



**AUDIT REPORT  
ON  
THE ACCOUNTS OF  
MINISTRY OF FOREIGN AFFAIRS  
AUDIT YEAR 2015-16**

**AUDITOR – GENERAL OF PAKISTAN**



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## ABBREVIATIONS & ACRONYMS

ADP	Attaché Defence Procurement
AFS(E)	Additional Finance Secretary (Expenditure)
AIR	Audit and Inspection Report
AMA	Authorized Medical Attendant
APS	Assistant Private Secretary
CA	Contract Agreement
CAO	Chief Accounts Officer
CPO	Competent Purchase Officer
DA	Daily Allowance
D&AA	Defence and Air Attaché
DAC	Departmental Accounts Committee
FA	Foreign Allowance
FIGOB	Fund for Improvement of Government Owned Buildings
FMMA	Financial Management at Missions Abroad
FTR	Federal Treasury Rules
GFR	General Financial Rules
HBA	House Building Advance
HOC	Head of Chancery
HOM	Head of Mission
HQ	Headquarters
HRA	House Rent Allowance
IDB	Islamic Development Bank
IT	Invitation to Tender
LC	Local Currency
LPR	Last Purchase Rate
MB	Measurement Book
MFDAC	Memorandum For Departmental Accounts Committee
MOFA	Ministry of Foreign Affairs
OEM	Original Equipment Manufacturer
OPAP	Office of Pilgrims Affairs of Pakistan
PAC	Public Accounts Committee
PAHIC	Pakistan High Commission
PAO	Principal Accounting Officer
PAREP	Pakistan Permanent Representative
PCW&EF	Pakistan Community Welfare & Education Fund
PIAC	Pakistan International Airline Corporation
PM	Prime Minister
POL	Petrol Oil Lubricants
PPRA	Public Procurement Regulatory Authority

TA	Travelling Allowance
UK	United Kingdom
UN	United Nations
USA	United States of America

### **Abbreviations of foreign currencies**

£	British Pound
€	Euro
PKR	Pakistani Rupees
DH / AED	U.A.E. Dirham
SRL	Saudi Riyal
RMB	Ren Ming Bi (Chinese Yuan)
QRs	Qatari Riyal
US\$	United States Dollar
BD	Bahraini Dinar
¥	Japanese Yen

## Preface

Articles 169 & 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor-General (Functions, Powers and Terms and Conditions of Service) Ordinance 2001, require the Auditor-General of Pakistan to conduct audit of receipts and expenditure from the Federal Consolidated Fund and Public Account.

The report is based on audit of receipts and expenditure of Ministry of Foreign Affairs and allied wings of other Ministries based in Pakistan Missions abroad for the financial year 2014-15. The Directorate General Audit (Foreign & International), Islamabad conducted audit during 2015-16 on test check basis with a view to reporting significant findings to the relevant stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs. 1.000 million or more, with a few exceptions. Relatively less significant issues are listed in the Annex-I of the Report. The Audit observations listed in the Annex-I shall be pursued with the Principal Accounting Officer at the DAC level and in all cases where the PAO does not initiate appropriate action, the Audit observations will be brought to the notice of the Public Accounts Committee through the next year's Audit Report.

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

The observations included in this report have been finalized in the light of discussions in the DAC meeting(s).

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

Islamabad  
Dated: 22.02.2017

Sd/-  
Rana Assad Amin  
Auditor-General of Pakistan

# EXECUTIVE SUMMARY

## INTRODUCTION

Directorate General Audit (Foreign & International) is one of the Field Audit Offices of the Auditor-General of Pakistan mandated to conduct audit of the Ministry of Foreign Affairs, its 13 local formations and 124 Missions abroad. Further, it is also responsible for conducting audit of the allied wings of other Ministries such as Religious Affairs, Defence, Commerce, Information & Broadcasting, Interior, Overseas Pakistanis, Economic Affairs Division and 48 PIA sales offices located abroad.

During the audit year 2015-16, the Directorate General Audit (Foreign & International) planned 85 audits including 01 Financial Attest audit and Compliance with Authority audit of 13 local formations, 63 Pakistan Missions abroad, 04 PIA stations abroad, 03 Special audits and 01 Performance audit with 4,843 mandays. However, this office actually conducted 01 Financial Attest audit, Compliance with Authority Audit of 12 local formations of the Ministry of Foreign Affairs, 63 Pakistan Missions abroad, 04 PIA stations and 02 Special audits utilizing 4,826 mandays. The achievement in terms of planned audits and mandays was 96.43 % and 99.65% respectively. During the audit, the accounts relating to the financial years 1992-2015 were scrutinized and transactions were selected on test check basis.

During this process, a large number of cases pertaining to financial indiscipline, violation of prescribed rules/regulations etc. were noticed which were reported to respective Secretaries/Administrative Heads, seeking departmental responses and holding meetings of the Departmental Accounts Committees (DAC). After completion of the prescribed audit exercise, cases of serious nature have been selected for printing in the Audit Report. Amount held under observations in these cases is Rs. 5,063.471 million. A statement indicating currency wise details of the amount held under objection is placed at Annex-II. The salient features of the report are:

### **a. Scope of Audit**

This office conducts Financial Attest, audit of Compliance with Authority and propriety of the expenditure and receipts. Expenditure audited was Rs. 10,410 million which was 71.97 % of the total expenditure i.e. Rs. 14,464 million.

### **b. Recoveries at the Instance of Audit**

Recoveries of Rs. 810.658 million were pointed out, out of which recoveries of Rs. 15.245 million were effected during January 2016 to December 2016.

**c. Audit Methodology**

The field audit of Ministry of Foreign Affairs (HQ) and other local formations was carried out by examining the permanent files, computer generated data, bank account statements, other related documents and desk audit along with the policies followed which facilitated the understanding of the system, procedures and audit entity.

**d. Audit Impact**

On the observation of audit, the Ministry of Foreign Affairs has taken strict notice of non- adjustment of advances and has communicated that if the advances remained unadjusted, that would be considered inefficiency on part of officials concerned and will be recorded in their dossiers. PAO has issued instructions to all Pakistan Missions abroad that in case of any violation of Public Procurement Rules, 2004, the Head of Mission, Head of Chancery and Accountant will be held personally responsible and strict disciplinary action will be taken against them. PAO has also issued instructions for enhanced interaction with audit.

**e. Comments on Internal Controls**

Internal control system is the most effective tool for good governance and efficient use of available resources. During audit it was observed that the accounts at the Headquarters were maintained on SAP system, whereas, Missions abroad were maintaining manual accounts. However, the time lag involved in actual incurrence of expenditure and its booking creates accounting problems which need effective redressal by the CAO office. During a meeting of the Public Accounts Committee held on 21.12.2016, the Chief Accounts Officer assured the Committee that the accounts of all Pakistan Missions abroad will be brought on SAP system by March, 2017. The recommendations of the audit for strengthening of internal controls are being adopted by the Ministry. However, following weak internal controls have been pointed out in the Audit Report:

- Mis-appropriation of funds.
- Mis-procurement of physical assets.
- Un-authorized appointment of contingent paid staff.
- Non-refund of security deposits.
- Irregular / un-authorized expenditure during President/PM visits abroad.
- Overpayment of TA/DA.
- Overpayment of pay & allowances.
- Un-authorized expenditure out of PCW&EF and FIGOB.
- Cash payments instead of crossed cheques.

## **f. Key Audit Findings of the Report**

i.	Violation of rules was noted in 08 cases <sup>1</sup> .	Rs. 3,501.638 million
ii.	Un-authorized payments were made in 08 cases <sup>2</sup> .	Rs. 794.167 million
iii.	Recoverable were pointed out in 09 cases <sup>3</sup> .	Rs. 220.062 million
iv.	Loss was pointed out in 05 cases <sup>4</sup> .	Rs. 68.494 million
v.	Lack of internal control was observed in 08 cases <sup>5</sup> .	Rs. 222.871 million
vi.	Irregular expenditure was incurred in 05 cases <sup>6</sup> .	Rs. 331.756 million
vii.	Excess payment was made in 03 cases <sup>7</sup> .	Rs. 13.764 million
viii.	Doubtful payment was noticed in 03 cases <sup>8</sup> .	Rs. 9.545 million
ix.	Non production of record was noted in 01 case <sup>9</sup> .	Rs. 1.175 million
x.	Other audit findings were observed in 01 case <sup>10</sup> .	

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<sup>1</sup> Para 1.4.6, 1.4.13, 1.4.25, 2.3.3, 3.2.5, 4.3.3, 5.2.6 & 5.2.7

<sup>2</sup> Para 1.4.2, 1.4.3, 1.4.4, 1.4.12, 2.3.2, 3.2.2, 3.2.4 & 4.3.5

<sup>3</sup> Para 1.4.5, 1.4.8, 1.4.10, 1.4.11, 1.4.22, 1.4.24, 2.3.4, 3.2.1 & 3.2.6

<sup>4</sup> Para 1.4.15, 1.4.23, 1.4.26, 5.2.9 & 7.2.1

<sup>5</sup> Para 1.4.16, 1.4.17, 1.4.18, 1.4.19, 1.4.20, 4.3.4, 5.2.4 & 6.2.2

<sup>6</sup> Para 2.3.1, 5.2.1, 5.2.2, 5.2.3 & 5.2.5

<sup>7</sup> Para 1.4.7, 1.4.9 & 1.4.21

<sup>8</sup> Para 1.4.1, 4.3.1 & 4.3.2

<sup>9</sup> Para 6.2.1

<sup>10</sup> Para 7.2.2

**g. Recommendations**

The concerned Principal Accounting Officer(s) are requested to:

1. Investigate incidences of financial embezzlement to fix responsibility and recover illegally drawn government money.
2. Follow the prescribed rules and regulations to ensure transparency and avoid wastages and losses.
3. Ensure that all appointments are made after approval of competent authority.
4. Streamline the procedures and strengthen Internal Controls.
5. Adhere to the regulatory framework and canons of financial propriety.
6. Adjust advances granted to individuals / Ministries / various Departments timely.
7. Ensure prompt recovery of Government dues, crediting the amount into Government Treasury.
8. Ensure that PCW&EF and FIGOB are utilized for the intended purposes and resolve the deviations pointed out in this Report.
9. Take necessary steps to evaluate, institute and strengthen the management, budgeting and accounting controls.
10. Ensure that the DAC meetings are held promptly to resolve audit issues and appropriate directives issued to avoid repetition of identical irregularities in future.

## SUMMARY TABLES & CHARTS

**Table 1** *Audit Work Statistics*

<b>Sr. No</b>	<b>Description</b>	<b>No.</b>	<b>Budget (Rs. in million)</b>
1	Total entities (Ministries/PAOs) in audit jurisdiction	11*	14,464
2	Total formations in audit jurisdiction	186	14,464
3	Total entities (Ministries/PAOs) audited	11	10,410
4	Total formations audited	80	10,410
5	Audit & Inspection Reports	80	10,410
6	Special Audit Report	02	-
7	Performance Audit Reports	-	-
8	Other Reports	-	-

\* This includes Ministry of Foreign Affairs and other Ministries such as Defence, Defence Production, Commerce, Religious Affairs & Interfaith Harmony, Interior which have representation in Pakistan Missions abroad.

**Table 2** *Audit Observations classified regarding Financial Management*

<b>Sr. No</b>	<b>Description</b>	<b>Amount placed under Audit Observations (Rs. in million)*</b>
1	Inappropriate asset management	1.586
2	Weak financial management	4,527.552
3	Weak Internal controls relating to financial management	222.871
4	Others	311.462
<b>Total</b>		<b>5,063.471</b>

\* The amount has been converted from foreign currencies into Pak. Rupees by using conversion rates as on 31.12.2016. The currency wise detail of observations is placed at **Annex-II**.

**Table 3 Outcome Statistics****(Rs. in million)**

Sr. No	Description	Expenditure on acquiring physical assets (procurement)	Civil works	Receipts	Others	Total current year*	Total last year
1	Outlays audited	692.022	169.980	-	9,547.998	10,410.000	7,839.357
2	Amount placed under Audit Observation /Irregularities of Audit**	609.292	741.930	-	3,712.249	5,063.471	638.068
3	Recoveries pointed out at the instance of Audit	-	-	-	233.825	233.825	55.788
4	Recoveries accepted /established at the instance of Audit	-	-	-	233.825	233.825	55.788
5	Recoveries realized at the instance of Audit	-	-	-	15.245	15.245	44.495

\* The amount has been converted from foreign currencies into Pak. Rupees by using conversion rates as on 31.12.2016. The currency wise detail of observations is placed at **Annex-II**.

\*\* Figures shown are for financial year 2015-16, whereas the actual expenditure audited covers one to twenty three years.

**Table 4 Irregularities pointed out**

<b>Sr. No.</b>	<b>Description</b>	<b>Amount placed under Audit Observations (Rs. in million)*</b>
1	Violation of rules and regulations and violation of principles of propriety and probity in public operations.	3,453.678
2	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	9.545
3	Accounting errors, misclassification, over or understatement of account balances that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	1.861
4	Weaknesses of internal control systems.	222.871
5	Recoveries and overpayments, representing cases of established overpayments or misappropriation of public monies.	233.825
6	Non –production of record.	1.175
7	Others	1,140.516
	<b>Total</b>	<b>5,063.471</b>

\*The amount has been converted from foreign currencies into Pak. Rupees by using conversion rates as on 31.12.2016. The currency wise detail of observations is placed at **Annex-II**.

**Table 5** *Cost-benefit*

<b>Sr. No</b>	<b>Description</b>	<b>Amount (Rs. in million)</b>
1	Outlays Audited	10,410.000
2	Expenditure on Audit	33.732
3	Recoveries realized at the instance of Audit	15.245
	<b>Cost-Benefit Ratio</b>	<b>1:0.45</b>

## CHAPTER 1      MINISTRY OF FOREIGN AFFAIRS

### *1.1 Introduction*

Ministry of Foreign Affairs, under the Rules of Business of the Federal Government, has been assigned to formulate, implement and monitor the foreign policy and deal with the matters listed below:

- i. Relations and dealings with other countries.
- ii. Matters (other than those handled by other Divisions) relating to:
  - (a) International organizations and bodies and their decisions.
  - (b) Agreements and treaties with other countries.
- iii. Diplomatic, consular, trade and other representation abroad.
- iv. Declaration of war upon, and the making of peace with any country.
- v. Offences against the laws of nations.
- vi. Foreign and extra-territorial jurisdiction.
- vii. Negotiations for settlement of Kashmir dispute and implementation of agreements reached.
- viii. Administration of:
  - (a) Foreign Service of Pakistan.
  - (b) Pakistan Missions abroad.
  - (c) Security and operation of cypher communications.
- ix. Visits of the Heads of States and foreign dignitaries to Pakistan and the Head of the Government of Pakistan to foreign countries.
- x. Matters relating to:
  - (a) Protocol and foreign representatives in Pakistan.
  - (b) Federal Government Guest Houses.
- xi. Preparation of policies regarding:
  - (a) Extradition to and from other countries.
  - (b) Repatriation of Pakistan nationals from abroad (other than those handled by other Divisions).
- xii. Foreign awards to Pakistanis.
- xiii. Pakistan Institute of International Affairs.
- xiv. Coordination of all work pertaining to Economic Cooperation Organization (ECO).
- xv. Institute of Strategic Studies.

## 1.2 Comments on Budget & Accounts (Variance Analysis)

The expenditure incurred by the Ministry of Foreign Affairs during financial year 2014-15 is divided into 04 grants as under:-

(Rs. in million)

Name of Grant	Grant No.	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Saving)	Variation in %
Foreign Affairs Division (HQ)	45	2,030.390	2,004.606	(25.784)	1.27
Foreign Affairs (Missions)	46	11,146.763	10,949.928	(196.835)	1.77
Others Expenditure Of Foreign Affairs Division	47	1,964.535	1,858.519	(106.016)	5.40
Capital Outlay On Works of Foreign Affairs Division	140	255.200	229.751	(25.449)	9.97
<b>TOTAL</b>		<b>15,396.888</b>	<b>15,042.804</b>	<b>(354.084)</b>	<b>2.30</b>

An expenditure of Rs. 15,042.804 million was incurred against the total allocation of Rs. 15,396.888 million, leading to a saving of Rs. 354.084 million which is 2.30 % of the final budget grants.

During certification audit of accounts pertaining to above mentioned budget grants, instances of non surrender of savings and expenditure incurred without budget under relevant heads of accounts were noticed. Same were highlighted to the Ministry / Chief Accounts Officer for corrective measures.

### 1.3 Brief comments on the status of compliance with PAC directives

Name of Ministry	Year of Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance	
Ministry of Foreign Affairs	1990-91	13	9	4	69%	
	1991-92	9	6	3	67%	
	1992-93	11	8	3	73%	
	1993-94	10	2	8	20%	
	1994-95	19	12	7	63%	
	1995-96	45	21	24	47%	
	1996-97	49	30	19	61%	
	1997-98	116	85	31	73%	
	1998-99 OIC		57	21	36	37%
			18	12	6	67%
	SAR Mexico 1999-2000		37	17	20	46%
			19	0	19	0%
		2000-01	26	11	15	42%
		2001-02	25	21	4	84%
		2002-03	24	4	20	17%
		2003-04	25	7	18	28%
		2004-05	47	23	24	49%
		2005-06	34	16	18	47%
		2006-07	28	11	17	39%
		2007-08	17	6	11	35%
	2010-11	47	14	33	29%	
	2013-14*	04	0	04	0%	
	<b>TOTAL</b>	<b>680</b>	<b>336</b>	<b>344</b>	<b>49%</b>	

The overall compliance in respect of Ministry of Foreign Affairs is comparatively low which can be attributed to the fact that a large number of officers/officials with whom the paras were related have either retired or expired. Consequently, it becomes very difficult for the Ministry to comply with the PAC directives for that year. Another reason for low compliance is the frequent postings/transfers of officers/ officials from HQ to Missions and vice versa which takes considerable time and requires a lot of correspondence. Moreover, it has also been observed that the frequent change of senior management in the executive makes the compliance with PAC directives difficult.

\* Above 50 million.

## 1.4 AUDIT PARAS

### MISAPPROPRIATIONS

#### 1.4.1 *Misappropriation of funds from imprest account – PKR 7.226 million.*

Rule-23 of GFR Vol-I, states that every government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

Contrary to the above rule, an amount of PKR 7,226,426 was drawn by three officials through fictitious documents. The details of misappropriated amount are mentioned here under:

S. No	Vr. No/cheque and date	Amount US\$	Remarks
1.	39 of 9/2013	1,370	Payment of Language Trainee deposited in personal /A/cs
2.	7-8/2013	1,600	Rent payment of Language Trainee
3.	Ch#6191998 30/8/2013	2,265	Pay and Allowances of Language Trainee
4.	-	3,943	Cash drawn from the bank
5.	Ch#000138	21,720	Payment of travel agent deposited in personal a/c
6.	-	8,387	Payment of travel agent deposited in personal a/c Miguel Fausto Martinez) Local messenger
7.	-	2,000	Rent payment of Language Trainee
8	-	28,000	Monthly rent
<b>Total</b>		69,285	

The matter was brought to the notice of the management of the Mission at the conclusion of audit. Financial indiscipline was also reported to Ministry, recommending certain administrative /disciplinary action against concerned officials.

However, no further progress was reported to audit.

Ministry informed the DAC that the matter was investigated in past and it was recommended that an inquiry of Mission may be carried out and report be submitted accordingly.

DAC in its meeting held on 10.01.2017 decided that an inquiry, special audit of Mission may be carried out and report be submitted accordingly.

Audit recommends immediate conduct of departmental inquiry to determine the extent of financial loss and initiate legal / disciplinary proceedings for effecting recovery from the officials at fault.

*(Para-7, Mexico 2012-15)*

## IRREGULARITY AND NON COMPLIANCE

### 1.4.2 *Unauthorized expenditure on account of purchase of vehicles – PKR 15.806 million.*

As per Finance Division letter No. F.7(1)Exp-IV/2012, dated 24.07.2012, No. 1(1)Exp.IV/2013, dated 01.07.2013 and No. F.7(1)Exp.-IV/2014 dated 09.09.2014, ban was imposed on purchase of vehicles for the period 2012-13, 2013-14 & 2014-15.

Contrary to above directives, Pakistan Missions abroad purchased vehicles worth PKR 15,806,213 without concurrence of the Finance Division.

Sl. No.	Formations	Period	Para No of AIR	Amount (LC)
1	The Hague	2012-15	1	€ 31,951
2	Vienna	2009-15	1	€ 28,060
3	Harare	2012-15	1	PKR 6,096,000
4	C.G. Dubai	2013-15	6	AED 110,000
<b>TOTAL</b>				<b>PKR 6,096,000, € 60,011 &amp; AED 110,000</b>

The matter was brought to the notice of the management of the Mission at the conclusion of audit and was reported to the Ministry in November, 2016 seeking departmental reply / comments within four weeks. Ministry replied that the expenditure will be regularized from Finance Division in two cases and in remaining two cases Ministry assured to produce the record / approval for verification.

Ministry did not produce any record for verification by Audit.

DAC in its meeting held on 10.01.2017, directed the Ministry to get the expenditure regularized from the Finance Division. However, in case of C.G. Dubai and Harare, DAC directed the Ministry to produce relevant record for verification by Audit.

Audit recommends that matter may be investigated and responsibility fixed against the person(s) at fault and unauthorized expenditure be got regularized from the Finance Division under intimation to audit.

### **1.4.3 Unauthorized procurement of physical assets – PKR 609.292 million.**

As per Rule-12(1) of Public Procurement Rules 2004, purchases over Rs. 100,000 and up to the limit of Rs. Two million shall be advertised on Public Procurement Regularity Authority’s website. These procurement opportunities may also be advertised in print media as deemed necessary by the procuring agency. Further as per Rule-12(2), all procurement opportunities over two million rupees should be advertised on the Authority’s website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu. Furthermore, as per Cabinet Division’s O.M. No. 4/1/2008 dated 09-04-2008 financial limits for open tender(s) for Pakistan’s Mission abroad have been fixed as under:

<b>Sl. No.</b>	<b>Kind of Tender</b>	<b>Monetary Limits.</b>
1.	Open tender	US\$ 4,000 or Euro 3,000 & above
2.	Limited tender	Less than US\$ 4,000 or Euro 3,000 & above US\$ 2,000 & Euro 1,500
3.	Single tender	Up to US\$ 2,000 or Euro 1,500

Contrary to above rules / directives, Ministry of Foreign Affairs and its Missions abroad purchased physical assets worth PKR 609,291,567 without observing codal formalities. Thus the whole expenditure was held irregular. Detail is at Annex-III.

The matter was brought to the notice of the management of the Mission at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry informed that at Headquarters cases do not fall under tendering limit or uploading on the PPRA’s website and in case of Missions, the irregular expenditure will be got regularized from Finance Division.

Audit did not accept the reply as it was observed that expenditure at headquarters was split up to avoid the competitive process.

DAC in its meeting held on 10.01.2017, directed the Ministry to get the record verified by Audit otherwise expenditure be got regularized from the competent authority.

Audit recommends that matter may be investigated and responsibility fixed against the person(s) at fault and unauthorized expenditure be got regularized from the Finance Division under intimation to audit.

**1.4.4 Unauthorized expenditure on account of contingent paid staff - PKR 2.898 million.**

According to instructions contained in Para 11(A) (VI) of the Revised System of Financial Control and Budgeting, 2006, contingent paid staff can only be appointed with the prior authorization/approval of Additional Finance Secretary (Expenditure).

Contrary to the above rules, various Missions abroad and a local formation appointed contingent paid staff and incurred an unauthorized expenditure of PKR 2,898,406 during the period 2006-15, without getting prior approval of the AFS (E). Details are as under:

Sl. No.	Formation	Period	AIR Para No.	Amount (LC)
1	New Delhi	2012-15	19	PKR 7, 31, 621
2	FSA	2012-15	11	PKR 105,497
3	Kiev	2009-15	10	US\$9,065
4	Dakar	2006-15	4	A\$ 1,154,822
5	Baku	2013-15	3	PKR 670,308
6	Abuja	2009-15	7	Naira 1,350,000
<b>TOTAL</b>				<b>PKR 1,507,426, US\$ 9,065, A\$ 1,154,822 &amp; Naira 1,350,000</b>

Unauthorized expenditure constitutes weak internal controls.

The matter was brought to the notice of the management of the Mission at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry informed that the appointments on contract basis were absolutely necessary and the expenditure will be regularized.

Audit did not agree with the response of the Ministry as contingent paid staff was hired without prior approval of the AFS (E).

DAC in its meeting held on 10.01.2017, directed the Ministry to get the unauthorized expenditure regularized from the Finance Division.

Audit recommends that matter may be investigated and responsibility fixed against the person(s) at fault besides regularization of unauthorized expenditure from Finance Division under intimation to Audit. Ministry may also issue necessary instructions to avoid such lapses in future.

**1.4.5 Non recovery of utility charges – PKR 0.922 million.**

As per para-8.10.1 of FMMA Vol-II, each Head of Mission will pay 25% of all utility charges including cost of heating, electricity, gas and water. Further, as per para-8.11.4 of FMMA Vol-II, recovery of 6% utility charges shall also apply to hotel accommodation provided by the government to officers and staff of Mission abroad. There is no provision in the rules to pay utility charges of residential accommodation provided by the government to officers/officials in Pakistan.

While examining the accounts of various Missions abroad, it was noticed that an amount of PKR 922,273 was not recovered from officers on account of their respective share towards utility charges. Details are as under:

Sl. No.	Formation	Period	Number of Person(s) Involved	AIR Para No.	Amount (LC)
1	Riyadh	2012-15	01	5(1)	SRL 625
2	Oslo	2013-15	01	1	NOK 22,173.383
3	Washington	2013-15	01	8	US\$ 6,112
<b>TOTAL</b>					<b>SRL 625, NOK 22,173.383 &amp; US\$ 6,112</b>

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that necessary instructions have been issued to effect the recovery from the concerned officials.

DAC in its meeting held on 10.01.2017, directed the Ministry to effect recovery from concerned officials. In case of Washington, DAC directed the Ministry to explain its position before PAC.

Audit recommends immediate recovery of due share of utility charges from the concerned officials under intimation to audit.

**1.4.6 Irregular award of repair and renovation contracts of two old chancery buildings – PKR 741.930 million**

According to 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. Further, as per Para 10(i) of GFR, Vol-I, every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. In terms of Para-9 of GFR Vol-I, no authority may incur any expenditure or enter into any liability involving expenditure from public until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided in the authorized grants and appropriations for the year.

In violation of above rules Mission authorities in Washington DC made payment of US \$ 7,113,419 on account of Repair and Renovation of two old Chancery Buildings.

Expenditure was held irregular due to following lapses:

- No designer / engineer estimates were prepared.
- Open tendering process was not followed in one case.
- Contractor raised cost without approval of competent authority.

The matter was brought to the notice of the management of the Mission at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry informed that Prime Minister has constituted a three member committee to carry out Audit of the renovation work undertaken at two old chancery buildings. The Committee met in August 2015 and submitted its recommendations to Prime Minister's Secretariat for approval. The recommendation inter-alia include carrying out special inquiry for the expenditure incurred on renovation of old chancery buildings. However, decision on recommendation of the committee for full inquiry is still awaited. The findings of the inquiry will be shared with the audit.

No further progress in the matter was reported till finalisation of the audit report.

DAC in its meeting held on 10.01.2017 decided that the matter may be pending till final decision of Special Audit.

Audit recommends that matter may be investigated and responsibility fixed against the person(s) at fault and inquiry report may be shared with audit.

*(Para-4 & 5 Washington 2013-15)*

**1.4.7 Excess payment on account of TA/DA – PKR 9.249 million.**

As per Para-11 of GFR Vol-I, each Head of Department is responsible for enforcing financial order and strict economy at every step. He is required to ensure observance of all relevant financial rules and regulations by the disbursing officer.

In violation of above rule, the Ministry of Foreign Affairs and its various Missions abroad made payments to officers/officials on account of TA/DA, joining time DA etc. over and above their entitlements. Detail is at Annex-IV.

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that in case of Headquarters all record is being produced for verification and in case of Missions, instructions have been issued to adjust the advances immediately.

Reply of the Ministry is not tenable as the para pertains to excess payment of TA/DA. Moreover, Ministry did not present complete record of headquarters for verification.

DAC in its meeting held on 10.01.2017, directed the Ministry to get the record verified by audit otherwise effect recovery from the concerned officials.

Audit recommends to immediately recover the excess payment of PKR 9,249,081 from all concerned, besides taking corrective measures under intimation to Audit.

#### **1.4.8 Unauthorized payment of furniture allowance – PKR 31.750 million.**

According to Para-8.1.1 of FMMA Vol-II, furnished accommodation with the status and requirements of the officials concerned should be arranged by Head of Mission. In cases where furnished accommodation is not available, furniture may be hired according to the requirement of the officials. Further, as per Para-9 of GFR Vol-I, no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

Contrary to above, Pakistan Missions in USA & Canada made payments of PKR 31,750,138 to their officers / officials as furniture allowance. The payment was made without any lawful provision which rendered the expenditure unauthorized. Details are as under.

<b>Sl. No.</b>	<b>Formation</b>	<b>Period</b>	<b>AIR Para No.</b>	<b>No of person(s) involved</b>	<b>Amount (LC)</b>
1	UN New York	2013-15	26	17	US\$ 70,312
2	CG Los Angeles	2013-15	5	04	US\$ 17,600
3	UN New York	2013-15	19	17	US\$ 30,335
4	Montreal	2013-15	2	01	C\$ 9,945
5	CG New York	2013-15	3	06	US\$ 45,027
6	Washington	2013-15	19	22	US\$ 133,740
<b>TOTAL</b>				<b>67</b>	<b>US\$ 297,014 CAD 9,945</b>

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that the furniture allowance has been allowed with the approval of Ministry. Ministry further informed that case has already been taken up with the Finance Division to seek ex-post facto approval.

However, audit is of the view that Ministry is not empowered to issue such approvals without concurrence of the Finance Division.

DAC in its meeting held on 10.01.2017, directed the Ministry to vigorously pursue the regularization with the Finance Division.

Audit recommends that the amount in question may be recovered immediately from the concerned officials under intimation to audit.

**1.4.9 Overpayment due to non furnishing of hotel receipt – PKR 1.331 million.**

As per Para-11.4.1 of FMMA Vol-II, 50% of Daily Allowance is meant for accommodation charges which will be admissible in the final TA adjustment bill on production of hotel receipt/vouchers.

Contrary to the above rule, fourteen (14) officers from the Ministry of Foreign Affairs visited New York in connection with official assignment at UN, General Assembly session and drew full Daily Allowance from the Pakistan Mission to UN without providing hotel receipts. The payment of PKR 1,331,390 on account of DA without production of hotel receipts was held unauthorized which may be recovered from the concerned officers.

The matter was brought to the notice of the management of the Mission at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that TA bills of five officials have been adjusted by the CAO and confirmation of adjustment of TA bill of remaining nine officials is being pursued with the CAO for confirmation.

However, audit is of the view that hotel receipt is essential to claim 100% daily allowance. Adjustment of TA claims without production of hotel receipt is irregular.

DAC in its meeting held on 10.01.2017 directed the Ministry to provide hotel receipts for verification otherwise recovery be effected.

Audit recommends that either hotel receipts be produced otherwise overpaid amount be recovered from the concerned.

*[Para-20, UN New York 2013-15]*

**1.4.10 Non recovery of house rent allowance, house rent charges and rental ceiling – PKR 2.991 million.**

According to Rule-15(2) of Accommodation Allocation Rules, 2002, an allottee, on his retirement or expiry of contract period shall be entitled to retain the accommodation under his occupation for a period not exceeding six months. Further, as per Rule-15(3) *ibid*, an allottee who has resigned or is dismissed, removed, compulsorily retired from service may retain accommodation under his occupation for a period of two months. In terms of Rule-25(4) (a) *ibid*, in case of unauthorized retention beyond legally allowed period, rent equivalent to one rental ceiling of the category of his entitlement or the category of the house under occupation, whichever is more, shall be charged each month for the entire period of unauthorized occupation. Furthermore, Rule 16(1& II) *ibid* indicates that the accommodation shall not be sublet by the allottee. If an allottee is found guilty of subletting his accommodation, the allotment shall be cancelled from the date of taking over possession of the house and he shall be charged monthly rent at the rate of one month rental ceiling. As per Rule-17(1, 2 & 3) *ibid*, no FGS shall keep more than one accommodation at the same time in possession.

Contrary to the above, Ministry did not recover an amount of Rs. 2,991,311 on account of house rent allowance, house rent charges and rental ceiling from various officers/officials who illegally retained government accommodation after their retirement or dismissal from service, sublet government accommodation or were allotted double accommodation, which is held unauthorized. Details are as under:-

Sl. No.	Formation	Period	AIR Para No.	No of Persons Involved	Amount (PKR)
1	MOFA (HQ)	2014-15	143	25	836,164
2	MOFA (HQ)	2014-15	145	03	440,528
3	MOFA (HQ)	2014-15	146	04	119,982
4	MOFA (HQ)	2014-15	147	01	110,331
5	MOFA (HQ)	2014-15	152	01	115,483
6	MOFA (HQ)	2014-15	156	09	1,368,823
<b>TOTAL</b>				<b>43</b>	<b>2,991,311</b>

The matter was brought to the notice of Ministry in November, 2016 for departmental comments within four weeks. Ministry replied that recoveries were being pursued.

DAC in its meeting held on 10.01.2017, directed the Ministry to effect recovery from the concerned officers / officials. Regarding para-156 (Sl. No. 1, 2, 3 & 7) MOFA 2014-15 matter will be decided in the light of clarification from Ministry of Housing and Works subject to confirmation by CAO that 5% normal rent was deducted and rental ceiling was not paid to the officials at non family station.

Audit recommends that either relevant record be produced to Audit for verification or overpaid amount may be recovered from the concerned officers/officials under intimation to audit.

**1.4.11 Non / short recovery of room rent/ac charges – PKR 3.184 million.**

In terms of Ministry of Foreign Affairs letter No. GSS(I) 8/8/2011 dated 20.01.2011, Room Rent and AC charges are required to be charged from the officers residing in the Hostel @ Rs. 110 per day for single room and Rs. 220 per day for family suite. AC charges will also be charged @ Rs. 50 per day per room during the summer season i.e. from 16<sup>th</sup> April to 15<sup>th</sup> October.

Contrary to the above instructions Ministry’s two local formations made less recovery amounting to Rs. 3,183,612 on account of Room Rent/AC charges from various officers. Details are mentioned below:

Sl. No.	Formation	Period	AIR Para No.	No of Persons Involved	Amount (PKR)
1	GIDSH	2013-15	1	78	1,826,312
2	FOH	2013-15	1	59	1,357,300
<b>TOTAL</b>				<b>137</b>	<b>3,183,612</b>

The matter was brought to the notice of management at the conclusion of audit and was reported to the Ministry in November, 2016 for immediate recovery from the concerned officials. Ministry replied that recoveries were being pursued.

DAC in its meeting held on 10.01.2017 directed the Ministry to reconcile the figures with Audit and effect recovery accordingly.

Audit recommends immediate recovery from the concerned officers under intimation to audit.

**1.4.12 *Unauthorized expenditure on account of cook subsidy – PKR 0.939 million.***

As per Para-12.5.2(3) of FMMA Vol-II, cook subsidy shall be payable by the Mission direct to the individual engaged as Cook / Servant by the Ambassador on production of a certificate that the individual has actually been employed and his conduct and performance were satisfactory. Further, as per Para-11 of GFR Vol-I, each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

Contrary to above, Consul General, Istanbul transferred PKR 938,700 as cook subsidy to his personal account instead of direct payment to individual.

Unauthorized expenditure in violation of rules is reflective of weak financial discipline.

The matter was brought to the notice of the management of the Mission at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry informed that employer is bound to pay the obligatory health insurance of the employees. Once you declare a person to be employee, you are bound to pay his health insurance, according to the labour law of Turkey. That's why to facilitate the cook the officer was paying him salary through his personal bank account.

However, audit is of the view that payment of cook subsidy through officer's personal account is against the rules.

DAC in its meeting held on 10.01.2017 directed the Ministry to provide evidence regarding payment of salary / receipt from the cook duly verified by the CG otherwise recovery be effected.

Audit recommends either to produce the requisite record for verification or recovery be effected from the concerned officer under intimation to audit.

*(Para-3 Istanbul 2013-15)*

## PERFORMANCE

### 1.4.13 Non investment of surplus FIGOB funds – PKR 177.820 million.

According to Appendix-L of FMMA Vol-I, wherever possible, surplus funds in FIGOB up to 80% of balance of the account may be placed in interest bearing fixed deposit accounts.

Contrary to the above rules, the Pakistan Missions abroad held a balance of PKR 177,819,894 in FIGOB accounts, maintained by the Missions as on 30.06.2015. However, surplus funds i.e., 80% of the balance were not invested into interest bearing / fixed deposit accounts. Details are as under:

Sl. No.	Formation	Period	AIR Para No.	Amount (LC)
1	Niamey	2005-15	5	CFA 1,028,228
2	Dakar	2006-15	10	CFA 3,501,476
3	Bishkek	2014-15	4	Rs. 1,144,934
4	Beirut	2013-15	4	LL 22,250,153.01
5	Beirut	2013-15	3	LL 144,113,319
6	Copenhagen	2013-15	4	Rs. 37,530,916
7	Bahrain	2012-15	10	BD 74,220,927
<b>TOTAL</b>				<b>CFA 4529704, PKR 38,675,850, LL 166,363,472 &amp; BD 74,220,927</b>

Non deposit of surplus funds deprived MOFA from substantial prospective financial benefits.

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that new bank accounts will be opened with the approval of Finance Division and the surplus funds will be deposited for investment purpose.

DAC in its meeting held on 10.01.2017 directed the Ministry to explain / justify the position before PAC.

Audit recommends that non-investment of funds may be justified and corrective financial measures be taken to utilize the surplus funds.

**1.4.14      *Loss sustained due to less deposit of passport fee – PKR 1.345 million.***

Passport and visa Manual 2006, (General procedure and conditions for issuance of passport) states that fresh Manual Passports, in urgent cases will be issued on the next day while Ordinary passport will be issued after eight days of receipt of application. In case of Machine Readable Passports, the passport shall be issued on 5<sup>th</sup> working day against deposit of urgent fee and on 10<sup>th</sup> working day against deposit of ordinary fee. Further, a fee of C\$ 66 is charged for ordinary passport while a fee of C\$ 175 would be charged for urgent passport.

Contrary to the above, it was noticed that Mission authorities processed / issued 159 passports on urgent basis (same day or before 5<sup>th</sup> working day). However, fee for ordinary passports was charged @ C\$ 66 per passport instead of fee for urgent passport @ C\$ 175 per passport. As a result, PKR 1,344,617 were less realized and Government was deprived of due revenue, which is not justified.

The matter was brought to the notice of the management of the Mission at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that all passports have been processed and issued according to instructions issued by the DG IMPAS.

However, Ministry did not produce complete record to support its claim.

DAC in its meeting held on 10.01.2017 directed the Ministry to obtain copies of manual register and deposit slips for verification by Audit otherwise less deposit of government revenue be made good.

Audit recommends that matter may be investigated and responsibility fixed against the person at fault. Besides, reconciled record be produced for verification or less realized amount may be recovered from the dealing officials besides taking disciplinary action against them.

*(Para-1 Vancouver 2012-2015)*

## INTERNAL CONTROL WEAKNESSES

### 1.4.15 *Non adjustment of advance payments of tips – PKR 2.181 million.*

According to instructions contained in Rule-668 of FTR, advances granted under special orders of competent authority to government officers for departmental or allied purposes may be drawn on the responsibility and receipt of the officers for whom they are sanctioned subject to adjustment by submission of detailed accounts supported by vouchers or by refund as may be necessary.

Contrary to the above, an amount of PKR 2,181,075 was paid to Chief of Protocol during 2013-15 for payment of tips on the eve of President/Prime Minister's visits abroad. However, same has not yet been adjusted, despite passage of a considerable period of time. Details are as under:-

Sl. No.	Formation	Period of AIR	AIR Para No.	Amount (LC)
1	CG Jeddah	2013-15	8	SRL 42,800
2	Ankara	2013-15	19	US\$ 6,000
3	CG Istanbul	2013-15	9	US\$ 3,500
<b>TOTAL</b>				<b>SRL 42,800 &amp; US\$ 9,500</b>

Non adjustment of long outstanding advances speaks of weak internal control.

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. It was replied that Ministry has waived off the condition of production of list for distribution of tips duly signed by HOM and Chief of Protocol.

However, audit is of the opinion that Ministry is not competent to waive off codal requirements.

DAC in its meeting held on 10.01.2017 directed the Ministry to provide / complete vouched account to audit for verification.

Audit recommends that the outstanding advances may be adjusted duly supported by detailed vouched account and record produced to audit for verification. Further, Ministry has no powers to waive off the condition to disburse public money without vouched account.

**1.4.16 Non adjustment of TA/DA – PKR 204.190 million.**

As per para-269 of GFR Vol-I, the adjustment of TA/DA advances drawn by government employees is required to be made upon return of the government servant to Headquarter or 30<sup>th</sup> June of that financial year whichever is earlier. Further, as per Rule-668 of FTR Vol-I, advances granted under special orders of competent authority to government officers for departmental or allied purpose are subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary.

Contrary to the above, advances amounting to PKR 204,190,308 on account of TA/DA, transportation charges and purchase of air tickets were paid to different officers/officials during the period 2009-15 by the Ministry of Foreign Affairs and its Missions abroad. These advances were neither adjusted nor recovered till the time of audit despite lapse of a considerable period of time. Detail is at Annex-V.

Non adjustment of long outstanding advances speaks of weak internal control.

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that the cases have been taken up with the concerned officers / officials for adjustment of TA/DA advances.

DAC in its meeting held on 10.01.2017 directed the Ministry to get the outstanding advances adjusted and verified from Audit.

Audit recommends either an early adjustment of long outstanding advances or recovery from the concerned officers / officials under intimation to audit.

**1.4.17 Non-investigation of serious accounting errors - PKR 1.861 million**

According to rule-5.10.1(ii) of FMMA Vol-I, Bank reconciliation statement on the prescribed proforma (Appendix "D") drawn up in order to agree the bank balance as per bank's certificate with the bank balance as shown in the accounts duly signed by the head of the office. Further, as per rule-5.10.2(ii), *ibid*, the head of Mission will certify that he has checked receipts and payments with the cash book and has counted the cash in hand as shown in the cash book balance report and that the balances tally and on receipts and expenditure have been entered in the account.

During scrutiny of the accounts record of Parep, Tokyo, for the year 2012 to 2015 it was observed that there was a difference of Rs. 1,712,366 and Rs. 149,000 due to non-reconciliation of the balances of cash book and bank statement during handing and taking over of the charge of Accountant since December, 2005.

Non reconciliation of accounts reflects weakness of internal controls.

The matter had already been pointed out during course of audit for the year 2008-2012 but despite lapse of considerable time, neither these differences were investigated nor adjusted. Thus the authenticity of the accounts cannot be confirmed without investigation/reconciliation.

The matter was brought to the notice of the management of the Mission at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that the matter was twice investigated by the Internal Audit Teams of the CAO in May, 2009 and July 2013 but difference was not sorted out.

However, audit is of the opinion that reconciliation of accounts is the responsibility of Ministry.

DAC in its meeting held on 10.01.2017 directed the Ministry to get the accounts reconciled and submit a detailed report within one month.

Audit recommends that investigation of these serious accounting errors be made immediately to reconcile the books of accounts and fix responsibility. Further, status of the lost cheque amounting to Rs. 149,000 during 2005 may also be justified with documentary proof.

*(Para-9 Tokyo 2012-15)*

**1.4.18      *Loss of thirty two (32) passports.***

Section E of Passport and Visa Manual 2006, paragraph-55 (Description of Registers), Sub-Para(ii) states “passport issuing authorities in Pakistan and abroad should maintain in this register full identifying particulars including passport number ,photograph and national identity card numbers of all applicants , the issuing authorities should ensure that it is kept up-to-date”

In Pakistan Mission at Vancouver it was observed that thirty two (32) passports were found missing as particulars of the persons to whom these passports were issued were not entered in the numerical register in violation of above mentioned instructions. No record pertaining to fee received against these passports was produced. This makes issuance of such passports dubious not only in terms of bonafide of beneficiaries but also in terms of National security and government revenue as well.

The matter was brought to the notice of the management of the Mission at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry informed that complete details of passports issued to the Pakistani nationals along with declaration forms and list of fee against each passport furnished by the Mission will be provided to Audit.

However, the Ministry did not produce complete record for verification.

DAC in its meeting held on 10.01.2017 directed the Ministry to produce the detailed record alongwith copies of numerical register duly attested by HOC for verification.

Audit recommends that matter may be investigated and responsibility fixed against the person at fault besides detailed record along with copies of numerical register may be provided for verification.

*(Para-2 Vancouver 2012-15)*

**1.4.19      *Non accountal of assets – PKR 1.586 million.***

As per Para-148 of GFR-Vol-I, all materials received should be examined, counted, measured and weighted as the case may be, when delivery is taken, and should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality were good and record a certificate to that effect. The officer

receiving the stores should also be required to give a certificate that he has actually received the materials and record them in the Dead Stock Register.

Contrary to the above rules, the Pakistan Missions abroad purchased assets worth Rs. 1,586,477 during 2013-2015 but no entry was made in the relevant stock registers. In the absence of proper entries the expenditure could not be considered as authentic and valid. Besides whereabouts of the items purchased also could not be ascertained. Details are as under:

Sl. No.	Formation	Period	AIR Para No.	Amount (PKR)
1	Ankara	2013-15	5	529,989
2	Cairo	2013-15	11	1,056,488
<b>TOTAL</b>				<b>1,586,477</b>

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that Mission authorities were maintaining Stock / Dead Stock Registers.

However, Ministry did not produce any record in support of its claim.

DAC in its meeting held on 10.01.2017, directed the Ministry to produce record for verification.

Audit recommends that matter may be investigated and responsibility fixed against the person at fault besides provision of complete record in compliance with DAC directives. Ministry may also issue necessary instructions to safeguard valuable assets through proper maintenance of record.

**1.4.20 Excess payment of mobile phone charges – PKR 3.183 million.**

As per Cabinet Division's OM No. F.No./26/2005-RA-IV dated 11<sup>th</sup> May, 2009, all entitled officers of Ministry of Foreign Affairs and other officers posted in Pakistan Missions abroad are authorized 25% of combined telephone ceiling (office and residential telephone) for use of mobile phone.

Contrary to the above rules / instructions, some Missions irregularly paid the mobiles phone charges of PKR 3,183,319 in excess of the prescribed ceiling. Details of overpaid amounts are mentioned below:

Sl. No.	Formation	Period	AIR Para No.	No. of Persons Involved	Amount (LC)
1	Khartoum	2013-15	8	01	PKR 102,365
2	Washington	2013-15	18	10	US\$ 4,849
3	Doha	2012-15	24	01	QR 6,876
4	Cairo	2013-15	12	03	PKR 77,656
5	UN New York	2013-15	17	84	US\$ 21,633
6	Bahrain	2012-15	3	02	PKR 44,245
<b>TOTAL</b>					<b>PKR 224,266, US\$ 26,482 &amp; QR 6,876</b>

Excess payment was made due to weakness of internal controls.

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry informed that recovery of overpaid amounts will be effected from the concerned officials. However, in case of UN New York the amount paid will be got regularized from the competent authority or recovery will be effected.

DAC in its meeting held on 10.01.2017, directed the Ministry either to get the excess payment regularized from the competent authority or effect recovery from the concerned officers / officials.

Audit stresses upon recovery of the overpaid amount from the concerned officers / officials besides taking appropriate corrective measures.

**1.4.21 Non recovery of over paid amounts on account of pay & allowances, TA/DA, telephone charges etc – PKR 48.158 million.**

As per Para-28 of GFR Vol-I, “no amount due to government should be left outstanding without sufficient reason and where any dues appear to be irrecoverable the order of competent authority for their adjustment must be sought”.

Contrary to the above, it was noticed that MOFA and its Missions abroad failed to recover overpaid amounts of PKR 48,158,490 from various officers/officials of the Ministry. Detail is at Annex-VI.

Overpayment and its non-recovery reflects weak internal controls.

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that recoveries in some cases have been effected and in the remaining cases recoveries are being pursued.

DAC in its meeting held on 10.01.2017, directed the Ministry to effect the recoveries from the concerned officials under intimation to Audit.

Audit recommends to effect immediate recovery of excess payments from the concerned officers / officials. Further, appropriate measures may be taken to avoid such lapses in future.

**1.4.22 Loss due to non refund of VAT – PKR 21.588 million.**

As per para-8.12.2 of FMMA Vol-II, Foreign Missions in Pakistan are exempted from all taxes other than service taxes viz conservancy and water taxes on reciprocal basis.

Contrary to the above, seven Pakistan Missions abroad purchased various items during the period 2008-15 and made payments of PKR 21,588,455 as VAT. However, no refund of VAT was obtained from the local government(s) by the Missions and thus sustained loss to the government exchequer. Details are as under:-

Sl. No.	Formation	Period	AIR Para No.	Amount (LC)
1	Rome	2012-15	14	€ 4,840
2	Prague	2012-15	2	US\$ 7,355
3	Istanbul	2013-15	4	T.L. 4,386
4	Niamey	2005-15	9	CFA 3,125,842
5	Copenhagen	2013-15	6	DKK 24,410
6	Addis Ababa	2008-15	9	Birr 266,021
7	London	2013-15	17	£ 1,446
<b>TOTAL</b>				<b>€ 4,840, US\$ 7,355, T.L. 4,386, CFA 3,125,842, DKK 24,410 , Birr 266,021 &amp; £ 1,446</b>

Non refund of VAT from concerned authorities speaks of weak internal controls.

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that the refund of VAT is in process in some cases and in some cases the amount in question has been refunded.

DAC in its meeting held on 10.01.2017 recommended the para for settlement subject to confirmation of refund by the CAO. However, no confirmation was received from the Ministry / CAO till finalization of report.

Audit recommends immediate recovery from the host governments besides fixing responsibility for not taking appropriate measures for refund of VAT.

**1.4.23 Non-recovery of security deposits – PKR 7.272 million**

According to para-8.6.1 of FMMA Vol-II, Building where deposit money is to be paid to the landlord, should not be hired. In case payment of deposit money is unavoidable prior approval of the Ministry should be obtained. Further, as per para-8.6.1(a) *ibid*, Pakistan Missions abroad are required to ensure recovery of the security deposits from the landlord at the time of vacation of accommodations occupied by the officers/officials. Needless to say that the cost of the cleaning or breakage must be borne by the occupant and not by the state.

Contrary to above, security deposits amounting to PKR 7,271,796 were not recovered from the landlords / occupants by the Missions at the time of vacation of residences. Details are as under:

Sl. No.	Formation	Period	AIR Para No.	Person(s) Involved	Amount (US\$)
1	CG Mexico	2012-15	5 (1&3)	02	3,000
2	CG New York	2013-15	5	02	3,800
3	Los Angeles	2013-15	6	02	17,320
4	Los Angeles	2013-15	8	06	41,850
5	Washington	2013-15	2	01	3,750
<b>TOTAL</b>				<b>13</b>	<b>69,720</b>

Non recovery of security deposits reflects weak internal controls.

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry replied that the matter has been taken up with the Missions for effecting recoveries.

DAC in its meeting held on 10.01.2017 directed the Ministry to effect recovery from the concerned officials / owners.

Audit recommends immediate recovery either from the landlord(s) or from the officials concerned under intimation to Audit. Internal controls in this respect need to be strengthened to avoid any further loss in future.

**1.4.24 Unauthorized cash payments instead of crossed cheques - PKR 315.932 million.**

As per para-13.12.1 of FMMA (Vol-II), the limit of cash payment in respect of Pakistan's Missions abroad has been fixed at Rs. 5,000. Payment more than Rs 5,000 has to be made through cheque in compliance of Rule-157 of FTR Vol-I. As per para-2.2.2 of FMMA Vol-II, no money shall be drawn from the bank unless it is required for immediate disbursement. It is not permissible to draw money from the bank in anticipation of demand or to prevent lapse of budget.

In violation of above rules, following Missions abroad made cash payments amounting to PKR 315,931,832 instead of crossed cheques:

Sl. No.	Formation	Period	AIR Para No.	Amount (LC)
1	Brussels	2012-15	4	€ 5,573
2	Mazar-e-Sharif	1992-15	6	PKR 8,814,226
3	Ashgabat	2009-15	6	US\$ 125,326
4	Beijing	2013-15	7	PKR 3,192,104
5	Kiev	2009-15	2	US\$ 2,536,190
6	Doha	2012-15	22	PKR 276,184
7	Bishkek	2014-15	3	US\$ 28,796
8	Abuja	2009-15	6	PKR 232,954
9	Kabul	2011-15	17	PKR 1,919,332
10	Vienna	2009-15	9	€ 3,140

11	Muscat	2012-15	5	PKR.702,228
13	Frankfurt	2012-15	1	PKR.16,528,674
14	Dushanbe	2009-15	3	PKR 1,414,082
15	Astana	2013-15	3	PKR 544,377
16	Bishkek	2014-15	2	PKR 751,877
<b>TOTAL</b>				<b>€ 8,713, PKR 34,376,038 &amp; US\$ 2,690,312</b>

Unauthorized cash payments lead to weak financial management.

The matter was brought to the notice of the management of the Missions at the conclusion of audit and was reported to the Ministry in November, 2016 for furnishing departmental reply within four weeks. Ministry in its reply explained different reasons for payment in cash instead of crossed cheques due to improper financial / banking system prevailing in different countries.

However, audit is of the opinion that cash payment beyond prescribed ceiling is not allowed without prior approval of Finance Division.

DAC in its meeting held on 10.01.2017 directed the Ministry to get the expenditure regularized from the Finance Division.

Audit recommends that matter may be investigated and responsibility fixed against the person(s) at fault and unauthorized expenditure be got regularized from the Finance Division under intimation to audit.

#### **1.4.25 Loss sustained to government on account of GST – PKR 6.872 million**

As per section 3(1a) of Sales Tax Act, 1990, a registered person making a taxable supply shall issue a serially numbered tax invoice at the time of supply of goods containing the name, address and registration number of the supplier, amount of sales tax and value inclusive of tax.

Contrary to the above, Ministry made payments of Rs. 40,425,816 to three firms/vendors, which included 17% GST amounting to Rs. 6,872,389. However, GST was not deposited into government account by the vendors which resulted into a loss of Rs. 6,872,389 to the national exchequer.

Non deposit of GST into government account indicates weakness of internal controls.

The matter was reported to the Ministry in November, 2016. Ministry replied that GST invoices are being produced for verification.

DAC in its meeting held on 10.01.2017 directed the Ministry to produce GST invoices alongwith evidence of deposit of GST into the government treasury for verification.

Audit recommends that the detailed record regarding GST invoices as well as deposit of GST into government account be produced for verification. Further, necessary instructions may also be issued to avoid such lapses in future.

*(Para-4 & 132 MOFA (HQ) 2014-15)*

## **CHAPTER 2      MINISTRY OF COMMERCE**

### **2.1      *Introduction***

Under the Rules of Business of the Federal Government, Ministry of Commerce has been assigned the functions of trade and commerce between provinces and with other countries including trade agreements with other countries and promotion of International Trade. Moreover, there are certain trade wings functioning in Pakistan Missions abroad represented by Commercial Attaches. These trade wings fall under the audit jurisdiction of DG Audit (F&I). The major functions of the Ministry are as under;

- i.          Commercial intelligence and statistics.
- ii.         Trade marks.
- iii.        Organization and control of Chambers and Associations of Commerce and Industry.
- iv.         Tariff (protection) policy and its implementation.
- v.          Law of insurance, regulation and control of Insurance Companies, actuarial work, insurance of war, riot and civil commotion risks and life insurance but excluding health and unemployment insurance for industrial labour and post office insurance.
- vi.         Inspection, handling, storage and shipment of rice for export.
- vii.        Export promotion.
- viii.       Special Selection Board for selection of Commercial Officers for posting in Pakistan Missions abroad.
- ix.         Anti-dumping duties, countervailing and safeguard laws.
- x.          Management of EDF / EMDF with representation of Textile Industry Division on their Boards.
- xi.         Management of Trade Development Authority of Pakistan (TDAP).

**2.2 Brief comments on the status of compliance with PAC directives**

<b>Name of Ministry</b>	<b>Year of Audit Report</b>	<b>Total Paras</b>	<b>Compliance received</b>	<b>Compliance not received</b>	<b>Percentage of compliance</b>
Ministry of Commerce	1990-91	2	1	1	50
	1992-93	1	1	0	100
	1995-96	3	0	3	0
	1996-97	6	2	4	33
	1998-99	6	1	5	17
	1999-00	4	1	3	25
	2000-01	3	1	2	33
	2001-02	10	4	6	40
	2005-06	12	0	12	0
	<b>TOTAL</b>	<b>47</b>	<b>11</b>	<b>36</b>	<b>23</b>

The overall compliance in respect of Ministry of Commerce is comparatively low which is due to the reasons that the officials with whom the paras were related have either retired or expired. Consequently it becomes very difficult for the department to comply with the PAC directives for that year.

## 2.3 AUDIT PARAS

### IRREGULARITY AND NON COMPLIANCE

#### 2.3.1 *Wasteful expenditure due to irregular appointment of trade officer – PKR 6.792 million.*

Rule-10 of GFR Vol-I states 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 and the expenditure should not be prima facie more than the occasion demands. Rule-11 *ibid* states that each head of a department is responsible for enforcing financial order and strict economy at every step. He is responsible for observance of all relevant financial rules and regulations both by his own office and by subordinate disbursing officers.

In contravention of the above rule, the Consul General Vancouver appointed a local national as Trade Officer in 2010. The record revealed that no activity was performed by the lady officer for the purposes of her appointment. The Consul General vide No. Pol.1/1/2015 dated 23.12.2015 admitted the fact that said lady was handicapped to some extent to interact with local community due to language barrier. Thus very purpose of appointment of a local staff i.e. develop trade links with trade community of Canada was not fulfilled. As a result, wasteful expenditure of PKR 6,791,747 was incurred during the period from July 2012 to June 2015.

The matter was brought to the notice of the management of the Mission at the conclusion of audit. The Secretary / PAO was also requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends to investigate the matter and to fix responsibility for wasteful expenditure from public money.

*(Para-1 Vancouver (Commerce Wing), 2012-15)*

**2.3.2 *Unauthorized expenditure on account of purchase of vehicles – PKR 5.997 million.***

As per Finance Division letter No.1(1)Exp.IV/2013, dated 01.07.2013 and No. 7(1)Exp-IV/2014, dated 09.09.2014, ban was imposed on purchase of vehicles during the period 2013-15.

Contrary to above directives, Trade Missions at Kabul and Frankfurt purchased vehicles worth PKR 5,997,319 without approval of the Finance Division. Thus expenditure was held irregular.

Violation of directives of the Finance Division / Government of Pakistan reflects weak internal controls.

The matter was brought to the notice of the management of the Missions at the conclusion of audit. The Secretary / PAO was also requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that matter may be investigated and responsibility fixed against the person at fault and unauthorized expenditure be got regularized from the Finance Division.

*(Para-1 Kabul, 2011-15 & Para-3 Frankfurt, 2012-15)*

**2.3.3 *Irregular expenditure in violation of Public Procurement Rules – PKR 89.537 million.***

Rule-9 of Public Procurement Rules, 2004, provides that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

Rule-21 *ibid*, provides that the procuring agencies shall engage in open competitive bidding if the cost of the object to be procured is more than the prescribed

financial limit which is applicable under sub-clause (i) of clause (b) of rule-42. Further, Cabinet Division vide its OM No. 4/1/2008/Public Procurement Regularity Authority 2004-RA-III dated 09.04.2008 fixed financial limits for open tenders(s) for Pakistan Missions abroad as under:

Sl. No.	Kind of Tender	Monetary Limits
1	Open Tender	US\$ 4,000 & above
2	Limited Tender	Less than US\$ 4,000 & above US\$ 2,000
3	Single Tender	Upto US\$ 2,000

Contrary to the above rules, Pakistan Missions abroad (Commercial wing) incurred an expenditure of PKR 89,536,586 on different accounts during the exhibitions, which was held irregular. Details are as under:

Sl. No	Formation	Period	AIR Para No.	Amount
1	CG Los Angeles	2013-15	1	US\$ 211,715
2	CG Dubai	2013-15	4	AED 164,822
3	CG Dubai	2013-15	5	AED 92,590
4	CG Dubai	2013-15	6	AED 500,000
5	Mexico	2012-15	3	US\$ 12,874
6	CG Frankfurt	2012-15	1	€406,391
<b>TOTAL</b>				<b>US\$ 224,589, AED 757,412 &amp; € 406,391</b>

The matter was brought to the notice of the management of the Missions at the conclusion of audit. The Secretary / PAO was also requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that the expenditure incurred in violation of Public Procurement Rules, 2004 be got regularized by obtaining the ex-post facto sanction of Ministry of Finance.

### **2.3.4 Unauthorized payment on account of furniture allowance – PKR 4.680 million**

According to Para 8.1.1 FMMA Vol-II, provides that furnished accommodation with the status and requirements of the officials concerned should be arranged by Head of Mission. In cases where furnished accommodation is not available, furniture may be hired according to the requirement of the officials. Further, para-9 of GFR Vol-I provides that, no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year

Contrary to above rules, Commercial Wings in USA made payment of PKR 4,680,150 to their officers / officials as furniture allowance. The payment was made without any lawful provision which rendered the expenditure unauthorized. Details are as under:

<b>Sl. No.</b>	<b>Formation</b>	<b>Period</b>	<b>AIR Para No.</b>	<b>No of Persons Involved</b>	<b>Amount (US\$)</b>
1	Washington	2013-15	1	03	39,072
2	CG New York	2013-15	1	01	2,200
3	CG Los Angeles	2013-15	4	01	3,600
<b>TOTAL</b>				<b>05</b>	<b>44,872</b>

The matter was brought to the notice of the management of the Missions at the conclusion of audit. The Secretary / PAO was also requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that matter may be investigated and responsibility fixed against the person at fault and unauthorized payments be recovered from the concerned officers/ officials.

## **CHAPTER 3      MINISTRY OF RELIGIOUS AFFAIRS & INTER-FAITH HARMONY**

### ***3.1 Introduction***

The Ministry of Religious Affairs and Interfaith Harmony is responsible for Muslim pilgrims' visits to India for Ziarat and to Saudi Arabia for Umra & Hajj and the welfare and safety of pilgrims. The main activities also include research-based Islamic studies, holding of conferences, seminars, training, education of Ulema & khateebis and exchange of visits of scholars of Islamic learning with foreign and international institutions. The ministry also performs activities like management of Ruet-e-Hilal, Dawah, and infants and minor adoption laws. There are six subordinate offices working as Directorates of Hajj of this Ministry and two autonomous bodies, i.e., Council of Islamic Ideology and Pakistan Madrassah Education Board.

Following functions have been assigned to the Ministry as per the Rules of Business, 1973:

- i. Pilgrimage beyond Pakistan; Muslim pilgrims' visits to India
- ii. Ziarat and Umra
- iii. Welfare and safety of pilgrims and zairines
- iv. Administrative control of the hajj Directorate at Jeddah and dispensaries in Makkah and Medina
- v. Islamic studies and research, including holding of seminars, conferences, etc on related subjects
- vi. Training and education of Ulema and Khatibs, etc.
- vii. Error-free and exact printing and publishing of the Holy Quran
- viii. Exchange of visits of scholars of Islamic learning and education, international conferences / seminars on Islamic subject and liaison with foreign and international bodies and institutions
- ix. Ruet-e-Hilal
- x. Tabligh
- xi. Council of Islamic Ideology
- xii. Observance of Islamic Moral Standards
- xiii. Donations for religious purposes and propagation of Islamic ideology abroad
- xiv. Development of policies, arrangement for the proper collection, disbursement and utilization of Zakat and Ushr funds and maintenance of their accounts
- xv. Maintenance of liaison with Pakistan Missions abroad for collection of Zakat and other voluntary contributions from Pakistan citizens and others residing outside Pakistan.

## 3.2 AUDIT PARAS

### IRREGULARITY AND NON COMPLIANCE

#### 3.2.1 *Non recovery from the food company – PKR 118.466 million*

According to Para-11 of GFR Vol-1, each head of department is responsible for enforcing financial order and strict economy at every step. Further, Section 6 of the contract agreement with MS Bait-un-Najoom provides that in case of non-fulfillment of any and all commitments, contractor is liable to return all moneys paid in advance.

During the Hajj 2014, Director General Hajj/OPAP entered into a contract with MS Bait-un-Najoom for provision of food to Hujjaj. However, company failed to perform as explained by DG Letter no: Nil, dated March 11, 2015 and DG Hajj filed a suit for recovery of PKR 118,466,340 against the food company. On further examination following observations were noticed:

- i. The payment schedule (Section 6 of the agreement) was in favor of the contractor as DG Hajj Jeddah paid 50% of total contract value (SRL 3.258 million) in advance. Additional 15% of total contract value (SRL 0.977 million) was also paid on the arrival of first batch of hujjaj.
- ii. Despite complaints of the hujjaj as per DG Hajj letter dated March 11, 2015; no timely action was taken by DG Hajj against the company until Saudi government sealed the kitchen of the company.
- iii. The recoverable amount worth SRL 2.034 Million as estimated by DG Hajj needs revision. Actual recoverable amount comes to SRL 4.260 Million (50 % advance SRL 3.258 million, 15 % advance SRL 0.977 million, fine imposed by DG Hajj SRL 0.025 million).
- iv. Further evidence of 10% security encashment by DG Hajj as mentioned vide DG Hajj Letter dated March 11, 2015 was not produced to audit.
- v. License and registration of the company was not produced to audit during discussion with the management.

The matter was brought to the notice of the management of the Mission at the conclusion of audit. The Secretary / PAO was also requested on 21.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

DAC in its meeting held on 06.01.2017 recommended that DG Hajj may claim full amount advanced from Company (i.e. MS Bait-ul-Najoom) in terms of Section 6 of Agreement besides recovery of fine and encashment of bank guarantee signed between Company and Directorate General Hajj, Jeddah. DAC was informed that case is also sub judice in the court of law in KSA.

Audit recommends immediate recovery in the light of DAC directives under intimation to audit.

*(Para-3 DG Hajj Jeddah 2013-15)*

### **3.2.2 Unauthorized purchase of prayer mats & blankets – PKR 50.724 million.**

Para-11 of GFR Vol-I, provides that every Head of department is responsible for enforcing financial orders and strict economy at every step. Para-15 *ibid*, states that every officer whose duty is to prepare and render any accounts or returns in respect of public money or stores is personally responsible for their completeness and strict accuracy, their dispatch within the prescribed date.

During the scrutiny of accounts of Hajj 2014 audit noticed that an amount of SRL 1.824 million was paid to Al-Madina Carpet Factory on account of purchase of blankets & prayer mats. On further examination audit observed the following shortcomings:

- i. There was no budget allocation available for purchase of blankets/prayer mats.
- ii. No stock register/inventory record of blankets & prayer mats was maintained.
- iii. During physical verification of store at Makkah, a large number of blankets and prayer mats were found which were sold for SRL12 per prayer mat while blanket was sold at SRL 34. Audit was told that the stock pertained to Hajj 2015. Since no stock/inventory was maintained therefore the idle store could not be identified with reference to the year of purchase.
- iv. Approval for sale of Prayer Mats @ 12 and Blankets @ 34 was not produced to audit.

- v. The total sale proceeds of prayer mats @ SRL 12 and blanket @ SRL34 was also not shown to audit.

During discussion, management replied that the prayer mats and blankets were purchased by owners of the buildings and not by DG Hajj (OPAP).

Audit did not agree with the management contention because had it been the case, the said expenditure would not have been recorded in Cash Book/ final accounts.

DAC in its meeting held on 06.01.2017 deferred the para for verification of stock entries, deposit slips, sale proceeds and rent adjustment etc.

Audit recommends that matter may be investigated and responsibility fixed against the person at fault.

*(Para-2 DG Hajj Jeddah 2013-15)*

**3.2.3 *Unauthorized payment on account of hajj arrangements at Mina / Arafat – PKR 4.978 million.***

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.

During audit of the accounts of Hajj 2014, it was observed that an advance payment of SRL 179,000 was made to an employee of Hajj Directorate Mr. Baidar Bakhat Farooqi, Sub., Eng., on account of purchase of electrical goods, flag pipes and hiring of generator etc for Mina and Arafat for Hajj 2014 vide vouchers no. PWF 29, 30, 31 and 40 of 09/2014.

Audit views the payment as unauthorized due to following reasons:

- i. A substantial payment was made to an employee in cash instead of making the purchase through prescribed procedure.
- ii. Adjustments were neither found in record nor produced during discussion.

The matter was brought to the notice of the management of the Mission at the conclusion of audit. Management offered no plausible explanation except that the expenditure was made on urgency basis.

Reply of the Ministry was not tenable as emergency clause can only be invoked in case of national disaster /natural calamities etc.

DAC in its meeting held on 06.01.2017 recommended to refer the matter to the Finance Division for condonation of Public Procurement Rules. Further record regarding adjustment of advance payments may be obtained from Directorate General Hajj Jeddah and got verified from Audit by 11.01.2017. However, requisite record was not produced for verification.

Audit recommends that needful may be done in the light of DAC directives under intimation to Audit.

*(Para-11 DG Hajj Jeddah 2013-15)*

## INTERNAL CONTROL WEAKNESSES

### ***3.2.4 Non-refund of rent to the hujjaj – PKR 1,871.407 million.***

According to Para 11 (II) read with Para 11 (III) of Hajj Policy 2014, the rent in Makkah Mukarramah shall be charged on actual basis and the difference of rent if any will be refunded to the pilgrims in Pak Rupees in Pakistan.

During the audit of the accounts of DG Hajj (OPAP) for the Hajj 2014, it was noticed that total amount of SRL 170.052 million (56684 Hujjaj x 3000) was collected on account of rent of accommodation by the Ministry of Religious Affairs & Interfaith Harmony. As per statement of accommodation account of Makah Mukarramah-Hajj 2014, an amount of SRL 102.766 million was paid to building owners leaving a balance of SRL 67.295 million, which was not refunded to Hujjaj in violation of above referred clause of Hajj Policy-2014.

The matter was brought to the notice of the management of the Mission at the conclusion of audit. DG (Hajj) replied that the matter pertains to the Ministry of Religious Affairs & Interfaith Harmony therefore case may be taken up with the Ministry.

During DAC meeting held on 06.01.2017, Ministry informed that excess amount on account of rent of building was refunded to hujjaj by the respective banks. DAC directed the Ministry to produce relevant record for verification upto 11.01.2017.

However, Ministry did not produce any record pertaining to refund of rent to hujjaj for verification by audit.

Audit recommends that complete record regarding refund of excess rent may be produced to audit for verification.

*(Para-4 DG Hajj Jeddah 2013-15)*

**3.2.5 Non recovery on account of sale proceeds of qurbani coupons – PKR 2.638 million.**

Article Two, (Section 2.6) of the agreement signed between D.G. Hajj Jeddah and IDB for provision of Qurbani coupons to Hujjaj for Hajj-2014, lays down that the agent shall receive from the project six riyals only for each coupon he sells, to be paid directly by the bank once a final list of sold coupons is established. The amount is not to be deducted from the proceeds for the sale of coupons.

DG Hajj (OPAP) paid SRL 7,746,900 to Islamic Development Bank vide voucher No: PWF 26, of 9/2014 for 15,810 Qurbani Coupon @ SRL 490 each. As per above mentioned section 2.6 of agreement, Islamic Development Bank was required to pay DG Hajj (OPAP) Jeddah SRL 94,860 @ 6 riyal per coupon, which was not paid. Neither any action was taken by DG Hajj Jeddah for recovery of SRL 94,860 from Islamic Development Bank, nor information regarding returned coupons was produced to audit.

The matter was brought to the notice of the management of the Mission at the conclusion of audit. The management replied that the matter shall be taken up with Islamic Development Bank.

DAC in its meeting held on 06.01.2017 recommended the Para for settlement subject to verification of detailed record pertaining to refund of payment by Islamic Development Bank.

However, no record pertaining to refund of amount by IDB was produced for verification till finalization of the report.

Audit recommends an early recovery of outstanding amount and production of detailed record pertaining to refund of payment by Islamic Development Bank to audit for verification.

*(Para-6 DG Hajj Jeddah 2013-15)*

## **CHAPTER 4      MINISTRY OF DEFENCE (DEFENCE DIVISION)**

### ***4.1 Introduction***

The Defence Division is responsible for policy and administrative matters pertaining to the defence of the Federation and three Armed Forces. It also deals with administrative & financial matters pertaining to Survey of Pakistan. The responsibility in respect of international negotiations, agreements and purchases of defence equipment along with allied accessories are also being handled by this Division.

Functions of Defence Division as per Rules of Business, 1973 are:

1. Defence of the Federation or any part thereof in peace or war including:
  - a. Army, naval and air forces of the Federation and any other armed forces raised or maintained by the Federation; and armed forces which are not the forces of the Federation but are attached to or operating with any of the armed forces of the Federation;
  - b. Army, naval and air force works;
2. Civilian employees paid from the Defence estimates.
3. (i) Defence matters pertaining to treaties and agreements with other Governments except those relating to purchase of stores; and  
(ii) Matters regarding military assistance to foreign countries.
4. Stores and stationery for the Defence Services, other than those dealt with by the Defence Production Division.
5. Administration of National Guards Act, 1973.
6. International Red Cross and Geneva Conventions in so far as they effect belligerents.
7. Military awards and decorations.
8. Welfare of ex-servicemen.
9. Cantonment areas including:
  - a. The delimitation of such areas;
  - b. Local Self-Government in such areas, the constitution of local authorities for such areas and the functions and powers of such authorities; and

- c. The regulation of housing accommodation (including control of rent) in such areas.
10. Acquisition or requisitioning of property for Defence Services; imposition of restrictions upon the use of lands in the vicinity of such property and of works of Defence.
11. Pardons, reprieves and respites, etc. of all personnel belonging to the Armed Forces.
12. Survey of Pakistan.
13. Administrative and budgetary control of Federal Government Educational Institutions (Cantonments/Garrisons) Directorate and its Institutions.
14. Administration of Military Lands and Cantonments Group.
15. National Maritime policy.
16. (i) Matters relating to security of resources of the Maritime Zones of Pakistan including protection of human life and property.  
(ii) Pakistan Maritime Security Agency.
17. (i) National coordination of maritime activities.  
(ii) National Maritime Affairs Coordination Committee.
18. Marine surveys and elimination of dangers to navigation.
19. Promotion of maritime disciplines.
20. International aspects:
21. Matters arising out of the implementation of law of the Sea pertaining to Maritime Affairs.
22. International negotiations, agreements and treaties (excluding those handled by other Divisions).
23. Liaison with International Sea Bed Authorities and other International Agencies in the Maritime field.
24. Pakistan Space and Upper Atmosphere Research Commission.

#### 4.2 *Brief comments on the status of compliance with PAC directives*

Name of Ministry	Year of Audit Report	Total Paras	Compliance received	Compliance not received	Percentage of compliance
Ministry of Defence	1990-91	2	2	0	100
	1993-94	2	2	0	100
	2000-01	1	1	0	100
	2001-02 (PIA)	51	34	17	67
	2005-06	5	4	1	80
	<b>TOTAL</b>		<b>61</b>	<b>43</b>	<b>18</b>

The compliance percentage is satisfactory.

### 4.3 AUDIT PARAS

#### DOUBTFUL PAYMENTS

##### 4.3.1 *Doubtful claims on account of TA/DA – PKR 1.103 million.*

As per Para-10.4.1 of FMMA Vol-II, approval of the Head of Mission is required for tour or visits. According to Rule-2.7 (c) of Travelling Allowance Rules, actual Hotel Accommodation charges within the prescribed limit upto 50% of DA shall be admissible only on production of hotel receipts. Further, in terms of Para-11.1.6 of FMMA Vol-II, the Daily Allowance at the rates prescribed for specified hotels shall be admissible on production of hotel bills.

During scrutiny of record of Embassy of Pakistan, Paris, it was observed that D&AA performed some tours in which the prior approval of the competent authority was not found attached with the TA bills. Further the hotel bills attached with the claims were not machine printed and their authenticity was doubtful. Details are mentioned here under:-

Voucher No.	Month	Amount paid	Remarks
87	6/2013	4024.54\$	Tour of Brussels
233	6/2013	1830.80\$	Tour of Stockholm
179	12/2013	640.20\$	Tour of Brussels
180	02/2014	1861.78\$	Tour of Naples
99	04/2014	857.23€ 37.70\$	Tour of Islamabad
99	04/2014	320.1\$	Tour of Brussels
100	April/2014	960.3\$	Tour of Brussels
<b>Total</b>		<b>9675.42\$</b> <b>857.23€</b>	

The matter was brought to the notice of the management of the Mission at the conclusion of audit. The Mission authorities in their annotated reply admitted that after necessary verification the claimed bills were found fake.

The Secretary/PAO was requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that the matter be investigated and the unauthorized payments may be recovered under intimation to Audit. Disciplinary action in the light of inquiry report may also be taken against the officer.

*(Para-3, Paris (Defence) 2013-15)*

#### **4.3.2 *Doubtful claims of telephone charges – PKR 1.215 million.***

According to Para-2.5 of FMMA Vol-II, a head of Mission has no general authority to make payments on claims presented. His authority is strictly limited to claims covered under Federal Treasury Rules. If a demand is presented at a Mission for payment which is not authorized under Federal Treasury Rules, or is not covered by a special order received from the Chief Accounts Officer, the Head of Mission should decline payment for want of authority. He has no authority to act under an order of the Government sanctioning a payment unless the order is an express order to him to make the payment and even such special orders should, in the absence of urgency, be sent through the Chief Accounts Officer.

According to Para-8.19 *ibid*, officers posted in Mission abroad are entitled expenses incurred on telephone bills at office and residence according to their entitlement.

During scrutiny of record of Embassy of Pakistan, Paris, it was observed that D&AA claimed reimbursement of telephone bills (landline and mobile). It is interesting to note that VAT on phone bills was increased from 19.6% to 20% from January 2014 but on the bills claimed by the subject officer, old VAT rates continued to appear. Audit holds the re-imbusement/payment of telephone bills to D&AA as doubtful.

The matter was brought to the notice of the management of the Mission at the conclusion of audit. The Mission authorities in their annotated reply admitted that after necessary verification the claimed bills were found fake.

The Secretary/PAO was requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that the matter be investigated and the unauthorized payments may be recovered under intimation to Audit. Disciplinary action in the light of inquiry report may also be taken against the officer.

*(Para-1, Paris (Defence) 2013-15)*

## IRREGULARITY AND NON COMPLIANCE

### **4.3.3 Irregular advance payment /expenditure on purchase of vehicle in a non-transparent manner — PKR 2.999 million**

Rule-12 (2) of the Public Procurement Rules 2004 states that “All procurement opportunities over two million rupees should be advertised on the authority’s website as well as in other print media or newspapers having wide circulations. Further, para 2 (a)/(2) of Cabinet Division’s letter No.6-7(1)02-M.II.dated 22<sup>nd</sup> July,2005, requires that the Secretaries In-charge of the Ministries/Divisions to send copy of the sanction for replacement of condemned vehicles to the Cabinet Division for record and information. Serial No. 44 of Annex XI to FMMA Vol-II, restricts advance payment only to the other Govt. Departments and Govt. owned/ controlled organizations, in exceptional cases.

Contrary to above rules/directives, Defence wing Embassy of Pakistan Doha, unauthorizedly made advance payment/expenditure of Rs. 2,999,314 during FY 2014-15 on account of purchase of new vehicle (Volkswagen 2.0L Se 2015). Audit observed that advance payment was made to M/s Q Auto (Voucher No 38 of 06/2015) without obtaining competitive rates through open tendering. Thus expenditure of Rs. 2,999,314 incurred on account of purchase of vehicle was held irregular.

Irregular advance payment to a private party in violation of Public Procurement Rules, 2004 reflects weak internal controls.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary / PAO was requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends to hold inquiry and fix responsibility for unauthorized payment besides getting the expenditure regularized by obtaining the ex-post facto sanction of the Ministry of Finance.

*(Para-1 Parep Doha 2012-15)*

**4.3.4 *Unauthorized payment on account of furniture allowance – PKR 3.533 million.***

In terms of para-8.1.1 of FMMA Vol-II, furnished accommodation with the status and requirements of the officials concerned should be arranged by Head of Mission. In cases where furnished accommodation is not available, furniture may be hired according to the requirement of the officials. Further, according to para-9 of GFR Vol-I, no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated on his behalf and the expenditure has been provided for in the authorized grants and appropriation for the year.

Contrary to above rules, Pakistan Mission at Washington (Defence Wing) made payment of PKR 3,533,267 to its officers/officials as furniture allowance. The payment was made without any lawful provision which rendered the expenditure unauthorized.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that the amount in question may be recovered from the concerned officers / officials.

*[Para-11-D, Washington 2013-15]*

## INTERNAL CONTROL WEAKNESSES

### 4.3.5 *Non-adjustment of TA/DA advances – PKR 3.023 million*

In terms of Serial No. 21 (ii) of Finance Division O.M No: F.III (2) Expenditure-III/2006, dated 13 September 2006, where TA advance is drawn, TA adjustment bill should be submitted within one year of the performance of journey by the government servant, failing which the advance will be recovered from the person concerned.

Contrary to above rule, Parep Riyadh (Defence Wing) made payment of PKR 3,022,838 on account of TA/DA advances. The advance payments in question were not adjusted, since 2013, which shows weak internal controls. Details are given below:

Sl. No.	Name/Designation	Vr. & Date	Amount SRL	Particulars
1	Mr. Manshad Khan Clerk to DA	4 of 2/2014 49 of 2/2014	7,106 21,592	Cost of Air Ticket Payment of TA/DA
2	Mr. M. Ali Clerk to DA	50 of 2/2014	9,911	Payment of TA/DA
3	Brig. TahirGulzar Malik, Defense Attaché	11 of 8/2012	14,867	DA & 70% Transport Charges
4	Mr. Sana Ullah Clerk of DA	70 of 1/2013 82 of 1/2013	9,509 21,574	Cost of Air Ticket DA & 70% Transport Charges
5	Mr. Mukhtar Ahmed Clerk to Defense Attaché	84 of 1/2013	9,911	DA & 70% Transport Charges
6	Cpl. Tech Maqsood Alam Driver to Naval & Air Attaché	80 of 12/2014	10,670	DA & 70% Transport Charges
7	Cpl. Tech Shahbaz Haider Driver to Naval & Air Attaché	81 of 12/2014	3,560	DA & 70% Transport Charges
<b>TOTAL</b>			<b>108,700</b>	

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that the advance payment of SLR 108,700 on account of TA/DA may be adjusted under intimation to audit or recovery be made from the concerned officers / officials.

*(Para-1 Parep Riyadh 2012-15)*

## **CHAPTER 5      MINISTRY OF DEFENCE (DEFENCE PRODUCTION DIVISION)**

### **5.1    *Introduction***

Following functions were assigned to Defence Production Division vide SRO No. 433(I)/2003, (F.No.4-10/2002-Min) dated 20.05.2003.

- i. Laying down policies or guidelines on all matters relating to defence production.
- ii. Procurement of arms, firearms, weapons, ammunition, equipment, stores and explosives for the defence forces.
- iii. Declaration of industries necessary for the purpose of defence or for the prosecution of war.
- iv. Research and development of defence equipment and stores.
- v. Co-ordination of defence science research with civil scientific research organizations.
- vi. Indigenous production and manufacture of defence equipment and stores.
- vii. 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.
- viii. Export of defence products.
- ix. Marketing and promotion of activities relating to export of defence products.
- x. Co-ordinate production activities of all defence production organizations or establishments.

**5.2** *Brief comments on the status of compliance with PAC directives*

<b>Name of Ministry</b>	<b>Year of Audit Report</b>	<b>Total Paras</b>	<b>Compliance received</b>	<b>Compliance not received</b>	<b>Percentage of compliance</b>
Ministry of Defence (Defence Production)	1992-93	8	4	4	50
	1996-97	3	1	2	33
	2005-06	3	0	3	0
	<b>TOTAL</b>	<b>14</b>	<b>05</b>	<b>09</b>	<b>35</b>

The compliance percentage is not satisfactory.

## 5.3 AUDIT PARAS

### IRREGULARITY AND NON COMPLIANCE

#### 5.3.1 *Irregular expenditure on purchase of proprietary items without administrative approval – PKR 307.325 million*

According to para-14(c)–(2), Chapter II of Purchase Procedure & Instructions 2002, prior administrative approval of Secretary (DP) will be sought by the Directors of Procurement for Processing of indents on single/Proprietary basis. Such indents must be accompanied with PSO's certificate and approval of the FA of concerned Service.

During audit of DP contracts it was observed that certain indented items were procured from the firms declaring them being Proprietary supplier without administrative approval of Secretary (DP). Proprietary Certificate available on record was signed by AVM, DCAS (Engg) who was not competent authority to issue the certificate as per rules in vogue. Details are as under:

S. No	Para No. of AIR	Name of Contractor	Amount (US\$)	Contract No.
1.	Para-1-D Washington 2013-15	M/Glock Asia Pacific Hong Kong	897,900	AF/DPD/27436
2.	Para-2-D Washington 2013-15	M/S Hydraulics Intl, USA	1,833,649	AF/DPD/27447
3.	Para-2-D Washington 2013-15	M/S Nova Specialty Chemicals	214,995	AF/DPD/27448
		<b>TOTAL</b>	<b>2,946,544</b>	

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 24.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that all such items for which multiple Original Equipment Manufacturers are available, should not be declared as Proprietary and healthy competition be promoted to get competitive price in the interest of the State. Issuance of Proprietary Certificate by an unauthorized officer and mishandling of

procurement may also be investigated for fixing the responsibility and initiating appropriate action besides regularization of the irregular expenditure from the competent authority.

*(Para 1&2-D Parep Washington 2013-15)*

**5.3.2 Irregular purchase on higher rates without approval of competent authority – PKR 2.196 million.**

According to para 5(f), Chapter VI, of Purchase Procedure & Instructions-2002, where price of an item is increased from Last Purchase Rate, the next Competent Purchase Officer will be shown the Proposal.

During scrutiny of Contract Agreement No.AF/DPD/27427, it was observed that indented item was procured from M/s ATZ Ltd, Canada at the rate US\$ 21.43 i.e., 86% higher than the LPR (US\$ 11.5). The case was not sent to the next Competent Purchase Officer as required under rules.

In the absence of authorization of the competent authority, the payment of US\$ 21,052.15 was held irregular.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 24.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that mishandling of procurement may be investigated for fixing the responsibility and initiating appropriate action besides regularization of the irregular expenditure from the competent authority.

*(Para-3-D Parep Washington 2013-15)*

**5.3.3 Irregular award of supply contract no. AF/DPD/27439 at higher rates leading to excess expenditure – PKR 9.912 million.**

Para-8 Validity of Offers, Chapter VI, of Purchase Procedure & Instructions 2002, lays down that:

- a. Validity of offers as per instructions should be watched,
- b. Measures should be adopted to ensure that validity of offers does not expire.
- c. Following actions will be taken at least 10 days before expiry of offers:
  - i. Ask firms to extend validity
  - ii. Mark the case as “Red Label Case” and use Red Binder.

While examining the accounts, it was observed that an IT was floated on 21-11-2014. As per conditions of IT (para-1(h)), offers were required to be valid for 90 days. The lowest Bid @ US\$ 693 from M/s Arms Find was accepted with the validity period of 30 days and 06 weeks delivery time. Approval of sample took long time and ultimately approval of bid was received on April 21, 2015. However, the firm on May 13, 2015 conveyed its refusal to supply the intended item citing its quote being expired in terms of validity period.

It was re-tendered on Public Procurement Regularity Authority website on May 13, 2015, but on instructions from AHQ, contract was concluded with second lowest bidder M/s Tran Aero Inc with (19 weeks delivery time from sample acceptance). Contract was signed on June 10, 2015 thus leading to an excess expenditure of US\$ 95,035 (US\$ 507,855.59-US\$ 412,820).

Audit is of the view that had instructions contained in Chap VI, Purchase Procedure & Instruction been observed, the extra expenditure of US\$ 95,035 could have been avoided besides timely procurement of stores.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 24.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that mishandling of procurement may be investigated for fixing the responsibility and initiating appropriate action besides regularization of the irregular expenditure from the competent authority.

*(Para-4-D Parep Washington 2013-15)*

**5.3.4 Irregular extension of delivery period without approval of competent authority.**

According to Para-7a(2), Chapter VIII of Purchase Procedure & Instructions 2002, cases requiring extension of period over six months (to be reckoned with effect from original stipulation delivery date) will be referred to the DG (DP) and dealt with by the CPOs in Pakistan. This six months period will cover the maximum period upto which the power of extension has been delegated to ADPs irrespective of the number of extensions granted by them.

During scrutiny of Contract Agreement No.DPD(A)-5685/AAIM/13-14/15104 it was observed that original delivery period as stipulated under (Clause 2) of the contract was 12 months from the date of signing of the CA i.e. June 25, 2014. LD was also applicable for late delivery @ 2% p.m. upto 5% of CA value.

However, in violation of above mentioned rule, Clause 2 of CA was amended on November 06, 2015 and delivery period was extended from 12 to 19 months by the ADP (Navy).

Extension of delivery period beyond the powers delegated to the ADPs was thus held irregular. Resultantly LD would also be applicable as per Clause 2 of the CA.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 24.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends a fact finding inquiry for fixing responsibility against the officer/official at fault. Deviation from rules and prescribed conditions of the contract may be stopped to protect the public interest. Further, ex-post facto sanction for extension of delivery period may be obtained from the competent authority to regularize the matter.

*(Para-5-D Parep Washington 2013-15)*

**5.3.5 Irregular spot purchases (navy) by splitting of purchase orders – PKR 5.531 million.**

According to Para-23 of the DGDP letter dated Sep 25, 1994 as amended vide DGDP letter dated Feb 17, 2011, ADP would readily procure items available in market valuing upto \$ 6,000 with total value of Contract upto \$12,000. Indents of higher value will not be split to avoid this procedure.

During scrutiny of Spot Purchase indents raised by PNS Alamgir during the FY 2014-15, it was observed that multiple indents valuing PKR 5,531,342 as detailed below were processed on same dates. The cumulative value exceeded the limit of US\$ 12,000.

<b>Sr</b>	<b>Indent No.</b>	<b>Date</b>	<b>Value \$</b>
1	429394	17-Dec-14	1941.53
2	429395	17-Dec-14	8803.20
3	429396	17-Dec-14	6230.67
4	572054	4-Feb-15	9494.28
5	572060	4-Feb-15	4193.43
6	572059	4-Feb-15	9849.37
7	1505079	16-Feb-15	319.91
8	1505080	16-Feb-15	9003.02
9	1505082	16-Feb-15	9306.60
10	1505083	16-Feb-15	2140.70
11	1505085	16-Feb-15	2663.79
12	1505087	16-Feb-15	4131.495
13	1505088	16-Feb-15	4101.300
14	1505089	16-Feb-15	5788.84
15	1505090	16-Feb-15	6058.65
16	1505093	16-Feb-15	1045.60
17	1505094	16-Feb-15	988.68
18	1505100	16-Feb-15	799.86
19	1505101	16-Feb-15	1772.43
20	1505102	16-Feb-15	1492.73
21	1505104	16-Feb-15	1902.38
22	1505105	16-Feb-15	302.14
23	1505106	16-Feb-15	1215.00
			53,033.125

Splitting of indents to avoid tendering and approval from competent authority is clear violation of rules.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 24.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends to investigate the matter to fix responsibility and strengthen controls to avoid such irregularities in future.

*(Para-7-D Parep Washington 2013-15)*

**5.3.6 Unadjusted imprest balances and short supply of stores – PKR 19.510 million.**

According to Para-25 of the DGDP letter dated Sep 25, 94, ADP is authorized to maintain an Imprest account having ceiling of US\$25,000 for making spot purchases. Funds transferred / remitted to the Finance &Accounts Officer against indents / items procured through Spot purchase will be transferred to this account by Finance & Accounts Officer to maintain liquidity of the account. This account will be audited in normal manner as per rules.

According to rule-668 of FTR, advances granted under special orders of competent authority to government officers for departmental or allied purposes are subject to adjustment by submission of detailed accounts supported by vouchers or by refund, as may be necessary.

During scrutiny of record it was observed that 54 Spot Purchase Orders amounting to US \$ 162,880 were found outstanding against the Navy as evident from Finance & Accounts Officer letter No. DA/Admin/Misc-4, dated 28.08.2015. F&AO also pointed out discrepancies in receipt of 25 stores items valuing US\$ 24,177.70.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 24.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that cases of unadjusted balances and short supply be investigated to fix responsibility and recovery of stores rejected / not supplied from the concerned contractors.

*(Para-8-D Parep Washington 2013-15)*

**5.3.7 *Unauthorized retention of government funds in the accounts of Army, Navy, Airforce and DP establishment – PKR 282.504 million.***

According to Para-95 of GFR Vol-I, all anticipated savings should be surrendered to Government immediately as they are foreseen but not later than 31<sup>st</sup> March of each year in any case, unless they are required to meet excesses under some other unit or units. However, saving accruing from funds provided after 31<sup>st</sup> March shall be surrendered to Government immediately they are foreseen but not later than 30<sup>th</sup> June of each year. No savings should be held in reserve for possible future excesses.

During the audit of the accounts of ADP Washington, it was observed that an amount of PKR 282,504,164 was unduly retained by Army, Navy, Air force and DP wings of the Mission which was not surrendered to the Government as required under the rules. Violation of above rules resulted in unauthorized retention / blockage of substantial amount of government funds.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was also requested on 24.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends that responsibility be fixed for unauthorized retention of lapsed amount of previous years without approval of Parliament. Further, unspent balances may be deposited into government treasury immediately.

*(Para-10-D Parep Washington 2013-15)*

## INTERNAL CONTROL WEAKNESSES

### 5.3.8 *Loss due to non obtaining of bank guarantee – PKR 1.398 million.*

According to clause 19(I) of the contract agreement No.AF/DPD/27333 Bank guarantee/Performance Bond equivalent to 5% of offer value is required to be provided by the supplier during award of contract.

During the scrutiny of the record, it was observed that in violation of above clause of the contract agreement the supplier firm did not furnish 5% Bank Guarantee amounting to US\$ 13,399 as required under terms of CA.

The firm failed to supply the stores as per contract agreement. Due to non-obtaining of bank guarantee the amount of penalty could not be recovered from the firm and State had to bear a loss of US\$ 13,399 (Rs. 1,397,516). Later the same store was procured at higher rates. Although the CA with M/s American Aviation was cancelled but the firm is still working with ADP on various other CAs.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was also requested on 24.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends an inquiry to probe into the discrepancies in execution of contract and to fix the responsibility against the defaulting officer for violating terms and conditions of the contract agreement and allowing undue favor to the contractor, besides recovery of loss incurred due to his negligence.

*(Para-6-D Parep Washington 2013-15)*

## **CHAPTER 6            MINISTRY OF INTERIOR**

### **6.1    *Introduction***

The Ministry of Interior has been assigned the responsibility of maintaining law and order in the country. It also regulates the working of various security identity cards and passports. The Ministry of Interior consists of the one Division, i.e. Interior Division.

The departments attached with Ministry are;

- i.    Central Jail Staff Training Institute
- ii.   Civil Armed Forces
- iii.   Directorate General Civil Defence
- iv.   Federal Investigation Agency
- v.    Immigration & Passports
- vi.   Islamabad Capital Territory
- vii.   National Police Foundation
- viii. National Response Centre for Cyber Crimes

The autonomous bodies of the Ministry of Interior are;

- i.    National Alien Registration Authority
- ii.   National Database and Registration Authority
- iii.   National Police Academy

The following functions were transferred to Interior Division vide Cabinet Division Notification No. 4-17/2010 –Min-I dated 02.12.2010:

- 1)    Mainstreaming population factor in development planning process in ICT
- 2)    Management and distribution of Zakat and Ushr in the ICT and the related/ancillary matters, including distribution, setup and monitoring/auditing thereof.

## 6.2 AUDIT PARAS

### NON PRODUCTION OF RECORD

#### 6.2.1 *Non production of auditable record – PKR 1.175 million.*

According to Section 14 of the Auditor General's (Function, powers and Terms/conditions of service) Ordinance 2001, the Auditor General shall in connection with the performance of his duties under this ordinance, have authority to require any accounts, books, papers and other documents which deal with or form the basis of or otherwise relevant to the transactions to which his duties in respect of audit extend, shall be sent to such place as he may direct for his inspection. Further, section 14 (3) of the said ordinance, states that any person or authority hindering the auditorial functions of the Auditor General regarding inspection of accounts shall be subject to disciplinary action under relevant Efficiency and Discipline Rules, applicable to such person.

Contrary to the above, it was noticed that Pakistan Mission at Montreal incurred expenditure of Rs. 1,175,063 during FY 2014-15 but failed to provide relevant record i.e. Cash Book/Vouched account etc. as requested by audit. Non production of auditable record is serious violation of the Act of Parliament.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends to fix responsibility for defying constitutional provisions and initiate disciplinary proceedings against the defaulters.

*[Para-1 MRP Project, CG Montreal, 2013-15]*

## INTERNAL CONTROL WEAKNESSES

### 6.2.2 *Non adjustment / recoupmnt of advances – PKR 10.028 million.*

As per para-28 of GFR Vol-I, no amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable the orders of competent authority for their adjustment, must be sought. Further, according to para-5(d) of System of Financial Control and Budgeting issued by Finance Division in September, 2006, “the Principal Accounting Officer is responsible for ensuring that the payments are correctly classified under the appropriate heads of accounts.

Contrary to the above, following Missions made payments amounting to PKR 10,028,476 on behalf of MRP wing. However, no steps were taken for adjustment / recoupmnt from the MRP budget release.

Sl. No.	Formation	Period	AIR Para No.	Amount (PKR)
1	Kuwait	2013-15	11	2,275,760
2	CG Dubai	2013-15	1	7,752,716
<b>TOTAL</b>				<b>10,028,476</b>

Non adjustment of long outstanding amounts shows weak financial discipline.

The matter was brought to the notice of the management of the Mission at the conclusion of audit.

The Secretary/PAO was requested on 23.11.2016 and again on 28.12.2016 to respond / convene a DAC meeting.

However, neither any reply to audit observation was received from the Ministry nor DAC meeting was convened till the finalization of the report.

Audit recommends early adjustment of outstanding amount of PKR 10,028,476 from the budget grant of MRP wing under intimation to audit.

## **CHAPTER 7 AVIATION DIVISION**

### **7.1 Introduction**

The following departments/offices and functions were assigned to Aviation Division vide SRO No. 622(I)/2013 (F. No. 4-8/2013-Min-I) dated 28.06.2013:

- i. Aircraft and air navigation; administration of the Civil Aviation ordinance, 1960
- ii. Development of civil aviation in Pakistan.
- iii. Provision of aerodromes.
- iv. Airports Development Agency..
- v. Regulation, organization and safety of air traffic and of aerodromes and administration of Airports Security Force
- vi. Pakistan International Airlines Corporation
- vii. Air Service agreement with other countries: liaison with International Civil Aviation Organization and other international agencies concerned with aviation.
- viii. Federal Meteorological Organization and Meteorological observations; World Meteorological Organization.

### **ATTACHED DEPARTMENTS**

- i. Pakistan Meteorological Department.
- ii. Headquarters of Airports Security Force.

## 7.2 AUDIT PARAS

### INTERNAL CONTROL WEAKNESSES

#### 7.2.1 *Loss due to hiring of Medina -tul- Hujaj building – PKR 37.292 million*

According to para-23 of GFR Vol-I, every government officer shall be responsible for loss sustained to government through fraud or negligence on his part or on the part of any other government officer.

In violation of the above rule, PIAC made payment of SRL 1.341 million to Waqf Al-Ain-Azizya by the order of Saudi High Court on account of non-compliance of agreement signed between Qaqt Al-Ain-Azizya and PIAC for hiring of Madina-tul-Hujjaj building. This caused substantial loss to national exchequer.

The matter was brought to the notice of management for departmental reply within four weeks. PIA authorities replied that reasons of termination of contract were non-approval by the Saudi Government authorities for security reason. Further, no Legal Advisor was hired to defend PIA's case in the Court, therefore the Court gave judgment against PIA.

Above reply denotes that substantial loss sustained to PIAC was due to sheer negligence on the part of the management, as it was their responsibility to engage a suitable legal advisor/counsel to plead the case in the court of law and try to seek favorable decision.

DAC meeting held on 05.01.2017 directed the Aviation Division to conduct a detailed inquiry and share its findings with audit. Aviation Division was further directed to explain its position before PAC.

Audit recommends that the matter may be investigated through inquiry proceedings and responsibility be fixed under intimation to Audit.

*(Para-1 of AIR of PIAC, for 2011-15)*

## PERFORMANCE

### 7.2.2 *Non-achievement of sales targets*

According to Para-23 of GFR Vol-I, every government officer shall be responsible for loss sustained to government through fraud or negligence on his part or on the part of any other government officer.

In violation of the above rules, Pakistan International Airlines, Dubai and Jeddah failed to achieve the planned sales targets for the year 2013, 2014 & 2015, fixed by the Headquarters. Details are as under:-

<b>PIAC Dubai</b>				
<b>Year</b>	<b>Planned Sales Targets (Million)</b>	<b>Actual Sales (Million)</b>	<b>Variation (Million)</b>	<b>Percentage Variation</b>
2013	198	108.111	89.889	-45
2014	118.800	101.904	16.896	-14
2015	150.060	92.297	57.763	-38
<b>PIAC Jeddah</b>				
2011	296	243	53	-17.90
2012	323	216	107	-33.12
2013	260	177	83	-31.92
2014	247	164.1	82.9	-33.56
2015	195.84	173.58	22.26	-11.51

The above state of affairs denotes that no positive measures were taken to achieve the targets which resulted in substantial/financial loss.

The matter was brought to the notice of management for necessary reply. The management replied that targets for the year 2013, 2014 and 2015 were not given on the basis of sale performance for the previous year but were given on the basis of expected operating plan for the upcoming year. Further many other operational / competitive factors also adversely acted towards sub-optimal performance.

Audit did not agree with the reply given by the management as the targets were set by the PIAC management, considering all operational conditions.

DAC meeting held on 05.01.2017 directed the Aviation Division to explain the position before the PAC.

Audit is of the view that the targets were not achieved due to poor performance of the PIAC. PAC may like to review the performance of PIAC and issue appropriate directives.

*(Para-2, PIAC, Dubai 2013-15 & Para-4, PIAC, Jeddah 2013-15)*

**Annex-I MFDAC PARAS**

<b>Sl. No.</b>	<b>Formation</b>	<b>Period</b>	<b>Title of Para</b>	<b>AIR Para No.</b>	<b>Amount</b>
1	SGH Karachi	2013-15	Irregular payment of cash instead of crossed cheque	06	PKR 206,418
2	Dakar	2006-15	Non recovery of security deposit	14	CFA 2,400,000
3	Istanbul	2013-15	Unauthorized payment of salary out of PCE&EF	01	US\$ 23,750
4	MOFA (HQ)	2014-15	Repair and maintenance of machinery & equipment	07	PKR 4,204,880
6	MOFA (HQ)	2014-15	Irregular procurement of mango boxes	11	PKR 2,608,950
7	Istanbul	2013-15	Unauthorized payment of cook subsidy	03	US\$ 9,000
8	Abu Dhabi	2012-15	Unauthorized purchase of vehicle	18	AED 142,000
9	Tokyo	2012-15	Non adjustment of expenditure incurred on TA/DA advances	04	Yen 4,889,841
10	Dushanbe	2009-15	Unauthorized payment of education subsidy.	06	Somoni 12,550
11	Copenhagen	2013-15	Irregular retention of public money.	02	DKK 25,500
12	Algiers	2006-15	Irregular purchase of vehicle	03	US\$ 40,000
13	MOFA(HQ)	2014-15	Un-authorized procurement of physical assets	05	Rs.1,033,110
14	CG Dubai (Commercial wing)	2013-15	Doubtful payment through cheque	01	Rs. 2,525,829
15	DG Hajj Jeddah	2013-15	Unauthorized drawl of funds from bank	09	SRL 1,119,700
16	London	2013-15	Unauthorized expenditure on account of hotel charges and daily allowance to President and Prime Minister's entourage with out detail	6	£ 174,265
17	London	2013-15	Unauthorized expenditure on account of hotel charges and daily allowance to President and Prime Minister's entourage with out detail	7	£ 18,626
18	London	2013-15	Unauthorized expenditure on account of hotel charges and daily allowance to President and Prime Minister's entourage with out detail	11	PKR 23,149,201

**Annex-II CURRENCY WISE DETAILS**



**ANNEX-III (Para-1.4.3)**

<b>Sl. No.</b>	<b>Formation</b>	<b>Period</b>	<b>AIR Para No.</b>	<b>Amount (LC)</b>
1	CG Mexico	2012-15	1	US\$ 29,470
2	MOFA (HQ)	2014-15	8	PKR 2,642,069
3	MOFA (HQ)	2014-15	9	PKR 1,455,300
4	MOFA (HQ)	2014-15	10	PKR 9,769,905
5	MOFA (HQ)	2014-15	12	PKR 25,828,096
6	MOFA (HQ)	2014-15	13	PKR 10,649,669
7	MOFA (HQ)	2014-15	16	PKR 6,936,251
8	MOFA (HQ)	2014-15	1	PKR 3,230,000
9	Los Angeles	2013-15	9(2&7)	US\$ 13,515
10	UN New York	2013-15	38	US\$ 12,000
11	UN New York	2013-15	24	US\$ 172,926
12	UN New York	2013-15	15	US\$ 859,382
13	UN New York	2013-15	16	US\$ 38,989
14	The Hague	2012-15	2	€ 4,700
15	Doha	2012-15	3	QR 58,000
16	Harare	2012-15	13	PKR 5,260,788
17	Kabul	2011-15	1	PKR 986,722
18	New York	2013-15	7	US\$ 34,896
19	Kuwait	2013-15	3	PKR 575,690
20	Ottawa	2013-15	24	C\$ 8,292 & PKR 678,447
21	Ottawa	2013-15	8	C\$ 24,109 & PKR 1,979,667
22	Niamey	2005-15	3	US\$ 38,202
23	Bahrain	2012-15	14	BD 40,140
24	Bahrain	2012-15	15	BD 26,380
25	Bahrain	2012-15	16	PKR 654,545
26	Doha	2012-15	1	PKR 4,141,035
27	Doha	2012-15	14	PKR 652,466
28	Washington	2013-15	21	US\$ 205,640
29	Washington	2013-15	27	US\$ 5,717
30	Washington	2013-15	32	US\$ 39,823
31	Washington	2013-15	6	US\$ 2,437,382
32	Muscat	2012-15	01	OMR 10,000
33	London	2013-15	15	PKR 12,950,139
34	London	2013-15	16	£44,519
<b>TOTAL</b>				<b>US\$ 3,887,942, PKR 85,485,789, QR 58,000,€ 4,700, C\$ 32,402, BD 66,520 OMR 10,000&amp;£44,519</b>

**ANNEX-IV (Para-1.4.7)**

<b>Sl. No.</b>	<b>Formation</b>	<b>Period</b>	<b>Brief Particular</b>	<b>AIR Para No.</b>	<b>No of Persons involved</b>	<b>Amount</b>
1	MOFA (HQ)	2014-15	Unauthorized payment of 15 days DA and 10% incidental charges	32	3	US\$ 5,790
2	MOFA (HQ)	2014-15	Unauthorized payment of 15 Days DA in lieu of Foreign Allowance and House rent	34	1	US\$ 22,050
3	MOFA (HQ)	2014-15	Unauthorized payment of 15 Days DA in lieu of Foreign Allowance and House rent	36	1	KD 4,179
4	MOFA (HQ)	2014-15	Excess payment of 6 days joining time DA & Transit DA	42	1	US\$ 2,268
5	MOFA (HQ)	2014-15	Unauthorized payment of TA/DA to the absconder	53	1	€ 691 US\$ 2,940.16 Rs. 81,060
6	MOFA (HQ)	2014-15	Excess payment of 6 days joining time DA & Transit DA & Transportation personal effect	68	1	€ 1,690 US\$ 1,183 Rs. 300,513
7	MOFA (HQ)	2014-15	Unauthorized payment of cost of Air Tickets	82	1	Rs. 536,160
8	MOFA (HQ)	2014-15	Excess payment of Air Fare	85	1	Rs. 250,640
9	Ottawa	2013-15	Excess payment of joining time DA	11	1	US\$ 1,152
10	Cairo	2013-15	Unauthorized payment of TA/DA	8	1	Rs. 102,938
11	Abuja	2009-15	Overpayment of DA	4	6	US\$ 1,045
12	Kuwait	2013-15	Inadmissible payment	2	1	Rs. 1,948,713
13	Vancouver	2012-15	Irregular payment of DA	5	1	Rs. 111,132
14	Vancouver	2012-15	Unauthorized payment of DA	4	1	Rs. 111,132
15	Washington	2013-15	Overpayment on a/c of room rent charges	34	2	US\$ 3,048
<b>Total</b>						US\$ 39,476 € 2,381 KD 4,179 Rs. 3,442,288

**ANNEX-V (Para-1.4.17)**

<b>Sl. No.</b>	<b>Formation</b>	<b>Period</b>	<b>Number of Person(s) involved</b>	<b>AIR Para No.</b>	<b>Amount (LC)</b>
•	UN New York	2013-15	18	21	US\$ 12,375
•	Doha	2012-15	1	25	Rs. 992,851
•	Riyadh	2012-15	2	2	SRL 47,342
•	Harare	2012-15	1	8	Rs. 895,523
•	Rome	2012-15	1	3	Rs. 184,056
•	Montreal	2013-15	1	3	CAD 1,980
•	Dushanbe	2009-15	7	1	US\$ 35,300 & Somoni 77,043
•	Ottawa	2013-15	2	15	Rs. 3,989,968
•	Bishkek	2014-15	1	5	US\$ 1,637,778
•	Cairo	2013-15	12	16	Rs. 8,387,241
	CG Istanbul	2013-15	2	12	US\$ 946
•	Kuwait	2013-15	1	9	US\$ 247
•	Vancouver	2012-15	2	6	US\$ 16,104
•	Kabul	2011-15	11	6	US\$ 2,759 AFG 6,785
•	Khartoum	2013-15	7	14	Rs. 5,290,526
•	CG Jeddah	2012-15	11	7	SRL 145,999
<b>Total</b>					<b>US\$ 1,705,509, CAD 1,980, SRL 193,341, Rs. 19,740,165 AFG 6,785 Somoni 77,043</b>

**ANNEX-VI (Para-1.4.22)**

<b>Sl. No.</b>	<b>Formation</b>	<b>Period</b>	<b>AIR Para No.</b>	<b>No of Persons Involved</b>	<b>Amount (LC)</b>
1.	MOFA (HQ)	2014-15	140	29	PKR 3,757,598
2.	MOFA (HQ)	2014-15	79	05	US\$ 93,960 € 53,966
3	MOFA (HQ)	2014-15	154	03	PKR 203,225
4	MOFA (HQ)	2014-15	163	01	PKR 554,850
5	MOFA (HQ)	2014-15	165	01	PKR 384,326
6	MOFA (HQ)	2014-15	168	07	US\$ 109,300 PKR 504,600
7	MOFA (HQ)	2014-15	153	18	PKR 132,223
8	Washington	2013-14	23	07	US\$ 62,574
9	Lisbon	2012-15	5	01	PKR 98,189
10	Lisbon	2012-15	12	01	US\$ 7,213
11	DCP Peshawar	2013-15	3	01	PKR 708,694
12	DCP Peshawar	2013-15	2	01	PKR 251,999
13	DCP Peshawar	2013-15	1	01	PKR 302,176
14	Cairo	2013-15	1	01	PKR 398,205
15	MOFA (HQ)	2014-15	141	13	US\$ 18445 Rs. 2,265,442
16	MOFA (HQ)	2014-15	167	08	US\$ 11,066, € 109 & Rs. 283,219
<b>TOTAL</b>				<b>105</b>	<b>US\$ 303,166, € 54,075 &amp; PKR. 10,603,540</b>