance recoveries against outstanding claims	16	3,934,364,721	874,771,237	1,682,694,037	1,351,771,237	2,159,694,037	477,000,000	-477,000,000
Taxation - payments less provision	0	646,673,594	884,893,081	645,478,660	707,762,550	467,706,127	-177,130,531	177,772,533
Reserves	21	6,828,797,675	6,407,899,593	7,049,685,539	3,763,561,715	4,258,833,549	-2,644,337,878	2,790,851,990
Unappropriated profit		0	0	0	3,107,927,662	3,247,201,942	3,107,927,662	-3,247,201,942
- Outstanding claims including IBNR	22	8,011,646,909	4,284,119,864	4,829,225,309	4,170,758,556	4,713,650,200	-113,361,308	115,575,109
Deferred taxation	26	293,019,659	347,584,969	591,623,924	368,990,104	609,429,942	21,405,135	-17,806,018
Unclaimed dividends	29	107,273,466	151,373,107	129,369,029	0	0	-151,373,107	129,369,029
Other creditors and accruals	30	78,419,901	80,879,371	72,122,309	232,252,478	201,491,337	151,373,107	-129,369,028
Net insurance claims	33	-4,258,866,001	-2,989,581,642		-2,991,795,443		-2,213,801	
Other income	38	612,440,579	404,884,009		417,294,756		12,410,747	
Taxation	40	-704,966,847	-501,699,403		-504,656,518		-2,957,115	
Total difference decrease figures							-3,091,373,740	-3,930,730,382
Total difference decrease figures 2017 & 18								-7,022,104,122
Total difference increase figures							3,841,880,792	3,213,568,661
Total difference increase figures during 17 & 18								7,055,449,453
Total difference made in 2019 accounts								14,077,553,575

Annex-19*(See Para No. 3.2.4.4)***Statement showing details of loss on investment due to decrease in market value**

S#	M/s.	(Amount in Rs.)		
		Market value 2018	Market value 2019	Loss
1.	Attock Cement Ltd.	7,810,800	7,132,530	(678,270)
2.	PTCL 'A'	3,070,395	2,990,520	(79,875)
3.	Aisha Steel Mills Ltd.	7,350,000	6,713,000	(637,000)
4.	JS value fund Ltd.	8,335,578	8,143,489	(192,089)
5.	HBL Growth funds -Class A	349,677,290	347,852,888	(1,824,402)
6.	Faysal Bank Ltd.	2,132,746	1,685,286	(447,460)
7.	United Insurance Co. of Pak	11,362,959	10,577,318	(785,641)
8.	Imperial Sugar	878,328	578,898	(299,430)
9.	Pakistan Tobacco Company Ltd.	8,700,000	7,321,650	(1,378,350)
10.	Philip Morris (Pakistan) Ltd.	36,201,456	26,439,208	(9,762,248)
11.	National Refinery Ltd.	143,565,298	64,357,684	(79,207,614)
12.	Kot Addu Power Comp	1,486,500	945,900	(540,600)
13.	K-Electric Ltd.	594,000	437,000	(157,000)
14.	Sui Norther Gas Comp Ltd.	670,370,505	662,281,176	(8,089,329)
15.	Sui Southern Gas Comp Ltd.	293,236,644	273,179,765	(20,056,879)
16.	Pakistan Engg. Comp Ltd.	6,347,520	4,993,090	(1,354,430)
17.	ICI Pakistan Ltd.	244,094,808	207,368,582	(36,726,226)
Total		1,795,214,827	1,632,997,984	(162,216,843)

Annex-20

(See Para No. 3.3.4.4)

Statement showing non-transferring of title of properties

				(Amount Rs. In million)	
S. #	Location	Market value as on 31.12.2018	S. #	Location	Market value as on 31.12.2018
1	State Life Building 1, 23 The Mall, Shahrah-e-Quaid-e-Azam, Lahore	774.00	7	State Life Building 3 Rawalpindi	49.00
2	State Life Building 4 & 5, Regal Street, Lahore (26 & 28 million)	54.00	8	Plot# 19, Khasra 3296/18/32, Bank Square, Lahore	45.00
3	State Life Building 9 , Bank Square, Shahrah-e-Quaid-e-Azam, Lahore	79.00	9	State Life Building 6, Moti Mansion, Lahore	307.00
4	State Life Building 10 - 12, Bank Square, Shahrah-e-Quaid-e-Azam, Lahore	67.00	10	State Life Building 7, McLeod Road, Patiala Grounds, Lahore	188.00
5	State Life (Maza Goal Market) Circular Road Faisalabad.	65.00	11	State Life Bungalow No 10/7-B, Block # 4 Nazimabad, Karachi	27.00
6	State Life Building 2 Rawalpindi	28.00	12	133 J/3, Gulberg - III Lahore	26.00
			13	Hut # 151,Paradise Point, Karachi	0.816
Total					1,709.816

Annex-21

(See Para No. 3.3.4.5)

Statement showing non-recovery of outstanding balances under multiple heads

(PO) Karachi for the year 2019				(Amount in Rs.)
S#	Description	Total Receivable	Recovered Amount	Balance outstanding
1.	Electric charges	183,746,130.00	139,836,107.00	43,910,023.00
2.	Gas charges	2,080,381.00	1,788,121.00	292,260.00
3.	Parking charges	37,160,314.00	9,196,876.00	27,963,438.00
Total		222,986,825.00	150,821,104.00	72,165,721.00

PO Karachi – 2019 (Amount in Rs.)			
S#	Building Name	No. of Tenants	Recoverable Rent
1.	SLB-1	3	1,862,292
2.	SLB-1A	1	482,337
3.	SLB-2	1	222,106
4.	SLB-3	3	5,532,366
5.	SLB-4	2	93,919
6.	SLB-5	1	95,697
7.	SLB-6	2	192,679
8.	SLB-7	2	220,377
9.	SLB-8	1	5,700
10.	SLB-12	7	1,882,044
11.	11 J PECHS	1	61,600
12.	1 B QR	2	300,450
13.	SLB 3 HYD	1	689,858
Total			11,641,425

PO Karachi - 2019		
S. #	Description	Rs. in million
1.	Vehicle Loan to Sales Officer (SO)	2.309
2.	Vehicle Loan to Sales Managers (SM)	3.878
3.	Vehicle loan to Area Managers	1.747
4.	Loan on stock & shares	2.536
Total		10.470

Zonal Office Hyderabad – 2019								
S. #	Tenant Name	Floor	Area (Sq.ft)	Rent	Electric	Water	Car parking	Total
1	PSO	7	3,400	681,874			11,000	696,274
2	PSO	7	690	83,963				84,653
3	PSO	GEN		98,162				98,162
4	Planning & Development	7	2,025	1,438,803	146,502	128,179	453,700	2,169,209
5	SSGC Ltd.	GF	5,500	4,750,850	349,726	28,615	924,638	6,059,329
6	Wafaqi Mohtasib Secretariat	6	1,564	4,202	44,708	8,163		58,637
7	Wafaqi Mohtasib Secretariat	6	300	4,862				5,162
8	Wafaqi Mohtasib Secretariat	6	781	132,336				133,117
9	Engro Fertilizer	GEN		16,791				16,791

10	Orix Leasing	1	3,335	503,688	29,382		34,696	571,101
11	NIFT	3	2,084	33,236	17,827		178	53,325
12	NIFT	3	400	6,380				6,780
13	NIFT	GEN		3,924				3,924
14	Multinet	GF	1,380	42,126	21,036		19,504	84,046
15	Multinet	GEN		145,002				145,002
16	SZABIST			NIL		50,000		50,000
17	Engro Fertilizer	6	3,645	92,401				96,046
18	Sachal Satellite				Matter in litigation			
19	NADRA	GF	1,165	375,695				376,860
	Total		26,269	8,414,295				10,708,418

State Life Building #02, Gul Centre, Hyderabad

S. #	Tenant Name	Floor	Area (Sq.ft.)	Rent	Electric	Water	Car parking	Total
1	IMSA	Mezza nine	3,143	1,224,041	924,686	146,654		5,368,141
2	IMSA	-do-	6,267	3,072,760				
3	Askari General Ins	-do-	663			1,868		1,868
4	Askari General Ins	-do-	625					-
5	Askari General Ins	-do-	GS					-
6	ITS	-do-	2,000	140,000	29,956	4,158		228,014
7	ITS	-do-	700	53,900				
8	Security – 2000	-do-	489	21,834				21,834
9	Security – 2000	-do-	150					
10	Neelam Driving Centre	-do-	360	973,288	58,909			1,032,197
11	Al – WASIU	-do-	229			14,470		14,470
12	Dogma security	-do-	633	268,400	7,416			708,985
13	Dogma security	-do-	637	433,169				
14	Paras Trading Co	-do-	350	43,940				43,940
15	Salahuddin Ghouri	-do-	150	507,204	58,274	9,400		574,878
16	Al Harmain Publicity	-do-	175	34,242	919	935		36,096
	Total		16,571	6,772,778				8,030,423

Zonal Office Hyderabad – 2019			
S#	A/c	Description	Amount (Rs)
1.	170SH	Loan to Staff - 2 Gross (staff) after 18.08.2000)	6,501,816

2.	177SH	Advance Against Two months' Salary-Officers (after 8.08.00)	5,441,944
3.	178SH	Advance against House Rent - A&B Category (after 18.08.00)	2,114,961
4.	180	Advance against Bonus	31,868,904
5.	183	Advance against Medical Bills	7,971
6.	184	Advance against Telephone Bills	4,800
7.	192	Security Deposits	364,949
8.	194	Security Deposits against death claims	1,073,240
9.	197	Pre-Paid Expenses	107,000
10.	199	A/cs Receivable Defalcation - By Field Staff	-2,155,102
11.	206	Accounts Receivable – Others	2,362,763
Total			47,693,246

S#	A/c	Description	Amount (Rs.)
1.	295	Vehicle Loan SO upto 18.08.2000	10,852
2.	295SH	Vehicle Loan SO after 18.08.2000	158,590
3.	297	Vehicle Loan SM upto 18.08.2000	83,271
4.	297SH	Vehicle Loan SM after 18.08.2000	2,428,453
5.	300SH	Emergency Loan to Sales Representatives after 18.08.00	1,188,900
6.	302SH	Emergency Loan to Sales Officers after 18.08.00	142,851
7.	304SH	Emergency loan to Sales Managers after 18.08.00	675,624
8.	305SH	Eid Loan to Sales Representatives after 18.08.00	27,598
9.	309SH	Eid Loan to Sales Managers after 18.08.00	10,000
10.	393SH	Conveyance loan	6,446,981
11.	392SH	Conveyance loan	4,053,073
12.	390SH	Conveyance loan	2,562,665
13.	391SH	House building loan	7,901,233
14.	389SH	House building loan	10,277,483
Total			35,967,574

Year	Total No. of Cheques	Amount (Rs. in million)
2018	517	22.565
2019	1385	57.860
Total		80.425

S. #	Pending against	Name of Employee of Sukkur	Recoverable (Rs)
1.	Suit No. 231/2013	Ayaz Shaikh, Assistant Superintendent	1,290,240
2.	Suit No. 235/2013	Shah Muhammad, Assistant Superintendent	63, 550
3.	Suit No. 233/2013	Muhammad Imran, Assistant Superintendent	10, 000
4.	Internal Inquiry	Staff of cash counter (out of Rs. 8.251 million, Rs. 7.22 million stated to have been recovered)	1,229,000

Total			2,519,240
S. #	Description	Year	Amount (Rs)
1	Agent Balance	2015 to 2018	223,505,687
2	Sales Officers Balances	2015 to 2018	91,826,419
3	Sales Manager Balances	2015 to 2018	49,479,426
4	Area Manager Balances	2015 to 2018	20,904,790
Total			385,716,322

S. #	Year	Total (Rs)
1	2015	15,907,424
2	2016	12,181,754
3	2017	11,449,990
4	2018	5,866,536
5	2019	8,838,125
	Total	25,976,520

Peshawar for the year 2015 to 2019			
S. #	Description	A/c code	Amount (Rs)
1	Advance against two Months' Salary A&B	170 SH	7529
2	Advance against Medical Bills	183	734
3	Advance against Dr. Balance of salary	186	2178
4	Advance against Security Deposits	192	49,900
5	Advance against Security Deposits against death claims	194	2,943,537
6	Advance against A/c Receivable – Defalcation by field Staff	199	5547
7	Advance against A/c Receivable Others	206	976,498
8	Advance against Vehicle Loan to Area Managers	393	155,224
9	Advance against Field Group Insurance – Premium Recovery	551	118,910
10	Emergency loan to SR	300sH	87,974
11	Eid Advance to SR	305 SH	3,500
12	Eid Advance to SR	305	6,320
13	Stock of form	310	2826
14	Conveyance loan to Staff	390	6750
	Total		4,367,427

S. #	Year	Amount (Rs.)
1.	2016	14,170,887
2.	2017	20,570,165
3.	2018	18,079,901
4.	2019	23,080,167

	Total	75,901,120

S#	Description	Amount
1.	Agent's Balance mechanized	19,657,450
2.	Sales Officers Balances	3,935,826
3.	Sales Manager Balances	7,115,243
Total		30,708,519

Year	Description	Amount (Rs. In million)
2018	Defalcation of Premium	2.019
2019	Defalcation of Premium	1.580
Total		3.599

**Non-recovery on account of non-achievement of target
and excess utilization of expenses - Quetta 2016-19**

(Amount in Rs.)

S. #	Name of Area Manager	Year				Total
		2019	2018	2017	2016	
1.	Naseer Ahmed	508,621	61,201	50,852	82,080	702,754
2.	Najmul Saqib	72,573	-	258,070	220,598	551,241
3.	Ali Gohar	121,276	73,312	-	-	194,588
4.	Muhammad Sharif Gajani	331,988	22,359	43,277	-	397,624
5.	Muhammad Serwer Rind	116,841	-	-	-	116,841
6.	Zahira Parveen	-	37,569	-	-	37,569
7.	Hazoor Bakhsh	338,442	123,674	137,403	147,314	746,833
8.	Arz Muhammad Khosa	434,032	245,788	121,526	128,648	929,994
9.	Waqar Ahmed Rao	149,259	-	-	6,579	155,838
10.	Haq Nawaz Rind	-	-	-	3,018	3,018
Total		2,073,032	563,903	611,128	588,237	3,836,300

Annex-22
(See Para No. 3.3.4.6)

Statement showing unjustified issuance of policies & premium income

Month	Premium (Rs.)	# policies	Month-wise % of new business	Month	Premium (Rs.)	# policies	Month-wise % of new business
1.	17,075,645	629	3	7	24,376,402	749	5
2.	8,027,306	250	1	8	21,322,275	754	4
3.	17,596,938	563	3	9	28,808,830	795	5
4.	31,736,954	931	6	10	18,791,297	618	4
5.	27,376,723	861	5	11	54,529,091	1639	10
6.	27,807,359	926	5	12	257,709,861	7079	48
Total amount of premium				535,158,681			
Total number of policies				15,794			

S. #	Date	No. of policies	Day wise percentage for last 7 days
1.	25.12.2019	177	3.180%
2.	26.12.2019	160	2.874%
3.	27.12.2019	130	2.335%
4.	28.12.2019	191	3.431%
5.	29.12.2019	182	3.269%
6.	30.12.2019	254	4.563%
7.	31.12.2019	4472	80.344%
Total		5,566	100%
No. of underwriters		5	
On avg. each underwriter processed policies on 31 st Dec 2019 (4472/5)		894	

Annex-23
(See Para No. 3.3.4.8)

Statement showing excess strength

Zonal Office Sukkur 2016 & 2017							
Grade	Designation	Approved	Existing	Excess	Average per month (Rs)	Average Annual (Rs)	Total Amount (Rs.)
1	2	3	4	5	6	7	(5 x 7)
10	Deputy Manager	7	18	11	70,000	840,000	9,240,000
9	Assistant Manager	9	21	12	60,000	720,000	8,640,000
4	Office/Comp. Assistant	5	42	37	45,000	540,000	19,980,000
Total		21	81	60			37,860,000

Officers Designation	Rationalization	Holding	Difference	Average Salary	Total Salary Paid (Rs)
Deputy Manager	07	15	8	65,000x8	502,000
Assistant Manager	09	17	8	52,000x8	416,000
Office Assistant	05	39	34	35,000x34	11,900,00
Total	21	71	50		21,080,00

Zonal Office Peshawar 2015-2019							
S. #	Designation	Year	Approved	Existing	Excess	Avg. Annual Salary	Total excess amount (Rs.)
1	Deputy Manager	2015	9	10	1	850,000	850,000
2	Asstt. Superd.	-	10	11	1	700,000	700,000
3	Assistant	-	0	1	1	600,000	600,000
4	Sr. Qasid	-	3	5	2	400,000	800,000
5	Record Sorter		7	11	4	400,000	1,600,000
6	Lift Operator	-	8	14	6	400,000	2,400,000
		2016					-
1	Superintendent		9	10	1	400,000	400,000
2	Stenographer		1	2	1	400,000	400,000
3	MN-I		0	2	2	400,000	800,000
4	Record Sorter		7	8	1	400,000	400,000
5	Naib Qasid		6	12	6	400,000	2,400,000

		2017					-
1	Asst. Gen. Manager		6	7	1	950,000	950,000
2	Deputy Manager		8	12	4	850,000	3,400,000
3	Superintendent		9	10	1	800,000	800,000
4	Stenographer		1	2	1	400,000	400,000
5	MN-I		0	2	2	400,000	800,000
6	Office Assistant		18	19	1	400,000	400,000
7	Sr. Qasid		5	6	1	400,000	400,000
8	Qasid		8	9	1	400,000	400,000
		2018					-
1	Deputy Manager		8	13	5	850,000	4,250,000
2	Assistant Manager		21	22	1	700,000	700,000
3	Superintendent		9	11	2	700,000	1,400,000
4	Personal Secretary		1	2	1	700,000	700,000
5	Mason		0	1	1	400,000	400,000
6	Qasid		8	11	3	400,000	1,200,000
		2019					-
1	Deputy Manager		8	9	1	850,000	850,000
2	Superintendent		9	10	1	700,000	700,000
3	Personal Secretary		1	2	1	700,000	700,000
4	Mason		0	1	1	400,000	400,000
5	Qasid		8	10	2	400,000	800,000
		Total	188	245	57		31,000,000

Zonal Office Hyderabad-2019						
S. #	Designation	Approved	Existing / Working	Surplus		
1.	Manager	17	18	1	1,000,000	1,000,000
2.	Deputy Manager	8	11	3	850,000	2,550,000
3.	Assistant Manager	13	20	7	700,000	4,900,000
4.	Superintendent	12	14	2	700,000	1,400,000
5.	Personal Secretary	0	4	4	700,000	2,800,000
6.	Asstt. Superintendent	12	13	1	650,000	650,000
7.	Office Assistant	12	32	20	500,000	10,000,000
8.	Senior Record Sorter	3	5	2	400,000	800,000
	Total	77	117	40		24,100,000

S. #	Name and Designation	Sanctioned	Working	Excess	Amount paid (Rs.)
1	Mr. Rustam Ali, DM	0	1	1	850,000
2	Mr. Kamran Qazi, AM	0	1	1	700,000
Total		-	2	2	1,550,000

Annex-24

(See Para No. 3.3.4.10)

Statement showing irregular payment of death claims**(Rs. in million)**

S. #	Policy holder	Office & year	Basis of policy issuance	Amount
1	Mr. Liaquat Ali	Sukkur 2018-19	Insurance policy was Approved in April 2018 without medical test reports and concrete income evidence. Died in May 2019 due to brain hemorrhage.	5.259
2	All policyholders	(PO record in respect of Gujranwala, Gujrat Zones)	Paid Rs. 10.680 million due to late processing of the death claim cases.	10.68
3	Ms. Nighat Iqbal	PO-2019	The Zonal Claim Committee recommended the case for accidental death benefit, the Regional Claim Committee admitted the single claim only for basic sum assured plus bonus, due to being housewife.	1.4
4	Mr. Habibullah	PO	The Central Claim Committee admitted the death claim liability of Rs. 12.30 million, Accidental Death Benefit without post-mortem certificate.	12.3
5	Mr. Aslam Pervaiz	Quetta 2016-2019	Management approved policies without taking medical tests.	2
6	Different 24 death claims	Quetta 2016-2020		18.779
7	Mr. Mohammad Ayoub Khan	Quetta 2016-2019	Management made death claim payment of Rs. 1.200 million without inquiry report and the policy was issued disregarding advice of CMO.	1.2
8	Miss Ashifa	Hyderabad 2019	Initial policy issued to Ms. Aisha for sum assured of Rs. 1.0 million was changed in the name of Ashifa with sum assured of Rs. 1.80 million, the nominees were changed manually payments were made against unattested copy of treatment record of 2016 and 2014-15.	2.232
9	Mr. Lal Chand	Hyderabad 2019	• Sales officer code was changed. • Date of death was not specified. • Cheque dated 29.3.18 for premium deposit Rs. 68,750 returned due to insufficient balances • No premium deposit slips attached, nor original hospital and government certificates & medical record • Additional payment of Rs. 2,000,000 was	4.485

			made.	
10	Mr. Lal Chand	Hyderabad 2019	• Variation in sum assured amount for three policies due to non-maintenance of proper record. • Premium was paid in 2015 and premium payment terminated & nonpayment of cheque in 2015 • Policyholder desired policy change from N.D into education and marriage plan for children • Premium due for 04 year 2015-19 was not received. Management only deducted Rs. 24,960 • Death claim register showed payment as corrected amount, but in statement run on 2.12.19 was recorded as full amounts.	1.998
Total				60.333

Description	Gujranwala (Rs.)	Gujrat (Rs.)	Total (Rs.)
Liquidated Damages	2,563,146	8,116,009	10,679,155

S#	Policy No.	Name of Policy Holder	Policy Date	Death Date	Sum Assured (Rs)	Amount Paid (Rs)	Paid Date
1	5028765719	Muhammad Ibrahim	29.06.2012	18.04.2015	200,000	216,615	29.03.2016
2	502874247	Manzoor Ahmed	31.12.2011	09.05.2014	320,000	368,000	16.05.2016
3	502554922	Baboo Ram Lola	30.06.1999	16.09.2015	250,000	706,000	27.05.2016
4	502875475	Sajid Habib Hashmi	28.03.2012	01.12.2014	500,000	550,000	17.06.2016
5	502885314	Muhammad Azeem Qaumi	31.12.2014	21.05.2015	600,000	630,000	24.06.2016
6	502886851	Hakim Ali	17.04.2015	22.10.2015	237,000	248,850	24.06.2016
7	502878446	Muhammad Bachal	31.12.2012	05.12.2014	250,000	275,000	18.07.2016
8	502879406	EhsanUllah	31.12.2012	26.10.2015	2,600,000	2,990,000	19.09.2016
9	502871811	Punhal Khan	12.07.2011	19.04.2014	300,000	345,000	28.09.2016
10	502883205	Muhammad Hassan	31.12.2013	29.03.2015	400,000	440,000	30.09.2016
11	502880335	Santosh Kumar	28.06.2013	04.07.2015	1,000,000	1,150,000	30.09.2016
12	5028798671	Irshad Ali	31.12.2012	06.10.2015	300,000	345,000	29.09.2016
13	502879914	Shankar Rai	24.04.2013	30.12.2014	1,000,000	1,120,000	07.02.2016
14	502878846	Mola Baksh	31.12.2012	21.09.2015	300,000	328,433	30.12.2016
15	502876655	Aftab Ali	30.06.2012	29.03.2015	200,000	230,000	25.05.2017
16	502886562	Muhammad Jan	28.02.2015	08.02.2016	500,000	525,000	25.01.2018
17	502852236	Majid Jahangir	10.05.2007	14.11.2017	80,000	225,697	07.02.2018
18	502888238	Ghulam Mustafa	29.11.2015	20.03.2017	400,000	840,000	13.08.2018
19	502897983	Noor Jahan	31.12.2017	21.09.2018	800,000	836,000	21.06.2019
20	502896332-8	Ali Akbar	28.12.2017	02.04.2019	310,000	647,900	23.08.2019
21	502900295-3	Ali Akbar	26.12.2018	02.04.2019	2,200,000	4,499,000	-
22	502898940	Nain Raheja	30.06.2018	02.11.2018	400,000	418,000	17.09.2019
23	502892494	Ram Chand Sanu	25.12.2016	17.06.2017	500,000	547,000	02.12.2019
24	502893095	Samand Khan	31.12.2016	16.10.2018	290,000	297,990	09.01.2020

Total	18,779,485	

S. #	Description	Amount (Rs.)
1	Reversionary bonuses	1,534,000
2	Interim bonus	260,000
3	Terminal bonus	600,000
4	FIB @ 10%	91,667
5	Total Amount payable	2,485,667
6	addition manually	1,000,000
7	Total Amount payable after addition	3,485,667
8	amount paid	4,485,667
9	excess addition	1,000,000
10	Total addition manually	2,000,000

S. #	Policy Number	Sum assured as per policy (Rs.)	Sum assured as per statement (Rs.)	Difference (Rs.)	Amount paid (Rs.)
1.	5021639944	440,000	205,263	234,737	588,055
2.	5021639956	440,000	205,263	234,737	588,055
3.	5021135070	357,000	258,751	98,249	822,244
Total		1,237,000	669,277	567,723	1,998,354

Annex-25

(See Para No.3.3.4.13)

Statement showing issuance of multiple insurance policies without documents

S#	Policyholder Name	CNIC	No. of Policies	Total sum assured (Rs.)
1.	Darvesh Kumar	55302-9314766-1	04	1,900,000
2.	Muhammad Shoaib	54400-0628488-3	03	700,000
3.	Parveen Akhter	54400-5762165-4	03	915,000
4.	Hassan Ali	54400-4923970-9	03	3,175,000
5.	Nassebullah Khan	54400-8046678-5	04	2,000,000
6.	Syed Sannuallah Khan	54400-4272405-7	04	1,120,000
7.	Shamullah	54201-1988635-3	15	5,732,000
8.	Arz Muhammad	53403-5457103-9	13	2,685,000
9.	Jagdesb Kumar	53404-0785803-9	01	5,000,000
Total amount (Rs.)				23,227,000

S. #	Policy No.	Risk Date / Issuance Date	Sum Assured (Rs)
1.	502826410	06.1999	2,000,000
2.	502867385	09.2010	4,000,000
3.	502900933-3	31.12.2018	2,000,000
4.	502900930-8	31.12.2018	2,000,000
5.	502900932-1	31.12.2018	2,000,000
6.	502900934-5	31.12.2018	2,000,000
7.	502900931-0	31.12.2018	2,000,000
Total amount in Rs.			16,000,000

Annex-26

(See Para No.3.4.4.6)

Statement showing operating loss due to more administration expenses

(Amount in Rs.)					
S. #	Head of account	2019-20	2018-19	% 2019-20	% 2018-19
A	Commission income	97,146,000	101,234,000		
B	Administrative Expenses				
1	Salaries, allowances and other benefits	694,846,000	755,716,000	715	747
2	Repairs & maintenance	27,406,000	23,807,000	28	24
3	Computer & software maintenance	1,349,000	1,244,000	1	1
4	Vehicles running	4,555,000	8,157,000	5	8
5	Travelling & conveyance	6,871,000	9,836,000	7	10
6	Legal and professional	8,018,000	9,530,000	8	9
7	Utilities	3,783,000	2,422,000	4	2
8	Security service charges	17,140,000	15,905,000	18	16
9	Advertising and publicity	4,050,000	4,639,000	4	5
10	Fees and subscriptions	5,189,000	1,470,000	5	1
11	Entertainment	325,000	379,000	0	0
12	Depreciation on operating fixed assets	24,493,000	26,554,000	25	26
13	Amortization	703,000	703,000	1	1
14	Rent, rates and taxes	10,022,000	12,235,000	10	12
15	Auditor's remuneration	2,063,000	2,063,000	2	2
16	Indirect expenses –gowdowns	1,193,000	893,000	1	1
17	Communication	4,218,000	4,570,000	4	5
18	Printing and stationery	855,000	1,071,000	1	1
19	Insurance	2,087,000	1,509,000	2	1
20	Donations	-	-	-	-
21	Bank charges	2,292,000	547,000	2	1

22	Cost of butter ghee	-	-		
23	Others	7,972,000	2,812,000	8	3
24	Total Admn expenses	829,430,000	886,062,000	854	875
25	Operating Loss (Commission – Admn exp.)	(732,284,000)	(784,828,000)	(754)	(775)
Total Operating loss during 2018-19 & 2019-20		(1,517,112,000)			

Annex-27

(See Para No. 3.4.4.11)

Statement showing non-recovery of outstanding rental dues

Outstanding amount against godown tenants								
(Amount in Rs.)								
S. #	Location	Total area sq. ft.	Rented out area sq. ft.	Rent shortfall	SRB shortfall	FBR shortfall	Electricity shortfall	Total (Rs)
1	Korangi Godown	911,680	230,000	7,129,275	960,668	8,061,392	793,949	16,945,284
2	Landhi Godown	1,270,143	564,230	9,434,779	2,369,581	14,113,960	-	25,918,320
3	Pipri Godown	42,250,366	529,490	4,207,181	341,628	4,761,152	-	9,309,961
(a) Total		44,432,189	1,323,720	1,323,720	3,671,878	26,936,504	793,949	52,173,565
Outstanding amount against residential colonies tenants								
S#	Location	Type	Total rent & arrears receivable	Total rent & arrears received	Total rent & arrears outstanding			
1	Pipri	Bungalows	1,289,788	928,660	361,128			
2	Pipri	Bachelor quarters	881,754	577,180	304,574			
3	Pipri	Family quarters	2,339,706	1,620,912	718,794			
4	Pipri	Family flats	3,382,294	2,315,510	1,066,784			
5	Landhi	Bungalows	1,164,591	672,600	491,991			
6	Landhi	Flats	4,052,529	3,075,000	977,529			
(b) Total			13,110,662	9,189,862	3,920,800			
Grand Total (a+b)							56,094,365	

Annex-28

(See Para-4.2.4.5)

Statement showing actual delivery of stores delayed

S. No.	Contract No.	LC Date	Delivery Period & Date	Quantity & Actual delivery date as per Bill of lading	Delay	LD @ 1% on FOB value of contract in PKR	Remarks
1	0031 / Gdl / FO-47 dt. 23.10.17	11.12.2017	12 M 10.12.2018	3,000 13.03.2019	3 Month	823,158	LD on undelivered items i.e. 3000 Units at US\$ exchange rate of Rs. 139.00 as on 13.03.2019
				12,040 10.04.2019	4 Month	17,961,484	LD on undelivered items i.e. 12,040 Units at US\$ exchange rate of Rs. 141.70 as on 10.04.2019
Total						18,784,642	

Annex-29

(See Para- 4.2.4.8)

Statement showing detail of deficit Store Items**(Amount in Rs.)**

(Amount in Rs.)									
S. No.	Stock code	Nomenclature	A/U	Bin Card Balance	Physical Balance	Objections		Rate	Amount
						Surplus	Deficient		
	1. LIST OF ITEMS IRON MONGARY GODOWN								
1.	41-1200-079-12	Forging Die	Nos.	19	18	-	01	28,500	28,500
2.	20-0120-002-24	M. S. Rivet	Kgs.	192.37	150	-	42.37	N.A	0
3.	43-0359-002-24	Cutting Wheels 180 MM	Nos.	155	104	-	51	115	5,865
4.	20-0482-020-24	M. S Screw 1 ½" x 10G	Nos.	309,503	329,006	19,503	-	-	0
5.	43-0039-001-12	Grinding Wheel 350 MM	Nos.	13	8	-	5	3,500	17,500
6.	20-0482-016-24	M. S Screw 1 1/4" x 10G	Nos.	566,863	588,000	21,137	-	-	0
7.	43-0359-001-24	Cutting Wheel 180 MM	Nos.	335	455	120	-	-	0
8.	43-0824-002-12	Emery Cloth Belt P-150	Nos.	610	540	-	70	236.28	16,539.60

9.	19-0112-041-24	M.S. Nails Wire 1 ¾" x 14 G	Kgs.	8,710.97	8,450	-	260.97	188	49,062.36
	2. LIST OF ITEMS OIL, PAINT & CHEMICAL GODOWN								0
1.	06-0022-007-12	Araldite AV-138	Kgs.	632	602	-	30	5,000	150,000
2.	06-0052-002-24	Glue Movilith	Kgs.	504.78	593	88	-	-	0
3.	06-0085-010-12	Nickle Bright	Kgs.	20	50	30	-	-	0
4.	06-0100-001-12	Colouring Dye Staff	Kgs.	Nil	30	30	-	-	0
5.	06-0141-001-12	Zonex Metal Cleaner	Kgs.	446	225	-	221	419	92,599
6.	06-0142-001-12	Nickle Base Solution	Ltr.	170	120	-	50	525	26,250
7.	06-0255-002-12	Nicklous Flouborate	Kgs.	156	75	-	81	11,714.05	948,838.05
8.	06-089-001-12	Potassium Sodium	Kgs.	100	35	-	65	1,190	77,350
9.	06-0340-006-12	Potting Compound	Kgs.	292	240	-	52	28.90	225,420
10.	06-0342-001-24	Copper Nephtenate	Ltr.	2,355	2,200	-	155	975	151,125
11.	06-0369-002-12	Al. cover Flux	Kgs.	65	30	-	35	550	19,250
12.	06-0372-002-12	Delfinor IC	Ltr.	183	140	-	43	1,970	84,710
13.	06-0381-005-24	HMP Wax	Kgs.	77	25	-	52	1,690	87,880
14.	15-0140-001-24	Terra paint	Ltr.	225	260	35	-	-	0
15.	15-0315-006-12	Lacquer Phenol	Ltr.	175	68	-	107	1,530	163,710
16.	06-0592-004-12	Hardener	Kgs.	403	218	-	185	5,200	962,000
17.	06-0551-001-24	AB-12	Kgs.	Nil	150	150	-	-	0
18.	06-0545-001-24	Pressoline compound	Kgs.	686	1,100	414	-	-	0
19.	06-0424-003-12	Grain Refiner	Ltr.	80	50	-	30	750	22,500
20.	06-0550-001-24	Scale Inhibitor	Kgs.	182	270	88	-	-	0
21.	15-0124-001-24	Paint priming Red Oxide	Ltr.	Nil	140	140	-	-	0
	3. LIST OF FERROUS/ NON-FERROUS GODOWN (A-65)								
1.	02-0014-066-24	COPPER STRIP	Kgs	10010	8,300	-	1,774	1,331.997	2,362,962.68
2.	02-0057-063-12	AL.ALLOY STRIP	Kgs	NIL	3,941	3,941	-	-	0
3.	02-0090-061-12	AL.ALLOY STRIP	Kgs	6,413	8,800	2,383	-	-	0
4.	02-0401-602-12	BRASS DISC 37 MM	NO	45,278	34,661	-	10,617	423.97	4,501,289.49
5.	02-0401-605-12	BRASS DISC 105 MM	NO	3,936	512	-	4,424	4,035.30	17,852,167.20
6.	02-0401-611-12	BRASS DISC 37 MM	NO	11,447	10,935	-	512	6,995.90	3,581,900.80
7.	02-0552-702-12	AL. INGOT	KG	0	11,068		11,068		0
8.	02-0583-061-24	AL.ALLOY STRIP	KG	7,589	9,002	1,413	-		0
9.	02-0589-231-24	AL.ALLOY TUBE	RM	29	90	60	-		0
10.	88-0001-018-24	ARMING WIRE	NO	1,141	1,100		41	415	17,015
11.	88-0001-049-24	BOMB BODY	NO	80	150	70			0
	Total								31,444,434.18

Statement showing detail of irregular financing by Branch Manager

(A.)

(Rs. in million)

Name of Customer	Account Number	Sanctioned Amount	Loan Disbursement	Scheme / Product	Property Address
Aslam Baig	9310004545	1.50	1.05	GPS	No. 8218/3848/3776/2191, Noor Colony, Jutail, Gilgit
Imran Khan	9310004503	1.10	1.10	GAS (Flexi)	Khasra No. 1944, Noor Colony, Jutail, Gilgit
Sultan Khan	9310004602	1.80	1.62	GPS	Khasra No. A-2082/388, Mehood Abad, Danyore, Gilgit
Mst. Ashraf Nama	9310004370	0.80	0.72	GAS (Flexi)	Khasra No. 3134 / 3139 / 3138 / 3125 / 1228, Sanikote
Rehmat Karim	9310004529	0.40	0.40	GPS	Khasra No. 2437 / 1777 / 993, Sanikote
Ikram Uddin	9310004669	3.00	3.00	GAS (Flexi)	Khasra No. 6639/2982, Shinagote, Danyore, Gilgit
Nasir Hussain	9310004628	4.00	2.40	GAS (Flexi)	Khasra No. A/8165/32, Near Imam Bargah, Danyore, Gilgit
Rehmat Jan	9310004271	2.00	2.00	GAS (Flexi)	Khasra No. 3121 / 5537 / 6207 / 6219 / 6333, Danyore, Gilgit
Shahid Iqbal	9310004586	0.50	0.30	GPS	Khasra No. 2872 / 2860 / 2852 / 2850, Prince Colony, Jutail, Gilgit
Ghulam Mustafa	9310004651	19.00	1.14	GAS (Flexi)	Khasra No. 5266/1109, Amin Abad, Jutail, Gilgit
Shah Rayees Khan	9310004297	5.00	5.00	Khasra No. 7790 / 2027, Noor Colony, Jutail, Gilgit	Running School namely Karakoram Academy
Muhammad Mustafa	9310004677	4.00	2.40	Khasra No. 8553 / 32, Mouzia, Jutail, Gilgit	Running as Guest House
Dr. Farrukh Suhana Shahid	9310004354	2.00	2.00	Khasra No. 2620/1106/828 1/2619/1106, Jutail, Gilgit	Office of Pakistan Engineering Council (PEC)
Total		45.10	23.13		

Statement showing detail of irregular disbursement of loan against fictitious properties

(B.)

(Rs. in million)

S #	Account No.	Name of Borrower	Mortgage Property Address	Disbursed amount Outstanding Principle
1	946000408-9	Muhammad Aamir	R-578, Sector 16-A, Buffer Zone, North Karachi.	5.549
2	947000327-9	Iqbal Ahmed	Account No. A-474, Sector V, Ahsanabad Society, KDA Scheme 33, Karachi.	4.900
3	946000374-3	Shahzaib	R-545, Sector 16-A Buffer Zone, North Karachi.	4.600
4	946000393-3	Syed Sana Ullah	R-195 Sector –A/4 North Karachi.	2.400
Grand Total				17.449

Statement showing detail of loss due to irregular / unauthorized loan sanction

C.

(Amount in Rs.)

S #	A/c	Name of applicant	Date of Installment	Principal outstanding amount	Date of closing	Closing balance	Compound Interest @11% approx.
1	23801283KW	Muneer Hussain	01.02.1983	100,000	01.02.1998	335,086	2,701,710
2	23801284WC	Muhammad Siddique	12.01.1982	100,000	12.01.1997	338,147	3,026,108
3	23801285VK	Abdul Rashid	01.02.1983	100,000	01.02.1998	255,686	1,673,074
Total amount							7,400,892

Annex-31*(See Para No. 5.1.4.6)***Statement showing detail of unjustified and extraordinary increment to newly appointed Group heads****(A)**

(Amount in Rs.)				
Post	Candidate Name	Proposed Package	As per HBFC BPS	Difference
Group Head- EVP- Business	Faisal Murad	464,000 (with 50% increment)	154,645	309,355
Group Head - EVP- Compliance & Risk	Khawaja Ehrar Ul Haq	513,000 (with 30% increment)	154,645	358,355
Head- SVP- Legal	Malik Muhammad Nasir Ayaz	586,000 (with 30% increment)	128,680	457,320
Head- SVP- IT	Ayaz Ahmed	500,000 (with 30% increment)	128,680	371,320
Total Monthly Difference				1,496,350
Total payment till August 2019		1,496,350*10		14,963,500

Financial performance of the company**(B)**

Financial Indicator	2018	2017	Change
Net Mark-up/Interest Income	2,241.405	2,281.936	(2%)
Total Income	2,389.247	2,459.146	(3%)
Profit Before Tax	1,254.493	2,019.114	(38%)
Profit After Tax	1,041.230	1,625.328	(36%)
Cash & Cash Equivalent at end of year	446.407	825.113	(46%)
Accumulated Losses	(3,685.905)	(3,692.477)	0.1%

Annex-32*(See Para No. 5.2.4.2)***Blockage of funds due to mismanagement in installation, completion and commissioning of printing machines**

S. #	Description	Amount in (Rs.)
1.	Smart Card Personalization System and Installation / Training (Sty. Deptt.)	5,135,916
2.	Installation, Commissioning and Training of Plastic Card Manufacturing System (Printing & Numbering)	482,699,734
3.	LC & others charges for Screen Printing Machine (Printing & Numbering)	38,756,306
4.	Installation, Commissioning and Training of Laser Engraving Personalization system (Passport & Other Booklet) LC & others charges	53,630,778
5.	Supply, Commissioning and Training charges of Laser Perforator Machine (Passport & Other Booklet)	66,660,813
6.	Payment made for 1000 Counting Machine Serial No.26955	3,532,147
	Total	650,415,694

Annex-33*(See Para No. 5.3.4.3)***Statement showing detail of loss due to wastage of bank notes****(Amount in Rs)**

S. #	Denom:	Description	Reams	Sheets	Notes	Cost per note	Total Loss
			A	B	C	D	E=(C×D)
1.	10	Waste reams/sheets destroyed by NBG	87	431	2,635,860	1.309	3,450,340.74
		Waste bundles destroyed by NBG S/R	113	249	3,404,959		4,457,091.33
2.	20	Waste reams/sheets destroyed by NBG	19	65	478,250	2.28523	1,092,911.25
		Waste bundles destroyed by NBG S/R	128	50	3,202,529		7,318,515.35
3.	50	Waste reams/sheets destroyed by NBG	252	158	6,307,900	3.558	22,443,508.20
		Waste bundles destroyed by NBG S/R	281	12	7,025,629		24,997,187.98
4.	100	Waste reams/sheets destroyed by NBG	305	475	7,648,750	3.53341	27,026,169.738

		Waste bundles destroyed by NBG S/R	348	499	8,724,979		30,828,928.048
5	1000	Waste reams/sheets destroyed by NBG	134	261	3,363,050	6.26617	21,073,443.02
		Waste bundles destroyed by NBG S/R	410	99	10,254,970		64,259,385.36
6	5000	Waste reams/sheets destroyed by NBG	48	88	963,520	7.06377	6,806,083.67
		Waste bundles destroyed by NBG S/R	117	393	2,355,738		16,640,391.41
	Total						230,393,956.10

Annex-34

(See para No.5.3.4.9)

Non-Production of auditable record

S#	Req. #	Date	Description
1	1	29.10.20	4. Subsidiary ledgers 6. External Auditors' Letters to Management.
2	2	29.10.20	1. Payment Vouchers 2018-20 2. Journal Vouchers.
3	3	29.10.20	1. Production Manual 7. Detail of payment summary. 9. List of addition and deletion of assets along with relevant files.
4	4	29.10.20	3. Sanctioned & actual strength of employees 7. List of employees resigned/terminated / suspended along with their case files.
5	5	29.10.20	1. List of procurements (Local) 2. List of procurements (Local) 3. Complete budget allocation files and expenditure against it. 5. Details of foreign exchange gain and loss during 2018-20
6	6	29.10.20	3. Product wise/Raw material wise <u>Yield Report</u> for 2018-20 (Qty basis) 5. Product wise/Raw material wise <u>Waste Reports</u> for 2018-20
7	7	29.10.20	5. Personal Files of Managers and above ranked personals. 6. Agreement file of Security Paper Limited and SIPCA
8	8	2.11.20	6. List of all court cases along with files.
9	9	2.11.20	1. List of disciplinary cases of employees along with relevant files. 2. List of employees retired along with case files. 4-List of employees re-employed after retirement along with approval and files.

			5- List of enquiries initiated, concluded and in process showing name, reason of inquiry and date of inquiry along with enquiry reports and relevant files. 7- Complete file of the third party contractor(s).
10	10	2.11.20	1. Detail list of construction works, name of contractor, total amount, date of start and date of completion along with all relevant files and terms and conditions.
11	12	2.11.20	1. Detail list of construction works, name of contractor, total amount, date of start and date of completion along with all relevant files and terms and conditions. 4. Advertisement files. 6. Appointments file of External Auditors. 7. Detail of complaint received / attended against PSPC and its employees. 8. Detail list of bonus and Ex-gratia paid during the year along with approval. 9. Training files. 10. Physical Verification Report of stock stores and spares. 13. Contract file of all third parties
12	13	2.11.20	1. Copy of conflict of interest policy. 2. Copy of whistle blow policy. 3. Copy of anti-corruption policy. 5. Detail of cost incurred for printing process.
13	14	16.11.20	1. Complete case files of separation of PSPC and NSPC with copies of agreements showing latest correspondence. 2. Details of cost sharing charged to NSPC along with compete workings 4. Details of foreign visits along with approval of competent authority. 5. Case file of new production/second site facility with all expenditures incurred. 8. Case files and details of reclamation of encroached land.
14	15	16.11.20	1. Case file of forensic analysis lab at Lahore and expenditures incurred. 3. Details of expenditures on poly culture form.
15	16	16.11.20	1. Personal files of MD, all Directors, GMs, DGMs, Managers and Dy. Managers. 2. Details of appointments during 2018-19 and 2019-20 with appointment files. 3. Payroll soft copy Dec-2018 and 2019 5. Appointment files of officers grade outsourced employees. 7. Details of reimbursement of medical charges.
16	17	16.11.20	1. Details of budget and expenses for transport Deptt.
17	19	16.11.20	1. Details of investment properties 2. Valuation report of land and buildings 3. Details of laboratory equipment 6. Details of 159 employees exceeding ceiling of approved pay

			scales (BOD-344) 11 Details of business plan with capital budget and its disbursement. 12 Presentation on purchase functions of PSPC.
18	20	16.11.20	3. Details of residential colony showing no of quarters/flats with covered area 4. Details of budget and expenses residential colony. 5. Repair and maintenance and capital expenses on colony. 6. List of allottees along with rate of monthly rent adjusted/ recovered.
19	21	23.11.20	1. Cost sharing Agreement file with SBP and SBP (BSC) for Old Record Room facilities Rs. 12 million. 2. Case file of recruitment/hiring of new batch/54 Trainees along with details of training expenses. 4. Details of reduction of insurance expense and its valuation report By M/s Iqbal A Nanjee & Co. 5. File of Joint venture agreement with SICPA and SPL with all renewals and showing complete correspondence.
20	23	23.11.20	1. Approved sanctioned and available strength of Security Control Department along with organization chart. 2. Details of approved budget and actual expenses with concerned files. 3. Details of security control office
21	4	23.11.20	1. Reports of quantitative reconciliation and assessment of each denomination of bank note (twice a year) 2. Review reports of different general stores (general store, Engineering store, paper store, Ink store). 3. Documentation authentication review reports of DAPL lab. 4. Details of nature of reports generated. 5. Details of testing of security documents sent by external agencies.
22	26	21.12.20	1. Detailed list of customer work orders received. 2. Work order files complete in all respect showing work assessment/ cost assessment with factory/production order files. 3. Order wise actual production details showing Paper and Ink issued and consumed and wastages details 4. Approved standards/limits of wastage allowance with actual details of wastage. 5. Details of wastages at each stage of printings 6. Daily, monthly, yearly production reports. 7. Machine wise daily, monthly, yearly production details/reports 8. Job description of heads of each section of operation department. 9. Post order analysis reports. 10. Complete details of wastage of bank note/bonds along with their reports and files. 11. Complete details wastage papers disposed off along with their all relevant files.
23	22	22.12.20	12. Appointment/deputation with complete correspondence file of Mr. Muhammad Ashraf, Ex-Director Operation.

			13. Conflict of interest policy of PSPC. 14. Details of legal opinion sought from SBP, alongwith files of approval and policy there against.
24	28	22.12.20	15. Complete details of Paper purchased of each note denomination from M/s. SPL for the period 2018-19 & 2019-20 along with all relevant files. 16. Complete details of DAPL reports of paper received from M/s. SPL for the period 2018-19 & 2019-20 along with all relevant files. 17. Complete details of Ink purchased during the period 2018-19 & 2019-20 along with relevant files. 18. Complete details of paper purchased for prize bonds during the period 2018-19 & 2019-20 along with their all relevant files. 19. Complete detail report of DAPL for prize bond verification.

Annex-35

(See Para No.5.4.4.2)

Statement showing detail of non-recovery under National Financial Literacy Program

Annexure –B NFLP Receivables		
DATE	PARTICULARS OF 238514 OTHER RECEIVABLES – OTHERS	AMOUNT(Rs.)
9-Mar-18	Amount for NFLP/SAP to be reimbursed	259,180.00
3-Apr-18	Amount for NFLP/SAP to be reimbursed	62,160.00
5-Nov-18	Amount for NFLP/SAP to be reimbursed	133,500.00
22-Nov-18	Amount for NFLP/SAP to be reimbursed	95,970.00
17-Dec-18	Amount for NFLP/SAP to be reimbursed	311,760.00
8-Jan-19	Amount for NFLP/SAP to be reimbursed	308,970.00
22-Mar-19	Amount for NFLP/SAP to be reimbursed	390
28-Mar-19	Amount for NFLP/SAP to be reimbursed	213,740.00
5-Apr-19	Amount for NFLP/SAP to be reimbursed	197,760.00
9-Apr-19	Amount for NFLP/SAP to be reimbursed	184,230.00
12-Apr-19	Amount for NFLP/SAP to be reimbursed	174,360.00
8-May-19	Amount for NFLP/SAP to be reimbursed	182,420.00
16-May-19	Amount for NFLP/SAP to be reimbursed	173,610.00
29-May-19	Amount for NFLP/SAP to be reimbursed	214,440.00
30-May-19	Amount for NFLP/SAP to be reimbursed	242,805.00
31-May-19	Amount for NFLP/SAP to be reimbursed	258,020.00
3-Jun-19	Amount for NFLP/SAP to be reimbursed	270,750.00
13-Jun-19	Amount for NFLP/SAP to be reimbursed	120,630.00
14-Jun-19	Amount for NFLP/SAP to be reimbursed	178,550.00
17-Jun-19	Amount for NFLP/SAP to be reimbursed	122,940.00

19-Jun-19	Amount for NFLP/SAP to be reimbursed	97,980.00
20-Jun-19	Amount for NFLP/SAP to be reimbursed	89,790.00
24-Jun-19	Amount for NFLP/SAP to be reimbursed	90,520.00
26-Jun-19	Amount for NFLP/SAP to be reimbursed	92,500.00
29-Jun-19	Amount for NFLP/SAP to be reimbursed	20,000.00
5-Jul-19	Amount for NFLP/SAP to be reimbursed	87,290.00
11-Jul-19	Amount for NFLP/SAP to be reimbursed	133,560.00
18-Jul-19	Amount for NFLP/SAP to be reimbursed	48,430.00
23-Jul-19	Amount for NFLP/SAP to be reimbursed	48,040.00
31-Jul-19	Amount for NFLP/SAP to be reimbursed	158,910.00
16-Sep-19	Amount for NFLP/SAP to be reimbursed	106,370.00
1-Nov-19	Amount for NFLP/SAP to be reimbursed	50,405.00
5-Nov-19	Amount for NFLP/SAP to be reimbursed	162,280.00
7-Nov-19	Amount for NFLP/SAP to be reimbursed	83,550.00
12-Nov-19	Amount for NFLP/SAP to be reimbursed	178,360.00
13-Nov-19	Amount for NFLP/SAP to be reimbursed	240,230.00
14-Nov-19	Amount for NFLP/SAP to be reimbursed	242,770.00
15-Nov-19	Amount for NFLP/SAP to be reimbursed	193,510.00
18-Nov-19	Amount for NFLP/SAP to be reimbursed	196,700.00
20-Nov-19	Amount for NFLP/SAP to be reimbursed	161,080.00
21-Nov-19	Amount for NFLP/SAP to be reimbursed	90,720.00
2-Dec-19	Amount for NFLP/SAP to be reimbursed	157,760.00
3-Dec-19	Amount for NFLP/SAP to be reimbursed	293,745.00
4-Dec-19	Amount for NFLP/SAP to be reimbursed	299,865.00
5-Dec-19	Amount for NFLP/SAP to be reimbursed	411,560.00
6-Dec-19	Amount for NFLP/SAP to be reimbursed	157,640.00
9-Dec-19	Amount for NFLP/SAP to be reimbursed	154,060.00
11-Dec-19	Amount for NFLP/SAP to be reimbursed	66,960.00
12-Dec-19	Amount for NFLP/SAP to be reimbursed	960
20-Dec-19	Amount for NFLP/SAP to be reimbursed	203,290.00
23-Dec-19	Amount for NFLP/SAP to be reimbursed	168,560.00
31-Dec-19	Amount for NFLP/SAP to be reimbursed	60,930.00
2-Jan-20	Amount for NFLP/SAP to be reimbursed	98,700.00
3-Jan-20	Amount for NFLP/SAP to be reimbursed	185,990.00
9-Jan-20	Amount for NFLP/SAP to be reimbursed	215,410.00
21-Jan-20	Amount for NFLP/SAP to be reimbursed	203,610.00
22-Jan-20	Amount for NFLP/SAP to be reimbursed	140,960.00
23-Jan-20	Amount for NFLP/SAP to be reimbursed	256,910.00
3-Feb-20	Amount for NFLP/SAP to be reimbursed	166,810.00
4-Feb-20	Amount for NFLP/SAP to be reimbursed	149,620.00
7-Feb-20	Amount for NFLP/SAP to be reimbursed	115,710.00
18-Feb-20	Amount for NFLP/SAP to be reimbursed	143,040.00
20-Feb-20	Amount for NFLP/SAP to be reimbursed	102,980.00
3-Mar-20	Amount for NFLP/SAP to be reimbursed	134,220.00
15-May-20	Amount for NFLP/SAP to be reimbursed	64,920.00

19-May-20	Amount for NFLP/SAP to be reimbursed	139,860.00
17-Jul-20	Amount for NFLP/SAP to be reimbursed	96,630.00
20-Jul-20	Amount for NFLP/SAP to be reimbursed	385,930.00
	Outstanding –NFLP	10,855,810.00

Annex-36

(See Para No.5.4.4.3)

Irregular remittance of funds in violation of State Bank's mandatory conditions

- i. Your client will submit a return to the State Bank on the prescribed Form V-96 through your bank within one month of making the investment.
- ii. Evidence of establishment of special purpose vehicle in Sweden and acquisition of an Italian brand will be furnished by the company to you in due course for onward submission to SBP.
- iii. Your client will submit the annual audited accounts of their holding company established in Sweden to SBP regularly.
- iv. Profit/Net earnings would require to be repatriated to Pakistan on yearly basis through normal banking channels. The amounts so received would be converted into local currency by the bank concerned and a Proceeds Realization Certificate in original, evidencing the same shall be filed by your bank with the State bank Such amounts shall not be allowed for credit to a foreign currency account or for purchase of Pakistani Securities on repatriable basis.
- v. In the event of closure/liquidation of the holding company, its assets will be disposed of and the sale/liquidation proceeds thereof will be repatriated to Pakistan through normal banking channels and converted into rupees under advice to SBP along with Proceeds Realization Certificates evidencing the same.
- vi. You will also update this department regarding any change in the contact numbers (telephone and fax) of the client on regular basis.
- vii. You will supply all such information as may be required by this Department from time to time.

Annex-37
(See Para No.5.4.4.7)

Statement showing detail of unjustified issuance of medicines to employees

S#	Name	Type of medicine in No's	Quantity in No's	Issue date
1	Mr. Kauro Khan	23	430	31-July-2019
		25	641	2-July 2019
		22	635	2-Dec- 2019
		03	03	2-Dec-2019
		20	331	24-Dec-2019
		23	665	30-Dec-2019
		07	44	30-Dec-2019
2	Mr. Piyaro Khan	18	252	11-July 2019
		07	30	15-July-2019
		26	406	19-Dec-2019
		24	336	04-Dec-2019
3	Mr. Khadim Hussain Butt	19	680	12-July-2019
		29	758	30-12-2019
4	Mr. Ali Nawaz	42	1114	30-12-2019
5	Mr. Attaullah	46	1162	17-12-2019
6	Mr. Ali Sher	27	847	18-12-2019
Total		361	8,334	

Annex-38
(See Para No.5.4.4.8)

Statement showing detail of non-disposal of assets

S. #	Asset No.	Description	Date of Acquisition	Units	Cost (Rs.)
1	1011525	Smi Pack Shrink Machine	31-Mar-06	1	140,000.00
2	1011773	Note Counting Machine	23-Nov-99	1	245,000.00
3	1011818	Tricalar Stamping Machine	19-Nov-03	1	249,500.00
4	1011823	Paper Tape Binding Machine	24-Mar-04	1	200,000.00
5	1012388	Note Counting Machine	27-Jun-06	1	142,000.00
6	1012401	Note Counting Machine	5-May-98	1	245,830.00
7	1012529	Note Bundle Strapping Machine	17-Jun-06	1	200,000.00
8	1017768	Coin Counting Machine	18-Jan-08	1	70,000.00
9	1019187	Coin Counting Machine	3-Jun-08	1	70,000.00
10	1019188	Coin Counting Machine	21-Jun-08	1	70,000.00
11	1023054	Loose Note Counting Machine	13-Dec-08	2	90,000.00
12	1037408	Paper & Packet Binding Machine	7-Dec-09	1	232,000.00
13	1037408	Paper & Packet Binding Machine	7-Dec-09	2	464,000.00

14	1037969	Packet Note Counting Machine	26-Oct-09	1	145,000.00
15	1037970	Packet Note Counting Machine	26-Oct-09	1	145,000.00
16	1037971	Packet Note Counting Machine	26-Oct-09	1	145,000.00
17	1037972	Packet Note Counting Machine	26-Oct-09	1	145,000.00
18	1037973	Packet Note Counting Machine	26-Oct-09	1	145,000.00
19	1037974	Packet Note Counting Machine	26-Oct-09	1	145,000.00
20	1037975	Packet Note Counting Machine	26-Oct-09	1	145,000.00
21	1037976	Packet Note Counting Machine	26-Oct-09	1	145,000.00
22	1037977	Packet Note Counting Machine	26-Oct-09	1	145,000.00
23	1039270	Shrink Wrapping Machine	10-Feb-10	1	70,000.00
24	1039521	Packet Note Counting Machine	29-Sep-10	1	96,000.00
25	1039522	Packet Note Counting Machine	29-Sep-10	1	96,000.00
26	1039523	Packet Note Counting Machine	29-Sep-10	1	96,000.00
27	1039524	Packet Note Counting Machine	29-Sep-10	1	96,000.00
28	1039525	Packet Note Counting Machine	29-Sep-10	1	96,000.00
29	1039526	Packet Note Counting Machine	29-Sep-10	1	96,000.00
30	1039534	Coin Count Machine - Royal C-	30-Sep-10	1	64,500.00
31	1039535	Coin Count Machine - Royal C-	30-Sep-10	1	64,500.00
32	1039672	Bundle Binding Machine YI-303	30-Aug-10	1	164,000.00
33	1039673	Bundle Binding Machine YI-303	30-Aug-10	1	164,000.00
34	1039844	Multifunction Counterfeit Detector	30-Sep-10	1	35,000.00
35	1039845	Multifunction Counterfeit Detector	30-Sep-10	1	35,000.00
36	1044675	Packet Note Counting Machine	14-Mar-12	1	88,685.00
37	1044676	Coin Counting Machine Model:	14-Mar-12	1	118,479.00
38	1044677	Tri Color Stamping Machine My-	8-Mar-12	1	197,300.00
39	1046306	Tri Color Stamping Machine My-	16-Nov-12	1	189,900.00
40	1046601	Multifunction Counterfeit Detector	16-Nov-12	1	34,900.00
41	1049470	Tri Color Stamping Machine	20-May-13	1	118,000.00
42	1049471	Coin Counting Machine (Chihua	20-May-13	1	67,500.00
43	1049472	Coin Counting Machine (Chihua	20-May-13	1	67,500.00
44	1050353	Paper And Packet Binding	7-Nov-13	1	17,250.00
45	1050582	Tri Color Stamping Machine	18-Nov-13	1	112,500.00
46	1055485	Bundle Binding Machines (Model	28-Nov-14	1	69,500.00
47	1055486	Bundle Binding Machines (Model	28-Nov-14	1	69,500.00
48	1059255	Shrink Wrapping Machine	18-Aug-15	1	321,750.00
49	1059256	Counterfeit Detection Machine	2-Sep-15	1	29,700.00
50	1059257	Counterfeit Detection Machine	2-Sep-15	1	29,700.00
51	1059258	Counterfeit Detection Machine	2-Sep-15	1	29,700.00
52	1059485	Bundle Binding Machine	18-Sep-15	1	67,000.00
53	1059486	Tri Color Stamping Machine	18-Sep-15	1	87,900.00
54	1059487	Tri Color Stamping Machine	18-Sep-15	1	87,900.00
55	1065272	Machines - Miscellaneous	19-Aug-15	6	345,000.00
56	1066222	Note Sorting Machine	1-Aug-16	1	799,929.00
57	1066248	Counterfeit Detection Machine	5-Oct-16	1	27,100.00
58	1066942	Note Shredding Machine 03	1-Nov-16	1	1,495,850.00

59	1067974	Purchase Of Coin Counting	23-Jan-17	1	80,000.00
60	1067978	Paper And Packet Binding	25-Jan-17	1	23,900.00
61	1069167	Desktop Banknote Sorting And	15-Feb-17	1	1,839,000.00
62	1069208	Countertop Banknote Sorting	4-Jan-17	1	489,000.00
63	1069279	Shrink Wrapping Machine	5-Dec-16	1	255,530.00
64	1082121	Shrink Wrapping Machine	18-Oct-17	1	288,900.00
65	1082127	Multifunction Counterfeit Detector	20-Oct-17	1	53,094.50
66	1082128	Multifunction Counterfeit Detector	20-Oct-17	1	53,094.50
67	1084144	Tri Color Stamping Machine	19-Dec-17	1	522,997.00
68	1088378	Desktop Banknote Sorting And	27-Mar-18	1	1,475,364.00
69	1088379	Desktop Banknote Sorting And	27-Mar-18	1	1,475,364.00
70	1088380	Desktop Banknote Sorting And	27-Mar-18	1	1,475,364.00
71	1088455	Countertop Banknote Sorting	31-Mar-18	1	459,450.00
72	1088456	Countertop Banknote Sorting	31-Mar-18	1	459,450.00
73	1089632	Dahua Xvr 5232	28-Jun-18	1	43,875.00
74	1092495	Banknote Binder Ps1 (30mm	28-Nov-18	1	334,000.00
75	1092496	Banknote Binder Ps1 (30mm	28-Nov-18	1	334,000.00
76	1092497	Banknote Binder Ps1 (30mm	28-Nov-18	1	334,000.00
77	1092498	Multifunction Counterfeit Detector	28-Nov-18	1	52,895.66
78	1092499	Multifunction Counterfeit Detector	28-Nov-18	1	52,895.67
79	1092500	Multifunction Counterfeit Detector	28-Nov-18	1	52,895.67
80	1092501	Bcash Vc-870 Packet Note	28-Nov-18	1	97,110.00
81	1092502	Bcash Vc-870 Packet Note	28-Nov-18	1	97,110.00
82	1092711	Chihua Note Straping Ch-765	28-Dec-18	1	292,500.00
83	1092712	Chihua Note Straping Ch-765	27-Dec-18	1	292,500.00
84	1100040	Strapping Machine (Yl-300pm)	30-Sep-19	1	280,800.00
85	1100060	Sy-275 Note Counting Machine 2	30-Sep-19	1	107,640.00
86	1100061	Sy-275 Note Counting Machine 1	30-Sep-19	1	107,640.00
87	1100062	Counterfeit Detector 2 Of 2	30-Sep-19	1	58,500.00
88	1100063	Counterfeit Detector 1 Of 2	30-Sep-19	1	58,500.00
Total				95	20,916,243

Annex-39

(See Para No.5.4.4.13)

Detail of employees given undue favor in awarding foreign training

(A)

S. #	Name of Employee	Grade	Country	Start Date	End Date
1	Dr. Muhammad Ali Chaudhary	OG-8	France	2-May-16	5-May-16
	Dr. Muhammad Ali Chaudhary	OG-8	Turkey	26-May-16	29-May-16
2	Dr. Saeed Ahmed	OG-8	New York, USA	3-Oct-16	7-Oct-16
	Dr. Saeed Ahmed	OG-8	Bangkok, Thailand	21-Feb-17	22-Feb-17
3	Mr. Abid Qamar	OG-7	Germany	14-Jul-15	16-Jul-15

	Mr. Abid Qamar	OG-7	London, UK	14-Sep-15	16-Sep-15
4	Mr. Muhammad Akmal	OG-7	Armenia	17-Feb-16	19-Feb-16
	Mr. Muhammad Akmal	OG-7	Turkey	4-Apr-16	5-Apr-16
	Mr. Muhammad Akmal	OG-7	Malaysia	25-Jul-16	29-Jul-16
	Mr. Muhammad Akmal	OG-7	Singapore	8-Nov-16	9-Nov-16
	Mr. Muhammad Akmal	OG-7	Jakarta, Indonesia	17-Nov-16	17-Nov-16
5	Mr. Mohsin Rasheed	OG-7	Manila, Philippines	12-Apr-16	14-Apr-16
	Mr. Mohsin Rasheed	OG-7	Morocco	11-Jul-16	13-Jul-16
	Mr. Mohsin Rasheed	OG-7	New York, USA	18-Jul-16	22-Jul-16
6	Mr. Qader Bakhsh	OG-7	Sri Lanka	17-Oct-16	19-Oct-16
	Mr. Qader Bakhsh	OG-7	Baku, Azerbaijan	27-Mar-17	29-Mar-17
7	Syed Sajid Ali	OG-7	Singapore	8-May-17	19-May-17
	Syed Sajid Ali	OG-7	Kuala Lumpur, Malaysia	21-Nov-17	23-Nov-17
8	Dr. Muhammad Farooq Arby	OG-7	Seoul, Korea	17-Apr-17	21-Apr-17
	Dr. Muhammad Farooq Arby	OG-7	Australia	16-May-17	18-May-17

(Foreign trainings fully or partially funded by SBP)

(B)

Officer's Name	Grade	Foreign Trip	Start Date	End Date	Fully/ Partially Funded by SBP
Dr. Saeed Ahmed	OG-8	New York, USA	28-Sep-15	1-Oct-15	Fully Funded by SBP
Dr. Muhammad Ali Chaudhary	OG-8	France	2-May-16	5-May-16	Fully Funded by SBP
Mr. Saleem Ullah	OG-8	Frankfurt, Germany	11-Jul-16	14-Jul-16	Fully Funded by SBP
Mr. Saleem Ullah	OG-8	USA	30-Oct-17	2-Nov-17	Fully Funded by SBP
Dr. Saeed Ahmed	OG-8	Turkey	7-Dec-18	8-Dec-18	Fully Funded by SBP
Mr. Amjad Ali Ii	OG-7	Malta	10-Mar-15	13-Mar-15	Fully Funded by SBP
Syed Jahangir Shah	OG-7	USA	11-Sep-15	12-Sep-15	Fully Funded by SBP
Mr. Abid Qamar	OG-7	London, UK	14-Sep-15	16-Sep-15	Fully Funded by SBP
Dr. Muhammad Farooq Arby	OG-7	New York, USA	13-Oct-15	15-Oct-15	Fully Funded by SBP
Mr. Asif Mahmood	OG-7	London, UK	3-Nov-15	5-Nov-15	Fully Funded by SBP
Mr. Mohsin Rasheed	OG-7	Malaysia	29-Nov-15	4-Dec-15	Fully Funded by SBP
Mr. Muhammad Akmal	OG-7	Armenia	17-Feb-16	19-Feb-16	Fully Funded by SBP
Mr. Muhammad Javaid Ismail	OG-7	London, UK	11-Apr-16	15-Apr-16	Fully Funded by SBP
Mr. Abid Qamar	OG-7	Berkshire, UK	2-May-17	5-May-17	Fully Funded by SBP
Mr. Mohammad Mansoor Ali	OG-7	Hanoi, Vietnam	5-Nov-17	8-Nov-17	Fully Funded by SBP
Ms. Sahar Z. Babar	OG-7	UK	18-Sep-18	21-Sep-18	Fully Funded by SBP
Mr. Maraj Mahmood	OG-7	Australia	24-Sep-18	28-Sep-18	Fully Funded by SBP
Mr. Amjad Ali Ii	OG-7	Belgium	18-Mar-19	22-Mar-19	Fully Funded by SBP
Mr. Rahat Saeed	OG-7	Belgium	1-Apr-19	5-Apr-19	Fully Funded by SBP
Mr. Amjad Ali Ii	OG-7	Singapore	29-Oct-19	30-Oct-19	Fully Funded by SBP
Mr. Riaz Nazar Ali Chunara	OG-8	USA	18-May-15	21-May-15	Partially Funded by SBP
Mr. Shaukat Zaman	OG-8	Germany	4-Apr-16	8-Apr-16	Partially Funded by SBP
Mr. Riaz Nazar Ali Chunara	OG-8	Netherlands	24-May-16	26-May-16	Partially Funded by SBP
Dr. Muhammad Ali Chaudhary	OG-8	Turkey	26-May-16	29-May-16	Partially Funded by SBP

Mrs. Lubna Farooq Malik	OG-8	Toronto, Canada	12-Jun-16	17-Jun-16	Partially Funded by SBP
Mr. Muhammad Haroon Rasheed Malik	OG-8	Lebanon	5-Sep-16	9-Sep-16	Partially Funded by SBP
Dr. Saeed Ahmed	OG-8	New York, USA	3-Oct-16	7-Oct-16	Partially Funded by SBP
Mr. Amjad Manzoor	OG-8	New York, USA	11-Oct-16	13-Oct-16	Partially Funded by SBP
Mr. Saleem Ullah	OG-8	Paris	25-Apr-17	28-Apr-17	Partially Funded by SBP
Dr. Saeed Ahmed	OG-8	Geneva, Switzerland	5-Sep-17	6-Sep-17	Partially Funded by SBP
Mr. Amjad Manzoor	OG-8	France	11-Sep-17	13-Sep-17	Partially Funded by SBP
Dr. Muhammad Ali Chaudhary	OG-8	Washington DC	6-Dec-17	8-Dec-17	Partially Funded by SBP
Mr. Muhammad Ashraf Khan	OG-8	New York, USA	24-Sep-18	26-Sep-18	Partially Funded by SBP
Mr. Saleem Ullah	OG-8	London, UK	4-Nov-19	5-Nov-19	Partially Funded by SBP
Mr. Qasim Nawaz	OG-8	Czech	25-Nov-19	27-Nov-19	Partially Funded by SBP
Mr. Asif Mahmood	OG-7	Germany	3-Feb-15	5-Feb-15	Partially Funded by SBP
Mr. Asim Iqbal	OG-7	New York, USA	11-May-15	14-May-15	Partially Funded by SBP
Mr. Abid Qamar	OG-7	Germany	14-Jul-15	16-Jul-15	Partially Funded by SBP
Mr. Muhammad Akmal	OG-7	Turkey	4-Apr-16	5-Apr-16	Partially Funded by SBP
Mr. Mohsin Rasheed	OG-7	Manila, Philippines	12-Apr-16	14-Apr-16	Partially Funded by SBP
Mr. Arshad Mehmood Bhatti	OG-7	Germany	18-May-16	20-May-16	Partially Funded by SBP
Mr. Mohsin Rasheed	OG-7	Morocco	11-Jul-16	13-Jul-16	Partially Funded by SBP
Mr. Mohsin Rasheed	OG-7	New York, USA	18-Jul-16	22-Jul-16	Partially Funded by SBP
Mr. Muhammad Akmal	OG-7	Malaysia	25-Jul-16	29-Jul-16	Partially Funded by SBP
Syed Mansoor Ali	OG-7	Basel, Switzerland	12-Mar-19	13-Mar-19	Partially Funded by SBP
Mahmood-Ul-Hasan Khan	OG-7	Eltville, Germany	13-Sep-16	15-Sep-16	Partially Funded by SBP
Mr. Noor Ahmed	OG-7	Bali, Indonesia	26-Sep-16	27-Sep-16	Partially Funded by SBP
Mr. Aniq Aziz	OG-7	New York, USA	11-Oct-16	14-Oct-16	Partially Funded by SBP
Mr. Qader Bakhsh	OG-7	Sri Lanka	17-Oct-16	19-Oct-16	Partially Funded by SBP
Mr. Rahat Saeed	OG-7	Sri Lanka	17-Oct-16	19-Oct-16	Partially Funded by SBP
Mr. Muhammad Akmal	OG-7	Singapore	8-Nov-16	9-Nov-16	Partially Funded by SBP
Mr. Muhammad Akmal	OG-7	Jakarta, Indonesia	17-Nov-16	17-Nov-16	Partially Funded by SBP
Mr. Altaf Hussain	OG-7	Paris	13-Dec-16	16-Dec-16	Partially Funded by SBP
Mr. Qader Bakhsh	OG-7	Baku, Azerbaijan	27-Mar-17	29-Mar-17	Partially Funded by SBP
Syed Ali Raza	OG-7	Paris	28-Mar-17	31-Mar-17	Partially Funded by SBP
Dr. Muhammad Farooq Arby	OG-7	Seoul, Korea	17-Apr-17	21-Apr-17	Partially Funded by SBP
Dr. Muhammad Farooq Arby	OG-7	Australia	16-May-17	18-May-17	Partially Funded by SBP
Mr. Amjad Ali Ii	OG-7	Stockholm, Sweden	21-Aug-17	25-Aug-17	Partially Funded by SBP
Dr. Asma Ibrahim	OG-7	Frankfurt, Germany	5-Sep-17	7-Sep-17	Partially Funded by SBP
Mr. Mohsin Rasheed	OG-7	Portugal	25-Sep-17	26-Sep-17	Partially Funded by SBP
Mr. Muhammad Amin Khan Lodhi	OG-7	New York, USA	16-Oct-17	20-Oct-17	Partially Funded by SBP
Dr. Omar Farooq Saqib	OG-7	New York, USA	23-Oct-17	25-Oct-17	Partially Funded by SBP
Mr. Shaukat Ali	OG-7	Washington DC	30-Oct-17	3-Nov-17	Partially Funded by SBP
Mr. Qader Bakhsh	OG-7	Frankfurt, Germany	26-Feb-18	2-Mar-18	Partially Funded by SBP
Mr. Altaf Hussain	OG-7	London, UK	23-Apr-18	25-Apr-18	Partially Funded by SBP
Mahmood-Ul-Hasan Khan	OG-7	Seoul, Korea	25-Jun-18	28-Jun-18	Partially Funded by SBP
Syed Sohail Javaad	OG-7	Turkey	9-May-17	12-May-17	Partially Funded by SBP

Mr. Muhammad Javaid Ismail	OG-7	Washington DC	22-Oct-18	26-Oct-18	Partially Funded by SBP
Syed Sohail Javaad	OG-7	Singapore	6-Sep-18	7-Sep-18	Partially Funded by SBP
Mr. Muhammad Akmal	OG-7	England	9-Apr-19	11-Apr-19	Partially Funded by SBP
Mahmood-Ul-Hasan Khan	OG-7	Bangkok, Thailand	11-Apr-19	12-Apr-19	Partially Funded by SBP
Mr. Muhammad Amin Khan Lodhi	OG-7	Bangkok, Thailand	11-Apr-19	12-Apr-19	Partially Funded by SBP
Mr. Qader Bakhsh	OG-7	USA	23-Sep-19	27-Sep-19	Partially Funded by SBP
Ms. Sahar Z. Babar	OG-7	New York, USA	22-Oct-19	24-Oct-19	Partially Funded by SBP

Annex-40

(See Para No.5.4.4.14)

Non-production of record SBP

S. #	Req. #	Dated	Details of information / record
1	01	11.12.2019	List of enquiries initiated against employees, concluded and in process showing name, reason of inquiry and date of inquiry along with enquiry reports, SBP, BSC.
2	02	11.12.2019	List of Advocates along with relevant files in which the fees were paid but satisfactory services were not rendered by them and the cases were handed over to other legal Advisors without taking action against the previous Advisor.
3	03	11.12.2019	- Detail of complaints lodged with Foreign Exchange adjudication court and cases disposed off up to June, 2019. - Detail of penalties ledged on the cases of export refinance scheme, recovery and outstanding balance up to June, 2019.
4	04	12.12.2019	- Detail of Commission receivable showing name and amount along with aging. - Rules / Criteria / Policy for recovery of Commission.
5	06	12.12.2019	- Physical Verification Report of fixed Assets. - Complete detail of properties showing property name, vacant area, reason of vacancy and date of vacancy. - Perquisites and Facilities of Deputy Governor(s).
6	07	12.12.2019	- Complete detail / list of loans sanctioned to Commercial banks / Financial Institutions / NBFI / Government Institutions and any other sector (if any) showing name, amount, rate of interest charged, nature of loan, purpose of loan and duration of loan. - Detail of outstanding amount due from the Commercial banks / Financial Institutions / NBFI / Government Institutions and any other sector (if any) showing name, outstanding amount along with ageing as on 30.06.2019. - Complete detail / list of loans waived off by the SBP in respect of Commercial banks / NBFI / Financial Institutions/ Government Institutions and any other sector (if any) showing name, amount of original loan, amount waived, reason of waiving off loan, relevant approvals. - Complete detail / list of loans re-scheduled by the SBP in respect of Commercial banks / NBFI / Financial Institutions / Government Institutions and any other sector (if any) showing name, amount of original loan, amount re-scheduled, reason of re-scheduling, relevant approvals.
7	10	12.12.2019	- Detail of sanctioned & actual strength of the regular employees of SBP and SBP-BSC. (Grade wise). - Detail of sanctioned and actual strength of contract employees (grade / position wise) and also provide detail of appointments made against contract post in SBP and SBP-

			BSC. • Complete Detail of Medical treatment was taken abroad by employees (present & retired including Governor / Ex-Governor) of SBP & SBP-BSC showing names of employee, nature of treatment, place of treatment and amount paid / reimbursed. (Partial Record) • Complete Detail of loan outstanding from Ex-employees showing name, designation, outstanding amount, date of dismissal / resign along with ageing.
8	12	12.12.2019	• Complete Detail of expenditure incurred by SBP on perks / perquisites / facilities extended to Ex-Governors during the year 2016-17, 2017-18 & 2018-19 (Month wise) i.e. medical (including spouse and family / dependent), air ticketing, travelling expenses, staff allowances, housing facility in terms of monetary benefits or in case of accommodation provided by SBP and other expenses, if any.
9	13	12.12.2019	• Detail of other receivable • Detail of Insurance Claims Receivables.
10	16	12.12.2019	• Management Letters and Summaries of Control Deficiencies furnished by Statuary Auditors of the SBP (H.O) as well as all field office's (BSC).
11	17	12.12.2019	• Internal audit reports of SBP. • Complete case file regarding outstanding amount of Rs. 493,673 Million against Malik Muhammad Bostan along with updated position.
12	18-A	12.12.2019	• Action taken by SBP against KASB due to decrease in MCR • Upto what extent MCR action to be taken against bank • Whether warning were issued to KASB bank • Whether case is under litigation? • Minimum Capital Requirement for bank • Action taken against KASB and other banks for not meeting MCR requirement with decision • Process of action taken i.e. warning to the banks for not meeting MCR • Reasons for selling of KASB bank and assessing the assets at value of Rs. 1000 • Reasons of soft loan Rs. 20.00 billion @ interest rate of 0.01% under what rules • List of other bank amalgamated and their complete case files
13	18-B	19.12.2019	• Complete Budget files pertaining to the SBP's (H.O) and its departments, BSC (H.O) and its regional offices which showing variances budget vs actual along with approval of the board. • Details of audit conducted by SBP of all private banks and action taken by SBP to non-compliance.
14	19	19.12.2019	Total amounts of foreign exchange transferred out of country
15	23	19.12.2019	Record pertaining to; 1. Chief Economic Advisor
16	24	19.12.2019	• Complete details of loan outstanding from Ex-employees showing name, designation, outstanding amount, date of dismissal / resign along with ageing. • List of projects approved by BoD during the year under review
17	27	19.12.2019	• FCY loan and Guarantees policy • Criteria for loan from foreign lenders
18	28	19.12.2019	• All details related to Addition/deletions of Operations Fixed Assets in respect of Plant and machinery, Furniture and Fixtures, Office equipment, EDP Equipment and Motor vehicles during year 2018-19 (Partial Record) • Complete details of Capital work-in-progress with complete break up on the operations fixed assets. • Details related to Addition & transferred of Intangibles Assets / Software. • Details of Capital work-in-progress with complete break up on the Intangibles assets.

19	28	19.12.2019	• List of exchange companies that the SBP issued NOC along with relevant file • List of exchange companies whose license were renewed along with relevant files • List of exchange companies whose license were revoked along with relevant files • List of exchange companies whose prior approval were given by SBP regarding increase of capital • Detail of all transaction of the individual customer of USD 50,000/- or above (or equivalent in other currencies) approval given by SBP to exchange companies along with relevant files • Details of penalty imposed by SBP to Exchange Company along with reasons
20	29	19.12.2019	• List of exchange companies whose approval were given by SBP for commencing inward home remittance operation along with file • Details of approvals were given by SBP for outward remittance transactions of USD 50,000 or above (equivalent in other currencies) along with complete files. • Details of authorization were given by SBP to the exchange companies for foreign currency export business • A copy of the Bi, Monthly and Quarterly statements were furnished by exchange companies • Annual Plan for conducting the inspection of exchange companies • List of exchange companies whose inspection were carried out by SBP • A copy of the Inspection report conducted by SBP of exchange companies • A copy of the financial statements were submitted by Exchange companies
21	30	19.12.2019	• A copy of on-site verification Planned vs Actual of the banks by field offices • Minutes of the meeting with bank after on-site verification • Copies of the on-site verification reports of the banks which conducted by field offices (BSC) • Details of negative / delist of the importer's Bank • Re-finance criteria / Sop's of the banks • Re-financing Limit assigned by BSC to the Bank s • Actual refinancing given by BSC to the banks • Negative list of the export goods • Complete details of the refinance / export overdue as on June 30th 2018 along with aging • Detail of the cases filed against export over due to the banks • Detail of action taken against the banks which failed to clear / adjust the refinancing facility within the time period
22	31	19.12.2019	• List of companies who applied for getting a license / NOC for commencing a foreign exchange business last three years • Complete file regarding to grant a license / NOC for exchange companies last three year. • In case rejection / application turndown, the reasons for rejection of the applicant last three years along with complete file
23	32	19.12.2019	• Banking Policy Committee along with working papers. • Monetary Operations Committee along with working papers. • Budget Committee of Management along with working papers. • Business continuity planning committee along with working papers. • Strategic Plan steering Committee along with working papers. • Enterprise Risk Management Committee along with working papers. • Investment Committee of Management along with working papers. • Payment Systems policy committee along with working papers. • Refund Committee (Export Refund Committee along with working papers.

			- Financial Stability Executive Committee along with working papers. - Sports committee along with working papers.																											
24	34	20.12.2019	- Details of outstanding Rs. 379 billion export finance at end June 30th 2019 along with aging. - Breakup for securities purchased under agreement to resell as on 30th June, 2019 along with copy of agreement. - Detail of securities purchased under agreement to resell matured and hold by SBP after maturing period during the year - Detail of securities purchased under agreement to resell encashed during the year under review.																											
25	35	21.12.2019	- Details of 7682 cases decided by adjudicating court which referred by Foreign Exchange operations department along with execution status of the cases. - Details of 7456 cases decided by Foreign Exchange Adjudication Courts along with execution status of the cases.																											
26	36	21.12.2019	- Terms and condition of the disbursement of the above mentioned loan and advances along with relevant files. - Updated status of the recovery of the loan and advances to Government owned / controlled institutions - Ageing of outstanding loan and advances to Government owned and controlled financial institutions.																											
27	37	21.12.2019	- Break up of loan and advances to private sector financial institutions <table><tr><th colspan="3">Rs. In million</th></tr><tr><th>Description(s)</th><th>Schedule Banks</th><th>Other Financial Institutions</th></tr><tr><td>Agriculture Sector</td><td>834,426</td><td>279,970</td></tr><tr><td>Industrial Sector</td><td>133,682,133</td><td>12,527,579</td></tr><tr><td>Export Sector</td><td>348,723,589</td><td>-</td></tr><tr><td>Other</td><td>2,967,281</td><td>9,140,395</td></tr></table> - Terms and condition of the disbursement of the above mentioned loan and advances along with relevant files. - Updated status of the recovery of the loan and advances to private sector financial institutions - Ageing of outstanding loan and advances to private sector financial institutions.	Rs. In million			Description(s)	Schedule Banks	Other Financial Institutions	Agriculture Sector	834,426	279,970	Industrial Sector	133,682,133	12,527,579	Export Sector	348,723,589	-	Other	2,967,281	9,140,395									
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Description(s)	Schedule Banks	Other Financial Institutions																												
Agriculture Sector	834,426	279,970																												
Industrial Sector	133,682,133	12,527,579																												
Export Sector	348,723,589	-																												
Other	2,967,281	9,140,395																												
28	39	21.12.2019	- Complete detail in respect of disposed off property, plant and equipment along with files. - Complete account head wise break up of provision for doubtful assets charged during the year under review. - Complete detail of obsolete items as on June 30th, 2019 in the head of Medicines, stationery, engineering and others.																											
29	40	24.12.2019	Complete detail of properties under following Performa: <table><tr><th>S#</th><th>Owner of property / buildings</th><th>Area of property in Sq. Feet</th><th>Name of occupier of the property / building</th><th>Initial date of occupancy of the property / building</th><th>Bases of the occupancy whether on lease or Rental</th><th>Date of agreement</th><th>Rate of rent / compensation per Sq.ft.</th><th>Outstanding rent / compensation charges as on 30th June, 2019</th></tr><tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>	S#	Owner of property / buildings	Area of property in Sq. Feet	Name of occupier of the property / building	Initial date of occupancy of the property / building	Bases of the occupancy whether on lease or Rental	Date of agreement	Rate of rent / compensation per Sq.ft.	Outstanding rent / compensation charges as on 30 th June, 2019	1	2	3	4	5	6	7	8	9									
S#	Owner of property / buildings	Area of property in Sq. Feet	Name of occupier of the property / building	Initial date of occupancy of the property / building	Bases of the occupancy whether on lease or Rental	Date of agreement	Rate of rent / compensation per Sq.ft.	Outstanding rent / compensation charges as on 30 th June, 2019																						
1	2	3	4	5	6	7	8	9																						
30	42	27.12.2019	- Position paper of utilization of the capital expenditure or project. - Complete file in respect of SBP Tech Club.																											
31	43	31.12.2019	Payroll access and view.																											
32	47	06.01.2020	Detail of Job Rotation Policy and number of employees rotated against planned for the year. (Only Policy provided)																											

			• Detail of Medical facilities to dependents above 18 years of age.																					
33	48	06.01.2020	• Detail of Training & Development Budget for the year. (Budget of SBP-BSC received only) • Detail of transport facility along with relevant policy, circulars and relevant approval from competent authority • Foreign training detail of employees having PIN No. 8392 & PIN No. 8325 during last 5 years along with complete relevant expenditure & duration																					
34	51	08.01.2020	• Complete files along with noting portion, tender documents, detail of payment and correspondence made with contractors under following list of project may please be provided to Audit for scrutiny; <table><tr><td>S#</td><td>Project's Names</td></tr><tr><td></td><td>Construction of New Main Data Center</td></tr></table>	S#	Project's Names		Construction of New Main Data Center																	
S#	Project's Names																							
	Construction of New Main Data Center																							
35	52	14.01.2020	• Complete files along with noting portion, tender documents, detail of payments and correspondence made with contractors under following list of project may please be provided to Audit for scrutiny; <table><tr><td>S. No.</td><td>Description</td></tr><tr><td></td><td>Work load analysis carried out by M/s Mazars along with deliverables and present status. (Missing committee minutes and present status of the project)</td></tr></table>	S. No.	Description		Work load analysis carried out by M/s Mazars along with deliverables and present status. (Missing committee minutes and present status of the project)																	
S. No.	Description																							
	Work load analysis carried out by M/s Mazars along with deliverables and present status. (Missing committee minutes and present status of the project)																							
36	56	20.01.2020	• Complete detail of Credit Loss Allowance																					
37	57	29.01.2020	• As mentioned note No. 15.4.2 of Annual Accounts 2018-19, copy of sanction by the federal Government under Section 47 of the Banking Companies Ordinance 1962 regarding scheme of amalgamation of two commercial bank in the year 2015. • A copy of financing facility agreement amounting to Rs. 5,000 million. • Complete case file regarding amalgamated two commercial banks.																					
38	60	31.01.2020	• List of project completed under the following performa; <table><tr><td>S. No.</td><td>Name of Project</td><td>Contract Price</td><td>Singing date of agreement</td><td>Start date of contract</td><td>Complete date of contract</td><td>Total expenditure incurred till to date against the project</td></tr><tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>	S. No.	Name of Project	Contract Price	Singing date of agreement	Start date of contract	Complete date of contract	Total expenditure incurred till to date against the project	1	2	3	4	5	6	7							
S. No.	Name of Project	Contract Price	Singing date of agreement	Start date of contract	Complete date of contract	Total expenditure incurred till to date against the project																		
1	2	3	4	5	6	7																		
39	61	11.02.2020	• Foreign Exchange sold in Forex Market out rightly or through Swaps during last five years. • Foreign Exchange purchased in Forex Market out rightly or through Swaps during last five years. • Details of licenses issued to payment system provider/operator assisting Point of Sale (POS) i.e. Connect, Fintech, Kennu etc. • Policy, rules regarding POS.																					
40	62	11.02.2020	• Detail of return earned on Diaram & Bhasha Dam Fund account. • Month-wise detail of transport facility provided to EDs, Directors/HODs for pick and drop facility from residence to airport and back during last three years under following format: <table><tr><td>S. No.</td><td>Name of EDs availing facility</td><td>Name of Director / HOD availing facility</td><td>No. of trips per month</td><td>Total Distance travelled during trips (in KM)</td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr></table> • Detail of increment in fees of BOD members during last three years. • Detail of non-performing loans from employees.	S. No.	Name of EDs availing facility	Name of Director / HOD availing facility	No. of trips per month	Total Distance travelled during trips (in KM)																
S. No.	Name of EDs availing facility	Name of Director / HOD availing facility	No. of trips per month	Total Distance travelled during trips (in KM)																				
41	63(A)	19.02.2020	• Total numbers of sanctioned post in the SBP & SBP (BSC) OG-1 to OG-08 and Clerical staffs • List of sanctioned post of grade wise i.e. officers and clerical staff of SBP & SBP																					

			(BSC). • Domicile wise details of the employees are working in the SBP and SBP (BSC). • List of permanent / regular employees i.e. officer & clerical staff who has got retired / dismissed / terminated / resigned etc. since 12.02.2007 till to date along with their region / place of domicile, date of appointment and what was the grade of employees i.e. officer & clerical staff at the time of initial appointment. • Details of all existing permanent / regular employees i.e. officer & clerical staff who are working in the SBP & SBP(BSC) comprising names of employees , designation at the time of appointment, date of appointment and also showing region / place of domicile.
42	63(B)	11.02.2020	• Detail of hiring of consultant for museum (Personal file & Recruitment file) Repeated • Detail of travel agents/agency hired / on panel during last five years. Repeated • Detail of air tickets to Governor, DGs, EDs and Directors during last five years along with relevant policy/rules.
43	64	19.02.2020	• Complete detail of employees on daily wages and agreement there against since last 5 years. • Complete detail of payments made to employees on daily wages during last 5 years. • Detail of pay structure along with all fringe benefits grade-wise (OG-I to OG-VIII)
44	65	25.02.2020	• Complete detail of all payments i.e. Participation Fee, Travel Cost, Daily Allowance etc. made by SBP on account of foreign training of employees as per Annexure. • Training provided by employees as per Annexure to other employees of the Bank after their return from Foreign Training. • List of all employees awarded foreign training along with complete detail of payment by SBP during last three years.
45	66	02.03.2020	• Minutes of the meeting of Project Steering Committee held with consultant i.e. M/s Mazar since commencement of the project to till to date. • Complete correspondence file with respect to M/s Mazar consultant since inception to till to date. • Updated status had been presented to any committees i.e. HR Committee and BoD in any year since inception of the project to till to date. • Detail of appointments (i.e. names, grade and date of appointment) have been made after handed over deliverables i.e. work load analysis report by consultant i.e. M/s Mazar.
46	67	04.03.2020	• Complete detail of data / file / Dak Register (inward/onward) & movement corresponding in ELMS since is inceptions. • External assessment of Internal Audit Department. • Peer Assessment review during last three years.\ • BSC Audit review. • Approval duly signed by current Governor since his joining date.
47	68	04.03.2020	• Complete detail of awarding parking contract and payment made there against during last three years. • Complete detail of expenditure on corporate events. • Details of sports committee minutes • Detail of tournament of cricket / football / table tennis badminton and payments there against. • Maintenance expense of ground • Details of contract players.

Annex-41(A)*(See Para-5.7.4.5)***Loss due to non-recovery of past dues by Branch of ZTBL Z.O Lahore**

Rank	Name of Branch	Past dues recoverable (Rs)	Achievement as on 31.12.2019 (Rs)	%age	last year %age 31.12.2018
1	Mandi Usmanwala	27.786	13.987	50.34%	20.41%
2	Chung	9.811	5.024	51.21%	48.51%
3	Rai Wind	49.120	17.750	36.14%	33.67%
4	Halla	56.452	24.787	43.91%	42.80%
5	Kot Radha Kishan	304.610	64.062	21.03%	21.63%
6	Pattoki	25.662	11.236	43.79%	47.84%
7	Kasur	63.871	28.329	44.35%	49.62%
8	Phool Nagar	70.200	30.674	43.70%	50.02%
9	Lahore Cantt	13.521	9.413	69.62%	76.79%
10	Bhadian Kalan	64.177	21.674	33.77%	43.39%
11	Batapur (Jalo More)	8.820	2.323	26.34%	36.53%
12	Mustafabad	5.777	4.318	74.74%	88.42%
13	Chunian	38.802	19.469	50.18%	65.47%
14	Khudian	49.398	27.158	54.98%	71.44%
15	Kangan Pur	26.417	8.901	33.69%	64.71%
	Total	814.423	289.104	35.50%	36.42%

Annex-41(B)*(See Para-5.7.4.5)*

S. No.	Branch name	As on 31.12.2019			As on 31.12.2018		
		Old borrowers	New borrowers	Total	Old borrowers	New borrowers	Total
1.	Batapur	282	18	300	330	7	337
2.	Bhadian Kalan	562	60	622	705	23	728
3.	Chung	211	39	250	203	42	245
4.	Chunian	1,043	158	1,201	1,454	30	1,484
5.	Halla	428	74	502	522	93	615
6.	K. R. K	105	115	220	141	46	187
7.	Kanganpur	609	114	723	655	121	776
8.	Kasur	1,241	134	1,375	912	321	1,233
9.	Khuddian	1,062	423	1,485	750	191	941
10.	Lahore Cantt	263	48	311	359	40	399
11.	Mustafaabad	305	131	436	326	139	465
12.	Pattoki	521	67	588	460	99	559
13.	Phool Nagar	436	92	528	460	135	595
14.	Raiwind	144	84	228	221	106	327
15.	Mandi Usman Wala	84	363	447	0	0	0
16.	Total	7,296	1,920	9,216	7,498	1,393	8,891

Annex-42
(See Para-5.7.4.10)

Irregular Sanction / Disbursement of loans over and above approved ceiling

S. No.	Name	Designation	Amount (Rs)
1.	Mr. Hassan Ali Shujra PP No: 116008	OG-II the then MCO ZTBL Khanpur (Sindh) branch	8,605,304
2.	27 loan cases	Staff of Ahmed Nagar branch	2,048,000
3.	13 Loan cases	-do-	4,282,800
4.	Mr. Wajid Ali PP No: 059332 Manager. Mr. Muhammad Tayyab ur Rehman PP No: 096298 MCO, Mr. Atif Aftab PP No: 123548 Deputy Manager, Mr. Ghulam Haider PP No: 111234 and Mr. Mehtab Tabassum PP No: 113550 MCO	ZTBL No. 1 Plot Branch Okara Zone	25,024,871
5.	Noor Farid Chishti M. Ahad Hussain M. Saleem MCOs	Haveli Lakha	3,788,108
6.	M. Zubair MCO	Mandi Faizabad	226,058
7.	Muhammad Saeed MCO	Phool Nagar	78,920
	Total		44,054,061

Annex-43*(See Para -6.1.4.7)***Unjustified retention of staff in office abroad since long**

S. No.	Name of employee	Grade	Place of posting	Date of positing	Present Status	Period of stay Y-M
1	Muhammad Shoaib	12	Saudi Arabia	26. 10.2009	Still in Saudi Arabia	10-8
2	Ashfaq Ahmad	12	Saudi Arabia	14. 03.2002	Still in Saudi Arabia	18-3
3	Mohammad Abdul Nasir	12	Saudi Arabia	21. 10.2004	Still in Saudi Arabia	15-8
4	Mahmood Ahmad	12	Saudi Arabia	29. 10.2009	Still in Saudi Arabia	10-8
5	Rizwan Ahmad	11	Saudi Arabia	24. 01.2011	Still in Saudi Arabia	9-5
6	Raja Ammad Nazir	10	Saudi Arabia	05. 08.2015	Still in Saudi Arabia	4-11
7	Muhammad Bilal Riaz	10	Saudi Arabia	18.04.2013	Still in Saudi Arabia	7-2
8	Nazir Ahmad Malik	10	Saudi Arabia	13.03.2016	Still in Saudi Arabia	4-3
9	Nasir Zeb	10	Saudi Arabia	01.10.2015	Still in Saudi Arabia	4-8
10	Umar Hayat	10	Saudi Arabia	25.11.2016	Still in Saudi Arabia	3-7
11	Asad Mahmood Hassan	9	Saudi Arabia	17.06.2016	Still in Saudi Arabia	4-0
12	Ashfaq Ahmad	9	Saudi Arabia	23.07.2016	Still in Saudi Arabia	4-1
13	Abdul Ghaffar	9	Saudi Arabia	23.07.2002	Still in Saudi Arabia	18-1
14	Maqsood Ahmad	9	Saudi Arabia	03.05.2016	Still in Saudi Arabia	4-2
15	Sajid Hussain	8A	Saudi Arabia	17.10.2010	Still in Saudi Arabia	9-8
16	Basit Ali Wahid	7	Saudi Arabia	01.08.2015	Still in Saudi Arabia	4-11
17	Khadim Hussain	12	Muscat	12.01.2001	Still in Muscat	19-5
18	Asif Mahmood	10	Muscat	18.09.2014	Still in Muscat	5-10
19	Muhammad Usman	9	Muscat	03.08.2012	Still in Muscat	7-10
20	Malik Azhar Hussain	8A	Muscat	17.11.2014	Still in Muscat	5-7
21	Muhammad Nasir	8A	Muscat	21.03.2015	Still in Muscat	6-3
22	Kamran Yousaf	12	Qatar	22.04.2019	Still in Qatar	1-2
23	Asad Latif Piracha	12	Qatar	05.09.2006	Still in Qatar	13-10
24	Abid Suleman Butt	12	Qatar	17.08.2010	Still in Qatar	9-10
25	Muhammad Ishfaq	9	Qatar	20.08.2014	Still in Qatar	5-10

Annex-44 (A)

(See Para-6.1.4.9)

Loss due to appointment on fake degree / certificates - Rs. 14.07 million

According to Cabinet Secretariat (Establishment Division) vide D.O. No. 6(28)2011-DG-II dated March 08, 2011, all the Autonomous bodies/Companies, Corporations were required to take the measures to authenticate degrees / certificates of all the employees of their organization. It would be of concerned Head of Organization to have the degrees / certificates verified.

During audit of NESPAK for the year 2019-20, it was observed that management appointed (05) five employees in different cadres during the period from 2007 to 2010. At the time of appointment, the management failed to get verified the educational certificates of the respective employees from concerned Board / Universities. The services of the below mentioned offices were regularized during the period from 2012 to 2014. After regularization in the service their degrees/certificates were sent to respective Boards for verification which were subsequently proved fake / bogus. The management issued show cause notices to the employees but the employees did not give any response. The management-initiated inquiries against the culprits and finally, the accused were dismissed from service on the basis of bogus degrees / certificates after serving the organization for six to eight years. The management instead of taking prompt action against accused; delayed the process intentionally which caused loss of Rs. 14.070 million on account of pay and allowances as detailed in statement attached.

Audit is of the view that as the degrees / certificates of the accused were proved to be fake / bogus, thus there was no need for detailed enquiry and services of the employees could be terminated immediately. Due to unnecessary and deliberately delay, the NESPAK suffered a loss of Rs. 14.070 million which needs to be recovered from the concerned officers.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that the degrees of the employees were declared bogus/fake during verification process, and immediate action was taken against employees as per law and issued charge sheet / show cause notice. Legal suit has been filed against employees at S. No 1, 3 and 4 whereas the employee at S. No. 2 has filed a case in the Islamabad High Court whereas civil suit against employee at S. No 5 is in process. The reply of the management is not convincing as management should have verified the degrees of the employees immediately after their appointment. In the reported cases management took a period of 4-9 years to get the degrees verified from the concerned institutes. Furthermore, after verification the management took inordinate time to take action against the culprits. DAC directed the management to submit revised reply with reference to the contents of Stay Orders, present status of recovery and next date of hearing of each case.

Audit recommends compliance of DAC directives.

Statement (Para-6 NESPAK, 2019-20) Rs. 14.07 m							
S. No.	Name of Employee/ Designation	Grade	Date of appointment	Date of degree / Certificate proven fake	Average pay collected from joining and termination	Date of termination	Recoverable amount (Rs)
1.	Muhammad Yaqoob Sub-Engineer	6	May 2009	June 05, 2018	116 months x 30,000	March 03, 2019	3,480,000
2.	Muhammad Naveed Clerk	5	June 11, 2012	October 2017	66 months x 30,000	December, 2017	1,980,000
3.	Muhammad Sajjad Clerk	5	May 16, 2012	November 16, 2016	67 months x 30,000	2018	2,010,000
4.	Mr. Khadim Hussain Field Assistant	5	December 10, 2009	October 02, 2015	84 months x 30,000	November 16, 2016	2,520,000
5.	Mr. Zamurd Hussain Sub Engineer	6	February 25, 2009	July 16, 2020	136 months x 30,000	July 16, 2020	4,080,000
Total							14,070,000

Annex-44 (B)

(See Para-6.1.4.9)

Irregular appointment of Software Developer by granting undue favour – Rs. 7.760 million

As per advertisement for the post of software developer dated 12-10-2003 fresh candidates having distinguished academic record in MCS or MSC or BSC (4 years) degree exam in computer science from a reputable college / university recognized by HEC.

As per clause 8 (a) of induction policy of NESPAK, “All inductions shall be made on the basis of applications received in response to the requirement as given in advertisement”.

During the audit of NESPAK (HO), Lahore for the year 2019-20 it was observed that management appointed Mr. Atif Aleem Faizi, as Software Developer Grade-08 (b) through advertisement in Daily Times dated Oct 12, 2003 having the qualification of MCS on April 28, 2004 and joined his duties in H& TE Division.

During examination of personal file it was observed that the candidate has the following academic record:

Qualification	Year	Marks grade obtained	Percentage
Matric	1989	579/ 850	68%
FSC	1992	566/1100	51%
B.A	1999	489/ 800	61%
MCS	2003	CGPA 2.81	Min required CGPA 3

It was however observed that the members of the selection committee awarded him exceptional grades in the interview held on 06.04.2004 whereas the candidate neither have any distinguished academic career nor was graduate from any reputable institution as required under the advertisement criteria. The employee was graduated from Hajveri University which is not

amongst the top leading universities i.e. FAST, NUST, LUMS, UET etc. Furthermore there is a gap of almost 7 years from intermediate to the graduation stage which clearly shows that he was not an outstanding student. The Selection committee gave marks in exceptional (a, b & c) categories only to the said employee by granting undue favour.

The contract period of the employee was extended afterward and then inducted in regular cadre also grade 8(b) on April 27, 2006. He is currently working in Grade-11 as Senior Software Developer w.e.f. July 01, 2019 after getting promotions in subsequent periods. Hence, the appointment of said employee is held irregular in audit and the company sustained a loss of Rs. 7.760 million during the period approximately.

Audit is of the view that the selection committee gave undue favour to an average candidate against the advertised criteria, which was in violation of rules referred as above. Hence the appointment and payment of Rs. 7.760 million is held irregular in audit.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that Mr. Atif Aleem Faizi was shortlisted against the said post as per requirement of the advertisement since the ad was for fresh candidates. The reply of the management is not convincing as according to the advertised criteria the candidate must have a Distinguished Academic record and graduate from a reputable college / university. The selected candidate has an average academic record and remained out of studies for 7 years from 1992 to 1999 after passing his FSC exams. Furthermore the CGPA is below the minimum required bench mark. The DAC directed to probe into the matter by conducting fact finding inquiry at ministry's level and fix responsibility.

Audit recommends compliance of DAC directives.

Annex-44 (C)

(See Para-6.1.4.9)

Irregular appointment of Engineers having deficient experience by granting undue favour – Rs. 23.061 million

As per advertisements published in various newspapers, the minimum required experience ranges from 2-5 years to 5-10 years.

During the audit of NESPAK (HO), Lahore for the year 2019-20 it was observed that the management appointed Engineers through different advertisements in the period of 2007-08. While reviewing the selection process and the merit lists it was observed that these employees were having deficient experience as compared to criteria mentioned in advertisements which renders them ineligible for appointment

The contract period of the employees were extended afterward and then inducted in regular cadre and promoted in succeeding periods. Hence, the appointment of said employees is

held irregular in audit and the company sustained a loss of Rs. 23.061 million during the period approximately. Detail is given as below:

S. No.	Employee Name	Designation	Experience Required	Experience Possessed	Date of Appointment	Salary paid approx. Rs
1	Mr. Umer Farooq	Sr. Engineer	2-5 Years	04 months	June 18, 2007	7,536,000
2	Ms. Nida Sikandar	Sr. Engineer	2-5 Years	03 months	May 27, 2009	5,556,000
3	Mr. Raja Ammad	Sr. Engineer	3 Years	02 months	Dec 06, 2007	4,974,000
4	Mr. Sheraz Ali	Jr. Engineer	5-10 Years	06 months	Nov 05, 2007	4,995,000

Audit is of the view that the selection committee granting undue favour to the said employees which is in violation of rules referred as above. Hence, the appointments and payment of Rs. 23.061 million is held irregular in audit.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that the candidates were evaluated on the basis of technical knowledge and found suitable as they had the relevant knowledge. Fresh candidates were hired on the basis of their qualification. The reply of the management is not convincing as the selected candidates did not possess the minimum experience which is mandatory for the short listing of the candidates. The candidates were short listed and interviewed in violation of the advertised criteria. DAC directed to conduct fact finding inquiry and fix responsibility.

Audit recommends compliance of DAC directives.

Annex-44 (D)

(See Para-6.1.4.9)

Loss due to retention of idle Professional Staff – Rs. 8.892 million

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

During audit of NESPAK Peshawar office for the year 2019-20, it was observed that management retained the services of four professional staff in grade 10, but their services are not utilized / charged to any job during the year 2019-2020. The management is paying amounts in salary and allowances while these employees are idle and are being charged to over heads instead of any particular projects. This caused a loss of Rs. 8.892 million on account of pay and allowances by paying the staff without any productive work. The details of employees are given below:

S. No.	Emp. Code	Name	Grade	Total (Hours)	Idle (Hours)	Idle %	Salary P.m. (Rs)	Salary Per Annum (Rs)
1	6565	Mr. Mazhar Hussain Jami	10	1992	1336	67	238,868	2,866,416
2	10010	Mr. Waqar Ali	10	1992	1533	77	164,761	1,977,132
3	10259	Mr. Sarhendar Kumar	10	1992	1568	71	201,537	2,418,444
4	9836	Mr. Muhammad Arif Khan	10	1992	1168	59	135,838	1,630,056
Total								8,892,048

Audit is of the view that the loss was incurred due to negligence of the management as they failed to assess their need for staff and as a result charged an amount of Rs. 8.892 million to over heads instead of charging to any particular job.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that the employees were transferred from NESPAK Islamabad Office to Peshawar against the expected jobs to be commenced in the 1st quarter of Fiscal Year 2019-20. However due to non-release of the funds by the Provincial Govt. the officers remained idle for considerable time. Whereas, service contract of employee at S. No. 3 expired in Sep 2019 and Divisional Head did not recommend for the renewal of the contract since his services were no more required in NESPAK. Due to stay order by the Peshawar High Court the said employee remained idle during the year 2019-20 and still at the date of verification. The reply of the management is not convincing as the senior officers in grade 10 should have been transferred to any other Division, where their services could have been utilized and charged to the client to save the organization from further loss. DAC directed to conduct fact finding inquiry regarding idle hours. Moreover the matter may be placed before BOD for consideration.

Audit recommends compliance of DAC directives.

Para-17 NESPAK, 2019-20

Annex-44 (E)

(See Para-6.1.4.9)

Irregular appointment of Senior Engineer - Rs. 7.232 million

As per clause 3(a) & (f) of NESPAK (E&D) rules defined the misconduct as “wilful insubordination or disobedience, whether alone or in combination with other or others, of any lawful and reasonable order of a superior” & “absence without leave or without sufficient cause from the work or from the office”.

During the audit of NESPAK, Peshawar office for the year 2019-20, it was observed that Mr. Sarhender Kumar was an ex-employee of NESPAK and served from May 15, 2012 and was terminated on December 07, 2015 as per DAC decision held on November 30, 2015 in response of audit on the basis of irregular appointment on minatory quota, whereas not such quota exist in the NESPAK. After 9 days of his termination the VP Water Resource (WR) Division intimated that WR Division required technical staff and a tailor made advertisement was published on December 21, 2015. In response of advertisement only 3 candidates were

shortlisted and management recommended only Mr. Sarhender Kumar in Grade-10 on monthly pay Rs. 144,650 per month.

It was observed that both the appointments are highly politically influenced various MNAs and Senators stressed the NESPAK for his appointment. In April 28, 2016 he was transferred from project office Peshawar to R.O. Peshawar. He failed to perform his duties efficiently as he was absent most of time vide letter dated June 8, 2016. Several warnings were issued to him in subsequent period. He was remained idle during the year 2019-20 for 71% the years and 79% in the 2019-2020. Thus the company sustained a loss of Rs. 7.23 million (from April 01, 2016 to June 30, 2020) approximately on account of his unjustified appointment.

Audit is of the view that re-appointment of the employee on the basis of tailor made criteria and it's subsequent none charging and casual attitude needs to be investigated. An amount of Rs. 7.23 million is paid as pay & allowance.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that the services of the officer were hired in response to the advertisement published in the Press and by following all the codal formalities. The reply of the management is not convincing because the services of the officers could not be utilized since the date of his appointment. The employee remained idle in 2018-19 by 71% and in 2019-20 by 79%. Since the expiry of the contract in September, 2019 the officer was not charged to any Job and remained idle. The DAC directed to investigate the matter and share the inquiry report with Audit.

Audit recommends compliance of DAC directives.

Annex-44 (F)

(See Para-6.1.4.9)

Irregular appointment of Accounts Officer Grade-08 (a) - Rs. 16.350 million

As per clause 8 (a) of induction policy of NESPAK, all inductions shall be made on the basis of applications received in response to the requirement as given in advertisement.

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

During the audit of NESPAK (HO), Lahore for the year 2019-20 it was observed that appointed Mr. Muhammad Afzal, as Typist (G-04) on contract basis without advertisement. He was inducted in regular cadre w.e.f. July 02, 1995 vide letter dated Aug 31, 1995 later on he was re-designated as Accountant. It was also noted that management selected him for Muscat by

ignoring their most seniors employees (six members having higher qualification along with Grade-06 & Grade-07) vide minutes of meeting held on December 14, 1998. Further he was promoted in subsequent period and he was currently working as Accounts Officer Grade-08 (a) w.e.f. July 01, 2012 vide letter dated Aug 31, 2012.

The employee was involved in the misuse of medical facility and according to the recommendations/findings of inquiry committee dated 12.05.03 the charges levied against the officer were proved VP coordination recommended to issue charge sheet against the officer which was approved by MD vide note sheet dated 12.05.2003. In the mean while the employee submitted his resignation dated 04.06.2003 which was not accepted by the management on the plea that an enquiry is underway and his resignation may be deferred till the completion of his inquiry proceedings. Various complaints regarding misbehave of the officer with the staff members posted at Muscat office was reported by the Head of Muscat office. It was also reported that the employee was also doing another job in Muscat as it is evident from GM Muscat's letter dated 05.11.2003. The entire personal file contained explanations and warnings about the officer. Posting of officer abroad at Qatar and Muscat having below satisfactory performance has raised the questions about the selection criteria. Management failed to provide the copy of Inquiry against the officer along with the final action taken by the management. Thus the appointment of the officer in non-transparent manner as well as subsequent record was highly objectionable and needs to be investigated. Hence, the payment of salary for period from April 1993 to June 30, 2020 (327 months x Rs. 50,000 P.m) Rs. 16,350,000 approximately is held irregular in audit.

Audit is of the view that the management granting undue favour to the said employee while induction into the NESPAK service as well as his posting abroad despite his poor performance and various serious financial irregularities which needs to be justified. Hence, the said appointment and payment of Rs. 16.350 million is held irregular in audit.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that Mr. Muhammad Afzal was initially appointed on daily wage basis as Typist on December 01, 1992 and at that time advertisement for hiring of staff was not mandatory. His appointment on contract basis was recommended by Vice President Highways & Transport Engineering Division for Project site and afterwards the employee was got permanent in July 1995. The management admitted that the initial appointment on daily wages as well as the contract appointment and subsequent regularization was made in non-transparent manner as neither the job was advertised nor any competitive process was followed. During verification the management failed to provide any evidence in rebuttal of the audit observation. The DAC directed to probe into the matter by conducting fact finding inquiry at ministry's level and fix responsibility.

Audit recommends compliance of DAC directives.

Non-transparent hiring of System Analyst Grade-08 (b) – Rs. 8.160 million

As per advertisement dated November 26, 2006 for the post of the System Analysts the candidates should have BCS/B.S Computer Sciences/ Computer Engineering from a reputable University. The candidates must have same experience in system study and design of integrated MIS and experienced in UML, different modelling tools, preparation of SRS and FS documents.

During the audit of NESPAK (HO), Lahore for the year 2019-20 it was observed that Mrs. Ayesha Talal, was appointed as Assistant System Analyst on daily wages on March 06, 2007 for a period of six months. Later on, she was recommended as System Analyst through advertisement interview sheet dated Aug 08, 2007. But As per note sheet of her personal file it was noted that she was not having required qualification of BCS / BS computer Science / Computer Engineering so she remained on daily wages and appointment letter for System Analyst was not issued.

Later on the management made a tailor made advertisement for the post of Business Analyst for the candidates having qualification of Master's degree in Management / Business Administration with 1-2 years' experience vide advertisement dated September 23, 2007 which suits the particular candidate. Hence she was appointed in Grade-8b on January 25, 2008. Subsequently her cadre was converted from para-professional to professional on July 25, 2009 against the rules as the Degree of MBA does not fall under the professional cadre like CA, ACMA and ACCA to attain maximum marks in the annual appraisal and get accelerated promotion in the professional cadre. She was also allowed technical pay vide letter dated 28.08.2009 and additional 4 points being declared as professional. She got promoted in subsequent period in Grade-09 as Business Analyst w.e.f. July 01, 2013. She was re-designated from Business Analyst Grade-09 to as Assistant Manager HR as her designation did not commensurate her qualification and nature of work vide MD's approval dated 11.11.2013. She is also promoted as Assistant Manager HR G-09 to G-10 w.e.f. July 01, 2018 vide letter dated 14.12.2018. Hence, the payment of salary during the period from Jan, 2008 to 30th June 2020 Rs. 8,160,000 (i.e. 204 months x Rs. 40,000 P.M) (approximately) was irregular.

Audit is of the view that the management gave undue favour to the employee, firstly while recommending her for the post of system Analysis for which she did not possess the required qualification and experience as per advertisement criteria. Secondly a tailor-based advertisement was published for her selection mean while she was retained on daily wages during that period and her resignation from business analysis to A.M HR. Thirdly her cadre was converted from para-professional to professional cadre whereas she did not possess any professional qualification. Hence her appointment, re-designation as well as payment of pay & allowance amounting to Rs. 8.16 million was held irregular in audit.

The matter was reported to management on 12th October 2020. In DAC meeting held

on 15th January 2021, the management stated that the services of Mrs. Ayesha Talal was hired by NESPAK on daily wage basis as Assistant System Analyst as per the requirement of the Company. As per NESPAK rules/policy there is no requirement of advertisement for employment on daily wage basis. The reply of the management is not convincing as the candidate firstly applied for the post in response to advertisement dated November 26, 2006 for which she did not possess the required qualification and experience. However to accommodate the candidate she was inducted on daily wages without any requirement / need from any department. The DAC directed to probe into the matter by conducting fact finding inquiry at ministry's level and fix responsibility.

Audit recommends compliance of DAC directives.

Annex-44 (H)

(See Para-6.1.4.9)

Doubtful / ambiguous appointment of Junior Network Administrator without advertisement - Rs. 6.450 million

As per clause 8 (a) of induction policy of NESPAK, "All inductions shall be made on the basis of applications received in response to the requirement as given in advertisement".

During the audit of NESPAK for the year 2018-19 it was observed that management floated advertisement in Daily Jang and Daily News dated January 11, 2009 for the appointment of Senior Network Administrator and Network Administrator having qualification of MCS / MIT / BSCS with closing date of application as January 26, 2009. Miss Rana Natasha Awan applied on July 15, 2009 after five months of closing date for the post of Executive Secretary on the basis of MBA (Banking & Finance) whereas the said post was not advertised by the management. The management called the applicant for interview for the post of Junior Network Administrator and she was appointed on contract basis on September 09, 2009 and was got regularized on October 08, 2012. Due to irregular appointment, the expenditure on his salary of Rs. 6.450 million was held irregular.

Audit is of the view that the appointment of Junior Network Administrator was irregular as the candidate did not apply for the post of Junior Network Administrator.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management stated that the hiring process was completed by following the rules and regulations of NESPAK i.e. call letter, Interview Sheet, Interview Committee, Merit list and subsequent approval of the Managing Director. The reply of the management is not correct as during verification it was transpired that the selected candidates did not applied for the post of Junior Network Administrator. The management failed to provide any document in support of its contention that she applied for the post of Junior Network Administrator. Hence it is clear that the applicant only applied for the post of Executive

Secretary for which no advertisement was made. The DAC directed to probe into the matter by conducting fact finding inquiry in the para no.11 to 16 at Ministry level and fix responsibility.
Audit recommends compliance of DAC directives.

Annex-44 (I)

(See Para-6.1.4.9)

Irregular appointment of employees after superannuation - Rs. 59.749 million

According to the Cabinet Secretariat (Establishment Division) Government of Pakistan O.M. No.4/2/90-R- 1-I dated December 05, 1990 and subsequent instructions issued through letters dated May 26, 1999 and December 04, 2007 the re-employment after the age of superannuation in the government, semi-government, autonomous bodies and semi-autonomous bodies was required to be made by obtaining the approval of Prime Minister.

According to standing instructions contained in Sl. No. 20 of Chapter-X “Retirement & Re-employment” of ESTACODE, “the government controlled corporations and other autonomous bodies should forward proposals for re-employment in exceptional cases to Establishment Division through administrative Ministries for seeking approval of Prime Minister. The proposal duly signed by Secretary In-charge of the ministry should be received in the Establishment Division six months before the officer is due to attain the age of superannuation. The steps taken to train the substitute should also be mentioned in proposal for re-employment”.

During audit of NESPAK Regional office Karachi for the year 2019-20, it was observed that management appointed 11 employees in different cadres during the period from 2012 to 2020 through NESPAK Foundation and TURKPAK. The management hired the services of these employees after the age of 60 years, and is ex. Employees of NESPAK, without the approval of the Prime Minister, which is against the Government instructions. This caused irregular payment of Rs. 59.749 million on account of pay and allowances as per details given below in Annexure-B.

Audit is of the view that the management of NESPAK Karachi office retained the service of eleven officers after the age of superannuation in violation of the Govt. instructions and paid an amount of Rs. 59.749 million on account of pay & allowance which is irregular and unjustified in audit.

The matter was reported to management on 12th October 2020. In DAC meeting held on 15th January 2021, the management contested that retired employees were hired in NESPAK Foundation which is non-governmental welfare organization (NGO). DAC decided to determine the legal status/ relationship of NESPAK foundation with NESPAK and whether they should be separately audited or not.

Audit recommends compliance of DAC directives.

**Statement showing details of irregular / un-justified expenditure on account
of appointment for Liaison Office**

South Zone

Name of office	Deputy Manager	Assistant Manager	Supervisor	Assistant	Clerk	Driver	Security Guard	Naib Qasid	Total
Hyderabad Office	-	01	-	-	01	-	-	01	03
Larkana Office	-	01	-	-	01	-	-	01	03
Quetta Office	-	01	01	-	01	-	-	01	04
Sukkur Office	-	01	01	-	01	-	-	01	04
Nawab Shah Office	-	01	-	-	01	-	-	01	03
KEPZ Phase-IV Office	-	01	01	-	01	01	12	07	23
	Total	06	03	-	06	01	12	12	40

North Zone

Name of office	Deputy Manager	Assistant Manager	Super visor	Assistant	Clerk	Driver	Security Guard	Naib Qasid	Total
Bahawalpur Office	01	03	04	01	03	0	0	01	13
Rahim Yar Khan Office	01	03	04	01	03	0	0	01	13
Peshawar Office	01	03	03	01	04	0	0	01	13
Sahiwal Office	01	03	03	02	03	-	-	-	12
Khanewal Office	01	01	01	01	01	01	03	01	10
Multan Office	02	03	04	02	04	01	-	01	17
Rawalpindi Office	01	02	01	02	02	01	03	02	14
Islamabad Office	01	02	01	02	02	01	03	02	14
Mirpur (AJK)	01	01	01	01	01	01	03	01	10
Faisal Abad Office	01	02	01	02	02	01	03	02	14
Sargodha Office	01	01	01	01	01	01	03	01	10
Gujrat Office	01	02	01	02	02	01	03	02	14
	3	26	25	18	28	08	21	15	154

South Zone

(Amount in Rs.)						
Period	Post	No. of Posts	P.M Salary (Avg.)	P.M Exp.	Per Year Exp.	Total Exp. till June-20
Jul 2013 to June 2020	Assistant Manager	6	50,000	300,000	3,600,000	25,200,000
Jul 2013 to June 2020	Supervisor	3	35,000	105,000	1,260,000	8,820,000
Jul 2013 to June 2020	Clerk	6	25,000	150,000	1,800,000	12,600,000
Jul 2013 to June 2020	Security Guard	12	15,000	180,000	2,160,000	15,120,000
Jul 2013 to June 2020	Naib Qasid	12	18,000	216,000	2,592,000	18,144,000
Jul 2013 to June 2020	Driver	1	17,000	17,000	204,000	1,428,000
Total		40	160,000	968,000	11,616,000	81,312,000

North Zone

(Amount in Rs.)						
Period	Post	No. of Posts	P.M Salary (Avg.)	P.M Exp.	Per Year Exp.	Total Exp. till June-20
Jul 2013 to June 2020	Deputy Manager	13	60,000	780,000	9,360,000	65,520,000
Jul 2013 to June 2020	Assistant Manager	26	50,000	1,300,000	15,600,000	109,200,000
Jul 2013 to June 2020	Supervisor	25	35,000	875,000	10,500,000	73,500,000
Jul 2013 to June 2020	Assistant	18	30,000	540,000	6,480,000	45,360,000
Jul 2013 to June 2020	Clerk	28	25,000	700,000	8,400,000	58,800,000
Jul 2013 to June 2020	Security Guard	21	15,000	315,000	3,780,000	26,460,000
Jul 2013 to June 2020	Naib Qasid	15	18,000	270,000	3,240,000	22,680,000
Jul 2013 to June 2020	Driver	08	17,000	136,000	1,632,000	11,424,000
Total		154	250,000	4,916,000	58,992,000	412,944,000

Annex-46

(See para No.8.1.4.12)

Statement showing detail of loss of revenue

(Amount in Rs.)							
S. #	Dump yard#	Value of industrial waste (Rs.)	Duties & taxes (Rs.)	Total reserve price (Rs.)	Amount deposited in custom treasury	Bid amount (Rs.)	Excess amount paid to customs
1	2	3	4	5	6	7	8 (7-4)
1	5	1,249,649	750,101	1,999,750	1,200,000	1,200,000	449899
2	3	1,023,750	614,505	1,638,255	1,020,000	1,020,000	405495
3	2A	961,800	577,321	1,539,121	1,100,000	1,100,000	522679
4	2	1,222,601	733,866	1,956,467	1,010,000	1,010,000	276134
5	4	1,170,174	702,398	1,872,572	1,820,000	1,820,000	1117602
6	6	2,070,814	1,243,007	3,313,821	3,313,821	4,600,000	2070814
7	5	1,550,520	930,536	2,480,786	2,480,786	3,415,000	1550250
8	4	1,705,950	1,023,997	2,729,947	1,910,000	1,910,000	886003
9	5	1,021,500	613,156	1,634,656	1,050,000	1,050,000	436844
Total		11,976,758	7,188,887	19,165,375	14,904,607	17,125,000	7,715,720

Annex-47

(See Para No. 8.2.4.1)

Statement showing detail of non-recovery of receivables and service charges

S#	Name of Clients	Amount in Rs.
1.	NRL: Technical Audit Of Projects	1,450,000
2.	NRL: Keemari Safety Audit	994,400
3.	PARCO: Feed Consultant For Mcr Revamp Project	2,794,563
4.	OGDC: Cons Ser : Dcs And Control Room At Dakhni	2,655,240
5.	OGDC: Integrated Assessment & Reliability Check Of Dakhni	426,370
6.	OGDC: Conceptual Study Front End Comp. Pcv	299,600
7.	OGDC : Bitrism Field Project	2,260,000
8.	OGDC: Vetting Of Soghri Wells Slug Catcher	537,650
9.	OGDC: Khewari Field Development Project	5,085,000
10.	OGDC: Dakhni Expansion Project	963,574
11.	OGDC: Sinjhor Development Project	237,952
12.	OGRA: Insp/Ver. Of Misc LPG Storage Tank	2,205,000
13.	PPL: Design, Engg, Pro, Con, Adhi LPG	290,000
14.	PPL : Call Out Services Contract (2018)	15,534,615
15.	SSGC : Engineering Consultancy For SSGC LPG	1,977,500
16.	MOL : Third Party LPG Extracion – CPF Sales Gas	824,900
17.	PDIL : CDU Revamp 2015	450,000

Total (a)		38,965,864
S#	Name of Parties	Amount in Rs.
1.	Heavy Mechanical Complex(Pvt) Ltd.	39,193
2.	Interarts Communications	10,350
3.	Islamabad Hotel	4,663
4.	Media Electronics	243,800
5.	Oil & Gas Development Company	2,096,356
6.	EPRF	594,383
7.	Pak-Arab Pipeline Co. Ltd.	50,000
8.	Pakistan Machine Tool Factory (Pvt) Ltd.	35,662
9.	State Engineering Corporation (Pvt) Ltd.	14,281
10.	Sui Sothern Gas Co. Ltd.	250,000
11.	Webtor Web Design	7500
Total (b)		3,346,188
Total (a) + (b)		42,312,052

Annex-48

(See Para No. 8.2.4.2)

Statement showing detail of irregular appointment & promotions

(A)

S. #	Designation	Grades	Sanctioned	Available	Excess
1.	Managing Director		-	01	01
2.	General Manager	EPSL-DIII	04	04	-
3.	Manager	EPSL-IV	07	07	-
4.	Deputy Manager	EPSL-III	23	25	02
5.	Senior Executive	EPSL-II	07	08	01
6.	Executives	EPSL-I	08	08	-
		Sub – Total –I	49	53	04
7.	Supporting Staff Attendant, Drivers, Computer operator, Gardner, Sweepers.	A-IV	05	05	-
8.		A-II	01	01	-
9.		G-IV	01	01	-
10.		G-III	02	02	-
11.		G-II	07	07	-
12.		G-I	03	03	-
		Sub Total -II	19	19	-
	Contract Employees				
13.	MPT Engineer/ Supervisor (PPL Project)		Nil	22	22
14.	Non MPT Attendant, Drivers, Computer operator, Gardner, Sweepers		Nil	19	19
		Sub Total– III	-	41	41
		Total	68	113	45

List of irregular appointments & promotions

(B)

S. #	Name	Date of Appointment	Monthly Salary (Rs.)	Annual Salary (Rs.)
1.	Mr. Adnan Hussain	28.09.2018	123,000	1,476,000
2.	Mr. Javed Iqbal	27.09.2018	83,000	996,000
3.	Mr. Shiraz Najam	16.01.2019	123,000	1,476,000
4.	Mr. Noman Alam	01.09.2018	123,000	1,476,000
5.	Mr. Basheer	01.09.2018	123,000	1,476,000
6.	Mr. Syed Iqbal Haider	01.09.2018	110,000	1,320,000
7.	Mr. Ali Qasim	01.09.2018	123,000	1,476,000
8.	Mr. Muhammad Rashid Siddiqui	01.04.2019	123,000	1,476,000
9.	Mr. Abdul Qadir	01.09.2018	123,000	1,476,000
10.	Mr. Muhammad Hasan Fayaz	01.09.2018	123,000	1,476,000
11.	Mr. M. Fareedudin	01.09.2018	110,000	1,320,000
12.	Mr. Saadullah	01.04.2019	123,000	1,476,000
13.	Mr. Syed Muhammad Noushad Usmani	01.09.2018	123,000	1,476,000
14.	Mr. Faraz Ahmed	01.04.2019	123,000	1,476,000
15.	Mr. Azmatullah	01.04.2019	123,000	1,476,000
16.	Mr. Yasir Manzoor	19.12.2018	123,000	1,476,000
17.	Mr. Muhammad Yasir Taqi	19.12.2018	105,000	1,260,000
18.	Mr. Shaukat Hussain	19.12.2018	123,000	1,476,000
19.	Mr. Muhammad Mansha	19.12.2018	123,000	1,476,000
20.	Mr. Amir Ali	01.04.2019	123,000	1,476,000
21.	Mr. Abid Hasan Burney		195,000	2,340,000
22.	Mr. Sami ullah		90,000	1,080,000
Total				31,932,000

Annex-49

(See Para No. 8.4.4.1)

Statement showing loss on account of sale of land below the determined sale value based on the cost of land

Bin Qasim Industrial Park	
As per NIP total development cost	Rs. in million
Infrastructure Dev. Cost	5,902
Other Cost	915
Overhead Allocation	60
Financial Cost	34
	6,911
Total Saleable Value per acre	750
Development Cost per Acre (6911/750)	9.2147

(Rs. in million)

S. #	Allottee	Plot Size / Acre	Dev. Cost Per Acre	Land Price Paid to PSM	Total Cost Per Acre	Total Cost for the customer	Selling Price	Total Sales Value	Loss
1.	Yamaha Motor	50.275	9.2147	5	14.215	714.462	8.8	427.338	(287.30)
2.	MID Pakistan	5.027	9.2147	6	15.215	76.484	12.5	62.838	(13.65)
3.	Gasco Eng	2.00	9.2147	7	16.215	32.429	13.5	27.000	(5.43)
4.	Horizon Steel	6.072	9.2147	7	16.215	98.455	13.5	81.972	(16.48)
5.	Central Ventilation	3.467	9.2147	7	16.215	56.216	13.5	46.805	(9.41)
6.	D.E Auto	3.270	9.2147	7	16.215	53.022	13.5	44.15	(8.88)
7.	Barkat Frisian	2.50	9.2147	13	22.215	55.537	18	45.000	(10.54)
8.	KIA Lucky	100.00	9.2147	13	22.215	2,221.467	18	1800.00	(421.47)
9.	Ahmed Glass	6.524	9.2147	13	22.215	144.928	18	117.432	(27.50)
10.	Hi-Tech	12.006	9.2147	13	22.215	266.709	18	216.108	(50.60)
11.	Tecno Auto Glass	10.784	9.2147	13	22.215	239.563	18	194.112	(45.45)
12.	Pinnacle	10.00	9.2147	13	22.215	222.147	18	180.00	(42.15)
13.	Siddiq sons	12.00	9.2147	13	22.215	266.576	18	216.00	(50.58)
14.	Naveena Export	30.00	9.2147	13	22.215	666.440	18	540.00	(126.44)
15.	International Industries	100.00	9.2147	13	22.215	2,221.467	18	1800.00	(421.47)
16.	International Steel	100.00	9.2147	13	22.215	2,221.467	18	1800.00	(421.47)
17.	Horizon Steel	8.00	9.2147	13	22.215	177.717	18	144.00	(33.72)
	Total	461.925				9,735.267		7,742.749	(1,992.52)

Annex-50

(See para No. 8.8.4.4)

Statement showing detail of non-recovery / -adjustment of amounts under multiple heads

S. #	Description	Rent receivable (Rs.)
1.	Main Commercial Units	78,297,839
2.	Shops/Flats/Nurseries/Hostels	4,177,394
	Total	82,475,233

S#	Description of Allottees	Outstanding amount (Rs.)
1.	Hadeed Welfare Trust	13,094,169
2.	PSFCL	176,500
3.	Gulshan-e- Hadeed(Committee)	7,288
4.	Steel Security(Pvt.) Ltd.	98,190
5.	Union Council-20, Steel Town	270,000
6.	Outsiders	1,368,337
	Total	15,012,384

(Amount in Rs.)						
S#	Name of Downstream Industries	Maintenance Charges		Ground Rent		Total Outstanding Dues
		Principal	Surcharge	Principal	Surcharge	
1.	Pakistan Slag Cement	-	7,498	299,825	35,979	343,301
2.	Maks Coal Tar Distillation Plant	81,138	14,486	78,411	16,733	190,768
3.	Pakistan Insulations(Pvt.) Ltd.	-	-	146,661	1,467	148,128
4.	Sino Pak Electro Chemical Industries	-	-	141,267	16,952	158,219
5.	Orion Refractories(Pvt.)	-	-	352,341	42,281	394,621
6.	PIDC	-	-	485,453	58,254	543,707
7.	Kashif Engineering	137,922	24,646	82,060	13,076	257,682
Total		219,060	46,608	1,586,017	184,742	2,036,427

S. #	Supplier Name	Amount (Rs.)
1.	Peoples Steel Mill	1,278,368
2.	Javaden Cement Co. Ltd.	481,069
3.	Pakistan Steel Fabricating	138,754,400
4.	Ittehad Chemical Ltd.	7,999
5.	Zeenat Shirt Factory	1,994,607
6.	Mercury Corporation	44,966,766
7..	Mercury Corporation	5,512,668
8.	Mercury Corporation	17,884,667
9.	Pakistan Industrial Corporation	36,998,786
10.	Cema Int. I Corp	2,326,874
11.	Heavy Mechanical Complex III	3,047,500
12.	Mines & Minerals Ent.	454,996
13.	Dreams Unlimited	1,914,966
14.	Banbhore Ceramics Industries	6,114,299
Total		261,737,966

S#	Description	Amount (Rs.)
1.	Default amount Down Stream Industrial and other units	100,179,417
2.	Gulshan-e- Hadeed	47,958,480
Total		148,137,897

S. #	Billing Location	No. of Consumers	Outstanding upto June, 2020 (Rs.)
1.	Steel Town	Residential =806	90,243,432
		Commercial = 138	16,652,379
Sub Total (1)			106,895,8114
2.	Gulshan-e-Hadeed Phase 1	Residential = 840	19,122,458
		Commercial = 04	116,449
Sub Total (2)			19,238,907
3.	Country Club	01	65,636,112
4.	Police Stations		5,422,739
Sub Total (3)			71,058,851
Total (1+2+3)			197,193,569

Annex-51

(See Para No. 8.8.4.7)

Statement showing detail loss of rental income due to non-finalization of disputed cases

S. #	Premises / Land	Party Name	Rent Receivable (Rs.)	Since
1.	Old Poly Clinic Building, Steel Town	Mr. Sadiq Ali, Gandhara Education Welfare	6,706,578	01.06.2019
2.	Ice Cream Parlour, QAP, Steel Town	Mr. Ahsan Nadeem	856,810	15.01.2012
3.	Makhdoom Bilawal School, G. Hadeed Ph-01	Marigold Educational Society	3,483,541	24.10.2002
4.	Rana Liaquat School, G. Hadeed Ph-01	Marigold Educational Society	3,539,278	24.10.2002
5.	Muhammad Bin Qasim School, G. Hadeed Ph-01	Marigold Educational Society	2,870,450	24.10.2002
6.	Tuck Shop Hill Park, G. Hadeed Ph-01	M/s Agha Shah Gul	1,366,208	01.02.2018
7.	Russian Market	Restaurant Cum General Store	2,496,740	30.11.2018
8.	Aslam Restaurant Food Shop	Modern Metallic Services	13,780,878	2010
9.	EPB, FTC Building (Enhanced Rent)	Export Promotion Bureau (TDAP)	16,807,147	July-1993
10.	EPB, FTC Building (O & M charges)	Export Promotion Bureau (TDAP)	4,469,451	July-1993
11.	Hafta Bazaar Steel Toen	M. Akbar Arain	258,648	01.1.2007
12.	Chapra Hotel, Outside Main Plant	Mr. Taj Muhammad	269,902	2013-14
13.	Block no. T06, Steel Town	M/s. Askary English Learning Center	97,875	09-2013
	Total		57,003,506	

Annex-52
(See Para No. 8.8.4.8)

Statement showing detail of loss due to theft incidents

S. #	Case #	Description	Occurrence	Value (Rs.)
1.	1737-D	Theft of copper cable 280 meters (3 phase)	18.08.2019	72,380
2.	1747-D	Theft of copper cable 20 meters(150 mm)	20.08.2019	170,000
3.	1751-D	Theft of cable approx. 120 meters from Block A & B	03.09.2019	30,632
4.	1753-D	Fire / theft incident of cable of MTL Building	07.09.2019	40,165
5.	1772-D	Theft incident of copper cable(size 3*240mm)	05.11.2019	1,05,210
6.	1797-D	Theft report of Telephone cable total 1120 meter	19.11.2019	25,87,162
7.	1821-D	Theft incident of some tools / equipment	02.03.2020	38,050
8.	1822-D	Fire incident at Flat No. LS-07-13 Steel Town	29.02.2020	25,135
9.	1827-D	Theft incident of 120 meter cable of C&S	02.03.2020	416,715
Total				3,380,239

Statement showing detail of irregular appointment of Chief Executive Officer

S. #	Name of Applicant	Qualification and Experience	Remarks
1	Brig (R) Shujah Hassan	Qualification 1. M.Sc. (Hons) War Studies- 2002 2. M.Sc. (Hons) Defense & Strategic Studies- 2006 Experience Experience in Army only Internal Posting Transfer in GHQ Corps HQ and Brigade HQ and Regimental Units.	Irrelevant Experience
2	Mr. M. Farooq Usman Siddiqui	Qualification 1. MS (Metallurgical Engineering) 1980 2. Ph.D. (Metallurgical Engineering), Japan 1987 3. PGD Business Administration 1981-82 Experience 1. CEO of Rustavi Steel 2011-15 2. COO- 2015 3. Owner/Director/ President of Crescent Fes Inc. 2003 till now 4. GM of ISTIL Group 2009-11 5. SVP of Donetsk MMZ 2008-09 6. SVP & Dy. Chairman of ISTIL(Ukraine), 2000-08 7. GM Moscow of Metals Russia HK 1993-96 8. Pakistan Steel Mill 1980-1993.	Relevant Qualification and Experience 1. Prior Experience of Pakistan Steel. 2. Russian and Ukrainian Steel Mills as CEO and Deputy. Chairman
3	Mr. Tariq Ejaz Chaudhary	Qualification 1. MSc (Criminology & Security) 2016 2. MS Marketing 2005 3. Mechanical Engineering 1990 Experience 1. Advisor & Consultant in Different Industrial Projects 2017 till now 2. CEO (MP-1) Engineering Development Board(MoI&P) Jan 2015- March 2015 3. CEO (MP-1) Punjab BIO Energy Company Ltd. (Jan 2015 to March 2015. 4. Business Development Head/ GM in Rudis Middle East & Exap Projects KFB Holding Group (March 2011 to Dec 2014). 5. Business Development Technical Head in Global Energy Services EST Kingdom, Saudi Arabia 2008-2011. 6. GM Planning & Development Lubrizol Pakistan (2003-2007) 7. GM Planning & Development Diamond Group (2002-03)	Irrelevant Experience

**Poor performance of PTV Production and Sales department resultantly
non-utilization of air time for Commercials – Rs. 21,585.633 million**

From	To	Per minute rate	Duration in minutes	Could utilized for commerce	Could be earned by 1 channel in day	Revenue could be earned during the year	Total revenue could be earned from 05 channels
7.00	8.00	15,000	60	15	225,000	82,125,000	410,625,000
8.00	9.00	12,000	60	15	225,000	82,125,000	410,625,000
9.00	11.00	20,000	60	15	300,000	109,500,000	547,500,000
11.00	12.00	20,000	120	30	600,000	219,000,000	1,095,000,000
12.00	2.00	20,000	120	30	600,000	219,000,000	1,095,000,000
2.00	3.00	20,000	60	15	300,000	109,500,000	547,500,000
3.00	4.00	20,000	60	15	300,000	109,500,000	547,500,000
4.00	5.00	15,000	60	15	225,000	82,125,000	410,625,000
5.00	6.00	30,000	60	15	450,000	164,250,000	821,250,000
6.00	6.45	30,000	45	11.25	337,500	123,187,500	615,937,500
6.45	7.10	60,000	25	6.25	375,000	136,875,000	684,375,000
7.10	7.45	100,000	35	8.75	875,000	319,375,000	1,596,875,000
7.45	9.00	178,150	75	18.75	3,340,312	1,219,214,063	6,096,070,313
9.00	9.30	132,225	30	7.5	991,687	361,965,938	1,809,829,688
9.30	10.00	75,000	60	15	1,125,000	410,625,000	2,053,125,000
10.00	11.00	60,000	60	15	900,000	328,500,000	1,642,500,000
11.00	12.00	25,000	60	15	375,000	136,875,000	684,375,000
12.00	6.00	10,000	360	90	900,000	328,500,000	1,642,500,000
Revenue could be earned through commercial					12,444,500	4,542,242,500	22,711,212,500
Revenue earned through commercial							22,711,212,500
Actual revenue earned through commercial							1,125,580,000
Less Revenue target achieved							21,585,632,500

Annex-55*(See Para No. 12.1.4.7)***Statement showing detail of loss due to receiving of revenue in rupee instead of USD**

Month	GITL-December 2018 to August 2019		
	9% Share (Rs.)	Payment (Rs.)	Balance (Rs.)
Opening			28,313,655
Jan-19	147,003	27,325,599	1,135,059
Feb-19	172,272		1,307,331
Mar-19	191,527		1,498,858
Apr-19	375,981		1,874,839
May-19	335,275		2,210,114
Jun-19	137,201		2,347,315
Jul-19	262,258		2,609,573
Aug-19	91,787		2,701,360
Sep-19			2,701,360
Oct-19			2,701,360
Nov-19			2,701,360
Dec-19			2,701,360
Total	1,713,304	27,325,599	2,701,360

Annex-56*(See Para No. 12.2.4.3)***Statement showing details of non-recovery of rent from various parties**

S. #	Year	Description	Rate/month (Rs.)	Amount (Rs.)
1.	2016-17	NBP	34,177	Rs. 410,124
2.	2017-18		34,177	Rs. 410,124
3.	2018-19		34,177	Rs. 410,124
Total				Rs. 1,230,372

Statement showing details of non-recovery of occupancy value, annual ground rent and monthly rent from Government's Institutions

(Amount in Rs.)						
S. #	Party Name	Area (Sq.m)	Occupancy Value	Annual / Monthly Ground Rent	Duration	Total Outstanding Annual/Monthly Ground Rent / occupancy value
1.	National Bank of Pakistan	75.00	0	Approximate Rs. 22000 per Month if allotted	Approximate 20.0 Years	5,280,000
2.	Port Qasim Authority	10.00	0	Approximate Rs. 5000 per Month if allotted	Approximate 20.0 Years	1,200,000
3.	Fisheries Office (Govt. of Sindh)	10.00	0	Approximate Rs. 5000 per Month if allotted	Approximate 3.0 Years	180,000
4.	Coast Guard	1,500.00	Area could not be allotted & reserved for Diesel Dispenser Unit	Rs. 150 Annual Ground Rent may be charged if allotted	Approximate 18.0 Years	4,500,000
5.	Pakistan Custom Office	15.00	0	Approximate Rs. 5000 per Month if allotted	Approximate 25.0 Years	1,500,000
6.	Forest Department (Govt. of Sindh)	1,000.00	Rs. 300/ Sq.m paid once	Rs. 150 Annual Ground Rent not paying	Approximate 6.0 Years	900,000
Total						13,560,000

Statement showing details of non-recovery of monthly ground rent from business units/lessee companies

S. #	Description	Opening 01.07.2019	During the year	LPS	Total	Received	Balance as on 30.06.2020
1.	Botan Corporation	-	877,056	24,569	901,625	821,707	79,918
2.	Bismillah Café	51,073	300,000	14,249	365,321	233,774	131,547
3.	Al- Habib Shop 1	1,634	101,727	2,588	105,949	73,415	32,534
4.	M. Jahngeer	68,475	96,000	22,551	187,026	30,000	157,026
5.	Zulfiqar Ali Shop # 3	-	96,000	1,942	97,942	64,724	33,218
6.	M. Moosa Shop # 6	94,845	180,000	37,106	311,951	-	311,951
7.	Abdul Hafeez Shop # 7	50,584	96,000	19,790	166,374	-	166,374
8.	Abdul Hafeez Shop # 8	112,538	105,600	32,899	251,037	-	251,037
9.	Abdul Razaq Shop # 9	112,144	105,600	32,822	250,566	-	250,566
10.	Abdul Razaq Shop # 10	106,391	35,200	7,868	149,460	-	149,460
11.	M.Rizwan Shop # 11	-	-	-	-	-	-
12.	Murtza Shop # 12	-	-	-	-	-	-
Total		597,683	1,993,183	196,383	2,787,249	1,223,620	1,563,629

S. #	Debtor name	Amount (Rs)	Head of accounts
1.	Friend Food Export Company	876,356	Annual ground rent
2.	Mukhi Nuruddin & sons	430,771	Annual ground rent
3.	Zafar Enterprises	335,910	Annual ground rent
4.	M/s. Pak Sea Pearl Food	1,308,000	Annual ground rent
5.	Maritime Sea Food	1,852,455	Annual ground rent
6.	Botan Corporation	821,707	Monthly rent
7.	S.H Khatti Bismill Ahkafe	233,774	Monthly rent
8.	ABC fisheries (Pvt.)Ltd.	4,337,914	Electricity charges
9.	Ali Ice factory	501,053	Electricity charges
10.	Botan Corporation	633,516	Electricity charges
11.	Lecandela	1,850,054	Electricity charges
12.	Seo Young International	756,238	Electricity charges
13.	ABC fisheries	606,982	water charges
14.	Aqua Pearl	243,643	water charges
15.	Bismillah Petrol Pump	283,692	water charges
16.	Lacandela	284,411	water charges
17.	Legend International	616,180	water charges
18.	M/s. Pak Sea Pearl Food	17,035	water charges
19.	Maritime Sea Food	1,000,000	Depreciated value against constructed boundary walls.
	Total recoverable amount	16,989,691	

Annex-57

(See Para No. 12.2.4.5)

Statement showing details of salary security guards and supervisors

	Security Guards	Supervisors
Quantity	14	2
Salary per person	14,495	17,591
Salary		
2015 (Sep-Dec)	836,920	140,728
2016	2,510,760	422,184
2017	2,510,760	422,184
2018	2,510,760	422,184
2019	2,510,760	422,184
2020 (Jan-Nov)	2,301,530	387,002
Total Salary	13,181,490	2,216,466
Total Salary to both	15,397,956	

Annex-58

(See Para No. 12.3.4.2)

Statement showing details of imprudent investment of funds

Investment				Loan Facility			
Date	Bank	Period	Investment (Rs. in million)	Date	Bank	Period (In Days)	Loan / Borrowing (Rs. In million)
Oct-28,2018	J.S	3 months	760	Nov-6,18	M.C.B	92	1540
Oct-28,2018	Silk Bank	3 months	760	Nov 24-18	Faisal Bank	92	825
Dec-27,2018	Bank Islami	3 months	640	-	-	-	-
Dec-27,2018	J.S	1 month	640	-	-	-	-
Dec-27,2018	SILK	3 months	640	-	-	-	-
Dec-27,2018	AL-Barka	1 month	640	-	-	-	-
Jan-28,2019	J.S	1 month	640	Feb -5	MCB	89	1444
Jan-30,2019	M.C.B	3 months	640	Feb -23	Faisal Bank	89	618
Mar-7,2019	J.S	3 months	640	-	-	-	-
Mar-27,2019	SILK	3 months	640	-	-	-	-
Mar-27,2019	Bank Islami	3 months	640	-	-	-	-
April-30,2019	Al-Barka	2 months	640	May -5	MCB	27	96
April-30,2019	MCB-Islamic	2 months	640	May -23	Faisal Bank	10	412.5
June 24,2019	JS	3 months	510	June-1	MCB	30	1348
June 27,2019	AL-Falah	3 months	510	May -23	Faisal Bank	30	412.5
June 27,2019	SILK	3 months	510	-	-	-	-
June 27,2019	Bank Islami	3 months	510	-	-	-	-
			10,600				6,696

Annex-59

(See Para No. 12.3.4.3)

Statement showing details of non-recovery of amount & creation of provision for expected loss

Non-recovery of heating claim receivables - Rs. 61.505 million			
Claim Period	Heating Claim (Rs.)	Interest (Rs.)	Total (Rs.)
2012	3,218,587	2,253,011	5,471,598
2013	14,722,241	8,391,677	23,113,918
2014	12,279,924	5,525,966	17,805,890
2015	9,186,165	2,939,573	12,125,738
2016	2,532,231	455,802	2,988,033
	41,939,148	19,566,029	61,505,177

Non-recovery of freight charges from various parties - 798.798 million	
Name of Party	Total amount as on 30.6.2019 (Rs.)
D135 Dist Controller of Stores (PWR)	4,001,467
6047 Embarkation Commandant	255,406,088
N098 Naval Stores	16,305,071
0046 Officer Commanding PM Embk Unit	49,338,158
P044 Pakistan Ordnance Factory (POI)	90,084,193
5230 Stores Liaison Officers (PM)	13,295,835
H0711 Heavy Industries (P-711) Taxila Cantt	4,140,663
Trading Corporation of Pakistan	4,866,225
Total	432,571,495

Non-recovery from various parties - Rs. 2,121.38 million		
S#	Other Receivables	Amount (Rs. in million)
1.	Demurrage Receivable	1,934
2.	Heating Claim and Misc Rec	34.814
3.	Sundry Debtors and Agents Rec	126.702
4.	GST Refunds	12.197
5.	Tax Refundable	13.667
Total		2,121.38

(Rs. in million)					
S. #	Description	Amount	S. #	Description	Amount
1.	Heating claim	61.505	3.	Non-recovery from various parties	2,121.38
2.	Freight charges	798.798	4.	Rent from tenants	15.350
Total					2,997

Annex-60

(See Para No. 12.3.4.8)

Statement showing of losses in various voyages

(Amount in “000”)							
S. #	Voyage No.	Mode	Start Date	End Date	Freight	Expenditure	Net Profit / (Loss)
1.	HQ 102	VC	26.06.2018	11.07.2018	37,108	45,444	(8,336)
2.	HQ 104	VC	26.07.2018	08.08.2018	43,078	43,152	(74)
3.	HQ 107	VC	01.09.2018	20.09.2018	46,387	54,029	(7,642)
4.	HQ 109	VC	19.10.2018	16.02.2019	83,040	232,229	(149,189)
5.	HQ 115	VC	03.05.2019	28.05.2019	71,483	74,854	(3,371)
Total					281,096	449,708	(168,912)

Annex-61*(See Para No. 12.3.4.9)***Statement showing detail of losses on charter-in of ships**

(Amount in Rs.)					
Vessel Name	Party	Cargo Ref	Freight Income	Hiring and Operational Expenditure + Demurrages	Loss
M.T. SEA LUCK III	PRL	P-06/19	63,734,794	71,533,479	7,798,684
M.T. STAR OSPREY	PARCO	MA-16/19	64,073,571	71,694,184	7,798,685
M.T. MARIA BOTTIGLIERI	PRL	P-07/19	58,651,024	70,173,088	11,522,064
M.T. FOS PICASSO	PARCO	MD-20/19	60,376,692	64,001,181	3,624,489
Total Loss					30,743,922

Annex-62*(See Para No. 12.3.4.11)***Statement showing details of loss due to short delivery of crude oil**

Vessel Name	Party Name	Voyage No.	Short Delivery (Rs)
MT Lahore	PARCO	257	5,560,045
MT Lahore	Pakistan Refinery Ltd.	260	5,274,452
MT Lahore	Pakistan Refinery Ltd.	265	4,758,785
MT Lahore	Pakistan Refinery Ltd.	266	5,163,368
MT Lahore	Pakistan Refinery Ltd.	248	2,992,797
MT Quetta	Pakistan Refinery Ltd.	P-15/18	6,434,731
MT Shalamar	Pak Arab Refinery	MA-34/18	5,652,975
MT Shalamar	PARCO	MD-10/19	6,423,087
MT Shalamar	Pakistan Refinery Ltd.	P-10/18	5,178,370
Omera Queen	Pakistan Refinery	P-11/18	5,533,585
Omera Queen	Pakistan Refinery	P-12/18	5,320,693
RBD Anema-e-Core	Pakistan Refinery	MA-44/18	16,006,076
Total			74,298,964

Annex-63

(See Para No. 12.3.4.12)

Statement showing details of loss due to unjustified expenditure on salary payment

Payment of Rs. 14,782,824 during the year on account of vigilance cell of Ministry				
(Amount in Rs.)				
S. #	Name	Pay Group	Salary	Year 2017-18
1.	Mr. M. Attaullah	VII	29,188	350,256
2..	Mr. M. Usman Ghani Qureshi	VII	1,11,729	13,340,748
3.	Mr.Riaz Ahmed	V	50,409	604,908
4.	Mr.Sher Zamin Khan	IV	40,576	486,912
	Total		1,231,902	14,782,824

Annex-64

(See Para No. 12.4.4.18)

Statement showing details of loss due to non-availing of rebate and non-accountal of water consumption

From 2018-2019	Water Billed by KW&SB to PQA in Gallons	Rate of per 1000 Gallons in Rs.	Amount paid to KW&SB in Rs.
Total	1	2	3= (1 x2)
	597,534,865	242	144,603,437.330

KW&SB rate	Water Billed by KW&SB to PQA in Gallons	Amount in Rs.
KW&SB rate Rs. 346/1000 gallon	597,534,865	206,747,063,290
70% of Rs. 346=Rs. 242/1000 gallons	597,534,865	144,603,437,330
50% of Rs. 346=Rs. 173/1000 gallons	597,534,865	103,373,531,645
20% of Rs. 346=Rs. 69/1000 gallons	597,534,865	41,229,905,685

Month (July 2018-june 2019)	Water Billed by KW&SB to PQA in Gallons	Actual Water Billed by PQA to consumers in Gallons	Water Consumed by PQA in Gallons	Percentage of PQA usage of water %	Rate of per 1000 Gallons in Rs.	Amount of water consumed by PQA in Rs.
2	3	4	(3-4)=5	6=(5×10÷3)	6	(5×6)=7
Total	597,534,865	359,171,349	238,363,525	39.89	242	57,683,968.05

Annex-65*(See Para No. 12.4.4.25)***Statement showing detail of irregular allotment of plots**

S. #	Name of Applicant	Size of plots	Purpose of plot	Application date
1.	M/s. Hascol Petroleum Limited	10 acre (NWIZ)	LPG storage Terminal	01.02.2017
2.	M/s. H.A & Sons (SMC-Pvt.), Ltd.	10 acres (NWIZ)	POL installation	23.08.2016
3.	M/s. J.S. Petroleum (Pvt.), Ltd.	15 acres (Nil)	LPG Storage Facility	01.08.2017
4.	M/s. SLC Metal & Refining (Pvt.), Ltd.	04 acres (NWIZ)	Extraction of Copper from PCB Circuits	09.09.2017
5.	M/s. Inara Commodities International	02 Acre (NWIZ)	Agro-Commodities	03.08.2017
6.	Mr. Muhammad Akram & Mr. Muhammad Arshad	02 acre (NWIZ)	Industrial	12.07.2017
7.	M/s. Digiatal World Pakistan (Pvt.), Ltd.	10 acres (Nil)	Setup plant (Electronics Assembling RFS, ACS, Batteries etc.)	11.09.2017
8.	M/s. Crown Lifan Pakistan	20 acres (EIZ)	Auto & Allied Manufacturing	Nil
9.	M/s. Hilal Food (Pvt.), Ltd.	04 acres (EIZ)	Confectionary & Food Business	18.07.2017
10.	M/s, Abbas Engineering Industries Ltd.	04 acres (NWIZ)	Bulk LPG	14.09.2017
11.	Mr. Aijaz Hussain	08 acres (NWIZ)	Ware House	09.10.2017
12.	M/s. Anas Imam Enterprises	01 acre (NIL)	Industrial	12.10.2017
13.	M/s. HAREC	10 acres (Nil)	Rice Processing Industry	25.08.2017

Annex-66
(See Para-13.1.4.6)

Unauthorized expenditure on account of work charged staff - Rs. 156.929 million

S. No.	Months	No. of employees	Amount (Rs)	Average (Rs)
1	April-2019	782	12,307,500	15,738
2	May-2019	924	14,502,082	15,694
3	June-2019	918	13,999,503	15,250
4	July-2019	889	13,848,500	15,578
5	August-2019	849	12,984,467	15,293
6	September-2019	829	13,069,467	15,765
7	October-2019	809	14,487,987	17,909
8	November-2019	797	14,461,000	18,144
9	December-2019	753	13,426,237	17,830
10	January-2020	698	12,556,614	17,989
11	February-2020	610	11,327,218	18,569
12	March-2020	520	9,958,387	19,150
Total			156,928,962	

Annex-67
(See Para -14.1.4.15)

Operational Loss in respect of 13 Toll Plazas

S. No.	Name of Toll Plaza	Net Collection	NHA Share %	NLC Share %	NLC amount of Share (Rs)	Expenses (Rs)	Loss (Rs)
1	Kohat Tunnel	57,368,160	99%	1%	5,756,160	20,949,085	15192925
2	Iqbal Shaheed	42493340	98%	2%	665740	2167919	1502179
3	Sangjani	768464260	100%	0%	625740	30994785	31620525
4	Chenab Manual	286836560	97%	3%	7224560	55287850	4063290
5	Jhelum	432036610	99%	1%	6024610	17924400	11899790
6	Terraki	420629760	101%	(1)%	5382240	17493408	22875648
7	Shershah	414556130	100%	0%	436130	15610564	15174434
8	Ahmad Pur East	518373900	101%	(1)%	6038100	18140509	24178609
9	Khan Bela	564764020	105%	(5)%	29247980	20031465	49279445
10	Bahawalpur	486109640	98%	2%	8703866	17030090	8326224
11	Rohri	585736480	109%	(9)%	55412520	17753359	73165879
12	Ghotki	394141200	116%	(16)%	65029800	12051048	77080848
13	Ubaro	417931780	113%	(13)%	56386220	12832500	69218720
		5,389,441,840			246,933,666	258,266,982	403,578,516