AUDIT REPORT
ON
THE ACCOUNTS OF
FEDERAL GOVERNMENT - (CIVIL)

AUDIT YEAR 2014-15

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS AND ACRONYMS

A/C	Account
ABCD	Activity Based Capacity Development
ABL	Allied Bank Limited
ADP	Annual Development Program
AEDB	Alternative Energy Development Board
AEPAM	Academy of Educational Planning and Management
AFS	Additional Finance Secretary
AG	Accountant General
AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenues
AIG	Assistant Inspector General
AIR	Audit and Inspection Report
AJK	Azad Jammu and Kashmir
APPM	Accounting Policies and Procedures Manual
AS	Additional Secretary
BB-LMA	BISP Beneficiary - Limited Mandate Account
BCG	Bacillus Calmette–Guérin
BCS	Bachelor of Computer Sciences
BDC	Benazir Debit Card
BECS	Basic Education Community Schools
BESOS	Benazir Employees Stock Option Scheme
BF	Benevolent Fund
BISP	Benazir Income Support Program
BoG	Board of Governors
BOI	Board of Investment
BOQ	Bill of Quantities
BOT	Board of Trustees
BPS	Basic Pay Scales
CADD	Capital Administration and Development Division
CCA	Cabinet Committee on Agriculture
CCE	Cabinet Committee on Energy
CCI	Council of Common Interests
CCOI	Cabinet Committee on Investment
CCOP	Cabinet Committee on Privatization
CCRB	Cabinet Committee on Regulatory Bodies
CDA	Capital Development Authority

CDNS	Central Directorate of National Savings
CDWA	Clean Drinking Water for All
CDWP	Central Development Working Party
CFAO	Chief Finance and Accounts Officer
CGA	Controller General of Accounts
CoA	Chart of Accounts
CII	Council of Islamic Ideology
CNIC	Computerized National Identity Card
COIOED	Commission of Inquiry on Enforced Disappearances
CPDDR	Community Participation in Drug Demand Reduction
CPF	Contributory Provident Fund
CPO	Chief Patrol Officer
CPO	Central Police Office
CPS	Contingent Paid Staff
CPWA	Central Public Works Accounts (Code)
CPWD	Central Public Works Department (Code)
CRE	Country Residential Engineer
CRF	Central Research Fund
CWHR	Council for Works and Housing Research
CWO	Civil Works Organization
DA	Daily Allowance
DAC	Departmental Accounts Committee
DAGP	Department of the Auditor General of Pakistan
DCO	Drug Control Organization
DCS	Department of Communications Security
DDO	Drawing and Disbursing Officer
DDWP	Departmental Development Working Party
DEPO	Defence Export Promotion Organization
DFA	Deputy Financial Advisor
DFID	Department for International Development
DG	Director General
DGA-FG	Directorate General Audit, Federal Government
DIG	Deputy Inspector General
DQAC	Departmental Quality Assurance Coordinator
DRAP	Drug Regulatory Authority of Pakistan
DSP	Deputy Superintendent of Police
EA	Economic Advisor
EAD	Economic Affairs Division
ECC	Economic Coordination Committee

ECNEC	Executive Committee of National Economic Council
ECP	Election Commission of Pakistan
EDB	Engineering Development Board
EDF	Export Development Fund
EIA	Environmental Impact Assessment
ELE	Earned Leave Encashment
EMDF	Export Market Development Fund
EOBI	Employees Old-Age Benefit Institution
EOI	Expressions of Interest
EPA	Environment Protection Agency
EPC	Engineering, Procurement & Construction
EPI	Expanded Program for Immunization
Estt	Establishment
FA	Financial Advisor
FAC	Funds Availability Certificate
FAM	Financial Audit Manual
FAP	Foreign Aided Project
FARA	Fixed Amount Reimbursement Agreements
FATA	Federally Administered Tribal Areas
FBR	Federal Board of Revenue
FC	Frontier Constabulary
FCF	Federal Consolidated Fund
FD	Finance Division
FDA	FATA Development Authority
FDE	Federal Directorate of Education
FDWP	FATA Development Working Party
FEB&GIF	Federal Employees Benevolent and Group Insurance Fund
FEC	Foreign Exchange Component
FESCO	Faisalabad Electric Supply Company
FFC	Federal Flood Commission
FG	Federal Government
FGSH	Federal Government Services Hospital
FIA	Federal Investigation Agency
FMMA	Financial Management of Missions Abroad
FOR	Free on Receipt
FPSC	Federal Public Services Commission
FR	Fundamental Rules
FR	Frontier Region
FRDP	FATA Rural Development Project

FRM	Financial Reporting Manual
FS	Finance Secretary
FSC&RD	Federal Seed Certification and Registration Department
FTO	Federal Tax Ombudsman
FTO	Federal Treasury Office
FTR	Federal Treasury Rules
FY	Financial Year
GB	Gilgit-Baltistan
GDP	Gross Domestic Product
GFR	General Financial Rules
GIS	Geographic Information System
GOP	Government of Pakistan
GPF	General Provident Fund
GPS	Global Positioning System
GSP	Geological Survey of Pakistan
GST	General Sales Tax
GWh	Giga Watt Hour
HBA	House Building Advance
HBL	Habib Bank Limited
HEC	Higher Education Commission
HGO	Hajj Group Organizers
HQ	Headquarters
HRA	House Rent Allowance
HSSPPU	Health System Strengthening and Policy Program Unit
IB	Intelligence Bureau
ICB	Islamabad College for Boys
ICG	Islamabad College for Girls
IDA	International Development Agency
IG	Inspector General
IGFC	Inspector General Frontier Corps
IGP	Inspector General of Police
IMCB	Islamabad Model College for Boys
IMCG	Islamabad Model College for Girls
IP	Inspector of Police
IPC	Inter Provincial Coordination
IPCC	Inter Provincial Coordination Committee
IPFMR	Implementing Partner Financial Monitoring Report
IPSAS	International Public Sector Accounting Standards
IRS	Institute of Regional Studies

IRSA	Indus River System Authority
ISAF	International Security Assistance Force
ISFD	Institutional Strengthening of Finance Division
ISI	Inter Services Intelligence
ISO	International Standards Organization
JPMC	Jinnah Postgraduate Medical Center
JS	Joint Secretary
JTS	Joint Technical Study
JV	Joint Venture
K.M.	Kilometer
KA&GB	Kashmir Affairs & Gilgit-Baltistan
KIU	Karakoram International University
KP	Khyber Pakhtunkhwa
KPT	Karachi Port Trust
L/C	Letter of Credit
LFA	Leave Fair Assistance
LG&RDD	Local Government & Rural Development Department
LGRD	Local Government & Rural Development
LMA	Limited Mandate Account
LoA	Letter of Acceptance
LPO	Litho Printing Office
LPR	Leave Preparatory to Retirement
MCA	Monopoly Control Authority
MCH	Maternity and Child Health
MCMC	Mid-Career Management Course
MD	Managing Director
MEPCO	Multan Electric Supply Company
MAFDAC	Memorandum for Departmental Accounts Committee
MIS	Management Information System
MNA	Member National Assembly
MNCH	Maternal Neonatal Child Health
MoDP	Ministry of Defence Production
MoE	Ministry of Education
MoF	Ministry of Finance
MoIT	Ministry of Information Technology
MoST	Ministry of Science and Technology
MOU	Memorandum of Understanding
MRIO	Map Record and Issuance Office
MRP	Machine Readable Passport

MRV	Machine Readable Visa
MSA	Maritime Security Agency
MSA	Mission Subsistence Allowance
MTDF	Medium Term Development Framework
MVRDE	Military Vehicles Research and Development Establishment
MWe	Megawatt Electricity
NAB	National Accountability Bureau
NAB	National Accountability Bureau
NACS	National Anti-Corruption Strategy
NACTA	National Counter Terrorism Authority
NADRA	National Database and Registration Authority
NAG	National Art Gallery
NAM	New Accounting Model
NARC	National Agricultural Research Center
NATPOW	National Trust for Population Welfare
NAVTTC	National Vocational and Technical Training Commission
NBC	National Bio-safety Committee
NBC	National Bio-safety Center
NBP	National Bank of Pakistan
NCA	National College of Arts
NCA	National Command Authority
NCH	National Council for Homeopathy
NCHD	National Commission for Human Development
NCMC	National Crises Management Cell
NCO	Non-Commissioned Officer
NCSW	National Commission on the Status of Women
NDMA	National Disaster Management Authority
NDMC	National Disaster Management Commission
NEC	National Economic Council
NEPRA	National Electric Power Regulatory Authority
NESPAK	National Engineering Services Pakistan Pvt. Limited
NFML	National Fertilizer Marketing Limited
NGOs	Non-Government Organizations
NH&MP	National Highways and Motorway Police
NHA	National Highway Authority
NHEPRN	National Health Emergency Preparedness Network
NHSCC	National Health Sector Coordination Committee
NIA	Nuclear Institute of Agriculture
NICL	National Insurance Company Limited

NIE	National Institute of Electronics
NIFA	National Institute of Food and Agriculture
NIFT	National Institutional Facilitation Technologies (Pvt.) Limited
NIH	National Institute of Health
NIM	National Institute of Management
NIP	National Internship Programme
NIRM	National Institute of Rehabilitation and Medicine
NISTE	National Institute of Science &Technical Education
NLC	National Logistic Cell
NMC	National Management Course
NOC	No Objection Certificate
NOL	No Objection Letter
NORI	Nuclear Medicine, Oncology and Radiotherapy Institute
NPA	National Police Academy
NPCC	National Power Construction Company
NPF	National Police Foundation
NPO	National Productivity Organization
NPP	Nuclear Power Plant
NPSL	National Physical & Standards Laboratory
NRO	National Reconciliation Ordinance
NRPU	National Research Program for Universities
NRSP	National Rural Support Program
NRTC	National Radio Telecommunication Corporation
NSAP	National Security Action Plan
NSC	National Saving Center
NSMC	National Scholarship Management Committee
NSPP	National School of Public Policy
NST	National Saving Treasury
NTB	National Training Bureau
NTC	National Telecommunication Company
NTC	National Tariff Commission
NTN	National Tax Number
NVTTC	National Vocational and Technical Training Commission
NWA	North Waziristan Agency
O&D	Organization and Development
O&M	Operation and Management
O.M.	Office Memorandum
OEM	Original Equipment Manufacturer
OGRA	Oil and Gas Regulatory Authority

OMC	Oil Marketing Companies
OPD	Out Patient Department
P.M.	Prime Minister
PABX	Private Automatic Branch Exchange
PAC	Public Accounts Committee
PAD	Project Appraisal Document
PAEC	Pakistan Atomic Energy Commission
PAF	Pakistan Air Force
Pak PWD	Pakistan Public Works Department
Pak-EPA	Pakistan Environmental Protection Agency
PAO	Principal Accounting Officer
PARC	Pakistan Agricultural Research Council
PBC	Pakistan Broadcasting Corporation
PBS	Pakistan Bureau of Statistics
PC	Privatization Commission
PC-I	Planning Commission-I
PCO	Population Census Organization
PCOM	Project Cycle Operation Manual
PCRET	Pakistan Council for Renewable Energy Technologies
PCRWR	Pakistan Council for Research in Water Resources
PCSIR	Pakistan Council of Scientific and Industrial Research
PCSIR	Pakistan Council for Scientific and Industrial Research
PCST	Pakistan Council for Science and Technology
PD	Project Director
PDC	Price Differential Claims
PDDC	Pakistan Dairy Development Company
PEC	Provincial Election Commission
PEMRA	Pakistan Electronic Media Regulatory Authority
PERN	Pakistan Education Research Network
PESCO	Peshawar Electric Supply Company
PHDF	Pakistan Human Development Fund
PIAC	Pakistan International Airlines Corporation
PICL	Pak Industrial and Commercial Leasing Limited
PID	Press Information Department
PIFRA	Project to Improve Financial Reporting and Auditing
PIMS	Pakistan Institute of Medical Sciences
PIO	Principal Information Officer
PITAC	Pakistan Industrial Technical Assistance Centre
PIW	Polytechnic Institute for Women

PKR	Pakistani Rupees
PLA	Personal Ledger Account
PLS	Profit & Loss Sharing
PMA	Pakistan Marine Academy
PMQA	Prime Minister Quality Award
PMRC	Pakistan Medical Research Council
PMSA	Pakistan Maritime Security Agency
PMT	Proxy Means Test
PMU	Project Management Unit
PNAC	Pakistan National Accreditation Council
PNB	Pakistan Narcotics Board
PNCA	Pakistan National Council of the Arts
PNCB	Pakistan Narcotics Control Board
PNRA	Pakistan Nuclear Regulatory Authority
PNSC	Pakistan National Shipping Corporation
POA	Pakistan Olympic Association
PODB	Pakistan Oil Seed Development Board
POF	Pakistan Ordnance Factory
POFP	Post Office Foundation Press
PPIB	Private Power and Infrastructure Board
PPR	Public Procurement Rules
PPRA	Public Procurement Regulatory Authority
PRO	Public Relations Officer
PSB	Pakistan Sports Board
PSC	Pakistan Sports Complex
PSC	Poverty Score Card
PSDP	Public Sector Development Program
PSDP	Public Sector Development Project
PSEs	Public Sector Entities
PST	Pakistan Sports Trust
PTML	Pak Telecom Mobile Limited
PVMC	Pakistan Veterinary Medical Council
PWF	Pilgrims Welfare Fund
PWP	People Works Programme
PWP	Peoples Works Program
QA	Quality Assurance
QAP	Quality Assurance Procedure
QAP	Quaid-i-Azam Papers
QAU	Quaid-i-Azam University

QESCO	Quetta Electric Supply Company
QPGMC	Quaid-e-Azam Post-Graduate Medical College
RADP	Research for Agricultural Development Program
RAHA	Refugees Affected and Hosting Areas
RCD	Regional Cooperation for Development
RDNS	Regional Directorate of National Savings
REOI	Request for Expression of Interest
REP	Rural Electrification Project
RFP	Request for Proposal
RFT	Running Foot
RMB	Renminbi (Official currency of China)
Rs.	Rupees
RSPN	Rural Support Programme Network
S.R.O.	Statutory Regulatory Order
SAARC	South Asian Association for Regional Cooperation
SAC	Safety Analysis Center
SAF	South Asian Federation
SAF-GOC	South Asian Federation Games Organizing Committee
SAFRON	States & Frontier Regions
SAP	System Application Product
SBP	State Bank of Pakistan
SCO	Special Communications Organization
SDA	Special Drawing Account
SECP	Securities Exchange Commission of Pakistan
SECP	Securities and Exchange Commission of Pakistan
SEVP	Senior Executive Vice President
SGO	Surveyor General's Office
SHS	Solar Home System
SJS	Senior Joint Secretary
SLIC	State Life Insurance Corporation
SLIC	State Life Insurance Corporation of Pakistan
SMC	Senior Management Course
SMG	Sub Machine Gun
SN	Safety Net
SNGPL	Sui Northern Gas Pipe Lines
SNRS	School for Nuclear Radiation Safety
SO (G)	Section Officer (General)
SoP	Survey of Pakistan
SOP	Standard Operating Procedure

SP	Superintendent of Police
SPD	Strategic Plans Division
SPLS	Special Profit & Loss Sharing
SPO	Senior Patrol Officer
SPS	Senior Private Secretary
SR	Supplementary Rules
SRC	Shalimar Recording Corporation
SRO	Statutory Regulatory Order
SSCC	Social Sector Coordination Committee
SSCE	Scorecard Spot Check Evaluation
SSF	Special Secretary Finance
SSGCL	Sui Southern Gas Company
SSNTA	Social Safety Net Technical Assistance
SSP	Senior Superintendent Police
STPF	Strategic Trade Policy Framework
STR	Scientific & Technological Research
SWA	South Waziristan Agency
TA	Travelling Allowance
TDAP	Trade Development Authority of Pakistan
TDR	Terms Deposit Receipt
TDRs	Term Deposit Receipts
TFC	Term Finance Certificate
TFC	Term Finance Certificates
TINS	Training Institute of National Savings
TO	Treasury Officer
TOPV	Trivalent oral polio vaccine
TOR	Terms of Reference
TPE	Targeting Process Evaluation
TROSS	Teachers Researchers Overseas Scholarship Scheme
TTS	Tenure Track System
U.O.	Un-official
UBL	United Bank Limited
UDAC	Upper Division Accounts Clerk
UET	University of Engineering & Technology
UGC	Universities Grants Commission
UK	United Kingdom
UN	United Nations
UNDB	United Nations Development Business online
UNDP	United Nations Development Program

UNFPA	United Nations Fund for Population
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children’s Fund
UNICEF	United Nations Children's Fund
UPS	Un-interrupted Power Supply
UPU	Universal Postal Union
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value Added Tax
VC	Vice Chancellor
VSS	Voluntary Separation Scheme
W&S	Works & Services
w.e.f.	With Effect From
WAN	Wide Area Network
WAPDA	Water and Power Development Authority
WASO	Works and Services Organization
WB	World Bank
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization
XEN	Executive Engineer

PREFACE

Articles 169 and 170 of the Constitution of Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (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 the federal government for the financial year 2013-14. The audit observations pertaining to previous financial years have also been incorporated in this report. The Directorate General of Audit (Federal Government), Islamabad conducted audit during Audit Year 2014-15 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. Relatively less significant issues are listed in the Annexure-I of the Report. The Audit observations listed in Annexure-I shall be pursued with the Principal Accounting Officers at the Departmental Accounts Committee level and in all cases where the Principal Accounting Officer does not initiate appropriate action, the Audit observation 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.

Most of the observations included in this report have been finalized after incorporating the management replies or in the light of discussions in the DAC meetings.

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

Dated: (Muhammad Akhtar Buland Rana)
Auditor General of Pakistan

EXECUTIVE SUMMARY

The Directorate General Audit, Federal Government {DGA (FG)} is a strategic audit unit of the Department of the Auditor General of Pakistan (DAGP). This office facilitates the Auditor General of Pakistan to fulfill his constitutional responsibility of conducting the audit of the Federal Government. The Directorate General Audit (Federal Government) has the primary responsibility to certify the accounts of the federation. The office also conducts the audit of Federal Government Ministries, Divisions, Attached Departments, Subordinate Offices and Autonomous Bodies. The office is located in Islamabad with four sub-offices, one each at Lahore, Karachi, Peshawar and Quetta. The office is headed by a Director General (BS 20).

The Federal Government conducts its operations under the Rules of Business, 1973 and comprises 60 Principal Accounting Officers (PAOs) for different Ministries, Divisions and entities. The DGA (FG) conducts audit of all transactions relating to the Federal Consolidated Fund and Public Account of the Federal Government. The DGA (FG) has human resource of 206 officers and staff resulting in 36,162 person days. The annual budget allocated to the Directorate General for the year 2014-15 amounts to Rs. 165.560 million. Different types of audit activities performed by the DGA (FG) are as follows:

- Compliance with Authority Audit
- Performance Audit
- Certification Audit of Appropriation Accounts and Financial Statements of the Federal Government
- Special Audits assigned by the Auditor General of Pakistan
- Certification Audit of Foreign Aided Projects
- Project Audit (PSDP)

a. Scope of Audit

The audit was conducted in accordance with INTOSAI Auditing Standards as envisaged in Financial Audit Manual (FAM), Guidelines for the Audit of Federal Government Operations and the International Standards on Auditing.

The audit was conducted to review the financial systems and transactions, including an evaluation of compliance with applicable statutes and regulations. Audit of the probity and propriety of administrative decisions taken within the audited entity was undertaken to bring to light cases of improper expenditure or waste of public money. An evaluation was made to ascertain that rules and procedures were properly adopted and that the assessment, collection and allocation of revenues were done in accordance with the law and there was no leakage of revenue, which should legally come to the Government. Sufficient appropriate audit evidence was gathered to conclude whether the information on a particular subject matter was in compliance, in all material respects, with a particular set of criteria. Audit was carried out to ascertain whether the moneys shown as expenditure in the accounts were authorized for the purpose for which they were spent and due receipts were deposited into the government treasury. The scope of audit also included reviewing, analyzing and commenting on various Government policies relating to different sectors.

The audit was primarily conducted for the financial year 2013-14, but for entities not audited during the preceding years, the audit also extended to the previous financial years.

The total expenditure of the Federal Government for the financial year 2013-14 was Rs. 18,066,000.076 million. The auditable expenditure under the jurisdiction of the Directorate General Audit (Federal Government) was Rs. 1,760,985.200 million covering 60 PAOs and 2,830 formations. Of this, DGA (FG) audited an expenditure of Rs. 1,219,958.030 million, which in terms of percentage was 69.28% of the auditable expenditure. In addition, DGA (FG) conducted 15 Foreign Aided Projects (FAP) Audits and four Certification Audits.

b. Recoveries at the instance of audit

Recovery of Rs. 7.036 million was effected during year 2014-15 from July, 2014 to December, 2014 on the pointation of Audit.

Recovery aggregating to Rs. 464.362 million during 2013-14 was effected from January, 2014 to June, 2014 and was not reported in the Audit Report (Civil) 2013-14.

c. Audit Methodology

Audit was conducted to ensure completeness, accuracy, relevance and genuineness of the expenditure incurred by the Federal Government. Before starting the field activity, desk review was undertaken to gain understanding of the systems, procedures and control environment of audited entities. The permanent files of the entities maintained in the Directorate General were utilized for understanding the business and legal/institutional framework of the entities.

The evidence was primarily gathered by applying procedures, like inquiries from the management, review of monitoring & progress reports and examination of payment vouchers. Audit evidence was also collected through access to SAP/R3 data of the Accountant General Pakistan Revenues (AGPR).

Audit tests and analytical procedures were performed to evaluate that the expenditure was completely recorded and receipts were timely deposited into government treasury. The review of payments was made to ensure that these were validated by proper supporting documents and approval of competent authority as per applicable rules and regulations. Budget comparison with actual expenditure was made to confirm that the expenditure was incurred in accordance with the approved budget, including the revisions made therein.

d. Audit Impact

i. On pointation of Audit, the Finance Division agreed to direct National Fertilizer Marketing Limited to pay all dues including profit earned on retained amount - Rs. 3,016.714 million.

ii. On pointation of Audit, the Senate Secretariat agreed to hand over the cheque writing function back to AGPR as per Treasury Rules.

iii. On pointation of Audit, the management of BISP deposited an amount of Rs. 19.010 million into the government treasury from donation account.

iv. On pointation of Audit, the management of Federal Tax Ombudsman has informed during a meeting that the management has submitted a Summary to the President of Pakistan to determine the pay, perquisites and privileges of the Federal Tax Ombudsman.

v. On pointation of Audit, the President's Secretariat did not pay ex-gratia from Contingent Grant during 2013-14.

e. Comments on Internal Controls and Internal Audit Department

Internal controls are a specific set of policies, procedures and activities designed to meet particular objectives in an organization. Internal Controls and Internal Audit Departments are the critical risk mitigating factors in any organization. One of the objectives of the audit was to assess whether the controls are properly designed, implemented and working effectively. For most of the entities audited during 2014-15, it was noticed that the internal audit departments were non-existent. Considerable instances of internal control failures were noted which resulted in waste, abuse or theft of government money. Audit has identified certain issues in the report where government suffered loss due to weak internal controls and non-functioning of internal audit departments.

f. The key audit findings of the report

i. There were four cases of embezzlement of public money and fictitious payments amounting to Rs. 400.769 million[1].

ii. There were 108 cases of irregular expenditure/payments and violation of rules amounting to Rs. 171,629.569 million[2].

iii. There were 60 cases of recovery amounting to Rs. 35,559.366 million[3].

iv. There were eight instances of irregularities pertaining to non-production of record amounting to Rs. 1,089.049 million[4].

[1] Para No. 7.4.1, 7.4.2, 7.4.3, 14.4.1

[2] Para No. 1.1.9, 1.1.10, 2.4.6, 2.4.7, 2.4.8, 3.4.3, 3.4.4, 4.4.5, 4.4.6, 4.4.10, 4.4.11, 4.4.13, 4.4.14, 5.4.3, 5.4.4, 5.4.8, 5.4.9, 5.4.11, 5.4.12, 5.4.13, 5.4.14, 5.4.15, 5.4.16, 5.4.17, 5.4.19, 5.4.22, 5.4.23, 7.4.5, 7.4.6, 7.4.13, 7.4.18, 8.4.1, 8.4.2, 8.4.3, 8.4.4, 8.4.5, 8.4.6, 8.4.7, 8.4.8, 8.4.9, 9.4.1, 9.4.2, 9.4.3, 10.4.3, 10.4.5, 13.4.1, 13.4.6, 14.4.4, 14.4.5, 15.4.1, 15.4.7, 15.4.10, 15.4.12, 17.4.1, 17.4.2, 17.4.8, 17.4.9, 17.4.10, 17.4.11, 17.4.12, 17.4.13, 17.4.14, 17.4.15, 18.4.4, 18.4.5, 19.4.1, 19.4.2, 21.4.2, 21.4.3, 21.4.7, 21.4.8, 22.4.6, 22.4.7, 22.4.8, 22.4.9, 22.4.10, 22.4.11, 22.4.14, 22.4.17, 22.4.18, 22.4.19, 22.4.20, 22.4.21, 22.4.22, 22.4.23, 22.4.24, 22.4.25, 22.4.27, 22.4.29, 24.4.1, 24.4.2, 24.4.3, 26.4.2, 26.4.4, 30.4.1, 31.4.1, 31.4.2, 32.4.2, 33.4.1, 33.4.2, 33.4.3, 33.4.4, 34.4.4, 34.4.5, 36.4.1, 37.4.1, 37.4.2, 37.4.3

[3] Para No. 1.1.8, 1.2.1, 2.4.1, 2.4.2, 2.4.3, 2.4.4, 2.4.5, 2.4.9, 4.4.2, 4.4.7, 4.4.9, 5.4.5, 5.4.7, 5.4.18, 5.4.20, 5.4.21, 5.4.24, 6.4.6, 6.4.7, 6.4.9, 7.4.7, 7.4.8, 7.4.9, 7.4.10, 7.4.12, 7.4.19, 10.4.2, 12.4.1, 13.4.5, 14.4.3, 14.4.6, 14.4.7, 15.4.3, 15.4.4, 15.4.6, 15.4.9, 17.4.5, 17.4.6, 17.4.7, 18.4.1, 18.4.2, 18.4.3, 19.4.4, 21.4.5, 22.4.26, 22.4.31, 22.4.32, 22.4.34, 22.4.35, 22.4.36, 22.4.37, 22.4.38, 23.4.1, 25.4.2, 25.4.3, 26.4.3, 28.4.1, 32.4.1, 34.4.1, 34.4.3

v. There were 28 cases of weak internal controls amounting to Rs. 931,028.734 million[5].

vi. There were 37 cases pertaining to weak financial management amounting to Rs. 578,221.066 million and 24 cases related to unsound asset management amounting to Rs. 11,306.376 million.

vii. Audit paras for the Audit Year 2014-2015 involving procedural violations, including internal control weaknesses and irregularities which are not considered significant for reporting to PAC or still being developed are included in Memorandum for Departmental Accounts Committee (MFDAC) at Annexure-I.

g. Recommendations

i. All autonomous entities should get their Accounting Procedures and Principles and Methods of maintaining accounts approved from the Auditor General of Pakistan.

ii. The reconciliation of expenditure by the Drawing and Disbursing Officers (DDO) should be strictly enforced.

iii. The entities should keep track of assets, maintain their physical custody and keep them in proper condition.

iv. Government receipts and unspent balances should be deposited immediately into the Government Treasury.

v. The Public Procurement Rules, 2004 should be religiously observed.

vi. All auditable record should be produced on demand.

vii. Bank accounts should be opened with proper authorization.

viii. Public funds should be invested in line with the instructions issued by the Finance Division.

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[4] Para No. 4.4.1, 10.4.1, 16.4.1, 22.4.2, 22.4.3, 22.4.4, 22.4.5, 26.4.1

[5] Para No. 1.1.3, 1.1.4, 1.1.6, 1.1.7, 4.4.4, 4.4.12, 5.4.24, 7.4.14, 7.4.15, 7.4.16, 7.4.17, 11.4.2, 11.4.3, 12.4.2, 13.4.2, 13.4.4, 17.4.3, 17.4.4, 18.4.1, 18.4.6, 21.4.1, 22.4.12, 22.4.13, 22.4.15, 22.4.18, 22.4.32, 22.4.35, 28.4.2

SUMMARY TABLES & CHARTS

SUMMARY TABLES & CHARTS

I. Audit Work Statistics

Table 1 **(Rs. in million)**

Sr. No.	Description	No.	Amount
1.	Total Entities (Ministries / PAOs) in Audit Jurisdiction	60	1,760,985.200*
2.	Total formations in audit jurisdiction	2,830	
3.	PAO's Planned	50	1,738,790.590*
4.	Formations Planned	499	
5.	Total Entities (Ministries / PAOs) Audited	48	1,219,958.030
6.	Total formations Audited	362	
7.	Audit & Inspection Reports	362	
8.	Special Audit Reports	-	-
9.	Performance Audit Reports	-	-
10.	FAP Reports	15	55,360.000
11.	Certification Reports	4	18,066,000.076

***** *Budgeted amount*

II. Audit Observations Classified by Categories

Table 2 **(Rs. in million)**

Sr. No.	Description	Monetary Value of Audit Observations
1.	Unsound asset management	11,306.376
2.	Weak financial management	578,221.066
3.	Weak internal controls relating to financial management	553,178.028
4.	Others	10,862.855
	Total	**1,153,568.325**

III. Outcome Statistics

Table 3 **(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	48,798	24,399	12,199	1,134,561	1,219,958.030	1,062,516.810
2.	Monetary Value of Audit Observations	187.129	215.848	36,521.928	1,116,643.420	1,153,568.325	116,914.455
3.	Recoveries pointed out at the instance of audit	2.700	-	32,266.359	3,111.482	35,559.366	5,610.513
4.	Recoveries established at the instance of audit	2.700	-	32,266.359	3,111.482	35,559.366	5,610.513
5.	Recoveries realized at the instance of audit	-	-	450.719	20.679	471.398*	30.628

* This figure includes recoveries amounting to Rs. 7.036 million from July, 2014 to December, 2014 and Rs. 464.362 million from January, 2014 to June, 2014.

IV. Irregularities Pointed Out

Table 4 **(Rs. in million)**

Sr. No.	Description	Amount Placed under Audit Observation
1.	Violation of rules and regulations and violation of principle of propriety and probity in public operations.	171,623.615
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	400.769
3.	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on	13,770.427

	the financial statement.	
4.	If possible quantify weaknesses of internal control systems.	931,028.734
5.	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies.	35,559.366
6.	Non-Production of record.	1,089.049
7.	Others, including cases of accidents, negligence etc.	96.365

V. Cost-Benefit

Table 5 **(Rs. in million)**

Sr. No.	Description	2014-15 Amount	2013-14 Amount
1.	Outlays Audited	1,219,958.030	1,062,516.810
2.	Expenditure on Audit	165.560	147.131
3.	Recoveries realized at the instance of audit	471.398	30.628
Cost-Benefit Ratio		**2.85**	**0.21**

CHAPTER 1

1. PUBLIC FINANCIAL MANAGEMENT ISSUES

1.1 ACCOUNTANT GENERAL PAKISTAN REVENUES (AGPR)

1.1.1 Difference in cash balances of Federal Government reported in Books of Accounts and reported by State Bank of Pakistan - Rs. 5,845.395 million

Risk Categorization: **High**

Observation

Para 6.3.4.1 of Accounting Policy and Procedures Manual (APPM) states that a monthly reconciliation of bank accounts is a necessary part of financial management and is also an effective measure for detecting and deterring fraud and irregularities.

Para 6.3.4.2 of APPM provides that every DAO shall prepare a monthly reconciliation statement for expenditures and receipts.

Para 6.3.4.3 of APPM envisages that the respective Accountant General shall prepare a consolidated monthly reconciliation statement for each government bank account.

The Manuscripts of Appropriation Accounts and Financial Statements of Federal Government for the year 2013-14 reported a difference of cash balance of Rs. 5,845,394,991 as on 30.06.2014. Details are as under:

(Rupees)

S. No.	Remarks	Cash Balance
1.	Cash balance as per Books of Accounts as on 30.06.2014	237,837,251,710
2.	Cash balance as per State Bank as on 30.06.2014	231,991,856,719
	Difference	**5,845,394,991**

Audit observed that there was a difference of Rs. 5,845,394,991 in the cash balances appearing in the Books of Accounts and reported by the State Bank of Pakistan.

Implication:

Audit is of the view that:

i. Monthly reconciliation for determining the actual position of cash balances was not being carried out as required in APPM resulting in huge difference of cash balances.

ii. Neither any effective mechanism was developed nor were serious steps/measures taken by the Ministry of Finance/Controller General of Accounts to minimize the difference in cash balances in State Bank of Pakistan and Books of Accounts.

iii. Huge difference in two cash balances was a serious issue which requires dedicated efforts for resolution.

Management Reply:

The matter was being taken up with the office of the Controller General of Accounts. Any progress in this regard will be intimated accordingly.

Audit Comments:

A proper mechanism be developed to reconcile the cash balances regularly with the State Bank of Pakistan during the financial year to avoid large differences which cause undue pressure on the Federal Government.

1.1.2 Non-reporting of Third Party Payments in Financial Statements for 2013-14

Risk Categorization: low

Observation

Serial No. 1.3.24 of IPSAS Cash Basis states that where, during a reporting period, a third party directly settles the obligations of an entity or purchases goods and services for the benefit of the entity, the entity should disclose in separate columns on the face of the statement of cash receipts and payments

During Certification Audit of Manuscripts of Financial Statements of Federal Government for the year 2013-14, Audit noted that the Federal Government had disclosed third party payments as NIL.

Implication:

Audit is of the view that non-disclosure of third party payments was not depicting a true and fair picture of the accounts of the Federal Government due to non-existence of accounting and financial reporting system relating to third party payments.

Management Reply:

No third party payments have been reported to this office during the financial year 2013-14 as per IPSAS requirement.

Audit Comments:

Audit recommends that steps should be taken to frame a policy so that third party payments do not remain outside the financial statements.

1.1.3 Large amounts of Supplementary Grants remained not printed/un-approved - Rs. 306,397.390 million

Risk Categorization: High

Observation

Article 83 of Constitution of Islamic Republic of Pakistan, 1973 provides that (1) The Prime Minister shall authenticate by his signature a schedule specifying, (a) the grants made or deemed to have been made by the National Assembly under Article 82, and (b) the several sums required to meet the expenditure charged upon the Federal Consolidated Fund but not exceeding, in the case of any sum, the sum shown in the statement previously laid before the National Assembly. (2) The schedule so authenticated shall be laid before the National Assembly, but shall not be open to discussion or vote thereon. (3) Subject to the Constitution, no expenditure from the Federal Consolidated Fund shall be deemed to be duly authorized unless it is specified in the schedule so authenticated and such schedule is laid before the National Assembly as required by Clause (2).

Article 84 of Constitution of Islamic Republic of Pakistan, 1973 states that if in respect of any financial year it is found, (a) that the amount authorized to be expended for a particular service for the current financial year is insufficient, or that a need has arisen for expenditure upon some new service not included in the Annual Budget Statement for that year; or (b) that any money has been spent on any service during a financial year in excess of the amount granted for that service for that year; the Federal Government shall have power to authorize expenditure from the Federal Consolidated Fund, whether the expenditure is charged by the Constitution upon that Fund or not, and shall cause to be laid before the National Assembly a Supplementary Budget Statement or, as the case may be, an Excess Budget Statement, setting out the amount of that expenditure, and the provisions of Articles 80 to 83 shall apply to those statements as they apply to the Annual Budget Statement.

The Manuscripts of Appropriation Accounts of the Federal Government for 2013-14 revealed that the total Supplementary Grants allowed by the Finance Division and the Supplementary Grants printed in the Supplementary Schedule of Authorized Expenditure were as under:

(Rupees)

S. No.	Remarks	Amount
1.	Total Supplementary Grants as per Manuscript of Appropriation Accounts for 2013-14	5,983,142,689,000
2.	Supplementary Grants printed in Supplementary Schedule of Authorized Expenditure	5,676,745,299,000
3.	Supplementary Grants not printed in Supplementary Schedule of Authorized Expenditure	306,397,390,000

Audit observed that Supplementary Grants amounting to Rs. 306,397,390,000 were not printed which came to 5.12% of the total Supplementary Grants.

Implication:

Audit is of the view that it was the responsibility of the Ministry of Finance to make necessary arrangements and take appropriate measures for placing all Supplementary Grants before the National Assembly for authentication/approval, which was not done.

Management Reply:

All the departments had been directed to provide information regarding Supplementary Grants which remained not printed.

Audit Comments:

Appropriate measures be initiated/taken to ensure that all Supplementary Grants are printed in the Supplementary Schedule of Authorized Expenditure for authentication by the Parliament.

1.1.4 Expenditure in excess of the Final Grant - Rs. 87,348.294 million

Risk Categorization: High

Observation

Para 12 of GFR Volume-I states that a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume before Government and the Public Accounts Committee, if necessary, complete responsibility for departmental expenditure and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise.

The Manuscript of Appropriation Accounts of Federal Government for 2013-14 revealed that the Actual Expenditure of Rs. 87,348,294,340 was in excess of the Final Grants under the following object heads:

(Rupees)

S. No.	Object	Non Development	Development	Total
1.	A01-Employee Related Expenses	13,446,823,849	78,164,994	13,524,988,843

2.	A03-Operating Expenses	222,769,502	7,844,906,984	8,067,676,486
3.	A04-Employees Retirement Benefits	2,333,871,912	0	2,333,871,912
4.	A05-Grants, Subsidies and Write of Loans	695,308,954	11,368,486,908	12,063,795,862
5.	A06-Transfers	132,380	0	132,380
6.	A08-Loans and Advances	10,013,570	51,228,486,005	51,238,499,575
7.	A09-Expenditure on acquiring of physical assets	143,457	0	143,457
8.	A12-Civil Works	47,149,996	10,182,128	57,332,124
9.	A13-Repair and Maintenance	61,853,701	0	61,853,701
	Total	**16,818,067,321**	**70,530,227,019**	**87,348,294,340**

Audit observed that excess expenditure of Rs. 87,348.294 million was incurred without budget allocation.

Implication:

Audit is of the view that the expenditure in excess of the budget allocation resulted in financial indiscipline.

Management Reply:

All the departments had been directed to provide justifications for incurring excess expenditure over and above allocation.

Audit Comments:

The reply was not accepted because it was the responsibility of the AGPR management to ensure that no expenditure was incurred in excess of the budget allocation. It was the failure of the internal controls of AGPR which resulted in the excess expenditure, and seeking justifications from the departments was not the remedy for the irregularity.

1.1.5 Unauthorized expenditure without budget allocation - Rs. 7,880.449 million

Risk Categorization: High

Observation

Para 12 of GFR Volume-I states that a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided. In order to maintain a proper control, he should arrange to be kept informed, not only of what has actually been spent from an appropriation but also what commitments and liabilities have been and will be incurred against it. He must be in a position to assume before Government and the Public Accounts Committee, if necessary, complete responsibility for departmental expenditure and to explain or justify any instance of excess or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise.

The Manuscript of Appropriation Accounts of Federal Government for 2013-14 revealed that an expenditure of Rs. 7,880.449 million was incurred on the following object heads:

(Rupees)

S. No.	Object	Amount
1.	A01-Employee Related Expenses	21,822,960
2.	A03-Operating Expenses	6,578,634,984
3.	A05-Grants, Subsidies and Write off of Loans	1,279,990,700
	Total	**7,880,448,644**

Audit observed that the expenditure was incurred without budget allocation.

Implication:

Audit is of the view that the expenditure without budget allocation resulted in financial indiscipline.

Management Reply:

The budget checks in SAP system were not applied on the Employees Related Expenses. An amount of Rs. 6,578.634 million was wrongly compiled under Cost Centre. The data was incorporated by the BISP directly into SAP system which was erroneously imported in Appropriation Accounts. The expenditure of Rs. 1,279.991 million related to Foreign Aid Grants to Refurbishment and Up-gradation of general units of Mangla Power Station. The funds were directly disbursed by the donors through State Bank of Pakistan, Karachi.

Audit Comments:

The reply was not accepted because it was not possible for BISP to directly enter the data into the SAP system without the authorization of the AGPR management. If so, it would indicate that the internal controls of AGPR were totally inadequate which were unable to prevent unauthorized entry into the system and its subsequent detection. Direct payments by the State Bank of Pakistan without pre-audit checks was in violation of Section 5(b) of the Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001.

1.1.6 Irregular direct payments made from the Federal Consolidated Fund on the advice of Finance Division - Rs. 329,923.253 million

Risk Categorization: High

Observation

Article 170(1) of the Constitution of the Islamic Republic of Pakistan, 1973 states that the accounts of the Federation and Provinces shall be kept in such form and in accordance with such principles and methods as the Auditor General may, with the approval of the President, prescribe.

Section 5(b) of Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 states that it is the function of the CGA to authorize payments and withdrawals from the Consolidated Fund and Public Accounts of the Federal and Provincial Governments against approved budgetary provisions after pre-audit checks as the Auditor General may, from time to time, prescribe.

Rule 13 of FTR Volume-I states that save as expressly provided by or under these rules or unless the Government after consultation with the Auditor General, otherwise, directs in any case, moneys may not be withdrawn from the Federal Consolidated Fund or the Public Account of the Federation, as the case may be, without the written permission of the Treasury Officer or of an officer of the Pakistan Audit Department authorized in this behalf by an Accountant General.

The Manuscript of Appropriation Accounts of Federal Government for 2013-14 revealed that payments amounting to Rs. 329,923.253 million were directly made from the Federal Consolidated Fund on the advice of Finance Division.

Audit observed that the payments were made without consultation with the Auditor General and without pre-audit checks as required under Section 5(b) of Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001.

Implication:

Audit is of the view that this was a violation of Article 170(1) of the Constitution of the Islamic Republic of Pakistan, 1973 and resulted in financial indiscipline.

Management Reply:

The management did not reply.

Audit Comments:

Audit recommends that the payments should not be made without pre-audit checks in violation of the Constitutional provisions and Federal Treasury Rules.

1.1.7 Un-reconciled expenditure - Rs. 187,687.72 million

Risk Categorization: High

Observation

Para 89(3)(viii) of GFR Volume-I states that the head of the department and the Accountant General, will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those that appear in the Accountant General's books. Unless in any case there are special rules or orders to the contrary, the reconciliation should be made monthly, the initial responsibility resting with the Accountant General.

The Manuscript of Appropriation Accounts of the Federal Government for 2013-14 revealed an expenditure of Rs. 187,687.72 which was not reconciled with the Drawing and Disbursing Officers. Details are as under:

(Rs. in million)

S. No.	Office	Current Expenditure	Development Expenditure	Total
1.	AGPR (Main) Islamabad	157,705.00	12,405.00	170,110.00
2.	AGPR sub-office Karachi	83.59	4,022.17	4,105.76
3.	AGPR sub-office Lahore	21.00	161.00	182.00
4.	AGPR sub-office Peshawar	3,446.03	9,841.59	13,287.62
5.	AGPR sub-office Quetta	2.34	0	2.34
	Total	**161,257.96**	**26,429.76**	**187,687.72**

Implication:

Audit is of the view that non-reconciliation of expenditure could lead to misappropriation, fraud, embezzlement and variation in the expenditure figures which could affect the presentation of the Federal Government accounts.

Management Reply:

The financial year 2013-14 has been closed. The Manuscript of Appropriation Accounts has also been finalized, indicating Final Grant and expenditure of Federal Government. This office accordingly, on the closure of financial year informed the concerned Principal Accounting Officers about the status of expenditure and defaulters and asked for timely reconciliation. However, the departments did not respond. As the accounts have now been closed, therefore, the reconciliation of un-reconciled expenditure will have no accounting effect. To avoid repetition of the same lapse in the current year, this office is in constant liaison with all the respective departments to get all the expenditure statements reconciled timely. The defaulting departments are being approached at higher level.

Audit Comments:

The initial responsibility for timely reconciliation of expenditure rests with the Accountant General under Para 89(3)(viii) of GFR. The reconciliation was required to be carried out before the finalization of the accounts and preparation of the Manuscript of Appropriation Accounts. The SAP system has been installed at a huge cost for the timely reconciliation and preparation of the accounts. Failure to achieve these objectives was indicative of the poor internal controls of the AGPR.

1.1.8 Un-authorized payment of Health Allowance to non-entitled employees - Rs.337.965 million

Risk Categorization: High

Observation

The Finance Division vide U.O. No. F.2(13)R-2/2012-172 dated 27.03.2012 granted Health Allowance to health personnel including non-clinical cadre serving in Federal Hospitals/Clinics.

The Manuscripts of Appropriation Accounts of the Federal Government for 2013-14 revealed that Health Allowance amounting to Rs. 337.965 million was paid to employees of Capital Administration Development Division and Directorate General of Special Education.

Audit observed that the Health Allowance was paid to non-entitled employees.

Implication:

Audit is of the view that payment of Health Allowance to non-entitled employees due to financial indiscipline resulted in loss to the government.

Management Reply:

The payment of Health Allowance to employees of Capital Administration Development Division and Directorate General of Special Education had been stopped.

Audit Comments:

Audit recommends that responsibility should be fixed for the unauthorized payment of Health Allowance to non-entitled employees and the amount already paid should be recovered.

1.1.9 Non-maintenance of record of loans and advances paid from Grant No. 144-Development Loans and Advances of Federal Government - Rs. 107,575.279 million

Risk Categorization: High

Observation

Para 240 of GFR Volume-I states that the following general instructions apply to all loans and advances to local bodies, etc., other than advances to cultivators, etc., which are governed by special rules, and subject to the provisions of relevant Acts or rules made there under, the conditions under which the loans are granted should be regulated accordingly:

i. A specific term should be fixed which should be as short as possible within which each loan or advance should be fully repaid with interest due.

ii. The term is to be calculated from the date on which the loan is completely taken up or declared by competent authority to be closed.

iii. The repayment of loan should be effected by installments, which should ordinarily be fixed on a half-yearly basis, due dates for payment being specially prescribed.

iv. Installments paid before the due date will be taken entirely to principal unless, of course, any interest for a preceding period is overdue.

The Manuscript of Appropriation Accounts of the Federal Government for 2013-14 revealed that an amount of Rs. 107,575.279 million was paid to the following entities out of Grant No.144-Development Loans and Advances of Federal Government:

(Rupees)

S. No.	Name of Department	Original Allocation	Supplementary Grant	Surrender	Final Grant	Actual Expenditure
1.	NHA	32,122,258,000	25,500,000,000	0	57,622,258,000	52,280,968,000
2.	PBC	181,965,000	0	19,761,000	162,204,000	162,204,000
3.	AJK	19,271,240,000	0	7,033,747,000	12,237,493,000	12,223,253,000
	WAPDA (Power Wing)	17,737,425,000	24,500,000,000	129,801,000	42,107,624,000	42,107,624,000
4.	Project (RBOD-I)	401,230,000	0	0	401,230,000	401,230,000
5.	Balochistan Efficient Disposal in PROB-II	1,000,000,000	0	600,000,000	400,000,000	400,000,000
	Total	**70,714,118,000**	**50,000,000,000**	**7,783,309,000**	**112,930,809,000**	**107,575,279,000**

Audit observed that broadsheets were not maintained to watch the repayment of loans and recovery of interest.

Implication:

Audit is of the view that due to non-maintenance of record the authenticity of repayment and servicing of loans could not be ascertained.

Management Reply:

The provision of GFR Volume-I quoted in the observation mostly pertains to loans and advances to individuals and government servants. Recovery of such advances was made from the monthly salaries of the employees. There existed no system in this office for recovery of loans granted by the government to other organizations/departments as development loan. AGPR, Islamabad released loans to the organizations as mentioned in Serial No. 1, 2 and 4 while the remaining loans were not routed through this office. NHA's view point regarding repayment of loan was that they carried out development of highways/bridges, etc. on behalf of the government and did not consider it as loans. The word ‘development loan’ was used by the Finance Division according to their own requirements. Watching recovery of principal and interest of such loans was the responsibility of the loan sanctioning authority. There might be some mechanism/arrangement in the Ministry of Finance to ensure these issues. Regarding maintenance of broadsheets, it is stated that due to the reasons mentioned above, these were not maintained. In the changed scenario (introduction of SAP) there seems no necessity for the maintenance of broadsheets.

Audit Comments:

Para 240 of GFR Volume-I quoted by Audit was very much relevant which stated that these instructions applied to all loans and advances to local bodies, etc.

1.1.10 Understatement of expenditure of GP Fund payments - Rs. 381.388 million

Risk Categorization: High

Observation

Serial No. 4.8.8.1 of APPM states that the delegated officer in the Account Section of the DAO/AG/AGPR office shall consolidate the expenditures, on a monthly basis, from the entries in the General Ledger and include them in the Monthly Accounts and also as provided in para 4.4 “Accounting for Expenditures”.

The Manuscript of Financial Statements of the Federal Government for 2013-14 revealed that the total payments of GP Fund were Rs. 870.371 million.

Audit observed that an amount of Rs. 381.388 million was not reported in the Financial Statements. Details are as under:

(Rs. in million)

S. No.	Remarks	Amount
1.	Temporary GP fund advances	302.956
2.	Permanent GP fund advances	301.561

3.	Final Payments of GP fund	647.242
	Total Payments	**1,251.759**
4.	Less: Amount reflected in Financial Statements relating to AGPR Islamabad.	870.371
5.	Amount understated in Financial Statements relating to AGPR, Islamabad.	**381.388**

Implication:

Due to non-reporting of actual expenditure of GP Fund the Financial Statements of the Federal Government were understated by Rs. 381.388 million.

Management Reply:

The management did not reply.

Audit Comments:

Audit recommends that the expenditure may be properly consolidated so that the actual figures are reported in the Financial Statements.

1.1.11 Un-authorized payment of allowances to non-entitled employees of Federal Directorate of Education (FDE), Islamabad

Risk Categorization: High

Observation

The Finance Division vide letter No. 1(13) R-1/2010 dated 10.09.2013 clarified that since the incumbents after grant of higher pay scale were to be considered the incumbents of original posts with no change in status/entitlement, the admissibility of Entertainment Allowance, Senior Post Allowance, Orderly Allowance, House Rent Allowance and Transport Monetization Allowance will be determined with reference to the original posts of the incumbents.

The management of AGPR, Islamabad was requested to provide detail of employees of Federal Directorate of Education (FDE), Islamabad who were allowed Time Scales.

Audit observed that 143 teaching staff (from BPS-17 to 20) were drawing allowances of Time Scale instead of their original scales. The data of remaining employees was not provided.

Implication:

Audit is of the view that unauthorized payment of allowances resulted in loss to national exchequer.

Management Reply:

The management did not reply.

Audit Comments:

Audit recommends that the irregular practice should be discontinued besides recovery of unauthorized payment of allowances.

1.2 CENTRAL DIRECTORATE OF NATIONAL SAVINGS (CDNS)

1.2.1 Irregular/excess payment of insurance premium to National Insurance Company Limited (NICL) - Rs. 10.718 million

Risk Categorization: High

Observation

Rule 10(i) of GFR Volume-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.

The management of Central Directorate of National Savings, Islamabad was operating 374 National Saving Centers (NSCs) and 16 National Saving Treasuries (NSTs). The management insured a maximum amount of Rs. 1,939.700 million and Rs. 2,152.200 million @ Rs. 0.300% per annum on account of cash available in safe and counters in NSCs and NSTs during 2012-13 and 2013-14, respectively. The management paid an amount of Rs. 21.272

million to National Insurance Company Limited on account of premium on insured amount.

Audit observed that:

i. No written agreement was provided to Audit.

ii. The management paid premium amounting to Rs. 21.272 million for both safe and cash whereas the premium of Rs. 10.554 million was to be paid against sum insured. Thus, payment of Rs. 10.718 million was paid in excess of actual claim of National Insurance Company Limited.

Implication:

Excess payment has been made to the National Insurance Company Limited resulting in loss to the government.

Management Reply:

The management did not reply.

Audit Comments:

Audit recommends that the excess payment may be recovered from the National Insurance Company Limited.

CHAPTER 2

2. BENAZIR INCOME SUPPORT PROGRAM (BISP)

2.1 Introduction of Program

The Benazir Income Support Program (BISP) was established through an Ordinance in 2009 to provide financial assistance and other opportunities, such as education, vocational training, skills development, welfare programs, livelihood programs, health insurance, accident insurance, and access to microfinance. According to the Ordinance, BISP will strive to achieve the following three objectives:

a. Enhance financial capacity of the poor and their dependent family members;
b. Formulate and implement comprehensive policies and targeted programs;
c. Reduce poverty and promote equitable distribution of wealth, especially for the low income groups.

The President of Pakistan is Chief Patron and the Prime Minister is Executive Patron of BISP, while a Federal Minister manages its operations as Chairperson with the help of a Board constituted by the President on the advice of the Prime Minister. Key powers and functions of the Board are as under:

a. To approve the budget of the programme prepared by the management;
b. To take decisions on the financial aspects of the programme;
c. To monitor the programme in a transparent manner;
d. To make regulations and approve policies and manuals in order to carry out the purposes of the Ordinance;
e. To approve criteria of eligible families for financial assistance under the programme;
f. To present annual progress reports to the Council and consider recommendations.

2.2 Comments on Budget & Accounts (Variance Analysis)

Original budget allocated to the Benazir Income Support Program for the financial year 2013-14 was Rs 50,000.00 million, out of which the Program incurred an expenditure of Rs. 46,381.086 million resulting in a saving of Rs. 3,618.914 million which is 7.24% of the Final Budget.

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
101	**Development**	50,000,000,000	-	50,000,000,000	46,381,086,248	(3,618,913,752)	(7.24)

Variance analysis could not be performed due to non-existence of a separate grant for BISP. The expenditure was incurred from Grant No. 101 "other expenditure of the Cabinet Division".

2.3 Brief comments on the status of compliance with PAC Directives

There is no PAC Directive in respect of BISP.

2.4 AUDIT PARAS

Irregularity & Non Compliance

2.4.1 Recovery of House Rent Allowance - Rs. 9.453 million

Rule 4(c) of Accommodation Allocation Rules, 2002 states that government servant transferred to an autonomous organization at the same station may retain the accommodation under intimation to the Estate Office till such time as that organization provides him alternate accommodation or for a period of five years whichever is earlier. The total monthly house rent allowance payable to the allottee or his rental ceiling, whichever is more, will be payable into government treasury by the organization.

Rule 26(1) of Accommodation Allocation Rules, 2002 states that unless entitled to rent free accommodation the allottee of an accommodation shall be charged normal rent @ 5% of the emoluments as defined in Rule 2(e).

The management of BISP paid House Rent Allowance amounting to Rs. 8.508 million to 41 employees working on deputation.

Audit observed as under:

i. The House Rent Allowance amounting to Rs. 8.508 million (Rs. 945,366 × 09 months) from July, 2013 to March, 2014 was paid to the employees residing in government accommodation.

ii. House Rent Charges @ 5% amounting to Rs. 0.945 million was not deducted at source from July, 2013 to June, 2014.

Audit is of the view that payment of House Rent Allowance to the employees residing in government accommodations and non-deduction of House Rent Charges was irregular and unauthorized.

The management replied that those who were paid House Rent Allowance up to March, 2014 were asked to deposit the standard rent/house rent. No House Rent Allowance was paid from April, 2014 onwards. Treasury deposits challans for deposit of standard/market rent for the houses relating to Estate Office Islamabad was sent on 15.12.2014 for signature as the State Bank/National Bank of Pakistan did not entertain any deposit challan without the endorsement of the Estate Office.

The reply was not accepted because the total monthly House Rent Allowance payable to the allottee or his rental ceiling, whichever is more, should be deposited into the government treasury by the organization. Further, House Rent Charges @ 5% of the emoluments as defined in Rule 2(e) should also be deposited into the government treasury.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the amount should be recovered and deposited into government treasury.

2.4.2 Unauthorized payment of Monetization Allowance to officers of BPS -18 and 19 - Rs. 9.573 million

Section 6(1)(d) of the Benazir Income Support Program Act, 2010 states that the Board’s powers and functions shall be to make regulations and approve policies and manuals in order to carry out the purposes of this Act.

The Federal Government approved the "Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22" vide Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011. The Monetization Policy was implemented w.e.f. 01.01.2012.

Rule 2(x) of Use of Staff Cars Rules, 1980 defines the 'Entitled Officers' as officers of Grade 22, 21 & 20 of the Federal Government borne on the sanctioned Establishment of a Division or an Organization under its administrative control.

The management of Benazir Income Support Program paid an amount of Rs. 9.573 million @ Rs. 45,588 per month as Monetization Allowance to officers of BPS-18 and 19 working as Directors during 2013-14. Details are at Annexure-II.

Audit observed as under:

i. The monetization policy was for Civil Servants in BS-20 to BS-22 of Ministries/Divisions/Attached Departments and sub-ordinate offices.

ii. Payment of Monetization Allowance to officers of BPS-18 and 19 was not covered under the monetization policy.

Audit is of the view that payment of Monetization Allowance was irregular and unauthorized.

The management replied that on the analogy of Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22, the BISP Board in its 16th meeting extended the facility to the entitled officers of BISP, Headquarters, i.e. officer of BS-19 and above. The monetization policy was implemented only to the extent of officers of BPS-19 and above who were otherwise entitled for using official vehicles as per authorization by the Board. However, a reference regarding admissibility of the Monetization Allowance was being sent to the Cabinet Division and Finance Division for concurrence.

The reply was not accepted because the Monetization Policy was only applicable to the entitled officers of the Federal Government, i.e. BS-20 to BS-22, and not to the officers of BS-18 and 19.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that Monetization Allowance should be recovered from the non-entitled officers and deposited into the government treasury.

2.4.3 Unauthorized payment of Monetization Allowance to a contract employee - Rs. 1.385 million

Section 2(b)(1)(i)(ii) of the Civil Servant Act, 1973 states that "civil servant" means a person who is a member of an All-Pakistan Service or of a civil service of the Federation, or who holds a civil post in connection with the affairs of the Federation, including any such post connected with defence, but does not include:

i. a person who is on deputation to the Federation from any Province or other authority; or

ii. a person who is employed on contract, or on work-charged basis or who is paid from contingencies;

The Federal Government approved the "Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22" vide Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011. The Monetization Policy was implemented w.e.f. 01.01.2012.

Rule 2(x) of Use of Staff Cars Rules, 1980 defines the 'Entitled Officers' as officers of Grade 22, 21 & 20 of the Federal Government borne on the sanctioned Establishment of a Division or an Organization under its administrative control.

The management of Benazir Income Support Program paid an amount of Rs. 1.385 million @ Rs. 65,960 per month as Monetization Allowance to Mr. Jehangir Alam Chohan, re-employed as Director General BS-20 on contract basis from October, 2012 to June, 2014.

Audit observed that the officer was a contract employee and was not entitled for the Monetization Allowance.

Audit is of the view that payment of Monetization Allowance to a contract employee was irregular and unauthorized.

The management replied that BISP being newly established organization and its employees consist of contract, deputationists and re-employed. BISP monetization policy was approved by the BISP Board for all employees irrespective of their appointment status. Mr. Jahangir Alam Chohan was a retired officer of BS-21 and re-employed in BS-20. He was entitled for all the perks and privileges of the post equivalent to BS-20 and accordingly he was given Monetization Allowance.

The reply was not accepted because being a contract employee the officer was not entitled for Monetization Allowance.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that recovery should be made from the officer and deposited into government treasury.

2.4.4 Excess payment of salary to Director (I.T.) - Rs. 3.338 million

Para No. 1(2) of the appointment letter No. 1(38)BISP/Admn/09 dated 27.01.2009 states that Mr. Hamid Ali Khan was appointed as Director (I.T.) in BS-19 on contract basis for a period of one year with lump sum package of Rs. 75,000 per month. The last contract was extended vide letter No. 1(41)BISP/Admn/2009 dated 07.05.2013 w.e.f. 27.01.2013.

The management of BISP paid pay and allowances to Mr. Hamid Ali Khan according to the BISP pay scales.

Audit observed that an amount of Rs. 3.338 million was paid in excess of the service contract from 01.07.2010 to 30.06.2014.

Audit is of the view that payment of pay and allowances in excess of the service contract was irregular and unauthorized.

The management replied that in the beginning, BISP adopted the Standard Pay Package for the projects issued vide Finance Division O.M. No. F.4(9)R-3/2008-499 dated 12.08.2008. The pay was fixed at the minimum of BPS -19 (Rs. 75,000 to Rs. 90,000 with 5% annual increase). Later, the BISP Board approved the BISP Special Pay Scales w.e.f. 01.07.2010 and all existing officers/officials were allowed to opt either for the new SPS or for their previous scales. Mr. Hamid Ali opted for the new SPS and his pay was fixed accordingly. Hence, no overpayment was involved. The services of the officers on contract in BISP were regularized w.e.f. 20.05.2013 vide letter No. 3(108)/BISP/HQ2012 dated 20.05.2013 by the previous management. The issue of regularization has to be finally decided by the Board.

The reply was not accepted because the officer was appointed on lump sum salary package and terms of appointment could not be changed during the currency of the contract.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity besides recovery of overpayment.

2.4.5 Overpayment of pay and allowances - Rs. 3.609 million

Serial No. 11(1)(iv) of Schedule II of Rules of Business, 1973 describes the business of Establishment Division for regulation of all matters of general applicability to civil posts in connection with the affairs of the Federation including terms and conditions of service (including re-employment after retirement) other than those falling within the purview of the Finance Division.

The Finance Division vide letter No. F.4(13)R-3/2013-623 dated 06.12.2013 examined the case of Lt. Col (R) Muhammad Iqbal in BPS-19 and observed that the case of the officer was of re-employment and his pay may be fixed as per his contract in the light of para 1(a) of the Establishment Division letter No. 10/52/95-R.2 dated 21.08.2001. Accordingly, the officer was paid pay and allowances.

Establishment Division U.O. No. 2/1/2014-R-II dated 05.05.2014 states that the appointment of the officer (Lt. Col (R) Muhammad Iqbal, Director/B-19) was made through open competition with the approval of Appointing Authority and not by the Prime Minister under the re-employment policy. Therefore, the appointment of the officer was not re-employment within the meaning of Civil Servants Act, 1973. The officer was entitled for the pay package, perks and privileges laid down for that position as per the advertisement.

Establishment Division vide letter No. 7/3/89-OMG-II dated 28.01.1989 states that re-employment beyond the age of superannuation in all cases requires the approval of the Prime Minister.

Lt. Col (R) Muhammad Iqbal was appointed vide letter No. 1(16)BISP/Admn/08 dated 09.01.2009 as Director Operations (BS-19) on purely ad-hoc and temporary contract basis.

Audit observed that it was reported to the Secretary, BISP that the appointment of the officer was a fresh appointment, but he was paid pay and allowances equal to the officers re-employed in B-19 instead of a fresh appointee resulting in overpayment of Rs. 3.609 million from 09.01.2009 to 30.06.2014. Therefore, the Secretary BISP decided on 10.07.2014 to recover the overpaid amount from the officer.

Audit is of view that the overpayment Rs. 3.609 million was recoverable.

The management replied that the Finance Division vide O.M. No. F.4(13)R-3/2013-623 dated 06.12.2013 had clarified that the case of the officer was of re-employment and accordingly benefit of pay fixation was given to him. Later, the Establishment Division in another case differed from the views of the Finance Division and thereafter pay of the officer was stopped till final decision. Now, the Finance Division vide O.M. No. 4(13)R-3/2013-328/2014 dated 21.10.2014 informed that necessary action may be taken as per their advice dated 06.12.2013.

The reply was not accepted because the officer was not re-employed but obtained appointment pursuant to an open advertisement, and was, therefore, entitled to receive pay and allowances of a fresh appointee and not a re-employed officer. The Secretary, BISP had, therefore, directed that the overpaid amount may be recovered.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity besides recovery of overpayment.

2.4.6 Failure to recover installments of Waseela-e-Rozgar scheme - Rs. 1,694.550 million

Para 4 of the Agreement between BISP and beneficiary approved by the Ministry of Law, Justice and Parliamentary Affairs vide letter No. F.1(266)/2010-Law-II dated 01.01.2011 states that the financial assistance shall be payable back to BISP in 180 installments or otherwise as per arrangement finalized between BISP and the beneficiary which will however not exceed the stipulated 180 months and such arrangement will be communicated to the beneficiary in writing.

The management of BISP provided loans amounting to Rs. 1,694.550 million to 11,297 beneficiaries @ Rs. 150,000 each being one half of the total amount of the loan, i.e. Rs. 300,000. Details are as under:

(Rs. in million)

S. No.	Years	No. of cases	Amount
1.	2009-10	1,117	167.555
2.	2010-11	1,833	274.950
3.	2011-12	4,854	728.100
4.	2012-13	3,493	523.950
5.	2013-14	0	0
	Total	**11,297**	**1,694.555**

Audit observed that the management adopted their own drafted agreement instead of the agreement approved by the Ministry of Law, Justice and Parliamentary Affairs, which resulted in non-recovery of installments of loans.

Audit is of the view that failure to adopt the government approved agreement deprived the government of its due recovery.

The management replied that the program was designed for ultra-poor people having almost no savings or assets and were not able to provide any guarantee or collateral against loan amount of Rs. 300,000 in two installments. The draft of the contract made between BISP and the beneficiary was prepared in light of Waseela-e-Haq design approved by BISP Board and finalized after taking legal and financial advice of Director (Legal). The recovery of loan amount was initiated after one year of disbursement of final installment, in 180 equal monthly installments of 15 years recovery from the beneficiaries who had received final installments. However those beneficiaries who had received only first installment of Rs. 150,000 did not come under the purview of existing recovery policy. BISP Board in its 20th Board meeting decided to close Waseela-e-Haq initiative and merge the same with Waseela-e-Rozgar program.

The reply indicates that the agreement signed with the beneficiaries did not protect the interest of government and was different from the contract approved by the Ministry of Law, Justice and Parliamentary Affairs. It appears that a faulty contract was deliberately implemented leaving aside a contract approved by the Ministry of Law, Justice and Parliamentary Affairs.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed, loan should be recovered and deposited into government treasury.

2.4.7 Non reconciliation of funds placed with Pakistan Post Office and banks for disbursement to beneficiaries - Rs. 53,870.201 million

Para 15 of Accounting Procedure for BISP duly concurred/vetted by the Auditor General of Pakistan states that for proper account keeping, BISP shall maintain different books of accounts, including reconciliation with the bank and treasury.

Para 23 of Accounting Procedure for BISP states that the Cash Book shall be maintained in accordance with the provisions of FTR and shall be reconciled on monthly basis with bank and AGPR.

Para 14 of Accounting Procedure for BISP states that the Pakistan Post shall provide BISP after each disbursement (a) Disbursement report and (b) Funds reconciliation report. The BISP Secretariat shall adjust in the next installments the undistributed amount, if any. The release of amount, in any given month, to the Pakistan Post would be calculated keeping in view the active and eligible number of beneficiaries and adjustment for any undistributed sums from previous installments.

The BISP management entered into agreements with Pakistan Post and commercial banks which contained the provision of reconciliation of funds disbursed before the next payment. The management paid an amount of Rs. 53,870.201 million to Pakistan Post and various banks during 2013-14. Details are as under:

(Rupees)

S. No.	Particulars	Expenditure
1.	Poverty Scorecard System	53,170,874,934
2.	Emergency Relief Package (bomb blast, Tharparkar disaster)	699,326,400
	Total	**53,870,201,334**

Audit observed as under

i. The amounts disbursed to Pakistan Post and commercial banks were not reconciled as required under the agreements and the Accounting Procedure.

ii. Payments were made without adjusting previously undisbursed amounts available with the entities.

Audit is of the view that in the absence of reconciliation the management was unaware of the status of funds and discrepancies, if any, could not be identified and rectified.

The management replied that a report containing status of delivered/undelivered Money Orders for 2013-14 was provided by Pakistan Post.

Due to non-availability of data, reconciliation of beneficiaries with Pakistan Post was not finalized and the issue would be resolved shortly. Further, beneficiary-wise reconciliation of Benazir Debit Cards with four partner banks, i.e. Bank Alfalah, Tameer Bank, Sindh Bank and UBL, till 30.06.2014 was completed. However, reconciliation with two banks, i.e. HBL and Summit Bank would be finalized after availability of data.

The management admitted that reconciliation with the Pakistan Post and two banks, i.e. HBL and Summit Bank was not complete. However, the management did not provide any proof of reconciliation with the other commercial banks, i.e. Bank Alfalah, Tameer Bank, Sindh Bank and UBL.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that reconciliation with Pakistan Post Office and Banks containing information of disbursements at the beneficiaries' levels and undisbursed amount lying with all branches of Post Office and Banks should be completed.

2.4.8 Unauthorized maintenance of bank account titled "Collecting Donations for Benazir Income Support Program" and retention of government receipts - Rs. 69.005 million

Section 7(6) of the Benazir Income Support Program Act, 2010 states that the Chairperson shall have the power to enter into any agreement, contract, understanding with any international organization or institution or donor agency or counterpart entity, on the advice of the Council and the approval of the Board.

Section 13(3) of the Benazir Income Support Program Act, 2010 states that the Funds shall be administered in such manner as may be prescribed by the regulations.

Item No. 9(1) of the Schedule II of the Rule 3(3) of Rules of Business, 1973 states that it is the function of the Economic Affairs Division to make assessment of requirements; programming and negotiations for external economic assistance from foreign governments and organizations.

The management of BISP was maintaining a current account No. 7121-1 titled Collecting Donations for Benazir Income Support Program at NBP, Main Branch, Civic Center, G-6, Islamabad which was approved by the Finance Division.

Audit observed as under:

i. An amount of Rs. 20.817 million was received from China Foundation for Peace and Development and Embassy of China and Rs. 3.529 million from other sources, details of which were not provided.

ii. Receipts of Rs. 42.471 million representing data sharing, which were required to be deposited in to the government treasury were deposited and retained in this account. Likewise an amount of Rs. 0.327 million relating to un-disbursed salaries was also deposited in this account.

iii. Neither fund account nor regulations for expenditure out of the fund account were framed.

Audit is of the view that receipt of foreign donations without the approval of the Economic Affairs Division and retention of miscellaneous receipts in the bank account was irregular and unauthorized.

The management replied that the Secretary, BISP had now decided to deposit the undisbursed salaries and receipts of data sharing into the government treasury. The donations received from China were being examined separately.

The reply indicates that the management has accepted the audit observation partly.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the retained government receipts should be deposited into the government treasury while proper regulations should be framed with the concurrence of the Economic Affairs Division for retention and utilization of foreign donations.

2.4.9 Overpayment to re-employed Director General, BISP - Rs. 2.525 million

Para I(a) of Establishment Division O.M. No. 10/52/95-R.2(Pt) dated 21.08.2001 states that a retired civil servant and a retired officer of the Armed Forces, re-employed on a civil post equivalent to the post from which he retired, may be allowed the pay, allowances and perquisites sanctioned for the post. His pay may be fixed at that stage of the time scale of the post at which he was drawing his pay before retirement.

Para II(a) of Establishment Division O.M. ibid states that a retired civil servant, on re-employment in an autonomous body administered or controlled by the Federal Government, may be allowed pay as determined at I(a) above.

Para (iv) of Establishment Division O.M. No. 6/2/2000/R.3 dated 06.05.2000 states that in the case of contract/re-employment of retired civil servants the condition of open advertisement shall not be applicable, provided that such appointments shall be made by or with the prior approval of the prescribed authorities in the Federal Government.

Mr. Jehangir Alam Chohan, Director General (B-20) a retired officer of the Pakistan Audit and Accounts Service was re-employed on contract basis for a period of three years w.e.f. 27.09.2012 with the approval of Prime Minister of Pakistan and his appointment was notified by BISP vide Notification No. 1(247)/BISP/HR/11 dated 01.10.2012. His appointment was made without open competition but was paid pay and allowances as per BISP Special Pay Scales.

Audit observed that the officer was required to be paid pay and allowances at the same rates that he was drawing before retirement. Instead, he was paid BISP Special Pay Scales which was irregular and resulted in overpayment of Rs. 2.525 million.

Audit is of view that the officer was paid pay and allowances beyond his entitlement and in disregard of the instructions of the Establishment Division, which was irregular and unauthorized.

The management replied that a Mr. Jahangir Alam Chohan was appointed as Director General, BISP with express approval of the Prime Minister. During verification of record management reported that his services had been terminated w.e.f. 23.12.2014.

The reply was not accepted because although he was appointed by the Prime Minister yet he was paid pay and allowances beyond his entitlement.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the overpayment should be recovered and deposit into the government treasury.

Note: The title and contents of para have been amended on the basis of departmental replies and record verification.

CHAPTER 3

3. BOARD OF INVESTMENT

3.1 Introduction

The Board of Investment (BOI) was established with broad based responsibilities of promotion of investment in all sectors of economy; facilitation of local and foreign investors for speedy materialization of their projects and to enhance Pakistan's international competitiveness and contribute to economic and social development.

The BOI assists companies and investors who intend to invest in Pakistan as well as facilitates the implementation and operation of their projects. The wide range of services provided by BOI includes providing information on the opportunities for investment and facilitating companies that are looking for joint venture.

The BOI acts as a focal point of contact for prospective investors, both domestic and foreign to provide them with all necessary information and assistance in coordinating with other Government Departments/Agencies.

Following functions were assigned to Board of Investments under Board of Investment Ordinance, 2001:

a) from time to time, review the national investment policy and laws, and propose any amendments, modifications and relaxations therein it may deem appropriate to the Cabinet for approval
b) initiate and consider sectoral investment proposals and categories of investment which may require specific treatment and propose such sectoral incentives or conditions or criteria requiring rationalization of existing policies
c) be associated by the Federal Government in the formulation of all policies that may have an impact on investment in Pakistan, including inter alia, economic, fiscal and trade policies

d) identify and promote the investment opportunities in different sectors and their promotion in Pakistan and abroad

e) coordinate with concerned Ministries, Departments, agencies and Provincial Governments with regard to policies and their implementation having impact on investment

f) provide one window facilities for provision of all services and utilities to investors by concerned Federal and Provincial agencies

g) deal with matters relating to National Industrial Zones as may be referred to it by the Federal Government

h) monitor the progress of investment programmes and projects at all stages and ensure, through inter-agency and inter-provincial coordination, prompt implementation and operation

i) review investment promotion plans, formulate institutional arrangements, make transparent and simplified procedures and guidelines for investment promotion

j) appraise, evaluate and process all investment proposals and projects received from the investors for submission to the Cabinet or a Committee of the Cabinet or the Board

k) appoint commissions, expert bodies and consultants to study various aspects of attracting investment in all sectors and improving the investment climate, procedures and other related matters

l) maintain a data-base of investment projects in the private sector that involve local and foreign capital

m) negotiate and finalize agreements for protection and promotion of investment with other countries and represent Pakistan on regional and international organizations pertinent to investment promotion

n) liaise with private sector trade bodies and associations for their active participation in promotion of investment

o) collect, compile, analyze, maintain and distribute investment-related information and, from time to time publish periodical analytical reports in investment trends

p) promote a congenial environment for investment by ensuring de-regulation and other measures to remove obstacles to investment

q) develop a marketing, image-building and public relations strategy to generate interest in the potential and opportunities of the Pakistani market, and publicize its activities

r) communicate all major important administrative, financial and policy matters to the management of business undertakings falling within the purview of the investment policy approved by the Government

s) establish Overseas Commissions consisting of prominent overseas Pakistani entrepreneurs and other individuals to act as investment promotion counsellors purely in an honorary capacity

t) consider individual investment proposals and categories of investment which require special treatment and recommend, where appropriate, additional incentives or relaxation of conditions or criteria required under existing policies.

u) from time to time, determine and review the scale of fees and charges for services provided to the investors by it

v) any other function assigned by the Cabinet and the CCOI.

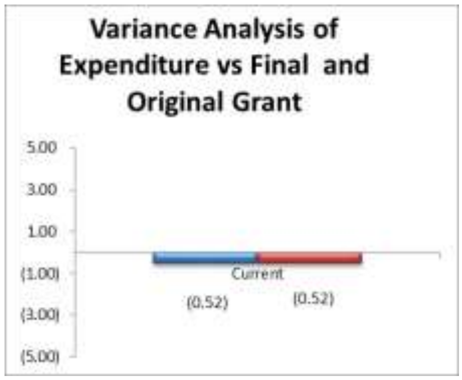
3.2 Comments on Budget & Accounts (Variance Analysis)

Original budget allocated to the Board of Investment for the financial year 2013-14 was Rs 156.574 million, out of which the Board incurred an expenditure of Rs. 155.760 million resulting in a saving of Rs. 0.817 million which is 0.52% of the Final Budget.

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
10	Current	156,574,000	3,000	156,577,000	155,760,302	(816,698)	(0.52)

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Rules of good governance demand that budget processes are carried out in accordance with clearly defined expectations and assumptions and a coordinated calendar of activity. As shown in the chart below, the savings in current expenditure was 0.52%, which, after accounting for Supplementary Grants remains at 0.52%.



3.3 Brief comments on the status of compliance with PAC Directives

There is no PAC Directive in respect of BoI.

3.4 AUDIT PARAS

Irregularity & Non Compliance

3.4.1 Non framing of rules for employees of Board of Investment

Section 18 of Board of Investment Ordinance, 2001 states that subject to other provisions of this Ordinance, every officer and employee of the Board of Investment (BOI) shall be deemed to be a public servant within the meaning of Section 21 of the Pakistan Penal Code, 1860.

Section 23 of Board of Investment Ordinance, 2001 states that the BoI may, with the prior approval of the Federal Government, make rules for carrying out the purposes of this Ordinance and to regulate appointments and conditions of service of officers and employees in the service of the BoI; and until the rules referred to are made, the officers and employees of the BoI shall continue to be governed, in respect of the matters terms and conditions of service by rules applicable to them immediately before the commencement of this Ordinance.

The Board of Investment Ordinance, 2001 was notified on 22.03.2001 and the employees of BoI were enjoying the status of public servants.

Audit observed that BoI did not frame Appointment and Service Rules despite lapse of fourteen years.

Audit is of the view that due to non-framing of Appointment and Service Rules, the Board of Investment Ordinance, 2001 was not implemented in true letter and spirit.

The management replied that Service Rules for the employees were in process in consultation with the Establishment Division and the Finance Division.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that Service Rules should be framed and notified.

3.4.2 Non framing of Regulations of Board of Investment

Section 24 of Board of Investment (BoI) Ordinance, 2001 states the BoI may, by notification in the Official Gazette, make regulations, not inconsistent with the provisions of this Ordinance or the rules, for carrying out the purposes under this Ordinance.

The Board of Investment was established on 22.03.2001 which was required to frame regulations for the purposes of the Board of Investment (BoI) Ordinance, 2001 after framing the rules under Section 23.

Audit observed that regulations were neither framed nor notified by the Board of Investment.

Audit is of the view that due to non-framing of Regulations, Board of Investment Ordinance, 2001 was not implemented in true letter and spirit.

The management replied that framing of regulations was in process.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that regulations should be framed and notified pursuant to framing of rules.

3.4.3 Unauthorized payment of Monetization Allowance to BS-19 officer - Rs. 1.504 million

The Federal Government approved the "Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22" vide Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011. The Monetization Policy was implemented w.e.f. 01.01.2012.

Cabinet Division vide letter No. 6/7/2011-CPC dated 30.12.2011 clarified at Serial No. 13 that officers performing duties against the posts of BS-20 under Section 10 on current/acting charge basis are not entitled to Monetization policy. However, they will continue existing facilities of the post, as admissible.

Establishment Division vide Notification No. 23/01/2012-F.1 dated 30.08.2012 transferred and posted Mr. Qamar Abbas, BS-19 officer of Planning and Development Division in Board of Investment (BOI) against the post of Director General (BS-20) under Section 10 of the Civil Servants Act, 1973.

The officer was paid Monetization Allowance amounting to Rs. 1.504 million @ Rs. 65,960 per month for the period from 07.08.2012 to 30.06.2014.

Audit observed that the officer was in BS-19 and was not entitled for Monetization Allowance, which was meant for BS-20 officers.

Audit is of the view that payment of Monetization Allowance to a BS-19 officer was irregular and unauthorized.

The management replied that the Secretary, Board of Investment referred the case to the Finance Division for grant of pay and allowances of BS-20 which was approved. The AGPR fixed his pay accordingly.

The reply was not accepted because the Finance Division had no authority to allow Monetization Allowance to a BS-19 officer as the Cabinet Division had already clarified in their letter dated 30.12.2011 that officers performing duties against the posts of BS-20 under Section 10 on current/acting charge basis are not entitled to Monetization policy.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the amount should be recovered from the officer and deposited into government treasury besides discontinuing the irregular practice.

3.4.4 Non-inclusion of receipts in annual budget - Rs. 144.440 million

Section 12 of Board of Investment Ordinance (BOI), 2001 states that there shall be a Fund to be called the Board of Investment Fund to which shall be credited all sums received by the BOI and out of which shall be defrayed all its expenditure. The Fund shall consist of (a) grants made by the Federal Government, (b) foreign aid or loans obtained or raised by the BoI with the special or general sanction of the Federal Government, and (c) all other sums including fees and charges receivable by the BoI.

Section 13 of Board of Investment Ordinance, 2001 states that in respect of each financial year, the BoI shall submit for approval of the Federal Government, by such date and in such form as may be specified by the Federal Government a statement showing the estimated receipts and expenditure and the sums which are likely to be required from Federal Government during the next financial year.

The Board of Investment collected receipts, incurred expenditure therefrom during 2011-13. Details are as under:

(Rupees)

S. No.	Item	Amount
1.	Expenditure reported during 2011-12 to 2013-14	60,557,717
2.	Closing balance as on 30.06.2014 in PLS account No. 0449912 at National Bank of Pakistan, Main Branch, Melody, Islamabad	8,685,435
3.	Funds lying in Non lapseable PLA maintained with Federal Treasury, Islamabad	75,196,392
	Total	**144,439,544**

Audit observed that the receipts were not made part of the annual budget.

Audit is of the view non-inclusion of receipts in the annual budget was a violation of the Ordinance.

The management replied that audit observation was noted for future compliance.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that receipts should be made part of the annual budget by reporting to the Finance Division.

CHAPTER 4

4. CABINET DIVISION

4.1 Introduction of Division

The Cabinet Division is responsible for the conduct of business of the Federal Government in a distinct and specified sphere. The Cabinet Division has been assigned different functions as per Rules of Business, 1973 which include:

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

12. Budget for the Cabinet: Budget for the Supreme Judicial Council.
13. Federal Intelligence.
14. Coordination of defence effort at the national level by forging effective liaison between the Armed Forces, Federal Ministries and the Provincial Governments at the national level; Secretariat functions of the various Post-War Problems.
15. Communications Security.
16. Instructions for delegations abroad and categorization of international conferences.
17. Security and proper custody of official documents and security instructions for protection of classified matter in Civil Departments.
18. Preservation of State Documents.
19. Coordination: Control of fixed line office and residence telephones, mobile phones, faxes, internet/DSL connections, ISD, toll-free numbers, green telephones, etc. staff cars; Rules for the use of staff cars; common services such as teleprinter service, mail delivery service, etc.
20. Civil Awards: Gallantry Awards.
21. Tosha Khana.
22. Disaster Relief.
23. Repatriation of civilians and civil internees from India, Bangladesh and those stranded in Nepal and other foreign countries, and all other concerned matters.
24. Resettlement and rehabilitation of civilians and civil Government servants uprooted from East Pakistan including policy for grant of relief and compensation for losses suffered by them.
25. All matters arising out of options exercised by and expatriation of Bengalis from Pakistan.
26. Grant of subsistence allowance to Government servants under the rule making control of the Government of East Pakistan and its corporations, and their families stranded in West Pakistan.

27. Management of movable and immovable properties left by the Bengalis in Pakistan.
28. Administration of the "Special Fund" for POWs and civilian internees held in India and War displaced persons.
29. Defence of Pakistan Ordinance and Rules.
30. Stationery and Printing for Federal Government official Publications, Printing Corporation of Pakistan.
31. National Archives including Muslim Freedom Archives.
32. Administrative control of the National Electric Power Regulatory Authority, Pakistan Telecommunications Authority, Frequency Allocation Board, Oil and Gas Regulatory Authority, Public Procurement Regulatory Authority, Intellectual Property Organization of Pakistan and Capital Development Authority.
33. Peoples Works Programme (Rural Development Program).
34. Pride of Performance Award in the field of arts.
35. Pride of Performance Award in academic fields.
36. Pakistan Chairs Abroad.
37. Selection of scholars against Pakistan Chairs Abroad by the Special Selection Board.
38. Naming of institutions in the name of Quaid-e-Azam and other high and distinguished personages.
39. National Colleges of Arts at Lahore and Rawalpindi.
40. Federal Dental and Medical College, Islamabad.
41. Women and Chest Diseases Hospital, Rawalpindi.
42. Federal Government Tuberculosis Centre, Rawalpindi.
43. National Book Foundation.

4.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Cabinet Division for the financial year

2013-14 was Rs. 200,933.042 million including Supplementary Grant of Rs. 37,137.298 million out of which the Division utilized Rs. 134,743.805 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

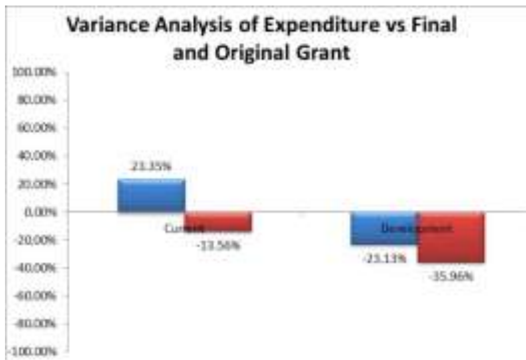
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
1	Current	226,399,000	-	226,399,000	128,364,102	(98,034,898)	(43.30)
2	Current	4,688,303,000	1,949,821,000	6,638,124,000	6,143,208,752	(494,915,248)	(7.46)
3	Current	329,197,000	352,236,000	681,433,000	604,275,338	(77,157,662)	(11.32)
4	Current	6,443,475,000	126,506,000	6,569,981,000	4,012,354,255	(2,557,626,745)	(38.93)
4B	Current	0	3,658,085,000	3,658,085,000	3,809,654,127	151,569,127	4.14
4C	Current	0	797,220,000	797,220,000	831,162,592	33,942,592	4.26
4E	Current	0	530,353,000	530,353,000	374,177,726	(156,175,274)	(29.45)
7A	Current	0	20,000,000	20,000,000	10,617,411	(9,382,589)	(46.91)
8	Current	754,614,000	68,719,000	823,333,000	703,376,007	(119,956,993)	(14.57)
9	Current	205,487,000	6,000	205,493,000	182,302,319	(23,190,681)	(11.29)
10	Current	55,458,000	1,000	55,459,000	27,585,165	(27,873,835)	(50.26)
11	Current	6,221,346,000	609,344,000	6,830,690,000	6,533,697,155	(296,992,845)	(4.35)
12	Current	75,667,000	6,000	75,673,000	75,072,383	(600,617)	(0.79)
	Subtotal	**18,999,946,000**	**8,112,297,000**	**27,112,243,000**	**23,435,847,332**	**(3,676,395,668)**	**(13.56)**
109	Development	17,179,800,000	23,655,000,000	40,834,800,000	29,957,271,804	(10,877,528,196)	(26.64)
110	Development	75,000,000,000	5,370,001,000	80,370,001,000	27,482,415,814	(52,887,585,186)	(65.81)
141	Development	52,615,998,000	-	52,615,998,000	53,868,270,000	1,252,272,000	2.38
	Subtotal	**144,795,798,000**	**29,025,001,000**	**173,820,799,000**	**111,307,957,618**	**(62,512,841,382)**	**(35.96)**
	Total	**163,795,744,000**	**37,137,298,000**	**200,933,042,000**	**134,743,804,950**	**(66,189,237,050)**	**(32.94)**

Audit noted that there was an overall saving of Rs. 66,189.237 million that was mainly due to saving of Rs. 62,512.841 million in development expenditure.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that ‘Ministries/Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.’ This document further states that ‘the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.’ During the year, Supplementary Grants of Rs. 37,137.298 million were obtained, which were 22.67% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Rules of good governance demand that budget processes are carried out in accordance with clearly defined expectations and assumptions and a coordinated calendar of activity. As shown in the chart below, the excess in current expenditure was 23.35%, which, after accounting for Supplementary Grants changed to saving of 13.56%. In development expenditure, saving against original budget was 23.13% which changed to savings of 35.96% when Supplementary Grants were taken into account.



4.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	Total No of Actionable Points	Complied	Not - Complied	% of Compliance
Cabinet Division	1990-91	4	4	2	2	50%
	1992-93	2	2	2	0	100%
	1993-94	10	10	5	5	50%
	1994-95	3	3	1	2	33%
	1994-95	2	2	0	2	0%
	1995-96	6	6	3	3	50%
	1996-97	14	14	13	1	93%
	1997-98	32	32	12	20	38%
	2000-01	33	33	31	2	94%
	2005-06	6	6	5	1	83%
	2006-07	1	1	1	0	100%
	2007-08	9	9	6	3	67%
	2008-09	5	5	3	2	60%
Total		**127**	**127**	**84**	**43**	**66%**
Cabinet Division (devolved M/o LG&RD)	1993-94	1	1	0	1	0%
	1994-95	1	1	1	0	100%
	1996-97	3	3	2	1	67%
	1997-98	34	34	7	27	21%
	2001-02	1	1	0	1	0%
	2005-06	1	1	0	1	0%
	2008-09	2	2	0	2	0%
Total		**43**	**43**	**10**	**33**	**23%**
Cabinet (devolved M/o Livestock)	2008-09	2	2	0	2	0%
Total		**2**	**2**	**0**	**2**	**0%**

Cabinet Division (devolved M/o Youth Affairs)	1992-93	2	2	1	1	50%
	2006-07	1	1	1	0	100%
Total		**3**	**3**	**2**	**1**	**67%**

4.4 AUDIT PARAS

Non Production of Record

4.4.1 Non production of record of Secret Service Expenditure - Rs. 890.00 million

The Honorable Supreme Court of Pakistan in its judgment dated 08.07.2013 in Constitution Petition No. 105 of 2012 declared and directed that:

a) Sub-Rule (5) of Rule 37 of the General Financial Rules, whereby the actual accounts for Secret Service Expenditure are taken beyond the jurisdiction of the Auditor General, is illegal, unconstitutional, and of no legal effect;

b) The Auditor General, in order for him to fulfill his duties under Articles 169 and 170 of the Constitution, is not only authorized but also obliged to seek access to any and all records actually maintained by all federal and provincial governments, as well as all entities established by or under the control of the federal and provincial government, regardless of the designation of such records as secret or otherwise;

c) An account subject to audit under Articles 169 and 170 shall be treated as "secret" only if so labelled in a federal or provincial statute and the constitutionality of such legislation will be subject to judicial review on the touchstone of Articles 19A, 169, 171 and other relevant provisions of the Constitution.

Para 4(iv) of Finance Division letter No. F.3(12)-212/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. Further, the total expenditure has not exceeded the allotment sanctioned for the purpose. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

The Intelligence Bureau (Headquarters), Islamabad incurred an expenditure of Rs. 890.00 million during 2011-13 as Secret Service Expenditure.

Despite repeated requests the following record was not provided for audit:

a. Cash Book(s).
b. Paid Vouchers.
c. Detail of Bank Accounts.
d. Bank Accounts Statements.
e. Cheque Book folios.
f. Bill Register.
g. Payee’s Acknowledgement Receipts.
h. Files of expenditures sanctioned/approved.
i. Activities/assignments completed.
j. Any other related record.

Audit is of the view that in the absence of record the authenticity of the expenditure could not be ascertained.

The management replied that the audit team was intimated verbally and in writing. Furthermore, latest position intimated by Prime Minister's Office vide No. 4238/Secy/PM/2013 dated 07.04.2014 is reproduced as under:

In consideration of the advice of the Ministry of Law and Justice at para-12 and in exercise of the Executive Authority of the Federation vested in Prime Minister under Article 90 of the Constitution of Islamic Republic of Pakistan, the Prime Minister has been pleased to delegate to the Finance Minister, the powers and functions of the Federal Government to issue necessary certification relating to the exemption from audit of the secret service expenditure of the Intelligence Bureau under the proviso to Section 17 of the Auditor General's (Functions, Powers and Terms and Conditions of Service), Ordinance, 2001 (XXIII of 2001). Finance Division may take further necessary action in the matter accordingly.

The reply was not accepted because the Auditor General of Pakistan was not only authorized but also obliged to seek access to any and all records, regardless of the designation of such records as secret or otherwise. The funds of Intelligence Bureau had not been labelled "secret" in any federal or provincial statute.

The DAC in its meeting held on 02.10.2014 directed the management that appropriate reply be submitted to Audit.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of the Auditor General of Pakistan, besides provision of auditable record.

Irregularity & Non Compliance

4.4.2 Less deduction of Income Tax on rented building - Rs. 1.035 million

Section 155 of Income Tax Ordinance, 2001 deals with Income from property which states that every prescribed person making a payment in full or part (including a payment by way of advance) to any person on account of rent of immovable property (including rent of furniture and fixtures, and amounts for services relating to such property) shall deduct tax from the gross amount of rent paid at the rate specified in Division V of Part III of the First Schedule.

Division V of Part III of the First Schedule (a) states that the rate of tax to be deducted under section 155, in the case of individual and association of persons, shall be:

1.	Where the gross amount of rent does not exceed Rs. 150,000	Nil
2.	Where the gross amount of rent exceeds Rs. 150,000 but does not exceed Rs. 400,000	5 per cent of the gross amount exceeding Rs.150,000
3.	Where the gross amount of rent exceeds Rs. 400,000 but does not exceed Rs. 1,000,000	Rs. 12,500 plus 7.5 per cent of the gross amount exceeding Rs. 400,000
4.	Where the gross amount of rent exceeds Rs. 1,000,000	Rs. 57,500 plus 10 per cent of the gross amount exceeding Rs. 1,000,000

The management of Cabinet Division (Devolution Cell), Islamabad paid an amount of Rs. 22.46 million on accounts of rent of office building of 4th, 5th, 6th and 7th floors hired by Agricultural & Livestock Products Marketing and Grading Department (Karachi), Ministry of Food & Agriculture (defunct) for the period 01.07.2011 to 30.04.2013 for 4th & 5th floors and 09.02.2011 to 30.04.2013 for 6th and 7th floor. The management deducted Income Tax Rs. 1.247 million @ 5% per annum from landlord.

Audit observed that the management of Cabinet Division (Devolution Cell), Islamabad paid rent for 4th, 5th, 6th and 7th floors hired by Agricultural & Livestock Products Marketing and Grading Department (Karachi), Ministry of Food & Agriculture (defunct) and deducted less tax amounting to Rs. 1.035 million.

Audit is of the view that due to less deduction of the Income Tax the government was deprived of its due revenue.

The management replied that 5% deduction of tax was inadvertently made by the DDO. However, the matter of tax was being sent to FBR for clarification.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 14.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that due amount of revenue be deposited into government treasury.

4.4.3 Irregular auction of antique items - Rs. 12.143 million

Para 11 of Procedures for the acceptance and disposal of Gifts issued by the Cabinet Division vide Office Memorandum No. 9/82014-TK dated 25.010.2011 states that antique items and vehicles shall not be allowed to be purchased by the recipients. Antiques shall be placed in the museums or displayed in official buildings owned by the government. Vehicles shall be given to the Central Pool of Cars of the Cabinet Division.

Para 5 of Minutes of the Meeting of the Toshakhana Committee held on 10.06.2013 states that the Committee also proposed that following two items (One Sword and One Dagger) which are lying in Toshakhana since, 1956 and were presented to the Governor General of Pakistan by the King of Saudi Arabia may also be disposed off. These items are made of gold material studded with precious stones but due to their old and antique value are not fit for display at anywhere.

The management of Cabinet Division (Tosha Khana), Islamabad sold two antique items through open auction on 24.04.2014 at a cost of Rs. 12.143 million. Details are as under:

(Rupees)

S. No.	Antique item	Amount
1.	One Dagger	2,011,015
2.	One Sword	10,131,750
Total		**12,142,765**

Audit observed that the items were sold in violation of the procedures framed for acceptance and disposal of gifts.

Audit is of the view that auction of antiques against the procedure was irregular and unauthorized.

The management replied that the Evaluation Committee for determination of reserve price cleared the sword and dagger. There was no specific definition of antique mentioned in the Procedure for Acceptance & Disposal of gifts. Therefore, the Cabinet Division had to decide the gift as antique or otherwise. The common definition of antique used in international world is any work of art, piece of furniture, produced in a former period at least 100 years old. The said articles were auctioned in the light of Para 10 of Tosha Khana procedures.

The reply was not accepted because as per para 5 of the Minutes of the Meeting held on 10.06.2013 these items were declared as antique. Audit could not understand that how these items were not fit to place in the museums or displayed in official buildings after 57 years.

The PAO was informed on 14.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be investigated and responsibility be fixed for irregular auction of antique items.

4.4.4 Irregular expenditure on repair of vehicles - Rs. 2.099 million

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

Serial No. 9(42) of Annex-I of Finance Division O.M. No. F.3(2)Exp-III/2006 dated 13.09.2006 provides that head of department is empowered to sanction expenditure on repair of vehicles amounting to Rs. 100,000 at any one time to one or any number of vehicles.

The Intelligence Bureau (Headquarters), Islamabad incurred an expenditure of Rs. 2.099 million on repair of vehicles during 2011-13. Details are as under:

(Rupees)

S. No.	Voucher / Year	Description	Amount
1.	744 / 2011-12	Purchase of Tyres	291,000
2.	1003 / 2011-12	Purchase of Tyres	355,400
3.	1004 / 2011-12	Purchase of Tyres	97,200
4.	1014 / 2011-12	Purchase of Tyres	304,024
5.	1015 / 2011-12	Purchase of Tyres	92,400
6.	1361 / 2011-12	Purchase of Tyres	145,966
7.	1652 / 2011-12	Purchase of Tyres	131,250
8.	645-A / 2012-13	Purchase of Tyres	262,752
9.	730 / 2012-13	Purchase of Tyres	118,000
10.	1109 / 2012-13	Purchase of Tyres	163,040
11.	1110 / 2012-13	Purchase of Tyres	138,680
		TOTAL	**2,099,712**

Audit observed as under:

1. The expenditure on purchase of repair of vehicles during 2011-12 was incurred without inviting open competition.
2. The expenditure at Serial No. 1, 2, 4, 6, 7, 8, 9, 10 & 11 was incurred beyond the powers delegated to the Ministries/Divisions/ Departments.

Audit is of the view that the procurement without open competition deprived the government of the benefit of competitive rates.

Audit is also of the view that incurrence of expenditure beyond the delegated powers was irregular and unauthorized.

The management replied that the procedure for procurement of tyres had been under consideration for a long time as how to get full value of public money. Keeping in view the non-availability of proper storage of tyres it was decided to procure tyres through pre-qualification process as was done by the Cabinet Division. Therefore, a panel of firms was selected with the approval of the PAO and tyres were procured every year on case to case/need basis after obtaining quotations from pre-qualified firms and supply order was issued to the lowest bidders. As regards procurement of tyres beyond the sanctioning power of PAO, it was considered inadvertently that once the pre-qualification process had been completed in the light of Public Procurement Rules, 2004 there was no need to approach DFA. However, the case beyond the powers of Director General, Intelligence Bureau which could not be got endorsed from the Finance Division inadvertently, was referred to them for ex-post facto approval who asked to re-refer the case after some clarifications.

The reply was not accepted because procurement was made without open competition and expenditure was sanctioned beyond the delegated powers as Director General, Intelligence Bureau was not the Principal Accounting Officer.

The DAC in its meeting held on 02.10.2014 directed the management to get the expenditure regularized from the Finance Division.

Audit recommends that responsibility may be fixed for the irregularity besides regularization of the expenditure.

4.4.5 Irregular and unauthorized releases to Notables - Rs. 1,546.000 million

Article 25(1) of the Constitution of Islamic Republic of Pakistan, 1973 states that all citizens are equal before law and are entitled to equal protection of law.

Para 10(iv) of GFR Volume-I states that public moneys should not be utilized for the benefit of a particular person or section of the community unless:

i. The amount of expenditure involved is insignificant, or
ii. A claim for the amount could be enforced in a court of law, or
iii. The expenditure is in pursuance of a recognized policy or custom.

The Cabinet Division released funds amounting to Rs. 42,486.499 million during financial year 2012-13 for execution of schemes under PWP-II in compliance with Prime Minister‘s Directives received through several lists.

Scrutiny of List No. 32 dated 17.12.2012 (13 Directives of Rs. 677.500 million) & List No. 05-SG dated 22.02.2013 (65 Directives of Rs. 3,770.000 million) issued by the Prime Minister’s Secretariat (Public) for release of funds on priority included releases amounting to Rs. 180.000 million and Rs. 1,366.000 million, respectively to Notables, i.e. other than Parliamentarians.

Audit also observed that the funds were utilized for the benefit of a particular person or section of the community.

Audit is of the view that the release of funds to a particular person or section of the community deprived the benefit of equal opportunity to the common man.

The management replied that the Cabinet Division released funds to the executing agencies as per instructions contained in the Prime Minister's Directives. The release of funds to Notables may be got clarified from the Prime Minister's Secretariat.

The reply was not accepted because the funds were released to Notables/individuals at the expense of the common man.

The PAO was informed on 09.06.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be investigated and responsibility may be fixed for the irregularity.

4.4.6 Non-framing of Financial and Service Rules - Rs. 33.610 million

Section 34 of the Intellectual Property Organization of Pakistan Act, 2012 states that the Organization may, with the approval of the Federal Government, by notification in the official Gazette, make rules for carrying out the purposes of this Act.

Section 35 of the Intellectual Property Organization of Pakistan Act, 2012 states that the Organization may, with the prior approval of the Board and by notification in the official Gazette, make regulations not inconsistent with this Act or the rules made thereunder to carry out the purposes of this Act.

The management of Intellectual Property Organization (IPO) incurred an expenditure of Rs. 33.610 million during 2013-14.

Audit observed that the management did not frame Financial Rules, Service Rules and other Rules and Regulations since inception of the Intellectual Property Organization, Islamabad.

Audit is of the view that the non-framing of rules and regulations was a violation of Intellectual Property Organization Act, 2012.

The PAO was informed on 23.12.2014, but the DAC was not convened till the finalization of the report.

The management did not reply.

Audit recommends that the financial and service rules should be framed and notified.

4.4.7 Irregular payment of encashment of Casual Leave - Rs. 8.177 million

Rule V(2) of Appendix-3 of Fundamental Rules & Supplementary Rules Volume-II states that Casual Leave is not a recognized leave for the purpose of leave rules in Fundamental Rules and Supplementary Rules. Technically, therefore, a government servant on Casual Leave is not treated as absent from duty and his pay is not intermitted. Casual Leave, however, must not be granted so as to cause evasion of the rules regarding:

i. Reckoning of pay and allowances;
ii. Charge of office;
iii. Commencement and end of leave;
iv. Return to duty;

The management of NEPRA paid an amount of Rs. 8.177 million to its employees as encashment of Casual Leave during 2013-14.

Audit observed that payment of casual leave was contradictory to the Fundamental Rules & Supplementary Rules.

Audit is of the view that encashment of casual leave was irregular and unauthorized.

The management replied that the service of NEPRA employees was governed by NEPRA Service Regulations, 2003. Section 10 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 states that to carry out the purposes of this Act, the Authority may, from time to time, employ officers, members of its staff, experts, consultants, advisors and other employees on such terms and conditions as it may deem fit. Section 47 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 states that the Authority may, by notification in the official gazette, make regulations, not inconsistent with the provisions of this Act or the rules, for the carrying out of its functions under this Act. The Authority framed NEPRA Service Regulations, 2003 by notifying in the official gazette, including the Leave Regulations. Therefore, FR&SR referred by the Audit as the basis of declaring expenditure made by NEPRA on account of encashment of Casual Leave as irregular was not valid. Clause 33(6) of NEPRA Service Regulations, 2003 provides that “an employee who does not avail entire Casual Leave allowed during a calendar year, he/she will be entitled to compensation for the un-availed leave at the rate of $1/25^{th}$ of his/her gross monthly salary for each day of the leave un-availed.

The reply was not accepted because Section 46(1) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 states that the Authority may, with the approval of the Federal Government, by notification in the official Gazette, make rules to carry out the purposes of this Act. As the regulations are framed pursuant to the framing of rules, therefore, the NEPRA Service Regulations, 2003 would be effective only after framing of the rules.

The PAO was informed on 19.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that this irregular practice which is not backed by proper rules should be discontinued and rules should be framed with the approval of the federal government and notification in the official gazette to give effect to the regulations.

4.4.8 Non-framing of financial rules

Para 3(1) of the Public Investments (Financial Safeguards) Ordinance, 1960 states that where any corporation, institution or undertaking, whether incorporated in pursuance of a Federal or Provincial law or not so incorporated, has been established by Government with the aid of public revenues, the appropriate Government shall, notwithstanding anything in any law, or in any instrument, deed or other document relating to such corporation, institution or undertaking, have power:

a) to prescribe financial procedures, including procedures for internal financial control, in respect of matters relating to the receipt and expenditure of moneys and sanctions thereto;

b) to give general or special financial directions to such corporations, institutions and undertakings.

Section 46(1) of the Regulations of Generation, Transmission and Distribution of Electric Power Act, 1997 states that the Authority may, with the approval of the Federal Government, by notification in the official Gazette, make rules to carry out the purpose of this Act.

Section 47(1) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 states that the Authority may, with notification in the official Gazette, make regulations, not inconsistent with the provision of this Act or the rules, for the carrying out of its functions under this Act.

The management of NEPRA framed and approved Service Regulations, 2003 which also include the admissibility of pay & allowances of the employees of the Authority.

Audit observed that the Service Regulations, 2003 were framed in the absence of rules, which were required to be framed under Section 46(1) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997.

Audit is of the view that framing of financial regulation in the absence of financial rules was irregular.

The management replied that the Act empowers the Authority to function independently in financial and administrative matters. It does not require the Authority to seek clearance/concurrence from the Government in framing the Financial or Service Regulations. NEPRA framed rules for regulating the affairs of the licensees and regulations for managing the affairs of its organization. It may be added that the cases in which NEPRA was required to make rules with the approval of the Government were specified in Section 46 of the Act. There was no reference to financial or administrative matters in that Section.

The reply was not accepted because it was essential that the regulations were to be framed pursuant to the rules, as departmental regulations in so far as they embody orders or instructions of a financial character or have important financial bearing were required be made with the approval of the federal government. Framing of financial regulations in the absence of approved financial rules was irregular and unauthorized.

The PAO was informed on 19.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that the financial rules be got approved from the federal government and in pursuance of these rules, regulations should be framed.

4.4.9 Irregular payment of Gratuity - Rs. 104.290 million

Finance Division O.M. No. F.10(1)R-7/2009-245 dated 25.07.2012 states that in terms of instructions contained in the Finance Division's O.M. No. 15(3)Reg-14/84 dated 16.10.1984, Autonomous/Semi-Autonomous Bodies, Corporations, etc. where the pension scheme does not exist, are not allowed to pay gratuity in addition to Contributory Provident Fund to their employees, on quitting the service.

The management of the National Electric Power Regulatory Authority paid Gratuity to its employees.

Audit observed that the management of NEPRA besides paying C.P. Fund was also paying Gratuity to its employees, which was a violation of the instructions of the Finance Division. Details of amount available in the Gratuity Fund Account and investments are as under:

(Rs. in million)

S. No.	Description	Amount
1.	Invested in T. Bills	80.000
2.	Paid during the year	7.858
3.	Balance in Bank Account	16.432
	Total	**104.290**

Audit is of the view that payment of Gratuity in addition to C.P. Fund was irregular and unauthorized.

The management replied that NEPRA was neither a part of any Ministry nor any funds were released from the treasury for financing the operations of NEPRA. In so far as the legal status of NEPRA was concerned, the Establishment Division vide letter No. 1(3)97.Dir(r) dated 10.03.2003 had determined the status of NEPRA as under:

i) NEPRA has a distinct Mission Statement, special powers and independent in the performance of its functions without any administrative control from the Government. However, for the sake of interaction with Federal Government and Provincial Governments it is placed with the Cabinet Division.

ii) It is a corporate body, having perpetual succession and a common seal with power to enter into contracts, acquire and hold property and to sue and be sued in its name. The Authority generates its own funds without any budgetary support from the Government.

iii) The Authority is empowered to recruit officers, members of its staff, experts, consultants and other employees of the Authority on such terms and conditions as it deems fit, besides having its own pay scales.

The Ministry of Law and Justice vide No. F-407/2012-Law-I dated 23.07.2012 states that in pursuance of Section 10(1) and Section 47(2) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997, NEPRA has the status of an autonomous body.

The management also stated that Section 47 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 states that the Authority may make regulations for carrying out the functions under the Act, including those relating to the appointment of its officers, members of staff and such other persons and the terms & conditions of their service. In exercise of these powers, NEPRA framed its service regulations, which provide for Provident Fund as well as Gratuity, in order to attract and retain professionals having unique specialized skills required for carrying out the mandate of NEPRA.

The reply was not accepted because the O.M. of the Finance Division dated 16.10.1984 was applicable to all autonomous bodies, including NEPRA. Further, NEPRA was not empowered to frame service regulations without first framing the rules as required under Section 46(1) of the Act. The status of NEPRA is that it is an autonomous body established by and controlled by the government.

The PAO was informed on 19.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that the instructions of the Finance Division should be implemented besides framing the rules with the approval of the federal government.

4.4.10 Unauthorized retention of Funds - Rs. 446.392 million

Section 14(1) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 states that the Authority shall maintain complete and accurate books of accounts of its actual expenses and receipts.

Regulation 2 of National Electric Power Regulatory Authority (Financial) Regulations, 2010 states that the funds raised by the Authority shall be used for the following purposes:

i. To meet operating cost allowances, perks and TA/DA of Chairman and Members of NEPRA as approved by the Authority in its budget for each year.

ii. To pay fees and remunerations of advisors, counsels and consultants as appointed from time to time.

iii. To meet expenditure for the construction of NEPRA office building.

iv. To establish provincial offices of the Authority.

v. To pay taxes, rents and other liabilities of the Authority.

Regulation 3 of National Electric Power Regulatory Authority (Financial) Regulations, 2010 states that any excess revenue or savings after taking into account the expenditures mentioned at Regulation 2 shall be transferred to Federal Consolidated Fund.

The management of National Electric Power Regulatory Authority approved budget for the year 2013-14 amounting to Rs. 963.908 million. An amount of Rs. 539.61 million was available at the close of the financial year out of which an amount of Rs. 93.249 million only was transferred to the Federal Consolidated Fund.

Audit observed that the management did not deposit the balance of Rs. 446.392 million in the Federal Consolidated Fund.

Audit is of the view that failure to deposit the savings and their retention was irregular and unauthorized, and deprived the government of its due receipt.

The management replied that Regulation 2 of NEPRA (Financial) Regulations, 2010 provides a mechanism for working out surplus to be transferred to Federal Consolidated Fund after retaining funds for taxes, rent and other liabilities of NEPRA.

The reply was not accepted because Regulation 2 of NEPRA (Financial) Regulations, 2010 does not provide for working out the surplus; rather it indicates the purposes for which expenditure shall be incurred during a financial year. The liabilities and obligations pointed out by NEPRA were required to be met from the revenue of the next financial year and not from the retained amount.

The PAO was informed on 19.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that surplus funds should be deposited in the Federal Consolidated Fund.

4.4.11 Irregular collection of receipts - Rs. 126.149 million

Section 9 of Public Procurement Regulatory Ordinance, 2002 states that:

1. There is hereby established a Fund to be known as the Public Procurement Regulatory Authority Fund which shall vest in the Authority and shall be utilized by the Authority to meet the charges in connection with its functions under this Ordinance.
2. To the credit of the Public Procurement Authority, a fund shall be placed comprising:

   a. Such sums as the Federal Government may, from time to time, allocate to it in the annual budget;

   b. grants;

   c. income from investment by the Authority; and

   d. All other sums or properties which may in any manner become payable to, or vest in, the Authority in respect of any matter.

Section 26 of Public Procurement Regulatory Ordinance, 2002 states that the Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Ordinance.

Section 27 of Public Procurement Regulatory Ordinance, 2002 states that the Authority may make regulations, not inconsistent with the provisions of this Ordinance and the rules made thereunder, for carrying out the purposes of this Ordinance.

The management of Public Procurement Regulatory Authority (PPRA) collected an amount of Rs. 126.149 million as tender fee, training fee and advertisement charges from different departments from 01.12.2009 to 30.06.2014. Details are as under:

(Rs. in million)

S. No.	Description	Amount
1.	Tender fee	122.211

2.	Training fee	2.498
3.	Advertisement charges	1.440
	Total	**126.149**

Audit observed that the management was charging fee for uploading tenders on the website, training fee and advertisement charges without any rules and regulations.

Audit is of the view that collection of tender fee, training fee and advertisement charges without framing rules and regulations was irregular and unauthorized

The management did not reply.

The PAO was informed on 14.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the unauthorized collection of fee besides depositing the amount into the government treasury.

4.4.12 Irregular regularization of 38 employees without availability of sanctioned posts - Rs. 17.235 million

Section 27 of Public Procurement Regulatory Ordinance, 2002 states that the Authority may make regulations, not inconsistent with the provisions of this Ordinance and the rules made there under, for carrying out the purposes of this Ordinance.

The Cabinet sub-Committee on regularization of contract/daily wages employees in its meeting held on 24.11.2011 regularized 38 contract/contingent paid employees of Public Procurement Regulatory Authority (PPRA), who had completed more than one year service on contract/daily wages/contingent basis subject to fulfillment of recruitment criteria and availability of posts. Details are at Annexure-III.

Item No. 4 of the 13th meeting of the Board of PPRA held on 13.01.2014 states that the Board had clearly mentioned that the service regulations of PPRA had so far not been approved. As such, at the time of regularization no posts/ vacancies existed against which the employees were regularized. The Board decided that the advice of the Cabinet Division and Establishment Division would be sought for determining the legal status of the regularization of PPRA employees before confirmation of their services.

Audit observed as under:

i. The sub-Committee of Cabinet regularized PPRA employees subject to fulfillment of recruitment criteria and availability of posts but no posts/vacancies existed as indicated in the 13^{th} meeting of the PPRA Board.

ii. The service regulations of PPRA have not so far been framed.

Audit is of the view that the regularization of 38 contract/contingent paid employees of PPRA without existing posts/vacancies was irregular and unauthorized.

The management did not reply.

The PAO was informed on 14.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired and responsibility may be fixed, besides framing rules and regulations.

4.4.13 Irregular and unauthorized payment of allowances - Rs. 2.309 million

Section 8(5) of Public Procurement Regulatory Ordinance, 2002 states that the Managing Director shall be paid such salary and allowances as the Federal Government may determine but his salary and allowances shall not be varied to his disadvantage during his term of office.

Section 26 of Public Procurement Regulatory Ordinance, 2002 states that the Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Ordinance.

Section 27 of Public Procurement Regulatory Ordinance, 2002 states that the Authority may make regulations, not inconsistent with the provisions of this

Ordinance and the rules made there under, for carrying out the purposes of this Ordinance.

Section 18(2) of Public Procurement Regulatory Ordinance, 2002 states that the Authority shall by regulations prescribe the procedure for appointment of its officers, servants, advisers, consultants and experts and the terms and conditions of their service.

The Establishment Division vide notification No. 41/400/2011-E-1 dated 01.03.2012 posted Mrs. Nazrat Bashir an officer of BS-22 as Managing Director, PPRA for a period of three years in terms of Section 8 of PPRA Ordinance, 2002 with immediate effect and until further orders.

The management of PPRA paid Rs. 4.017 million to Ms. Nazrat Bashir, Managing Director Public Procurement Regulatory Authority during 2013-14.

Audit observed as under:

i. The pay and allowances of the Managing Director was not fixed by the federal government in terms of Section 8(5) of PPRA Ordinance, 2002.

ii. The officer was drawing House Rent Allowance @ 60% instead of 45% as admissible to government servants and Utility Allowance @ 30% of unapproved PPRA scales.

iii. An amount of Rs. 2.309 million was overpaid to her as House Rent Allowance and Utility Allowance from 01.03.2012 to 30.06.2014.

Audit is of the view that payment of House Rent Allowance and Utility Allowance without approval of PPRA service regulations was irregular and unauthorized.

The management did not reply.

The PAO was informed on 14.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that the overpaid amount should be recovered and deposited into the government treasury.

4.4.14 Illegal allotment of residential quarters - Rs. 2.864 million

Rule 16(1) of Accommodation Allocation Rules, 2002 states that the accommodation shall not be sublet by the allottee.

Rule 16(2) of Accommodation Allocation Rules, 2002 states that 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 rental ceiling of his entitlement for the entire period.

Rule 16(3) of Accommodation Allocation Rules, 2002 states that if an allottee or illegal tenant, is a FGS, he shall be liable to disciplinary action for misconduct under the relevant rules or laws and such allottee shall be disqualified for future allotment of accommodation for five year.

The management of the Department of Communications Security, Islamabad was maintaining a pool accommodation of 166 flats in Sector G-8, Islamabad.

Audit observed as under:

i. The management of Department of Communications Security, Islamabad rented out 19 flats to private people.

ii. The total standard rent recovered for these flats was Rs. 2.864 million from 2005 to 2014 whereabouts of which were not known.

Audit is of the view that allotment of accommodation to private persons and retention of rent was illegal and unauthorized.

The management replied that the amount had already been spent on the welfare of the officials of the department by the then management. It was not possible for the department to retrieve the amount distributed amongst the employees and spent on other works. However, the case was being taken up with the concerned quarters to condone the irregularity.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 23.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that inquiry may be held and responsibility should be fixed for the irregularity.

CHAPTER 5

5. CAPITAL ADMINISTRATION AND DEVELOPMENT DIVISION

5.1 Introduction of Division

The Capital Administration and Development Division (CADD) was created consequent upon the deliberations and decision of the Implementation Commission constituted under Clause (9) of Article 270AA and with the approval of the Cabinet. It will work directly under the Prime Minister and the Cabinet Secretariat.

The following departments/offices and functions were transferred to CADD vide Cabinet Division notification No. 4-5/2011-Min-1 dated 05.04.2011:

- Federal Directorate of Education, Islamabad
- Department of Libraries
- Federal College of Education, Islamabad
- FG Polytechnic Institute for Women, Islamabad
- National Institute of Science and Technical Education, Islamabad
- Private Educational Institutions Regulatory Authority
- National Library, Islamabad
- Education in the capital of the Federation
- Directorate General of Special Education
- Charitable Endowments
- Training and education of disabled
- National Veterinary Laboratory, Islamabad
- Animal Quarantine Department /stations/facilities in the Federal Capital
- Department of Tourist Services
- National Commission of Social Welfare

- National Commission for Child Welfare and Development
- National Council for Rehabilitation of Disabled Persons
- National Trust for Disabled

The following departments/offices and functions were transferred to CADD vide Cabinet Division notification No. 4-9/2011-Min.1 dated 29.06.2011:

- Medical and Health Services for Federal Government Employees
- National Institute of Rehabilitation Medicine, Islamabad
- Pakistan Institute of Medical Sciences
- Federal Government Services Hospital, Islamabad
- Federal Dental and Medical College, Islamabad
- National Training Bureau, Islamabad
- Islamabad Club
- Gun and Country Club

5.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Capital Administration and Development Division (CADD) for the financial year 2013-14 was Rs. 30,939.109 million including Supplementary Grant of Rs. 15,489.312 million out of which the Division utilized Rs. 14,962.089 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
13	Current	13,944,129,000	-	13,944,129,000	-	(13,944,129,000)	(100.00)
4D	Current	0	13,983,644,000	13,983,644,000	13,936,497,644	(47,146,356)	(0.34)
	Sub-Total	**13,944,129,000**	**13,983,644,000**	**27,927,773,000**	**13,936,497,644**	**(13,991,275,356)**	**(50.10)**
173	Development	0	1,505,668,000	1,505,668,000	1,002,683,699	(502,984,301)	(33.41)
178	Development	1,505,668,000	-	1,505,668,000	22,908,087	(1,482,759,913)	(98.48)
	Sub-Total	**1,505,668,000**	**1,505,668,000**	**3,011,336,000**	**1,025,591,786**	**(1,985,744,214)**	**(65.94)**
	Total	**15,449,797,000**	**15,489,312,000**	**30,939,109,000**	**14,962,089,430**	**(15,977,019,570)**	**(51.64)**

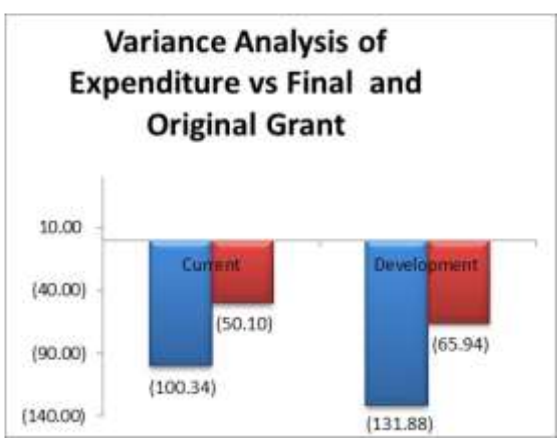
Audit noted that there was an overall savings of Rs. 15,977.020 million, which was due to savings of Rs. 13,944.129 million in Current Grant No. 13, which was partly offset by saving of Rs. 1,985.744 million in the Development

Grants.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries/Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 15.489.312 million were obtained, which were 100% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Rules of good governance demand that budget processes are carried out in accordance with clearly defined expectations and assumptions and a coordinated calendar of activity. As shown in the chart below, the savings in current expenditure was 100.34%, which, after accounting for Supplementary Grants changed to 50.10%. In development expenditure, saving against original budget was 131.88% which changed to 65.94% when Supplementary Grants were taken into account.



5.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
Capital Administration and Development Division (Printed Under Ministry of Education Devolved)	1988-89	4	4	4	0	100%
	1989-90	8	8	3	5	38%
	1990-91	6	6	6	0	100%
	1991-92	11	11	6	5	55%
	1992-93	22	22	22	0	100%
	1993-94	17	17	11	6	65%
	1994-95	7	7	6	1	86%
	1995-96	6	6	5	1	83%
	1996-97	2	2	0	2	0%
	2000-01	4	4	0	4	0%
	2005-06	7	7	0	7	0%
	2006-07	2	2	1	1	50%
	2007-08	1	1	0	1	0%
	Total	**97**	**97**	**64**	**33**	66%
Devolved M/o Social Welfare and Special Education	1992-93	9	9	9	0	100%
	1994-95	3	3	1	2	33%
	2001-02	2	2	1	1	50%
	2005-06	5	5	3	2	60%
	2006-07	1	1	0	1	0%
	Total	**22**	**22**	**15**	**7**	68%
Capital Administration and Development Division (Devolved M/o Health)	1988-89	2	2	0	2	0%
	1989-90	7	7	6	1	86%
	1990-91	5	5	5	0	100%
	1991-92	15	15	0	15	0%
	1992-93	15	15	9	6	60%
	1993-94	13	13	0	13	0%
	1994-95	7	7	7	0	100%
	1995-96	1	1	0	1	0%
	1996-97	3	3	0	3	0%
	1997-98	1	1	1	0	100%
	2000-01	2	2	0	2	0%
	2005-06	3	3	0	3	0%
	2006-07	2	2	0	2	0%
	2007-08	4	4	0	4	0%
	2008-09	5	5	0	5	0%
	Total	**85**	**85**	**28**	**57**	33%
Devolved M/o Tourism	1992-93	1	1	1	0	100%
	1997-98	7	7	0	7	0%
	2001-02	3	3	1	2	33%
	2005-06	1	1	0	1	
	2006-07	1	1	1	0	100%
	2007-08	3	3	1	2	33%
	Total	**16**	**16**	**4**	**12**	25%

5.4 AUDIT PARAS

Non Production of Record

5.4.1 Non-production of record

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

The Directorate General Audit (Federal Government), Islamabad received a copy of complaint addressed to the Secretary, Capital Administration & Development Division, Islamabad relating to regularization of the project employees of Technical Panel on Teacher’s Education (TPTE) vide Ministry of Capital Administration & Development Notification No. F.6-27/2012-Coord dated 13.07.2012.

The management of Capital Administration & Development Division, Islamabad was requested to provide the record in order to verify the authenticity of the complaint.

Despite repeated requests the management did not provide the record to Audit.

Audit is of the view that in the absence of auditable record, the authenticity of the complaint could not be ascertained which hindered the auditorial functions of the Auditor General of Pakistan.

The management replied that the record of regularization of project employees was with TPTE which would be provided on its availability.

The reply was not accepted as no record was provided to Audit till issuance of the report.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for non-production of record besides provision of the auditable record.

5.4.2 Non-production of record relating to appointment of staff

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

The management of National Institute of Rehabilitation Medicine (NIRM), Islamabad appointed 15 personnel during May, 2013. Details are as under:

S. No.	Name	Designation	BPS	Date of Joining
1.	Ms. Saba Habib	Jr. Tech	09	20.05.2013
2.	Mr. Ehsan Ali Tayyab	Jr. Tech	09	17.05.2013
3.	Mr. Adnan Afzal Khan	Jr. Tech	09	17.05.2013
4.	Mr. M. Waqas Nisar	Driver	04	23.05.2013
5.	Mr. Muhammad Asif	Driver	04	20.05.2013
6.	Syed Hanif Ullah	Driver	04	23.05.2013
7.	Mr. Sajid Mahmood	Driver	04	27.05.2013
8.	Mr. Ikram Ullah	Ward Boy	02	17.05.2013
9.	Mr. Jamshad Iqbal	Ward Boy	02	17.05.2013
10.	Mr. Zain Muhammad	Ward Boy	02	18.05.2013
11.	Mr. Muhammad Hammad	Ward Boy	02	18.05.2013
12.	Mr. Habib Anwar	Ward Boy	02	18.05.2013
13.	Mr. Muneeb Mehdi	Ward Boy	02	20.05.2013

14.	Mr. Anwar Zaib	Ward Boy	02	20.05.2013
15.	Mr. Ahmad Hussain	Ward Boy	02	19.06.2013

Despite repeated requests the management did not provide the record pertaining to the appointments, i.e. advertisement, short listing of the candidates, Minutes of the Departmental Selection Committee, etc.

Audit is of the view that due to non-production of record the authenticity of the appointments could not be ascertained.

The management replied that this observation pertains to period before 30.06.2013 which had already been audited and no observation during that period was made.

The reply was not accepted because the monetary effect of appointments started in financial year 2013-14. Further, it is the prerogative of the auditors to determine the extent and nature of audit.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility for non-production of record be fixed besides provision of record to Audit.

Irregularity & Non Compliance

5.4.3 Irregular and unauthorized monetization of vehicle - Rs. 0.255 million

The Federal Government approved the "Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22" vide Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011. The Monetization Policy was implemented w.e.f. 01.01.2012.

Clause (iv) of the Monetization Policy provides that the officers in possession of official vehicles may be given first option to purchase the allocated cars on depreciated price.

Para 8 of Cabinet Division's U.O. No. F.2/25/2011-CPC dated

22.06.2012 provides that civil servants (BS-20 to BS-22) are eligible for monetization of staff cars allocated to them on or before 01.01.2012. Any subsequent monetization of staff cars which have now become available at a belated stage will set a bad precedent and likely to be quoted by others, as a subsequent chain of requests.

The management of Capital Administration and Development Division (Main) approved the monetization of vehicle No. GA-812 Toyota Corolla 1300cc 2004 Model at a depreciated value of Rs. 255,118 to Mr. Asif Mahmood, Joint Secretary (CA&DD) on 03.06.2013.

Audit observed as under:

i. The officer was not working in Capital Administration and Development Division on 01.01.2012.

ii. The officer assumed the charge of the post of Joint Secretary (BPS-20) on 23.04.2013.

iii. The vehicle was not allocated to or in possession of the officer on 31.12.2011.

iv. The depreciation of the vehicle was charged up to the year 2013.

v. The depreciated price of the vehicle was not calculated/recommended by the Condemnation/Replacement Committee.

Audit is of the view that the monetization of the vehicle after 01.01.2012 to an officer who was neither allotted nor in possession of the vehicle on 31.12.2011 was irregular and unauthorized.

The management replied that the audit observation was correct and CA&D Division had repeatedly requested the officer to return the vehicle as the process of monetization was illegal and not in accordance with the Monetization Policy. Presently, the case was in the civil court and decision was awaited.

The management has accepted the audit observation.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity besides recovering the vehicle.

5.4.4 Unauthorized payment of House Building Advance - Rs. 1.638 million

Note 1 of Para 253(2)(iv) of GFR Volume-I states that the full amount of House Building Advance (HBA) will be admissible only to those who are less than 47 years of age. In the case of those who are above the age of 47 years the amount of advance should be so reduced as would enable the recovery at the rate of not more than 1/4th of the government servants pay in any one month of the total amount advanced, including interest, possible before the retirement of the government servant.

The management of Capital Administration & Development Division sanctioned House Building Advance to Mr. Shamsher Khan, Accounts Officer amounting to Rs. 1.638 million during September, 2013 equivalent to 36 months pay.

Audit observed as under:

i. The age of the officer was 54 years and 11 months as his date of birth was 22.10.1958.

ii. At the time of withdrawal of HBA only 61 months service was remaining.

iii. The officer was granted HBA equal to 36 months pay amounting to Rs. 1.638 million, although under the rules he was eligible to draw HBA equal to 15 months pay only, i.e. Rs. 682,500.

iv. The formalities, i.e. mortgage deed, etc. of plot/house were also not fulfilled.

Audit is of the view that the payment of HBA to the officer was irregular and unauthorized.

The management replied that the recoverable amount of HBA was distributed into the number of remaining months of service till retirement. The mortgage deed of the plot was being initiated and accordingly shall be fulfilled.

The reply was not accepted because HBA equal to 1/4th of the remaining months of service could be granted so that recovery @ not more than 1/4th of the basic pay could be recovered per month. The distribution of recovery of HBA over the remaining months was irregular and in violation of the rules.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

5.4.5 Unauthorized payment of Health Professional Allowance - Rs. 3.288 million

The Federal Government vide Finance Division O.M. No. F.2(13)R-2/2011-777 dated 06.02.2012 granted benefit of one basic pay of running salary as Health Allowance to the "health personnel" in the employment of Federal Government, in BPS scheme, with effect from 01.01.2012.

Finance Division vide U.O. No. F.2(13)R-2/2012-172 dated 27.03.2012 clarified that the definition of the "Health Personnel" is the same as was provided in Section 2(b) of the Career Structure for Health Personnel Scheme Ordinance, 2011 which is as under:

Section 2(b) of the Career Structure for Health Personnel Scheme Ordinance, 2011 states that "health personnel" means a person who holds a post in any institute or organization delivering services in the health sector and included in Schedule-I.

The management of Capital Administration & Development Division, Islamabad paid Rs. 3,288,427 on account of "Health Professional Allowance" to the officers of CA&DD during 2013-14.

Audit observed that Health Professional Allowance was paid to the employees of CA&DD who did not fall under the definition of "Health Personnel" as clarified by the Finance Division vide U.O. dated 27.03.2012.

Audit is of the view that payment of Health Professional Allowance to the employees other than defined as "Health Personnel" was unauthorized.

The management replied that while extending the benefit to all health personnel the beneficiaries comprised all doctors/dentists/nurses (belonging to administrative and general cadre, clinical cadre and teaching cadre), allied professionals (pharmacists, health education experts, special education experts holding at least M. Phil Special Education degree), physiotherapists, paramedics, health secretariat/support staff serving in the Federal Government. The doctors employed in CA&DD were of same medical cadre, and were entitled for Health Allowance, as their counterparts in other health facilities.

The reply was not accepted because the Health Professional Allowance was paid to the employees other than those defined as “Health Personnel”.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that amount irregularly paid should be recovered.

5.4.6 Unauthorized retention and allocation of vehicles to subordinate offices

Para 2 of the Cabinet Division vide U.O. No. 2/60/2011, CPC dated 23.02.2012 states that on recommendation of the Vehicles Authorization Committee constituted in the wake of Transport Monetization Policy, the competent authority has been pleased to approve the authorization of the following vehicles to the maintained for protocol/general/operational duties of Capital Administration and Development Division:

1. 1300cc Car Two
2. 1000/800cc vehicles Six

Para 3 of the Cabinet Division vide U.O. No. 2/60/2011, CPC dated 23.02.2012 states that all other vehicles, in excess to above authorized vehicles being used for protocol/general/ operational duties may immediately be surrendered to the Cabinet Division, Central Pool of Cars by 1st March, 2012.

The management of Capital Administration and Development Division (Main), Islamabad retained and maintained fifteen vehicles of different capacity during 2013-14.

Audit observed as under:

i. Four vehicles in excess of authorized number of vehicles allowed by the Cabinet Division were retained and used by the CA&DD.

ii. Two excess retained vehicles, i.e. GA-844 (Toyota Corolla 1600cc) and GK-473 (Vigo Double Cabin) were handed over to the National Institute of Rehabilitation Medicines (NIRM), Islamabad without approval of the Cabinet Division.

iii. GF-466 Toyota Hiace was handed over to DG (SESW), Islamabad without approval of the Cabinet Division.

Audit is of the view that maintenance, retention and transferring of vehicles to subordinate offices in excess of authorization and without approval/authorization of Cabinet Division is irregular and unauthorized.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that vehicles retained, maintained, and transferred to subordinate offices irregularly in excess of the authorization issued by Cabinet Division may be recovered and be handed over to the Cabinet Division.

5.4.7 Irregular payment of Health Allowance to deputationists from provinces - Rs. 1.875 million

The Federal Government vide Finance Division O.M. No. F.2(13)R-2/2011-777 dated 06.02.2012 granted benefit of one basic pay of running salary as Health Allowance to the 'health personnel' in the employment of Federal Government, in BPS scheme, with effect from 01.01.2012.

Finance Division clarified the term "Health Personnel" vide U.O. No. F.2(13)R-2/2012-172 dated 27.03.2012 as follows:

"Health personnel" means a person who holds a post in any institute or organization delivering services in the health sector and included in Schedule-I, but does not include:

i. A person who is on deputation to the Federal Government from any Province or other authority;

ii. A person who is employed on contract or on work charge basis or who is paid from contingencies.

The management of Federal Government Polyclinic, Islamabad paid Health Professional Allowance to deputationists amounting to Rs. 1.875 million during 2011-14. Details are as under:

(Rupees)

S. No.	Name / BPS	Period	Rate	Amount
1.	Ms. Rabia Rafique, B-17	07.11.2013 to 30.06.2014	15,000	120,000
2.	Mr. Jehanzaib Khan, B-17	01.01.2012 to 30.06.2014	15,000	450,000
3.	Ms. Sidratulmuntiha, B-17	19.09.2013 to 30.06.2014	7,500	67,500
4.	Ms. Seema Israr, B-17	27.06.2013 to 30.06.2014	22,000	264,000
5.	Ms. Rubina Naz, B-17	23.07.2013 to 30.06.2014	20,800	208,000
6.	Mr. Adil Saidullah, B-17	28.09.2012 to 30.06.2014	15,000	315,000
7.	Ms. Shazia Nadeem, B-17	01.01.2012 to 30.06.2014	15,000	450,000
			Total	**1,874,500**

Audit observed that the management paid Health Professional Allowance to deputationists from the provinces.

Audit is of the view that payment of Health Professional Allowance to deputationists from the provinces was irregular and unauthorized.

The management replied that the deputationists pointed out by Audit, except Dr. Hamid Iqbal, were the employees of the provinces and AJK. The provincial governments had granted Health Professional Allowance to their health personnel, and the AGPR, Islamabad had allowed Health Professional Allowance on the basis of Last Pay Certificates issued by their parent departments.

The reply was not accepted because Health Professional Allowance was paid to the persons other than those defined as ‘Health Personnel’ by the Finance Division. Further, record showing that Dr. Hamid Iqbal as a Federal Government employee was not provided to Audit.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends recovery of irregularly paid amount.

5.4.8 Loss due to purchase of medicines from other than lowest bidder - Rs. 196.254 million

Rule 20 of Public Procurement Rules, 2004 states that save as otherwise provided hereinafter, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Rule 2(h)(i)(ii) of Public Procurement Rules, 2004 states that the "lowest evaluated bid" means, a bid most closely conforming to evaluation criteria and other conditions specified in the bidding document; and having lowest evaluated cost.

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

The management of Federal Government Polyclinic, Islamabad incurred expenditure of Rs. 516.918 million on purchase of drugs during 2013-14.

Audit observed that 186 medicines and injections were not purchased from the lowest bidders.

Audit is of the view that failure to purchase medicines from the lowest bidders resulted in a loss of Rs. 196.254 million to the government.

The management replied that FGPC provided medical treatment to 2.500 to 3.100 million patients annually, including dignitaries, high officials and government servants, and was obliged to provide such medicines which could give prompt and efficient relief, for the following reasons:

1. The only method available to determine real potency of medicines was clinical judgment of the treating physician as no such laboratories were available in the country.
2. All selections were made in the best interest of public. The reasons/justifications for selecting medicines at higher rates were recorded in the minutes of meeting.
3. PPRA Policy Guideline 6.6 for Ministry of Health is reproduced as follows:

   "6.6 When purchasing drugs and medical supplies procuring agencies should evaluate tenders on the basis of appropriate quality rather than lowest price."

The drugs/medicines were purchased on quality basis on recommendation of technical members and expert consisting of Consultants, because these were lifesaving medicines. According to PPRA Rule 29, the proper Evaluation Criteria was framed by the Drug Selection & Procurement Committee including end-users which was also duly approved by the competent authority. All selections were made according to criteria. In some cases the decisions were taken on the recommendations of the end users on the basis of previous experience who flatly refused to use lowest quoted medicines. If any item was approved other than the lowest, full justification was recorded on the comparative statement in the light of PPRA Rule-2(k)(1) Value for money.

The reply was not accepted because the Public Procurement Regularity Authority never issued any specific policy guidelines for purchase of medicines. The "PPRA" rules being quoted by Federal Government Polyclinic were merely proposals send to the CA&DD by FGPC, which were never approved by the Public Procurement Regulatory Authority.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends fixing of responsibility for the irregularity.

5.4.9 *Unauthorized payment of House Building Advance - Rs. 1.845 million*

Note 1 of Para 253(2)(iv) of GFR Volume-I states that the full amount of House Building Advance (HBA) will be admissible only to those who are less than 47 years of age. In the case of those who are above the age of 47 years the amount of advance should be so reduced as would enable the recovery at the rate of not more than 1/4th of the government servants pay in any one month of the total amount advanced, including interest, possible before the retirement of the government servant.

The management of Federal Government Polyclinic, Islamabad sanctioned House Building Advance (HBA) to Dr. Farzana Hayat amounting to Rs 1.865 million during February, 2014 equivalent to 36 months pay.

Audit observed as under:

i. The age of the officer was 52 years and 02 months as her date of birth was 31.12.1961.

ii. At the time of withdrawal of HBA only 94 months service was remaining.

iii. The officer was granted HBA equal to 36 months pay amounting to Rs. 1,864,800, although under the rules she was eligible to draw HBA equal to 23 months pay only, i.e. Rs. 1,191,400.

iv. Recovery of the HBA was not effected till June, 2014.

v. The formalities, i.e. mortgage deed, etc. of plot/house were also not fulfilled.

Audit is of the view that the payment of HBA to the officer and non-recovery thereof was irregular and unauthorized.

The management replied that the officer applied for grant of HBA many years ago and the AGPR, Islamabad issued Fund Availability Certificate on her turn in February, 2014. Sanction was issued for Rs. 1,864,800 with recovery of amounts in the 94 installment @ Rs. 19,839 per month. The HBA with interest will be recovered before her retirement as recovery has already been started from her pay. The formalities for grant of HBA have also been completed. She has also been advised to provide mortgage deed.

The reply was not accepted because HBA equal to $1/4^{th}$ of the remaining months of service could be granted so that recovery @ not more than $1/4^{th}$ of the basic pay could be recovered per month. The distribution of recovery of HBA over the remaining months was irregular and in violation of the rules.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends fixing of responsibility for the irregularity.

5.4.10 Irregular appointment of Medical Officer

Establishment Division vide O.M. No. 2/9/76/D.III dated 14.03.1981 issued Guidelines for making appointments against the posts falling within the purview of the Federal Public Service Commission, in accordance with the Civil Servants (Appointment, Promotion and Transfer) Rules, 1973.

Para 1(3) of the Guidelines states that the number of vacancies required to be filled should be referred to the Federal Public Service Commission, indicating the requirements of the recruitment rules, and their regional quota, i.e. requisite qualifications/experience/age/domicile, etc.

Para 1(8) of the Guidelines states that proposal to appoint the Federal Public Service Commission nominees in Grade-17 and above should be referred to the Establishment Division for seeking approval of the competent authority for their appointment. This should be done through a Summary to be signed by the Secretary (or Additional Secretary, if there is no Secretary) of the Ministry/Division concerned.

Para 1(9) of the Guidelines states that the Summary should be accompanied by the following documents, otherwise the proposal will not be considered by the Establishment Division:

(i) Copy of the relevant recruitment rules.

(ii) Copy of the requisition sent to FPSC.

(iii) FPSC's letter of nomination.

(iv) Bio-data of each nominee, containing his qualifications/experience/ age/domicile, etc.

(v) Character Rolls of such nominees who may already be in government service.

Para 1(10) of the Guidelines states that after the competent authority has approved the appointment of the candidates nominated by the FPSC, their appointment shall be notified by the Ministry/Division concerned, under intimation to the FPSC and the Establishment Division.

Capital Administration & Development Division notified vide No. F.2-4/2013-Estt-II(FGPC) dated 14.03.2013 that consequent upon acceptance of the appeal of Dr. Farrukh Hameed Maan dated 04.03.2013, recommendation of the Finance Minister and approval of the Prime Minister conveyed vide Prime Minister’s Secretariat U.O. No. 1008(M)PSPM/13 dated 05.03.2013, Dr. Farrukh Hameed Maan is appointed as Medical Officer (BPS-17) in Federal Government Services Hospital (FGSH), Islamabad in relaxation of rules and as a special case.

Capital Administration & Development Division Notification No. 15-SO(Estt-II)/2013 dated May, 2013 states that in pursuance of this Ministry Notification No. F.2-4/2013-Estt-II(FGPC) dated 14.03.2013 Dr. Farrukh Hameed Maan has assumed the charge of the post of the Medical Officer (BPS-17) in Federal Government Polyclinic, Islamabad w.e.f. 14.03.2013. He will remain on probation for a period of one year.

Audit observed that the appointment of Dr. Farrukh Hameed Maan in Federal Government Polyclinic, Islamabad was not made through FPSC.

Audit is of the view that appointment of Dr. Farrukh Hameed Maan was irregular and unauthorized.

The management replied that Dr. Farrukh Hameed Maan was appointed as Medical Officer (BS-17) with the approval of the Prime Minister in relaxation of rules as a special case vide Prime Minister’s Secretariat U.O. No. 1088/PSPM/13 dated 05.03.2013. His appointment as Medical Officer was notified by CA&DD, Islamabad vide Notification No. F.2-4/2013-Estt.II(FGPC) dated 14.3.2013. Audit observation has been forwarded to CA&DD for guidelines and further clarification vide letter No. FGPC 1/7/2014 dated 04.09.2014. Further clarification will be intimated on receipt of reply from CA&DD.

The reply was not accepted because the appointment of Medical Officer (BPS-17) fell within the purview of the Federal Public Service Commission, in accordance with the Civil Servants (Appointment, Promotion and Transfer) Rules, 1973. The guidelines issued by the Establishment Division vide O.M. No. 2/9/76/D.III dated 14.03.1981 were also violated. Further, the Prime Minister does not have the authority to appoint anyone as a special case.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that the appointment may be annulled and, if required, the appointment should be made according to the rules.

5.4.11 Less deduction of Income Tax on purchase of medicines - Rs. 8.229 million

Section 153(1)(a) of the Income Tax Ordinance, 2001 states every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person shall deduct income tax at source @ 3.5% for sale of goods.

The Federal Government Polyclinic Hospital, Islamabad purchased medicines from the budget of Parliament House Dispensary.

Audit observed that the management of Federal Government Polyclinic Hospital deducted Income Tax @ 1% from the suppliers of medicines instead of @ 3.5% during 2010-14. Details are as under:

(Rupees)

S. No.	Year	Payments	Income Tax due @ 3.5 %	Income Tax deducted @ 1 %	Tax recoverable
1.	2010-11	87,869,359	3,075,428	878,734	2,196,734
2.	2011-12	97,656,165	3,417,966	976,562	2,441,404
3.	2012-13	113,028,809	3,956,008	1,130,288	2,825,720
4.	2013-14	30,618,210	1,071,637	306,182	765,455
	Total	**329,172,543**	**11,521,039**	**3,291,766**	**8,229,313**

Audit is of the view that due to less deduction of Income Tax government was deprived of its due revenue.

The management replied that tax @ 1% on purchase of medicines was deducted as per Income Tax Ordinance, 2001 which states the rate of tax from the distributors of cigarettes and pharmaceuticals shall be @ 1% of the gross amount of payments.

The reply was not accepted because medicines were purchased from the medical stores and not from the distributors.

The PAO was informed 29.10.2014, but DAC was not convened till the finalization of the report.

Audit recommends that Income Tax should be recovered @ 3.5% and deposited into the government treasury.

5.4.12 Unauthorized expenditure on repair of office building - Rs. 1.231 million

Para 12 of GFR Volume-I states that a controlling officer must see not only that the total expenditure is kept within the limits of the authorized appropriation but also that the funds allotted to spending units are expended in the public interest and upon objects for which the money was provided.

Para 192 of GFR Volume-I states that when works allotted to a civil department other than the Public Works Department are executed departmentally, whether direct or through contractors, the form and procedure relating to expenditure on such works should be prescribed by departmental regulations framed in consultation with the Accountant General generally on the principles underlying the financial and accounting rules prescribed for similar works carried out by the Public Works Department.

Para 182 of GFR Volume-I states that to facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contract agreements, a Schedule of Rates for each kind of work commonly executed should be maintained in each locality and kept up to date. The rates entered in the estimates should generally agree with the scheduled rates but where, from any cause, these are considered insufficient, or in excess, a detailed statement must be given in the report accompanying the estimate, showing the manner in which the rates, used in the estimate are arrived at.

The management of National Institute of Rehabilitation Medicine (NIRM), Islamabad incurred expenditure of Rs. 1,231,373 on repair of building during 2013-14.

Audit observed as under:

i. The expenditure on repair of office building was made without making departmental regulations.
ii. Expenditure amounting to Rs. 181,395 was incurred in excess of allocation under the head A13301-Repair of Office Building.

Audit is of the view that the expenditure incurred was irregular and unauthorized.

The management replied that the expenditure on repair of office building was made after obtaining the approval of competent authority as per delegation of financial powers and completion of all codal formalities accordingly. Budget amounting to Rs. 1,500,000 was allocated for repair of office building for the year 2013-14 and total expenditure was incurred under the said budget head is Rs. 1,049,978 which is within the limit of original budget allocation.

The reply was not accepted because the expenditure on repair of office buildings was incurred without framing of departmental regulations. Further, expenditure amounting to Rs. 181,395 was incurred in excess of the allocation because after re-appropriation only Rs. 1.050 were available under the head A13301-Repair of Office Building.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides regularization of excess expenditure from the Finance Division.

5.4.13 Less deduction of Income Tax - Rs. 3.449 million

Section 149(1) of the Income Tax Ordinance, 2001 states that every employer paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee's average rate of tax computed at the rates specified on the estimated income of the employee chargeable under the head "Salary" for the tax year in which the payment is made.

Section 161(1)(a) of Income Tax Ordinance, 2001 states that where a person fails to collect tax or deduct tax from a payment the person shall be personally liable to pay the amount of tax to the Commissioner who may pass an order to that effect and proceed to recover the same.

The management of Pakistan Institute of Medical Sciences (PIMS), Islamabad paid salaries to 53 employees amounting to Rs. 104.243 million and deducted Income Tax amounting to Rs. 5.890 million from their salaries during 2013-14. Details are at Annexure-IV.

Audit observed that an amount of Rs. 3.449 million on account of Income Tax was less deducted from the salaries of these employees.

Audit is of the view that less deduction of Income Tax deprived the government of its due receipt.

The management replied that PIMS is a teaching institute and as per FBR Policy, teaching staff, i.e. Professors, Associates and other faculty member are eligible for 40% tax rebate. PIMS is an attached department and its employees are drawing salary from AGPR computerized pay roll system. Therefore, tax at source is deducted by the AGPR from the salaries of the concerned employees according to FBR Circular No. 03 of 2006 dated 11.07.2006.

The reply was not accepted because the tax rebate is admissible only to full time teacher or a researcher, employed in a non-profit education or research institute. These persons were employees of PIMS, which itself is not a non-profit, teaching or research institute recognized by the Higher Education Commission, Board of Intermediate and Secondary Education or a University, and were not full time teachers or researchers.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends recovery of Income Tax less deducted.

5.4.14 Unauthorized payment of House Building Advance - Rs. 3.259 million

Note 1 of Para 253(2)(iv) of GFR Volume-I states that the full amount of House Building Advance (HBA) will be admissible only to those who are less than 47 years of age. In the case of those who are above the age of 47 years the amount of advance should be so reduced as would enable the recovery at the rate of not more than 1/4th of the government servants pay in any one month of the total amount advanced, including interest, possible before the retirement of the government servant.

The management of Pakistan Institute of Medical Sciences (PIMS), Islamabad sanctioned HBA to 12 employees amounting to Rs. 6.617 million during 2013-14. Details are as under:

(Rupees)

S. No.	Name/Designation	Remaining Service	Basic Pay	HBA Drawn	HBA Due	Difference
1.	Muhammad Ahmad, St. Tec	78 months	18,980	683,280	370,110	313,170
2.	Syed Zulfiqar Haider, Projectionist	72 months	19,480	701,280	350,640	350,640
3.	Gulnaz Parveen, Charge Nurse	78 months	31,600	1,137,600	616,200	521,400
4.	Uzzia Raheel, APS	82 months	30,800	1,108,800	631,400	477,400
6.	Muhammad Asghar Shah, UDC	73 months	15,700	565,200	286,525	278,675
7.	Syed Ahmad Hussain Zaidi, Driver	49 months	13,140	473,040	160,965	312,075
8.	Muhammad Dilber, Attendant	68 months	10,250	369,000	174,250	194,750
9.	Muhammad Yousaf, Ward Boy	55 months	8,650	311,400	118,938	192,463
10.	Abdul Qadir, Attendant	89 months	10,950	394,200	243,638	150,563
11.	Sabir Masih, Jr. Tech	56 months	12,280	442,080	171,920	270,160
12.	Shabbir Ahmed Awan, Ward Boy	78 months	11,980	431,280	233,610	197,670
			Total	**6,617,160**	**3,358,196**	**3,258,966**

Audit observed that HBA was sanctioned equivalent to 36 months pay to the employees whose ages were above 47 years, resulting in excess payment of Rs. 3.259 million.

Audit is of the view that the payment of HBA to the employees in violation of the General Financial Rules was irregular and unauthorized.

The management replied that the employees of PIMS applied for House Building Advance to the AGPR, Islamabad. All particulars of employees, i.e. date of birth and date of retirement of the applicants, etc. were mentioned in the prescribed application forms on which the AGPR issued Fund Availability Certificate of full amount. However, the recovery of HBA was in progress as per installment fixed by the AGPR, according to which the full amount would be recovered before their retirement.

The reply was not accepted because HBA was sanctioned in violation of rules.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

5.4.15 Irregular purchase of dietary items - Rs. 14.125 million

Rule 10 of Public Procurement Rules, 2004 states that specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications. However, if the procuring agency is convinced that the use of or a reference to a brand name or a catalogue number is essential to complete an otherwise incomplete specification, such use or reference shall be qualified with the words “or equivalent”.

Rule 50 of Public Procurement Rules, 2004 states that any unauthorized breach of these rules shall amount to mis-procurement.

The management of Pakistan Institute of Medical Sciences (PIMS), Islamabad incurred an expenditure of Rs. 32.661 million on purchase of dietary items during 2013-14.

Audit observed that in the tender documents brand and company names of 14 dietary items were mentioned which were procured at a cost of Rs. 14.125 million. Details are at Annexure-V.

Audit is of the view that mentioning the brand and company name was violation of Public Procurement Rules, 2004 which narrowed the competition and deprived the public exchequer of the benefits of competitive rates.

The management replied that the market was flooded with low quality food items and the diet was being served to the admitted patients of different categories for better patient care. In order to purchase the best quality items available in the market, more than two brands were mentioned in the tenders so that competition between apple to apple could be held and the best quality items could be purchased at competitive rates, which can help the early recovery of the admitted patients. Therefore, no violation of Public Procurement Rules, 2004 was made.

The reply was not accepted because the procurement was made in violation of provisions of the Public Procurement Rules, 2004. Further, quality of dietary items could not be determined on presumptions unless tested by standard laboratory.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends fixing of responsibility for the irregularity.

5.4.16 Irregular payment of Conveyance Allowance - Rs. 10.213 million

Para 10(v) of GFR Volume-I states that the amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

Finance Division O.M. No. F.1(1)Imp.1/177 dated 28.04.1977 states that the employees not residing within their work premises are entitled to the Conveyance Allowance.

The management of Pakistan Institute of Medical Sciences, Islamabad paid an amount of Rs. 99.678 million as Conveyance Allowance to its employees during 2013-14.

Audit observed that Conveyance Allowance amounting to Rs. 10.213 million was paid to 354 employees residing within the work premises/compound of PIMS, i.e. residential colony.

Audit is of the view that payment of Conveyance Allowance to the employees residing in the compound of PIMS was irregular and unauthorized.

The management replied that the PIMS was scattered over a vast area covering the whole G-8/3 sector. Its residential colonies were separately located with a road in between the official and residential buildings. Even they were separated through a wall which had been damaged but its remnants were visible at some points even now. Moreover, the residential areas which were far away from the official buildings had been confined in their own security system with properly established check-posts. The PIMS staff regularly used their vehicles to attend their offices.

The reply was not accepted because the employees were residing within the compound of PIMS and as per rule they were not entitled for Conveyance Allowance.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends recovery of irregularly paid amount.

5.4.17 Unauthorized expenditure on repair of office building - Rs. 16.884 million

Para 192 of GFR Volume-I states that when works allotted to a civil department other than the Public Works Department are executed departmentally, whether direct or through contractors, the form and procedure relating to expenditure on such works should be prescribed by departmental regulations framed in consultation with the Accountant General generally on the principles underlying the financial and accounting rules prescribed for similar works carried out by the Public Works Department.

Para 182 of GFR Volume-I states that to facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contract agreements, a Schedule of Rates for each kind of work commonly executed should be maintained in each locality and kept up to date. The rates entered in the estimates should generally agree with the scheduled rates but where, from any cause, these are considered insufficient, or in excess, a detailed statement must be given in the report accompanying the estimate, showing the manner in which the rates, used in the estimate are arrived at.

The management of Pakistan Institute of Medical Sciences (PIMS), Islamabad incurred an expenditure of Rs. 16.884 million on repair of buildings during 2013-14. Details are as under:

(Rupees)

S. No.	Department	Amount
1.	Pakistan Institute of Medical Sciences, Islamabad.	13,900,482
2.	Children Hospital, Islamabad	2,253,702
3.	Mother & Child Health Care Centre, Islamabad	398,236
4.	Burn Care Centre, Islamabad.	221,848
5.	College of Nursing & Medical Technology, Islamabad.	110,110
	Total	**16,884,378**

Audit observed that the expenditure was incurred without making departmental regulations.

Audit is of the view that the expenditure incurred was irregular and unauthorized.

The management replied that the repair and maintenance work was carried out by the Engineering Department of PIMS according to the scheduled rates after observing the tendering formalities.

The reply was not accepted because the repair and maintenance work could not be carried out departmentally without framing departmental regulations.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends fixing of responsibility for the irregularity besides framing departmental regulations, as required under the rules.

5.4.18 *Irregular payment of Health Allowance to deputationists from provinces/authority - Rs. 3.069 million*

The Federal Government vide Finance Division O.M. No. F.2(13)R-2/2011-777 dated 06.02.2012 granted benefit of one basic pay of running salary as Health Allowance to the 'health personnel' in the employment of Federal Government, in BPS scheme, with effect from 01.01.2012.

Finance Division clarified the term "Health Personnel" vide U.O. No. F.2(13)R-2/2012-172 dated 27.03.2012 as follows:

"Health personnel" means a person who holds a post in any institute or organization delivering services in the health sector and included in Schedule-I, but does not include:

i. A person who is on deputation to the Federal Government from any Province or other authority;

ii. A person who is employed on contract or on work charge basis or who is paid from contingencies.

The management of Pakistan Institute of Medical Sciences (PIMS), Islamabad paid Health Professional Allowance amounting to Rs. 3.069 million to deputationists during 2011-14. Details are as under:

(Rupees)

S. No.	Name & Designation	Parent Department	Months	Rate	Amount
1.	Dr. Israr Ahmad, Assistant Professor	CDA, Islamabad	30	26,000	780,000
2.	Dr. Gulshan Bahar, Medical Officer	Government of Khyber-Pakhtunkhwa	26	15,000	390,000
3.	Dr. Lubna Bashir, Asstt. Dental Surgeon	Government of Sindh	19	29,200	554,800
4.	Dr. Tayaba Mazhar, Asstt. Professor	Khyber Teaching Hospital, Peshawar	4	39,500	158,000
5.	Dr. Fatima Mehboob, Senior Registrar	Health Department Govt. of Punjab	13	10,000	130,000
6.	Ms. Nasreen Saleem, Head Nurse	Government of Balochistan	30	35,200	1,056,000
				Total	**3,068,800**

Audit observed that the management paid Health Professional Allowance to deputationists from provinces/authority.

Audit is of the view that payment of Health Professional Allowance to deputationists from provinces/authority was irregular and unauthorized.

The management replied that Health Professional Allowance/Health Allowance was paid by AGPR, Islamabad to those deputationists who were already drawing the allowance in their parent departments which was also reflected in their Last Pay Slips.

The reply was not accepted because the Health Professional Allowance was allowed in violation of instructions of the Finance Division.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends recovery of irregularly paid amount.

5.4.19 Irregular expenditure on civil works out of Student Fund - Rs. 2.669 million

Article 30 of Education Code, 2006 states that heads of educational institutions shall be empowered to incur expenditure out of Students Fund on eighteen items only.

The Federal Directorate of Education has delegated powers to the heads of educational institutions vide letter No. F.1-91/2000(Budget)FDE dated 08.02.2007.

Para 192 of GFR Volume-I states that when works allotted to a civil department other than the Public Works Department are executed departmentally, whether direct or through contractors, the form and procedure relating to expenditure on such works should be prescribed by departmental regulations framed in consultation with the Accountant General generally on the principles underlying the financial and accounting rules prescribed for similar works carried out by the Public Works Department.

Para 182 of GFR Volume-I states that to facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contract agreements, a Schedule of Rates for each kind of work commonly executed should be maintained in each locality and kept up to date. The rates entered in the estimates should generally agree with the scheduled rates but where, from any cause, these are considered insufficient, or in excess, a detailed statement must be given in the report accompanying the estimate, showing the manner in which the rates, used in the estimate are arrived at.

Rule 10 of Public Procurement Rules, 2004 states that specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage.

Rule 12(2) of 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 circulation. The advisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Para 59 of Central Public Works (Department) Code states that a group of works which forms one project shall be considered as one work.

Para 184 of GFR Volume-I states that Pak PWD is the authority to execute the works.

The management of Islamabad Model College for Girls, F-10/2 incurred an expenditure of Rs. 2.669 million on repair & maintenance of college building out of Student Fund during 2010-11.

Audit observed as under:

i. Civil works were not got executed from Pak PWD.

ii. The Principal of the College incurred expenditure on repair & maintenance of the College building beyond her delegated powers as there was no provision for execution of civil works in Article 30 of Education Code, 2006.

iii. Expenditure was split up to avoid the necessity of calling open tenders.

Audit is of the view that expenditure incurred on repair & maintenance of college building in violation of the rules was irregular and unauthorized.

The management replied that the expenditure was unavoidable and required immediate repair in the best interest of the students of this institution. The payment was made at different times.

The reply was not accepted as Principal of the College was not competent to incur expenditure on civil works while other formalities were also not completed.

The PAO was informed on 09.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity.

5.4.20 Irregular payment of allowances of higher grades on the basis of grant of higher time scale - Rs. 7.591 million

The Finance Division vide letter No. 1(13)R-1/2010 dated 10.09.2013 clarified that since the incumbents after grant of higher pay scale were to be considered the incumbents of original posts with no change in status/entitlement, the admissibility of Entertainment Allowance, Senior Post Allowance, Orderly Allowance, House Rent Allowance and Transport Monetization Allowance will be determined with reference to the original posts of the incumbents.

The management of following Islamabad Model Colleges granted time scale of higher grade to the Associate Professors, Assistant Professors, Deputy Head Mistress, etc. who were also allowed Senior Post Allowance, Orderly Allowance, House Rent Allowance, etc. of the higher scales:

(Rupees)

S. No.	College	Senior Post Allowance	Orderly Allowance	Entertainment Allowance	House Rent Allowance	Total
1.	IMCG, F-7/2	498,000	2,220,000	273,000	2,703,246	5,694,246
2.	IMCG, F-6/2	90,000	504,000	7,200	39,582	640,782

3.	IMCG, G-10/2	136,200	630,000	114,676	374,676	1,255,552
					Total	**7,590,580**

Audit observed that Associate Professors, Assistant Professors and Deputy Head Mistress promoted on time scale basis were drawing Senior Post Allowance, Orderly Allowance, Entertainment Allowance and House Rent Allowance of higher scales.

Audit is of the view that the officers were not entitled to draw the allowances which were admissible to the regular employees of BS-19 and BS-20.

The management replied that the allowances were paid in the light of pay slips issued by the AGPR, Islamabad. Recovery will be got effected in accordance with the instructions of Audit in due course.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 09.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that over payment made to the Associate Professors and Deputy Head mistress may recovered.

5.4.21 Recovery from Principal and P.A. to Principal due to non-adjustment of advances - Rs. 1.159 million

Rule 668 of the Federal Treasury Rules states that 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.

The Principal of the IMCG, F-10/2, Islamabad and P.A. to Principal were granted advances amounting to Rs. 870,448 and Rs. 289,046, respectively during 2010-13. Details are as under:

(Rupees)

S. No.	Name of Account	Cheque No	Dated	Purpose	Amount
1.	Student Fund	223469	06.05.2011	TA/DA	36,273
2.	Student Fund	226307	07.06.2011	Purchase of Books	1,800,00
3.	Student Fund	223497	25.05.2011	Prize Distribution Ceremony	50,000
4.	Student Fund	222022	22.11.2010	Purchase of Made Easy Notes of English Literature.	35,000
5.	Student Fund	222037	30.11.2010	Purchase of Books for M.A English Literature.	65,000
6.	Student Fund	221804	24.09.2010	TA. DA	14,591
7.	Student Fund	223468	02.05.2011	Farewell Party	49000
8.	Student Fund	226389	15.11.2011	Purchase of Different items for scouts.	25,000
9.	2nd Shift Fund	3082317	12.10.2012	Purchase of some items for scouts.	45,000
10.	Lib Security	220437	04.10.212	Purchase of Books	50,000
11.	2nd Shift Fund	257008	13.06.2011	Function in College	50,000
12.	Lib Security	220436	28.09.2012	Purchase of Books	100,000
13.	P.T.A Fund	256425	02.12.2011	Purchase of Computers.	170,620
				Total payment to Principal	**870,448**
14.	Student Fund	222047	15.12.2010	Purchase of crockery and Repair of Furniture.	35,000
15.	Student Fund	226310	13.06.2011	Refreshment in College	50,000
16.	2nd Shift Fund	222263	02.02.2011	TA. DA For Principal and others.	25,346
17.	2nd Shift Fund	222294	27.05.2011	Prize Distribution	40,000
18.	2nd Shift Fund	3156013	13.12.2012	Advance for Purchase of Crockery	30,000
19.	2nd Shift Fund	3791330	25.12.2013	Repair of Chair	24,750
20.	2nd Shift Fund	3791331	25.02.2013	Repair of Water Cooler	14,200
21.	2nd Shift Fund	3791332	25.02.2013	Repair and Change of sofa cloths.	33,000
22.	Student Fund	3155968	25.02.2013	Purchase of curtain.	36,750
				Total Payment to P.A to principal)	**289,046**
				Grant Total	**1,159,494**

Audit observed that Prof. Mrs. Naveed Saeed, Principal retired from government service on 25.02.2013 and did not adjust her advances before retirement.

Audit further observed that Mr. Muhammad Yaqoob, P.A. to Principal did not adjust his advances despite lapse of considerable time.

Audit is of the view that failure to adjust the advances was irregular and unauthorized.

The management replied that the ex-Principal and the P.A. to Principal had been requested to adjust the advances or refund the advance payment.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 09.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that advances may be got adjusted or recovered.

5.4.22 Unauthorized withdrawal from Bus Fund for payment of salary to daily wagers - Rs. 1.143 million

Para 11 GFR Volume-I 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.

The management of Islamabad Model College for Boys, I-8/3, Islamabad withdrew Rs. 1.143 million from Bus Fund for making payment of salary to daily wagers during 2013-14. Details are as under:

(Rupees)

S. No.	Voucher No.	Date	Amount
1.	3	23.05.2014	617,282
2.	4	11.06.2014	525,359
		Total	**1,142,641**

Audit observed that salary of daily wagers was paid from the Bus Fund.

Audit is of the view that the Bus Fund was not meant for paying the salary of the daily wagers

The management did not reply.

The PAO was informed on 09.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

5.4.23 Irregular collection, retention and expenditure out of Evening Shift Funds - Rs. 12.603 million

The Federal Directorate of Education, Islamabad vide Notification No. F.6.4/2005-(Coord)FDE dated 31.03.2005 announced that the Government of Pakistan was pleased to declare that no tuition fee shall be charged by any Federal Government School/Islamabad Model College located in Islamabad Capital Territory from the students of Class-I to Class-X with effect from Academic Session 2005 onwards till further orders.

The management of the following Islamabad Model Colleges, Islamabad collected Rs. 13.541 million as fee from the students of Evening Shift and incurred an expenditure of Rs. 12.603 million during 2012-14:

(Rs. in million)

S. No.	Institution	Receipt	Expenditure
1.	IMCB, I-8/3	5.395	5.197
2.	IMCB, F-7/3	6.054	5.314
3.	IMCG, F-10/2	2.092	2.092
	Total	**13.541**	**12.603**

Audit observed that the collection of fee and expenditure therefrom was violation of FDE notification dated 31.03.2005.

Audit is of the view that collection of fee and expenditure therefrom was irregular and unauthorized.

The managements of IMCB I-8/3, IMCG F-10/2 and IMCB F-73, Islamabad replied that 2nd shift was running on self-finance basis. Expenditure was incurred on pay of daily wages staff. Receipt of evening shift fee was fully impacted the salaries or wages of daily wages who were working in the evening shift. However, after implementation of Rule 25(A), the colleges' managements had not received any fee.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 09.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

5.4.24 Unauthorized payment of loans out of departmental receipt - Rs. 2.058 million and non-recovery - Rs. 1.400 million

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

Para 25 of GFR Volume-I states that all departmental regulations in so far as they embody orders or instructions of a financial character or have important financial bearing should be made by, or with the approval of, the Ministry of Finance.

The management of National Institute of Science and Technical Education (NISTE), Islamabad extended loans of Rs. 2.058 million to its employees out of departmental receipt during 2011-14.

Audit observed as under:

i. There was no provision for extending loans to employees out of departmental receipt.

ii. An amount of Rs. 1.400 million was outstanding against the unauthorized recipients as on 30.06.2014.

Audit is of the view that extending loans to the employees was misuse of departmental receipt and was, thus, irregular and unauthorized.

The management did not reply.

The PAO was informed on 09.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends recovery of the unauthorized loans besides discontinuation of the irregular practice.

5.4.25 Unauthorized monetization of NISTE vehicle No. GD-715

The Federal Government approved the "Compulsory Monetization of Transport Facility for Civil Servants in BS-20 to BS-22" vide Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011. The monetization policy was implemented w.e.f. 01.01.2012.

Para iv of the Annexure to Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011 states that the Civil Servants in BS-20 to BS-22 who have been provided the official transport may be given the first option to purchase the allocated cars on depreciated price.

The management of NISTE, Islamabad monetized vehicle No. GD-715 (Toyota Corolla, Model 2005) 1300cc to Mr. Muhammad Salman, Deputy Director General (BS-20) on 14.05.2012.

Audit observed as under:

i. The vehicle was not allocated to Mr. Muhammad Salman on 31.12.2011 as he assumed the charge of Deputy Director General, NISTE, Islamabad on 02.01.2012 vide Notification No. F.NISTE.1(2)/2012-Admin dated 30.01.2012.

ii. The officer paid installment of only Rs. 10,000 per month as cost of the depreciated vehicle although minimum recovery @ Rs. 25,000 per month was required under the policy.

iii. The officer was transferred out of NISTE on 23.01.2013 and it is not clear whether the remaining amount was recovered or not.

Audit is of the view that the officer was not entitled to purchase the vehicle at depreciated price because the vehicle was not allocated to him as he was not on the strength of NISTE on 31.12.2011.

The management did not reply.

The PAO was informed on 09.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for sale of vehicle at depreciated price to a non-entitled officer besides recovery of the remaining amount.

5.4.26 Non-auction of four condemned vehicles despite lapse of nine years

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

Rule 26 of Rules for Use of Staff Cars, 1980 states that all vehicles declared condemned shall be disposed of by Ministry/Division concerned through public auction.

The following vehicles of NISTE, Islamabad were declared condemned by the Condemnation Committee w.e.f. 06.01.2005:

S. No.	Vehicles No.	Make and Model
1.	IDB-5067	Suzuki Van-1987
2.	IDC-3562	Khyber Swift, 1989
3.	LHM-1518	Nissan Sunny Car, 1984
4.	IDE-4519	Potohar Jeep, 1991

Audit observed that despite lapse of nine years the vehicles were not auctioned.

Audit is of the view that failure to auction the vehicles has resulted in further deterioration of their condition which has resulted in loss to the government as the vehicles will not fetch the same price as that of nine years ago.

The management did not reply.

The PAO was informed on 09.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for failure to auction the vehicles and deterioration in their condition.

CHAPTER 6

6. CLIMATE CHANGE DIVISION

6.1 Introduction of Division

Climate Change Division is the focal point for National Policy, Legislation, Plans, Strategies and programs with regard to Disaster Management and Climate Change, including Environmental Protection and preservation. The Division also deals with other countries, international Agencies and Forums for coordination, and monitoring & implementation of Environmental Agreements.

Wings/Attached Departments of Climate Change Division are:

i. National Disaster Management Authority

ii. Pakistan Environmental Protection Agency

iii. Pakistan Environmental Planning & Architectural Consultants Ltd.

iv. Pakistan Environmental Protection Council

v. Zoological Survey Department

6.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Climate Change Division for the financial year 2013-14 was Rs. 557.879 million out of which the Division utilized Rs. 41.508 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

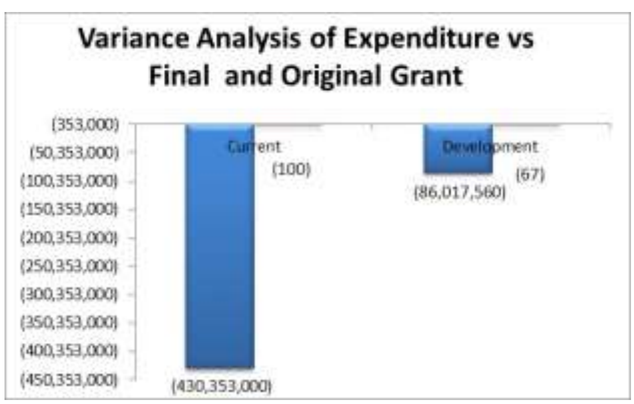
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
14	Current	430,353,000	-	430,353,000	-	(430,353,000)	(100.00)
110B	Development	0	68,764,000	68,764,000	41,508,440	(27,255,560)	(39.64)
112	Development	58,762,000	-	58,762,000	-	(58,762,000)	(100.00)
	Sub-Total	**58,762,000**	**68,764,000**	**127,526,000**	**41,508,440**	**(86,017,560)**	**(67.45)**
	Total	**489,115,000**	**68,764,000**	**557,879,000**	**41,508,440**	**(516,370,560)**	**(92.56)**

Audit noted that there was an overall saving of Rs. 516.371 million, which was due to saving of Rs. 430.353 million in Current Grant.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 68.764 million were obtained, which were 14.06 % of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Rules of good governance demand that budget processes are carried out in accordance with clearly defined expectations and assumptions and a coordinated calendar of activity. As shown in the chart below, savings in current expenditure was 430,353,000%, which, after accounting for Supplementary Grants reduced to 100%. In development expenditure, excess against original budget was 86,017,560% which reduced to 67% when Supplementary Grants were taken into account.



6.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
M/o Climate Change(Devolved M/o Environment)	2005-06	1	1	0	1	0%
	2006-07	2	2	2	0	100%
	2008-09	1	1	0	1	0%
Total		**4**	**4**	**2**	**2**	50%

6.4 AUDIT PARAS

Irregularity & Non Compliance

6.4.1 Irregular up-gradation of Senior Private Secretary from BPS-17 to 19

Ministry of Finance (Litigation Wing) vide O.M. No. F.No.4(5)R-14/2012 dated 25.07.2014 clarified that grant of higher time scale, i.e. BS-18/19 to the Private Secretaries (BS-17) is not construed to be a promotion to the post carrying higher pay scale but the higher time scale is treated to be an extension of the post of Private Secretary. The substantive pay scale of the Private Secretary remains BPS-17 even after grant of higher time scale, i.e. BPS-18/19. In fact, with reference to its status, the grant of higher time scale on completing certain length of service should be treated at par with move over, which used to be admissible prior to 01.12.2001. The employees allowed move over were not entitled to any change in rental ceiling/House Rent Allowance as clarified by Finance Division's O.M. No. F.1(7) R-3/85 dated 01.08.1994.

Paragraph (iii) of Establishment Division O.M. No. 1/9/80-R-II dated 02.06.1983 states that where first appointment of a person was made to government service in Grade 16 or below, one half of the service in Grade 16 and one fourth in Grade 15 and below may be counted as service in Grade 17 for computing length of service for the purpose of promotion only.

The management of Climate Change Division vide notification dated 02.10.2012 'upgraded' Mr. Muhammad Habib, Private Secretary from BS-18 to BS-19 as Senior Private Secretary w.e.f. 24.12.2011.

Audit observed as under:

i. The officer had seven years and eight months service in BS-17 and was granted the higher scale, i.e. BS-18 on 24.03.2011.

ii. The officer was granted benefit of Paragraph (iii) of Establishment Division O.M. No. 1/9/80-R-II dated 02.06.1983, which is applicable only in promotion cases.

iii. The officer was drawing House Rent Allowance of BS-19 instead of BS-17.

iv. The officer was also drawing Entertainment Allowance as admissible to BS-19 officers.

Audit is of the view that the officer was not entitled to avail the benefit of Paragraph (iii) of the Establishment Division O.M. No. 1/9/80-R-II dated 02.06.1983, as the same was applicable only in promotion cases.

Audit is also of the view that he was entitled to pay and allowances of BS-18 only. Therefore, payment of pay and allowances of BS-19 was irregular and unauthorized being in violation of clarification of the Finance Division O.M. No. F.No.4(5)R-14/2012 dated 25.07.2014.

The management did not reply.

The PAO was informed on 24.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that the irregular up-gradation may be rectified besides recovery of irregularly paid pay and allowances.

6.4.2 Irregular appointment of Director, Environmental Impact Assessment/Monitoring

Establishment Division vide O.M. No. 2/9/76/D.III dated 14.03.1981 issued Guidelines for making appointments against the posts falling within the purview of the Federal Public Service Commission, in accordance with the Civil Servants (Appointment, Promotion and Transfer) Rules, 1973.

Para 1(3) of the Guidelines states that the number of vacancies required to be filled should be referred to the Federal Public Service Commission, indicating the requirements of the recruitment rules, and their regional quota, i.e. requisite qualifications/experience/age/domicile, etc.

Para 1(8) of the Guidelines states that proposal to appoint the Federal Public Service Commission nominees in Grade-17 and above should be referred to the Establishment Division for seeking approval of the competent authority for their appointment. This should be done through a Summary to be signed by the Secretary (or Additional Secretary, if there is no Secretary) of the Ministry/ Division concerned.

Para 1(9) of the Guidelines states that the Summary should be accompanied by the following documents, otherwise the proposal will not be considered by the Establishment Division:

i. Copy of the relevant recruitment rules.

ii. Copy of the requisition sent to FPSC.

iii. FPSC's letter of nomination.

iv. Bio-data of each nominee, containing his qualifications/ experience/age/domicile, etc.

v. Character Rolls of such nominees who may already be in government service.

Para 1(10) of the Guidelines states that after the competent authority has approved the appointment of the candidates nominated by the FPSC, their appointment shall be notified by the Ministry/Division concerned, under intimation to the FPSC and the Establishment Division.

Mr. Zia ul Islam, Senior Deputy Manager, Cotton Export Corporation of Pakistan, Karachi under Ministry of Commerce was posted as Deputy Director (BPS-18) in Pakistan Environmental Protection Agency (Pak-EPA) on deputation vide Establishment Division letter No. 1/272/95-E-4 dated 20.12.1995. The officer was appointed as Director (BS-19) on contract basis in “The Environmental Protection and Resource Conservation (EPRC)” project for a period of two years w.e.f. 17.07.1996 vide Ministry of Environment, Urban Affairs, Forestry and Wildlife Notification No. PF3(EPA)/Admn-96 dated 17.07.1996 which states that after expiry of contract period Mr. Zia ul Islam would automatically be reverted to his original post of Deputy Director (BS-18) till the expiry of deputation period.

The Establishment Division vide letter No. 281/98-CF.3 dated 24.07.1998 informed the Ministry of Environment that the Prime Minister was pleased to order as under:

i. Mr. Zia ul Islam may continue to work regularly against the existing post, which is a project post and due to expire on 30.06.1999. The case for the creation of post for him w.e.f. 01.07.1999, i.e. after the expiry of tenure of the present project post on 30.06.1999 may be moved by the Ministry of Environment, Local Government and Rural Development.

ii. Mr. Zia ul Islam may then be considered against the newly created post, in relaxation of the normal procedure of recruitment through FPSC and advertising the post in press as suggested in Para 3(ii) of the Summary under reference, treating the case as appointment through lateral entry, in relaxation of the policy dated 04.09.1979 vide which the lateral entry had been restricted to officers of Armed Forces.

The officer was regularized against the post of Director (BS-19) w.e.f. 01.07.1998 vide Ministry of Environment, Local Government and Rural Development notification No. 2(31)/98-Admin.II dated 04.09.1998

Audit observed that:

i. The appointment of Mr. Zia ul Islam was not made through FPSC.

ii. The officer was appointed as Director (BS-19) on contract basis on a project post on the condition that he would automatically be reverted to his original post of Deputy Director (BS-18) after the expiry of contract period, i.e. two years.

iii. The Establishment Division was not consulted at the time of creation of post of Director and induction of the officer in Pak-EPA.

iv. The case of the officer has now been referred to the FPSC for determining the suitability of the officer vide Pak-EPA U.O. No. 6(14)/2011-Admin dated 02.05.2014 with reference to FPSC letter No. F.8.2/2009-R-I dated 17.04.2010.

Audit is of the view that appointment of Director (BS-19) fell within the purview of the Federal Public Service Commission, in accordance with the Civil Servants (Appointment, Promotion and Transfer) Rules, 1973. The guidelines issued by the Establishment Division vide O.M. No. 2/9/76/D.III dated 14.03.1981 were also violated. Further, the Prime Minister does not have the authority to appoint anyone by relaxing the rules.

The management replied that the case for determining the suitability of the officer was referred to the FPSC on 14.11.2009 by the defunct Ministry of Environment which was still pending, and the finality of the case will be communicated as and when decided.

The reply was not accepted because the appointment was unlawful and the management had failed to pursue the matter with the FPSC for the last five years.

The PAO was informed on 24.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

6.4.3 Unauthorized use and retention of project vehicles

Rule 3(4) of Staff Car Rules, 1980 states that the Cabinet Division will arrange for the upkeep and maintenance of a staff car which becomes surplus to the requirements of Minister, Minister of State, Advisors or any other dignitary or office holder or on completion of a project. As soon as such dignitary relinquishes his office, and his successor has already been provided with a staff car under sub-rule (2), the Division concerned shall immediately place the surplus car together with the driver, at the disposal of the Cabinet Division. This will involve no financial adjustment for the cost of the car and the pay and allowance of the driver will continue to be paid by his parent Division till he is posted to some other Division.

The management of Pak-EPA was in possession of five vehicles of two completed projects as detailed below:

S. No.	Name of Project	Completion Date	Vehicle No., Make and Model
1.	ABCD Project	31.12.2010	GJ-947 Jeep 2007
2.	ABCD Project	31.12.2010	GJ-948 Jeep 2007
3.	ABCD Project	31.12.2010	GK-508 Jeep 2006
4.	ABCD Project	31.12.2010	GS-306 Toyota Double Cabin 2007
5.	NBC Project	30.09.2012	GH-249 Suzuki Van 2007

Audit observed that vehicles of the completed projects were not handed over to the Cabinet Division despite lapse of nearly four years.

Audit is of the view that retention of vehicles of closed projects and their continuous use irregular and unauthorized.

The management replied that after devolution the ABCD project was transferred from the Ministry of Environment to the Ministry of Inter Provincial Coordination along with vehicle No. GJ-948, and was finally handed over to the Cabinet Division. The engines of vehicles at serial No. 1 & 3, i.e. (GH-947 & GK-508) had ceased to function. The Climate Change Division had been requested to process the case for their condemnation, but response was still awaited. The Climate Change Division had been requested to transfer the vehicles at serial No. 4 & 5, i.e. GS-306 and GH-249 to the Geomatic project, as no vehicle was available in that project.

The reply was not accepted because the vehicles were required to be surrendered to the Cabinet Division after completion of the projects. Their constant use was irregular and unauthorized.

The PAO was informed on 24.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that vehicles of completed projects should be handed over to the Cabinet Division while the off road vehicles should be condemned and auctioned, and the proceeds should be deposited into the government treasury.

6.4.4 Non preparation and publishing of annual National Environment Report

Section 6(1)(d) of the Pakistan Environmental Protection Act, 1997 states that the Pak-EPA shall prepare and publish an annual National Environment Report on the state of the environment.

The management of Pak-EPA was required to prepare and publish an annual National Environment Report on the state of the environment.

Audit observed that Pak-EPA did not prepare and publish annual National Environment Report on the state of the environment for the period 2010-14.

Audit is of the view that the Pak-EPA was not functioning in accordance with the provisions of the Pakistan Environmental Protection Act, 1997.

The management replied that Draft National Environment Report was prepared by Pak-EPA in 2005. Subsequently, authentic data was not available for which efforts were made and meetings were held with provincial governments. After the 18^{th} amendment, the subject of environment was devolved to the provinces. Therefore, the report could not be published. However, efforts were still being made by Pak-EPA to obtain authentic data and publish the report.

The reply was not accepted because the Act was promulgated in 1997 while the 18^{th} amendment was incorporated in the Constitution of the Pakistan in April, 2010. Pak-EPA failed to publish the report for nearly 13 years. If the Pak-EPA is reluctant to publish the report on the premise that the subject of environment has been devolved to the provinces, then the existence of Pak-EPA itself was questionable.

The PAO was informed on 24.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility for not preparing and publishing the annual National Environment Report may be fixed.

6.4.5 Non formulation of rules under National Disaster Management Act, 2010

Section 47 of National Disaster Management Act, 2010 states that the Federal Government and Provincial Government may, by notification in official Gazette, make rules for carrying out the purposes of this Act.

The management of NDMA framed NDMA Rules, 2007 on 27.10.2007 containing Service, Pay & Allowances, Medical Attendance, Transport, Procurement Rules, etc.

Audit observed that NDMA Rules, 2007 were neither framed by the Federal Government nor notified in the official gazette in violation of Section 47 of NDMA Act, 2010 and Para 25 of GFR Volume-I.

Audit is of the view that framing of NDMA Rules, 2007 without the approval of the Federal Government was irregular.

The management replied that NDMA had already sent the rules to its administrative Division, i.e. Climate Change Division for notification as required under Section 47 of NDMA Act, 2010.

The reply was not accepted because neither NDMA rules were approved nor notified by the Federal Government.

The PAO was informed on 24.11.2014, but DAC was not held till the finalization of the report.

Audit recommends the NDMA Rules should be framed by the Federal Government and notified in the official Gazette after vetting from the Finance and Establishment Division.

6.4.6 Imposition of less penalty on late delivery of tents - Rs. 36.464 million

Clause 2(c) of Agreement for supply of family tents signed between National Disaster Management Authority (NDMA) and M/s Mahroz Textile Industries, Lahore on 03.07.2013 states that the Supplier shall complete 100% delivery within a period of 20 days from the issuance of Supply Order.

Clause 2(e) of Agreement for supply of family tents signed between NDMA and M/s Mahroz Textile Industries, Lahore on 03.07.2013 states that the Supplier shall be solely responsible for any delay occurring in supply of family tents except due to the events of Force Majeure such as acts of God and war directly affecting/ delaying the supply.

Clause 2(f) of Agreement for supply of family tents signed between NDMA and M/s Mahroz Textile Industries, Lahore on 03.07.2013 states that as time is the essence of this Agreement, so in case of any delay in supply caused by any reason except given in (e) above, a penalty to the tune of 1% of the cost of items delivered after the deadline for each day of delay shall be imposed on the Supplier.

The management of NDMA issued Supply Order No. F.2(1)2013-NDMA (Procurement) dated 16.07.2013 to M/s Mahroz Textile Industries, Lahore for supply of 49,000 family tents at different stations throughout Pakistan within 20 days, i.e. date of delivery up to 05.08.2013.

Audit observed as under:

i. The management allowed the Supplier to complete the delivery of 100% tents on 15.08.2013 as per calculation of the Supplier (excluding holidays), whereas, as per Agreement the Supplier was bound to supply 100% tents within 20 days, i.e. on 05.08.2013.

ii. The management directed the Supplier vide letter No. 2(1)/2013-NDMA(Procurement-Insp) dated 02.09.2013 to stop further supply of tents forthwith as the supply was not in accordance with the approved specifications attached with the Agreement, in violation of Clause 2(c) of the Agreement.

iii. The Supplier delivered only 32,268 tents up to 02.09.2013, while the remaining 16,732 tents were not delivered.

iv. The management imposed penalty of Rs. 29.992 million for late delivery although the actual penalty which was to be imposed was Rs. 66.456 million. Therefore, an amount of Rs. 36.464 million was less imposed. Details are as under:

(Rupees)

S. No.	Delivered Tents	Accepted Tents	Payment of accepted Tents	Penalty deducted by NDMA	Actual Penalty	Difference
1.	14,000	13,873	131,571,532	0	0	0
2.	10,000	9,841	93,332,044	3,414	5,513,998	5,510,584
3.	7,218	5,698	54,039,832	4,531,267	14,181,046	9,649,779
4.	3,000	2,856	27,086,304	321,033	2,328,322	2,007,289
Total	**34,218**	**32,268**	**306,029,712**	**4,855,714**	**22,023,366**	**17,167,652**
16,732 undelivered tents up to 02.09.2013				25,135,822	44,432,161	19,296,339
			Grand Total	**29,991,536**	**66,455,527**	**36,463,991**

Audit is of the view that due to imposition of less penalty the government sustained a loss of Rs. 36.464 million.

The management replied that NDMA had not built up its dedicated storage capacity due to paucity of funds, higher security, handling and administrative cost for maintaining the stock at strategic locations in the Provinces. The Supplier was allowed twenty working days instead of twenty days for supply of tents as mentioned in para 2(c) of the Agreement. The stoppage of supplies was inevitable to ensure quality standards as per specification and to ensure value for money as envisaged in the Rule 4 of the Public Procurement Rules, 2004.

The reply was not accepted because twenty days period mentioned in the Agreement included holidays also and its conversion into twenty working days after signing the Agreement was an undue favor to the Supplier, which caused heavy loss to the government. The stance of the organization that it did not have the storage capacity is also incorrect and questionable because if storage capacity was not available why the order was placed for the number of tents beyond the storage capacity. This stance further strengthens the view of Audit that undue favor was granted to the Supplier.

The PAO was informed on 24.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that penalty may be recovered from the Supplier and deposited into government treasury.

6.4.7 *Irregular provision of POL for personal vehicles of officers - Rs. 7.553 million*

Rule 5(11) of Staff Car Rules, 1980 states that entitled officers shall forego the Conveyance Allowance and shall be permitted to free use of staff car for official and private purpose.

Rule 2(x) of Rules for the Use of Staff Cars, 1980 states that Entitled Officer means officers of Grade 22, 21 & 20 of the Federal Government borne on the sanctioned establishment of a Division or an Organization under its administrative control.

The management of NDMA authorized monthly POL entitlement to the officers of BS-17 and 18 for their personal vehicles as under:

(Rupees)

S. No.	Officer	Date of Joining	No. of Days	Monthly Ceiling (Liters)	Amount @ Rs. 100/Liter
1.	Mr. Amir Abbas, AD	06.06.14	25	150	12,500
2.	Mr. Shahzad Khurshid, DD	12.03.13	476	150	238,000
3.	Maj Tahir Islam, DD	05.12.12	573	150	286,500
4.	Hafiz Shakil Ahmed Qureshi, DD	12.12.12	566	150	283,000
5.	Maj Azhar Razzaq, DD	10.09.13	294	150	147,000
6.	Ms Maryam Akbar, AD	30.04.12	792	150	396,000
7.	Ms. Tanzila Shaukat, AD	08.02.10	1604	150	802,000
8.	Mr. Ali Abbas, AD	04.12.12	574	150	287,000
9.	Mr. Liaqat Ali, AD	27.11.12	581	150	290,500
10.	Mr. Tahiruddin	09.12.09	1665	150	832,500
11.	Ms. Bushra Hassan, AD	09.12.09	1665	150	832,500
12.	Mr. Akbar Bacha, AD	09.12.09	1665	150	832,500
13.	Mr. Shafi Agha, AD	24.09.12	645	150	322,500
14.	Mr. Masood Ullah, AD	04.09.10	1396	150	698,000
15.	Mr. Abdul Latif, AD	04.09.10	1396	150	698,000
16.	Mr. Abid Shahzad, PS	01.07.13	365	150	182,500
17.	Mr. Shahid Rafiq, AD	30.03.12	823	150	411,500
				Total	**7,552,500**

Audit observed as under:

i. Provision of POL for personal vehicles to the non-entitled officers of BS-17 and 18 who were not provided with official vehicles was not covered under the rules.

ii. The officers were also drawing Conveyance Allowance.

Audit is of the view that provision of petrol for personal vehicles resulted in a loss of Rs. 7.552 million.

The management replied that Rule 47 to 53 of NDMA Rules, 2007 prescribed the ceiling of officers for use of POL. Rule 52 of NDMA Rules, 2007 states that the Chairman may authorize any officer of the Authority to avail the ceiling of POL as per his entitlement, if using his/her personal car due to non-provision of staff car in the performance of official duties. The facility of POL to BS-17 and 18 officers of NDMA was in accordance with the Rule 47 of NDMA Rules, 2007.

The reply was not accepted because firstly the NDMA Rules, 2007 were not approved by the federal government as required under Section 47 of NDMA Act, 2010. Secondly, the rules quoted by the management empower the Chairman to allow monthly petrol ceiling to 'entitled' officers due to non-provision of staff car. As per Rule 2(x) of the Rules for the Use of Staff Cars, 1980 only officers of Grade 22, 21 & 20 are entitled officers.

The PAO was informed on 24.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity besides discontinuation of the irregular practice and recovery of Conveyance Allowance for that period.

6.4.8 Unauthorized payment of rental ceiling over and above prescribed rates

Section 47 of National Disaster Management Act, 2010 states that the Federal Government and Provincial Government may, by notification in official Gazette, make rules for carrying out the purposes of this Act.

The Management of NDMA paid rental ceilings for hiring residential accommodation at the following rates for all stations:

(Rupees)

S. No.	Entitlement BS	Government Rate		NDMA Rates
		Other	Islamabad	
1.	1-2	2,260	2,410	3,600
2.	3-6	3,310	3,765	5,000
3.	7-10	5,035	5,625	7,000
4.	11-13	7,360	8,485	11,000
5.	14-16	9,305	10,660	14,000
6.	17-18	12,310	14,110	25,000
7.	19	16,055	18,760	30,000
8.	20	20,260	23,560	30,000
9.	21	24,385	28,210	30,000

Audit observed that the management paid rental ceiling for hiring of residential accommodation over and above the prescribed rates of the government without the approval of the rules from the Federal Government and their notification in the official gazette.

Audit is of the view that payment of rental ceiling for hiring of residential accommodation over and above the prescribed rates of government without the approval of rules by the Federal Government was irregular and unauthorized.

The management replied that the payment of hiring on residential accommodation was being made in accordance with Rule 32 of NDMA Rules, 2007.

The reply was not accepted because the NDMA Rules, 2007 were not approved by the Federal Government and thus lacked any legal authority.

The PAO was informed on 24.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that the irregular practice should be discontinued forthwith and necessary rules may be got approved from the Federal Government and notified in the official gazette.

6.4.9 Irregular payment of Prime Minister's Secretariat Allowance and Utility Allowance - Rs. 3.192 million

Cabinet Division letter No. 2-31/88/MIN.II dated 17.08.1999 states that the Prime Minister has been pleased to approve the Prime Minister's Secretariat

Allowance and Utility Allowance w.e.f. 18.06.1999 for the employees of Prime Minister's Secretariat.

Cabinet Division Notification No. 4-14/2011-min.I dated 26.10.2011 states that the Prime Minister has been pleased to constitute, with immediate effect, the Ministry of National Disaster Management which was previously attached with the Prime Minister's Secretariat.

The management of NDMA paid Prime Minister's Secretariat Allowance @ one month basic pay and Utility Allowance @ 15% of basic pay to the employees w.e.f. 26.10.2011.

Audit observed that the allowances were paid despite the fact that NDMA had been detached from the Prime Minister Secretariat and placed under the Climate Change Division.

Audit is of the view that payment of Prime Minister's Secretariat Allowance and Utility Allowance from 26.10.2011 onwards was irregular and unauthorized as NDMA was no more attached with the Prime Minister's Secretariat.

The management replied that Prime Minister Secretariat Allowances were allowed under NDMA Rules, 2007 which specify the employee of NDMA will be treated as part of Prime Minister's Secretariat for the purpose of privileges/allowances.

The reply was not accepted because neither the NDMA Rules, 2007 were approved by the Federal Government nor NDMA was attached with the Prime Minister's Secretariat w.e.f. 26.10.2011 when it was attached with the Climate Change Division.

The PAO was informed on 24.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that the amount paid as Prime Minister's Secretariat Allowance and Utility Allowance w.e.f. 26.10.2011 may be recovered while the NDMA Rules, 2007 may be got approved from the Federal Government in order to regularize payment of these allowances prior to 26.10.2011.

CHAPTER 7

7. MINISTRY OF COMMERCE

7.1 Introduction of Ministry

The Ministry of Commerce is responsible for matters concerning trade policy of the country and coordination with various trade organizations of different countries in this regard. The core operational activities of Commerce Division include:

- To define trade policy for the country
- To provide liaison among various Chambers of Commerce
- To coordinate with various trade organizations of different countries and provide one window operation for them

Under the Rules of Business, 1973 the Commerce Division is assigned the following functions:

- Imports and exports across custom frontiers
- Export promotion
- Commercial intelligence and statistics
- Tariff policy and its implementation
- Anti-dumping duties, countervailing duties and safeguard laws
- Inter-Provincial trade
- Domestic commerce
- Organization and control of Chambers and Trade Associations
- Law of insurance and regulation and control of insurance companies
- Administrative control of Attached Departments/Organizations
- Selection of Trade Officers for posting in Pakistan’s Missions abroad

There are different attached departments and sub-divisions that assist the Division in performing its functions. These departments and sub-divisions are as follows:

- Trade Development Authority of Pakistan
- Trading Corporation of Pakistan
- National Tariff Commission
- State Life Insurance Corporation
- Foreign Trade Institute of Pakistan
- Pakistan Reinsurance Company
- National Insurance Company
- Pakistan Tobacco Board
- Federation of Chambers and Industry
- Pakistan Horticulture Development and Export Board

7.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ministry for the financial year 2013-14 was Rs. 5,929.058 million including Supplementary Grant of Rs. 40.071 million out of which the Ministry utilized Rs. 4,727.788 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

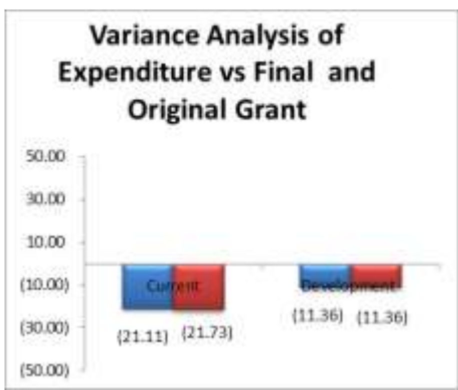
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
15	Current	5,047,987,000	40,071,000	5,088,058,000	3,982,315,211	(1,105,742,789)	(21.73)
113	Development	841,000,000	-	841,000,000	745,472,927	(95,527,073)	(11.36)
	Total	**5,888,987,000**	**40,071,000**	**5,929,058,000**	**4,727,788,138**	**(1,201,269,862)**	**(20.26)**

Audit noted that there was an overall saving of Rs. 1,201.270 million, which was due to saving in Current Grant.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that ‘Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 40.071 million were obtained which were 0.68 % of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Rules of good governance demand that budget processes are carried out in accordance with clearly defined expectations and assumptions and a coordinated calendar of activity. As shown in the chart below, the saving in current expenditure was 21.11% which changed to 21.73% after Supplementary Grant. While in the Development Expenditure the saving was 11.36% which remains same because no Supplementary Grant was taken into account for development expenditure.



7.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
Commerce	1987-88	3	3	2	1	67%
	1988-89	1	1	0	1	0%
	1989-90	3	3	2	1	67%
	1990-91	6	6	2	4	33%
	1991-92	1	1	1	0	100%
	1992-93	3	3	3	0	100%
	1993-94	4	4	0	4	0%

	1995-96	3	3	0	3	0%
	1996-97	7	7	4	3	57%
	1997-98	69	69	52	17	75%
	2001-02	12	12	3	9	25%
	2005-06	30	30	11	19	37%
	2006-07	1	1	1	0	100%
	2007-08	4	4	2	2	50%
	2008-09	8	8	0	8	0%
	Total	**155**	**155**	**83**	**72**	**54%**

7.4 AUDIT PARAS

Fraud and Misappropriation

7.4.1 Suspected misappropriation of funds disbursed to five companies for setting up business offices abroad - Rs. 129.045 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009 which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-A(a) an initiative was provided for support for opening exporters offices abroad.

The Trade Development Authority of Pakistan issued Public Notice regarding Assistance for setting up business offices abroad in leading newspapers on 02.10.2009. Under this initiative following incentives was provided with appropriate caps on the upper limit:

i. 50% subsidy in rentals for three years.

ii. 50% subsidy in salaries for three employees for three years.

The following eligibility conditions were given:

i. Eligible Countries: Malaysia, Japan, China, United Arab Emirates, Russia, USA, European Union and Africa.

ii. Eligible Products and Criteria: Following products and export performance during the year 2008-09 or an average of last three years:

(US$ in million)

S. No.	Products	Export Performance
1. a.	**Textiles Sector:** Woven and Knitted Garment, Tents	8.000
b.	Bed Linen, Towels and Made-ups, Denim Fabric	10.000
2.	**Leather Sector:** Leather Garments, Leather Products & Footwear	5.000
3.	**Carpets and Rugs**	5.000
4.	**AGRO-Food Sector:** Seafood/ Fish, Fruits & Vegetables, Meat & meat preparations, Poultry products. Processed food, such as juices, jams & jellies, spices, confectionery, ready to eat food, pastes, milk and dairy products, etc.	2.000
5.	**Mineral Sector:** Marble, Onyx and Granite products, Gems and Jewelries	2.000
6.	**Services Sector:** Information Technology	2.000
7.	**Engineering and manufacturing Sector:** Engineering goods, Surgical goods, Sports goods, chemicals and its products	5.000
8.	**Cutlery products**	2.000
9.	**Furniture**	1.000
10.	**Handicraft**	1.000

Section 37(v) of Trade Development Authority of Pakistan (TDAP) Ordinance, 2009 states that the authority of Vice Chairman, Export Promotion Bureau to make expenditure of up to four million rupees, and those of Chairman, Export Promotion Bureau and Commerce Minister of up to five million rupees shall continue till financial rules of Authority are notified by the Federal Government. With the creation of Authority, the designations of Vice Chairman, Export Promotion Bureau and Chairman, Export Promotion Bureau shall stand substituted by Secretary and Chief Executive, respectively.

The management of Trade Development Authority of Pakistan, Karachi disbursed Rs. 129.045 million for opening of business offices abroad under Strategic Trade Policy Framework (2009-12) during 2010-13. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s N.R. Textile, Karachi	9832428	24.05.2011	10,824,750
2.	M/s SKS Enterprises	946924	19.06.2012	27,680,400
3.	M/s Abbas Enterprises	946926	19.06.2012	30,756,000
4.	M/s Nishi International	946928	20.06.2012	29,328,000
5.	M/s Y.Q Traders	946931	20.06.2012	30,456,000
			Total	**129,045,150**

Audit observed as under:

i. Firms did not actually exist, as the management could not provide their profiles, registration with concerned forum, National Tax Numbers, details of tax payments, etc.

ii. The tenancy documents so prepared and signed by various authorities were referred to Mission Offices of the respective countries who denied the existence of the offices and also confirmed that the tenancy documents are forged.

iii. The payments were sanctioned beyond delegated financial powers.

Audit is of the view that disbursement of incentives to the five firms for setting up business offices abroad was doubtful.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired, responsibility may be fixed, similar cases may be traced in previous trade policies and recovery may be made from the concerned firms.

7.4.2 Suspected misappropriation of funds disbursed to nine companies for opening Retail Sales Outlets abroad - Rs. 171.669 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-A(b) an initiative was provided for support for opening Retail Sales Outlets abroad.

The Trade Development Authority of Pakistan issued Public Notice regarding Assistance for opening Retail Sales Outlets abroad on 02.10.2009. The following eligibility conditions were given:

i. Companies/Exporters either having exports in excess of US$ 1.000 million in the last year or running at least three outlets in major cities of Pakistan.

ii. The outlets must be established exclusively by one company. Joining of two or more companies/exporters will not be admissible.

iii. At least 50% of the products of the outlets should be of Pakistani origin.

iv. Outlets can be opened in any country/city of the world which is known to be a market for the product concerned.

v. The financial support will be available only for space rentals and will not cover utilities, overheads or any other expenses.

Section 37(v) of Trade Development Authority of Pakistan (TDAP) Ordinance, 2009 states that the authority of Vice Chairman, Export Promotion Bureau to make expenditure of up to four million rupees, and those of Chairman, Export Promotion Bureau and Commerce Minister of up to five million rupees shall continue till financial rules of Authority are notified by the Federal Government. With the creation of Authority, the designations of Vice Chairman, Export Promotion Bureau and Chairman, Export Promotion Bureau shall stand substituted by Secretary and Chief Executive, respectively.

The management of Trade Development Authority of Pakistan, Karachi disbursed Rs. 171.669 million for opening of Retail Sales Outlets abroad under Strategic Trade Policy Framework (2009-12) during 2010-12. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s N.R. Textile, Karachi	9832427	24.05.2011	19,611,900
2.	M/s AMZ Corp., Karachi	9832416	10.05.2011	19,608,750
3.	M/s SU Garments, Karachi	9832430	26.05.2011	16,425,225
4.	M/s SKS Enterprises	946925	19.06.2012	20,550,600
5.	M/s Abbas Enterprises	946927	19.06.2012	20,970,000
6.	M/s Nishi International	946929	20.06.2012	21,996,000
7.	M/s Y.Q Traders	946930	20.06.2012	20,727,000
8.	M/s AMZ Corporation	946932	21.06.2012	16,680,960
9.	M/s Al-Hussain Traders	946933	21.06.2012	15,098,400
			Total	**171,668,835**

Audit observed as under:

i. Firms did not actually exist, as the management could not provide their profiles, registration with forum concerned, National Tax Numbers, details of tax payments, etc.

ii. The tenancy documents so prepared and signed by various authorities were referred to Mission Offices of the respective countries who denied the existence of the offices and also confirmed that the tenancy documents are forged. However, confirmation of firms mentioned at serial No. 2 & 3 was yet awaited.

iii. The payments were sanctioned beyond delegated financial powers.

Audit is of the view that disbursement of incentives to nine firms for opening of Retail Sales Outlets abroad was doubtful.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired, responsibility may be fixed, similar cases may be traced in previous trade policies and recovery may be made from the concerned firms.

7.4.3 Suspected misappropriation of funds disbursed to six companies for Warehousing Facility - Rs.83.766 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-B, it is mentioned under Warehousing Facility that in order to make inroads into non-traditional markets and/or to introduce non-traditional products in traditional markets, a warehouse scheme was launched and a warehouse was established in Kenya. The changing patterns of trade required direct to store deliveries and thereby need of warehouse even in traditional markets. The warehousing scheme may be continued and its scope expanded to include traditional markets and traditional products.

The Trade Development Authority of Pakistan issued Public Notice regarding Warehousing Scheme in leading newspapers on 02.10.2009. The following eligibility conditions were given:

i. The scheme will be open for all the countries and the exporter(s) would be allowed to establish a warehouse in any part of the world provided that is a potential market for Pakistani products.

ii. Exporter(s) would identify the city/country where they need to have the warehouse.

iii. Individual exporters or consortium of exporters and / or export house can apply for this facility.

iv. Any exportable product/exporter would be eligible for the said facility.

v. Exporter(s) would be required to follow the local laws of the country where the warehouse would be exported.

vi. Eligible exporters would enter into an agreement with TDAP.

vii. Funding by the Government would be only for the first year, i.e. 1st Quarter (100%), 2nd Quarter (75%), 3rd Quarter (50%) and 4th Quarter (25%)

viii. After one year, the exporter(s) would bear all the costs.

ix. In case the exporter fails to progress and maintain the warehouse, TDAP would invoke penalty clause written in agreement claiming the Government amount spent on establishment of warehouse along with interest.

Section 37(v) of Trade Development Authority of Pakistan (TDAP) Ordinance, 2009 states that the authority of Vice Chairman, Export Promotion Bureau to make expenditure of up to four million rupees, and those of Chairman, Export Promotion Bureau and Commerce Minister of up to five million rupees shall continue till financial rules of Authority are notified by the Federal Government. With the creation of Authority, the designations of Vice Chairman, Export Promotion Bureau and Chairman, Export Promotion Bureau shall stand substituted by Secretary and Chief Executive, respectively.

The management of Trade Development Authority of Pakistan, Karachi paid Rs. 83.766 million for Warehousing Facility under Strategic Trade Policy Framework (2009-12) during 2010-11. Details are as under:

(Rupees)

WAREHOUSING FACILITY				
S. No.	**Name of Firm**	**Cheque No.**	**Date**	**Amount**
1.	M/s SU Garments, Karachi	9832435	2.06.2011	14,190,000
2.	M/s N.R. Textile, Karachi	9832436	2.06.2011	13,545,000
3.	M/s Towel Kings, Karachi	9832437	2.06.2011	13,480,500
4.	M/s Friends Exports, Karachi	9832438	2.06.2011	12,900,000
5.	M/s Shabaz Textile, Karachi	9832439	2.06.2011	13,867,500
6.	M/s Diamond Fabrics, Karachi	9832484	25.06.2011	15,783,300
			Total	**83,766,300**

Audit observed as under:

i. Firms did not actually exist, as the management could not provide their profiles, registration with concerned forum, National Tax Numbers, details of tax payments, etc.

ii. The tenancy documents so prepared and signed by various authorities were referred to Mission Offices of the respective countries who denied the existence of the offices and also confirmed that the tenancy documents are forged. However, confirmation of firms mentioned at serial No. 1, 4 & 6 was yet awaited.

iii. The payments were sanctioned beyond delegated financial powers.

Audit is of the view that disbursement of incentives to six firms for opening of Retail Sales Outlets abroad was doubtful.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired, responsibility may be fixed, similar cases may be traced in previous trade policies and recovery may be made from the concerned firms.

Irregularity & Non Compliance

7.4.4 Non-framing of financial rules and regulations of TDAP

Section 35 of Trade Development Authority of Pakistan (TDAP) Ordinance, 2009 states that the Authority may, with the approval of Federal Government in the Ministry of Commerce by notification in the official Gazette, make rules for the purpose of this Ordinance.

Section 36 of Trade Development Authority of Pakistan (TDAP) Ordinance, 2009 states that the Board may, by notification in the official Gazette, make regulations, not inconsistent with the provisions of this Ordinance and rules, for carrying out the purpose of this Ordinance.

Section 20(3) of TDAP Ordinance, 2009 states that the Board shall have the authority to delegate any of its powers to Chief Executive.

The Trade Development Authority of Pakistan, Karachi was required to frame its financial rules and regulations in order to comply with provisions of the TDAP Ordinance, 2009.

Audit observed that the management of TDAP did not frame financial rules and regulations.

Audit is of the view that disbursements without framing rules and regulations was irregular and unauthorized.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that financial rules and regulations may be framed and notified.

7.4.5 *Irregular and unauthorized retention of funds in Commercial bank - Rs. 6.361 million*

The Controller General of Accounts vide letter No. AC-II/1-39/08-Vol-V/632 dated 24.09.2008 issued revised procedure for operation of Assignment Accounts of the Federal Government, as under:

i. The revised procedure of Assignment Account is applicable w.e.f. 01.10.2008.

ii. Assignment Accounts shall only be established with the approval of the Ministry of Finance in consultation with the Controller General of Accounts.

iii. The funds in Assignment Accounts will be part of Consolidated Fund.

iv. Amounts remaining unspent at the close of a financial year will appear as saving under the respective budget grant unless surrendered in time. Unspent amounts cannot be carried forward to the next financial year.

The management of Trade Development Authority of Pakistan, Karachi was maintaining NIDA Account No. 020030-5 in National Bank of Pakistan, Finance and Trade Center, Shahra-e-Faisal, Karachi. An amount of Rs. 1,000.000 million regarding Strategic Trade Policy Framework (STPF) 2009-12 was credited in the account on 20.04.2011, out of which an amount of Rs. 999.766 million was disbursed under the policy.

Audit observed as under:

i. An amount of Rs. 234,019 out of total release of Rs. 1,000.00 million remained unspent which was not deposited in government treasury.

ii. An amount of Rs. 6.127 million was credited by the bank as interest during the period from 20.04.2011 to 15.01.2014 on STPF (2009-12) but the management did not deposit the same in Govt. Treasury

iii. The management did not open Assignment Account for the STPF (2009-12).

Audit is of the view that retention of the savings and profit in the bank account was irregular and unauthorized.

Audit is also of the view that failure to open an Assignment Account for the STPF (2009-12) was also irregular.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired, responsibility may be fixed and retained amount may be deposited into government treasury.

7.4.6 Irregular and unauthorized retention of recovered amount - Rs. 146.303 million

Para 26 of GFR Volume-I states that it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Rule 7(1) of FTR Volume-I states that all moneys received by or tendered to government officers on account of the revenue of the Federal Government shall without undue delay be paid in full into Treasury or into the bank. No department of the government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of Federal Consolidated Fund of the Federal Government.

The management of Trade Development Authority of Pakistan, Karachi disbursed Rs. 3,728.909 million for Strategic Trade Policy Framework (2009-12) during 2010-13.

Audit observed as under:

i. An amount of Rs. 146.303 million was recovered by the Federal Investigation Agency (FIA) from various fraudulent companies during 2013-14.

ii. The management deposited the recovered amount in TDAP (NIDA) bank account No. 20031-2, maintained in National Bank of Pakistan, Finance and Trade Center, Shahra-e-Faisal Branch, Karachi instead of Government Treasury, as the amount was provided from Federal Consolidated Fund.

iii. The management did not provide the detail of companies who deposited the amount.

Audit is of the view that retention of recovered amount by TDAP in a commercial bank was irregular and unauthorized.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired, responsibility may be fixed for retention of recovered amount, interest on the recovered amount may be worked out and the total amount may be deposited in the government treasury. In addition, the total amount outstanding against the fraudulent companies may also be worked out, recovered from them and deposited into the government treasury.

7.4.7 Recovery of amount disbursed to sixteen firms for opening of Retail Sales Outlets abroad - Rs. 498.898 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-A(b) an initiative was provided for support for opening Retail Sales Outlets abroad.

The Trade Development Authority of Pakistan issued Public Notice regarding Assistance for opening Retail Sales Outlets abroad on 02.10.2009. The following eligibility conditions were given:

i. Companies/Exporters either having exports in excess of US$ 1.000 million in the last year or running at least 3 outlets in major cities of Pakistan.

ii. The outlets must be established exclusively by one company. Joining of two or more companies/exporters will not be admissible.

iii. At least 50% of the products of the outlets should be of Pakistani origin.

iv. Outlets can be opened in any country/city of the world which is known to be a market for the product concerned.

v. The financial support will be available only for space rentals and will not cover utilities, overheads or any other expenses.

The management of Trade Development Authority of Pakistan, Karachi disbursed Rs. 821.429 million for opening of Retail Sales Outlets abroad under Strategic Trade Policy Framework (2009-12) during 2010-13. The Ministry of Commerce vide letter No. PS/AS-II/2013 dated 31.05.2013 constituted an Inquiry Committee to probe into the payments processed by TDAP under the subsidy incentives offered in the STPF (2009-12). The Inquiry Committee concluded in its inquiry that 16 companies were fraudulently paid Rs. 498.899 million on forged documents and without existence of their retail outlets. Details are as under:

(Rupees)

Retail Sales Outlets Abroad					
Year	**S. No.**	**Name of Firm**	**Cheque No.**	**Date**	**Amount**
2011	1.	M/s Imran Qasim Trading Est.	9832420	14.05.2011	18,353,977
2013	-do-	M/s Imran Qasim Trading Est.	954009	05.04.2013	14,030,415
2011	2.	M/s Towel Kings, Karachi	9832423	16.05.2011	16,937,550
2013	-do-	M/s Towels King	954002	05.04.2013	14,107,500
2011	3.	M/s Raza Traders, Karachi	9832421	14.05.2011	18,572,199
2013	-do-	M/s Raza Traders	954010	05.04.2013	14,797,146
2011	4.	M/s Shahbaz Textile, Karachi	9832429	26.05.2011	17,383,275
2013	-do-	M/s Shahbaz Textiles	954012	05.04.2013	14,478,750
2012	5.	M/s Sehar Tex Impex	946914	01.06.2012	21,599,100
2013	-do-	M/s Saher Tex Impex	954008	05.04.2013	15,295,500
2012	6.	M/s Surti Fabrics	946915	01.06.2012	21,389,400
2013	-do-	M/s Surti Fabrics	954004	05.04.2013	15,147,000
2012	7.	M/s Moti Textile	946916	01.06.2012	21,053,880

2013	-do-	M/s Moti Textile	954006	05.04.2013	14,909,400
2012	8.	M/s ARC Textile	946917	01.06.2012	21,053,880
2013	-do-	M/s ARC Textile	954005	05.04.2013	14,909,400
2012	9.	M/s Al-Asar Textile	946920	01.06.2012	21,473,280
2013	-do-	M/s Al-Asar Textile	954003	05.04.2013	15,206,400
2012	10.	M/s Saadi Corporation	946922	04.06.2012	21,305,520
2013	-do-	M/s Saadi Coporation	948700	05.04.2013	15,087,600
2013	11.	M/s Al Salik Impex	948676	05.04.2013	21,294,900
2013	12.	M/s Hayatuallah & Co.	948677	05.04.2013	22,096,800
2013	13.	M/s Al Nafay Impex	948678	05.04.2013	25,393,500
2013	14.	M/s Javed & Sons	948679	05.04.2013	21,562,600
2013	15.	M/s Raheem International	948680	05.04.2013	25,393,500
2011	16.	M/s Idrees Textile, Karachi	9832485	25.06.2011	22,812,300
2013	-do-	M/s Idrees Textiles	948698	05.04.2013	13,253,625
				Total	**498,898,397**

Audit observed as under:

i. Original record of the firms was not available.

ii. Fact Finding Inquiry which was suggested by the Inquiry Committee for linkage of similar cases under other trade policies and strict disciplinary proceedings against those responsible was not provided to Audit.

iii. The management handed over the matter to FIA but outcome of the investigation was not provided.

iv. Firm-wise recovery position was not provided to Audit.

v. There were no approved Standard Operating Procedures (SoP) for handling, processing, scrutinizing and disbursement of claims under the Strategic Trade Policy Framework (2009-12).

vi. The payments were sanctioned beyond delegated financial powers.

Audit is of the view that disbursement of incentives to the 16 firms was irregular.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that the amount paid to the 16 firms may be recovered along with interest and deposited into the government treasury. Similar cases may be traced in previous trade policies, responsibility may be fixed, amounts may be recovered and deposited into the government treasury.

7.4.8 Recovery of amount disbursed to seven firms on account of setting up business offices abroad - Rs. 181.589 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-A(b) an initiative was provided for support for opening exporters offices abroad.

The Trade Development Authority of Pakistan issued Public Notice regarding Assistance for setting up business offices abroad in leading newspapers on 02.10.2009. Under this initiative following incentives were provided with appropriate caps on the upper limit:

i. 50% subsidy in rentals for three years.

ii. 50% subsidy in salaries for three employees for three years.

The following eligibility conditions were given:

i. Eligible Countries: Malaysia, Japan, China, United Arab Emirates, Russia, USA, European Union and Africa.

ii. Eligible Products and Criteria: Following products and export performance during the year 2008-09 or an average of last three years:

(US$ in million)

S. No.	Products	Export Performance
1. **a.**	**Textiles Sector:** Woven and Knitted Garment, Tents	8.000
b.	Bed Linen, Towels and Made-ups, Denim Fabric	10.000

2.	**Leather Sector:** Leather Garments, Leather Products & Footwear	5.000
3.	**Carpets and Rugs**	5.000
4.	**AGRO-Food Sector:** Seafood/ Fish, Fruits & Vegetables, Meat & meat preparations, Poultry products. Processed food, such as juices, jams & jellies, spices, confectionery, ready to eat food, pastes, milk and dairy products, etc.	2.000
5.	**Mineral Sector:** Marble, Onyx and Granite products, Gems and Jewelries	2.000
6.	**Services Sector:** Information Technology	2.000
7.	**Engineering and manufacturing Sector:** Engineering goods, Surgical goods, Sports goods, chemicals and its products	5.000
8.	**Cutlery products**	2.000
9.	**Furniture**	1.000
10.	**Handicraft**	1.000

The management of Trade Development Authority of Pakistan, Karachi paid Rs. 381.818 million for opening of business offices abroad under Strategic Trade Policy Framework (2009-12) during 2010-13.

The Ministry of Commerce vide letter No. PS/AS-II/2013 dated 31.05.2013 constituted an Inquiry Committee to probe into the payments processed by TDAP under the subsidy incentives offered in the STPF (2009-12). The Inquiry Committee concluded that these companies were fraudulently paid Rs. 181.589 million on forged documents and without existence of their offices abroad. Details are as under:

(Rupees)

Offices Abroad				
S. No.	**Name of Firm**	**Cheque No.**	**Date**	**Amount**
1.	M/s Raza Traders, Karachi	9832412	06.05.2011	8,619,000
-do-	M/s Raza Traders	948695	05.04.2013	21,201,516
2.	M/s Shabaz Textile, Karachi	9832422	16.05.2011	10,824,750
-do-	M/s Shabaz Textiles	948697	05.04.2013	17,671,500
3.	M/s Imran Qasim Trading, Karachi	9832409	06.05.2011	8,619,000
-do-	M/s Imran Qasim Trading Est	948696	05.04.2013	21,201,516
4.	M/s Eastern Garments	9832411	06.05.2011	10,773,750
-do-	M/s Eastern Garment Pvt. Ltd	954014	05.04.2013	7,573,500
5.	M/s Terry World Textiles	9832453	14.06.2011	14,085,480
-do-	M/s Terry World Textile	948505	25.06.2012	12,374,160
-do-	M/s Terry World Textile	948690	05.04.2013	22,806,630
6.	M/s Towels King	948691	05.04.2013	15,147,000
7.	M/s Textile Farms	954013	05.04.2013	10,692,000
			Total	**181,589,802**

Audit observed as under:

i. Original record of the firms was not available.

ii. Fact Finding Inquiry which was suggested by the Inquiry Committee for linkage of similar cases under other trade policies and strict disciplinary proceedings against those responsible was not provided to Audit.

iii. Firm-wise recovery position was not provided to Audit.

iv. There were no approved Standard Operating Procedures (SoP) for handling, processing, scrutinizing and disbursement of claims under the Strategic Trade Policy Framework (2009-12).

v. The payments were sanctioned beyond delegated financial powers.

Audit is of the view that disbursement of incentives to the firms for setting up business offices abroad was irregular.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that the amount paid to the firms may be recovered along with interest and deposited into the government treasury. Similar cases may be traced in previous trade policies, responsibility may be fixed, amounts may be recovered and deposited into the government treasury.

7.4.9 Recovery of amount disbursed to six firms for freight subsidy on export of Live Sea Foods - Rs. 200.522 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-E, a freight subsidy @ 25% will be provided if Live Sea Food products are exported by air.

The Trade Development Authority of Pakistan issued Public Notice regarding Freight Subsidy on Export of Live Sea Foods on 02.10.2009. The following eligibility conditions were given:

i. The exporters of live sea food would submit their claims to TDAP through their banks.

ii. In case of advance payment, the exporters would be required to submit the claim within 30 days otherwise the duration for filing the claims would be 90 days from the date of realization of export sales proceeds.

iii. Exporter would submit the following documents along with their claims:

   a. Form E duly signed by the Custom's Authority - original

   b. Goods Declaration - original

   c. Customs verified invoice - original

   d. Bank certificate/undertaking

   e. Export Proceed Realization Certificate

   f. Copy of Health Certificate issued by Marine Fisheries Department, Government of Pakistan.

iv. Reimbursement would be made on Remittances instead of Actual Exports.

v. All shipments of live sea foods by air from 1st September, 2009 will qualify for the facility.

vi. Payments would be made through National Bank of Pakistan, Finance and Trade Center Branch, Karachi after the scrutiny of the claims by a Scrutiny Committee constituted by TDAP for this purpose.

The management of Trade Development Authority of Pakistan, Karachi paid Rs. 710.772 million for freight subsidy on export of live sea foods under Strategic Trade Policy Framework (2009-12) during 2010-13.

The Ministry of Commerce vide letter No. PS/AS-II/2013 dated 31.05.2013 constituted an Inquiry Committee to probe into the payments processed by the TDAP under the subsidy incentives offered in the STPF (2009-12). The Inquiry Committee concluded that six companies were fraudulently paid Rs. 200.522 million on forged documents. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s Taj Impex	948681	05.04.2013	34,795,638
2.	M/s Jubilee Impex	948683	05.04.2013	36,311,946
3.	M/s Nawab Impex	948684	05.04.2013	34,751,067
4.	M/s DU Traders	948685	05.04.2013	29,672,035
5.	M/s Hameed Sons	948686	05.04.2013	32,753,656
6.	M/s LBA International	948687	05.04.2013	32,237,835
			Total	**200,522,177**

Audit observed as under:

i. Original record of the firms was not available.

ii. Fact Finding Inquiry which was suggested by the Inquiry Committee for linkage of similar cases under other trade policies and strict disciplinary proceedings against those responsible was not provided to Audit.

iii. Firm-wise recovery position was not provided to Audit.

iv. There were no approved Standard Operating Procedures (SoP) for handling, processing, scrutinizing and disbursement of claims under the Strategic Trade Policy Framework (2009-12).

v. The payments were sanctioned beyond delegated financial powers.

Audit is of the view that disbursement of incentives to the six firms for freight subsidy on export of live sea foods was irregular.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that the amount paid to the firms may be recovered along with interest and deposited into the government treasury. Similar cases may be traced in previous trade policies, responsibility may be fixed, amounts may be recovered and deposited into the government treasury.

7.4.10 Recovery of amount disbursed to two firms on account of warehousing facility - Rs. 28.208 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-B, it is mentioned under Warehousing Facility that in order to make inroads into non-traditional markets and/or to introduce non-traditional products in traditional markets, a warehouse scheme was launched and a warehouse was established in Kenya. The changing patterns of trade required direct to store deliveries and thereby need of warehouse even in traditional markets. The warehousing scheme may be continued and its scope expanded to include traditional markets and traditional products.

The Trade Development Authority of Pakistan issued Public Notice regarding Warehousing Scheme in leading newspapers on 02.10.2009. The following eligibility conditions were given:

i. The scheme will be open for all the countries and the exporter(s) would be allowed to establish a warehouse in any part of the world provided that is a potential market for Pakistani products.

ii. Exporter(s) would identify the city/country where they need to have the warehouse.

iii. Individual exporters or consortium of exporters and / or export house can apply for this facility.

iv. Any exportable product/exporter would be eligible for the said facility.

v. Exporter(s) would be required to follow the local laws of the country where the warehouse would be exported.

vi. Eligible exporters would enter into an agreement with TDAP.

vii. Funding by the Government would be only for the first year, i.e. 1st Quarter (100%), 2nd Quarter (75%), 3rd Quarter (50%) and 4th Quarter (25%)

viii. After one year, the exporter(s) would bear all the costs.

ix. In case the exporter fails to progress and maintain the warehouse, TDAP would invoke penalty clause written in agreement claiming the Government amount spent on establishment of warehouse along with interest.

The management of Trade Development Authority of Pakistan, Karachi disbursed Rs. 151.045 million for Warehousing Facility under Strategic Trade Policy Framework (2009-12) during 2010-13.

The Ministry of Commerce vide letter No. PS/AS-II/2013 dated 31.05.2013 constituted an Inquiry Committee to probe into the payments processed by the TDAP under the subsidy incentives offered in the STPF (2009-12). The Inquiry Committee concluded that two companies were fraudulently paid Rs. 28.208 million on forged documents and without existence of their Warehousing Facility abroad. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s Raza Traders, Karachi	9832451	13.06.2011	14,553,890
2.	M/s Imran Qasim Trading Est.	9832452	13.06.2011	13,654,327
			Total	**28,208,217**

Audit observed as under:

i. Original record of the firms was not available.

ii. Fact Finding Inquiry which was suggested by the Inquiry Committee for linkage of similar cases under other trade policies and strict disciplinary proceedings against those responsible was not provided to Audit.

iii. Firm-wise recovery position was not provided to Audit.

iv. There were no approved Standard Operating Procedures (SoP) for handling, processing, scrutinizing and disbursement of claims under the Strategic Trade Policy Framework (2009-12).

v. The payments were sanctioned beyond delegated financial powers.

Audit is of the view that disbursement of incentives to the firms for Warehousing Facility was irregular.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that the amount paid to the firms may be recovered along with interest and deposited into the government treasury. Similar cases may be traced in previous trade policies, responsibility may be fixed, amounts may be recovered and deposited into the government treasury.

7.4.11 Doubtful payment to three firms from Strategic Trade Policy Framework (STPF) Funds - Rs. 82.305 million

The Cabinet Division approved Strategic Trade Policy Framework 2009-12 in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. The following were the approved initiatives:

i. Facilitating presence in international markets
ii. Warehousing facility
iii. Support for compliance certification
iv. Brand promotion support for surgical instruments, sports goods and cutlery
v. Freight subsidy on export of live sea foods
vi. Support on export of processed foods
vii. Services Export Development Fund
viii. Halal products – Cost sharing of Moody certification
ix. Compliance with safety standards
x. Markup subsidy for cool chain projects
xi. Enhancing sophistication in leather apparel

xii. Improving supply chain of leather sector exports-Flaying machines

xiii. Improving supply chain of leather sector exports – finished leather

xiv. Compensating inland freight charges

xv. Cluster development

xvi. Pharmaceutical

xvii. Zero rating of exports and adhoc relief @ 1%.

The management of Trade Development Authority of Pakistan, Karachi disbursed Rs. 82.305 million to three firms during 2011-12. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s Fayyaz & Sons	948596	25.06.2012	33,888,579
2.	M/s Sunny Impex	948597	25.06.2012	26,636,635
3.	M/s Z.A Impex	948653	25.06.2012	21,779,714
			Total	**82,304,928**

Audit observed as under:

i. An amount of Rs. 82.305 million was disbursed to the firms but no initiative was mentioned.

ii. Neither original nor copies of any kind of record of the three firms was available.

iii. The payments were sanctioned beyond delegated financial powers.

Audit is of the view that disbursement of Rs. 82.305 million to the firms without any claim and record was irregular, unauthorized and doubtful.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that the matter may be investigated, and the payment if found irregular/fraudulent should be recovered along with interest and deposited into the government treasury.

7.4.12 Unauthorized and doubtful payment to various firms regarding freight subsidy on export of live sea foods - Rs. 510.249 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-E, a freight subsidy @ 25% will be provided if Live Sea Food products are exported by air.

The Trade Development Authority of Pakistan issued Public Notice for Freight Subsidy on Export of Live Sea Foods on 02.10.2009. The following eligibility conditions were given:

i. The exporters of live sea food would submit their claims to TDAP through their banks.

ii. In case of advance payment, the exporters would be required to submit the claim within 30 days otherwise the duration for filing the claims would be 90 days from the date of realization of export sales proceeds.

iii. Exporter would submit the following documents along with their claims:

   a. Form E duly signed by the Custom's Authority - original
   b. Goods Declaration - original
   c. Customs verified invoice - original
   d. Bank certificate/undertaking
   e. Export Proceed Realization Certificate
   f. Copy of Health Certificate issued by Marine Fisheries Department, Government of Pakistan.

iv. Reimbursement would be made on Remittances instead of Actual Exports.

v. All shipments of live sea foods by air from 1st September, 2009 will qualify for the facility.

vi. Payments would be made through NBP, Finance and Trade Center Branch, Karachi after the scrutiny of the claims by a Scrutiny Committee constituted by TDAP for this purpose.

The management of Trade Development Authority of Pakistan, Karachi disbursed Rs. 510.249 million for freight subsidy on export of Live Sea Foods under Strategic Trade Policy Framework (2009-12) during 2010-13. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s Mehran Sea Foods	9832413	09.05.2011	29,680,900
2.	M/s Sara Enterprises	9832414	09.05.2011	15,675,542
3.	M/s Aqua Marine, Karachi	9832415	09.05.2011	20,102,467
4.	M/s Pak China Sea Food	9832417	14.05.2011	15,897,282
5.	M/s Long Yue FA, Karachi	9832418	14.05.2011	4,737,717
6.	M/s Sameer International	9832419	14.05.2011	6,694,269
7.	M/s Subhan Sea Food, Karachi	9832425	18.05.2011	17,959,014
8.	M/s A.A. Khan Impex, Karachi	9832431	31.05.2011	4,975,059
9.	M/s Pyrex Impex, Karachi	9832432	31.05.2011	20,072,013
10.	M/s Khan Brothers, Karachi	9832433	31.05.2011	21,607,515
11.	M/s Asian Marine Products,	9832440	06.06.2011	22,675,783
12.	M/s A. A. Khan Impex, Karachi	9832441	06.06.2011	175,881
13.	M/s Botan Corporation, Karachi	9832442	06.06.2011	4,944,884
14.	M/s Neha Traders, Karachi	9832443	06.06.2011	22,377,635
15.	M/s Arial Impex, Karachi	9832444	06.06.2011	23,659,920
16.	M/s Muhammad Traders	9832445	06.06.2011	22,005,180
17.	M/s Usman Enterprises	9832446	06.06.2011	21,796,447
18.	M/s Arabian Sea Products	9832447	06.06.2011	6,366,477
19.	M/s Turab & Co., Karachi	9832455	15.06.2011	28,496,220
20.	M/s A.S. Enterprises, Karachi	9832456	15.06.2011	24,492,165
21.	M/s Agha & Co., Karachi	9832457	15.06.2011	23,160,760
22.	M/s Ericsson International	9832458	15.06.2011	27,958,320
23.	M/s NBP & Co., Karachi	9832459	15.06.2011	28,340,760
24.	M/s Sameer International	9832460	16.06.2011	458,006
25.	M/s Decent Traders, Karachi	9832461	16.06.2011	21,627,015
26.	M/s Sea King International	9832462	16.06.2011	17,119,158
27.	M/s Venus Trading Co., Karachi	9832463	16.06.2011	1,211,539
28.	M/s Fair Bright Co., Karachi	9832464	16.06.2011	29,097,600
29.	M/s Sea Prince, Karachi	9832465	16.06.2011	330,300
30.	M/s Uzair International	9832466	16.06.2011	51,570
31.	M/s Shaheen Enterprises	9832467	16.06.2011	22,473,540
32.	M/s Saleem International	9832468	16.06.2011	749,531
33.	M/s Botan Corporation, Karachi	9832469	16.06.2011	2,374,922
34.	M/s H & H Marine Products	9832470	16.06.2011	904,232
			Total	**510,249,623**

Audit observed as under:

i. A number of claims were not submitted by the exporters to TDAP through banks.
ii. Record relating to total number of claims was not available.
iii. Original Customs verified invoices were not available.
iv. Original Health Certificates issued by Marine Fisheries Department, Government of Pakistan were not available.
v. Form 'E' was not verified by the Federal Board of Revenue, due to which actual amount, if realized, could not be verified.
vi. The management did not get the National Tax Numbers mentioned in Form 'E' verified from the Federal Board of Revenue.

Audit is of the view that disbursement of incentives for freight subsidy on export of Live Sea Foods was doubtful.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired, responsibility may be fixed, similar cases may be traced in previous trade policies and recovery may be made from the concerned firms.

7.4.13 Irregular disbursement to Pakistan Horticultural Development & Export Board - Rs. 140.000 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. The following were the approved initiatives:

i. Facilitating presence in international markets
ii. Warehousing facility

iii. Support for compliance certification

iv. Brand promotion support for surgical instruments, sports goods and cutlery

v. Freight subsidy on export of live sea foods

vi. Support on export of processed foods

vii. Services Export Development Fund

viii. Halal products – Cost sharing of Moody certification

ix. Compliance with safety standards

x. Markup subsidy for cool chain projects

xi. Enhancing sophistication in leather apparel

xii. Improving supply chain of leather sector exports-Flaying machines

xiii. Improving supply chain of leather sector exports – finished leather

xiv. Compensating inland freight charges

xv. Cluster development

xvi. Pharmaceutical

xvii. Zero rating of exports and adhoc relief @ 1%.

The management of Trade Development Authority of Pakistan, Karachi paid an amount of Rs. 50.000 million on 03.05.2011 and Rs. 90.000 million on 31.05.2012 to Pakistan Horticultural Development & Export Board during 2010-12.

Audit observed that disbursement of Rs. 140.000 million to Pakistan Horticultural Development & Export Board did not fall under the mandate of Strategic Trade Policy Framework (2009-12).

Audit is of the view that disbursement of Rs. 140.000 million to Pakistan Horticultural Development & Export Board was irregular.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

7.4.14 Irregular payment to firms for warehousing facility abroad - Rs. 39.070 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009.

The Trade Development Authority of Pakistan issued Public Notice regarding Warehousing Scheme in leading newspapers on 02.10.2009. The following eligibility conditions were given:

i. The scheme will be open for all the countries and the exporter(s) would be allowed to establish a warehouse in any part of the world provided that is a potential market for Pakistani products.

ii. Exporter(s) would identify the city/country where they need to have the warehouse.

iii. Individual exporters or consortium of exporters and/or export house can apply for this facility.

iv. Any exportable product/exporter would be eligible for the said facility.

v. Exporter(s) would be required to follow the local laws of the country where the warehouse would be exported.

vi. Eligible exporters would enter into an agreement with TDAP.

vii. Funding by the Government would be only for the first year, i.e. 1^{st} Quarter (100%), 2^{nd} Quarter (75%), 3^{rd} Quarter (50%) and 4^{th} Quarter (25%)

viii. After one year, the exporter(s) would bear all the costs.

ix. In case the exporter fails to progress and maintain the warehouse, TDAP would invoke penalty clause written in agreement claiming the Government amount spent on establishment of warehouse along with interest.

The management of Trade Development Authority of Pakistan, Karachi disbursed Rs. 39.070 million for warehousing facility under Strategic Trade Policy Framework (2009-12) during 2010-12. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s Kay & Emms, Faisalabad	9832448	13.06.2011	12,840,000
2.	M/s Al-Abbas Enterprises, Multan	9832450	13.06.2011	16,748,164
3.	M/s Gul Ahmed Textile Mills Ltd.	9832454	15.06.2011	2,253,196
4.	M/s Al-Ashar Knitwear (Pvt.) Ltd.	9832483	15.06.2011	3,450,600
5.	M/s Al-Ashar Knitwear (Pvt) Ltd	946934	21.06.2012	423,000
6.	M/s Nishat Mills Ltd	948652	25.06.2012	3,355,186
			Total	**39,070,146**

Audit observed as under:

i. No agreements were made with TDAP.

ii. The firms did not provide attested copies of certificates of international standards.

iii. The firms did not provide original rental contract of warehouse, notarized by the Notary Public and attested by the Pakistan Mission/Commercial Section/Consulate in the respective country.

iv. Acknowledgements of receipt of cheques were not provided.

v. The record regarding total number of applications lodged and date of submission of application with TDAP was not available.

Audit is of the view that disbursement of incentives to the six firms for ware housing facility was irregular and unauthorized.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be investigated and responsibility may be fixed for irregular and unauthorized disbursement.

7.4.15 Irregular and unauthorized payment for subsidy on medical representative's salary - Rs. 40.591 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009.

The Trade Development Authority of Pakistan issued Public Notice regarding subsidy on medical representative's salaries on 03.10.2009. The following eligibility conditions were given:

i. All manufactures and exporters having their products registered abroad will be eligible. Cases will be processed upon submission of registration certificates of the products abroad.

ii. A maximum of three medical representatives per country to be authorized who will act as representatives of companies whose products are registered abroad only in the countries/markets proposed by TDAP.

iii. Medical Representatives so appointed must be science graduate, with at least two year experience with reputable pharma firms. However, relaxation will be provided in the criteria of qualification in some cases.

iv. Period of appointment will be two years and will commence from date of issuance of approval letter from TDAP. (Copy of contract would be required).

v. Payment will be made in Pakistani rupee at the prevalent US$ rate.

vi. Proof of medical representatives stay in the foreign country would be required in form of an affidavit by the exporting company as well as by the distributor/importer in the foreign country that medical representative is working on the payroll of Pakistani company and working for every quarter.

vii. Firms using the facility would be required to furnish monthly progress report about promotional activities of medical representatives for non-OTC products as well as export documentation such as Customs invoice, duly endorsed Bill of Lading/Airway Bill, along with the monthly statement clearly showing the exports against the previous month.

The management of Trade Development Authority of Pakistan, Karachi paid Rs. 40.591 million to 58 medical representatives of 11 firms during 2010-12.

Audit observed that confirmation from importer of foreign country that medical representatives were working on the payroll of Pakistani company and also working for every quarter was not available in the record.

Audit is of the view that reimbursement of salaries paid to medical representatives without verification/confirmation by the importer country/ distributors was irregular and unauthorized.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired and responsibility may be fixed for irregular and unauthorized disbursement. In case it is proved that the payment of salaries was reimbursed without valid documents, the amount may be recovered from the firms and deposited into the government treasury.

7.4.16 Irregular and unauthorized payment for assistance for setting up business offices abroad - Rs. 40.889 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009 which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-A(a) an initiative was provided for support for opening exporters offices abroad.

The Trade Development Authority of Pakistan issued Public Notice regarding Assistance for setting up business offices abroad in leading newspapers on 02.10.2009. Under this initiative following incentives was provided with appropriate caps on the upper limit:

i. 50% subsidy in rentals for three years.

ii. 50% subsidy in salaries for three employees for three years.

The following eligibility conditions were given:

iii. Eligible Countries: Malaysia, Japan, China, United Arab Emirates, Russia, USA, European Union and Africa.

iv. Eligible Products and Criteria: Following products and export performance during the year 2008-09 or an average of last three years:

(US$ in million)

S. No.	Products	Export Performance
1. a.	**Textiles Sector:** Woven and Knitted Garment, Tents	8.000
b.	Bed Linen, Towels and Made-ups, Denim Fabric	10.000
2.	**Leather Sector:** Leather Garments, Leather Products & Footwear	5.000
3.	**Carpets and Rugs**	5.000
4.	**AGRO-Food Sector:** Seafood/ Fish, Fruits & Vegetables, Meat & meat preparations, Poultry products. Processed food, such as juices, jams & jellies, spices, confectionery, ready to eat food, pastes, milk and dairy products, etc.	2.000
5.	**Mineral Sector:** Marble, Onyx and Granite products, Gems and Jewelries	2.000
6.	**Services Sector:** Information Technology	2.000
7.	**Engineering and manufacturing Sector:** Engineering goods, Surgical goods, Sports goods, chemicals and its products	5.000
8.	**Cutlery products**	2.000
9.	**Furniture**	1.000
10.	**Handicraft**	1.000

The management of Trade Development Authority of Pakistan, Karachi paid Rs. 40.889 million for assistance for opening exporter offices abroad under Strategic Trade Policy Framework (2009-12) during 2010-13. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s Pak Denim Ltd., Karachi	9832410	06.05.2011	6,692,400
2.	M/s Key & Emms, Faisalabad	9832449	13.06.2011	7,704,000

3.	M/s Pak. Denim Ltd	948688	05.04.2013	3,920,400
4.	M/s Kay & Emm Pvt. Ltd.	948689	05.04.2013	12,474,000
5.	M/s Sapphire Textiles Mills	948694	05.04.2013	10,098,000
			Total	**40,888,800**

Audit observed as under:

i. Companies Profiles were not available on the record.

ii. Firms did not provide contracts of office rental in original, notarized by the Notary Public and attested by the Pakistan Mission/Commercial Section/Consulate in the respective country.

iii. Total number of applications lodged along with submission date was not available.

iv. Quarterly performance reports were not submitted by the firms.

Audit is of the view that payment of assistance for opening exporter offices abroad to the firms in the absence of documents was irregular and unauthorized.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be investigated and responsibility may be fixed for irregular and unauthorized disbursement.

7.4.17 Irregular and unauthorized payment for assistance for opening Retail Sales Outlets abroad - Rs. 173.674 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009. According to Part-A(b) an initiative was provided for support for opening Retail Sales Outlets abroad.

The Trade Development Authority of Pakistan issued Public Notice regarding Assistance for opening Retail Sales Outlets abroad on 02.10.2009. The following eligibility conditions were given:

i. Companies/Exporters either having exports in excess of US$ 1.000 million in the last year or running at least 3 outlets in major cities of Pakistan.

ii. The outlets must be established exclusively by one company. Joining of two or more companies/exporters will not be admissible.

iii. At least 50% of the products of the outlets should be of Pakistani origin.

iv. Outlets can be opened in any country/city of the world which is known to be a market for the product concerned.

v. The financial support will be available only for space rentals and will not cover utilities, overheads or any other expenses.

The management of Trade Development Authority of Pakistan, Karachi paid Rs. 173.674 million for assistance for opening sales outlets abroad under Strategic Trade Policy Framework (2009-12) during 2010-13. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s Imperial Footwear (Pvt.) Ltd.	9832426	23.05.2011	7,754,062
2.	M/s Friends Exports, Karachi	9832434	02.06.2011	18,554,400
3.	M/s Al-Abbas Enterprises, Multan	9832424	17.05.2011	18,092,812
4.	M/s Nishat Mills Ltd	946918	01.06.2012	9,498,528
5.	M/s Chenab Limited	946919	01.06.2012	22,576,128
6.	M/s Royal Group	946921	04.06.2012	427,788
7.	M/s Kay & Emms (Pvt) Ltd	946923	19.06.2012	12,582,000
8.	M/s Al-Ashar Knitwear (Pvt) Ltd	946935	21.06.2012	19,458,000
9.	M/s Imperial Footwear	948506	25.06.2012	3,525,000
10.	M/s Pak Denim Ltd	948551	25.06.2012	7,444,800
11.	M/s Nishat (Chunian) Ltd	948594	25.06.2012	10,412,850
12.	M/s Al-Ashar Knitwear Pvt.	948692	05.04.2013	13,662,000
13.	M/s Chenab Limited	948693	05.04.2013	16,017,750
14.	M/s Key & Emms Pvt Ltd	954007	05.04.2013	13,365,000
15.	M/s Royal Group	954011	05.04.2013	302,940
			Total	**173,674,058**

Audit observed as under:

i. Eligibility condition regarding minimum export of US$ 1.000 million for last year or three outlets of a firm in major cities of Pakistan was not observed/confirmed.

ii. Companies profiles were not available.

iii. Eligibility condition regarding 50% of the product at the outlets would be of Pakistani origin was not observed/confirmed.

iv. Firms did not provide original rental contract of outlets, notarized by the Notary Public and attested by the Pakistan Mission/ Commercial Section/Consulate in the respective country.

v. Total number of applications lodged along with submission date was not available.

Audit is of the view that payment of assistance for opening Sales Outlets Abroad to the firms was irregular and unauthorized.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be investigated and responsibility may be fixed for irregular and unauthorized disbursement.

7.4.18 Irregular and unauthorized payment on account of support on export of processed foods - Rs. 816.079 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009.

Trade Development Authority of Pakistan issued Public Notice regarding support on export of processed foods on 02.10.2009. The following eligibility conditions were given:

i. The exporters would submit their claims to TDAP through their banks.

ii. In case of advance payment, the exporters would be required to submit the claim within 30 days otherwise the duration for filing the claims would be 90 days from the date of realization of export sales proceeds.

iii. Exporter would submit the following documents along with their claims:

    a. Form E duly signed by the Custom's Authority - original

    b. Goods Declaration - original

    c. Customs verified invoice - original

    d. Bank certificate/undertaking

    e. Export Proceed Realization Certificate

    f. Copy of Health Certificate issued by Marine Fisheries Department, Government of Pakistan.

iv. Reimbursement would be made on Remittances instead of Actual Exports.

v. All shipments of live sea foods by air from 1st September, 2009 will qualify for the facility.

vi. Payments would be made through National Bank of Pakistan, Finance and Trade Center Branch, Karachi after the scrutiny of the claims by a Scrutiny Committee constituted by TDAP for this purpose.

The management of Trade Development Authority of Pakistan, Karachi paid Rs. 816.079 million for support on export of processed foods under Strategic Trade Policy Framework (2009-12) during 2010-13. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	M/s Nestle Pakistan Ltd	946911	28.05.2012	191,775,838
2.	M/s Shan Foods (Pvt) Ltd	946936	21.06.2012	27,704,165
3.	M/s Ismail Industries Limited	946937	21.06.2012	23,358,065

4.	M/s Nishi International	946938	21.06.2012	25,779,055
5.	M/s Iftikhar Ahmed & Co.	946939	21.06.2012	5,578,014
6.	M/s Abbas Enterprises	946941	21.06.2012	29,247,650
7.	M/s Millac Foods (Pvt) Ltd	946942	21.06.2012	2,318,389
8.	M/s SKS Enterprises	946943	21.06.2012	20,516,460
9.	M/s Gujranwala Food Industries	946944	21.06.2012	17,465,858
10.	M/s Danpak Industries (Pvt) Ltd	946945	21.06.2012	3,212,765
11.	M/s Y.Q. Traders	946946	21.06.2012	32,909,705
12.	M/s Young's Food (Pvt) Ltd	946947	21.06.2012	1,928,299
13.	M/s California Natural Products	946948	21.06.2012	32,101,745
14.	M/s Alfarid Corporation	946949	21.06.2012	4,231,795
15.	M/s Reliable International Traders	946951	21.06.2012	32,000,000
16.	M/s Wasi International (Pvt) Ltd	946954	21.06.2012	29,926,220
17.	M/s Sabic Industries	946955	22.06.2012	36,048,000
18.	M/s Jibran Enterprises	946956	22.06.2012	42,514,330
19.	M/s Al-Rehman Trading	946957	22.06.2012	34,050,000
20.	M/s Salman Traders	946958	22.06.2012	35,560,400
21.	M/s Fatmi Global Traders	946959	22.06.2012	34,970,000
22.	M/s Sartaj & Sons	948501	25.06.2012	35,140,195
23.	M/s Hyder & Sons	948502	25.06.2012	41,774,332
24.	M/s Al-Azam Traders	948503	25.06.2012	38,713,106
25.	M/s Al-Razi Associates	948504	25.06.2012	37,254,867
			Total	**816,079,253**

Audit observed as under:

i. Original Customs verified commercial invoices were not available.

ii. Minutes of Scrutiny Committee meeting were not available.

iii. Instances were noted where the deadline for submission of claims (from 01.08.2009 to May, 2010) were not observed (M/s Kings, M/s Al-Farid, M/s Young and M/s Gujranwala).

iv. Total number of applications lodged along with submission date was not available.

Audit is of the view that payment for support on export of processed foods was irregular and unauthorized.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be investigated and responsibility may be fixed for irregular and unauthorized disbursement.

7.4.19 Irregular payment of Matching Grant for setting up Effluent Treatment Plants in individual tanneries - Rs. 62.715 million

The Cabinet Division approved Strategic Trade Policy Framework (2009-12) in its special meeting held on 27.07.2009, which was communicated vide Ministry of Commerce D.O. No. 1(2)/2009-S.O(PPMC) dated 28.08.2009.

The Trade Development Authority of Pakistan issued Public Notice regarding assistance for Matching Grant for setting up of Effluent Treatment Plants in individual tanneries on 02.10.2009. The following eligibility conditions were given:

i. Matching Grant for installation of wastewater treatment plants will be for all existing units who are members of Pakistan Tanners Association (PTA). The Matching Grant will not include the cost of land and building or similar infrastructure.

ii. Tannery Units established before June 30, 2009 may be called Existing Units, which will be required to apply for and avail the grant within the period of Trade Policy (2009-12) along with completion report of the treatment plant and allied systems, i.e. Chrome Recovery Plant, Dust Collectors and Water Flow Meters.

iii. Existing Tannery Units will be entitled for availing the matching grant facility for setting up new individual treatment plans and for treatment plants under construction.

iv. Preference will be given to the units having annual exports of more than US$ 3.000 million per annum for the last three years.

v. Applicants will be entitled to apply for matching grant on completion of Effluent Treatment Plant.

The management of Trade Development Authority of Pakistan, Karachi paid Rs. 62.715 million as Matching Grant for setting up Effluent Treatment Plants in individual tanneries under Strategic Trade Policy Framework (2009-12) during 2010-13. Details are as under:

(Rupees)

S. No.	Name of Firm	Cheque No.	Date	Amount
1.	Pakistan Tanners Association	948639	25.06.2012	41,809,780
2.	Pakistan Tanners Association	948675	05.04.2013	20,904,890
			Total	**62,714,670**

Audit observed as under:

i. There was no proof that the claims for Matching Grant were submitted after completion of Effluent Treatment Plants.

ii. The cheques were issued to Pakistan Tanners Association instead of the individual tanneries.

Audit is of the view that payment of Matching Grant to Pakistan Tanners Association for setting up Effluent Treatment Plants was irregular and unauthorized.

The management did not reply.

The PAO was informed on 29.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that the matter may be inquired and responsibility may be fixed for irregular and unauthorized disbursement. In case the payment has been made without setting up Effluent Treatment Plants the amount may be recovered and deposited into the government treasury.

CHAPTER 8

8. COMMUNICATIONS DIVISION

8.1 Introduction of Division

The Ministry of Communications functions as a central policy making and administrative authority on Communications and Transport Sector in the country.

The main objectives/functions of the Ministry of Communications are:

- Prioritization of development projects and operational activities according to economic, social and strategic needs of the country
- Provide effective support to the economy
- Promote international competitiveness of our exports and increase operational effectiveness to meet challenges of globalization
- Integrate remote areas of the country into the economic mainstream
- Improve project monitoring and implementation
- Train and improve quality of human resources
- Enhance good governance through incentives and disciplinary action
- Improve values and ethics to build responsive organizations
- Provide safe and smooth travel on National Highways & Motorways
- Provide an efficient, reliable and speedy postal service matching the private sector courier services
- Carry out research on road engineering, building and management
- Modernize post and provide exemplary service to the public
- Open up unexplored areas through expanding national roads networks

The Federal Government has allocated following business to the Ministry as per Schedule-II of Rules of Business, 1973.

1) National planning, research and international aspects of road and road transport
2) National highways and strategic roads; National Highway Council and Authority; Administration of Central Road Fund and Fund for Roads of national importance
3) Mechanically propelled vehicles; Transport Advisory Council; Urban Road Transport Corporation
4) Enemy Property
5) National Highways and Motorway Police

8.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Communications Division for the financial year 2013-14 was Rs. 6,796.068 million including Supplementary Grant of Rs. 37.007 million out of which the Division utilized Rs. 5,670.189 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
16	Current	4,128,126,000	37,006,000	4,165,132,000	3,771,886,445	(393,245,555)	(9.44)
17	Current	2,521,670,000	-	2,521,670,000	1,796,765,177	(724,904,823)	(28.75)
	Subtotal	**6,649,796,000**	**37,006,000**	**6,686,802,000**	**5,568,651,622**	**(1,118,150,378)**	**(16.72)**
114	Development	109,265,000	1,000	109,266,000	101,537,838	(7,728,162)	(7.07)
	Total	**6,759,061,000**	**37,007,000**	**6,796,068,000**	**5,670,189,460**	**(1,125,878,540)**	**(16.57)**

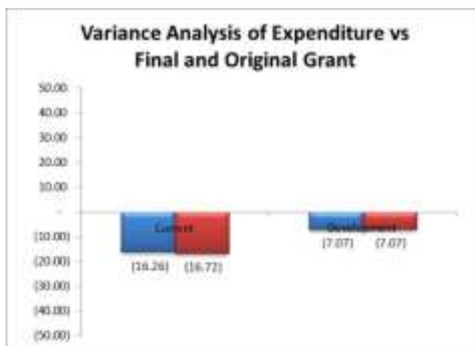
Audit noted that there was an overall saving of Rs. 1,125.879 million, which was mainly due to net saving of Rs. 1,118.150 million in Current Grants.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries/Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.'

During the year, Supplementary Grants of Rs. 37.007 million were obtained, which were 0.55 % of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the saving in current expenditure was 16.26%, which, after accounting for Supplementary Grants changed to 16.72%. In development expenditure, the saving against original budget was 7.07% which remains same when Supplementary Grants were taken into account.



8.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Communication	1997-98	7	7	4	3	57%
	2000-01	31	31	30	1	97%
	2005-06	3	3	1	2	33%
	2006-07	1	1	0	1	0%
	2007-08	2	2	0	2	0%
Total		**44**	**44**	**35**	**9**	**80%**

8.4 AUDIT PARAS

Irregularity & Non Compliance

8.4.1 Purchase of sub-standard uniform cloth - Rs. 21.945 million

Para 10(i) of GFR Volume-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.

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

Clause 4 of the Agreement between National Highways and Motorway Police (NH&MP) and M/s Khawaja Nasir-ud-din and Sons Private Limited, Lahore for the purchase of 72,592 meters uniform cloth (Fawn Color) for Rs. 21.945 million @ Rs. 302.310 per meter states that the firm shall supply 1,000 meters cloth (out of total quantity), which shall be sent for lab test and after getting clearance report from the laboratory, the remaining quantity of cloth shall be provided by the firm.

The management of National Highways and Motorway Police (NH&MP) purchased 72,592 meters uniform cloth (Fawn Color) for Rs. 21.945 million from M/s Khawaja Nasir-ud-din and Sons Private Limited, Lahore @ Rs 302.310 per meter during 2013-14.

The lab test report No. LR/3/100/2013 dated 09.12.2013 indicated that the sample of uniform cloth did not meet the prescribed specifications. Details are as under:

S. No.	Test	Required specification	Actual result
1.	Weight per square meter	250 +/- 5gm	229.94 gm
2.	No. of threads per 25mm	**Warp:** 75 +/-2	**Warp:** 79
3.	Breaking strength	**Warp:** 375 to 400 kg **Weft:** 325 to 350 kg	**Warp:** 228 kg **Weft:** 189 kg
4.	NH&MP selvage	Both sides	One side

Audit observed as under:

i. The laboratory test was not carried out on the first 1,000 meters cloth to determine whether the cloth was according to the approved specifications or not.

ii. The laboratory test was conducted after the firm had supplied 7,649 meters cloth.

iii. The weight per square meter was 230 grams against the minimum requirement of 245 grams.

iv. The laboratory test indicated that the breaking strength of warp was 228 kg against a requirement of 375 to 400 kg while the breaking strength of weft was 189 kg against a requirement of 325 to 350 kg.

v. The laboratory test also indicated that the selvage of the NH&MP was only on one side of the cloth instead of both sides.

vi. The Deputy Inspector General, Motorway Police, N-5 South Zone had informed through his letter No. DIG/S/N-5/NH&MP/Logistic/ 1310 dated 24.04.2014 that the cloth provided to that zone was not uniform in color and quality. Also every bundle was short in measurement by four to six meters.

vii. Similarly, the Chief Patrol Officer, Lines Headquarters, Islamabad had returned 1,225 meters unstitched cloth through letter No. FHP-01(1)/DIG(M)/MT/14/107 dated 12.05.2014 on account of complaints of double shading and "burr" in the cloth.

Audit is of the view that sub-standard cloth was purchased for the following reasons:

i. The weight per square meter was 6% less than the required minimum.

ii. The breaking strength of the cloth was 40% less than the specification.

iii. The selvage was only on one side of the cloth which resulted in undue savings by the manufacturer.

iv. The color of the cloth was not uniform due to double shading.

Audit is also of the view that undue favor was extended to the supplier by accepting cloth with selvage on one side as it resulted in savings to the manufacturer/supplier. Undue favor was also extended by accepting cloth which was less in measurement in each bundle.

Audit is of the view that the loss incurred only by accepting sub-standard cloth with 40% less breaking strength was Rs. 8.778 million (40% of the total payment of Rs. 21.945 million). The loss due to selvage on one side of the cloth and 6% less weight per square meter remains to be calculated.

The management replied that the firm intimated that it was not possible to supply 1,000 meters of cloth within specified time due to technical problems, i.e. weaving and dyeing/finishing of fabric, etc. but ensured that supply would be delivered within two months. The firm supplied 7,649 meter cloth on 13.11.2013 and lab test was got conducted. There was a severe shortage of uniform as the cloth could not be procured during preceding financial year. Consequently, the Inspection Committee approved the fabric keeping in view the slight differences of the laboratory report.

The reply of the management was not accepted because manufacturer was required to provide the first 1,000 meters for laboratory test following which the remaining cloth was to be provided after approval of the Inspection Committee. The claim of the management that there were slight differences between the laboratory report and the required specifications was also not accepted because the breaking strength of the cloth was 40% less than the required strength which would result in reduction in useful life of the uniform, finally resulting in loss to the government as well as the image of the department.

The PAO was informed on 09.12.2014, but DAC could not be held till the finalization of the report.

Audit recommends that responsibility may be fixed for the purchase of sub-standard uniform cloth.

8.4.2 Irregular expenditure on purchase of arms and ammunition - Rs. 11.260 million

Rule 3(3) of the NH&MP (Road Safety Campaigns, Performance Reward) Rules, 2007 states that principles of financial propriety, General Financial Rules and all other instructions, issued from time to time, relating to auditing and accounting shall be observed while sanctioning any amount from the Fund.

Rule 12(2) of 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 circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

The Ministry of Communications on the request of National Highways and Motorway Police (NH&MP) vide its letter No. F.No.15/PPA/II-MP dated 27.08.2013 conveyed the concurrence to incur expenditure for purchase of arms and ammunition out of Road Safety Campaigns, Performance Reward Fund subject to fulfillment of the following conditions:

i. Completion of all codal/audit formalities and strict observation of Public Procurement Rules, 2004.
ii. Purchase of arms and ammunition from Pakistan Ordnance Factories (POF). If any item is not available with POF it should be purchased after completing all codal/audit formalities.
iii. Taking up a case for Supplementary Grant with Finance Division in order to recoup the said amount to NH&MP Road Safety Campaigns, Performance Reward Fund.

The management of National Highways and Motorway Police (NH&MP) incurred an expenditure of Rs. 11.260 million on purchase of arms and ammunition from the Inter Services Intelligence (ISI) out of Road Safety Campaigns, Performance Reward Fund during 2013-14.

Audit observed as under:

i. The arms and ammunition were not purchased from POF, Wah.

ii. The items were purchased without open competition and without fulfilling other requirements of the Public Procurement Rules, 2004.

iii. The supplier was neither a manufacturer nor authorized arms dealer or a general order supplier.

iv. The expenditure could not be incurred from the Road Safety Campaigns, Performance Reward Fund.

v. The Road Safety Campaigns, Performance Reward Fund was not recouped by obtaining Supplementary Grant.

Audit is of the view that the procurement without open competition deprived the government of the benefits of competitive rates and due taxes.

Audit is also of the view that procurement of arms and ammunition from an unauthorized source also resulted in the possibility of procuring outdated arms and ammunition and depriving the government of the benefit of better quality and effective warranty.

The management replied that the required arms and ammunition were not being manufactured by POF, Wah. Another government agency, i.e. Inter Services Intelligence was approached by the Inspector General of Police for provision of SMG 7.62 mm and its ammunition. The rates offered by Inter Services Intelligence were found most economical.

The reply was not accepted because the POF, Wah also manufactures quality 7.62 mm arms and ammunition, while ISI is not an authorized arms dealer. Further, in case the NH&MP did not desire to purchase arms and ammunition from POF, Wah it was required to resort to open competition and Public Procurement Rules, 2004.

The PAO was informed on 09.12.2014, but DAC could not be held till the finalization of the report.

Audit recommends that the matter may be investigated and responsibility be fixed for the irregularity besides determining the quality and useful life of the arms and ammunition purchased.

8.4.3 Irregular and unauthorized expenditure on repair/maintenance & construction works through splitting up the expenditure - Rs. 15.587 million

Rule 3(3) of the NH&MP (Road Safety Campaigns, Performance Reward) Rules, 2007 states that principles of financial propriety, General Financial Rules and all other instructions, issued from time to time, relating to auditing and accounting shall be observed while sanctioning any amount from the Fund.

Para 192 of GFR Volume-I states that when works allotted to a civil department other than the Public Works Department are executed departmentally, whether direct or through contractors, the form and procedure relating to expenditure on such works should be prescribed by departmental regulations framed in consultation with the Accountant General generally on the principles underlying the financial and accounting rules prescribed for similar works carried out by the Public Works Department.

Para 182 of GFR Volume-I states that to facilitate the preparation of estimates, as also to serve as a guide in settling rates in connection with contract agreements, a Schedule of Rates for each kind of work commonly executed should be maintained in each locality and kept up to date. The rates entered in the estimates should generally agree with the scheduled rates but where, from any cause, these are considered insufficient, or in excess, a detailed statement must be given in the report accompanying the estimate, showing the manner in which the rates, used in the estimate are arrived at.

Para 59 of Central Public Works (Department) Code states that a group of works which forms one project shall be considered as one work.

Rule 9 of Public Procurement Rules, 2004 states that save as otherwise provided and subject to the regulations made by the Authority, with the prior approval of the Federal Government, a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or regrouping of the procurements so planned. The annual requirements thus determined would be advertised in advance on the Authority's website as well as on the website of the procuring agency in case the procuring agency has its own website.

The management of NH&MP incurred an expenditure of Rs. 15.587 million, through advances to its employees, on repair/maintenance & construction works out of the Regimental & Welfare Fund during 2013-14.

Audit observed that the entire expenditure was incurred by granting advances to various employees through open cheques and contractors bills each of which was less than Rs. 100,000.

Audit also observed that the works were awarded to contractors without open competition and by splitting the works.

Audit is of the view that the expenditure on civil works was incurred departmentally without framing departmental regulations and in the absence of approved schedule of rates as required under Para 192 and 182 of the GFR, respectively.

Audit is also of the view that the government was not only deprived of the benefit of competitive rates but also Income Tax amounting to Rs. 1.000 million approximately.

The management replied that the advances were sanctioned by the Inspector General in light of NH&MP (Road Safety Campaigns, Performance Reward) Rules, 2007 after completing all codal formalities.

The reply was not accepted because the principles of financial propriety and provisions of GFR and Public Procurement Rules, 2004 were not followed.

The PAO was informed on 09.12.2014, but DAC could not be held till the finalization of the report.

Audit recommends fixing of responsibility for the irregularity besides discontinuing the irregular practice.

8.4.4 *Unauthorized operation of NH&MP Regimental and Welfare Fund and expenditure thereof - Rs. 222.594 million*

Rule 3(3) of the NH&MP (Road Safety Campaigns, Performance Reward) Rules, 2007 states that principles of financial propriety, General Financial Rules and all other instructions, issued from time to time, relating to auditing and accounting shall be observed while sanctioning any amount from the Fund.

Rule 7(a) of the NH&MP (Road Safety Campaigns, Performance Reward) Rules, 2007 states that NH&MP share from the fine money shall be deposited in an account maintained with the Allied Bank Limited, Civic Center Branch, Islamabad for the Fund.

The management of NH&MP transferred Rs. 306.125 million from the Road Safety Campaigns, Performance Reward and Welfare Fund bank account into another bank account titled Regimental & Welfare Fund Account No. 0010000525620056, Allied Bank Limited, Civic Center, Islamabad and incurred an expenditure of Rs. 222.594 million during 2013-14.

Audit observed as under:

i. A separate bank account in ABL was opened for Regimental and Welfare purpose in addition to Road Safety Campaigns, Performance Reward and Welfare Fund Account without any provision in the Rules.

ii. The draft Regimental & Welfare Fund Rules, 2006 on basis of which the expenditure was incurred were not approved by the government.

iii. An amount of Rs. 32.438 million was released to the Zones for repair/maintenance & construction works without any provision in the Rules.

iv. An amount of Rs. 2.250 million & Rs. 0.409 million were paid to NH&MP Cooperative Housing Society and National Police Foundation as membership fee of employees without any provision in the Rules

Audit is of the view that the transfer of funds meant for road safety campaigns and payment of reward into an unapproved bank account and expenditure thereof was irregular and unauthorized.

The management replied that a departmental policy with the name of Regimental & Welfare Fund had been devised with the approval of the Inspector General, NH&MP. All expenditure was incurred from the Fund with the approval of the Inspector General, NH&MP as authorized under the Clause (2), (4) & (5) of Roads Safety Campaigns, Performance Reward Rules, 2007. Clause 7 of these Rules under title "Accounting procedures" authorizes NH&MP to maintain the account with Allied Bank Limited, Civic Centre Branch, Islamabad. The idea for establishment of NH&MP Cooperative Housing Society was worked out and for that purpose membership was offered to the employees of NH&MP. An amount Rs. 3,000 as membership fee from each member of NH&MP Cooperative Housing Society was collected and total 750 employees opted for membership. Later on the idea of NH&MP Employees Cooperative Housing Society was shelved and membership fee amounting to Rs. 2.250 million was returned to the employees and not to any Cooperative Housing Society. As far as payment of Rs. 0.409 million is concerned, the monthly contribution of National Police Foundation was collected from the employees of NH&MP along with NH&MP Regimental & Welfare Fund monthly contribution. The share of NPF is then forwarded to National Police Foundation.

The reply was not accepted as under Clause 7 of the Roads Safety Campaigns, Performance Reward Rules, 2007 only one bank account could be opened in the Allied Bank. There was no provision for opening a second bank account for Regimental & Welfare Fund. Regarding, refund of membership fee, the management could not provide any documentary evidence for collecting Rs. 3,000 membership fee from each member of NH&MP Cooperative Housing Society and its deposit into the Regimental & Welfare Fund account. The fact remains that payment was made from the Regimental & Welfare Fund to the NH&MP Cooperative Housing Society and National Police Foundation on behalf of the employees.

The PAO was informed on 09.12.2014, but DAC could not be held till the finalization of the report.

Audit recommends that the funds irregularly transferred from the Roads Safety Campaigns, Performance Reward and Welfare Fund into the Regimental & Welfare Fund Account may be transferred back, while evidence may also be provided for receipt of payments from the employees on whose behalf payment was made to the NH&MP Cooperative Housing Society and National Police Foundation.

8.4.5 Unauthorized operation of Road Safety Training Institutes and collection & utilization of fee - Rs. 11.597 million

Section 90(2)(r) and Section 90(2)(s) of National Highways Safety Ordinance, 2000 states that National Highways and Motorway Police (NH&MP) will promote the establishment of driver training schools in the private sector and coordinate their inspection and supervision through provinces and assist the provinces in setting up such schools.

The Inspector General of NH&MP approved the establishment of Road Safety Training Institutes at sector level on 19.04.2012 for training of drivers. The NH&MP (Headquarters), Islamabad, DIG N-5 (North Zone) and DIG, Motorways Zone conducted various courses and collected Rs. 11.597 million from the trainees as fee out of which an expenditure of Rs. 9.957 million was incurred on various activities.

Audit observed as under:

i. NH&MP did not have the authority to establish its own driver training institutes as there was no such provision in the National Highways Safety Ordinance, 2000.

ii. An amount of Rs. 11.597 million @ Rs. 3,000 per trainee was collected out of which an expenditure of Rs. 9.957 million was incurred.

Audit is of the view that opening of training institutes, collection of receipts and its utilization was irregular and unauthorized.

The management replied that the idea of establishing Road Safety Training Institutes with private partners was dropped due to transparency issues.

However, NH&MP established Road Safety Training Institutes to educate general public as a social responsibility. The fee collected from the trainees is very nominal (Rs. 3,000) which only caters for fuel and other logistic requirements incurred during training classes.

The reply was not accepted because establishment of road safety institutes was not the mandate of NH&MP. According to National Highways Safety Ordinance, 2000 the NH&MP could only promote the establishment of driver training schools in the private sector and coordinate their inspection and supervision through provinces and assist the provinces in setting up such schools.

On a similar observation of Audit, the Inspector General, NH&MP had on 01.12.2011 directed to abolish all driver training schools and stop their operation forthwith. The management of NH&MP had also deposited the unspent balance of Rs. 2.526 million into the federal treasury on 01.04.2013.

The PAO was informed on 09.12.2014, but DAC could not be held till the finalization of the report.

Audit recommends that the training institutes established by NH&MP should be closed and establishment of training institutes in the private sector should be promoted as required under National Highways Safety Ordinance, 2000. The balance of Rs. 1.640 million may also be deposited into the government treasury.

8.4.6 Irregular and unauthorized expenditure on hiring of buildings - Rs. 18.589 million

According to Finance Division O.M. No. F.8(69)R.14/83/2001-452 dated 18.10.2001 hiring of private properties for office accommodation by the Federal Government must be supported by the following documents:

i. Statement of space entitlement along with details of sanctioned strength of officers/officials duly approved by Works Division as per their letter No. 10(11)/71-WIII dated 17.08.1971.

ii. Assessment Certificate issued by Pak PWD in accordance with specifications of the premises.

The policy of hiring of office accommodation was decentralized and rates for commercial buildings/office buildings were fixed by the Ministry of Housing & Works vide letter No. 2(1)2000-Policy dated 04.11.2002, which were revised on 14.04.2008.

Para 3 of Ministry of Housing and Works O.M. No. F.2(1)/2004/Policy dated 17.09.2004 states that after the decentralization of hiring of office accommodation, Ministry/Division/Department are competent to hire the private buildings for office accommodation at their own as per prescribed scale, entitlement and the instructions issued by Ministry of Housing and Works. Moreover, the Ministry/Division/Department will obtain the rent reasonability certificate from the Pak PWD in each and every case. The Pak PWD shall ensure that the requirement of space is calculated by the Ministry/Division/Department in accordance with the prescribed scale laid down for various categories of officers/staff, etc.

Serial No. 9(16) of Annex-I to Para 8(a) of Finance Division O.M. No. F.3(2)Exp-III/2006 dated 13.09.2006 states that the Ministries/Divisions are empowered to incur expenditure up to Rs. 100,000 per month under the head 'Rent of Non-residential Buildings'.

NH&MP forwarded a case for hiring of office accommodation for camp offices of Central Police Office to the Ministry of Housing & Works through Deputy Financial Advisor (Communications). The Ministry of Housing and Works recommended the proposal for hiring of office accommodation through National Highway Authority (NHA) subject to the condition that the hiring of office accommodation shall be processed strictly in accordance with the instructions issued for decentralization of office accommodation vide Ministry of Housing & Works letter dated 04.11.2002.

The management of NH&MP paid rent of Rs. 18.589 million to National Highway Authority for hiring 24 office buildings during 2013-14. Details are as under:

(Rupees)

S. No	Office	Buildings hired	Period	Monthly Rent	Total
1.	CPO-I	H. No. 7, Main Kaghan Road, F-8/3, Islamabad	15.09.13 to 14.09.14	490,000	5,880,000
2.	CPO-II	H. No. 7, Street No. 10, F-8/3,	16.06.13 to	311,000	0

		Islamabad	15.06.14		
3.	CPO-III	H. No. 18, Street No. 3-B, F-10/2, Islamabad	01.07.13 to 30.06.14	242,000	2,904,000
4.	CPO-IV	H. No. 364, Street No. 24, E-11/4, Islamabad	01.05.13 to 30.04.14	150,000	0
5.	Camp Office	H. No. 15, Street No. 46, F-7/1, Islamabad	12.09.13 to 11.06.14	159,720	1,437,480
6.	North- I (LHQ/SSP)	Khan Plaza, Jatial More, Kamra District, Attock	01.01.14 to 30.06.14	48,290	289,740
7.	Beat-01	Azakhel, G.T Road, Nowshera	01.12.13 to 31.05.14	55,000	330,000
			01.06.14 to 29.09.14	60,500	239,831
8.	Beat-02	G.T Road Hakeemabad, Khairabad	01.01.14 to 31.12.14	16,427	444,504
9.	Beat-02	G.T Road Hakeemabad, Khairabad	01.01.14 to 31.12.14	20,615	
10.	Beat-03	Khan Plaza, Jatial More, Kamra District, Attock	01.01.14 to 30.06.14	48,290	289,740
11.	Beat-04	H. No. 16, St No. 2, New City Housing Scheme, Wah Cantt	01.12.13 to 31.06.14	27,500	192,500
12.	Beat-04	Losar Sharfu, Tehsil Taxila, District Rawalpindi	01.12.13 to 31.05.14	37,812	226,872
			01.12.13 to 31.12.13	37,812	37,813
13.	North-II (LHQ/SSP)	Khasra No. 785/7, Bhattial, Near Rani Ghee Mills, G.T Road, Jhelum	16.06.13 to 15.06.14	100,000	1,200,000
14.	Beat-06	Tehsil Dina, Khasra No. 2933/1554, Khata 123/256, District Jehlum	01.08.13 to 31.07.14	50,000	600,000
15.	Beat-07	G.T Road Canal View Sarai Alamgir District Gujrat	01.10.13 to 31.03.14	49,500	297,000
16.	North-III (LHQ/SSP) Office	Main G.T Road, Mouza Hardo Khoot, Tehsil Kamoki, District Gujranwala	01.05.13 to 28.02.14	50,000	500,000
17.	Beat-08	Julliani Road, Gujrat	01.01.14 to 30.06.14	45,000	270,000
18.	Beat-09	G.T. Road, Gakhar Mandi	01.06.13 to 31.05.14	33,275	299,475
19.	Beat-10	Jalil Town, Qila Chand, G.T Road, Gujranwala	31.12.13 to 30.04.14	55,000	275,000
20.	Beat-11	Nizam Park, G.T. Road, Muridke	01.07.13 to 31.12.13	40,000	240,000
21.	DIG Off	H. No. 37, St No. 08, Sector F-11/1, Islamabad.	01.09.13 to 31.5.14	226,270	2,036,430
22.	M-1 (SSP Office)	Muhammad Khan Colony Mano Nagar G T Road , Hassanabdal	25.06.13 to 24.03.14	25,000	225,000
			25.03.14 to 24.06.14	31,250	90,000
23.	M-1 Beat-03	Lakori Teh & Dist Attock	25.06.13 to 24.08.13	25,000	50,000
24.	IMDC (N-75) Beat-01	17 Mile, Post Office, Bhara Kahu, Islamabad	01.04.13 to 30.06.13	78,000	234,000
				Total	**18,589,385**

Audit observed as under:

i. All the buildings were hired without observing the scales of office accommodation fixed by Ministry of Housing of Works.

ii. The Inspector General, NH&MP was not competent to hire buildings in excess of monthly rent of Rs. 100,000.

iii. The management has declared H. No. 15, Street No. 46, F-7/1, Islamabad as Camp Office of Zonal DIGs.

Audit is of the view that hiring of buildings without observing the laid down instructions was irregular and unauthorized.

Audit is also of the view that there was no justification of maintaining a Camp Office at Islamabad for Zonal DIGs who discharge their duties in their respective zones.

The management replied that the policy for hiring of buildings for NH&MP through NHA was approved by the Ministry of Communications, Ministry of Housing & Works as well as Finance Division. The funds allocated to NH&MP are placed at the disposal of NHA as per requirement. All payments on account of rent of hired buildings are made by NHA. Completion of all formalities as per approved policy is observed by NHA before release of payments to the owners. The buildings are also assessed by assessment committees of NHA. The camp office building has been de-hired w.e.f. 11.08.2014. It was being used for providing residential accommodation to the Zonal DIGs, Sector Commanders and other officers of all Zones who frequently visit NH&MP, Headquarters in Islamabad in connection with different official meetings, seminars, cases, etc. A portion of the building was also being used for storage/maintenance of old record.

The reply was not accepted because the buildings were hired without observing the space entitlement according to the sanctioned strength and covered area, etc. Assessment Certificate was not issued by Pak PWD in accordance with specifications of the premises. The Inspector General, NH&MP was not empowered to sanction expenditure beyond Rs. 100,000.

The PAO was informed on 09.12.2014, but DAC could not be held till the finalization of the report.

Audit recommends that buildings may be got reassessed from Pak PWD according to space entitlement as per instructions of Ministry of Housing and Works.

8.4.7 Unauthorized opening of bank accounts and retention - Rs. 6.385 million

Section 7(a) of NH&MP (Roads Safety Campaigns, Performance Reward) Rules, 2007 states that NH&MP share from the fine money shall be deposited in an account maintained with the Allied Bank Limited, Civic Centre Branch, Islamabad.

The management of field offices of NH&MP was maintaining following eight bank accounts for retention of funds transferred by NH&MP (Headquarters) from the NH&MP Roads Safety Campaigns, Performance Reward Fund:

(Rupees)

S. No.	Name of Bank	Account No.	Name of Office	Balance on 30.06.2014
1.	ABL, Civic Centre Branch, Islamabad	PLS Account 0010000525620106	DIG N-5 (North Zone)	2,878,265
2.	NBP, Kamra Branch, Kamra	Current Account 28960-8	SSP N-5 (North-1)	24,652
3.	NBP, Civil Lines Branch, Jhelum	Current Account 005264-9	SSP N-5 (North-2)	104,593
4.	NBP, G.T. Road Branch, Gujranwala	PLS Account 011883-0	SSP N-5 (North-3)	79,420
5.	ABL, Civic Centre Branch, Islamabad	PLS Account 0010000525620129	DIG Motorways Zone	2,006,126
6.	ABL, Hassanabdal Branch, Hassanabdal	PLS Account 0010009829280015	Sector M-1	199,173
7.	NBP, Chakri Branch, Chakri	PLS Account 000070-0	SSP M-2 (North)	922,780
8.	ABL, Akbar Bazar Branch, Sheikhupura	Current Account 0010006091490010	SSPM-2 South) &M-3	169,491
			Total	**6,384,500**

Audit observed that the bank accounts were opened without any provision in the Rules in addition to the bank account maintained under the NH&MP (Roads Safety Campaigns, Performance Reward) Rules, 2007.

Audit is of the view that retention of funds in the bank accounts in violation of NH&MP (Roads Safety Campaigns, Performance Reward) Rules, 2007 was irregular and unauthorized.

The management of DIG N-5 (North Zone) replied that these sub-accounts were operative after receiving the delegation of powers up to SSP/Sector Commander level in road safety to facilitate the Sector Commanders, while the management of DIG Motorways Zone replied that initially funds amounting to Rs. 0.300 million were issued to each Sector for road safety activities with the direction to open a bank account with a scheduled bank on competitive rate basis. The Sector Commanders had opened joint bank accounts with Sector Commander and Sector DDO as signatories.

The reply was not accepted because the bank accounts were opened in violation of NH&MP (Road Safety Campaigns, Performance Reward) Rules, 2007.

The PAO was informed on 09.12.2014, but DAC could not be held till the finalization of the report.

Audit recommends that either these bank accounts should be closed or the accounting procedure of the NH&MP Roads Safety Campaigns, Performance Reward and Welfare Fund may be amended to cater for the sub-accounts.

8.4.8 Unauthorized establishment of NH&MP Licensing Authority and irregular expenditure thereof - Rs. 18.070 million

Section 90(2)(q) of Chapter VII of National Highways Safety Ordinance, 2000 states that NH&MP shall establish a competent Licensing Authority and drivers testing facility.

Section 93 of National Highways Safety Ordinance, 2000 states that the Inspector General of Police, in consultation with the Government, may, by notification in the official Gazette, make rules for carrying in to effect the provisions of this Chapter.

Section 93(2)(e) of National Highways Safety Ordinance,2000 states that without prejudice to the generality of the foregoing powers, such rules may provide for all or manner, mode and type of Licenses for the national highways.

Rule 6(b) of Roads Safety Campaigns, Performance Reward and Welfare Fund Rules, 2007 states that the Fund shall be utilized to educate the road users through print and electronic media, i.e. press, newspapers, journals, magazines, pamphlets, television, radio, etc. or on the website of the NH&MP by maintenance of national database on traffic and roads safety programs or by the other appropriate means including encouraging the community participation and holding of events like seminars, workshops within the scope of awareness about traffic codes, rules and safety, or any activity directly related to the safety of the road users.

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

Rule 12(2) of 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 circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rule 7 of FTR Volume-I states that all moneys received on behalf of Government on account of revenues shall without delay be paid in full into Government Treasury and Government receipts should not be utilized towards expenditure.

The Ministry of Communications vide letter No. 1(19)/2013-Road-II dated 17.02.2014 issued no objection to incurrence of an expenditure of Rs. 12.000 million from Roads Safety Campaigns, Performance Reward and Welfare Fund subject to completion of all codal/audit formalities and observance of Public Procurement Rules, 2004.

The National Highways and Motorway Police established NH&MP Licensing Authority for issuance of driving licenses of three main categories on 08.10.2013 with the approval of Inspector General of Police. The National Highways and Motorway Police incurred expenditure of Rs. 18.070 million (Rs. 10.870 million for supply & installation of equipment and Rs. 7.200 million for purchase of furniture, medical equipment and repair/renovation & construction works) out of the Roads Safety Campaigns, Performance Reward and Welfare Fund.

Audit observed as under:

i. The Licensing Authority was established without framing rules.

ii. The expenditure incurred was not a valid charge on the Roads Safety Campaigns, Performance Reward and Welfare Fund.

iii. Rs. 4.800 million out of Rs. 7.200 million was incurred on repair/ renovation & construction works in disregard to Rule 192 and 182 of GFR which require framing of departmental regulations and approval of Schedule of Rates, respectively for carrying out civil works departmentally. The expenditure was incurred without open competition.

iv. Rates of fee for issuance of driving licenses were fixed without the approval of the Government.

Audit is of the view that setting up the Licensing Authority without framing rules with the approval of the government and notification in the official Gazette was irregular and unauthorized.

Audit is also of the view that the expenditure was not a valid charge on the Roads Safety Campaigns, Performance Reward and Welfare Fund and was incurred in violation of the Public Procurement Rules, 2004 and the General Financial Rules.

The management replied that the draft Rules were prepared and sent to the Ministry of Communications for vetting/approval of the Ministry of Law and Justice vide letter No. NH&MP-609(P)/Log/14/245 dated 02.06.2014. Tenders/bids were called on 02.11.2013 for the establishment of NH&MP

Driving Licensing Authority with provision of complete software, installation of all allied equipment/accessories, printing material and other services as Turnkey Solution including the establishment of 10 (ten) customer service centers in different cities of Pakistan initially at Islamabad as well as in other cities of Pakistan on need to need basis.

The reply was not accepted because the Ministry of Communications could not authorize expenditure which was not a valid charge on the Roads Safety Campaigns, Performance Reward and Welfare Fund. The NH&MP was not authorized to incur expenditure on civil works without framing departmental regulations, without an approved Schedule of Rates and without calling open tenders. Further, the NH&MP could not fix rates of fee for different categories of driving licenses without the approval of the government, and could not utilize the government receipt.

The PAO was informed on 09.12.2014, but DAC could not be held till the finalization of the report.

Audit recommends that responsibility may be fixed for incurring expenditure on an invalid charge. The rules for governing the Licensing Authority may also be framed and notified. The incurring of expenditure on civil works without departmental regulations, approved Schedule of Rates and without observing Public Procurement Rules, 2004 should be discontinued. The government receipt, so collected, should be deposited into the government treasury.

8.4.9 Unauthorized provision of vehicles to the Ministry of Communications - Rs. 1.628 million

Rule 11 of Staff Car Rules, 1980 states that a staff car belonging to an Attached Department or a Subordinate Office of a Division shall not be used by the Administrative Department except (as provided) under Rule 10 and every Department or office shall be responsible for any misuse or irregularity committed in this behalf.

The management of National Highways & Motorway Police, Islamabad was maintaining a fleet of 65 vehicles at "Headquarters Pool".

Audit observed that the management provided two vehicles to the Ministry of Communications and a vehicle No. IDP-3041 was still under the use of ex-Inspector General, NP&MP who was transferred to Establishment Division on 12.06.2013. An expenditure of Rs. 1.628 million was incurred on purchase of POL during 2013-14. Details are as under:

(Rupees)

S. No.	Vehicle No.	Type of vehicle	POL (Litres)	Amount
1.	IDP-2703	Toyota Prado	5,959.57	678,879
2.	IDP-2914	Toyota Altis	3,763.75	415,791
3.	IDP-3041	Toyota Altis	4,835.07	533,352
		Total	**14,551.32**	**1,628,022**

Audit is of the view that use of vehicles by the controlling Ministry and ex-Inspector General, NH&MP was a violation of the Staff Car Rules, 1980.

The management replied that the vehicles were at the disposal of Headquarters Pool as 10% reserve and were occasionally used by high officials of Ministry of Communications for official visit to National Highways and Motorway.

The reply was not accepted because the Ministry of Communications has its own pool of vehicles for official use and were not authorized to use the vehicles of the NH&MP. Further, the ex-Inspector General, NH&MP was not authorized to retain vehicle No. IDP-3041.

The PAO was informed on 09.12.2014, but DAC could not be held till the finalization of the report.

Audit recommends that the vehicles may be withdrawn from the Ministry and ex-Inspector General, NH&MP besides recovery of the expenditure.

CHAPTER 9

9. CONTROLLER GENERAL OF ACCOUNTS

9.1 Introduction

The office is the premier accounting office of the Government of Pakistan and has been entrusted the task of producing timely and accurate financial statements of the Federation. The office achieves this task through dedicated human resource, massive investment infrastructure and strict quality control checks by the senior officers.

The main functions of the Controller General of Accounts as envisaged in Controller General of Accounts (Appointment, Functions and Powers) Ordinance, 2001 are:

i. To prepare and maintain the accounts of the Federation and Provinces and District Governments.

ii. To authorize payments and withdrawals from the Consolidated Fund and Public Accounts of the Federal and Provincial governments.

iii. Formulating the principles governing the internal financial control for government departments.

iv. Rendering advice on accounting procedure for new schemes, programs or activities undertaken by the Government concerned.

v. Providing the information required by the Federal, Provincial or District Governments (in so far as accounts compiled permit).

vi. Developing and maintaining an efficient system of pension, provident funds and other recruitment benefits.

9.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Controller General of Accounts (CGA) for the financial year 2013-14 was Rs. 2,838.999 million including Supplementary Grant of Rs. 1.002 million out of which the CGA utilized Rs. 3,562.350 million.

Grant-wise detail of current expenditure is as under:

(Rupees)

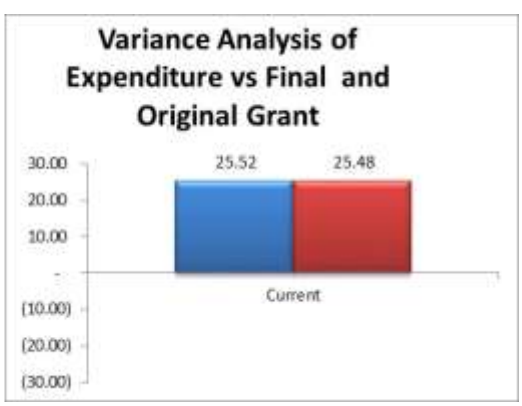
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
28	Current	2,837,997,000	1,002,000	2,838,999,000	3,562,350,486	723,351,486	25.48

Audit noted that there was an excess expenditure of Rs. 723.351 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries/Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 1.002 million were obtained, which were 0.04% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess expenditure was 25.52%, which, after accounting for Supplementary Grants changed to 25.48%.



9.3 Brief comments on the status of compliance with PAC Directives

There is no PAC directive.

9.4 AUDIT PARAS

Irregularity & Non Compliance

9.4.1 Irregular payment of House Building Advance - Rs. 343.988 million

Rule 9 of GFR Volume-I states that as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

The Finance Division released an amount of Rs. 357.000 million as House Building Advance to the Federal Government Servants of Gilgit-Baltistan for 2012-14 as per following details:

(Rs. in million)

S. No.	Financial year	Quarter	Sanction No.	Date	Amount
1.	2012-13	1st	7(1)PF-III/2012-2013-762	20.07.2012	34.000
2.	2012-13	2nd	7(1)PF-III/2012-2013-1001	04.10.2012	34.000
3.	2012-13	3rd	7(1)PF-III/2012-2013-30	11.01.2013	51.000
4.	2012-13	4th	7(1)PF-III/2012-2013-280	15.04.2013	51.000
5.	2013-14	1st	7(1)PF-III/2013-2014-610	27.08.2013	37.400
6.	2013-14	2nd	7(1)PF-III/2013-2014-769	14.10.2013	37.400
7.	2013-14	3rd	7(1)PF-III/2013-2014-52	28.01.2014	56.100
8.	2013-14	4th	7(1)PF-III/2013-2014-241	09.04.2014	56.100
				Total	**357.000**

Audit observed that the office of the Accountant General Pakistan Revenues, Sub-Office, Gilgit issued Fund Availability Certificates amounting to Rs. 343.988 million in favour of the employees of the Gilgit-Baltistan Government during 2012-14.

Audit is of the view that payment of House Building Advance, to the employees of the Gilgit-Baltistan Government out of the funds released for the Federal Government employees was irregular and unauthorized.

The management did not reply.

The PAO was informed on 06.11.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for granting House Building Advance to employees of the Gilgit-Baltistan Government out of funds released for Federal Government Servants besides discontinuation of the irregular payment forthwith along with adjustment from the grant for the Gilgit-Baltistan Government.

9.4.2 Irregular payment of Conveyance Advance - Rs. 51.943 million

Rule 9 of GFR Volume-I states that as a general rule no authority may incur any expenditure or enter into any liability involving expenditure from public funds until the expenditure has been sanctioned by general or special orders of the President or by an authority to which power has been duly delegated in this behalf and the expenditure has been provided for in the authorized grants and appropriations for the year.

The Finance Division released an amount of Rs. 51.943 million as Conveyance Advance to the Federal Government Servants for 2012-14 as per following details:

(Rs. in million)

S. No.	Financial Year	Quarter	Sanction No.	Date	Motor Car Adv.	Motor Cycle Adv.
1.	2012-13	1st	7(1)PF-III/2012-2013-766	20.07.2012	2.520	2.625
2.	2012-13	2nd	7(1)PF-III/2012-2013-1005	04.10.2012	2.520	2.625
3.	2012-13	3rd	7(1)PF-III/2012-2013-34	11.01.2013	3.780	3.937
4.	2012-13	4th	7(1)PF-III/2012-2013-280	15.04.2013	3.780	3.937
5.	2013-14	1st	7(1)PF-III/2013-2014-614	27.08.2013	2.700	1.500
6.	2013-14	2nd	7(1)PF-III/2013-2014-773	14.10.2013	2.700	2.805
7.	2013-14	3rd	7(1)PF-III/2013-2014-61	28.01.2014	4.050	4.207
8.	2013-14	4th	7(1)PF-III/2013-2014-245	09.04.2014	4.050	4.207
				Total	**26.100**	**25.843**

Audit observed that the Office of the Accountant General Pakistan Revenues, Sub-Office, Gilgit issued Fund Availability Certificates amounting to Rs. 51.943 million during 2012-14 as Conveyance Advance in favour of the employees of the Gilgit-Baltistan Government.

Audit is of the view that payment of Conveyance Advance, to the employees of the Gilgit-Baltistan Government out of the funds released for the Federal Government employees was irregular and unauthorized.

The management did not reply.

The PAO was informed on 06.11.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for granting Conveyance Advance to employees of the Gilgit-Baltistan Government out of funds released for Federal Government Servants besides discontinuation of the irregular payment forthwith along with adjustment from the grant for the Gilgit-Baltistan Government.

9.4.3 Un-authorized expenditure from Federal Budget - Rs. 1.477 million

Serial No. 4 of Gilgit-Baltistan Council Secretariat, Islamabad Notification No. 1(7)/2011-GBC-F&A dated 29.06.2012 states that the Budget of Accountant General Gilgit-Baltistan and its sub offices shall be met from the Consolidated Fund of Gilgit-Baltistan Council w.e.f. 01.07.2012.

The management of Accountant General Pakistan Revenues, Sub-Office, Gilgit incurred an expenditure of Rs. 1.477 million for the office and employees of the Accountant General, Gilgit-Baltistan. Details are as under:

(Rupees)

S. No.	Head of Account	Amount
1.	POL and Repair of Transport	194, 417
2.	TA/DA	411, 403
3.	Purchase of Stationery	250,000
4.	Purchase of Stationery	129,900
5.	Electricity	491,000
	Total	**1,476,720**

Audit observed that the expenditure was made for the offices and employees of the Accountant General, Gilgit-Baltistan.

Audit is of the view that the expenditure of office of the Accountant General, Gilgit-Baltistan and its sub offices was required to be met from the Consolidated Fund of Gilgit-Baltistan Council w.e.f. 01.07.2012. Therefore, expenditure out of the budget of the AGPR, Sub-Office, Gilgit was irregular and unauthorized.

The management did not reply.

The PAO was informed on 06.11.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for utilizing the funds of AGPR Sub-office, Gilgit for meeting the expenditure of Accountant General, Gilgit-Baltistan. The irregular practice may be discontinued forthwith besides recovering/adjusting the irregularly utilized amount.

CHAPTER 10

10.DEFENCE DIVISION

10.1 Introduction of Division

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.

Function of Defence Division as per Rules of Business, 1973.

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.

10.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Defence Division for the financial year 2013-14 was Rs. 15,109.879 million including Supplementary Grant of Rs. 268.151 million against which the Division utilized Rs. 6,435.239 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

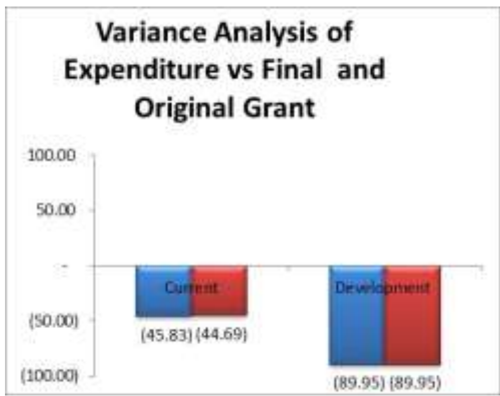
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
18	Cuerrenrt	1,340,919,000	94,602,000	1,435,521,000	1,188,346,819	(247,174,181)	(17.22)
19	Cuerrenrt	3,658,071,000	-	3,658,071,000	-	(3,658,071,000)	(100.00)
20	Cuerrenrt	797,220,000	-	797,220,000	-	(797,220,000)	(100.00)
21	Cuerrenrt	982,334,000	-	982,334,000	875,979,419	(106,354,581)	(10.83)
22	Cuerrenrt	3,817,727,000	173,549,000	3,991,276,000	3,944,346,617	(46,929,383)	(1.18)
	Subtotal	**10,596,271,000**	**268,151,000**	**10,864,422,000**	**6,008,672,855**	**(4,855,749,145)**	(44.69)
115	Development	4,238,807,000	-	4,238,807,000	423,416,456	(3,815,390,544)	(90.01)
116	Development	6,650,000	-	6,650,000	3,150,000	(3,500,000)	(52.63)
	Subtotal	**4,245,457,000**	-	**4,245,457,000**	**426,566,456**	**(3,818,890,544)**	**(89.95)**
	Total	**14,841,728,000**	**268,151,000**	**15,109,879,000**	**6,435,239,311**	**(8,674,639,689)**	**(57.41)**

Audit noted that there was an overall savings of Rs. 8,674.640 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries/Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 268.151 million were obtained, which was 1.81% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the savings in current expenditure were 45.83%, which, after accounting for Supplementary Grants changed to 44.69%. In development expenditure, savings against original budget was 89.95% which remains at 89.95% because of non-obtaining of Supplementary Grants within the year.



10.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
Defence	1996-97	1	1	0	1	0%
	1997-98	30	30	17	13	57%
	2000-01	34	34	29	5	85%
	2005-06	6	6	2	4	33%
Total		**72**	**72**	**49**	**23**	**68%**

10.4 AUDIT PARAS

Non Production of Record

10.4.1 Non-production of record of Secret Service Fund - Rs. 1.400 million

The Honorable Supreme Court of Pakistan in its judgment dated 08.07.2013 in Constitution Petition No. 105 of 2012 declared and directed that:

a) Sub-Rule (5) of Rule 37 of the General Financial Rules, whereby the actual accounts for Secret Service Expenditure are taken beyond the jurisdiction of the Auditor General, is illegal, unconstitutional, and of no legal effect;

b) The Auditor General, in order for him to fulfill his duties under Articles 169 and 170 of the Constitution, is not only authorized but also obliged to seek access to any and all records actually maintained by all federal and provincial governments, as well as all entities established by or under the control of the federal and provincial government, regardless of the designation of such records as secret or otherwise;

c) An account subject to audit under Articles 169 and 170 shall be treated as “secret” only if so labelled in a federal or provincial statute and the constitutionality of such legislation will be subject to judicial review on the touchstone of Articles 19A, 169, 171 and other relevant provisions of the Constitution.

Para 4(iv) of Finance Division letter No. F.3(12)-212/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. Further, the total expenditure has not exceeded the allotment sanctioned for the purpose. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and

Conditions of Service) Ordinance, 2001 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.

The Pakistan Maritime Security Agency, Karachi incurred an expenditure of Rs. 1.400 million out of Secret Service Fund during 2010-13. Details are as under:

(Rupees)

S. No.	Year	Amount
1.	2010-11	200,000
2.	2011-12	200,000
3.	2012-13	1,000,000
	Total	**1,400,000**

Despite repeated requests following record was not produced:

i. Cash Book.

ii. Vouchers/bills/invoices.

iii. Sanction of expenditure.

iv. Counter foils of cheques.

v. Acknowledgements of amount received.

vi. Detail of bank accounts and bank statements.

vii. Certificate of Administrative Audit conducted by the Controlling Officer.

Audit is of the view that in the absence of record the authenticity of the expenditure could not be ascertained.

The management replied that audit could not be conducted as per Serial No. 37(5) of Appendix 8 to Rule 130 of GFR Volume-I and certificate for Secret Service Fund was furnished to AGPR for all three years.

The reply was not accepted because Serial No. 37(5) of Appendix 8 to Rule 130 of GFR Volume-I had been declared illegal, unconstitutional, and of no legal effect by the Supreme Court of Pakistan in its judgment dated 08.07.2013.

Further, the Auditor General of Pakistan was not only authorized but also obliged to seek access to any and all records, regardless of the designation of such records as secret or otherwise. The funds of Maritime Security Agency had not been labelled “secret” in any federal or provincial statute.

The DAC in its meeting held on 17.12.2014 directed that the record was to be provided to Audit in the light of Supreme Court judgment dated 08.07.2013. As far as the Certificate by the Controlling Officer was concerned, the same was provided by him for the administrative audit that he conducted of the Secret Service Fund. This certificate did not have anything to do with the audit carried out by the Auditor General of Pakistan.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of the Auditor General of Pakistan, besides provision of auditable record.

Irregularity & Non Compliance

10.4.2 Non recovery of liquidation damages - Rs. 6.369 million

Clause 17(b) of Contract No. 43/15.G-4/(301)/St dated 19.04.2013 between Survey of Pakistan and M/s DWP Technologies (Pvt.) Ltd., Islamabad states that if the supplier fails to deliver the stores within stipulated period of supply, on the expiry; the purchaser shall be entitled at his option to make the supplier pay liquidation damages for the period of delays in supply up to the rate of 2% of the contract value un-supplied stores per month or part of a month for the period exceeding the original delivery period subject to the provision that total liquidation damages thus levied will not exceed 10% of the total contract value.

The management of Survey of Pakistan paid an amount of Rs. 63.686 million vide cheque No. 4290473 dated 26.06.2013 for purchase of Data Storage and Archiving Solution along with Optic Fiber LAN Networking from M/s DWP Technologies (Pvt.) Ltd., Islamabad during 2012-13.

Audit observed as under:

i. Supply order of the machinery was placed on 18.04.2013

ii. According to supply order and contract agreement the items were to be delivered on or before 30.06.2013.

iii. As per delivery challans the items were not supplied up to 30.06.2013, but continued to be supplied after the cut-off date.

iv. One component of the contract was to provide training up to 30.06.2013 for which an amount of Rs. 1.400 million was paid, but training was not conducted up to close of audit in September, 2014.

v. The management did not impose liquidation charges as per contract.

Audit is of the view that non-imposition of liquidation charges as per contract was irregular and unauthorized, and amounted to favor to the contractor.

The management replied that procurement of Data Storage & Archiving Solution and Fiber Optic LAN Solution was very large project for which their technical team took a considerable time of three years for homework & planning before launching & tendering the project. For this purpose, the technical team of Survey of Pakistan visited NESCOM & other such organizations to obtain estimates after which the paper work was completed. Besides, the project consisted of three phases. The main equipment of CISCO was delivered in November, 2013 vide D.O. No. 0111 dated 28.11.2013 and the 1st phase was completed in mid-December, 2013. During the process of installation, the issue of Metro Bus arose when Block-A of Survey of Pakistan was to be demolished where the equipment had to be installed. Keeping this in view, Survey of Pakistan requested M/s DWP to stop the work till final decision of Metro Bus authorities. After two or three months the Metro Bus authorities were convinced to adopt a new route. Secondly, keeping in view the security/law & order situation, M/s DWP was allowed to work only during the office hours from 09:00 A.M. to 04:00 P.M. Under these circumstances, the firm requested for extension in installation work which was granted up to 10.12.2013 and subsequently up to May, 2014.

The training was to be imparted after complete installation of the Solution, whereas M/s DWP informed that there were two types of training, one for Cisco & the other for VNX Equipment. Later, M/s DWP requested for nominations, which have been sent to the Ministry of Defence.

The reply was not accepted as the firm was paid Rs. 63.686 million on 26.06.2013 and as per agreement the work was to be completed on 30.06.2013. Extension in the agreement after the expiry of the delivery period and full payment was unauthorized and amounted to favor to the firm.

The PAO was informed on 02.12.2014, but DAC was not held till the finalization of the report.

Audit recommends that the penalty for late supply may be recovered and deposited into government account besides fixing responsibility for not imposing penalty for late supply.

10.4.3 Irregular purchase during ban period - Rs. 3.326 million

Finance Division imposed ban on purchase of physical assets including all types of vehicles as austerity measures during financial year 2012-13 vide O.M. No. F.7(1)Exp.IV/2012 dated 24.07.2012.

The management of Survey of Pakistan procured physical assets amounting to Rs. 3.326 million during 2012-13. Details are as under:

(Rupees)

S. No.	Items purchased	Amount
1.	Diesel Generator Set 100 KVA	2,708,200
2.	Multimedia Projectors	617,500
	Total	**3,325,700**

Audit observed that the physical assets were purchased while austerity measures were in force and ban on their purchase was imposed by the Finance Division.

Audit is of the view that the expenditure on purchase of physical assets was irregular.

The management replied that that the generator was a part & parcel of the whole system of Data Storage & Archiving Solution. For smooth functioning of the said system, uninterrupted power supply was inevitable. Any fluctuation could damage the whole system and corrupt the precious data. Multimedia was also essentially needed to display the data/maps direct from Data Storage & Archiving Solution during the meeting of high officials.

The reply was not accepted as no relaxation was obtained from the Finance Division for the purchase of these items. The relaxation was only for the purchase of Data Storage & Archiving Solution worth Rs. 63.686 million.

The PAO was informed on 02.12.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides obtaining ex-post facto approval from the Finance Division.

10.4.4 Non reconciliation of expenditure on Deposit Work - Rs. 44.583 million

Para 89(viii) of GFR Volume-I states that the head of the department and the Accountant General, will be jointly responsible for the reconciliation of the figures given in the accounts maintained by the head of the department with those that appear in the Accountant-General’s books. Unless in any case there are special rules or orders to the contrary, such as those contained in paragraph 90, the reconciliation should be made monthly, the initial responsibility resting with the Accountant-General.

The management of Survey of Pakistan undertook work of different types all over the Pakistan which was entrusted to Party No. 6 & 8.

Audit observed that the management of Survey of Pakistan, Rawalpindi completed the projects/Deposit Work and booked the expenditure in the relevant heads of accounts, but failed to reconcile the figures with AGPR.

Audit is of the view that non-reconciliation of accounts was a violation of the rules, which could result in misappropriation.

The management replied that No. 6 & 8 Parties had been continuously pursuing AGPR for reconciliation, but the AGPR did not reconcile the figures. The Director, Map Publications & the Director, Photogrammetry also visited

AGPR several times for reconciliation, but despite repeated assurances the reconciliation had not been done. A board of officers of Survey of Pakistan visited AGPR on 22.07.2014 and requested the Assistant Accountant General (TA-V) for reconciliation, who informed that the reconciliation would be taken up in the third week of August, 2014. However, efforts for reconciliation would continue and Audit would be intimated accordingly.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 02.12.2014, but DAC was not held till the finalization of the report.

Audit recommends that reconciliation of the figures of expenditure with AGPR may be expedited.

10.4.5 Mis-procurement of Survey & Inspection Components & Kits Marine Diesel Engines of 3 PMSA Corvettes - Rs. 23.496 million

Rule 12(2) of 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 circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rule 42(c)(v) of Public Procurement Rules, 2004 states that a procuring agency shall only engage in direct contracting in case of an emergency provided that the procuring agencies shall specify appropriate fora vested with necessary authority to declare an emergency.

The management of the PMSA concluded an agreement on 31.08.2012 with M/s System Company (SYSCO), Karachi costing Rs. 23.496 million for "Survey & Inspection Components Condition inclusive of arrangement of components & kits for 03 in No's MTU 16V396TB93 Marine Diesel Engines of PMSA Corvettes". As per agreement the period of completion for 1st, 2nd & 3rd MTU Engines was 90 days, 120 days & 150 days from the date of contract.

Audit observed as under:

i. The items were procured without inviting tenders.

ii. The quotation was invited from the firm on 24.07.2012, rates were quoted on the same day, the Certificate of Emergency as per Public Procurement Rule 42(c)(v) was issued on next day, while the contract was executed on 31.08.2012, i.e. 38 days after the date of quotation.

iii. The whereabouts of the replaced parts were not known.

Audit is of the view that the procurement was made in violation of Public Procurement Rules, 2004 which is irregular and unauthorized.

The management replied that the work was awarded to M/s System Company (SYSCO) who were the principal/authorized dealers of OEM M/s MTU (Germany) in Pakistan. As the items were procured from OEM in emergency, therefore, the items were procured without inviting tenders under Rule 42(c)(v) of Public Procurement Rules, 2004. The contract was concluded after 38 days of declaring the item as emergency due to time taken for renewal/clearance of export license of M/s MTU (Germany) from German Government. The old parts were consumed and cannibalized during installation of new kits.

The reply was not accepted because the forum to declare emergency was not notified and the Director General, PMSA was not the authority to declare such emergency. Further, no evidence was provided that M/s System Company (SYSCO) were the authorized dealers in Pakistan. If the parts were cannibalized, it indicated that the entire kits were not utilized and the whereabouts of the unused parts of kits were not known.

The DAC in its meeting held on 17.12.2014 directed that record as demanded by Audit will be provided: (i) notification for declaring DG, PMSA as competent to declare emergency (ii) authorized dealer certificate (iii) details of parts replaced.

Audit recommends that necessary documents may be provided to determine the authenticity of the expenditure.

CHAPTER 11

11.DEFENCE PRODUCTION DIVISION

11.1 Introduction of Division

Following functions were assigned to Defence Production Division vide SRO No. 433(I)/2003,(F.No.4-10/2002-Min) dated 20.5.2003.

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.

11.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Defence Production Division for the financial year 2013-14 was Rs. 3,212.807 million including Supplementary Grant of Rs. 325.790 million against which the Division utilized Rs. 956.515

million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

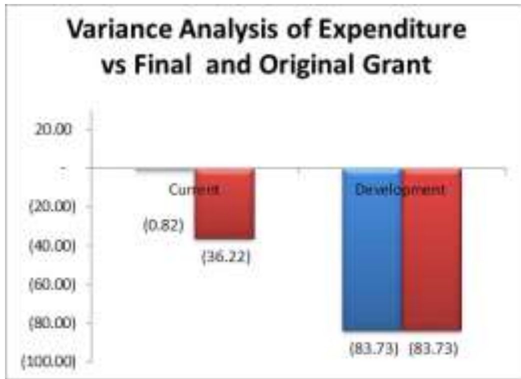
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
24	Current	587,017,000	325,790,000	912,807,000	582,209,626	(330,597,374)	(36.22)
117	Development	2,300,000,000	-	2,300,000,000	374,305,820	(1,925,694,180)	(83.73)
	Total	**2,887,017,000**	**325,790,000**	**3,212,807,000**	**956,515,446**	**(2,256,291,554)**	**(70.23)**

Audit noted that there was an overall savings of Rs. 2,256.292 million, which was due to savings of Rs. 1,925.694 million in development grants.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that ‘Ministries/Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.’ This document further states that ‘the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.’ During the year, Supplementary Grants of Rs. 325.790 million were obtained, which was 11.28% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the savings in current expenditure was 0.82%, which, after accounting for Supplementary Grants changed to savings of 36.22%. In development expenditure, savings against original budget was 83.73%.



11.3 Brief comments on the status of compliance with PAC Directives

There is no PAC directive.

11.4 AUDIT PARAS

Irregularity & Non Compliance

11.4.1 Irregular expenditure on account of gift items - Rs. 1.00 million

Serial No. 9(39) of Finance Division O.M. No. F.3(11)Exp.III/2007/683 dated 10.11.2007 empowers a Ministry/Division to sanction expenditure on account of gifts up to Rs. 300,000 in one year subject to availability of budget.

The management of Ministry of Defence Production incurred an expenditure of Rs. 1.00 million for gifts to various foreign dignitaries during 2013-14.

Audit observed that the expenditure was incurred beyond the delegated financial powers.

Audit is of the view that expenditure beyond the delegated powers was irregular and unauthorized.

The management replied that the Ministry of Defence Production dealt with products of arms/ammunitions, export of defence products, defence services, research, marketing and promotion of defence products, therefore, foreign as well local delegations visited this Ministry frequently. It was very difficult to remain within the limit of Rs. 300,000 regarding purchase of gifts for presentation to visiting delegations.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 01.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

11.4.2 Payment on account of rate running contract without obtaining adjustment accounts - Rs. 1,303.216 million

Rule 205 of FTR Volume-I states that a government officer entrusted with the payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the government, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts.

The management of Ministry of Defence Production released an amount of Rs. 1,303.216 million on account of rate running contract to Pakistan Air Force.

Audit observed that the adjustment account/audited statement of the accounts was not obtained to ensure that the payments were justified and were spent for the intended purpose.

Audit is of the view that failure to obtain the adjustment account/audited statement of the accounts was irregular.

The management replied that Air Headquarters had been requested for provision of audited statement as well as details of adjustments.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 01.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that adjustment account/audited statements of the accounts may be obtained to ascertain the authenticity of the expenditure.

11.4.3 Non-obtaining of audited statement – Rs. 499.700 million

Rule 205 of FTR Volume-I states that a government officer entrusted with the payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the government, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts.

The management of Ministry of Defence Production paid an amount of Rs. 499.700 million for the following projects:

(Rs. in million)

S. No.	Name of Project	Amount
1.	Civil Works for Upgradation of KS&EW	53.700
2.	Installation of ship lifts & transfer system & associated machinery & equipment.	446.000
	Total	**499.700**

Audit observed that the management did not obtain the audited statement.

Audit is of the view that failure to obtain the audited statement was irregular.

The management replied that Karachi Shipyard & Engineering Works was approached to provide the audited statement, which will be provided to Audit as and when received.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 01.10.2014, but DAC was not held till the finalization of the report.

Audit recommends that the audited statement may be obtained.

CHAPTER 12

12.ELECTION COMMISSION OF PAKISTAN

12.1 Introduction of Commission

Election Commission came into being on 23rd March, 1956 when the Second Constituent Assembly succeeded in framing and adopting the first Constitution of Islamic Republic of Pakistan in 1956. Article 137 of the Constitution provided for the Election Commission comprising Chief Election Commissioner/Chairman of the Commission and such number of Election Commissioners as would be determined by the President. The first Chief Election Commissioner was appointed on 25th June, 1956. The term of office of the Chief Election Commissioner was five years with upper age limit of 65 years. The Election Commission was charged with preparation of electoral rolls, their annual revision and organizing and conducting elections to Assemblies. This Constitution provided for election to National and Provincial assemblies on adult franchise basis. A separate institution of 'Delimitation Commission' was also provided for delimitation of constituencies.

In 1958, Martial Law was imposed and the Constitution was abrogated. Consequently, the Election Commission also ceased to exist. Another Constitution was adopted in 1962, which provided for election of members of National and Provincial Assemblies through the Electoral College consisting of 80,000 Basic Democracy Members. This time the Chief Election Commissioner was to be appointed by the President of Pakistan for a term of three years. The Chief Election Commissioner enjoyed perks and privileges of a Judge of the Supreme Court. The Commission had two Members, one each from West and East Pakistan, who were Judges of their respective High Courts. After abrogation of 1962 Constitution in 1969, the Election Commission continued working on the basis of the "Provisional Constitution Order".

The 1973 Constitution provided for an Election Commission consisting of Chairman/Chief Election Commissioner and two Members, who were to be Judges of High Courts. The number of Members of the Election Commission was later raised to four. The 18th Amendment to the Constitution provided more consultative process of appointment of the Chief Election Commissioner and four Members of the Commission. Their appointment is now to be made on the recommendations of a Joint Parliamentary Committee consisting of 16 members of the Senate and the National Assembly belonging equally to the Government and the Opposition. The Members have to be former Judges of High Courts of the Provinces.

12.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Election Commission for the financial year 2013-14 was Rs. 5,510.404 million including Supplementary Grant of Rs. 3,667.041 million out of which the Commission utilized Rs. 3,349.243 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

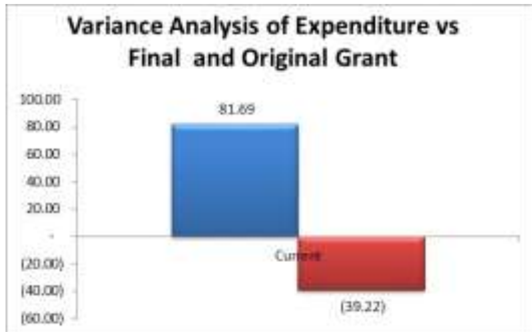
Grant No	Grant Type	Original Grant	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
J	Charged	1,843,363,000	3,667,041,000	5,510,404,000	3,349,242,819	(2,161,161,181)	(39)

Audit noted that there was an overall savings of Rs. 2,161.161 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 3,667.041 million were obtained, which was 198.93% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess in current expenditure was 81.69%, which, after accounting for Supplementary changed to savings of 39.22%.



12.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
Election Commission of Pakistan	1990-91	1	1	1	0	100%
	1991-92	1	1	1	0	100%
	1994-95	1	1	1	0	100%
	1996-97	2	2	0	2	0%
	2005-06	3	3	0	3	0%
	Total	**8**	**8**	**3**	**5**	38%

12.4 AUDIT PARAS

Irregularity & Non Compliance

12.4.1 Non-deduction of Income Tax on purchase of indelible ink and magnetized ink stamp pads - Rs. 5.870 million

Section 49(4) of the Income Tax Ordinance, 2001 (added by the Finance Act, 2007) states that exemption under this section shall not be available in the case of corporation, company, a regulatory authority, a development authority, other body or institution established by or under a Federal law or a Provincial law or an existing law or a corporation, company, a regulatory authority, a development authority or other body or institution set up, owned and controlled, either directly or indirectly, by the Federal Government or a Provincial Government, regardless of the ultimate destination of such income as laid down in Article 165A of the Constitution of the Islamic Republic of Pakistan.

The management of the Election Commission of Pakistan paid an amount of Rs. 167.707 million to Pakistan Council of Scientific & Industrial Research

(PCSIR), Karachi for purchase of following items to be used in General Elections and Bye-Elections, 2013:

(Rupees)

S. No.	Name of Item	Amount
For General Elections held on 11.05.2013		
1.	461,170 vials of indelible ink.	71,481,350
2.	445,334 magnetized ink stamp pad	88,621,466
3.	Wooden crates (packing material) for indelible ink	548,600
4.	Wooden crates (packing material) for magnetized ink stamp pad	1,704,000
For Bye-elections held on 22.08.2013		
5.	Indelible ink and magnetized ink stamp pad.	5,351,380
	Total	**167,706,796**

Audit observed that Income Tax amounting to Rs. 5.870 million @ 3.5% was not deducted at source.

Audit is of the view that failure to deduct Income Tax at source deprived the government of its due revenue.

The management replied that PCSIR was exempt from all kinds of taxes and had been allotted a Free Tax Number 9013714-7.

The reply was not accepted because Tax Exemption Certificate from the Commissioner, Income Tax was not provided in support of the reply.

The PAO was informed on 31.12.2014 and 12.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that the amount may be recovered and deposited into the government treasury.

12.4.2 Unjustified expenditure on printing of excess Ballot Papers - Rs. 34.192 million

Para 145 of GFR Volume-I states that purchases must be made in the most economical manner in accordance with the definite requirements of the public service. Stores should not be purchased in small quantities. Periodical indents should be prepared and as many articles as possible obtained by means of such indents. At the same time, care should be taken not to purchase stores much in advance of actual requirements, if such purchase is likely to prove unprofitable to Government. Where scales of consumption or limits of stores have been laid down by competent authority, the officer ordering a supply should certify on the purchase order that the prescribed scales or limits are not exceeded.

The management of the Election Commission of Pakistan got printed 181.743 million ballot papers against the total eligible voters of 169.953 million during General Elections, 2013 held on 11.05.2013. Details are as under:

No. of Ballot Papers printed for National Assembly					
S. No.	**Province**	**National Assembly**	**Registered Voters**	**Difference**	**Percentage**
1.	KPK/FATA	14,481,000	13,921,429	559,571	4.02%
2.	Punjab	53,704,500	49,297,879	4,406,621	8.94%
3.	Federal Capital	684,200	629,233	54,967	8.74%
4.	Sindh	19,495,000	18,976,117	518,883	2.73%
5.	Balochistan	3,720,300	3,337,981	382,319	11.45%
	Total	**92,085,000**	**86,162,639**	**5,922,361**	**6.87%**
No. of Ballot Papers printed for Provincial Assemblies					
1.	KPK	12,706,800	12,177,894	528,906	4.34%
2.	Punjab	53,498,400	49,297,879	4,200,521	8.52%
3.	Sindh	19,781,400	18,976,117	805,283	4.24%
4.	Balochistan	3,671,400	3,337,981	333,419	9.99%
	Total	**89,658,000**	**83,789,871**	**5,868,129**	**7.00%**
	Grand Total	**181,743,000**	**169,952,510**	**11,790,490**	

Audit observed as under:

i. 11.790 million excess ballot papers were got printed @ Rs. 2.90 per ballot paper amounting to Rs. 34.192 million.

ii. There was no hard and fast rules for printing of excess ballot papers as percentage of excess printing varied from 2.73% to 11.45% for each province.

iii. Detail of provision of ballot papers constituency-wise and polling station-wise against registered voters was not provided.

Audit is of the view that ballot papers were printed without definite requirements which resulted in excess expenditure of Rs. 34.192 million.

The management replied that on the basis of total number of registered votes, a tentative figure was communicated to the Printing Corporation of Pakistan Press well before time so that the PCP could make necessary arrangements for paper and other allied materials. Since the ballot papers were to be numbered and bound in a book of one hundred, therefore, the requirement of ballot papers for a constituency was rounded off to the next hundred, which caused escalation in printing of ballot papers. About 4,542,100 ballot papers were re-printed due to court cases and remaining were printed due to rounding off the fractional figure to the next hundred for making a complete book. As far as variation among Provinces was concerned, each constituency had different number of polling stations. The provision of constituency-wise details was available in the bills of the presses.

The reply was not accepted because no documentary evidence was provided in support of the reply.

The PAO was informed on 31.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that reasons supported by rules for the printing of excess ballot papers may be provided to determine the authenticity of the expenditure.

CHAPTER 13

13.ESTABLISHMENT DIVISION

13.1 Introduction of Division

The Establishment Division is the administrative arm of the Federal Government, empowered under Schedule I of the Rules of Business, 1973 to regulate all matters of general applicability to various Occupational Groups in public service.

The business assigned to the Establishment Division as per the Rules of Business, 1973 includes:

1. Regulation of all matters of general applicability to civil posts in connection with the affairs of the Federation:

    (i) Recruitment;

    (ia) Promotion;

    (ii) Verification of character and antecedents;

    (iii) Conduct and discipline; and

    (iv) Terms and conditions of service (including re-employment after retirement) other than those falling within the purview of the Finance Division.

2. (i) Formation of Occupational Groups.

    (ii) Policy and administration of:

    (a) All-Pakistan Unified Grades

    (b) Office Management Group (Federal Unified Grades).

3. Policy regarding recruitment to various grades.

4. Grant of ex-officio status to non-Secretariat officers.

5. (i) Training in Public Administration.

    (ii) Matters relating to National School of Public Policy, Lahore

6. Federal Government functions in regard to the Federal Public Service Commission.

7. General service matters, such as:

   (i) Casual leave;

   (ii) Office hours;

   (iii) Liveries of Government servants;

   (iv) Policy regarding association of Federal Government employees;

   (v) List of persons debarred from future employment under Government.

8. Matters relating to:

   (i) Central Selection Board;

   (ii) Special Selection Board, except the Special Selection Boards constituted in the Divisions relating to selection of officers for posting in Pakistan Missions abroad.

   (iii) Selection Committee for Provincial posts borne on All Pakistan Unified Grades;

9. (i) Career Planning;

   (ii) Instructions for writing and maintenance of annual Performance Evaluation Reports on civil servants;

   (iii) Centralized arrangements in managing original or duplicate annual Performance Evaluation Reports dossiers of officers.

10. (i) Staff Welfare;

   (ii) Federal Employees Benevolent Fund and Group Insurance Act, 1969.

11. Service Tribunals Act, 1973.

12. Administrative Reforms.

13. Administration of the Civil Servants Act, 1973, and the rules made thereunder.

14. To act as Management Consultants to the Federal Government and to undertake case studies to solve specific management problems utilizing techniques like PERT, CPM, system analysis, operations research and O&M.

15. Review of organizations, functions and procedures of the Divisions, attached departments, all other Federal Government offices and departments, autonomous organizations and taken over industries with the objective of improving their efficiency.

16. Periodic review of staff strength in the Divisions, attached departments and all other Federal Government Offices.

17. Initiation of proposals for simplification of systems, forms, procedures and methods for efficient and economic execution of Government business, minimizing public inconvenience and evolution of built-in safeguards against corruption.

18. Training of Government functionaries in techniques like O&M, CPM, PERT, systems analysis and operations research both within the country and abroad.

19. Promotion of knowledge and use of O&M concepts, PERT and CPM techniques, systems analysis and operations research within all government offices and organizations.

20. Idea Award Scheme.

21. Pakistan Public Administration Research Centre.

22. (a) Reorganization of a Division or an Attached Department or a change in the status of an Attached Department.

(b) Organization, on a permanent basis, of a working unit in a Division other than as a Section.

23. Determination of the status of Government offices.

13.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Establishment Division for the financial year 2013-14 was Rs. 3,686.827 million including Supplementary Grant of Rs. 56.926

million out of which the Division utilized Rs. 3,486.739 million. Grant-wise detail of current expenditure is as under:

(Rupees)

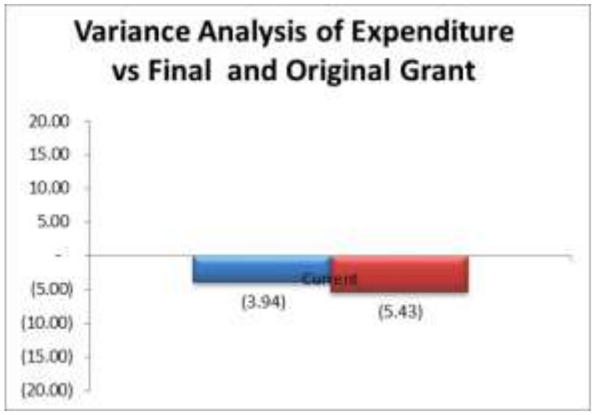
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
5	Current	2,110,324,000	6,992,000	2,117,316,000	1,912,645,021	(204,670,979)	(9.67)
6	Current	444,181,000	14,000	444,195,000	496,388,061	52,193,061	11.75
7	Current	1,075,396,000	49,920,000	1,125,316,000	1,077,706,144	(47,609,856)	(4.23)
	Total	**3,629,901,000**	**56,926,000**	**3,686,827,000**	**3,486,739,226**	**(200,087,774)**	**(5.43)**

Audit noted that there was an overall saving of Rs. 200.088 million in current expenditure.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 56.926 million were obtained, which was 1.57% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, savings in current expenditure were 3.94%, which, after accounting for Supplementary Grants changed to 5.43%.



13.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
Establishment	1989-90	1	1	0	1	0%
	1990-91	1	1	0	1	0%
	1992-93	2	2	1	1	50%
	1994-95	2	2	2	0	100%
	1995-96	3	3	2	1	67%
	2000-01	14	14	0	14	0%
	2005-06	2	2	0	2	0%
	2008-09	2	2	0	2	0%
Total		**29**	**29**	**7**	**22**	24%

13.4 AUDIT PARAS

Irregularity & Non Compliance

13.4.1 Irregular Payment of Monetization Allowance - Rs. 1.385 million

Para 3 of Cabinet Division letter No. 6/7/2001-CPC dated 12.10.12 states that BS-20 to 22 officers are not entitled to draw Transport Monetization Allowance during earned leave, LPR, or any other kind of leave except Casual Leave, and Medical leave up to one month.

The Establishment Division vide Notification No. (627)/E-5(DMG) dated 03.05.2012 granted 1,095 days (three years) leave on half average pay (ex-Pakistan) to Mr. Rashid Mansoor a BS-20 officer of Pakistan Administrative Service w.e.f. 01.06.2012.

Audit observed that an amount of Rs. 1.385 million was paid during ex-Pakistan leave as Monetization Allowance to the Mr. Rashid Mansoor from 01.06.2012 to 28.02.2014 @ Rs. 65,960 per month.

Audit is of the view that payment of Monetization Allowance during the period of ex-Pakistan leave was irregular and unauthorized.

The management did not reply.

The PAO was informed on 14.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that Monetization Allowance paid irregularly should be recovered and deposited into the government treasury, besides taking disciplinary action against the Drawing and Disbursing Officer for not reporting the change.

13.4.2 Non-obtaining of Adjustment Accounts - Rs. 7.000 million

Rule 668 of FTR Volume-I states that 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.

The management of Establishment Division paid advance amounting to Rs. 7.000 million to the President, National Defence University vide cheque No. 4524910 dated 23.12.2013 for holding of 15th National Security Workshop at National Defence University, Islamabad.

Audit observed that adjustment accounts were not obtained from the National Defence University, Islamabad.

Audit is of the view that non-obtaining of adjustment account was a violation of the treasury rule.

The management did not reply.

The PAO was informed on 14.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that the adjustment accounts should be obtained and got verified from Audit.

13.4.3 Non-disposal of eight surplus vehicles

Para 167 of GFR states that subject to any special rules or orders applicable to any particular department, stores which are reported to be obsolete, surplus or unserviceable may be disposed of by sale or otherwise under the orders of the authority competent to sanction the writing off of a loss caused by deficiencies and depreciation equivalent to their value.

The Management Services Wing declared eight vehicles surplus vide No. F.9(8)/2012 dated 18.12.2012 addressed to the Cabinet Division. The vehicles were parked in the Shaheed-e-Millat Secretariat in December, 2012. Details are as under:

S. No.	Vehicle No	Make	Model
1.	GP-0886	Mehran 800 CC	1994
2.	LOV-8641	Mehran 800 CC	1994
3.	BNC-7077	Potohar Jeep 1000 CC	1995
4.	NL-1195	Potohar Jeep 1000 CC	1995
5.	IDG-7352	Mehran 800 CC	1995
6.	GA-722	Mehran 800 CC	2004
7.	GC-011	Jimny Jeep 1328 CC	2005
8.	GF-228	Jimny Jeep 1328 CC	2006

Audit observed that vehicles were not auctioned/disposed of till July, 2014.

Audit is of the view that due to rusting, value of the stores was decreasing day by day.

The management replied that process for auction of vehicles had been initiated.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 09.12.2014, but DAC was not held till the finalization of the report.

Audit recommends that the vehicles should be disposed of through open auction.

13.4.4 Irregular and unauthorized investments in non-government shares and securities - Rs. 2,640.975 million

Section 7(f) of the Federal Employees Benevolent Fund and Group Insurance Act, 1969 states that the Board shall have power to invest moneys held in the Benevolent Fund in Government securities and units of Investment Corporation of Pakistan or National Investment Trust, in the construction of buildings for purposes of raising rent income, and in other profitable ventures the plans whereof having been previously approved by the Federal Government.

Para 4 of Finance Division O.M. No. F.4(1)/2002-BR.II dated 02.07.2003 states that the corporate entities, which are holding trust funds such as pension funds, benevolent funds or insurance funds were not allowed to invest their surplus funds in the non-government securities/Term Finance Certificate/shares. They will devise their investment policies through their own Boards.

The management of Federal Employees Benevolent & Group Insurance Funds (FEB&GIF) invested funds of Rs. 23,397.963 million in various schemes/banks as on 30.06.2014.

Audit observed that an amount of Rs. 2,640.975 million was invested in non-government shares and Term Finance Certificates without the approval of the Federal Government.

Audit is of the view that the investments in non-government shares and securities were irregular and unauthorized.

The management replied that the Finance Division was approached on 26.01.2004 to clarify whether the securities which had been approved by the State Bank of Pakistan or Securities Exchange Commission of Pakistan could be treated as ‘profitable ventures’ in terms of Section 7(f) of the Federal Employees Benevolent Fund & Group Insurance Act, 1969 and whether FEB&GIF could invest in such securities or not. The Finance Division vide letter dated 20.02.2004 clarified that instructions contained in O.M. No. F.4(1)/2002-BR.II dated 02.07.2003 did not apply to FEB&GIF. Moreover, the FEB&GIF may consider to invest in private securities approved by SBP and SECP for the sake of higher profits in the light of guidance contained in para 5 of the Finance Division's O.M. referred above. It is very clear that investment in non-government shares and TFCs was not against the provision of Section 7(f) of the FEB&GIF Act, 1969.

The reply was not accepted because Para 4 of Finance Division O.M. No. F.4(1)/2002-BR.II dated 02.07.2003 did not allow entities holding trust funds, such as benevolent funds and insurance funds to invest their surplus funds in non- government securities/Term Finance Certificate/shares. The Deputy Financial Advisor had no authority to override the instructions of the Finance Division contained in O.M. dated 02.07.2003. The opinion of the Finance Division that investment in private securities approved by the SBP and SECP was not against the contents of Section 7(f) of FEB&GIF Act, 1969 is incorrect because the said Section clearly lays down that investment could be made only in government securities, as these were trust funds and could only be invested in zero risk securities.

The PAO was informed on 14.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility be fixed for investing trust funds in violation of government instructions, while the unauthorized investment may be withdrawn.

13.4.5 Loss due to non-receipt of profit from Term Finance Certificates - Rs. 608.055 million

Section 7(f) of the Federal Employees Benevolent Fund and Group Insurance Act, 1969 states that the Board shall have power to invest moneys held in the Benevolent Fund in Government securities and units of Investment Corporation of Pakistan or National Investment Trust, in the construction of buildings for purposes of raising rent income, and in other profitable ventures the plans whereof having been previously approved by the Federal Government.

Para 4 of Finance Division O.M. No. F.4(1)/2002-BR.II dated 02.07.2003 states that the public sector entities, which are holding trust funds such as Pension Funds, Benevolent Funds or Insurance Funds will devise their investment policies through their own Boards.

The management of FEB&GIF invested Rs. 1,095.717 million in Term Finance Certificates (TFCs) of Agritech on April, 2010, Rs. 184.155 million in TFC of Azgard Nine on 05.03.2010 and Rs. 131.171 million in TFC of PACE on 03.10.2009.

Audit observed as under:

i. Profit of Rs. 521.235 million on TFCs of Agritech due up to March, 2014 was not received.
ii. Profit of Rs. 24.02 million on TFCs of Azgard Nine due up to March, 2014 was not received.
iii. Profit of Rs. 62.800 million on TFCs of PACE due up to February, 2014 was not received.

Audit is of the view that due to non-receipt of profit from investment in TFCs, FEB&GIF deprived itself from its due earning of Rs. 608.055 million and its further investment.

The management replied that the investments were made strictly keeping within the investment TORs approved by the Board in consultation with the Finance Division. The FEB&GIF received the due profit from M/s PACE (Pakistan) Limited and M/s Agritech Limited up to 15.02.2011 and 14.01.2010, respectively, whereas, an amount of Rs. 24.000 million was also received from M/s Agritech Limited by involving Securities and Exchange Commission of Pakistan/State Bank of Pakistan and personal efforts of the Investment Committee members. All the three companies went into restructuring. Moreover, cases of investments made in TFCs of Azgard Nine, Agritech and Pace (Pakistan) Limited were referred to National Accountability Bureau for investigation in pursuance of the decision of the Board of Trustees. The FEB&GIF was making efforts to recover the profit and principal from the companies.

The reply endorses the point of view of Audit that the investments in private securities/TFCs was against the provisions of Section 7(f) of FEB&GIF Act, 1969 and that the opinion conveyed by the Deputy Financial Advisor was also defective.

The PAO was informed on 14.11.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired and responsibility may be fixed for the illegal investment and the subsequent loss.

13.4.6 Irregular payment of medical claims - Rs. 8.610 million

Section 23 of the Federal Employees Benevolent Fund and Group Insurance Act, 1969 states that the Federal Government may make rules for the purpose of giving effect to all or any of the provisions of this Act.

The Secretary, Establishment Division while using the powers given in Section 23 of Federal Government Benevolent Fund and Group Insurance Act, 1969 issued SRO No. 1111(K)/71 dated 23.09.1971 containing the rules applicable to the Federal Employees Benevolent and Group Insurance Funds (FEB&GIF).

Rule 2 of Employees of the Board of Trustees of the Central Employees Benevolent and Insurance Fund Rules, 1971 states that the rules and orders of the Central Government relating to allowances and other concessions shall apply to the employees of the Board as they apply to the employees of the Central Government.

The FEB&GIF adopted the Central Services (Medical Attendance) Rules, 1958 vide notification No. 4/38/AF-79 dated May, 1973.

According to Rule 2(f) of Federal Services Medical Attendance Rules, 1990 entitled hospital means a hospital maintained by Government or under autonomous arrangement under the Federal/Provincial Government or by a local authority.

The management of FEB&GIF reimbursed medical claims of Rs. 8.610 million of employees of FEB&GIF for routine medical treatment at Shifa International Hospital, Islamabad.

Audit observed that routine medical treatment at private hospital was not covered under Federal Services Medical Attendance Rules, 1990.

Audit is of the view that reimbursement of medical claims from private hospital for routine medical treatment was irregular and unauthorized.

The management replied that the treatment of employees at Shifa International Hospital, Islamabad was made in line with Chapter 12 of Medical Attendance and Treatment of FEB&GIF Employees Service Rules, 2011.

The reply was not accepted because FEB&GIF Board was not competent to make rules, as the same fell within the jurisdiction of the federal government only, which had adopted the rules and orders of the Central Government relating to allowances and other concessions vide SRO No. 1111(K)/71 dated 23.09.1971.

Audit recommends that matter may be inquired and responsibility may be fixed.

CHAPTER 14

14. FEDERALLY ADMINISTERED TRIBAL AREAS (FATA)

14.1 Introduction of FATA

Federally Administered Tribal Areas (FATA) are strategically located between the Pakistan-Afghanistan border and the settled areas of Khyber Pakhtunkhwa (KP).

Under Article 1 of the Constitution of the Islamic Republic of Pakistan, 1973 FATA is included among the 'territories' of Pakistan. It is represented in the National Assembly and the Senate but remains under the direct executive authority of the President (Articles 51, 59 and 247). Laws framed by the National Assembly do not apply in FATA unless so ordered by the President, who is also empowered to issue regulations for the 'peace and good governance' of the Tribal Areas. FATA continues to be governed primarily through the Frontier Crimes Regulations, 1901. It is administered by the Governor of Khyber Pakhtunkhwa in his capacity as an Agent to the President of Pakistan, under the overall supervision of the Ministry of States and Frontier Regions.

Until 2002, decisions related to the development planning in the Tribal Areas was taken by the FATA Section of Planning and Development Department, Khyber Pakhtunkhwa and implemented by the government's line departments. In the same year, a FATA Secretariat was set up, headed by the Secretary, FATA. Four years later, in 2006, the Civil Secretariat FATA was established to take over decision-making functions, with an Additional Chief Secretary, four Secretaries and a number of Directors. Project implementation is now carried out by line departments of the Civil Secretariat, FATA. The Governor's Secretariat plays a coordinating role for interaction between the federal and provincial governments and the Civil Secretariat, FATA.

FATA Rules of Business, 2006 govern the functioning of the FATA Civil Secretariat and its line departments. The development initiatives and allocations in FATA had followed a compartmentalized approach, concentrated around sectoral facilities and benefiting a few influential and politically active sections, which had deprived large segments of the population from social uplift and economic empowerment. However, FATA Secretariat has undertaken surveys for improvement in the development programs in the region and a Sustainable Development Plan has been developed for FATA to secure the social, economic and ecological well-being promoting a just, peaceful and equitable society where the people can live in harmony, respect and dignity.

14.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Federally Administered Tribal Areas (FATA) for the financial year 2013-14 was Rs. 23,949.333 million including Supplementary Grant of Rs. 2,331.130 million against which the FATA Secretariat utilized Rs. 25,815.054 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

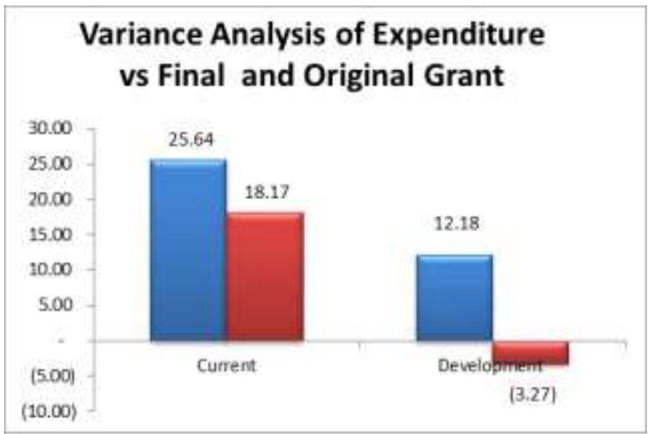
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
91	Current	11,618,203,000	734,260,000	12,352,463,000	14,596,879,896	2,244,416,896	18.17
125	Development	10,000,000,000	1,596,870,000	11,596,870,000	11,218,173,743	(378,696,257)	(3.27)
	Total	**21,618,203,000**	**2,331,130,000**	**23,949,333,000**	**25,815,053,639**	**1,865,720,639**	**7.79**

Audit noted that there was an excess expenditure of Rs. 1,865.721 million, which was due to excess expenditure of Rs. 2,244.417 million in Current Grant which was partly offset by savings of Rs. 378.696 million in Development Grant.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 2,331.130 million were obtained, which was 10.78% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess in current expenditure was 25.64%, which, after accounting for Supplementary Grants, reduced to 18.17%. In development expenditure, excess in original budget was 12.18% which changed to savings of 3.27% when Supplementary Grants were taken into account.



14.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
FATA	1989-90	6	6	0	6	0%
	1990-91	4	4	1	3	25%
	1992-93	8	8	7	1	88%
	1993-94	24	24	17	7	71%
	1994-95	10	10	10	0	100%
	1999-00	2	2	0	2	0%
	2000-01	24	24	0	24	0%
	2005-06	12	12	3	9	25%
	2006-07	8	8	0	8	0%
	2007-08	5	5	1	4	20%
	Total	**103**	**103**	**39**	**64**	38%

14.4 AUDIT PARAS

Fraud and Misappropriation

14.4.1 Suspected misappropriation of funds - Rs. 16.289 million

Para 26 of GFR Volume-I provides that every Government officer should realize fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government officer to the extent to which it may be shown that he contributed to the loss by his own action or negligence.

The Executive Engineer, Highway Division, Kurram Agency, Parachinar issued cheque No. 066272/00663 dated 16.07.2012 against voucher No. 2-UK dated 16.07.2012 prepared in the name of Pir Khumar Shah, Contractor amounting to Rs. 16.289 million being 2nd running bill for the work “Improvement of 6.5 KM shingle road in Soap Stone Area Deposit to Daradar Area Malota to Shagi in Kurram Agency”.

Audit observed as under:

i. The Work Order was issued to Syed Builders Private Limited Government Contractor vide Executive Engineer No. 186/4-t dated 20.04.2011 and reminder No. 1905 dated 21.05.2011.

ii. The bill was prepared in the name of Pir Khumar Shah, Contractor.

iii. Tender/bidding documents were not available in the record.

iv. No contract agreement was available in the record.

v. As per the inquiry report/physical verification open cheque was issued in the name of Mr. Nadir Khan.

vi. The bill was not pre-audited by the Divisional Accounts Officer.

vii. The work was not executed and Measurement Book was tampered from Page 137 to 168 as indicated in the inquiry report/physical verification.

viii. The contractor Khumar Shah in his application to the Chief Engineer, Works & Services, FATA mentioned that his license was not renewed between 2007 and 2012 and cheque was not credited to his account.

ix. Acknowledgement of cheque was not obtained.

Audit is of the view that the amount of Rs. 16.289 million was misappropriated.

The management did not reply.

The PAO was informed on 30.06.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed besides recovery of the misappropriated amount.

Non Production of Record

14.4.2 Non production of auditable record

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

Rule 2(k) of FTR Volume-I describes 'Public Account of the Federation' as the account to which are credited all moneys, other than those forming part of the Federal Consolidated Fund, received by or on behalf of the Federal Government, including those received by or deposited with the Supreme Court or any other court established under the authority of the Federation.

Rule 2(l) of FTR Volume-I describes the ‘Public Moneys’ as the moneys forming part of Federal Consolidated Fund and the Public Account of the Federation.

Section 8(b) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the Auditor General of Pakistan shall audit all transactions of the Federation and of the Provinces relating to Public Accounts.

The Political Administration of Kurram Agency was requested vide requisition No. FG(A)/Audit/Requisition/2013-14 dated 16.12.2013 to provide the following auditable record:

i. Record relating to Agency Development Fund
ii. Record relating to Vehicle Registration Fee
iii. Record relating to Judicial fines
iv. Record relating to Forest Development Fund
v. Record relating to receipt of timber permits
vi. Record relating to food permits

Audit observed that the auditable record was not produced for scrutiny.

Audit is of the view that due to non-production of record the authenticity of the receipt collected could not be ascertained.

The management replied that the receipts were not part of the Federal Consolidated Fund which was not subject to audit by the Auditor General of Pakistan as no such record had been audited in the past, and the same was, therefore, not presented to Audit.

The reply was not accepted because the mandate of the Auditor General of Pakistan to audit the accounts extends to Public Money which as per Rule 2(k) of FTR Volume-I includes Federal Consolidated Fund, as well as Public Account.

The PAO was informed on 13.01.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility should be fixed for hindering the auditorial functions of the Auditor General of Pakistan besides providing the record for audit.

Irregularity & Non Compliance

14.4.3 Non deposit of profit into government account - Rs. 33.567 million

Para 26 of GFR Volume-I states that it is the duty of the departmental controlling officers to see that all sums due to government are regularly and promptly assessed, realized and duly credited in the Public Account.

Para 7 of FTR Volume-I states that save as hereinafter provided in this section, all moneys received by or tendered to government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury or into the Bank, or in the case of moneys received by, or tendered to the Ambassador of Pakistan in the United Kingdom, into such Bank or Banks as may be authorized by the State Bank of Pakistan in this behalf, and shall be included in the Federal Consolidated Fund of the Federal Government. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The management of Law & Order Department, FATA Secretariat transferred an amount of Rs. 1,000.000 million vide cheque No. B114597 dated 08.06.2011 to Political Agent, Kurram Agency for payment of compensation to the victims of terrorist acts.

Audit observed that the amount was retained in PLS Account No. 9460-04, National Bank of Pakistan, Parachinar Branch and an amount of Rs. 33.567 million was earned as profit up to 30.06.2013. Details are as under:

(Rs. in million)

S. No	Year	Profit earned
1.	2011-12	18.378
2.	2012-13	15.189
	Total	**33.567**

Audit also observed that the profit earned was not deposited into the government treasury.

Audit is of the view that retention of profit was irregular and unauthorized.

The management replied that the profit earned would be deposited into the government treasury.

The reply indicates that the management has accepted the audit observation.

Audit recommends that the profit earned should be deposited into the government treasury besides fixing responsibility for failure to do so.

14.4.4 Irregular purchase of vehicle - Rs. 5.206 million

Rule 3(5) of Rules for the Use of Staff Cars, 1980 states that no Division shall purchase a staff car unless it has obtained a no objection certificate from the Cabinet Division. In the case of replacement of an existing staff car, it shall first be verified from the Cabinet Division that no surplus car is available.

The management of FATA Development Authority (FDA) purchased a Toyota Fortuner 2700cc amounting to Rs. 5.206 million vide cheque No. 4411092 dated 26.04.2013 during 2012-13.

Audit observed that the vehicle was purchased without the approval of the Cabinet Division.

Audit is of the view that purchase of vehicle without the approval of the Cabinet Division was irregular and unauthorized.

The management replied that Fata Development Authority was established under FATA Development Authority Regulations, 2006. Under

Section 40 of the Regulations, FATA Development Authority Transport (Use & Maintenance) Standing Order, 2010 was formulated to regulate the use of vehicles. The Steering Committee and the Board of Directors were the competent forums to formulate policy guidelines to run the FDA. These bodies met previously to chalk out the Annual Development Plan and approve the budget. Besides, officers of FDA are required to travel to far flung areas of FATA and no dependable vehicles in the pool are available to cater for the needs of transport.

The reply was not accepted because there was no provision for purchase of staff car in the FATA Development Authority Transport (Use & Maintenance) Standing Order, 2010 for which approval of the Cabinet Division was necessary.

The PAO was informed on 17.04.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

14.4.5 Unauthorized expenditure in the absence of Technical Sanction of Estimates - Rs. 163.188 million

Para 7.12d(3) of CPWD Code 1982 Edition states that a competent authority may not accept any contract which relates to a work not yet technically sanctioned.

The management of FATA Development Authority incurred an expenditure of Rs. 163.188 million on construction of FATA Development Authority Headquarters Building (Phase-I) up to 2012-13.

Audit observed that the expenditure was incurred without obtaining Technical Sanction of Estimates of the work.

Audit is of the view that expenditure in absence of Technical Sanction of Estimates was irregular and unauthorized.

The management replied that Technical Sanction of Estimates would be provided to Audit.

The reply was not accepted because Technical Sanctions of Estimates were required to be obtained before entering into the contract.

The PAO was informed on 17.04.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

14.4.6 Irregular payment of FDA Special Allowance - Rs. 8.603 million

Para 25 of GFR Volume-I states that all Departmental regulations in so far as they embody orders or instructions of a financial character or have important financial bearing should be made by, or with the approval of, the Ministry of Finance.

Para 2 of Finance Division U.O. No. F.8(1)Exp.IV.2004 dated 01.03.2006 states that a representative of the Ministry of Finance represented on the Board of Directors does not constitute approval of the Ministry of Finance.

The management of FATA Development Authority (FDA) paid an amount of Rs. 8.603 million as FDA Special Allowance to its employees during 2012-13.

Audit observed that the allowance was paid without the approval of the Finance Division.

Audit is of the view that payment of the allowance without the approval of the Finance Division was irregular and unauthorized.

The management replied that the Board of Directors of FDA in its 27th meeting held on 08.05.2013 attended by the Finance Division and Planning Commission approved the FDA Allowance.

The reply was not acceptable because the consent of the representative of the Finance Division could not be considered approval of the Finance Division in the light of Finance Division U.O. No. F.8(1)Exp.IV.2004 dated 01.03.2006.

The PAO was informed on 17.04.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity besides discontinuation of the irregular payment and recovery of the irregularly paid amount.

14.4.7 Loss to government due to non-recovery of penalty - Rs. 25.871 million

Clause 2 of the Agreement signed between the contractor and Mineral Department FATA Secretariat provides that if the contractor fails to deposit the monthly installments within 15 days after the due date, the contractor shall be served 07 days' notice for deposit the due installment failing which the contract shall be cancelled without further notice and the possession of the Royalty collection check posts will be taken over by FATA Secretariat. However, a fine @ 1% per day of the due installment shall be levied on the contractor for delay period up to seven days w.e.f 16th of each month.

According to Clause 20 of Contact Agreement of Collection of the Royalty of Minerals in FATA, in case of cancellation of contract due to the default of the contractor, it shall be taken over and run by Mineral Department FATA at the risk and cost of the contractor and security deposit of the contractor will be forfeited.

The management of Industries, Mineral and Education Department signed an Agreement with Mr. Tahir, Contractor for collection of royalty of minerals with a total cost of Rs. 50.100 million to be deposited on monthly basis from July, 2012 to June, 2013. 10% Security Deposit amounting to Rs. 5.010 million was deposited by the Contractor on 06.07.2012.

Audit observed as under:

The contractor failed to continue the work after 15.02.2013 and the contract was cancelled and taken over departmentally on 09.04.2013.

Audit observed as under:

i. The contractor failed to deposit an amount of Rs. 13.913.

ii. A penalty of Rs. 6.948 million was not imposed on the contractor for not completing the work.

iii. Security deposit amounting to Rs. 5.010 million was not forfeited.

Audit is of the view that failure to deposit the contract amount, impose penalty and non-forfeiture of security deposit put the government into a loss of Rs. 25.871 million.

The management did not reply.

The PAO was informed 03.04.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

CHAPTER 15

15. MINISTRY OF FEDERAL EDUCATION AND PROFESSIONAL TRAINING

15.1 Introduction of Ministry

The following departments/offices and functions were assigned to Ministry of Federal Education and Professional Training vide SRO No. 622(I)/2013(F. No. 4-8/2013-Min-I) dated 28.06.2013:

i. National Vocational and Technical Education Commission

ii. Academy of Educational Planning and Management, Islamabad

iii. Federal Board of Intermediate and Secondary Education, Islamabad

iv. National Education Assessment Centre, Islamabad

v. National Internship Programme

vi. National Talent Pool, Islamabad

vii. Youth Centres and Hostels

viii. All matters relating to National Commission for Human Development and National Education Foundation

ix. Pakistan National Commission for UNESCO (PNCU) added vide SRO No. 1013(I)/2012 (F. No. 4-2/2012-Min-I) dated 16.08.2012

x. Higher Education Commission added vide SRO No. 128(I)/2013 dated 22.02.2013 (F. No. 4-2/2012-Min-I)

xi. External examination and equivalence of degrees and diplomas

xii. Commission for standards for higher education

xiii. Pakistan Technical Assistance Program in the field of education, professional and technical training

15.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ministry of Federal Education and Professional Training for the financial year 2013-14 was Rs. 3,865.495 million including Supplementary Grant of Rs. 3,865.495 million out of which the Division utilized Rs. 3,018.700 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

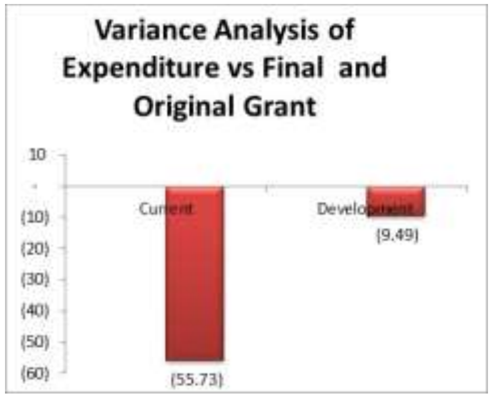
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
82A	Current	-	1,037,799,000	1,037,799,000	459,475,095	(578,323,905)	(55.73)
123A	Development	-	2,827,696,000	2,827,696,000	2,559,225,341	(268,470,659)	(9.49)
	Total	-	**3,865,495,000**	**3,865,495,000**	**3,018,700,436**	(846,794,564)	(21.91)

Audit noted that there were overall savings of Rs. 846.795 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries/Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 3,865.495 million were obtained without any Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, there were savings of 55.73% in current expenditure after accounting for Supplementary Grants. There were savings of 9.49% in development expenditure.



15.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
Education, Training and standards in Higher Education (Printed under M/o Education)	1993-94	1	1	0	1	0%
	1994-95	1	1	0	1	0%
	1996-97	1	1	0	1	0%
	2000-01	7	7	0	7	0%
	2005-06	2	2	1	1	50%
	2006-07	1	1	0	1	0%
	2007-08	5	5	1	4	20%
Total		**18**	**18**	**2**	**16**	11%

15.4 AUDIT PARAS

Irregularity & Non Compliance

15.4.1 Irregular and unauthorized disbursements from Discretionary Grant - Rs. 1.020 million

The Ministry of Finance vide letter No. D-4275-B/74 dated 13.05.1954 and the Cabinet Division vide letter No. 102/17/78-Min dated 27.07.1978, letter No. 102/24/79-Min dated 18.05.1980 and letter No. 2-2/94-Min-I dated 01.11.1994 have laid down the procedure of disbursement of funds out of Discretionary Grant.

According to the Cabinet Division letter No. 2-2/94-Min-I dated 01.11.1994, the Discretionary Grant is meant to make donations to school, clubs, indigent individuals, charitable institutions, etc.

The Ministry of Federal Education and Professional Training, Islamabad was allocated Discretionary Grant of Rs. 1.020 million during 2011-13, out of which an amount of Rs. 0.970 million was disbursed.

Audit observed as under:

i. Applications of applicants were not available in the record
ii. Approvals of the Minister were not available.
iii. In most cases, copies of CNIC of applicants were not available in the record.
iv. Bank statement of the account was not provided.

Audit is of the view that disbursement of the Discretionary Grant without the approval of the Minister and without maintaining necessary record was irregular and unauthorized.

The management did not reply.

The PAO was informed on 11.06.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be enquired and responsibility may be fixed for the irregularity.

15.4.2 Non framing of rules and regulations by National Vocational and Technical Training Commission

Section 17 of NAVTTC Act, 2011 states that the Federal Government may make rules for carrying out the purposes of this Act.

Section 18 of NAVTTC Act, 2011 states that the Commission may, with the approval of the Federal Government, make regulations, not inconsistent with this Act and the rules for carrying out the purposes of this Act.

The management of National Vocational and Technical Training

Commission (NAVTTC) neither approached the Federal Government for framing rules nor made regulations, with the approval of the Federal Government, for carrying out the purposes of the NAVTTC Act, 2011.

Audit is of the view that failure to frame rules and regulations was a violation of Section 17 & 18 of NAVTTC Act, 2011 and rendered the operations of the organization irregular and unauthorized.

The management replied that NAVTTC had framed Endowment Fund rules with the approval of the Finance Division.

The reply was not accepted being irrelevant. NAVTTC was required to approach the Federal Government for framing rules and framing regulations with the approval of the Federal Government, which the organization has not done to date.

The PAO was informed on 19.05.2014, but DAC was not held till the finalization of the report.

Audit recommends that the organization should approach the Federal Government for framing rules and regulations in order to give legal cover to its operations.

15.4.3 Irregular payment of NAVTTC Allowance, Fuel Allowance and Mobile Allowance - Rs. 103.245 million

Para 25 of GFR Volume-I states that all departmental regulations in so far as they embody orders or instructions of a financial character or have important financial bearing should be made by, or with the approval of, the Ministry of Finance.

Para 2 of Finance Division U.O. No. F.8(1)Exp.IV.2004 dated 01.03.2006 states that a representative of the Ministry of Finance represented on the Board of Directors does not constitute approval of the Ministry of Finance.

Finance Division vide U.O. No. 24-DFA(IPC/E&T)/2013 dated 28.02.2013 and U.O. No. 15(1)DFA(E&T)/2013 dated 21.01.2014 directed the National Vocational and Technical Training Commission (NAVTTC) to stop/discontinue payment of extra pay, allowances and privileges to NAVTTC officers/staff and already paid such allowances may be deposited into Government Treasury, as NAVTTC was no more functioning under the Prime Minister's Secretariat.

The management of NAVTTC paid NAVTTC Allowance, Fuel Allowance and Mobile Allowance amounting to Rs. 103.245 million during 2011-14. Details are as under:

(Rupees)

S. No.	Period	NAVTTC Allowance	Fuel Allowance	Mobile Allowance	Total
1.	2011-12	26,573,828	2,597,371	4,264,653	33,435,852
2.	2012-13	27,139,388	2,300,953	3,531,557	32,971,898
3.	2013-14	32,224,990	1,841,389	2,770,736	36,837,115
	Total	**85,938,206**	**6,739,713**	**10,566,946**	**103,244,865**

Audit observed that the allowances were paid without the approval of the Finance Division.

Audit is of the view that payment of allowances without the approval of the Finance Division and their continued payment despite instructions of the Finance Division for their discontinuation was irregular and unauthorized.

Audit is also of the view that creation of Head of Account A0-1258 for payment of NAVTTC Allowance without the approval of the Controller General of Accounts was irregular and unauthorized

The management replied that according to Section 3(4) of NAVTTC Act the organization is administratively attached with the Prime Minister's Secretariat and the shadow had not of that office is required for close coordination with stakeholders within the country and abroad. An incentive package was given to NAVTTC employees as NAVTTC allowance on the analogy of allowances of the Prime Minister's Secretariat by the NAVTTC Board of which the Secretary, Finance Division was also a member. After the 18th Amendment in the Constitution, the functions of NAVTTC were placed under the Ministry of Education, Trainings and Standards in Higher Education, but in legal terms the Act was supreme. The financial advisor organization had directed to discontinue the allowances on the premise that NAVTTC was no more under the administrative control of the Prime Minister's Office, although

NAVTTC Act, 2011 was still operative and Section 3(4) of the Act had not been amended.

The reply was not accepted because NAVTTC had since been placed under Ministry of Education, Trainings and Standards in Higher Education and was functioning under that Ministry, without amendment in Section 3(4) of the NAVTTC Act, 2011. Further, as per Finance Division U.O. No. F.8(1)Exp.IV.2004 dated 01.03.2006 the representation of the Secretary, Finance Division on the Board of Directors does not constitute the approval of the Ministry of Finance. The organization has also not framed rules and regulations with the approval of the Federal Government, as required under Section 17 and 18 of NAVTTC Act, 2011.

The PAO was informed on 19.05.2014 and 20.08.2014, but DAC was not held till the finalization of the report.

Audit recommends that payment of irregular allowances may be discontinued forthwith while the allowances paid irregularly may be recovered and deposited into the government treasury.

15.4.4 Unauthorized payment of honoraria - Rs. 67.414 million

Rule 11 of Fundamental Rules states that unless in any case it be otherwise distinctly provided the whole time of a Government servant is at the disposal of the Government which pays him, and he may be employed in any manner required by proper authority, without claim for additional remuneration, whether the services required of him are such as would ordinarily be remunerated from general revenues, from local fund or from the revenues of a State that has acceded to Pakistan.

Rule 46(b) of Fundamental Rules states that a local Government may grant or permit a Government servant to receive an honorarium from general revenues as remuneration for work performed which is occasional in character and either so laborious or of such special merit as to justify a special reward, except when special reasons, which should be recorded in writing, exist for a departure from this provision, sanction to the grant or acceptance of an honorarium should not be given unless the work has been undertaken with the prior consent of the local Government and its amount has been settled in advance.

Finance Division O.M. No. F.2(2)-R4/95-109 dated 25.04.1995 states that not more than one honorarium shall be granted to any official and shall not exceed one month's pay and honorarium shall be admissible up to the level of Section Officers and equivalent.

The management of NAVTTC paid 'honoraria' up to six months basic pay amounting to Rs. 67.414 million on occasion of Eid-ul-Fitr, Eid-ul-Azha, and other occasions to its employees at Headquarters, Islamabad and Regional Directorates at Islamabad, Karachi, Lahore, Peshawar and Quetta during 2008-14. Details are as under:

(Rupees)

Period	One month basic pay on Eid-ul-Fitr	One month basic pay on Eid-ul-Azha	Three months basic pay in June	One month basic pay in Feb	Four months basic pay in June	Two and three months basic pay**	Total
2008-09	0	0	3,783,284	0	0	0	3,783,284
2009-10	2,808,850	2,844,410	6,515,070	2,326,035	0	0	14,494,365
2011-12	4,164,130	3,908,890	0	0	0	6,545,765	14,618,785
2012-13	3,825,615	3,954,895	0	0	12,152,940	0	19,933,450
2013-14	4,070,485	4,055,440	0	0	0	6,458,422	14,584,347
Total	**14,869,080**	**14,763,635**	**10,298,354**	**2,326,035**	**12,152,940**	**13,004,187**	**67,414,231**

* (Honorarium equal to one month pay was paid only in June 2011. Hence, excluded.)

** (Two months pay to BS-17 & above and three months pay to BS-01 to 16)

Audit observed as under:

i. While sanctioning the honoraria, the requirements in FR 11 and FR 46(b) were not taken into consideration.

ii. Honoraria could not be paid on the occasions of Eid-ul-Fitr and Eid-ul-Azha.

iii. The limit of payment of honoraria equivalent to one month pay was not maintained.

Audit is of the view that payment of honoraria in excess of one month basic pay and similar payments on the occasions of Eid-ul-Fitr and Eid-ul-Azha was irregular and unauthorized.

The management replied that NAVTTC was an autonomous body where the style of working was corporate in nature, and in order to achieve the objectives the employees attend office beyond working hours and even on holidays. The NAVTTC Board approve honorarium up to six months basic pay in its meeting held on 16.02.2008. The Board of management was competent to take this decision in terms of Sections 4 and 11 of NAVTTC Act, 2011. The Secretary, Finance Division was the member of the Board and had endorsed the decision.

The reply was not accepted because no such rules had been approved where honorarium could be granted on occasions like Eid-ul-Fitr and Eid-ul-Azha, or in excess of the limit of one month basic pay. Further, as per Finance Division U.O. No. F.8(1)Exp.IV.2004 dated 01.03.2006 the representation of the Secretary, Finance Division on the Board of Directors does not constitute the approval of the Ministry of Finance. The organization has also not framed rules and regulations with the approval of the Federal Government, as required under Section 17 and 18 of NAVTTC Act, 2011.

The PAO was informed on 19.05.2014 and 20.08.2014, but DAC was not held till the finalization of the report.

Audit recommends that the irregular practice should be discontinued forthwith besides recovery of the irregularly paid amount.

15.4.5 Non framing of Recruitment Rules

Clause 11(2) of NAVTTC Act, 2011 states that the Commission shall make rules for the recruitment for its employees.

The management of National Vocational and Technical Training Commission (NAVTTC) was required to frame the Recruitment Rules with the approval of the Federal Government.

Audit observed that the management of National Vocational and Technical Training Commission (NAVTTC) framed the Service Rules, which included the Recruitment Rules, and also obtained the approval of the Federal Government, i.e. the Establishment Division. However, the Service Rules were not notified in the official gazette.

Audit is of the view that failure to notify the Service Rules after the approval of the Federal Government was a violation of Clause 11(2) of NAVTTC Act, 2011.

The management replied that the Recruitment Rules had been approved by the Establishment Division.

The reply was not accepted because the Recruitment Rules were not notified, and thus, did not have the force of law.

The PAO was informed on 19.05.2014, but DAC was not held till the finalization of the report.

Audit recommends that the Recruitment Rules should be notified in the official gazette in order to give them legal cover.

15.4.6 Irregular payment of House Rent Ceiling in excess of the ceiling fixed by the government - Rs. 4.206 million

Rule 8(5) of the Accommodation Allocation Rules, 2002 states that a house or flat shall be hired at the rates assessed by the assessment board or the rental ceiling of the Federal Government Servant (FGS) or the demand of the owner whichever is less. The difference between the rent fixed by the government and the demand of owner shall be paid by the FGS direct to the owner and the government shall not be a party to this transaction.

The management of National Vocational & Technical Training Commission, Islamabad paid House Rent Ceiling to its employees during 2008-14.

Audit observed that the management of National Vocational & Technical Training Commission, Islamabad paid an amount of Rs. 4.206 million as House Rent Ceiling in excess of the government ceiling to its employees in five cases which were taken as sample during scrutiny of record.

Audit is of the view that the payment of House Rent Ceiling in excess of approved rates was irregular and unauthorized.

The management replied that under Section 4 of NAVTTC Ordinance, 2006 (later incorporated in NAVTTC Act, 2011) provides that NAVTTC Board approved hiring of residential accommodation in respect of entitled officers/ officials of NAVTTC in its meeting held on 16.02.2008.

The reply was not accepted because there was neither any such provision in the NAVTTC Ordinance, 2006 nor in the NAVTTC Act, 2011. The NAVTTC Board did not have the authority to alter the House Rent Ceiling fixed by the Federal Government. NAVTTC also had not framed any such rules with the approval of the Federal Government.

The PAO was informed on 19.05.2014 and 20.08.2014, but DAC was not held till the finalization of the report.

Audit recommends that the unlawful practice may be discontinued forthwith and the overpaid amount should be recovered.

15.4.7 Irregular and unauthorized expenditure from hostel receipts - Rs. 20.429 million

Rule 7(1) of FTR Volume-I states that all moneys received by or tendered to government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury and shall be included in the Federal Consolidated Fund of the Federal Government. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The management of Academy of Educational Planning and Management (AEPAM), Islamabad collected an amount of Rs. 27.369 million as hostel receipts during 2008-13.

Audit observed as under:

i. Out of the receipt of Rs. 27.367 million only an amount of Rs. 6.939 million was deposited into the government treasury.

ii. The remaining receipt of Rs. 20.429 million was utilized by the AEPAM management.

iii. The management was maintaining hostel bank account No. 4140-4 in UBL, Aabpara Branch and No. 002-0060785001 in Dubai Islamic Bank, Jinnah Avenue, Islamabad without the approval of the Finance Division. The latter bank account was subsequently closed.

Audit is of the view that retention of government receipt, its utilization without government approval and opening of commercial bank accounts without the approval of the Finance Division was irregular and deprived the government of its due receipt.

The management replied that AEPAM did not have the mandate to generate revenues. The hostel was meant to accommodate the participants of various training workshops. Funds were required for maintaining the hostel, which were not adequately provided in the regular budget. The funds generated were utilized for payment of utilities and maintenance of the hostel.

The reply was not accepted because the management did not have the authority to utilize the government receipt, and should have obtained funds for payment of utilities and maintenance of the hostel from the Finance Division after depositing the government receipt in the treasury.

The PAO was informed on 11.06.2014, but DAC was not held till the finalization of the report.

Audit recommends that matter may be inquired and responsibility may be fixed for the irregularity.

15.4.8 Non approval of rules and regulations of National Commission for Human Development

Section 19(1) of National Commission for Human Development Ordinance, 2002 states that the Commission may, with the approval of the President, make rules to carry out the purposes of this Ordinance.

Section 20(1) of National Commission for Human Development

Ordinance, 2002 states that the Commission may make regulations not inconsistent with this Ordinance and the rules to carry out the purposes of this Ordinance.

The management of National Commission for Human Development carried out the operations of the organization, including an expenditure of Rs. 2,566.953 million during 2012-14.

Audit observed that the operations, including expenditure, were carried out in the absence of the approved rules and regulations, as required under the Ordinance.

Audit is of the view that without approval rules from the President and without framing regulations consistent with the Ordinance and the rules the operations, as well as, expenditure were irregular and unauthorized.

The management replied that Section 14 of NCHD Ordinance, 2002 provides an elaborate procedure for making the budget of the Commission and its approval. Section 14(2) states that the Director General with the approval of the Chairman shall prepare and submit the annual plan of the budget of the Commission to the Fund. According to the prescribed procedure the budget was placed in the Board meeting of PHDF, and did not require any further rule. Section 15 of the NCHD Ordinance, 2002 specifically provides for the expenditure of the Commission. Since the substantive legislation already provides the procedure for budgeting and authorizing expenditure, therefore, there was no requirement for more rules on the subject. The Commission, therefore, issued regulations on financial matters known as NCHD’s SOPs.

The reply was not accepted because Section 19(1) of National Commission for Human Development Ordinance, 2002 clearly requires the Commission to frame rules with the approval of the President. The regulations were to be framed under Section 20(1) subsequent to the rules, and not inconsistent with the Ordinance and the rules.

The PAO was informed on 23.12.2014, but DAC was not held till the finalization of the report.

Audit recommends that the rules may be framed with the approval of the

President followed by framing of regulations consistent with the Ordinance and the rules.

15.4.9 Un-authorized payment of Transport Monetization Allowance to Directors - Rs. 5.924 million

The federal government approved the compulsory monetization of transport facility for civil servants in B-20 to BS-22 vide Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011. The monetization policy was implemented with effect from 01.01.2012.

Rule-2(X) of use of Staff Car Rules, 1980 states that the "Entitled Officers" as officers of grade 22, 21 and 20 of the federal government borne on the sanctioned establishment of a Division or an organization under its administrative control.

Section-2(b)(I) (i) of the Civil Servants Act, 1973 states that "civil servant" means a person who is member of an All-Pakistan Service or of a civil service of the federation or who holds a civil post in connection with the affairs of the federation, including any such post connected with defence, but does not include a person who is on deputation to the Federation from any Province or other authority; a person employed on contract, or on work-charged basis or who is paid from contingencies;

Rule 19(1) of National Commission for Human Development Ordinance, 2002 states that the Commission may, with the approval of the President, make rules to carry out the purposes of this Ordinance.

Section 12 of National Commission for Human Development Ordinance, 2002 states that the Commission shall, by regulations, determine the terms and conditions of, including salaries, allowances and other benefits for officers and staff commensurate with the economic condition of the country and compatible with other such organizations, including private sector.

The management of National Commission for Human Development paid an amount of Rs. 5.924 million @ Rs. 50,000 per month as Transport Monetization Allowance to Directors. Details are as under:

(Rupees)

S. No.	Name of Officers	Designation	Amount
1.	Brig.(R) Abdul Basit Rana	Director, Operations Punjab	1,045,161
2.	Javed Azam	Director, Admin & Program Support	1,011,290
3.	Dr. Tehseen F Chohan	Director, HR	867,742
4.	Iqbal ur Rehman	Director, Education	750,000
5.	Hamood ur Rehman	Director, Finance	750,000
6.	Riaz Hussain Khan	Director, Operations KPK	750,000
7.	Humaira Hashmi	Director, Operations Sindh	750,000
		Total	**5,924,193**

Audit observed as under:

i. The monetization policy was for civil servants of Ministries/ Divisions/Attached Departments and sub-ordinate offices in BS-20 to 22.

ii. Transport Monetization Allowance was paid to the officers working on contract basis.

Audit is of the view that payment of Transport Monetization Allowance to contract employees was irregular and unauthorized.

The management replied that the case of fixation of pay of Directors was placed before the Commission in its 33rd meeting held on 31.01.2013. In accordance with the decision of the Commission, the pay of Directors including Mobility Allowance was approved by the Chairperson of NCHD Commission. The monetization policy referred by Audit was neither relevant nor applicable as none of the employees of the Commission was a civil servant. That is why a different mobility/conveyance allowance was provided to the Directors of the Commission working in NCHD Grade E-2.

The reply was not accepted because Chairperson of NCHD Commission was not authorized to approve Transport Monetization Allowance in the absence of rules approved by the President.

The PAO was informed on 23.12.2014, but DAC was not held till the finalization of the report.

Audit recommends that the irregular and unauthorized payment should be discontinued forthwith and the irregularly paid amount should be recovered and deposited into the government treasury, besides framing of rules.

15.4.10 Irregular appointment of Legal Counsel - Rs. 1.850 million

Ministry of Law, Justice and Human Rights Legal Advisor Cell Letter No. F.20/1/87-L.LA dated 16.03.2007 states that for autonomous bodies where the fee paid to a counsel is more than Rs. 100,000 approval of Ministry of Law, Justice and Human Rights will invariably be obtained by the organization before engaging the counsel. The failure to do so will render the engagement null and void and the fee involved will not be paid to the counsel.

The management of National Commission for Human Development paid an amount of Rs. 1.850 million to M/s CKR & ZIA (Munib Zia), Advocate & Consultant, Islamabad as fee of Legal Consultant. Details are as under:

(Rupees)

S. No.	Cheque No.	Date	Amount
1.	17590952	06.06.2013	330,000
2.	31114080	06.05.2014	330,000
3.	31114155	19.05.2014	330,000
4.	31114220	30.06.2014	330,000
5.	17591004	29.06.2014	530,000
		Total	**1,850,000**

Audit observed that Legal Counsel was hired without the consultation of the Ministry of Law, Justice and Human Rights.

Audit is of the view that appointment of Legal Counsel without the consultation of the Ministry of Law, Justice and Human Rights was irregular and unauthorized.

The management replied that the Legal Consultant was hired under Section 13 “Employment of Advisors, Consultants, etc.” of NCHD Ordinance, 2002 by which the Commission was fully empowered to appoint any professional, advisor, consultant, expert or such other person as may be considered necessary for performance of its functions. In all the five cases of engaging CKR & Zia (Advocates & Consultants) Public Procurement Regulations for Procurement of Consultancy Services Regulations, 2010 were followed and proper selection procedure were followed under single source or direct selection.

The reply was not accepted because the Legal Consultant was not hired through open competition, the Law Division was not consulted and the management did not provide evidence that Procurement of Consultancy Services Regulations, 2010 were followed.

The PAO was informed on 23.12.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

15.4.11 Failure to adopt government Basic Pay Scales after regularization of contract staff of National Commission for Human Development

Pursuant to the decision taken by the Cabinet Sub-Committee on regularization of contract/daily wages employees in the Ministries/Divisions/ Attached Departments/Autonomous Bodies/Organizations, etc. in a meeting held on 27.02.2013 and conveyed by the Establishment Division vide O.M. No. 3/5/2011-Admn.I dated 04.03.2013 followed by the creation of 2,943 posts in National Commission for Human Development by the Finance Division on 21.08.2013, the Ministry of Education, Training and Standards in Higher Education Division issued letter No. 1-16/2011-Admn dated 12.11.2013 which states that the services of 2,943 contract positions in National Commission for Human Development were regularized w.e.f. 01.07.2013. Details are as under:

S. No.	BPS	No. of Posts
1.	19	5
2.	18	2
3.	17	85
4.	16	281
5.	15	35
6.	9	1,727
7.	7	231
8.	4	376
9.	1	201
	Total	**2,943**

As per Para 2(v) of Finance Division letter No. F.No.16(5)-DFA (ET)/2013 dated 21.08.2013, NCHD would not change terms and conditions of its employees creating any liability for the Government of Pakistan and pay of Directors would be fixed in BPS-19 as proposed by the MS Wing.

The following officers did not adopt the government Basic Pay Scales despite instructions of the government. Details are as under:

(Rupees)

S. No.	Name of Employee	Designation	Place of posting	Gross pay Per Month
1.	Mustansar Iftikhar	Manager Finance	H.Q. Islamabad	54,385
2.	Fahmeed-ul-Hassan	Senior Manager Finance	H.Q. Islamabad	83,772
3.	Nabeel Khalid	Manager Human Resource	H.Q. Islamabad	80,072
4.	Riaz Hussain Khan	Director Operation	KPK/FATA	208,703
5.	Iqbal-ur-Rehman Shah	Director Education Literacy	H.Q. Islamabad	259,228
6.	Hamood-ur-Rehman	Director Finance	H.Q. Islamabad	252,832
7.	Javaid Azam	Director Admn	H.Q. Islamabad	254,000
8.	Umair Hashmi	Director Operation Sindh	Karachi	203,645
9.	Dr. Tehseen F. Chohan	Director (HR)	H.Q. Islamabad	285,000
10.	Brig.(R) Abdul Basit Rana	Director (Prog. Support)	Lahore	222,500
11.	Muhammad Saeed	National Program Coordinator	H.Q. Islamabad	112,558
12.	Muhammad Zahoor	Manager (HR)	H.Q. Islamabad	66,526
13.	Shafqat Javed	Manager Finance	H.Q. Islamabad	68,754
14.	Tahir Hameed Wyne	Sr. Manager (Coordination)	H.Q. Islamabad	91,797
15.	Amjad Iqbal	Officer (Coordination)	H.Q. Islamabad	18,474

Audit observed as under:

i. There was no option available for staff not to adopt government Basic Pay Scales.

ii. The salaries of officers who did not adopt government Basic Pay Scales were paid out of Pakistan Human Development Fund (PHDF). In the 48th meeting of Board of Directors of PHDF held on 26.03.2014, it was decided that in future PHDF would only pay for program activities of NCHD for which a plan and budget would be presented to the Board of PHDF. As the overhead, i.e. salaries and administrative costs were now being paid by the federal government, therefore, PHDF would not pay for it in future. In the 49th meeting of the Board of Directors held on 12.06.2014 it was decided that the salaries of management and other contractual employees will remain the employees of NCHD and would not in any way become obligation of PHDF to pay these employees.

iii. The pay of a number of officers was not fixed in Basic Pay Scale despite clear instructions of the government.

Audit is of the view that failure to adopt Basic Pay Scales and payment of exorbitant salaries out of PHDF was irregular and unauthorized.

The management replied that as per Section 12 of the NCHD Ordinance, 2002 it is the exclusive prerogative of the Commission to determine the terms and conditions of the services of its officers and staff. The Commission enjoys absolute power by the Ordinance to determine the remuneration of officers, the terms and conditions of, including salaries, allowances and other benefits for officers and staff commensurate with the economic condition of the country and compatible with other such organizations, including private sector.

The reply was not accepted because the management failed to adopt the BPS policy for all the employees and invited options from the employees whether they wanted to adopt the Basic Pay Scales or not, which was irregular because once the employees were regularized they were all to be treated alike. Further, the Commission was required to frame rules under Section 19(1) of the Ordinance.

The PAO was informed on 23.12.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity besides adopting uniform pay scales for all the employees.

15.4.12 Unauthorized transfer of funds from lapsable Assignment Account to commercial bank accounts - Rs. 794.231 million

Para 1(iv) of Revised Procedure for Operation of Assignment Account of Federal Government issued by the Controller General of Accounts vide No. AC-II/ 1-39/08/Volume-V/632 dated 24.09.2008 states that the funds in Assignment Accounts remaining unspent at the close of financial year will appear as saving under the respective budget grant unless surrendered in time. Unspent amounts cannot be carried forward to next financial year.

Para 2(vi) of Revised Procedure for Operation of Assignment Account of Federal Government issued by the Controller General of Accounts vide No. AC-II/ 1-39/08/Volume-V/632 dated 24.09.2008 states that the officers holding Assignment Account will ensure that no money is drawn from these accounts unless it is required for immediate disbursement. Moneys will not be drawn for deposit into chest or any bank account.

The management of Basic Education Community Schools (BECS) transferred an amount of Rs. 794.127 million vide cheque No. 802341 dated 30.06.2011 and Rs. 0.104 million vide cheque No. 802343 dated 30.06.2011 from Assignment Account No. 2120-3, National Bank of Pakistan, Civic Center, Islamabad to bank account No. 15-4, National Bank of Pakistan, Aabpara, Islamabad. The total amount available in the bank account on 01.07.2011 was Rs. 794.231 million.

Audit observed as under:

i. The Managing Director, National Education Foundation froze disbursement of funds from the commercial bank account as he had reservations about transparent disbursement of these funds.

ii. The Cabinet Division vide U.O. No. F.1/1/JS(Devo)/2011 dated 18.07.2011 requested the Finance Division to resolve the issue of disbursement of salaries to the BECS employees.

iii. The Finance Division in its meeting held on 27.07.2011 expressed displeasure over the transfer of Rs. 794.127 million from the Assignment Account to the commercial bank account being a gross violation of government instructions.

iv. The Finance Division conditionally allowed only the disbursement of salaries to the employees.

Audit is of the view that transfer of funds from lapsable Assignment Account to commercial bank account was irregular and unauthorized.

The management replied that expenditure of Rs. 637.992 million was incurred with the approval of the Finance Division while the remaining balance of Rs. 159.660 million was surrendered to the government in July, 2012.

The reply was not accepted because the Finance Division had objected to the transfer of funds from the Assignment Account to a commercial bank account and had conditionally allowed the payment of salaries only. The expenditure of Rs. 17.725 million for operational expenses was not allowed by the Finance Division.

The PAO was informed on 02.01.2014, but DAC was not held till the finalization of the report.

Audit recommends that responsibility may be fixed for the transfer of funds from lapsable Assignment Account to a commercial bank account and incurrence of expenditure for operational expenses without the approval of the Finance Division.

CHAPTER 16

16.FEDERAL TAX OMBUDSMAN

16.1 Introduction of Ombudsman

The Government of Pakistan established the Federal Ombudsman in 1983 in accordance with the requirements of the Constitution of the country. The Provinces followed suit and established Provincial Ombudsmen. Thus Pakistan joined the international club of countries having the office of Ombudsmanship as a critical component of welfare states with adequate focus on service delivery at national and sub-national levels. Sectoral needs lead the government to establish the office of specialized Ombudsmen for Tax administration, Insurance and Banking sectors.

The core function of Federal Tax Ombudsman revolves around:

"Disposal of complaints of tax maladministration promptly, justly, fairly, independently investigated, and to rectify any injustice done to a taxpayer by actions of the tax employees of Federal Board of Revenue (FBR)/Revenue Division, Government of Pakistan."

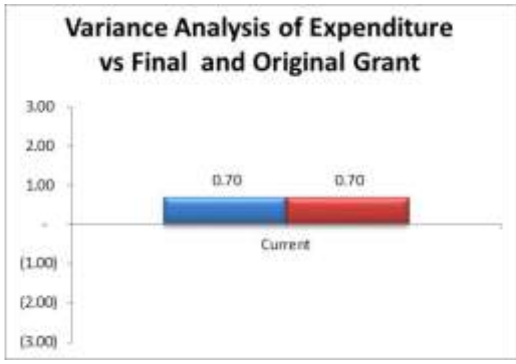
16.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Federal Tax Ombudsman for the financial year 2013-14 was Rs. 116.598 million out of which the Division utilized Rs. 117.408 million. Detail of current expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
L	Current	116,597,000	1,000	116,598,000	117,408,474	810,474	0.70

Audit noted that there was an excess expenditure of Rs. 0.810 million.



16.3 Brief comments on the status of compliance with PAC Directives

There is no PAC Directive in respect of Federal Tax Ombudsman.

16.4 AUDIT PARAS

Non Production of Record

16.4.1 Non-production of record of Secret Service Expenditure - Rs. 3.500 million

The Supreme Court of Pakistan in its judgment dated 08.07.2013 declared and directed that:

a. sub-Rule (5) of Rule 37 of the General Financial Rules, whereby the actual accounts for secret service expenditure are taken beyond the jurisdiction of the Auditor General, is illegal, unconstitutional, and of no legal effect;

b. the Auditor General, in order for him to fulfill his duties under Articles 169 and 170 of the Constitution, is not only authorized but also obliged to seek access to any and all records actually maintained by all federal and provincial governments, as well as all entities established by or under the control of the federal and provincial governments, regardless of the designation of such records as secret or otherwise;

c. an account subject to audit under Articles 169 and 170 shall be treated as “secret” only if so labeled in a federal or provincial statute and the constitutionality of such legislation will be subject to judicial review on the touchstone of Articles 19A, 169, 171 and other relevant provisions of the Constitution.

Section 14(2) of the Auditor General Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Para 4(ii) of the Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the essential conditions governing the expenditure from Public Funds and Standards of financial propriety as contained in paras 9 and 10 of GFR Volume-I, are duly observed. In this connection attention is also invited to Articles 71 & 84 to 86 of Audit Code.

Para 4(iv) of the Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

The Federal Tax Ombudsman received funds of Rs. 3.500 million for Secret Service Expenditure during 2012-13. Details are as under:

(Rupees)

S. No.	Cheque No.	Date	Amount
1.	3907079	12.09.2012	500,000
2.	4168598	14.12.2012	500,000
3.	4172478	21.12.2012	2,500,000
		Total	**3,500,000**

The management of Federal Tax Ombudsman did not provide the following record to Audit relating to Secret Service Expenditure:

i. Cashbook

ii. Expenditure statement of the Secret Service Expenditure

iii. List of bank accounts, bank statements

iv. Unspent balance in bank account or deposited into government treasury

v. Vouchers in support of disbursements/expenditure

vi. Acknowledgment of amount disbursed/paid

vii. File of sanction/approval of expenditure

viii. Purpose for which payments were made

ix. Stock Register

x. Counter foils of cheques

Audit is of the view that non production of record is violation of the Auditor General's Ordinance, 2001 and Finance Division's instructions.

The management replied that as per Federal Tax Ombudsman (FTO) Ordinance, 2000 the FTO may fix a reward or remuneration to be paid to any person for exceptional services rendered or valuable assistance given to him in the discharge of his duties, and where appropriate, withhold the identity of such person and take steps to provide due protection under the law to such person against harassment, victimization, retribution, reprisals or retaliation. The Secret Fund was strictly regulated under statutory provisions of the FTO Ordinance whereas in the case of Ministries/Divisions these funds operate under guidelines of the Ministry of Finance. The audit requirements of Secret Service Fund of Ministries/Divisions are applicable to the Federal Tax Ombudsman Secretariat only to the extent that these are not in conflict with the law. Moreover, the same instructions also provide that the accounts of secret service expenditure will not be subject to scrutiny by the Audit authority.

The reply was not accepted because the Supreme Court in its judgment dated 08.07.2013 had declared Serial No. 37(5) of Appendix 8 to Rule 130 of GFR Volume-I, which prevented the audit of Secret Service Expenditure by the Auditor General, as illegal, unconstitutional, and of no legal effect. Under Article 170(2) of the Constitution of the Islamic Republic of Pakistan and the Supreme Court judgment dated 08.07.2013, the Auditor General is fully empowered and authorized to carry out audit of Secret Service Expenditure. Further, according to the judgment dated 08.07.2013 only those accounts shall be treated as “secret” which are so labeled in a federal or provincial statute. The funds of Federal Tax Ombudsman have not been declared secret by any federal or provincial statute.

The PAO was informed on 26.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the record should be provided to Audit for scrutiny.

CHAPTER 17

17.FINANCE DIVISION

17.1 Introduction of Division

The Finance Division deals with the subjects pertaining to finance of the Federal Government and financial matters affecting the country as a whole, preparation of Annual Budget Statements and Supplementary/Excess Budget Statements for the consideration of the Parliament, accounts and audits of the Federal Government Organizations, etc. as assigned under the Rules of Business, 1973. The Finance Division also maintains financial discipline through Financial Advisors Organization attached to each Ministry/Division, etc.

The mission of the Finance Division is to pursue sound and equitable economic policies that put Pakistan on the path of sustained economic development and macroeconomic stability with a view to continuously and significantly improve the quality of life of all citizens through prudent and transparent public financial management carried out by dedicated professionals.

The following functions are assigned to the Finance Division under the Rules of Business, 1973:

1. Finances of the Federal Government and financial matters affecting the country as a whole.
2. The Annual Budget Statement and the Supplementary and Excess Budget Statements to be laid before the Parliament, the Schedules of Authorized Expenditure.
3. Accounts and audit.
4. Allocation of share of each Provincial Government in the proceeds of divisible Federal Taxes; National Finance Commission.
5. Public debt of the Federation both internal and external; borrowing money on the security of the Federal Consolidated Fund.
6. Loans and advances by the Federal Government.

7. Sanctions of internal and external expenditure requiring concurrence of the Finance Division.
8. Advice on economic and financial policies, promotion of economic research.
9. Proper utilization of the country's foreign exchange resources.
10. Currency, coinage and legal tender, Pakistan Security Printing Corporation and Pakistan Mint.
11. Banking, investment, financial and other Corporations:
    i) State Bank of Pakistan;
    ii) Other banking (not including co-operative banking) and investment and financial corporations with objects and business not confined to one Province;
    iii) Incorporation, regulation and winding up of corporations including banking, insurance and financial corporations not confined to or controlled by or carrying on business in one Province.
12. Company Law: Accountancy, Matters relating to the Partnership Act, 1932.
13. Investment policies: Capital Issues (Continuance of Control) Act, 1947; statistics and research work pertaining to investment and capital.
14. Stock Exchanges and future markets with objects and business not confined to one Province: Securities Regulations.
15. Financial settlement between Pakistan and India and division of assets and liabilities of the Pre-Independence Government of India.
16. Framing of rules on pay and allowances, retirement benefits, leave benefits and other financial terms & conditions of service.
17. Cost Accountancy.
18. International Monetary Fund.
19. State lotteries.
20. Competition Commission of Pakistan and anti-Cartel Laws.
21. Administration of Economic Reforms Order, 1978.

22. Negotiations with international organizations and other countries and implementation of agreements thereof.

The attached wings and departments of Finance Division are:

ATTACHED WINGS

1. Administration
2. Quality Assurance
3. Budget Management
4. Corporate Oversight
5. Expenditure Management
6. Management of Provincial Finance
7. Policy
8. Pay & Pension Reforms
9. Internal Finance Sector
10. Investment
11. Development
12. Prime Minister's Special Program
13. Finance Division (Military)

ATTACHED DEPARTMENTS

1. Although the Office of the Auditor General of Pakistan has been categorized as an attached department, it has been empowered to exercise the administrative and financial powers of a Ministry/Division vide Finance Division's O.M. No. F.5(17)/Exp.II/85-423 dated 14.04.1987.
2. Office of the Controller General of Accounts
3. Central Directorate of National Savings (CDNS)
4. Competition Commission of Pakistan
5. Pakistan Mint

6. Securities & Exchange Commission of Pakistan

17.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Finance Division for the financial year 2013-14 was Rs. 16,289,783.306 million including Supplementary Grants of Rs. 4,984,314.040 million out of which the Division utilized Rs. 15,309,847.447 million. Grant-wise details of current, development and charged expenditure are as under:

(Rupees)

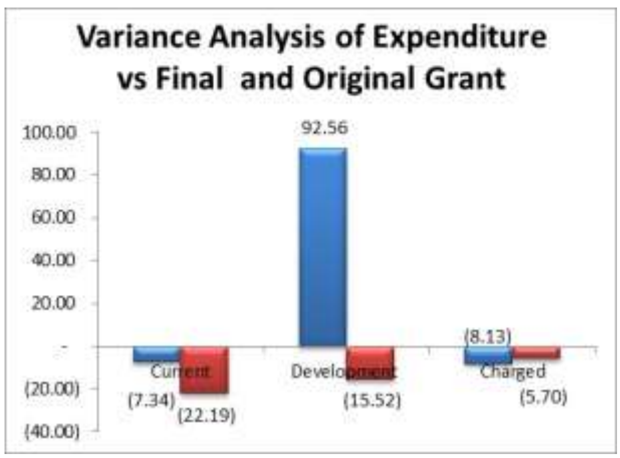
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
28	Current	1,135,634,000	305,603,000	1,441,237,000	1,271,737,057	(169,499,943)	(11.76)
29	Current	3,968,820,000	19,033,000	3,987,853,000	4,381,845,513	393,992,513	9.88
30	Current	401,678,000	10,082,000	411,760,000	366,287,958	(45,472,042)	(11.04)
31	Current	1,993,596,000	52,000	1,993,648,000	1,777,889,297	(215,758,703)	(10.82)
32	Current	10,760,049,000	4,770,484,000	15,530,533,000	14,988,272,753	(542,260,247)	(3.49)
33	Current	171,262,625,000	16,421,550,000	187,684,175,000	189,142,786,588	1,458,611,588	0.78
34	Current	87,363,000,000	8,262,136,000	95,625,136,000	94,266,845,000	(1,358,291,000)	(1.42)
35	Current	504,211,000,000	79,927,640,000	584,138,640,000	535,443,284,505	(48,695,355,495)	(8.34)
107	Current	184,460,600,000	900,001,000	185,360,601,000	143,492,008,621	(41,868,592,379)	(22.59)
108	Current	16,007,583,000	11,645,654,000	27,653,237,000	22,430,183,604	(5,223,053,396)	(18.89)
	Subtotal	**21,075,868,000**	**4,024,018,000**	**25,099,886,000**	**19,529,507,149**	**(5,570,378,851)**	**(22.19)**
121	Development	21,075,868,000	4,024,018,000	25,099,886,000	19,529,507,149	(5,570,378,851)	(22.19)
122	Development	31,183,542,000	31,616,000	31,215,158,000	29,284,437,542	(1,930,720,458)	(6.19)
123	Development	86,820,000,000	214,737,358,000	301,557,358,000	248,101,698,657	(53,455,659,343)	(17.73)
143	Development	288,300,000	-	288,300,000	52,715,362	(235,584,638)	(81.72)
144	Development	70,714,118,000	50,000,000,000	120,714,118,000	107,575,279,000	(13,138,839,000)	(10.88)
	Subtotal	**210,081,828,000**	**268,792,992,000**	**478,874,820,000**	**404,543,637,710**	**(74,331,182,290)**	**(15.52)**
E	Charged	3,178,663,000	-	3,178,663,000	3,231,510,775	52,847,775	1.66
E	Charged	1,064,524,308,000	44,228,662,000	1,108,752,970,000	1,056,092,127,258	(52,660,842,742)	(4.75)
G	Charged	10,006,608,599,000	4,667,268,368,000	14,673,876,967,000	13,826,450,664,247	(847,426,302,753)	(5.78)
	Subtotal	**11,074,311,570,000**	**4,711,497,030,000**	**15,785,808,600,000**	**14,885,774,302,280**	**(900,034,297,720)**	**(5.70)**
	Total	**11,305,469,266,000**	**4,984,314,040,000**	**16,289,783,306,000**	**15,309,847,447,139**	**(979,935,858,861)**	**(6.02)**

Audit noted that there was an overall savings of 6.02% amounting to Rs. 979,935.859 million, which was due to savings of Rs. 5,570.378 million in current expenditure and savings of Rs. 74,331.182 million in development expenditure and savings of Rs. 900,034.297 million in Charged Expenditure.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 4,984,314.040 million were obtained, which was 44.09% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, savings in current expenditure was 7.34%, which, after accounting for Supplementary Grants increased to 22.19%. In development expenditure, excess against original budget were 92.56% which changed to saving of 15.52% when Supplementary Grants were taken into account. Whereas there was saving of 8.13% in charged expenditure against original budget which decreased to 5.70% when supplementary grant was taken into account.



17.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Finance	1989-90	4	4	0	4	0%
	1990-91	1	1	1	0	100%
	1991-92	7	7	6	1	86%
	1992-93	12	12	11	1	92%
	1993-94	7	7	3	4	43%
	1994-95	5	5	0	5	0%
	1995-96	1	1	0	1	0%
	1996-97	2	2	1	1	50%
	2000-01	25	25	21	4	84%
	2005-06	6	6	4	2	67%
	2006-07	6	6	1	5	17%

	2007-08	4	4	2	2	50%
	2008-09	5	5	2	3	40%
Total		**86**	**86**	**53**	**33**	62%

17.4 AUDIT PARAS

Irregularity & Non Compliance

*17.4.1 Irregular payment of honorarium to officers of BPS 21 and above - Rs. 15.175 million**

The Economic Coordination Committee (ECC) of the Cabinet in its meeting held on 01.07.1996 considered the Summary dated 25.06.1996 on 'Grant of Honorarium to Government Servants' submitted by the Finance Division and decided that the budget honorarium should be allowed to the officers of Finance Division, including Central Board of Revenue, and Planning and Development Division only up to level of Joint Secretaries and equivalent in accordance with the proposal contained in paragraph 6 thereof.

Para 6 of the Summary for the ECC dated 25.06.1996 submitted by Finance Division proposed that honorarium may be allowed to the officers up to the level of Joint Secretaries and equivalent exceeding one month's pay in accordance with the practice followed in Finance Division/Central Board of Revenue and employees of other Divisions/Departments for the financial year 1995-96 onwards, subject to clearance from the Honorarium Committee constituted in the Finance Division.

Section 149(1) of the Income Tax Ordinance, 2001 states that every employer paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee's average rate of tax computed at the rates specified on the estimated income of the employee chargeable under the head "Salary" for the tax year in which the payment is made.

Section 161(1)(a) of Income Tax Ordinance, 2001 states that where a person fails to collect tax or deduct tax from a payment the person shall be personally liable to pay the amount of tax to the Commissioner who may pass an order to that effect and proceed to recover the same.

The management of Finance Division paid a total amount of Rs. 268.696 million as budget honorarium, including Income Tax, during 2012-14, i.e. Rs. 146.137 million during 2012-13 and Rs. 122.559 million during 2013-14.

Audit observed as under:

i. Honorarium amounting to Rs. 15.175 million was paid to the officers in BPS-21, 22 and MP Scales including Income Tax. Details are at Annexure-VI.

ii. The officer at Serial No. 2 was in MP Scale while those at Serial No. 12 to 15 of Annexure-VI were from other departments.

Audit is of the view that payment of honorarium to the officers of BPS-21, 22 and MP Scales was a violation of the decision of the Economic Coordination Committee dated 01.07.1996. Further, payment of Income Tax to the officers, instead of deducting the same, was a violation of the Income Tax Ordinance, 2001.

The management replied that the proposal submitted for grant of honoraria for the year 2013-14 also included Income Tax and the Chairman, ECC had approved the proposal being competent authority. The Chairman, ECC had approved the honoraria of officers BS-21 and above as they were fully involved and occupied in budget preparation process till the approval of budget from National Assembly. The persons mentioned at S. No. 2, 12 & 13 were also remained engaged in the preparation of budget. The officers in higher scales submit their tax returns at their own.

The reply was not accepted because honorarium was paid in violation of the decision of the Economic Coordination Committee and sanction of the Minister for Finance could not be construed as approval of the Chairman, ECC because the Minister for Finance was the Chairman, ECC only while presiding over the meetings of the ECC.

The DAC meeting was held on 15.01.2015 wherein the department stated that the Finance Minister had approved the honorarium in his capacity of Chairman, Economic Coordination Committee. However, Audit disagreed on the ground that the ECC in its meeting held on 01.07.1996 had approved budget honorarium up to the level of Joint Secretary. The decision to grant budget honorarium to officers in BPS-21 and 22, and MP Scales was not the decision of the ECC but that of the Minister for Finance. It could not be accepted as a decision of the ECC because the Finance Minister was the Chairman, ECC only when he was chairing a meeting of the ECC. Audit also stated that Income Tax could not be paid by the Finance Division on behalf of the recipients of the budget honorarium. The DAC, therefore, recommended that matter may be placed before the Economic Coordination Committee to decide whether budget honorarium was also payable to officers in BPS-21 and 22, MP Scales and to those belonging to departments other than the Finance Division.

Audit recommends that the decision of the DAC should be implemented besides recovery of Income Tax from the recipients.

*Note: The audit para includes the amount of honorarium for the financial year 2012-13. Income Tax for financial year 2013-14 has been calculated at the rate of tax paid for 2012-13 because the Finance Division had paid Income Tax to all the recipients of honorarium, including those in BPS 1 to 20.

17.4.2 Irregular expenditure on entertainment of Parliamentarians - Rs. 6.182 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 circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Serial No. 9(38)(ii) of Annex-I of Finance Division O.M. No. F.3(2)Exp.III/2006 dated 13.09.2006 has delegated a limit of Rs. 40,000 in each case to the Ministries/Divisions for receptions, lunches and dinners subject to the condition that per head expenditure including taxes and soft drinks, etc. should not in any case exceed Rs. 1,200.

Section 21 of Public Procurement Regulatory Authority Ordinance, 2002 states that the Authority may, for reasons to be recorded in writing, recommend to the Federal Government that the procurement of an object or class of objects in the national interest be exempted from the operation of this Ordinance or any rule or regulation made there under or any other law regulating public procurement and the Federal Government on such recommendations shall exempt the aforesaid objects or class of objects from the operation of the laws and rules and regulations made there under.

The Finance Division incurred an expenditure of Rs. 6.182 million on refreshments and lunch for Parliamentarians vide cheque No. 4860060 dated 26.06.2014 under the head of account 'Entertainment and Gifts' during 2013-14.

Audit observed as under:

i. The Finance Division incurred the expenditure from its budget although the expenditure pertained to the National Assembly.

ii. The Finance Division did not obtain exemption from PPRA in terms of Section 21 of PPRA Ordinance.

iii. The expenditure on entertainment was incurred beyond the powers delegated to the Ministries/Divisions.

iv. Per head expenditure including taxes were more than Rs. 1,200 per head.

v. Competitive rates were not obtained.

Audit is of the view that the expenditure on entertainment of Parliamentarians by the Finance Division from its budget was irregular and unauthorized.

The management replied that it had been a practice for the last several years that during the budget session in the National Assembly, Hi-tea, lunches and dinners were served to the MNAs. Since lengthy discussions were held during the budget session and the Parliamentarians were required to attend the National Assembly's proceedings for prolonged hours, it was considered that Parliamentarians and other related people be served with hygienic food to save their time. For this purpose the practice for arranging lunch, etc. by Finance Division had been adopted. Following the practice in vogue, Finance Division provided entertainment/meals to the MNAs during budget session 2013-14 with the approval of the Prime Minister and after calling limited tenders from security cleared vendors. Relaxation of the Prime Minister, as provided in the rules, was obtained for the expenditure in excess of the ceiling and relaxing the condition for calling open tenders.

The reply was not accepted because budget making and subsequent discussion in the parliament is an annual activity and ample time was available for obtaining competitive rates. The Finance Division did not provide or quote any rules wherein the Prime Minister was authorized to relax the requirement for calling open tenders. As a matter of fact such authority can be exercised by the Federal Government only on the recommendations of PPRA under Section 21 of PPRA Ordinance, 2002. The expenditure pertained to the National Assembly and not the Finance Division.

The DAC meeting was held on 15.01.2015. Audit reiterated that the Federal Government could exercise the option of relaxing the requirement for calling open tenders only on the recommendations of PPRA, and not otherwise. Audit was also of the opinion that the Finance Division should allocate the budget to the National Assembly who should then incur expenditure from their budget. However, the Finance Division stated that the National Assembly did not agree to this proposal. The DAC, therefore, directed the management of Finance Division to convey the viewpoint of Audit to the National Assembly Secretariat to obtain their reply/comments and also obtain exemption through the Public Procurement Regulatory Authority for relaxing the requirement of calling open tenders. Further, in future the rates per head quoted by the firms should be inclusive of all taxes.

Audit recommends that the directions of the DAC should be implemented.

*17.4.3 Payment of excess subsidy to Utility Stores Corporation for sale of sugar - Rs. 3,128.831 million**

The Economic Coordination Committee (ECC) of the Cabinet considered the summary dated 19.01.2012, submitted by the Ministry of Industries on “Review/update on Sugar Situation - Purchase of Sugar from Domestic Sugar Mills” and took the decision in Case No. ECC-18/02/2012 dated 20.01.2012 that price differential between sugar price at Utility Stores Corporation outlets and the market price shall be Rs. 5 per kilogram.

The Finance Division paid an amount of Rs. 4,000.000 million to Utility Stores Corporation (USC) in its Bank Account No. NIDA. 3-4 maintained with National Bank of Pakistan, Blue Area Branch, Islamabad on account of subsidy on sugar.

Audit observed as under:

i. The claims for the month of January, 2013 to March, 2013 for subsidy by the Utility Stores Corporation were based on purchase price and outlet price and not the differential of Rs. 5 per kilogram decided by the ECC.

ii. Per kilogram subsidy was paid in the range of Rs. 23.220 to Rs. 25.710 which was much beyond the subsidy sanctioned by the ECC.

iii. An amount of Rs. 4,000.000 million was paid as against their entitlement of Rs. 871.169 million resulting in excess payment of Rs. 3,128.831 million. Details are as under:

(Rupees)

Claim for the month	Quantity (Kgs)	Sale Rate (USC)	Market Rate	Subsidy	Actual Subsidy on Quantity Sold
January, 2013	25,487,307	45	50	5	127,436,535
	36,444,896	47	52	5	182,224,480
February, 2013	22,604,029	47	52	5	113,020,145
	26,033,322	45	50	5	130,166,610
March, 2013	44,245,348	45	50	5	221,226,740
	19,418,871	47	52	5	97,094,355
				Total	**871,168,865**

Audit is of the view that payment of excess subsidy to USC was against the decision of ECC which was irregular and unauthorized.

The management replied that Finance Division paid Rs. 4,000.000 million as subsidy to USC provisionally on the basis of market rates and outlet rates of USC in accordance with the price difference of Rs. 5 per kilogram as approved by the ECC and not on basis of its cost of purchase rate and sale rate. In this regard, supporting data/working would be provided in due course of time.

The reply was not accepted because subsidy was to be paid on the basis of market rate and outlet rate decided by the ECC and was not meant for covering purchase losses of the USC.

The DAC in its meeting held on 15.01.2015 directed the management that complete record including ECC decisions regarding subsidy paid to Utility Stores Corporation may be got verified from Audit within two weeks.

Audit recommends that responsibility may be fixed for the irregularity.

*Note: The para in the AIR was titled ‘Irregular and unauthorized payment of subsidy to Utility Stores Corporation for sale of sugar - Rs. 4,000.000 million’

17.4.4 Loss due to sale of expired Urea - Rs. 10,806.933 million

Para 4 of National Fertilizer Marketing Limited (NFML) letter No. MD-021 dated 27.03.2014 addressed to Secretary, Ministry of Industries and Production, Islamabad states that at present the stock of imported urea available with NFML is in the powdered form which is not very popular among the farmers community. On the contrary most of the indigenous product is granular which is highly in demand. So at the same rate no one is interested in buying the powdered urea.

Para 5 of National Fertilizer Marketing Limited letter No. MD-021 dated 27.03.2014 addressed to Secretary, Ministry of Industries and Production, Islamabad states that NFML is approximately holding a stock of 0.300 million Metric Tons of imported urea. The amount of this urea is around Rs. 10.000 billion calculated @ Rs. 1,786 per bag. The shelf life of this product is three months, i.e. as it tends to harden by absorbing atmospheric moisture. So this stock must be liquidated within two months to avoid huge loss to national exchequer.

Para 5 of Summary of Ministry of Industries and Production for ECC dated 24.06.2014 states that ECC of the Cabinet is requested that the average transportation cost of Rs. 20 per 50 kg Urea from warehouse of the NFML to dealer’s store may be approved.

The Economic Coordination Committee of the Cabinet in case No. ECC-94/15/2014 dated 04.07.2014 considered the Summary dated 24.06.2014 and approved the proposal contained in Para 5 of the Summary.

The Trading Corporation of Pakistan was assigned the task of procurement of urea and selling the same through National Fertilizer Marketing Limited from their outlets.

Audit observed as under:

i. The Managing Director, NFML vide its letter No. MD-021 dated 27.03.2014 addressed to Secretary, Ministry of Industries and Production, Islamabad informed that stock of 0.300 million metric tons of urea fertilizer was available with them whose shelf life was three months.

ii. The Ministry of Industries and Production took three months to move the Summary for ECC and submitted it on 24.06.2014 for reduction in prices when the shelf life of the urea had already expired as per comments of Managing Director, NFML.

Audit is of the view that the delayed submission of Summary for the ECC by the Ministry of Industries and Production resulted in expiry of the shelf life of urea.

The management replied that the audit team had made the observation merely on the basis of letter No. MD-021 dated 27.3.2014 cautioning that stock of 0.300 million metric tons of urea fertilizer available with them may deteriorate if the same was not liquidated within a few months. The urea had already been disposed of and no complaint was received from the farmers' community. The amount mentioned was paid by farmers and not from national exchequer. Moreover, the matter of shelf life of urea had been discussed in Fertilizer Review Committee meeting in the presence of all stakeholders, including representatives from local urea manufacturers, NFML, Planning & Development Division. It was agreeably concluded that chemical composition of urea, either local or imported, was of such nature that it could be carried for years without any divergence from original composition.

The reply was not accepted because the Summary for the ECC was based on the comments and apprehensions of the NFML about the shelf life and efficacy of the imported urea. The Minutes of the Fertilizer Review Committee dated 15.04.2014 did not mention anything about the shelf life and efficacy of the urea. It was the responsibility of the state to ensure that quality products were provided to the farmers.

The DAC in its meeting held on 15.01.2015 directed the management that the case may be referred to NFML and Ministry of Industries and Production and reply received from the Ministry may be provided to Audit.

Audit recommends that matter may be inquired and responsibility may be fixed for the loss.

17.4.5 Non deposit of interest accrued on retention money by National Fertilizer Marketing Limited - Rs. 3,016.714 million

Para 2(ii) of Finance Division letter No. 3(1)CF-C/2011-43 dated 11.01.2012 communicated the Minutes of the meeting on sale and purchase of imported urea which was held on 11.01.2012. The Minutes state that NFML will refund sale proceeds of urea to Trading Corporation of Pakistan, based upon the invoice price after deducting its incidental charges, within a week of receiving the urea.

Para 2(v) of Finance Division letter No. 3(1)CF-C/2011-43 dated 11.01.2012 states that the income/profit earned by NFML on retained cash balance due for payment to TCP shall be refunded to Government Account.

The National Fertilizer Marketing Limited in its financial statements (unaudited) for the year 2011 and 2012 had shown un-appropriated profit of Rs. 3,016.714 million which included the interest on retained cash balance due for payment to TCP.

Audit observed as under:

i. Neither Finance Division nor NFML in its annual accounts reflected the amount of interest earned on retained cash balance due for payment to TCP.

ii. No interest was paid to the state exchequer by NFML on interest on retained cash balance due for payment to TCP.

Audit is of the view that failure to deposit the interest earned into the government account deprived the government of its due receipt.

The management replied that NFML (NFC) was being advised by Finance Division from time to time in writing as well as in meetings held in Ministry of Industries to pay back the sale proceeds of urea within the prescribed time period. However, the distribution of urea from NFML to local urea manufacturers was under process. All sale proceeds and interest earned will be recovered at the time the company will be liquidated.

The reply was not accepted because Finance Division had consciously not followed recovery of interest on retained cash balances due for payment to TCP and government was deprived of its due receipt.

The DAC in its meeting held on 15.01.2015 directed that the matter may be taken up with NFML for depositing the sale proceeds of urea (including profit earned, if any) in the government treasury in relevant head of account and copy of the challan/documentary evidence may be provided to Audit.

Audit recommends that matter may be inquired and up to date profit may be determined and deposited into the government treasury.

17.4.6 Non-recovery of penalties/fines imposed by the Commission - Rs. 26,322.037 million

Section 40(8) of the Competition Act, 2010 states that all penalties and fines recovered shall be credited to the Public Account of the Federation.

The management of the Competition Commission of Pakistan imposed penalties amounting to Rs. 26,345.037 million on various companies during 2009-14 against which only Rs. 23.450 million was recovered.

Audit observed that the penalties imposed by the Commission were not recovered by the Commission.

Audit is of the view that non-recovery of penalties deprived the government of the benefit of its due receipt.

The management replied that the Competition Commission of Pakistan while performing its statutory obligations enforced the provisions of the Competition Act, 2010. In the enforcement initiatives the CCP passed orders for violation of Competition Act, 2010 and imposed fine. However, the undertakings against whom the enforcement orders were issued had the right of appeal and they could also file writ petitions before the respective High Courts. The orders of the CCP were suspended where the writ petitions/appeals were pending before the High Courts, Competition Appellate Tribunal or the Supreme Court of Pakistan. The CCP was pursing the cases but none had been decided or finalized as yet.

The reply was not accepted because the amount recovered represents only 0.09% of the total penalties imposed, which indicates that the performance of the Competition Commission was far below the required level notwithstanding the fact that the Chairman, Members and employees of the Competition Commission were drawing heavy salaries, perks and privileges.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the rigorous efforts should be made for recovery of the outstanding amount in order to justify the heavy expenditure being incurred by the government on the Competition Commission.

17.4.7 Non-recovery of charges @ 3% on the fees and charges levied by regulatory agencies - Rs. 2,028.264 million

Section 20(2)(f) of Competition Act, 2010 states that the Fund shall consist of a percentage of the fees and charges levied by other regulatory agencies in Pakistan as prescribed by the Federal Government in consultation with the Commission and the percentage so prescribed shall not be varied to the disadvantage of the Commission.

Finance Division vide S.R.O. No. (1)/2008 dated 23.08.2008 prescribed a charge of 3% on the fees and charges levied by the following authorities to meet the charges in connection with the functions of the Commission namely:

i. The Securities and Exchange Commission of Pakistan
ii. The National Electric Power Regulatory Authority
iii. The Oil and Gas Regulatory Authority
iv. The Pakistan Telecommunication Authority
v. The Pakistan Electronic Media Regulatory Authority

Rule 5(2) of Competition Commission (collection of fee and charges) Rules, 2009 states that the percentage prescribed by the Federal Government under Sub Rule(1) of Rule 3 shall take effect from the financial year 2008-09 and shall not be varied, at any stage, to the disadvantage of the Commission.

The management of the Competition Commission of Pakistan did not receive a charge @ 3% on the fees and charges levied by other regulatory authorities.

Audit observed that an amount of Rs. 2,028.264 million @ 3% of the fees and charges was outstanding against other regulatory authorities, which was required to be received by the Commission under Section 20(2)(f) of the Competition Act, 2010.

Audit is of the view that non recovery @ 3% of fee and charges levied by other regulatory authorities had shifted the entire financial burden of the Competition Commission of Pakistan on the Federal Government.

The management replied that the Competition Commission of Pakistan had consistently and persistently followed up payment of 3% with all the regulatory bodies. Opinion was also solicited from the Ministry of Finance and the Ministry of Law, Justice and Human Rights which provides that the regulatory bodies were under an obligation to make the payment. It was correct to suggest that refusal by the regulatory bodies to make the payment to CCP had resulted in loss to the CCP in meeting its operational expenses.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that amount outstanding against the regulatory authorities should be recovered besides devising a mechanism to ensure timely recovery so as to decrease the un-necessary financial burden on the government exchequer.

17.4.8 Irregular payment of advances to Chairperson/Members - Rs. 4.212 million

Rule 4(1) of the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 states that the salary of the Chairman shall be fixed at the maximum of MP-I Scale.

Rule 4(2) of the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 states that the salary of the Members shall be fixed at the median of MP-I Scale and they shall be entitled to annual increments earned in the normal course in terms of the MP-I Scale.

Rule 4(3) of the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 states that all other terms and conditions of service of the Chairman and Members shall be in accordance with the Schedule, as may be revised by the Federal Government from time to time

The management of Competition Commission of Pakistan (CCP) paid various advances to its Chairperson and members appointed against the package of MP-I Scales. Details are as under:

(Rupees)

S. No.	Name of Office	House Rent Allowance Advance	General Purpose Loan	Total
1.	Mrs. Rahat Kaunain Hassan, Chairperson	250,000	-	250,000
2.	Dr. Joseph Wilson, Member	710,000	-	710,000
3.	Mr. Shahzad Ansar, Member	100,000	1,848,288	1,948,288
4.	Mr. Mueen Batlay, Member	584,051	719,161	1,303,212
	Total	**1,644,051**	**2,567,449**	**4,211,500**

Audit observed that the management granted advances to the Members of the Commission in violation of Schedule to Rule 4(3) of the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009.

Audit is of the view that the payment of advances was irregular and unauthorized.

The management replied that the Commission was established under Competition Act, 2010 with the status of a body corporate with perpetual succession. Under Section 58 of the Act, the Commission was vested with the power of making Regulations for the purposes of the Act, which also include the facility of payment of Advance House Rent Allowance for hiring residence. Regulation No. 3 of Chapter 6 of Competition Commission (Service) Regulations, have been made under Section 58. In accordance with this provision House Rent Advance equal up to 12 months House Rent Allowance was paid to the Members. It is pointed out that no Member has sanctioned his/her own advance. The advances were sanctioned by the Chairman. The Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 also provide for House Rent Allowance and does not bar grant of advance house rent. It may be relevant to point out that government also pays advance rent for 12 months in hiring residential accommodation for its employees. In this connection reference is invited to S. No. 17 of Annex-I to Para 8(a) of Finance Division O.M. No. F.3(2)Exp.III/2006 dated 13.09.2006 wherein Ministries/Divisions and Heads of departments are authorized to pay one year advance rent of hired residence.

The reply was not accepted because the Service Manual of Competition Commission employees was not applicable to the Members and determination of their salary and other benefits was regulated under Rule 4(3) of the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009. Further, the regulations for the employees were to be framed pursuant to the framing of rules under Section 57 of the Competition Act, 2010. As far as payment of advance rent to the government employees was concerned, the government paid advance rent to the owners of hired houses and not house rent advance to the employees.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the amount paid as House Rent Allowance Advance and General Purpose Loan irregularly should be recovered along with interest at bank rate of borrowing besides discontinuation of the practice for the future.

17.4.9 Irregular payment of allowances to Members over and above the package approved by the government - Rs. 7.041 million

Rule 4(1) of the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 states that the salary of the Chairman shall be fixed at the maximum of MP-I Scale.

Rule 4(2) of the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 states that the salary of the Members shall be fixed at the median of MP-I Scale and they shall be entitled to annual increments earned in the normal course in terms of the MP-I Scale.

Rule 4(3) of the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 states that all other terms and conditions of service of the Chairman and Members shall be in accordance with the Schedule, as may be revised by the Federal Government from time to time

The management of Competition Commission of Pakistan (CCP) paid an amount of Rs. 7.041 million to the Members of the Commission appointed against MP-I Scales. Details are as under:

(Rs. in million)

S. No.	Head of Account	Amount
1.	Leave Fare Assistance Dr. Joseph Wilson	336,945
2.	Security Guard Services @ Rs. 10,000 PM to three Members	360,000
3.	Mobile Phone Charges	230,838
4.	Leave Encashment. 1. Mrs. Rahat K Hassan Rs. 868,498 2. Dr. Joseph Wilson Rs. 1,350,996 3. Mr. Shahzad Ansar Rs. 1,350,996 4. Mr. Mueen Batlay Rs. 642,892	4,213,382
5.	Orderly Allowance @ Rs. 7,000 PM to three members	252,000
6.	Membership Charges 1. Mr. Shahzad Ansar Rs. 754,000 2. Mr. Mueen Bataly Rs. 500,000	1,254,000

7.	Club Membership (monthly subscription) (two members)	84,250
8.	Mobile set cost (Chairman three sets, Rs. 49,900 + Rs. 64,200 + Rs. 80,300)	194,400
9.	One mobile set each for two Members (Mr. Moeen Batlay Rs. 49,900 and Mr. Shahzad Ansar Rs. 65,000)	114,900
	Total	**7,040,715**

Audit observed that the facility extended to the Members of the Commission was not covered under the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 as they were only entitled to the perks and privileges of MP-I Scales.

Audit is of the view that the payment of leave fare assistance, security charges, mobile phone charges, leave encashment, orderly allowance, club membership, etc. was irregular and unauthorized.

The management replied that all the expenditure under leave fare assistance, security guard services, mobile phone charges, leave encashment, orderly allowance, membership charges, club membership subscription and mobile set cost for payment to the Members of the Commission was incurred under the Competition Commission (Service) Manual, 2007. The Competition Commission (Service) Manual, 2007 came into force under S.R.O. No. 1192(1) 2007 dated 20.11.2007. As such all the actions taken/payments made under the above mentioned manual were justified.

The reply was not accepted because the Competition Commission (Service) Manual, 2007 was applicable to the employees of the Commission, and not to the Chairperson and Members whose salaries and other benefits were regulated under Rule 4(3) of the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the amount paid as leave fare assistance, security guard services, mobile phone charges, leave encashment, orderly allowance, membership charges, club membership subscription should be recovered besides discontinuation of the irregular practice.

17.4.10 Irregular expenditure of pay and allowances in absence of creation of posts - Rs. 146.586 million

Sub Section 1 of Section 57 of the Competition Act, 2010 states that subject to sub-Section (2), the Commission may, by notification in the official Gazette and with approval of Federal Government, make rules for all or any of the matters in respect of which it is required to make rules or to carry out the purposes of this Act.

Section 15 of the Competition Act, 2010, states that the Chairman shall be the chief executive of the Commission and shall, together with the other Members, be responsible for the administration of the affairs of the Commission.

Para 1 of Chapter 2 of the Service Manual states that the Commission or the Chairman may create or establish permanent posts from time to time and may also create temporary posts within the budget provision for a period not exceeding twelve months.

The management of Competition Commission of Pakistan incurred an expenditure of Rs. 146.586 million on pay and allowances during 2013-14.

Audit observed that the Competition Commission was required to create permanent or temporary posts to govern the affairs of the Commission in an organized manner.

Audit is of the view that in the absence of approved strength of officers and staff the appointment and payment of salary and allowances was irregular and unauthorized.

The management replied that the Competition Commission of Pakistan was established on the 02.10.2007. Prior to inception of the Commission "A Frame Work for a New Competition Policy and Law" was formulated by the World Bank. Currently the total strength of the CCP (including Chairman and Members) was 125, which was less than the strength indicated by the World Bank. As such the question of non-existence of approved strength did not arise at this stage. Thus, the expenditure incurred on pay and allowances of the employees was justified.

The reply was not accepted because the Commission did not create permanent or temporary posts as required under Para 1 of Chapter 2 of the Service Manual.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that posts should be properly created and sanctioned to govern the affairs of the Commission in an organized manner.

17.4.11 Irregular expenditure on leasing of vehicles - Rs. 8.061 million

Section 57(1) of the Competition Act, 2010 states that subject to sub-Section (2), the Commission may, by notification in the official Gazette and with approval of Federal Government, make rules for all or any of the matters in respect of which it is required to made rules or to carry out the purposes of this Act.

Para 19(v) of GFR Volume-I states that no contract involving an uncertain or indefinite liability or any condition of an unusual character should be entered into without the previous consent of the Ministry of Finance.

The management of Competition Commission of Pakistan (CCP) paid an amount of Rs. 8.061 million to Bank Islami Pakistan Limited for leasing of vehicles during 2013-14.

Audit observed that the payment was made as monthly installments of leased vehicles.

Audit is of the view that purchase of vehicles on lease basis wherein interest charges were also paid in addition to the principal amount was a departure from general policy of the government, which was unauthorized and irregular.

The management replied that owing to scarcity of funds, the Commission could not purchase the vehicles; therefore, to meet the requirements of officers, the vehicle were obtained on lease from Bank Islami Pakistan Limited.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

17.4.12 Irregular appointments during the period of ban - Rs. 2.867 million

Section 56 of Competition Act, 2010 states that the federal government may, as and when it considers necessary, issue policy directives to the Commission, not inconsistent with the provisions of this Act, and the Commission shall comply with such directives.

The Establishment Division vide O.M. No. 4/1/93-R-I dated 20.06.2013 imposed ban on recruitment in Federal Ministries, Division, Autonomous Bodies/ Corporations.

The management of the Competition Commission of Pakistan made following appointments during 2013-14:

S. No.	Name	Designation	Date of Appointment
1.	Ms. Sehar Hussain	Deputy Director	08.10.2013
2.	Syed Shoukat Gillani	Junior Executive Officer	01.03.2014
3.	Mr. Joelat Ater	Junior Executive Officer	01.10.2013
4.	Ms. Sara Hayat	Junior Executive Officer	02.06.2014
5.	Mr. Boota Masih	Photocopier Operator	13.02.2014
6.	Mr. Muhammad Abid	Driver	21.03.2014

Audit observed as under:

i. All appointments were made during the ban period.

ii. The appointments were made without advertising the posts and adopting open competition.

iii. All appointments were made without framing recruitment rules for these posts, determining the qualification, experience, quota, etc. for direct recruitment/promotion, etc.

iv. The appointee at S. No. 03. Mr. Joelat Ater was inducted as trainee on 23.05.2013 and regularized on 01.10.2013 as Junior Executive Officer from back date, i.e. 23.05.2013.

Audit is of the view that the appointments were irregular and unauthorized.

The management replied that the Commission was subsequently given permanence by the Parliament through enactment of the Competition Act, 2010 dated 13.10.2010. The Commission did not adopt the Establishment Division's O.M. No. 4/1/93-R-I dated 20.06.2013 regarding imposition of ban on recruitment in the Commission meeting held on 13.06.2014 owing to the fact that the Commission was an autonomous body with independent existence. The appointment of the officers and officials was duly made in accordance with law, particularly Sections 23 and 58 of the Competition Act and the rules and regulations made thereunder.

The reply was not accepted because as per Section 56 of Competition Act, 2010 ban on recruitment was applicable to the Commission as it was an autonomous body created by the federal government, and the O.M. No. 4/1/93-R-I dated 20.06.2013 was also applicable to all autonomous bodies. The act of refusing to follow the instructions of the federal government was a clear act of defiance.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for refusing to abide by the instructions of the federal government. Further, the appointments should be annulled as they were a clear act of favoritism.

17.4.13 Irregular appointments of Director Advocacy during ban period - Rs. 2.510 million

Section 56 of Competition Act, 2010 states that the federal government may, as and when it considers necessary, issue policy directives to the Commission, not inconsistent with the provisions of this Act, and the Commission shall comply with such directives.

The Establishment Division vide O.M. No. 4/1/93-R-I dated 20.06.2013 imposed ban on recruitment in Federal Ministries, Division, Autonomous Bodies/ Corporations.

The management of the Competition Commission of Pakistan appointed Mr. Rana Mustafa as Director (Advocacy) in Grade 8 equivalent to BS-20 vide letter No. 1(152)CCP/Admn/14 and Office Order No. 21/214 dated 29.01.2014.

Audit observed as under:

i. Appointment was made during ban period.

ii. Appointment was made without open competition.

iii. The officer was a dismissed employee of SECP and did not qualify for fresh appointment under the government.

Audit is of the view that the appointment was irregular and unauthorized.

The management replied that Mr. Rana Mustafa was previously an employee of the Commission from November, 2009 to October, 2012 as Joint Director. The case of Mr. Rana Mustafa with SECP was sub-judice before the court. He was hired on one year contract in January, 2014 on the recommendations of the Hiring Committee comprising senior Members of the Commission.

The reply was not accepted because as per Section 56 of Competition Act, 2010 ban on recruitment was applicable to the Commission as it was an autonomous body created by the federal government, and the O.M. No. 4/1/93-R-I dated 20.06.2013 was also applicable to all autonomous bodies.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity besides annulling the irregular appointment.

17.4.14 Irregular appointment of Secretary - Rs. 36.667 million

Section 56 of Competition Act, 2010 states that the federal government may, as and when it considers necessary, issue policy directives to the Commission, not inconsistent with the provisions of this Act, and the Commission shall comply with such directives.

Section 27 of Competition Act, 2010 states that the Chairman, Members, employees, experts, consultants and advisers of the Commission authorized to perform any function or exercise any power under this Act shall be deemed to be public servants within the meaning of Section 21 of the Pakistan Penal Code,1860.

Regulation 1(1) of Chapter 12 of Service Manual Regulations of the Commission states that an employee shall retire from service on the completion of the sixtieth year of his age.

Section 13(ii) of Civil Servants Act, 1973 states that where no direction is given under Clause (i) a civil servant shall retire on the completion of the sixtieth year of his age.

Para 7 of Chapter 2 of the Competition Commission of Pakistan (Service) Manual, 2007 states that the Commission or the Chairman may appoint experts having professional qualifications, and experience in the relevant field on contract basis for an initial period not exceeding two years subject to such conditions as may be approved by the competent authority in each case.

Para 3(1) of Chapter 2 of the Competition Commission of Pakistan (Service) Manual, 2007 states that direct appointments shall be made on the basis of the qualifications, experience and subject to age limit as may be determined by the Commission for the respective posts. All vacant posts to be filled up by direct appointment shall be, as far as possible, advertised in one or more newspapers having circulation throughout the country.

Para 3(3) of Chapter 2 of the Competition Commission of Pakistan (Service) Manual, 2007 states that appointments shall be made purely on merit.

The management of Competition Commission of Pakistan appointed Mr. Muhammad Hayat Jasra as Secretary, Competition Commission of Pakistan in Grade 9 equivalent to BS-21 on 12.11.2007.

The management of Competition Commission of Pakistan paid Rs. 36.667 million as pay and allowances and gratuity to the ex-Secretary of the Commission.

Audit observed as under:

i. The officer was appointed on 12.11.2007 at the age of 68 years as Secretary, Competition of Pakistan at fixed salary of Rs. 150, 000.

ii. The position of Secretary was not included in the positions laid down in the Service Regulations Manual, 2007.

iii. The appointment was made without open competition and in the absence of recruitment rules.

iv. The terms and conditions of appointment were revised on 06.08.2008 and basic pay and allowance of Grade 9 of Commission (equivalent to BS-21) was approved w.e.f. 12.11.2007, i.e. the date of appointment, and arrears of Rs. 1.240 million were also paid.

v. Gratuity of Rs. 4.620 million was also paid although he was not entitled to such payment, being a contract employee and also being beyond the retirement age of 60 years.

Audit is of the view that the appointment of the officer beyond the retirement age of 60 years in absence of approved post of Secretary, recruitment rules and without open competition was irregular and unauthorized.

The Management replied that Mr. Muhammad Hayat Jasra was a government officer and was re-employed by the Competition Commission of Pakistan after retirement. The age limit as mentioned in Regulation 1(1), Chapter 12 of Competition Commission (Service) Manual, 2007 relates to regular employees of the Commission and has no relation to the re-employment. The post of Secretary to the Commission was equal to that of Director General which was duly mentioned in the Service Manual of CCP.

The reply was not accepted because as per Section 56 of Competition Act, 2010 instructions of the federal governments were applicable to the Commission and requirements for direct recruitment were also not met with.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the responsibility may be fixed for making appointment against non-existent post without out adopting open competition and also for payment of gratuity and terminal benefits to a contract employee in violation of the rules, besides making recovery.

17.4.15 Irregular payment on visits abroad - Rs. 1.256 million

Serial No. I(i) of Para 1 of Cabinet Division Instructions on visits abroad states that visits aboard by officers/officials up-to and including BPS-20 and their equivalent working in Autonomous/Semi Autonomous and Corporations where no government funding is involved will require the permission of the Secretary/Additional Secretary In-charge of Ministry/Division.

Similarly where government funds or funds of the concerned Autonomous Bodies/Corporations are involved, approval of the Minister In-charge will be necessary subject to the availability of funds in the relevant budget and prior clearance by the Ministry of Finance.

Section 56 of Competition Act, 2010 states that the federal government may, as and when it considers necessary, issue policy directives to the Commission, not inconsistent with the provisions of this Act, and the Commission shall comply with such directives.

The following officers of Competition Commission of Pakistan visited abroad during 2013-14:

(Rupees)

S. No.	Name	Country	Amount
1.	Mr. Rana Mustafa Yousaf, Director	Marrakech, Morocco	264,483
2.	Mr. Ikram ul Haq Qureshi, DG (Legal)	China	35,501
3.	Mr. Ikram ul Haq Qureshi, DG (Legal)	China	178,147
4.	Mr. Asfandayar Khattak, Director	Italy	236,590
5.	Ms. Maliha Quddus, A.D	Italy	236,590

6.	Ms. Saman Mushtaq, A.D	Korea	275,044
7.	Mr. Mueen Batlay, Member	Korea	30,000
		Total	**1,256,355**

Audit observed that the visits abroad were performed without the permission of the Secretary and Minister In-charge.

Audit is of the view that visits abroad without the permission of the Secretary and Minister In-charge were irregular and unauthorized.

The management replied that as per Section 12(2), Chapter III of Competition Act, 2010 the Commission is a body corporate which is administratively and financially independent [Section 12 (3) ibid]. Therefore, the instructions as given by the Cabinet Division in respect of approval of visits abroad by the officers/officials up to and including BPS-20 were not applicable to the CCP. The Chairman, CCP was competent to approve the visits abroad of the officers of CCP.

The reply was not accepted because as per Section 56 of Competition Act, 2010 instructions of the federal governments were applicable to the Commission and requirements for direct recruitment were also not met with.

The PAO was informed on 15.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

CHAPTER 18

18. HIGHER EDUCATION COMMISSION

18.1 Introduction of Commission

Higher Education Commission (HEC) was set up under an Ordinance in September, 2002 to facilitate the development of indigenous universities to be world-class centers of higher education, research and development. Through facilitating this process, the HEC intends to play its part in spearheading the building of a knowledge-based economy in Pakistan.

HEC is the successor of Universities Grants Commission (UGC) with enhanced powers and new vision.

Since its establishment, the HEC has undertaken a systematic process of implementation of the five-year agenda for reform outlined in the HEC Medium Term Development Framework, in which access, quality and relevance have been identified as the key challenges faced by the sector. To address these challenges a comprehensive strategy has been defined that identifies the core strategic aims for reform as (i) Faculty development, (ii) Improving access, (iii) Excellence in learning and research, and (iv) Relevance to national priorities. These strategic aims are supported by well-integrated cross-cutting themes for developing leadership, governance and management, enhancing quality assessment and accreditation and physical and technological infrastructure development.

18.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Higher Education Commission for the financial year 2013-14 was Rs. 43,118.998 million including Supplementary Grant of Rs. 4,118.998 million out of which the Commission utilized Rs. 42,301.904 million. Grant-wise detail of current expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
83	Current	39,000,000,000	4,118,998,000	43,118,998,000	42,301,904,087	(817,093,913)	(1.89)

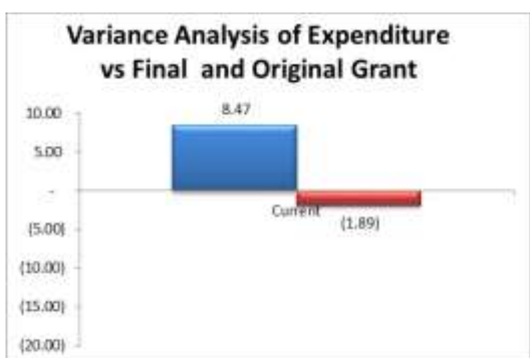
Audit noted that there was an overall saving of Rs. 817.094 million in the

Current Grant.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that Ministries/Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances. This document further states that the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances. During the year, Supplementary Grants of Rs. 4,118.998 million were obtained, which was 11.56% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess in current expenditure was 8.47%, which, after accounting for Supplementary Grants changed to saving of 1.89%.



18.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
HEC	1991-92	1	1	0	1	0%
	1992-93	2	2	0	2	0%
	1993-94	4	4	0	4	0%
	1996-97	1	1	0	1	0%
	1997-98	24	24	9	15	38%
	1999-00	11	11	9	2	82%
	2000-01	26	26	0	26	0%
	2005-06	8	8	3	5	38%
	2006-07	15	15	7	8	47%
	2007-08	8	8	7	1	88%
Total		100	100	35	65	35%

18.4 AUDIT PARAS

Irregularity & Non Compliance

18.4.1 Less recovery of Income Tax - Rs. 8.961 million and unauthorized payment of GST - Rs. 19.636 million

Section 153(1)(b&c) of the Income Tax Ordinance, 2001 states that Withholding Tax should be deducted @ 6% on payments made to contractors.

Federal Board of Revenue vide C.No. 3(9)ST-L&P/2011 dated 05.01.2011 clarified that transactions such are downloaded from internet (without accompanying back up on hardware medium), subscription charges, licensee fee only for usage, up-gradation charges, maintenance charges, training fee, etc. are not liable to Sales Tax.

The management of Higher Education Commission (HEC), Islamabad incurred an expenditure of Rs. 385.505 million on acquiring of software licensing services (online activation) from M/s Expert Systems (Pvt.) Ltd. during 2010-12. Details are as under:

(Rupees)

S. No.	Bill / Invoice No.	Date	Gross Amount	Income Tax Deducted	Income Tax Due	Difference	GST
1.	Bill No. ESL/INV-100825	25.08.2010	24,876,000	870,660	1,492,560	621,900	-
2.	Bill No. ESL/INV-100825	25.08.2010	56,340,000	1,971,900	3,380,400	1,408,500	-
3.	Release of Retention Money Payment	01.11.2010	6,260,000	219,100	375,600	156,500	-

4.	Release of Retention Money Payment	01.11.2010	2,764,000	96,740	165,840	69,100	-
5.	Bill No. ESL/INV-101203	03.12.2010	45,120,000	1,579,200	2,707,200	1,128,000	-
6.	Bill No. ESL/INV-110236	26.03.2011	45,120,000	1,579,200	2,707,200	1,128,000	-
7.	Bill No. ESL/INV-111201	01.12.2011	52,339,200	1,831,872	3,140,352	1,308,480	7,219,145
8.	Bill No. ESL/INV-120112	12.01.2012	24,600,000	861,000	1,476,000	615,000	3,393,080
9.	Bill No. ESL/INV-120112	12.01.2012	17,800,000	623,000	1,068,000	445,000	2,455,155
10.	Bill No. ESL/INV-120112	12.01.2012	20,407,040	714,246	1,224,422	510,176	2,814,805
11.	Bill No. ESL/INV-120402	07.03.2012	52,339,200	1,831,872	3,140,352	1,308,480	7,219,145
12.	Bill No. ESL/INV-	21.06.2012	27,072,000	1,624,320	1,624,320	-	-
13.	Bill No. ESL/INV-120605/0022	05.06.2012	4,513,627	157,977	270,818	112,841	622,565
14.	Bill No. ESL/INV-120605/0022	05.06.2012	5,954,213	208,397	357,253	148,856	821,265
		Total	**385,505,280**	**14,169,484**	**23,130,317**	**8,960,833**	**24,545,160**

Audit observed as under:

i. Income Tax @ 3.5% amounting to Rs. 14.169 million was deducted instead of @ 6% amounting to Rs. 23.130 million, resulting in less recovery of Income Tax amounting to Rs. 8.961 million.

ii. GST amounting to Rs. 24.545 million was claimed by the vendor out of which an amount of Rs. 4.909 million @ 20% was withheld while the balance amount of Rs. 19.636 million was paid to the vendor.

Audit is of the view that less recovery of Income Tax deprived the government from its due receipts.

Audit is also of the view that payment of GST was irregular and unauthorized which resulted in loss to the government.

The management replied that on payments made in 2010-11, Income Tax was deducted @ 3.5% as supply of goods. During 2011-12 GST was imposed by the government and the software was supplied on hardware medium, i.e. CD's/ DVD's and GST was liable to be paid accordingly. The exemption was only for the downloadable products. The GST along with Income Tax (supply of goods) @ 3.5% was deducted from the invoices submitted by M/s Expert Systems. Therefore the payments made against the taxes were as per rules.

The reply was not accepted because the management acquired software licensing services (online activation) and no CDs/DVDs were provided by M/s Expert Systems (Pvt.) Ltd. Therefore, being services, Income Tax @ 6% was required to be deducted during 2010-11 while no GST was required to be paid during 2011-12. This was also evident from HEC's record wherein no GST was paid and Income Tax @ 6% was deducted during 2012-13 confirming that 'online services' were acquired instead of CDs/DVDs.

The DAC was held on 23.01.2015. The management apprised the Committee that the recovery of remaining Income Tax would be made from the balance amount of M/s Expert Systems, retained by HEC. Further, M/s Expert Systems had been requested to provide proof of 80% GST deposited with FBR which would be provided to Audit.

Audit recommends recovery of irregularly paid GST and less recovered Income Tax.

18.4.2 Non-recovery of Income Tax from employees of Karakorum International University - Rs. 12.539 million

The Income Tax Ordinance, 2001 was adopted through the Gilgit-Baltistan Council Income Tax (Adaptation) Act, 2012 and authenticated by the Chairman, Gilgit-Baltistan Council/Prime Minister of Islamic Republic of Pakistan.

Section 2(c) of the Gilgit-Baltistan Council Income Tax (Adaptation) Act, 2012 states that in the Second Schedule, in Part III, after Clause (14), the new Clause shall be added, namely "(15) the tax payable under Part I of the First Schedule by an individual domiciled in Gilgit-Baltistan and deriving income from sources within Gilgit-Baltistan shall be reduced by 50 percent".

Para 2 of the Gilgit-Baltistan Council Secretariat, Islamabad letter No. F.1 (6)/2012/F-II GBC dated 22.01.2013 states that Income Tax deduction from new tax payers was though withheld till 31.12.2012, which may be started w.e.f. 01.01.2013.

The Karakoram International University (KIU), Gilgit did not deduct Income Tax from the salaries of the employees. Details are as under:

(Rs. in million)

S. No.	No. of employees	Financial Year	Income Tax recoverable
1.	146	2012-13 (January-June, 2013)	0.730
2.	181	2013-14	11.809
		Total	**12.539**

Audit observed that Income Tax amounting to Rs. 12.539 million was not deducted at source from the salaries of the employees for the period 01.01.2013 to 30.06.2014.

Audit is of the view that due to non-deduction of Income Tax at source the government was deprived of its due revenue.

The management replied that Income Tax would be recovered from the salaries of the employees.

The reply indicates that the management has accepted the audit observation.

The DAC meeting was held on 20.02.2015. The management informed that the case for deduction of Income Tax had been placed before the Senate of KIU for decision. Audit emphasized that the Income Tax Adoption Act issued by the Gilgit-Baltistan Council did not require any further decision by the University.

Audit recommends that the amount should be recovered and deposited into government treasury besides initiating recovery from the salaries forthwith.

18.4.3 Unauthorized payments of additional remuneration - Rs. 4.246 million

Para 25(d) of the Karakoram International University Order, 2008 states that subject to the provisions of this Order, Statutes to be published in the official Gazette, may be made to regulate or prescribe the scale of pay and other terms and conditions of services of officers, teachers and other University employees.

Para 10(iii) of GFR Volume-I states that no authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

Para 10(v) of GFR Volume-I states that the amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients

The management of Karakorum International University, Gilgit paid Rs. 4.246 million as additional remuneration out of project ‘Social, Economic and Environmental Development’ during 2013-14. Details are as under:

(Rupees)

S. No.	Name	Designation	Amount
1.	Dr. Najma Najam	Vice Chancellor	1,300,180
2.	Mr. Wajid Hussain	Director Finance	577,500
3.	Mr. Shahid Ali	Registrar	950,460
4.	Dr. Abdul Rehman	Technical Representative	472,500
5.	Dr. Salma Durrani	Member Syndicate Committee	472,500
6.	Dr. Saeed Awan		472,500
		Total	**4,245,640**

Audit observed that the officers were paid additional remuneration for their routine duties.

Audit is of the view that payment of additional remuneration was irregular and unauthorized.

The management replied that the employees rendered services on holidays and after office hours to complete the task assigned by the project. The KIU Syndicate approved the policy for payment of additional remuneration to the employees working with other projects in addition to their own duties.

The reply was not accepted because additional remuneration was paid without any rules.

The DAC meeting was held on 20.02.2015. Audit intimated that the funds for the Debt-for-Swap had been utilized without any project documents and without approval, and 70% of the payment had been shared between the six officials of the university, which was irregular.

Audit recommends that the irregular practice be stopped forthwith besides recovery of amount already paid.

18.4.4 *Unauthorized receipt of funds from Debt Swap Program financed by Government of Italy for SEED Project - Rs. 76.857 million*

Item 9(1) of the Schedule II of the Rules of Business, 1973 states the Economic Affairs Division will make assessment of requirements; programming and negotiations for external economic assistance from foreign Governments and organizations.

Section 29 of the Karakoram International University Order, 2008 states that the University shall have a Fund to which shall be credited its income from fees, charges donations, trusts, bequests, endowments, contributions, grants and all other sources.

Para I of the Finance Division O.M. No. F.2(1)-BR-II)/2007-909 dated 30.06.2010 states that for a foreign donor-assisted project, a Revolving Fund Account in respect of donor financing under loan/credit/grant shall be established at a branch of the National Bank of Pakistan, separately from the account to be established for the government's share of project financing (counterpart funds), if any, required. Such account shall be in the nature of Assignment Account.

Para XX of the Finance Division O.M. No. F.2(1)-BR-II)/2007-909 dated 30.06.2010 states that the controlling Ministries/Divisions shall reconcile expenditure on account of Foreign Aid with AGPR and Economic Affairs Division on monthly basis. In case of non-reconciliation by 21st of the following month, AGPR advise the donor through Economic Affairs Division to take appropriate action as per the donor's Financial Management Guidelines.

The management of Karakoram International University (KIU), Gilgit directly signed Collaboration Agreement on 30.03.2009 with Ev-K2-CNR within framework of the Debt Swap Program between the Government of Italy and Pakistan. The Agreement was for Social, Economic and Environmental Development (SEED) Project in Northern Areas and under this project the KIU received Rs. 78.857 million during 2012-14 which was deposited in a bank account No. 02900149, Bank Alfalah, Gilgit. Details are as under:

(Rupees)

S. No.	Cashbook Page	Date	Amount
1.	29	27.07.2012	20,856,624
2.	40	13.05.2013	10,000,000
3.	49	November, 2013	15,000,000
4.	54	February, 2014	11,000,000
5.	56	24.03.2014	20,000,000
		Total	**76,856,624**

Audit observed as under:

i. The KIU signed agreement on 30.03.2009 with Ev-K2-CNR which was a non-government organization registered in Italy but neither the Economic Affairs Division nor Higher Education Commission was involved in signing of the agreement.

ii. The expenditure was neither reported to the Economic Affairs Division nor to AGPR.

iii. The account was opened with Bank Al-falah, Gilgit instead of Assignment Account in the National Bank of Pakistan.

Audit is of the view that funds were received in violation of government rules and instructions.

The management replied that Debt-for-Development Swap program was an approved agreement between Government of Pakistan and Government of Italy and detailed terms and conditions were approved at the appropriate level. The agreement was signed by the government and Ev-K2-CNR, Italy. There was no need to involve any other forum.

The reply was not accepted as the University signed the Agreement on 30.03.2009 with Ev-K2-CNR Committee whereas the management provided a copy of the MoU dated 18.03.2010 which was signed by the Economic Affairs Division and Ev-K2-CNR.

The DAC in its meeting held on 20.02.2015 directed that the record available with the university about the project and its approval may be got verified from Audit. Further, justification for not routing the funds through

Government of Pakistan, i.e. Economic Affairs Division should also be provided to Audit.

Audit recommends that responsibility should be fixed besides taking corrective measures.

18.4.5 Irregular procurement of old buses - Rs. 4.785 million

Rule 25(5)(b) of the Staff Car Rules, 1980 states that for the purpose of condemnation of buses, prescribed life is 8 years, and mileage is 200,000 kilometers.

Rule 12(2) of 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 circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

The management of Karakoram International University (KIU), Gilgit purchased four used buses for Rs. 3.554 million and incurred expenditure of Rs. 1.231 million on repair and maintenance on these buses during 2013-14.

Audit observed as under:

i. Year of manufacture and mileage covered was not mentioned in the correspondence.

ii. According to the list of vehicles provided by the University these buses were of 1996 Model, i.e. more than eight years old.

iii. The buses had completed their useful life both in terms of years and mileage.

iv. Procurement rules did not provide for the purchase of used items.

Audit is of the view that purchase of used buses was irregular and unauthorized.

The management replied that due to increased numbers of students and high cost of new buses the old buses were procured.

The reply indicates that the management has accepted the audit observation.

The DAC in its meeting held on 20.02.2015 directed to place the para before the PAC.

Audit recommends that responsibility should be fixed for the irregularity.

18.4.6 Unauthorized maintenance of twenty three bank accounts - Rs. 209.627 million

Section 29 of the Karakoram International University Order, 2008 states that the University shall have a Fund to which shall be credited its income from fees, charges donations, trusts, bequests, endowments, contributions, grants and all other sources.

Section 30(1) of the Karakoram International University Order, 2008 states that accounts of the University shall be maintained in such form and in such manner as may be prescribed.

The management of Karakoram International University (KIU), Gilgit was maintaining twenty three bank accounts during 2012-14 which had closing balances of Rs. 209.627 million on 30.06.2014. Details are at Annexure-VII.

Audit observed as under:

i. Although there was provision for University Fund but there was no mention in the KIU Order, 2008 about number of bank accounts.

ii. Accounting procedures and Fund rules were not framed.

Audit is of the view that the maintaining the bank accounts without framing Accounting Procedures and Fund rules was irregular and unauthorized.

The management replied that it was obligatory to maintain bank accounts for all developments projects and all other research projects funded by the government or other donor agencies to keep the flow of funds separately under rules.

The reply was not accepted because the management did not frame Accounting Procedures and Fund rules.

The DAC in its meeting held on 20.02.2015 directed to place the para before the PAC.

Audit recommends that Accounting Procedures and Fund rules should be framed.

CHAPTER 19

19.INDUSTRIES AND PRODUCTION DIVISION

19.1 Introduction of Division

Following departments/offices and functions were assigned to Industries and Production Division vide SRO No. 724(I)/2011(F. No. 4-9/2011-Min-I) dated 28.07.2011 and SRO No. 622(I)/2013(F. No. 4-8/2013-Min-I) dated 28.06.2013:

i. National industrial planning and coordination.

ii. Industrial policy.

iii. Employment of foreign personnel in commercial and industrial enterprises.

iv. Federal agencies and institutions for:

   a. promoting industrial productivity;

   b. promoting of special studies in the industrial fields;

   c. testing industrial products.

v. Keeping a watch, from the national angle, over general price trends and supply position of essential commodities; price and distribution control over items to be distributed by statutory orders between the Provinces.

vi. Administration of the Essential Commodities, price control, profiteering and hoarding laws, including distribution controls.

vii. Import and distribution of white oil.

viii. Explosive (excluding the administration of Explosive Substances Act, 1908) and safety measures under the Petroleum Act, 1934 and Rules made thereunder.

ix. Prescription and review of criteria for assessment of spare parts and raw materials for industries.

x. Administration on law on boilers.

xi. Administrative, financial, operational, personnel and commercial matters of Pakistan Garments Corporation.

xii. Ghee Corporation of Pakistan Limited, and Pakistan Edible Oils Corporation Limited.

xiii. National Fertilizer Corporation, Lahore.

xiv. Development of Industries (Federal Control) (Repeal) Ordinance, 1979.

xv. Economic Reforms (Protection of Industries) Regulation, 1972.

xvi. All matters relating to state industrial enterprises, especially in basic and heavy industries, namely:

a. State Engineering Corporation, Karachi.

b. State Cement Corporation, Lahore.

c. Pakistan Automobile Corporation, Karachi.

d. State Petroleum Refining and Petrochemical Corporation, Karachi.

e. Federal Chemical and Ceramics Corporation, Karachi.

f. Pakistan Steel Mills Corporation, Karachi.

g. Pakistan Industrial Development Corporation;

xvii. Any other industrial enterprises assigned to the Division.

19.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Industries and Production for the financial year 2013-14 was Rs. 3,803.768 million including Supplementary Grant of Rs. 1,281.488 million out of which the Division utilized Rs. 2,709.524 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

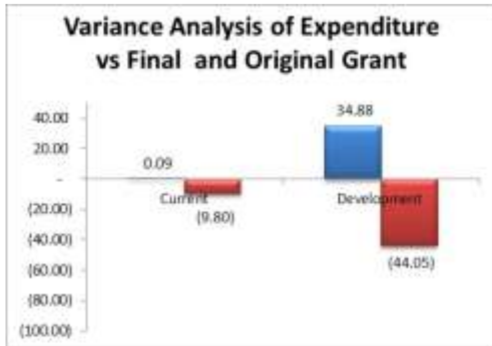
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
51	Current	165,179,000	86,235,000	251,414,000	210,144,718	(41,269,282)	(16.41)
52	Current	12,553,000	1,000	12,554,000	7,902,052	(4,651,948)	(37.06)
52	Current	650,405,000	4,506,000	654,911,000	610,818,865	(44,092,135)	(6.73)
92	Current	86,232,000	-	86,232,000	-	(86,232,000)	(100.00)
	Subtotal	**828,137,000**	**90,742,000**	**918,879,000**	**828,865,635**	**(90,013,365)**	**(9.80)**
147	Development	779,774,000	1,100,004,000	1,879,778,000	1,051,792,773	(827,985,227)	(44.05)
	Total	**2,522,280,000**	**1,281,488,000**	**3,803,768,000**	**2,709,524,043**	**(1,094,243,957)**	**(28.77)**

Audit noted that there was an overall saving of Rs. 1,094.244 million that was mainly due to saving of Rs. 827.985 million in development expenditure.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that ‘Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.’ This document further states that ‘the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.’ During the year, Supplementary Grants of Rs. 1,281.488 million were obtained, which was 50.81% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess in current expenditure was 0.09%, which, after accounting for Supplementary Grants changed to saving of 9.80%. In development expenditure, excess against original budget was 34.88% which changed to savings of 44.05% when Supplementary Grants were taken into account.



19.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Complied	Not - Complied	% of Compliance
Industries	1987-88	2	2	0	2	0%
	1988-89	1	1	0	1	0%
	1989-90	8	8	2	6	25%
	1990-91	4	4	0	4	0%
	1991-92	4	4	4	0	100%
	1992-93	2	2	0	2	0%
	1993-94	20	20	11	9	55%
	1994-95	4	4	1	3	25%
	1995-96	2	2	0	2	0%
	1996-97	1	1	1	0	100%
	1999-00	14	14	13	1	93%
	2000-01	4	4	4	0	100%
	2001-02	5	5	3	2	60%
	2006-07	1	1	1	0	100%
Total		**73**	**73**	**41**	**32**	56%

19.4 AUDIT PARAS

Irregularity & Non Compliance

19.4.1 Irregular transfer of funds from Assignment Accounts - Rs. 8.170 million

Rule 170-B(7) of the Federal Treasury Rules states that no money shall be drawn from the Assignment Account unless it is required for immediate disbursement.

Rule 170-B(8) of the Federal Treasury Rules states that it shall not be permissible to draw the whole amount authorized or part thereof and to place it in a separate account at the treasury or in a commercial bank.

The management of National Productivity Organization (NPO), Islamabad withdrew an amount of Rs. 8.170 million from the Assignment Accounts and deposited it into a commercial bank account during 2012-14. Details are as under:

(Rupees)

S. No.	Description	Cheque No.	Date	Amount
1.	Assignment Account of project ‘Prime Minister Quality Award’	A019036	20.06.2013	1,664,500
2.	Assignment Account of project ‘Energy Efficiency in Steel Sector of Pakistan’	A069329	20.06.2013	2,141,200
3.	Assignment Account ‘NPO Recurring Budget’	A094993	19.02.2014	1,578,000
4.	Assignment Account ‘NPO Recurring Budget’	A120087	25.06.2014	2,786,191
			Total	**8,169,891**

Audit observed that the funds were withdrawn from Assignment Accounts maintained for recurring and development budgets of NPO and deposited into a commercial bank account.

Audit is of the view that withdrawal of funds from Assignment Accounts and their deposit into a commercial bank account was irregular and unauthorized.

The management replied that DDWP of Ministry of Industries and Production in its meeting held in 03.05.2010 approved two projects, i.e. Prime Minister’s Quality Award and Energy Efficiency in Steel Sector of Pakistan with total cost of Rs. 36.990 million and Rs. 47.820 million, respectively. The total approved cost also included 5% service charges for NPO being executing agency of the project. The amount transferred from project accounts amounting to Rs. 3.805 million was the service fee of the projects. As far as transfer of amount of Rs. 4.364 million from Assignment Account to Receipt Account was concerned, NPO transferred the said amount for immediate disbursement of expenditure which was payable for the FY 2013-14. The said amount was not transferred for investment purpose. In view of the audit observation NPO assures that amount will not be transferred from Assignment Account in future.

The reply was not accepted because money was not paid directly to vendors but was transferred into the commercial bank account. Regarding service fee, it is not understood how NPO was entitled to it for implementing its own projects as an executing agency.

The PAO was informed on 02.01.2015 and 16.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity.

19.4.2 Irregular expenditure on conducting energy audits - Rs. 31.185 million

Rule 12(2) of 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 circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

Rule 42(c)(iv) of Public Procurement Rules, 2004 states that a procuring agency shall only engage in direct contracting if repeat orders do not exceed fifteen percent of the original procurement.

The management of National Productivity Organization (NPO), Islamabad published a tender notice on 13.08.2010 for awarding contracts for conducting energy audit of 120 units of textile sector and 30 units of steel sector under development projects. Four firms participated out of which M/s Imperial Associates offered the lowest rates. An amount of Rs. 51.630 million was paid for conducting energy audits of 319 units during 2010-13.

Audit observed as under:

i. Tenders were invited for conducting energy audit of 120 units of textile sector but the contract was signed on 10.06.2010 for conducting energy audit of 100 units of textile sector, while the firm undertook audit of 238 units. Resultantly, energy audit of 138 units of textile sector was carried out in excess of the contract.

ii. Tenders were invited for conducting energy audit of 30 units of steel sector but the contract was signed on 10.06.2010 for conducting energy audit of 75 units of steel sector, while the firm undertook audit of 81 units. Resultantly, energy audit of 51 units of steel sector was carried out in excess of the advertised number of units.

Audit is of the view that the expenditure of Rs. 31.185 million (189 units × Rs. 165,000 per unit) incurred on conducting of energy audit of 189 excess units was irregular and unauthorized.

The management replied that NPO executed two projects, i.e. Energy Efficiency in Steel Sector of Pakistan and Energy Efficiency for Textile Sector in Pakistan. The objectives of the projects were to exploit the energy savings potential of textile and steel sectors to save 5% to 10% energy. According to the PC-I of the project Energy Efficiency for Textile Sector in Pakistan and Energy Efficiency in Steel Sector of Pakistan, 120 textile and 30 steel units had to be energy audited. However, against 120 textile units and 30 steel units in approved PC-I, NPO had shown 235 textile units and 81 steel units within the approved cost. NPO had already initiated an inquiry in the matter against the officials responsible for financial irregularities and the case had also been referred to the Federal Investigation Agency.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 02.01.2015 and 16.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity.

19.4.3 Loss due to purchase of tools by ignoring the lowest bids - Rs. 1.917 million

Rule 2(h)(i)(ii) of Public Procurement Rules, 2004 states that the "lowest evaluated bid" means, a bid most closely conforming to evaluation criteria and other conditions specified in the bidding document; and having lowest evaluated cost.

Rule 36(b)(ix) of Public Procurement Rules, 2004 states that the bid found to be the lowest evaluated bid shall be accepted.

Rule 38 of the Public Procurement Rules, 2004 states that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

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

The management of National Productivity Organization (NPO), Islamabad incurred an expenditure of Rs. 4.182 million on procurement of tools under PSDP project titled ''Energy Efficiency for Steel Sector in Pakistan' during 2010-13. Details are as under:

(Rupees)

S. No.	Items Description	Lowest Rate	Purchase Rate	Difference per Unit	Quantity Purchased	Difference Amount
1.	Portable 3 Phase balanced power analyzer	415,526	1,200,000	784,474	1	784,474
2.	Portable Flue Gas Analyzer	275,000	392,000	117,000	1	117,000
3.	Portable Flue Gas Analyzer	275,000	450,000	175,000	2	350,000
4.	Digital Vane Probe Anemometer	57,000	180,000	123,000	1	123,000
5.	Digital Hygrometer	18,589	98,000	79,411	1	79,411
6.	Ultra Sound Leak Inspection Kit	225,000	325,000	100,000	1	100,000
7.	Ultra Sonic Flow Meter for liquids	270,000	470,000	200,000	1	200,000
8.	Belt Tension Meter	157,000	195,000	38,000	2	76,000
9.	Stroboscope	140,000	227,000	87,000	1	87,000
					TOTAL	**1,916,885**

Audit observed that the procurement was made by ignoring the rates offered by the lowest bidder.

Audit is of the view that due to failure to accept the lowest bid the government was put into a loss of Rs. 1.917 million.

The management replied that in order to conduct energy audit in steel sector, NPO constituted a financial committee to purchase the energy audit tools. The finance committee recommended purchase of selected tools from the lowest bidder. However, the then management of NPO (GM & CEO) decided to purchase all tools from M/s MEACS along with some additional accessories and other requirements of energy audit teams. The financial irregularities in the execution of this project were already under investigation on the recommendations of the Fact Finding Inquiry Committee.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 02.01.2015 and 16.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity.

19.4.4 Non-delivery of deliverables by the Consultant - Rs. 3.094 million

Rule 23(1) of the Public Procurement Rules, 2004 states that procuring agencies shall formulate precise and unambiguous bidding documents that shall be made available to the bidders immediately after the publication of the invitation to bid.

Rule 25 of Public Procurement Rules, 2004 states that the procuring agency may require the bidders to furnish a bid security not exceeding five per cent of the bid price.

Rule 39 of Public Procurement Rules, 2004 states that where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guarantee which shall not exceed ten percent of the contract amount.

The Agreement signed between National Productivity Organization (NPO) and M/s Business Solution dated 09.06.2011 states that the Consultant shall provide its services in the 10-companies (Phase-I) and 10-companies (Phase-II) identified by the Client.

Clause 26(c) of the Agreement dated 09.06.2011 states that in the beginning of Phase-II NPO shall release 30% as Mobilization Advance of the total amount for Phase-II whereby the final payment of 20% of the total amount of the project shall be released by NPO after submission of project reports of selected companies in Phase-II.

Clause 23 of the Agreement dated 09.06.2011 states that the Consultant will complete the entrusted job within three months from the date of signing of this Agreement. Extension up to one month time period for Phase-II of the project may be considered on the basis of the performance of the consultant.

The management of National Productivity Organization (NPO), Islamabad paid Mobilization Advance amounting to Rs. 3.094 million to M/s Business Solution to 'develop at least 10 companies in Phase-II' under PSDP project titled 'Prime Minister's Quality Award (PMQA)', on 11.06.2013.

Audit observed as under:

i. The Consultant did not deliver deliverables of Phase-II even after lapse of 1½ years.
ii. Unsecured Mobilization Advance was paid to the Consultant.
iii. Neither bid security nor the performance guarantee was obtained from the Consultant.

Audit is of the view that the management did not follow the Public Procurement Rules, 2004. Further, undue favor was extended by granting unsecured Mobilization Advance.

Audit is also of the view that payment of unsecure Mobilization Advance to the Consultant without receiving deliverables resulted in loss to the government.

The management replied that it was decided to start Phase-II of PMQA project and directed to process Mobilization Advance of Rs. 3.094 million. However, initiating the second cycle was withheld by the management without considering the advance released to the Consultant. On the recommendations of the Inquiry Committee constituted by the Ministry of Industries and Production, formal proceedings had been initiated against the responsible persons for recovery of the amounts.

The reply indicates that the management has accepted the point of view of Audit.

The PAO was informed on 02.01.2015 and 16.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity besides recovery of the unsecured Mobilization Advance from the Consultant.

19.4.5 Unauthorized retention of four vehicles of closed projects

Rule 3(4) of Staff Car Rules, 1980 states that the Cabinet Division will arrange for the upkeep and maintenance of staff cars which become surplus to the requirements of Minister, Minister of State, Advisors or any other dignitary or office holder or on completion of project.

The management of National Productivity Organization (NPO), Islamabad retained four project vehicles after completion of the projects. Details are as under:

S. No.	Vehicle Number	Make/Model	Capacity	Project	Project Closed on
1.	GW-36	Toyota Corolla (2013)	1300	Prime Minister Quality Award	30.06.2014
2.	GT-90	Toyota Corolla (2009)	1300	Energy Efficiency in Textile Sector	30.06.2013
3.	GV945	Suzuki Cultus (2010)	1000		30.06.2013
4.	GV887	Suzuki Cultus (2010)	1000		30.06.2013

Audit observed that the vehicles were retained in violation of the Staff Car Rules, 1980.

Audit is of the view that the retention of project vehicles after completion of the projects was irregular and unauthorized.

The management replied that in view of the audit observation the case was referred to the Ministry of Industries and Production to take up the matter with the Cabinet Division to proceed further.

The reply indicates that the management has accepted the point of view of Audit.

The PAO was informed on 02.01.2015 and 16.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that vehicles of closed projects should be surrendered to the Cabinet Division.

CHAPTER 20

20. MINISTRY OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION

20.1 Introduction

Following functions were assigned to Information Technology and Telecommunications Division vide SRO No. 226(I)/2010 (F.No.4-4/2007-Min-I) dated 02.04.2010:

i. Preparation of an overall integrated plan as well as formulation of policy for the development and improvement of Information Technology and Telecommunications, including related infrastructure, in Pakistan.

ii. Co-ordination with the Provincial Governments, autonomous bodies, private sector, international organizations and foreign countries in respect of information technology and telecommunications.

iii. Human resource development in the field of information technology and telecommunications.

iv. Promotion of information technology applications.

v. Providing guidelines for the standardization of software for use within the Government.

vi. Planning, policy making and legislation covering all aspects of telecommunications excluding radio and television and issuance of policy directives.

vii. Matters relating to Pakistan Computer Bureau, Pakistan Software Export Board and the Electronic Government Directorate.

viii. All matters relating to National Telecommunication Corporation (NTC), Telecommunications Foundation (TF), Special Communications Organization (SCO), Virtual University (V.U) and Electronic Certification Accreditation Council.

ix. The administration of the Prevention of Electronic Crimes

Ordinance 2007, and the rules made there under.

x. Safeguard interest of Government of Pakistan in entities having public shares or government equity like PTCL, USF Co & ICT R&D Co.

20.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Information Technology and Telecommunications Division for the financial year 2013-14 was Rs. 10,465.560 million including Supplementary Grant of Rs. 6,262.502 million out of which the Division utilized Rs. 7,526.306 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

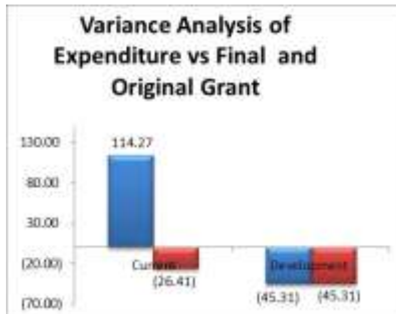
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
59	Current	3,275,965,000	6,262,501,000	9,538,466,000	7,019,292,567	(2,519,173,433)	(26.41)
128	Development	927,093,000	1,000	927,094,000	507,013,022	(420,080,978)	(45.31)
	Total	**4,203,058,000**	**6,262,502,000**	**10,465,560,000**	**7,526,305,589**	**(2,939,254,411)**	**(28.09)**

Audit noted that there was an overall saving of Rs. 2,939.254 million that was mainly due to saving of Rs. 2,519.173 million in current expenditure.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that ‘Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.’ This document further states that ‘the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.’ During the year, Supplementary Grants of Rs. 6,262.502 million were obtained, which was 149.00% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess in current expenditure was 114.27%, which, after accounting for Supplementary Grants changed to saving of 26.41%. In development expenditure, savings against original budget were 45.31% which remains same when Supplementary Grants were taken into account.



20.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Complied	Not - Complied	% of Compliance
Information Technology	2006-07	1	1	1	0	100%
Total		**1**	1	1	**0**	100%

20.4 AUDIT PARAS

Performance

20.4.1 Non-achievement of objectives of the project titled Federal Government Data Centre

The Federal Government Data Centre Project was approved by ECNEC on 27.07.2004 at a cost of Rs. 450.848 million with a completion period of three years. The project was revised in 2007 at an estimated cost of Rs. 493.802 million with a completion period of another three years, i.e. August, 2010. The project was finally closed on 30.06.2014.

The basic objectives of the project were:

i. Establishment of Federal Government Data Center

ii. Basic IT infrastructure at all the Federal Ministries/Divisions

iii. Installation of LAN in 22 Ministries/Divisions

iv. Centralized system for the document repository

v. Establishment of federal employees portal

The facilities to be provided under the project were to lay down the foundation for e-services by government. Data Centre was required to be established which would work as the nerve center for Federal Government Internet and house the building blocks of this network and centralized system for the document repository would be created in order to provide immediate access to federal employees.

The management of the project incurred an expenditure of Rs. 311.624 million up to 30.06.2014.

Audit observed that following objectives were not achieved:

i. Data Centre was not established despite lapse of ten years

ii. The following services were not provided:

   a. Hosting of E-Office Application for all Ministries.
   b. Hosting of Agency Specific applications of all Ministries.
   c. Centralized E-Mail, Internet and Directory Services.
   d. Centralized Help Desk and System Management.
   e. E-Office Replication at all Federal Ministries/Divisions.

Audit is of the view that despite expenditure of Rs. 311.624 million the envisaged objectives of the project were not achieved.

The management replied that the scope of the project was to provide the basic infrastructure to the entire federal government with a centralized data center. The expensive and tough part was to deliver basic IT infrastructure to the federal government. The organization made progress on interconnectivity of all federal government via fiber optic, provision of LAN to the federal government Ministries/Divisions, provision of PCs, printers, human resource, i.e.

network/system administrators to all Ministries/Divisions for operationalization of IT infrastructure. The major component of the project was the establishment of Federal Government Data Center based on outsourced model. The organization was unable to establish the said objective due to variety of reasons.

The reply was not accepted because Data Center was yet to be established despite the fact that ten years had passed since the inception of the project and Rs. 311.624 million were incurred on hardware, networking, human resource, incidental expenditure, etc.

The PAO was informed on 19.11.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the responsibility may be fixed for not achieving the objectives of the project.

CHAPTER 21

21. MINISTRY OF INFORMATION, BROADCASTING AND NATIONAL HERITAGE

21.1 Introduction of Ministry

The Ministry of Information, Broadcasting and National Heritage has been established to produce, disseminate and facilitate the free flow of information to empower the people to participate in nation building and development.

The Ministry of Information, Broadcasting and National Heritage is the apex body for formulation and administration of the rules and regulations and laws relating to information, broadcasting, the press and films in Pakistan.

Following functions has been provided to Ministry of Information, Broadcasting and National Heritage in the Rules of Business, 1973:

1. Policy relating to internal publicity on national matters including the administration of the provisions of the Post Office, Act, 1898 and Section 5(1)(b) of the Telegraph Act, 1885 in so far as they relate to the Press.
2. Broadcasting, including television.
3. Production of films on behalf of Government, its agencies, Government controlled Corporations, etc.
4. Press relations, including delegations of journalists and other information media.
5. Provision of facilities for the development of newspapers industry.
6. (i) Policy regarding government advertisement; control of advertisement and placement;

   (ii) Audit of circulation of newspapers.
7. Administration of the Newsprint Control Ordinance, 1971.
8. National Anthem

9. Liaison and coordination with agencies and media on matters concerning Government policies and activities.
10. Administration of the Information Group.
11. External Publicity.
12. Pakistan National Centers.
13. (i) Administration of:
    a. Pakistan Broadcasting Corporation Act, 1973;
    b. Associated Press of Pakistan (Taking Over) Ordinance, 1961;

    (ii) Matters relating to:
    a. Pakistan Television Corporation;
    b. Shalimar Recording Company.
14. Training facilities for Radio and Television personnel.
15. Special Selection Board for selection of Press Officers for posting in Pakistan Missions abroad.
16. Establishment of tourists centers abroad.
17. Administration of the Newspapers Employees (Conditions of Service) Act, 1973.
18. (i) National Institute of Folk and Traditional Heritage of Pakistan (Lok Virsa).

    (ii) Pakistan National Council of Arts.
19. Cultural pacts and protocols with other countries.
20. International agreements and assistance in the field of archaeology, national museums and historical monuments declared to be of national importance.
21. Federal Land Commission.
22. Quaid-e-Azam Papers Wing.
23. Pakistan Academy of Letters.

24. National Language Authority, Urdu Dictionary Board and Urdu Science Board.

25. National and other languages used for official purposes.

26. Quaid-e-Azam Academy.

27. Aiwan-i-Iqbal and Iqbal Academy Pakistan.

28. Quaid-e-Azam Mazar Management Board;

29. Quaid-e-Azam Memorial Fund.

21.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ministry of Information and Broadcasting for the financial year 2013-14 was Rs. 7,642.575 million including Supplementary Grant of Rs. 1,416.993 million out of which the Division utilized Rs. 7,108.263 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

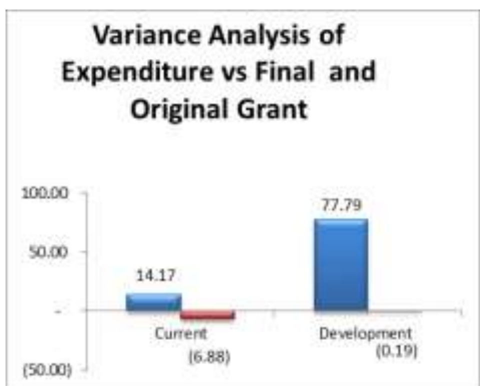
Grant No	Type of Grant	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
53	current	431,195,000	367,515,000	798,710,000	675,783,806	(122,926,194)	(15)
54	current	221,848,000	12,000,000	233,848,000	196,863,059	(36,984,941)	(16)
55	current	438,655,000	214,750,000	653,405,000	630,429,337	(22,975,663)	(4)
56	current	584,657,000	-	584,657,000	610,708,748	26,051,748	4
58	current	4,514,727,000	805,150,000	5,319,877,000	4,954,474,900	(365,402,100)	(7)
	sub-Total	**6,191,082,000**	**1,399,415,000**	**7,590,497,000**	**7,068,259,850**	**(522,237,150)**	**(7)**
126	Development	22,500,000	17,578,000	40,078,000	40,002,672	(75,328)	(0)
136	Development	12,000,000	-	12,000,000	-	(12,000,000)	(100)
	sub-Total	**34,500,000**	**17,578,000**	**52,078,000**	**40,002,672**	**(12,075,328)**	**(23)**
	Total	**6,225,582,000**	**1,416,993,000**	**7,642,575,000**	**7,108,262,522**	**(534,312,478)**	(7)

Audit noted that there was an overall savings of Rs. 534.312 million, which was due to savings of Rs. 522.237 million in current grants.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that ‘Ministries/Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.’ This document further states that ‘the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.’ During the year, Supplementary Grants of Rs. 1,416.993 million were obtained, which was 22.76% of the original allocation.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess in current expenditure was 14.17%, which, after accounting for supplementary grant changed to savings of 6.88%. In development expenditure, excess against original budget was 77.79%, which, after accounting for supplementary grant changed to savings of 0.19%.



21.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Information, Broadcasting and National Heritage	1987-88	1	1	1	0	100%
	1988-89	1	1	0	1	0%
	1989-90	3	3	2	1	67%
	1990-91	2	2	2	0	100%
	1991-92	1	1	1	0	100%
	1992-93	4	4	3	1	75%
	1993-94	8	8	2	6	25%
	1994-95	2	2	1	1	50%
	1995-96	5	5	3	2	60%
	1997-98	32	32	15	17	47%
	1996-97	16	16	0	16	0%
	1999-00	41	41	16	25	39%
	2001-02	8	8	7	1	88%
	2005-06	15	15	6	9	40%
	2006-07	5	5	4	1	80%
	2007-08	7	7	1	6	14%
	2008-09	2	2	1	1	50%
Total		**153**	**153**	**65**	**88**	42%

21.4 AUDIT PARAS

Irregularity & Non Compliance

21.4.1 Irregular payment and verification of advertisement claims of electronic media - Rs. 250.373 million

Serial No. 16(6)(i) of Rule 3(3) of Schedule-II of Rules of Business, 1973 states that the Ministry of Information, Broadcasting and National Heritage Division is responsible for policy regarding government advertisement, control of advertisement and placement.

The Ministry of Information and Broadcasting vide letter No. F.4-10/84-Advt dated 16.07.1984 approved a formula for fixation/revision of government advertisement rates of newspapers/periodicals borne on the Central Media List.

The Press Information Department verified claims amounting to Rs. 233.523 million of advertisement on electronic media relating to various

Ministries/Divisions and Departments and incurred an expenditure of Rs. 16.850 million during 2013-14.

Audit observed as under:

i. The management did not devise any electronic media policy for government advertisements.

ii. The management did not prepare any formula for fixation/revision of government advertisements on electronic media as approved in the case of print media.

iii. The management did not have any mechanism to verify the transmission time/duration of transmission telecast/transmitted by electronic media.

Audit is of the view that in the absence of approved policy/rates verification of advertisement claims was irregular and unauthorized.

The management replied that the Directorate of Electronic Media Publication had prepared a Summary for fixation/revision of government advertisement rates for electronic media which had already been forwarded to Ministry of Information, Broadcasting & National Heritage for approval.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 11.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the electronic media policy may be got approved and claims should be verified after the approval of the policy/rates.

21.4.2 Non-obtaining of revised authorization of vehicles from the Cabinet Division and expenditure thereof - Rs. 14.756million

Serial No. (xv) of Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011 states that the Ministries/Divisions/Departments needing operational vehicles shall get their authorization of such vehicles fixed from the Vehicle Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division /Department.

Para 5 of Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011 states that vehicles which will become surplus due to enforcement of the monetization policy shall be surrendered to the Cabinet Division Central Pool of Cars, immediately

The management of Press Information Department was maintaining a fleet of 30 vehicles at Headquarters, Islamabad for operational/general duty and incurred an expenditure of Rs. 11.649 million on POL and Rs. 2.707 on repair and maintenance.

Audit observed that the management did not obtain the authorization from the Vehicle Committee of the Cabinet Division.

Audit is of the view that usage of vehicles without obtaining authorization from the Vehicle Committee was irregular and unauthorized.

The management replied that the matter for authorization had been sent to the Ministry vide letter No. F.4(119)/2012-13 dated 08.07.2014.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 11.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that revised authorization may be obtained from the Vehicle Committee.

21.4.3 Irregular award of advertising work without competition - Rs. 140.113 million

Para 2(I) of Ministry of Informational and Broadcasting letter No. F.15(77)/ 96.Adv dated 23.05.1997 states that selection and appointment of advertising agencies may be made through open and transparent competition in consultation with the Press Information Department whose participation in the process will be meaningful and effective.

The management of Press Information Department paid an amount of Rs. 140.114 million for advertising work to the following advertising agencies during 2013-14:

(Rupees)

S. No.	Advertising Agency	Amount
1.	Adgroup (Pvt) Ltd. Islamabad	15,666,178
2.	Adgroup (Pvt) Ltd. Islamabad	9,953,005
3.	Adgroup (Pvt) Ltd. Islamabad	9,828,781
4.	Adreach (Pvt) Ltd. Islamabad	65,461,389
5.	M. Communication (Pvt) Ltd. Islamabad	39,204,541
	Total	**140,113,894**

Audit observed that the work was awarded without open competition.

Audit is of the view that due to failure to adopt open competition the government was deprived of the benefit of competitive rates.

The management did not reply.

The PAO was informed on 11.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides discontinuing the irregular practice.

21.4.4 Status of Quaid-i-Azam Papers not clear

Rule 5(1) of Rules of Business, 1973 states that no important policy decision shall be taken except with the approval of the Prime Minister.

In accordance with para 5 of the Summary submitted by the Secretary, Ministry of Culture and Tourism on 29.12.1990, the Quaid-i-Azam Papers (QAP) was approved as a project for a period of six years and Dr. Zawar Hussain Zaidi was appointed as Editor-in-Chief.

Audit observed as under:

i. The Quaid-i-Azam Papers was functioning as a Wing of the Ministry of Information, Broadcasting and National Heritage without the approval of the Prime Minister/Cabinet Division declaring the project as a Wing.

ii. All employees were working on contract basis.

iii. Service Rules were not framed.

iv. From May, 2009 to May, 2011, the Editor-in-Chief was appointed in MP-II scale, which was irregular if the Quaid-i-Azam Papers was a Wing of the Ministry.

v. Funds were allocated through the current budget and were transferred into an Assignment Account maintained in NBP, Main Branch, Islamabad.

Audit is of the view that the status of Quaid-i-Azam Papers was not clear.

The management replied that the organization was established in 1990 under the administrative control of the Ministry of Culture initially for a period of six years, which was extended for another five years. The organization was to be converted into an autonomous body but unfortunately its status could not be determined owing to the decision of the Supreme Court regarding the status of the autonomous bodies constituted through Resolutions.

The reply indicates that the management has accepted the audit observation.

The DAC in its meeting held on 30.01.2015 directed to pursue the case with the Establishment Division. The management informed that a reference had been forwarded to the Management Services Wing in August, 2014 to ascertain the status of the organization and merger with the Quaid-i-Azam Academy. Certain queries raised by the MS Wing had been responded in January, 2015.

Audit recommends that the status of the organization should be determined.

21.4.5 Loss due to non-deposit of cost of extra prints by importers of foreign films - Rs. 3.128 million

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

Para 26 of GFR Volume-I states that subject to any special arrangement that may be authorized by competent authority with respect to any particular class of receipts, it is the duty of the departmental Controlling Officers to see that all sums due to Government, are regularly and promptly assessed, realized and duly credited in the Public Account.

The management of Central Board of Film Censor (CBFC), Islamabad was charging Rs. 20,000 as fee from importers of foreign films for issuing censorship certificate and Rs. 8,000 for each extra print of film.

Audit observed that every film importer was required to submit an affidavit showing total number of prints imported. As per affidavits submitted by importers, 35 Indian films with 349 extra prints and 15 English films with 42 extra prints were imported. But fee @ Rs.8,000 for each extra print was not deposited by the importers. Thus, the management extended undue favour to importers. Details of extra prints are given in the following table:

(Rupees)

S. No.	Type of films imported	Total No. of extra prints	Fee not charges @ Rs.8,000 each print
1.	Indian Films	349	2,792,000
2.	English Films	42	336,000
	Total	**391**	**3,128,000**

Audit is of the view that lack of proper controls and non-exercising of due diligence by the management caused loss of Rs.3.128 million to national exchequer.

The management replied that show cause notices/reminders have been issued to the importers for recovery of verification fee.

The reply is not acceptable because it was the responsibility of the management to collect fee @ Rs. 8,000 for each extra print of imported film at the time of issuance of censorship certificate, but it was not done despite clear mentioning of extra prints in the affidavits.

Audit recommends that the recovery be made immediately from the importers and deposited into Government Treasury besides fixing responsibility against the defaulters.

21.4.6 Actual number of prints of 37 imported films not known

Rule 10 (2) (b) (iii) of Censorship of Films Rules, 1980 provides that every importer of foreign films should submit an affidavit showing total number of prints imported by him.

The management of CBFC Islamabad issued censorship certificates to importers of foreign films during 2008-09 to 2012-2013. Details are as under:

S. No.	Film	Language	Importer	S. No.	Film	Language	Importer
1.	Drive angry	Dubbed in Urdu	Sh. Atif Rasheed	**19.**	Dhobi Ghat	Urdu	Sh. Atif Rasheed
2.	Desi Boyz	-do-	-do-	**20.**	Always Kabhi Kabhi	-do-	-do-
3.	Love you Mr. kalar kahar	-do-	-do-	**21.**	Thank You	-do-	-do-
4.	Zindagi Na mele ge	-do-	-do-	**22.**	Hay Wire	English	Abdul Khaliq Ch.
5.	Green Hornet	English	-do-	**23.**	Expendables-2	-do-	-do-
6.	Ready	Urdu	-do-	**24.**	Aiyyaa	Urdu	-do-
7.	No one killed Jessica	-do-	-do-	**25.**	Buddah Hoga Tera Baap	-do-	-do-
8.	Mechanic	English	-do-	**26.**	Double Dhamal	-do-	-do-
9.	Crook	Urdu	-do-	**27.**	The Twilight Saga-Breaking Dawn	English	-do-
10.	House Full-2	-do-	-do-	**28.**	Three Musketeers	-do-	-do-
11.	Heroine	-do-	-do-	**29.**	Cloud Atlas	-do-	-do-
12.	Cocktail	-do-	-do-	**30.**	Oh My God	Urdu	-do-
13.	Murder-2	-do-	-do-	**31.**	Man on a Ledge	English	-do-
14.	Agent Vinod	-do-	-do-	**32.**	Kahani	Urdu	-do-
15.	Mausam	-do-	-do-	**33.**	Step up-4 Revolution	English	-do-
16.	Merey Brother Ki Dulhan	-do-	-do-	**34.**	The women in Black	-do-	-do-
17.	Rock Star	-do-	-do-	**35.**	Tanu Weds Manu	Urdu	Fraz Ahmed Ch
18.	RA-One	-do-	-do-	**36.**	Loot	Urdu	-do-
				37.	Blood Money	-do-	Khalid Pervez

Audit observed that the total number of prints of each film was not mentioned in the affidavits submitted by the importers. Audit was, therefore, not in a position to examine whether the requisite amount of fee for each additional print was deposited by the importers or not.

Audit is of the view that the management of CBFC, Islamabad extended undue favour to importers thereby causing loss to national exchequer.

The management replied that each film had been presented to the CBFC for censorship. The importers could not incorporate the details of prints erroneously in Affidavits.

The reply was not accepted because it was the responsibility of the management to check the total number of prints of each film in the affidavits and demand charges for extra prints, if any, before issuing censorship certificates which was not done.

Audit recommends that the matter be investigated at appropriate level and responsibility be fixed for causing loss to national exchequer.

21.4.7 Unauthorized payment of honoraria to the Chairman and Members - Rs. 3.840 million

Section 9 of Pakistan Electronic Media Regulatory Authority (Amendment) Act, 2007 states that the Chairman and Members shall be paid such emoluments as the President of Pakistan may determine and shall not be varied to their disadvantage during their term of office.

The management of Pakistan Electronic Media Regulatory Authority paid an amount of Rs. 3.840 million as Honoraria/Meeting Allowance to the Chairman and Members @ Rs. 40,000 per meeting during 2013-14.

Audit observed that the Honoraria/Meeting Allowance was not approved by the President of Pakistan as required under Section 9 of Pakistan Electronic Media Regulatory Authority Ordinance, 2002 as amended by the PEMRA (Amendment) Act, 2007.

Audit is of the view that payment of Honoraria/Meeting allowance without approval of the President of Pakistan was irregular and unauthorized.

The management replied that Summary had been initiated for the President of Pakistan under Section 9 of the PEMRA Act, 2007 to fix the emoluments/ meeting fee & expenses to be paid to the Chairman and Members.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 11.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the irregularly paid amount may be recovered.

21.4.8 Irregular re-imbursement of petrol for private vehicles - Rs. 13.716 million

Rule 2(x) of Rules for the Use of Staff Cars, 1980 states that Entitled Officer means officers of Grade 22, 21 & 20 of the Federal Government borne on the sanctioned Establishment of a Division or an Organization under its administrative control.

The Pakistan Electronic Media Regulatory Authority in its 84th meeting held on 06.05.2013 approved the POL ceiling for PEMRA officers.

The management of PEMRA paid Rs. 13.716 million as monthly POL entitlement to officers equivalent to BS-17 and BS-18 for their personal vehicles. Details are as under:

(Rs. in million)

S. No.	Designation	Monthly ceiling	No. of officers	Amount
1.	Deputy General Manager PS-8 (BS-18)	150 litres	29	5.220
2.	Assistant General Manager PS-7 (BS-17)	120 litres	59	8.496
			Total	**13.716**

Audit observed that provision of POL for personal vehicles to the non-entitled officers of BS-17 and 18 was not covered under the rules.

Audit is of the view that provision of petrol for personal vehicles was irregular and unauthorized and resulted in loss of Rs. 13.716 million.

The management replied that in the light of recommendations of DAC, action was initiated and re-imbursement of petrol had been discontinued and Conveyance Allowance had been restored with the approval of the Authority in light of Section 11 and 14 of PEMRA Act, 2007.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 11.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that irregularly paid amount should be recovered from the beneficiaries.

CHAPTER 22

22.INTERIOR DIVISION

22.1 Introduction of Division

The Ministry of Interior plays a significant role to make the Islamic Republic of Pakistan a country where rule of law reigns supreme; where every Pakistani feels secure to lead a life in conformity with his religious beliefs, culture, heritage and customs; where a Pakistani from any group, sect or province respects the culture, traditions and faith of others, where every foreign visitor feels welcome and secure.

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 forces to provide protection to the common man. It also deals in issuance of national identity cards and passports.

The departments attached with the Ministry of Interior are:

- Central Jail Staff Training Institute
- Civil Armed Forces
- Directorate General Civil Defence
- Federal Investigation Agency
- Immigration & Passports
- Islamabad Capital Territory
- National Police Foundation
- National Response Center for Cyber Crimes

The autonomous bodies of the Ministry of Interior are:

- National Alien Registration Authority
- National Database and Registration Authority
- National Police Academy

- National Counter Terrorism Authority

Following functions were transferred to the Interior Division vide Cabinet Division Notification No. 4-17/2010-Min-1 dated 02.12.2010:

i. Mainstreaming population factor in development planning process in ICT.

ii. Management and distribution of Zakat and Ushr in ICT and the related/ancillary matters, including distribution, setup and monitoring/ auditing thereof.

22.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Interior Division for the financial year 2013-14 was Rs. 8,412.323 million including Supplementary Grant of Rs. 1,734.836 million against which the Division utilized Rs. 5,793.928 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
61	Current	603,430,000	53,123,000	656,553,000	572,257,905	(84,295,095)	(12.84)
62	Current	5,929,428,000	356,337,000	6,285,765,000	6,089,760,689	(196,004,311)	(3.12)
63	Current	1,222,332,000	467,731,000	1,690,063,000	1,371,089,067	(318,973,933)	(18.87)
64	Current	32,363,299,000	1,476,000,000	33,839,299,000	37,792,503,404	3,953,204,404	11.68
65	Current	6,244,720,000	68,000,000	6,312,720,000	6,617,308,230	304,588,230	4.82
66	Current	1,485,097,000	113,000,000	1,598,097,000	1,545,149,880	(52,947,120)	(3.31)
67	Current	14,495,005,000	662,588,000	15,157,593,000	14,688,640,251	(468,952,749)	(3.09)
68	Current	2,802,814,000	345,423,000	3,148,237,000	3,073,839,137	(74,397,863)	(2.36)
68A	Current	-	1,681,710,000	1,681,710,000	1,482,059,257	(199,650,743)	(11.87)
	Subtotal	**603,430,000**	**1,734,833,000**	**2,338,263,000**	**2,054,317,162**	**(283,945,838)**	**(12.14)**
130	Development	6,074,057,000	3,000	6,074,060,000	3,739,620,609	(2,334,439,391)	(38.43)
	Total	**6,677,487,000**	**1,734,836,000**	**8,412,323,000**	**5,793,937,771**	**(2,618,385,229)**	**(31.13)**

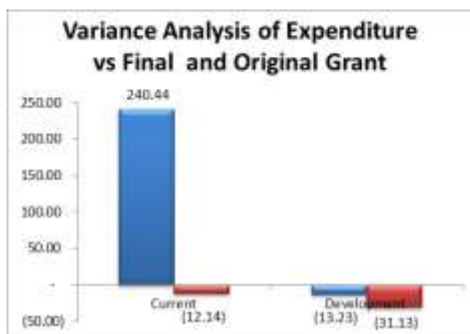
Audit noted that there was an overall saving of Rs. 2,618.385 million, which was due to savings of Rs. 2,334.439 million in Development Grant No. 130.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that ‘Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for

Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 1,734.836 million were obtained, which was 25.98% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess in current expenditure was 240.44%, which, after accounting for Supplementary Grants changed to savings of 12.14%. In development expenditure, savings against original budget were 13.23% which increased to 31.13% when Supplementary Grants were taken into account.



22.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Interior	1987-88	2	2	2	0	100%
	1989-90	7	7	1	6	14%
	1990-91	4	4	4	0	100%
	1991-92	28	28	27	1	96%
	1992-93	20	20	20	0	100%
	1993-94	13	13	6	7	46%
	1994-95	21	21	13	8	62%
	1995-96	3	3	3	0	100%
	1996-97	1	1	1	0	100%

	1999-00	110	110	95	15	86%
	2001-02	21	21	0	21	0%
	2005-06	21	21	12	9	57%
	2006-07	9	9	1	8	11%
	2007-08	5	5	1	4	20%
	2008-09	11	11	8	3	73%
	Total	**278**	**278**	**196**	**82**	71%

22.4 AUDIT PARAS

Non Production of Record

22.4.1 Non production of record of Secret Service Expenditure

Section 14(2) of the Auditor General Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of the Auditor General Ordinance, 2001 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.

The management of National Crises Management Cell (NCMC) and its Liaison Offices at Karachi, Peshawar and Quetta did not provide the following record despite repeated requests:

i. Cashbook
ii. List of bank accounts, bank statements
iii. Vouchers of expenditure
iv. Acknowledgment of payments
v. Files of sanction of expenditure
vi. Employees list and Payrolls
vii. Stock Registers
viii. Record of vehicles

ix. Reconciliation with AGPR and banks

x. Statement of receipt and expenditure other than government funding

xi. Record relating to contingent paid employees

xii. Physical verification report

xiii. List of monetized vehicles and their record

xiv. Record relating to visits abroad

Audit is of the view that due to non-production of record the authenticity of the expenditure could not be ascertained.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of the Auditor General of Pakistan.

22.4.2 Non production of record of Secret Service Expenditure by Commission of Inquiry on Enforced Disappearances, Islamabad - Rs. 27.515 million

Section 14(2) of the Auditor General Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of the Auditor General Ordinance, 2001 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.

The management of National Crisis Management Cell, Islamabad placed an amount of Rs. 27.515 million at the disposal of the Commission of Inquiry on Enforced Disappearances, Islamabad during 2010-13. Details are as under:

(Rupees)

S. No.	Financial Year	Cheque No.	Date	Amount
1.	2010-11	775362	23.07.2010	402,0000
2.		775374	02.08.2010	118,000
3.		775385	17.08.2010	289,250
4.		1700714	29.09.2010	100,000
5.		1700728	12.10.2010	11,395
6.		4477053	02.12.2010	303,500
7.		4477080	31.12.2010	255,650
8.		775777	29.06.2011	697,500
9.		775778	29.06.2011	220,000
10.	2011-12	774556	09.03.2012	11,500,000
11.	2012-13	715264	17.09.2012	3,000,000
12.		582061	10.01.2013	7,000,000
			Total	**27,515,295**

Despite repeated requests the following record was not produced to Audit:

i. Cashbook
ii. List of bank accounts, bank statements
iii. Vouchers of expenditure
iv. Acknowledgment of payments
v. Files of sanction of expenditure
vi. Employees list and Payrolls
vii. Stock Registers
viii. Record of visits abroad
ix. Record of vehicles
x. Reconciliation with AGPR and banks

Audit is of the view that due to non-production of record the authenticity of the expenditure could not be ascertained.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of the Auditor General of Pakistan.

22.4.3 Non provision of supporting vouchers - Rs. 37.580 million

Section 14(2) of the Auditor General Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of the Auditor General Ordinance, 2001 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.

Para 4(iv) of the Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. Further the total expenditure has not exceeded the allotment sanctioned for the purpose. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

The management of National Crisis Management Cell withdrew cash amounting to Rs. 37.580 million for operational expenses during 2010-13 through 203 transactions from bank account No. 001759, National Bank of Pakistan, S-Block Branch, Pak Secretariat, Islamabad. Details are as under:

(Rs. in million)

S. No.	Financial Year	No. of transactions	Amount
1.	2010-11	92	11.541
2.	2011-12	61	15.962
3.	2012-13	50	10.077
	Total	**203**	**37.580**

Audit observed that disbursement vouchers, invoices, bills, acknowledgements and specific tasks/assignments for which payments were made were not provided to Audit.

Audit is of the view that in the absence of supporting record the authenticity of the expenditure could not be ascertained.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of the Auditor General of Pakistan.

22.4.4 Non production of record of hiring the services of private persons - Rs. 1.224 million

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

The management of National Forensic Science Agency (NFSA) incurred an expenditure of Rs. 1.224 million on hiring the services of private persons during 2010-13. Details are as under:

(Rupees)

S. No.	Period	Amount
1.	2010-11	960,000
2.	2011-12	189,333
3.	2012-13	75,000
	Total	**1,224,333**

Audit observed that the expenditure was charged to object A-03919 ‘Payments to Others for Services Rendered’, but the management did not provide the record of hiring the services of these persons during 2010-13.

Audit is of the view that due to non-production of record the authenticity of the expenditure could not be ascertained, i.e. what type of services were rendered, which authority directed to hire the services and what procedure was adopted to hire the services.

The management replied that the services were hired in the light of Serial No. 27 of System of Financial Control and Budgeting, 2006. All formalities for hiring the services of these persons were fulfilled.

The reply was not accepted because no record was produced to Audit.

The PAO was informed on 08.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of the Auditor General of Pakistan.

22.4.5 Non-production of record of purchase of uniforms - Rs. 13.898 million

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

The management of Orakzai Scouts incurred expenditure amounting to Rs. 13.898 million under the head Purchase of Uniforms and Liveries during 2007-12. Details are as under:

(Rupees)

S. No.	Year	Amount
1.	2007-08	2,781,988
2.	2008-09	3,307,123
3.	2009-10	6,029,486
4.	2010-11	1,741,751
5.	2011-12	37,467
	Total	**13,897,815**

Audit observed that the record relating to purchase of uniforms was not produced for scrutiny.

Audit is of the view that in the absence of record the authenticity of the expenditure could not be ascertained.

The management did not reply.

The PAO was informed on 22.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of the Auditor General of Pakistan.

Irregularity & Non Compliance

22.4.6 Irregular collection of arms licenses fee by NADRA - Rs. 605.252 million

Article 70 of the Constitution of Islamic Republic of Pakistan, 1973 states that the custody of the Federal Consolidated Fund, the payment of moneys into that Fund, the withdrawal of moneys therefrom, the custody of other moneys received by or on behalf of the Federal Government, their payment into, and withdrawal from, the Public Account of the Federation, and all matters connected with or ancillary to the matters aforesaid shall be regulated by Act of [Majlis-e-Shoora (Parliament)] or, until provision in that behalf is so made, by rules made by the President.

Section 11 of the [Pakistan] Arms Ordinance, 1965 states that government may, from time to time, by notification in the official gazette, make rules to determine the officers by whom, the form in which, and the terms and conditions on and subject to which any licence shall be granted, or renewed, and may by such rules among other matters, i.e. fix a fee payable by stamp or otherwise in respect of any such licence.

The Ministry of Interior authorize National Database & Registration Authority (NADRA) for issuance and renewal of computerized arms licences to the residents of Pakistan w.e.f. 04.10.2010. NADRA collected an amount of Rs. 605.252 million as arms licence fee.

Audit observed that NADRA collected the arms licence fee/renewal fee in the absence of rules, as required under Section 11 of the [Pakistan] Arms Ordinance, 1965.

Audit is of the view that collection of arms licence fee/renewal fee by NADRA was irregular and unauthorized.

The management did not reply.

The PAO was informed on 08.12.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that proper rules should be framed in order to authorize NADRA to collect the fee on behalf of the government. The fee collected without authority should be deposited into the government treasury.

22.4.7 Irregular retention of government receipt and interest - Rs. 162.847 million

Rule 7(1) of FTR Volume-I states that all moneys received by or tendered to government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury and shall be included in the Federal Consolidated Fund of the Federal Government. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The government share of 90,978 prohibited bore and 154,843 non-prohibited bore licence fee/penalty collected by NADRA from 04.10.2010 to 22.09.2014 was Rs. 605.252 million.

Audit observed as under:

i. An amount of Rs. 442.405 million was deposited by NADRA into the treasury up to 10.09.2014 while remaining government share amounting to Rs. 162.847 million was retained by NADRA. Details are as under:

(Rupees)

S. No.	Total Government Share	Date of Deposit	Amount	Outstanding Amount
1.	605,251,880	17.06.2013	215,000,000	162,847,380
2.		19.07.2013	214,000,000	
3.		10.09.2014	13,404,500	
	605,251,880		**442,404,500**	**162,847,380**

ii. The interest earned was also not deposited into the government treasury.

Audit is of the view that non-deposit of government share along with interest earned deprived the government of its due receipt.

The management did not reply.

The PAO was informed on 08.12.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that the government share of arms licence fee along with interest earned should be deposited into the government treasury.

22.4.8 Unauthorized retention of six vehicles without authorization and expenditure thereof - Rs. 2.679 million

Para-xv of Annexure to the Cabinet Division No.6/7/2011-CPC dated 12.12.2011 states that the Ministries/Divisions/Departments needing operational vehicles shall get their authorization of such vehicles fixed from the Vehicle

Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division/Department.

Para 3 of Cabinet Division authorization U.O. dated 23.02.2012 states that all other vehicles, in excess of authorized vehicles being used for Protocol/General/Operational duties may immediately be surrendered to the Cabinet Division, Central Pool of Cars by 01.03.2012.

The Secretary, Ministry of Interior vide Appendix-VIII of monetization policy certified that the Ministry of Interior was not in possession of any vehicle in excess of its revised authorization strength of General/Operational duty vehicles or using any project vehicle or any vehicle of an organization or body corporate .

The Cabinet Division vide U.O. No. 2/17/2011,CPC dated 23.02.2012 authorized seven vehicles to the Ministry of Interior for Protocol/General/ Operational duties. Details are as under:

S. No.	Engine Capacity	No. of Vehicles
1.	1300cc Car	2
2.	800/1000cc Vehicle	4
3.	Hiace Van up to 3000cc	1

The Ministry of Interior was maintaining 11 vehicles with engine capacity ranging from 800cc to 2400cc for Protocol/General/Operational duties.

Audit observed that six vehicles having engine capacity ranging from 2000cc to 2400cc were being maintained in disregard of the authorization for Protocol/General/Operational duties of Ministry of Interior. An amount of Rs. 2.679 million was incurred on purchase of POL and repair/maintenance of the vehicles during 2013-14. Details are as under:

(Rupees)

S. No.	Vehicle No.	Make & Model	Engine Capacity	Nature of duty	Expenditure		Total
					POL	Repair	
1.	GV-066	Honda Civic, 2009	1800 CC	Operational duty	331,619	382,291	713,910
2.	IDP-888	Toyota Corolla, 2006	1600 CC	Operational duty	162,359	101,775	264,134
3.	GP-502	Toyota Corolla, 2.OD, 2002	2000 CC	Operational duty	297,721	68,970	366,691
4.	GP-501	Toyota Corolla, 2.OD, 2002	2000 CC	Protocol/ Operational	274,094	101,383	375,477

				duty			
5.	X-68-3954	Toyota Pickup, 2009	2000 CC	General duty	434,702	70,970	505,672
6.	IDP-7080	China Pickup, 2008	2000CC	General duty	407,555	46,001	884,730
				Total	**1,908,050**	**771,390**	**2,679,440**

Audit is of the view that retention and maintenance of vehicles without authorization from the Cabinet Division was irregular and unauthorized.

The management replied that due to law & order and security situation in the country the Ministry of Interior requested the Cabinet Division vide O.M. No. 6/1/2011-12(G&P) dated 09.03.2012 for retention of six vehicles having different engine capacity on the pool of the Ministry of Interior for operational duties. The Cabinet Division vide their O.M. No. 6/7/2011-CPC dated 03.02.2012 informed that 1300cc vehicles were almost of old models and not adequately suitable for protocol duties. Further, the Cabinet Division vide O.M. No. 2/17/2011-CPC dated 16.04.2012 informed that the case for retention of excess vehicles would be considered in the meeting of Vehicles Authorization Committee whenever the meeting of that committee was convened. The decision of the Committee had still not been received. Therefore, in the light of audit observation the excess vehicles would be surrendered to the Cabinet Division and Audit would be informed accordingly. Further, case for re-allocation and authorization of additional vehicles would be taken up with the Cabinet Division separately.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 08.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that excess vehicles may be surrendered to the Cabinet Division immediately.

22.4.9 Irregular and unauthorized payment of honorarium - Rs. 2.112 million

Rule 28(2) of FTR Volume-I states that a government officer supplied with funds for expenditure shall be responsible for such funds until an account of them has been rendered to the satisfaction of the Accountant General and of the Audit Officer concerned. He shall also be responsible for seeing that payments are made to persons entitled to receive them.

The Ministry of Interior paid an amount of Rs. 2.112 million as honorarium to 223 employees not drawing their salaries from the budget of the Ministry of Interior.

Audit observed that the payment was made to the staff belonging to the other offices like AGPR, Financial Advisor/Deputy Financial Advisor, CDA, Frontier Constabulary/Rangers, Police, etc. who were not entitled to receive honorarium from the budget of the Ministry of Interior.

Audit is of the view that payment of honorarium to the employees of other offices was irregular and unauthorized.

The management replied that according to Serial No. 17 and 18 of System of Financial Control & Budgeting, 2006 the Principal Accounting Officer had full powers to grant honorarium up to the level of Section Officer and equivalent, and there was no restriction on such payment to officers/officials of subordinate offices. However, in future all recommendations of attached departments would be sent to the respective departments for grant of honorarium to their employees from their own budget.

The reply was not accepted because Audit did not question the authority of the Principal Accounting Officer to grant honorarium. Rather, Audit had objected on payment of honorarium to the employees of other departments, which were not subordinate offices of the Ministry of Interior. Audit reiterates that payment of honorarium to employees of other departments was irregular and unauthorized.

The PAO was informed on 08.12.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility should be fixed for the irregularity beside discontinuation of the irregular practice.

22.4.10 Irregular appointments/re-employment on contract - Rs. 8.197 million

Establishment Division O.M. No. 10/52/95-R.2 dated 18.07.1996 as amended from time to time states that the period of contract should not exceed two years and the post should be advertised.

Establishment Division vide letter No. 7/3/89-OMG-II dated 28.01.1989 has laid down the following criteria for re-employment of government servants:

i. Non availability of suitably qualified or experienced officers to replace the retiring officer.

ii. The officer is a highly competent person with distinction in his profession/field.

iii. The re-employment does not cause a promotion block; and

iv. Retention of the retiring officer, for a specified period, is in the public interest.

The O.M. further states that re-employment beyond the age of superannuation in all cases requires the approval of the Prime Minister.

The management of National Crisis Management Cell (NCMC), Ministry of Interior, Islamabad re-employed/appointed 36 officers/officials on contract basis.

Audit observed that appointments/re-employment were made without considering the laid down criteria and without the approval of the Prime Minister.

Audit is of the view that appointments/re-employment without adopting laid down criteria were irregular and unauthorized.

The management did not reply.

The PAO was informed on 08.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

22.4.11 Irregular and unauthorized use of 19 vehicles and expenditure thereof - Rs. 4.317 million

Para-xv of Annexure to Cabinet Division No. 6/7/2011-CPC dated 12.12.2011 states that the Ministries/Divisions/Departments needing operational vehicles shall get their authorization of such vehicles fixed from the Vehicle Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division/Department.

Para 3 of Cabinet Division U.O. dated 23.02.2012 states that all other vehicles in excess to authorized vehicles being used for Protocol/General/ Operational duties may immediately be surrendered to the Cabinet Division, Central Pool of Cars by 01.03.2012.

The National Crisis Management Cell (NCMC) was maintaining 19 vehicles having engine capacity ranging from 1000cc to 2400cc for General/ Operational duties. An expenditure of Rs. 3.581 million was incurred for purchase of POL while an amount of Rs. 0.736 million was incurred for repair and maintenance during 2013-14.

Audit observed that all the vehicles were being maintained without authorization from the Cabinet Division.

Audit also observed that the movement record of the vehicles was not maintained and they were exclusively under the use of contractual officers.

Audit is of the view that retention and use of vehicles without the authorization of the Cabinet Division and failure to maintain their movement record was irregular and unauthorized.

The management did not reply.

The PAO was informed on 08.12.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that authorization may be obtained from the Cabinet Division.

22.4.12 *Whereabouts of cash received by Senior Private Secretary to Ex-Minister of Interior and management of NCMC not known - Rs. 11.028 million*

Para 4(iv) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

The management of National Crisis Management Cell (NCMC), Headquarters, Islamabad withdrew cash amounting to Rs. 11.028 million from account No. 1759, National Bank of Pakistan, S-Block Branch, Islamabad out of which an amount of Rs. 10.083 million was paid to Mr. Javed Iqbal Raja, Senior Private Secretary (SPS) to ex-Minister of Interior while the remaining amount of Rs. 0.945 million was retained by the management. Details are at Annexure-VIII.

Audit observed as under:

i. An amount of Rs. 10.083 million was received by SPS to the ex-Minister for Interior, which he was not entitled to receive without any valid claim.

ii. An amount of Rs. 0.945 million was retained by the management of NCMC, whereabouts of which were not known.

Audit is of the view that payment of cash to the Senior Private Secretary without any valid claim and retention of the remaining amount by the management of NCMC was irregular and unauthorized.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till

the finalization of the report.

Audit recommends that either the evidence of the whereabouts and utilization, if any, of the cash should be provided or it may be recovered from the recipient.

22.4.13 Whereabouts of cash received by staff of National Crises Management Cell not known - Rs. 17.518 million

Para 4(iv) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

The management of National Crisis Management Cell (NCMC), Headquarters, Islamabad withdrew an amount of Rs. 17.518 million from Account No. 1759, National Bank of Pakistan, S-Block Branch, Islamabad.

Audit observed that the cash was received by staff members attached with ex-Minister of Interior/ex-Minister of State, ex-Secretary and various employees of the Ministry, which they were not entitled to receive without any valid claim.

Audit is of the view that payment of cash without valid claims was irregular and unauthorized.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that either the evidence of the whereabouts and utilization, if any, of the cash should be provided or it may be recovered from the recipients.

22.4.14 Unauthorized expenditure on domestic and international air travel - Rs. 40.787 million

Para 4(ii) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the essential conditions governing the expenditure from Public Funds and Standards of financial propriety as contained in paras 9 and 10 of GFR Volume-I should be duly observed. In this connection attention is also invited to Articles 71 & 84 to 86 of Audit Code.

Para 4(iv) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized and also that Government has received value thereof.

Para 1(I)(ii) of Cabinet Division letter No. 9-145/2002-Min dated 19.02.2003 states that visits abroad by the officers/officials up to and including BPS-20 and their equivalent, where government funds are involved approval of the Minister In-charge shall be necessary subject to the availability of funds in the relevant budget and prior clearance of the Finance Division.

Para 2 of Cabinet Division letter No. 9-145/2002-Min dated 19.02.2003 states that visits abroad by Members of the National Security Council, Federal Ministers, Ministers of State, Advisers, Special Assistants to the Prime Minister, persons holding the status of Federal Minister or Minister of State without Cabinet rank, Parliamentary Secretaries, Provincial Governors, Secretaries/Additional Secretaries In-charge of the Ministries/Divisions and Heads of autonomous/semi-autonomous bodies and corporations in MP-I scale will require prior approval of the Prime Minster.

The management of National Crisis Management Cell (NCMC) incurred an expenditure of Rs. 40.787 million on domestic and international air travel of various persons during 2011-13. Details are as under:

(Rupees)

S. No.	Year	Domestic	International	Total
1.	2011-12	2,552,571	1,455,171	**4,007,742**
2.	2012-13	8,950,545	27,829,623	**36,779,168**
			Total	**40,786,910**

Note: Details are at Annexure-IX.

Audit observed as under:

i. The expenditure incurred was not covered under Secret Service Funds.

ii. The expenditure incurred and the traveling facility availed by the Federal Minister of Interior and his staff, etc. was not covered under instructions of the Finance Division and the Cabinet Division.

iii. An expenditure of Rs. 29.285 million was incurred on international air travel without the approval of the Prime Minister or Minister in-charge.

Audit is of the view that the expenditure incurred was irregular and unauthorized because the instructions of the Cabinet Division and Finance Division were violated.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity.

22.4.15 Whereabouts of amount deposited in bank account not known - Rs. 7.900 million

Para 4(iv) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority and (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

The management of the National Crisis Management Cell, Islamabad deposited an amount of Rs. 7.900 million in Account No. 1002969816 at Bank Al-Falah (Private) Limited, Adyala Road Branch, Rawalpindi. Details are as under:

(Rupees)

S. No.	Source	Cheque No.	Date	Amount
1.	NADRA	616	05.03.2012	4,330,400
2.	NCMC	715265	17.09.2012	1,000,000
3.	NCMC	582063	11.01.2013	2,569,131
			Total	**7,899,531**

Audit observed as under:

i. Approval and purpose for maintaining the bank account, bank statement and disbursement record were not provided.

ii. The management received an amount of Rs. 4.330 million from NADRA and deposited the same in the bank account but Mr. Farid Ahmad Khan, Director (Operations)/Secretary, Commission of Inquiry on Enforced Disappearances (COIOED), Islamabad vide letter No. 1/1/Secretary/COIOED/2014 dated 08.04.2014 reported to the Ministry that the complete accounts record and vouchers were available with Mr. Sajid Hussain, Accountant, NCMC. However, the Accountant vide letter dated 10.04.2014 denied the statement of Mr. Farid Ahmed Khan.

Audit is of the view that in the absence of record the purpose of the receipt and subsequent utilization could not be ascertained.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the purpose of opening the bank account, transfer of Secret Service Funds from NCMC account and NADRA into the account, and their subsequent utilization may be provided.

22.4.16 Non adjustment of cash received - Rs. 1.630 million and US$ 30,700

Para 4(iv) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

Para 1(I)(ii) of Cabinet Division letter No. 9-145/2002-Min dated 19.02.2003 states that visits abroad by the officers/officials up to and including BPS-20 and their equivalent, where government funds are involved approval of the Minister In-charge shall be necessary subject to the availability of funds in the relevant budget and prior clearance of the Finance Division.

Para 2 of Cabinet Division letter No. 9-145/2002-Min dated 19.02.2003 states that visits abroad by Members of the National Security Council, Federal Ministers, Ministers of State, Advisers, Special Assistants to the Prime Minister, persons holding the status of Federal Minister or Minister of State without Cabinet rank, Parliamentary Secretaries, Provincial Governors, Secretaries/Additional Secretaries In-charge of the Ministries/Divisions and Heads of autonomous/semi-autonomous bodies and corporations in MP-I scale will require prior approval of the Prime Minster.

The management of the National Crisis Management Cell, Islamabad made cash payments of Rs. 1.630 million and US$ 30,700 to the staff members of the Minister for Interior and some others.

Audit observed as under:

i. The payments were received by various staff members but neither adjustments were provided nor were recoveries made.

ii. Approvals of the Prime Minister or Minister In-charge, as the case may be, were not provided.

Audit is of the view that:

i. The expenditure was not a valid charge on the Secret Service Fund.

ii. Visits abroad without the approval of the Prime Minister or Minister In-charge were irregular and unauthorized.

iii. The authenticity of the expenditure could not be ascertained without adjustments of the payments.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that either adjustments of the expenditure incurred, if any, may be provided or the amounts may be recovered from all concerned. Further, approval of the Prime Minister/Minister In-charge regarding foreign visits may be provided.

22.4.17 Unauthorized payment to Advocates - Rs. 2.660 million

Para 4(iv) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

Serial No. 9(23) of Annexure-A of Finance Division O.M. No. F.3(2)Exp.III/2006 dated 13.09.2006 provides that payment of Law Charges should be made in consultation with the Law Division.

The management of the National Crisis Management Cell, Islamabad paid an amount of Rs. 160,000 vide cheque No. M-715048 dated 05.09.2012 to Raja Abdul Ghafoor, Advocate and an amount of Rs. 2.500 million vide cheque No. 488480 dated 05.10.2011 to Mr. Saiful Malook, Advocate 7-Turner Road, Lahore.

Audit observed as under:

i. The expenditure was not a valid charge on the Secret Service Fund.

ii. The purpose for which payment was made was not available in the record.

iii. Concurrence of the Ministry of Law, Justice and Human Rights was not obtained.

Audit is of the view that the payment was irregular and unauthorized.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the unauthorized payment.

22.4.18 Unauthorized payment to Mr. Muhammad Basharat, Personal Secretary to Secretary, Ministry of Interior - Rs. 3.400 million

Para 4(iv) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

Mr. Muhammad Basharat, Personal Secretary to Secretary, Ministry of Interior received an amount of Rs. 3.400 million on behalf of the Secretary, which was drawn from the bank account of National Crisis Management Cell (NCMC) vide cheque No. 715031 dated 16.08.2012.

Audit observed that the amount was received in writing by the individual without any valid voucher/claim.

Audit also observed that further whereabouts of the amount were not available in the official record.

Audit is of the view that payment without a valid claim was irregular and unauthorized.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the amount should be recovered from the individual.

22.4.19 Unauthorized withdrawal and deposit of funds in bank account - Rs. 5.500 million

Rule 7(1) FTR Volume-I states that all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury and shall be included in the Federal Consolidated Fund of the Federal Government. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The management of the National Crisis Management Cell, Islamabad deposited an amount of Rs. 5.500 million vide cheque No. 488522 dated 13.12.2011 in Account No. 1862-3, National Bank of Pakistan, S-Block Branch, Islamabad which was maintained by the Secretary, Ministry of Interior.

Audit observed that the amount was withdrawn from the official NCMC bank Account No. 1759-9, National Bank of Pakistan, S-Block Branch, Islamabad maintained for Secret Service Fund.

Audit also observed that instead of utilizing the amount for the purpose for which it was withdrawn, the amount was instead deposited into the bank account maintained by the Secretary, Ministry of Interior.

Audit is of the view that the act of the management was irregular and unauthorized as the possibility of mis-utilization of the government funds could not be ruled out.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the amount should be recovered and deposited into the government treasury.

22.4.20 Whereabouts of amount not known - Rs. 2.870 million

Para 4(iv) of the Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the payments are properly authorized, made to proper persons (after due identification) and are duly acknowledged and also that Government has received value thereof. For verifying validity of each payment, supporting vouchers, counter foils of cheques, bank statement, invoices, etc. vis-à-vis the entries in the cash book, etc. may be examined. In these records, (a) the name of the party to whom the payment has been made, (b) the date of payment, (c) the nature of the Services/Supplies received, (d) the authorization for the payment by the competent authority (e) the allocation to which the particular payment has been charged and other particulars may be critically checked.

The management of National Crisis Management Cell (NCMC), Liaison

Office, Lahore withdrew an amount of Rs. 2.870 million from the bank and showed in the Cash Book that it was paid to the officials/officers of NCMC, Headquarters, Islamabad. Details are as under:

(Rupees)

S. No.	Cheque No.	Date	Amount in Cash Book	Amount received by H/Q	Remarks
1.	2836424	03.02.2011	450,000	-	An amount of Rs. 599,118 was drawn, out of which Rs. 450,000 was recorded as paid to Headquarters on 03.02.2011 (Page 97 of the Cash Book) but no acknowledgment was provided to Audit.
2.	2836824	15.02.2011	400,000	406,500	Rs. 350,000 was received by Mr. Muhammad Ashraf, Assistant Director, NCMC (HQs) from Mr. Muhammad Yasin, Cashier, NCMC, Lahore for handing over to DG, NCMC. Rs. 56,500 was deposited into bank account No.1759-9 Branch Code 485, NBP of DG, Federal Control Room.
3.	2838429	04.03.2011	400,000	388,000	Mr. Farid Ahmed Khan, Director (Operations) received Rs. 1,552,000 against serial No 3 to 6, and claimed that the amount was spent on the expenditure of Commission of Enquiry of Enforced Disappearances but no documentary evidence was provided in support of claim. However, full amounts of cheque No. 2838429, 2948071 (P-97 of cashbook) and cheque No 2949783 (P-98 of cashbook) Cheque No 2950749 (P-99 of cashbook) were recorded as fully paid to Headquarters.
4.	2948071	12.03.2011	400,000	388,000	
5.	2949783	11.04.2011	400,000	388,000	
6.	2950749	27.04.2011	400,000	388,000	
7.	2951249	03.05.2011	420,000	-	It was reported at page 99 of the cashbook that the amount was passed on to Headquarters but no acknowledgment was provided to Audit.
		Total	**2,870,000**	**1,958,500**	Whereabouts of remaining cash of Rs. 911,500 was not made known to Audit.

Audit observed that the whereabouts of the amount of Rs. 1.959 million received by the employees of the Headquarters and the remaining amount of Rs. 0.911 million was neither available in the record nor it was made known to Audit.

Audit is of the view that as the whereabouts of the amount were unknown, therefore, the possibility of its mis-utilization could not be ruled out.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that either the whereabouts of the cash received should be provided or the amount should be recovered from the recipients.

22.4.21 Unauthorized retention of receipts of Arms Licence Revalidation Project by the Ministry of Interior - Rs. 11.260 million

Rule 7(1) FTR Volume-I states that all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury and shall be included in the Federal Consolidated Fund of the Federal Government. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The Payment Detail Report of NADRA for the period 01.01.2011 to 31.05.2013 indicated that an amount of Rs. 11.260 million was paid to the vendor, i.e. Director General, NCMC, Ministry of Interior for Revalidation of Arms Licence Project. Details are as under:

(Rupees)

S. No.	Cheque No.	Date	Invoice No.	Amount
1.	51702065	28.10.2011	NADRA/CS/ALP/10/26-Oct-2011	4,500,000
2.	51702159	17.11.2011	NADRA/MIN/11/17-Nov-2011	1,000,000
3.	616	05.03.2012	NADRA/MIN/12/5-Mar-2012	4,330,400
4.	5156280	18.10.2012	NADRA/MIN/18/12-Oct-2012	429,700
5.	627	11.12.2012	NADRA/MIN/18/11-Dec-2012	1,000,000
			Total	**11,260,100**

Audit observed that the department neither deposited the amount in the government treasury nor provided the purpose of receiving the amount from NADRA, as the government share for Revalidation of Arms Licences was required to be deposited into the treasury and not to be transferred to NCMC.

Audit is of the view that retention of the amount deprived the government of its due receipt.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the amount should be deposited into the government treasury.

22.4.22 *Unauthorized performance of duties as Director General, NCMC, Ministry of Interior and sanction of expenditure - Rs. 287.971 million*

Rule 3(1) of the Civil Servants (Appointment, Promotion and Transfer) Rules, 1973 states that appointment to posts shall be made by promotion or transfer and by initial appointment.

Rule 6(1) of the Civil Servants (Appointment, Promotion and Transfer) Rules, 1973 states that the authority competent to make appointment to the posts in BPS 20 and above or equivalent shall be the Prime Minister.

Para 2 of Finance Division O.M. No. F.3(12)R.12/75 dated 22.11.1976 states that when Secret Service Funds are first placed at the disposal of an authority, it is done with the concurrence of the Finance Division and that authority is specified in the sanction by designation. Powers thus stand delegated to that authority only (and no other) to draw and operate upon the funds. It is clear that the appointment of an authorized officer has to be made with the concurrence of the Finance Division.

The Prime Minister vide Prime Minister's Secretariat No. 5454/PSPM/ 2009 dated 22.12.2009 approved extension in service contract of Brig.(R) Javed Iqbal Lodhi for one year, from 01.08.2009 to 31.07.2010 who was working on contract as Director (B-19) in National Crisis Management Cell, Ministry of Interior. The Ministry of Interior vide Office Order No. 5/20/2008-Admn-I dated 20.03.2010 also assigned Acting Charge of the post of Director General, (BS-20), NCMC to the officer with immediate effect. After 31.07.2010, no further extension in service contract of the officer was granted by the Prime Minister. However, he continued to work as Director General, NCMC without any authority. The Ministry of Interior vide Office Order No. 5/1/2007-Admn-I dated 20.07.2011 allowed Brig. (R) Javed Iqbal Lodhi, General Manager, NADRA (on contract) to work as Director General, NCMC, Ministry of Interior, as an interim arrangement, in addition to his own duties with immediate effect and until further orders.

Brig. (R) Javed Iqbal Lodhi sanctioned an amount of Rs. 287.971 million from 01.07.2010 to 07.05.2013 for NCMC. Details are as under:

(Rs. in million)

S. No.	Financial Year	Expenditure
1.	2010-11	64.717
2.	2011-12	110.871
3.	2012-13 (up to 07.05.2013)	112.383
	Total	**287.971**

Audit observed that

i. During period from 01.08.2010 to 19.07.2011 the officer performed duties as DG, NCMC on the orders of the Ministry of Interior without extension of his contract by the Prime Minister.

ii. From 20.07.2011 to 07.05.2013 the officer performed duties as DG, NCMC although he was on the payroll of NADRA.

iii. During the period 01.08.2010 to 07.05.2013 the officer sanctioned expenditure amounting to Rs. 287.971 million.

Audit is of the view that performance of duty by Brig (R) Javed Iqbal Lodhi as Director General, National Crisis Management Cell, Ministry of Interior from 01.08.2010 to 07.05.2013 was without any lawful authority, and the expenditure sanctioned by him was irregular and unauthorized.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity besides obtaining regularization of the expenditure.

22.4.23 Unauthorized and unjustified procurement of gold items - Rs. 1.213 million

Para 4(ii) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the essential conditions governing the expenditure from Public Funds and Standards of financial propriety as contained in paras 9 and 10 of GFR Volume-I should be duly observed. In this connection attention is also invited to Articles 71 & 84 to 86 of Audit Code.

Para 10 of GFR Volume-I states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety.

Para 10(iv) of GFR Volume-I states that public moneys should not be utilized for the benefit of a particular person or section of the community.

The management of the National Crisis Management Cell, Islamabad purchased gold items amounting to Rs. 1.213 million from M/s. Golden Jewelers, Rawalpindi. Details are as under:

(Rupees)

S. No.	Cheque No.	Date	Amount
1.	488468	26.09.2011	319,500
2.	488529	16.12.2011	148,000
3.	715252	23.08.2012	285,000
4.	582037	12.03.2013	150,000
5.	582092	13.03.2013	310,000
		Total	**1,212,500**

Audit observed as under:

i. The expenditure was not a valid charge on the Secret Service Fund.

ii. The purpose for which the gold items were purchased and to whom they were handed over was neither available in the record nor provided to Audit.

iii. The items were not recorded in the Stock Register.

Audit is of the view that the purchase of gold items from Secret Service Fund was irregular and unauthorized.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity.

22.4.24 Irregular expenditure on entertainment - Rs. 5.872 million

Para 4(ii) of Finance Division letter No. F.3(12)-R12/75 dated 29.04.1976 states that the essential conditions governing the expenditure from Public Funds and Standards of financial propriety as contained in paras 9 and 10 of GFR Volume-I should be duly observed. In this connection attention is also invited to Articles 71 & 84 to 86 of Audit Code.

Para 10 of GFR Volume-I states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety.

Para 10(iv) of GFR Volume-I states that public moneys should not be utilized for the benefit of a particular person or section of the community.

The management of the National Crisis Management Cell, Islamabad paid Rs. 5.872 million for entertainment. Details are as under:

(Rupees)

S. No.	Cheque No.	Date	Name of Payee	Amount
1.	774504	07.02.2012	M/s Marriot Hotel Islamabad	102,444
2.	774594	11.06.2012	M/s Islamabad Hotel	27,560
3.	582059	08.01.2013	M/s Marriot Hotel Islamabad	572,401
4.	582097	12.03.2013	M/s Usmania Restaurant, Islamabad	570,000
5.	While making payment through cheque No. 582097 dated 12.03.2013, it was recorded that Rs. 300,000 was already paid			300,000
6.	447560	31.03.2013	M/s Marriot Hotel Islamabad	4,200,000
7.	582605	23.05.2013	M/s Islamabad Club Islamabad	100,000
			Total	**5,872,405**

Audit observed as under:

i. The expenditure was not a valid charge on the Secret Service Fund.

ii. Invoices in support of the claims were not provided to Audit.

Audit is of the view that the payment was irregular and unauthorized.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till

the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity besides providing evidence for the purpose of payment.

22.4.25 Irregular expenditure on use of vehicles - Rs. 16.109 million

Para 10(iv) of GFR Volume-I states that public moneys should not be utilized for the benefit of a particular person or section of the community.

Rule 15(i) of Rules for the Use of Staff Cars, 1980 states that Movement Register shall be maintained and shall remain in the custody of the staff car driver. On the cover of this register shall be indicated the name of the Division, the number of staff car, the designation of the Officer-in-Charge with his office telephone number.

Rule 15(ii) of Rules for the Use of Staff Cars, 1980 states that Vehicle Log Book shall be maintained by the Officer-in-Charge in the prescribed form.

The management of National Crisis Management Cell, Headquarters, Islamabad incurred an expenditure of Rs. 16.109 million on POL and repair and maintenance of vehicles during 2010-13. Details are as under:

(Rupees)

S. No.	Vehicle used by	No of vehicles	Expenditure		
			POL & CNG	Repair and Maintenance	Total
1.	Minister for Interior/Minister Squad/Bureau	MR-555, NWFP-161, LEB-2246, IDP-7199, IDP 8888, IDP-8595, 50, IDP-1302 (8 vehicles).	5,537,417	15,033	5,552,450
2.	PS to Minister	IDP-1195 and IDP-7071 (2 vehicles)	305,604	-	305,604
3.	DG/EX-DG NCMC, 02 advocates etc.	IDP-7272, IDS 630, IDP-8383, GF-333, IDP-1301, IDP-8282, SP-6452 and SP-477 (8 vehicles)	3,386,334	24,276	3,410,610
4.	Directors, Deputy Directors, Assistant Directors	IDP-8686, IDP 8181, IDP-8484, IDK-2484, IDP-8989 and JJ-250 (6 vehicles)	2,733,527	10,067	2,743,594
5.	Other than NCMC officers (Addl: Secretary, JS (Admn) and JS (Law)	IDF-7786, VR-306, IDP-8000 and 7400 (4 vehicles)	50,748	-	50,748
6.	General Staff duties	(64 vehicles, which included 23 rented vehicles)	4,024,039	21,746	4,045,785
		Total	**6,037,669**	**71,122**	**16,108,791**

Audit observed as under:

i. NCMC neither provided authorization of vehicles nor deployment status. However, expenditure statement was prepared from the record of NCMC which revealed that 94 vehicles were used, which included 23 rented vehicles.

ii. The Minister for Interior/Minister Bureau used eight vehicles without authorization.

iii. The Movement Registers and Log Books were not maintained.

Audit is of the view that expenditure incurred was irregular and unauthorized.

The management did not reply.

The PAO was informed on 17.09.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

22.4.26 Non-recovery of Income Tax from contractors - Rs. 3.167 million

The Income Tax Ordinance, 2001 was adopted through the Gilgit-Baltistan Council Income Tax (Adaptation) Act, 2012 and authenticated by the Chairman, Gilgit-Baltistan Council/Prime Minister of Pakistan.

Section 2(c) of the Gilgit-Baltistan Council Income Tax (Adaptation) Act, 2012 states that in the Second Schedule, in Part III, after Clause (14), the new Clause shall be added, namely "(15) the tax payable under Part I of the First Schedule by an individual domiciled in Gilgit-Baltistan and deriving income from sources within Gilgit-Baltistan shall be reduced by 50 percent".

Para 2 of the Gilgit-Baltistan Council Secretariat, Islamabad letter No. F.1(6)/2012/F-II GBC dated 22.01.2013 states that Income Tax deduction from new tax payers was though withheld till 31.12.2012, which may be started w.e.f. 01.01.2013.

Part III, Division III, Item No. 1(b) 2(ii) of Section 153 of Income Tax Ordinance, 2001 states that in case of services (other than transport), 6% Income

Tax will be deducted at source.

The management of Gilgit-Baltistan Scouts paid an amount of Rs. 105.560 million to contractors for execution of civil works during 2013-14.

Audit observed that Income Tax amounting to Rs. 3.167 million was not deducted from the contractors.

Audit is of the view that due to non-deduction of Income Tax at source the government was deprived from the benefit of its due revenue.

The management replied that as per past practice the Income Tax was not recovered. However, the Income Tax would be recovered from the contractors.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 11.11.2014, but DAC was not convened till the finalization of the report.

Audit recommends that Income Tax should be recovered and deposited into the government treasury.

22.4.27 Unauthorized payment from contractors' security deposits and non-maintenance of security deposits in Public Account of Federal Government - Rs. 38.140 million

Para 1 of Finance Division O.M. No. F.3(1)/2004-BR.II-110 dated 20.02.2004 states that amount of security deposits of contractors/suppliers should be credited to the Public Account of the Federal Government under object code 350005- PWD Deposits (in case of PWD contractors), 3601011-Security Deposits of the supplier/contractor (in case of suppliers/contractors other than PWD). The refunds/repayments may be made against these deposits.

The management of Gilgit-Baltistan Scouts, Gilgit maintained Public Works Deposit Register of contractors' security deposits for the year 2013-14 according to which an amount of Rs. 38.140 million of various contractors was lying with the department.

Audit observed as under:

i. As per Deposit Register an amount of Rs. 38.140 million was the liability for payment of security deposits of the contractors as on 30.06.2014, but the credit balance in bank account No. 2722-4, National Bank of Pakistan, Gilgit Branch was only Rs. 1.876 million.

ii. An amount of Rs. 36.264 million of security deposits was utilized towards departmental expenditure.

iii. The management, instead of depositing the securities in the Public Account of the Federal Government, deposited them in a bank account and subsequently utilized nearly the whole amount.

Audit is of the view that non-deposit of contractors' security deposits into the Public Account of Federal Government and subsequent utilization towards departmental expenditure was irregular and unauthorized.

The management replied that operation of bank account was up to June, 2014, due security deposits were paid and the security deposits from July, 2014 would be paid from the annual budget allocations of the respective schemes.

The reply indicates that the management has accepted the audit observation by replying that the security deposits would be paid out of the budget allocation of subsequent years. The security deposits were to be kept in the Public Account of the Federal Government as these were the liabilities to be paid to the contractors and cannot be charged to the budget allocations of development schemes.

The PAO was informed on 11.11.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity and the security deposits should be deposited into the Public Account of the Federal Government.

22.4.28 Non-framing of rules for carrying out the NACTA Act, 2013

Section 22 of the National Counter Terrorism Authority Act, 2013 states that the Federal Government may, on the recommendation of the Board, make rules for carrying out the purposes of this Act.

The Federal Government vide notification dated 10.04.2013 established National Counter Terrorism Authority (NACTA).

Audit observed that despite lapse of 20 months, rules for carrying out the purposes of National Counter Terrorism Authority Act, 2013 were not framed.

Audit is of the view that in the absence of rules, the purposes of the Act could not be achieved.

The management did not reply.

The PAO was informed on 08.12.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that rules may be framed and implemented.

22.4.29 Irregular collection and retention of receipt - Rs. 3.410 million

Rule 7(1) of FTR Volume-I states that all moneys received by or tendered to government officers on account of the revenues of the Federal Government shall without undue delay be paid in full into a treasury and shall be included in the Federal Consolidated Fund of the Federal Government. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund of the Federal Government. No department of the Government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of the Federal Consolidated Fund of the Federal Government.

The management of NACTA advertised 131 posts on 16.08.2013, and under Condition 11 of the advertisement directed that original draft of Rs. 500 for each post for deposit in Account No. 1964-0, National Bank of Pakistan, S-Block, Pak Secretariat, Islamabad maintained by National Counter Terrorism

Authority (NACTA) must be attached with the application proforma.

Audit observed that NACTA received an amount of Rs. 3.410 million from the applicants during the period 21.08.2013 to 09.07.2014 as per bank statement. However, details of actual applications received were not provided to Audit.

Audit is of the view that collection and retention of receipt and its subsequent utilization was irregular and unauthorized.

The management did not reply.

The PAO was informed on 08.12.2014, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility should be fixed for the unauthorized collection of receipt and the retained amount should be deposited into the government treasury.

22.4.30 Irregular payment of salaries and other expenditure in cash through Drawing and Disbursing Officer - Rs. 106.902 million

Rule 157(1) of FTR Volume-I states that cheques drawn in favour of government officers and departments in settlement of government dues shall always be crossed "A/c payee only not negotiable".

The management of DOFC, Gilgit incurred an expenditure of Rs. 101.742 million as Employees Related Expenditure and Rs. 5.160 as Other Operational Cost during 2013-14.

Audit observed that the salaries were paid and other expenditure was incurred in cash instead of cross cheques.

Audit is of the view that the payments through Drawing and Disbursing Officer could lead to misappropriation of funds.

The management did not reply.

The PAO was informed on 11.11.2014, but DAC was not convened till

the finalization of the report.

Audit recommends that payment of salaries and other expenditure should be made through cheques in future.

22.4.31 Non-recovery of deployment cost - Rs. 25.000 million

Para 1 of Finance Division Regulation Wing O.M. No. 11(5)R-1/2008-91/12 dated 01.02.2012 states that Internal Security Duty Allowance (ISDA) is restored w.e.f. 09.01.2012 to all those personnel of Civil Armed Forces who are deployed on Internal Security in the field through the requisition by the Federal/ Provincial Government/Multinational companies and the cost would be borne by the requisitioning authority.

The management of Swat Scouts deployed its two Wings (669 troops) at Gomal Zam Dam, a hydel power unit of Pakistan Electric Power Company for security duties during 2012-14.

Audit observed that the management did not recover the cost of IS Duty amounting to Rs. 25.000 million from the borrowing organization. Details are as under:

(Rs. in million)

S. No.	Year	Amount
1.	2012-13	14.000
2.	2013-14	11.000
	Total	**25.000**

Audit is of the view that non-recovery of deployment cost resulted in financial loss to the government.

The management did not reply.

The PAO was informed on 11.12.2014 and 22.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the due amount may be recovered and deposited into the government account.

22.4.32 Irregular payment of Conveyance Allowance during leave - Rs. 56.812 million

Supplementary Rule 7(A) states that a Conveyance Allowance to which the obligation of maintaining a motor vehicle or a horse or other animal is not attached is not admissible during leave or temporary transfer.

The management of various District Offices under the control of Commandant, Frontier Constabulary, Peshawar paid an amount of Rs. 56.812 million to the jawans who remained on leave during 2013-14. Details are as under:

(Rupees)

S. No.	AIR Para No.	Name	Number of Men on leave	Rate	Amount
1.	232	Commandant FC	1,034	1,840	1,902,560
2.	48	DO FC Malakand	2,324	1,840	4,276,160
3.	43	DO FC Bara	3,250	1,840	5,980,000
4.	01	DO FC Dassu	1,872	1,840	3,444,480
5.	42	DO FC Hangu	2,875	1,840	5,290,000
6.	60	DO FC Manzai	2,388	1,840	4,393,920
7.	57	DO FC Hayatabad	3,259	1,840	5,996,560
8.	68	DO FC Shabqadar	3,509	1,840	6,456,560
9.	54	DO FC Bannu	1,546	1,840	2,844,640
10.	56	DO FC Tank	1,830	1,840	3,367,200
11.	64	DO FC Daryoba	1,347	1,840	2,478,480
12.	31	DO FC Darazinda	957	1,840	1,760,880
13.	01	DO FC Oghi	2,048	1,840	3,768,320
14.	02	DO FC Swat	2,637	1,840	4,852,080
				Total	**56,811,840**

Audit observed that in each formation, a number of Jawans remained on leave each month, but were paid Conveyance Allowance @ Rs. 1,840 per month.

Audit is of the view that payment of Conveyance Allowance during leave was irregular and unauthorized.

The management stated that the Conveyance Allowance was admissible during casual leave, medical leave and furlough. Hence, the jawans were paid Conveyance Allowance during furlough.

The reply was not accepted as the payment was made in violation of the rules.

The PAO was informed on 29.10.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the amount paid may be recovered and deposited into government treasury besides discontinuation of the irregular practice.

22.4.33 Un-supported expenditure on salary - Rs. 114.890 million

Rule 205 of FTR Volume-I states that a government officer entrusted with the payment of money shall obtain for every payment he makes, including repayment of sums previously lodged with the Government, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts.

The management of South Waziristan Scouts, Wana paid salary to the employees through Agency Accounts Officer, Tank. The management also reported its expenditure to the Frontier Corps, Headquarters, Peshawar and reconciled the same with Agency Accounts Office, Tank on monthly basis.

Audit observed that the figures of expenditure booked under the salary head (excluding ration) was different from the salary drawn through vouchers and drawn through the payroll. Details are as under:

(Rupees)

S. No.	Year	Figures of expenditure Statement	Figures of payroll and vouchers	Difference
1.	2006-07	264,167,975	257,263,934	6,906,041
3.	2008-09	427,580,622	361,530,950	66,049,672
4.	2009-10	692,686,228	662,980,566	29,705,662
5.	2011-12	911,701,978	899,473,324	12,228,654
	Total	**2,296,136,803**	**2,181,248,774**	**114,890,029**

Audit is of the view that due to difference in the figures of the expenditure the authenticity of the expenditure could not be ascertained.

The management did not reply.

The PAO was informed on 08.12.2012, but DAC was not convened till

the finalization of the report.

Audit recommends that the difference of figures of expenditure should be explained and got reconciled with Audit.

22.4.34 Less recovery of ration charges - Rs. 17.037 million

Para 15 of GFR states that every officer whose duty it 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 and their dispatch within the prescribed date.

Para 16 of GFR states that an officer who signs or countersigns a certificate is personally responsible for the facts certified to, so far as it is his duty to know or to the extent to which he may reasonably be expected to be aware of them. The fact that a certificate is printed is no justification for his signing it unless it represents the facts of the case. If in its printed form it does not represent the facts, it is his duty to make any necessary amendment which will call attention to the deviation and so to give the authority concerned the opportunity of deciding whether the amendments cover requirements.

The management of South Waziristan Scouts, Wana provided food to the personnel of other units of Frontier Corps and Army attached with them. The ration strength of the attached persons and their cost for the period 2006-12 was as under:

(Rupees)

S. No.	Year	Attached Ration Strength	Unit Cost	Amount
1.	2006-07	186,010	58.23	10,831,362
2.	2007-08	328,672	53.88	17,708,847
3.	2008-09	24,513	114.48	2,806,248
4.	2009-10	6,384	166	1,059,744
5.	2010-11	4,809	199	956,991
6.	2011-12	3,482	248	863,536
			Total	**34,226,728**

Audit observed that against an expenditure of Rs. 34.227 million the management raised claims amounting to Rs. 17.190 million, resulting in less recovery of Rs. 17.037 million.

Audit is of the view that less recovery of ration charges resulted in excess expenditure by the management.

The management did not reply.

The PAO was informed on 08.12.2012, but DAC was not convened till the finalization of the report.

Audit recommends that ration charges should be recovered in full.

22.4.35 Excess expenditure on ration - Rs. 116.501 million

Para 15 of GFR Volume-I states that every officer whose duty it 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 and their dispatch within the prescribed date.

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

The management of South Waziristan Scouts, Wana incurred expenditure on ration on the basis of ration strength during 2006-12.

Audit observed that the ration strength was in excess of the actual strength as shown in the Monthly Strength Returns of Wings and the Unit Headquarters. Details are as under:

(Rupees)

S. No.	Year	Strength as per ration return (Mandays)	Strength as per strength return (Mandays)	Difference (Mandays)	Per day per man cost	Amount
1.	2009-10	1,349,168	1,303,192	45,976	166	7,632,016
2.	2010-11	1,586,121	1,394,494	191,627	199	38,133,773
3.	2011-12	1,684,446	1,399,222	285,224	248	70,735,552
					Total	**116,501,341**

Audit is of the view that the ration was drawn and paid in excess of the actual strength.

The management did not reply.

The PAO was informed on 08.12.2012, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

22.4.36 Unauthorized payment of discontinued allowances - Rs. 4.380 million

Para 5 of Finance Division O.M. No. F.1(7)Imp/2011-421 dated 04.07.2011 states that the following ad-hoc relief allowances granted up to 01.07.2009 shall stand discontinued w.e.f. 01.07.2011 having been merged in the Basic Pay Scales, 2008 so as to introduce Basic Pay Scales, 2011:

S. No.	Name of Ad hoc Allowance
1.	Special Additional Allowance - 1999
2.	Special Relief Allowance - 2003
3.	Ad hoc Relief - 2004
4.	Dearness Allowance - 2006
5.	Ad hoc Relief Allowance - 2009

The management of South Waziristan Scouts, Wana paid salaries to the employees through manual bills through Agency Accounts Office, South Waziristan at Tank.

Audit observed that the management paid the discontinued allowances to the employees during 2011-12. Details are as under:

(Rupees)

S. No.	Allowance	Amount
1.	Dearness Allowance	3,003,895
2.	Special Additional Allowance	497,155
3.	Special Relief Allowance	878,815
	Total	**4,379,865**

Audit is of the view that payment of discontinued allowances was irregular and unauthorized.

The management did not reply.

The PAO was informed on 08.12.2012, but DAC was not convened till

the finalization of the report.

Audit recommends that the irregular practice may be discontinued forthwith besides recovery of the discontinued allowances.

22.4.37 Inadmissible expenditure on ration of strength attached out - Rs. 6.352 million

GFR Para 10(v) states that amount of allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole a source of profit to the recipients.

The management of Khyber Rifles, Landikotal paid Rs. 6.352 million as ration money @ Rs. 86.22 in lieu of ration to its strength attached out for the year 2013-14 for 73,674 mandays

Audit observed that management also accepted the ration claims of Rs. 19.208 million @ Rs. 273.32 for its attached out strength of 70,277 mandays for the year

Audit is of the view that the employees who were attached out were either entitled to receive daily ration or ration money, and simultaneous expenditure on both was irregular and unauthorized.

The management did not reply.

The PAO was informed on 23.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

22.4.38 Loss due to non-recovery of Income Tax - Rs. 178.825 million

Section 153(1)(a) of the Income Tax Ordinance, 2001 states that every prescribed person making a payment in full or part including a payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person shall deduct Income Tax at source @ 3.5% for sale of goods.

The management of Inspector General Frontier Corps (IGFC) Headquarters, Peshawar and its various formations did not deduct Income Tax amounting to Rs. 178.825 million from the payments made to the contractors. Details are as under:

(Rupees)

S. No.	Office	Payment 2012-13	Payment 2013-14	Total Payment	Tax Due @ 3.5 %
1.	Bajaur Scouts	258,723,785	242,121,677	500,845,462	17,529,591
2.	Chitral Scouts	341,975,198	-	341,975,198	11,969,132
3.	Swat Scouts	396,307,717	445,515,084	841,822,801	29,463,798
4.	Khyber Rifles	-	270,863,485	270,863,485	9,480,221
5.	Dir Scouts	261,025,537	244,585,589	505,611,126	17,696,389
6.	Mahsud Scouts	226,693,994	-	226,693,994	7,934,290
7.	Mohmand Rifles	229,396,436	-	229,396,436	8,028,875
8.	Thal Scouts	-	217,641,967	217,641,967	7,617,469
9.	South Waziristan Scouts	50,202,292	32,318,358	82,520,650	2,888,222
10.	Orakzai Scouts(2007-14)	-	863,393,797	863,393,797	30,218,783
11.	Scouts Training Academy (2005-14)	-	333,868,814	333,868,814	11,685,408
12.	Khattak Scouts	-	424,902,727	424,902,727	14,871,595
13.	Kurram Militia	-	269,747,998	269,747,998	9,441,180
	Total	**1,764,324,959**	**3,344,959,496**	**5,109,284,455**	**178,824,953**

Audit observed that the management did not deduct Income Tax @ 3.5% amounting to Rs. 178.825 million from the payments made to the suppliers.

Audit is of the view that due to non-deduction of Income Tax the government was deprived of its due receipt.

The management did not reply.

The PAO was informed on 23.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the amount may be recovered and deposited into government account.

CHAPTER 23

23. MINISTRY OF KASHMIR AFFAIRS AND GILGIT BALTISTAN

23.1 Introduction of Division

Following functions were assigned to Kashmir Affairs and Gilgit-Baltistan Division vide SRO No. 226(I)/2010 (F.No.4-4/2007-Min-I) dated 02.04.2010:

i. Policy, Planning and Development for Gilgit-Baltistan.

ii. Co-ordination with the Government of Gilgit-Baltistan and Gilgit-Baltistan Council.

iii. Co-ordination with the Azad Government of the State of Jammu and Kashmir and the AJ&K Council.

iv. Matters relating to the Settlement of Kashmir dispute, other than those falling within the purview of the Foreign Affairs Division.

v. Administration of Jammu and Kashmir State Property in Pakistan.

vi. Processing of development schemes reflected in the PSDP of M/o Kashmir Affairs and Gilgit-Baltistan at the level of CDWP and ECNEC.

vii. Co-ordination between the Federal Government Organizations and the Government of Gilgit-Baltistan and the Gilgit-Baltistan Council.

viii. Mainstreaming population factor in development planning process, in Azad Jammu and Kashmir and Gilgit-Baltistan (Added vide SRO No. 1100(I)/2010 (F.No.4-17/2010-Min-I) dated 07.12.2010).

ix. Management and distribution of Zakat and Ushr in Azad Jammu and Kashmir and Gilgit-Baltistan and the related and ancillary matter including distribution setup and monitoring and auditing thereof (Added vide SRO No. 1100(I)/2010 (F.No.4-17/2010-Min-I) dated 07.12.2010).

23.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Kashmir Affairs and Gilgit-Baltistan Division for the financial year 2013-14 was Rs. 13,123.975 million against which the Division utilized Rs. 11,061.023 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
69	Cuerrenrt	257,600,000	1,000	257,601,000	232,777,348	(24,823,652)	(9.64)
70	Cuerrenrt	841,286,000	-	841,286,000	21,602,591	(819,683,409)	(97.43)
71	Cuerrenrt	229,238,000	-	229,238,000	188,102,000	(41,136,000)	(17.94)
	Subtotal	**1,328,124,000**	**1,000**	**1,328,125,000**	**442,481,939**	**(885,643,061)**	(66.68)
106	Development	2,197,850,000	-	2,197,850,000	2,197,849,997	(3)	(0.00)
131	Development	9,598,000,000	-	9,598,000,000	8,420,690,640	(1,177,309,360)	(12.27)
	Subtotal	**11,795,850,000**	-	**11,795,850,000**	**10,618,540,637**	**(1,177,309,363)**	**(9.98)**
	Total	**13,123,974,000**	**1,000**	**13,123,975,000**	**11,061,022,576**	**(2,062,952,424)**	**(15.72)**

Audit noted that there was an overall saving of Rs. 2,062.952 million, which was mainly due to savings of Rs. 1,177.309 million in Development Grant No. 131.

Variance analysis could not be performed due to non-obtaining of Supplementary Grant during the year.

23.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Complied	Not - Complied	% of Compliance
Kashmir Affairs & Gilgit-Baltistan	1992-93	11	11	8	3	73%
	1994-95	4	4	2	2	50%
	1996-97	11	11	0	11	0%
	2005-06	6	6	2	4	33%
	2006-07	6	6	3	3	50%
	2007-08	3	3	1	2	33%
Total		**41**	**41**	**16**	**25**	39%

23.4 AUDIT PARAS

Irregularity & Non Compliance

23.4.1 Recovery on account of stolen vehicle from former Chief Planning & Monitoring Cell - Rs. 2.700 million

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

Vehicle No. GT-513, Toyota Hilux (double cabin) was taken away un-authorizedly by the former Chief, Planning & Monitoring Cell on his transfer. The vehicle was stolen on 16.06.2013 and First Information Report was lodged with the Race Course Police Station, Lahore on 18.06.2013 two days after the theft.

Audit is of the view that the officer was not entitled/allowed to retain/use the official vehicle after his transfer and relinquishment of charge from the post of Chief, PMC.

The management replied that the matter had been actively pursued with the Establishment Division where Joint Inquiry was held against the officer. After a detailed inquiry the officer was held responsible for the theft and recovery amounting to Rs. 1.255 million was imposed. The same had also been notified by the Cabinet Division vide Notification No. 1/2/2014-D.I dated 22.10.2014.

The DAC in its meeting held on 07.01.2015 pended the para till finalization of the case.

Audit recommends that amount should be recovered and deposited into the government treasury.

CHAPTER 24

24.MINISTRY OF LAW, JUSTICE AND HUMAN RIGHTS

24.1 Introduction of Ministry

The Ministry of Law, Justice and Human Rights tenders advice to the Federal Government on legal and constitutional questions as well as to the Provincial Governments on legal and legislative matters. It also deals with drafting, scrutiny and examination of bills, legal instruments, international agreements, adoption of existing laws to bring them in conformity with the Constitution, legal proceedings and litigation throughout Pakistan concerning the federal government and other subjects, consultation with the Attorney General, administrative control of two Autonomous Bodies and a number of Courts working as sub-ordinate offices located in various cities of the country. Its main functions are:

i. Advice to Ministries/Divisions on all legal and constitutional questions arising out of any case and on the interpretation of any law.

ii. Advice to Provincial Governments on legal and legislative matters.

iii. Drafting, scrutiny and examination of Bills, Ordinance, and legal and other instruments.

iv. Dealings and agreements with other countries and international organizations in judicial and legal matters.

v. Arrangements for publication and translation of Federal Laws and other statutory rules and orders, copyright in Government Law publication.

vi. Adoption of existing laws to bring them in conformity with the Constitution.

vii. Legal proceedings and litigation concerning the Federal Government (except the litigation concerning Revenue Division).

viii. Administrative control of the Income Tax Appellate Tribunal and the Customs, Central Excise and Sales Tax Appellate Tribunal.

ix. Special judges under the Criminal Law (Amendment) Act, 1958.

x. Federal Government functions in regard to the Supreme Judicial Council, the Supreme Court and the High Courts.

xi. Attorney General and other Law Officers of the Federation.

xii. Federal functions in respect of the Family Law Ordinance and the Conciliation Courts Ordinance.

xiii. Consultation with the Attorney-General for Pakistan, etc.

xiv. Administrative Courts for Federal subjects.

xv. Administrative control of Law Colleges.

xvi. Administrative control of Pakistan Law Commission.

xvii. Review of human rights situation in the country, including implementation of laws, policies and measures.

24.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Law and Justice Division for the financial year 2013-14 was Rs. 9,224.711 million including Supplementary Grant of Rs. 3,747.049 million out of which the Division utilized Rs. 5,192.140 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

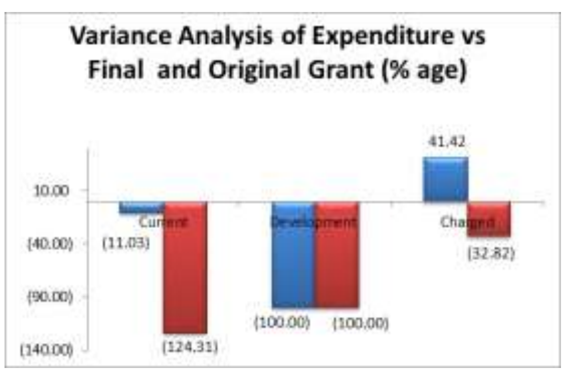
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
50	Current	281,407,000	-	281,407,000	8,164,771	(273,242,229)	(97.10)
72	Current	456,321,000	231,984,000	688,305,000	558,727,292	(129,577,708)	(18.83)
73	Current	2,589,450,000	5,652,000	2,595,102,000	2,377,431,135	(217,670,865)	(8.39)
74	Current	292,335,000	4,000	292,339,000	276,047,195	(16,291,805)	(5.57)
75	Subtotal	3,619,513,000	237,640,000	3,857,153,000	3,220,370,393	(636,782,607)	(124.31)
H	Charged	1,113,161,000	-	1,113,161,000	998,194,115	(114,966,885)	(19.37)
I	Charged	361,531,000	2,000	361,533,000	344,804,577	(16,728,423)	(4.63)
J	Charged	1,843,363,000	3,667,041,000	5,510,404,000	3,349,242,819	(2,161,161,181)	(39.22)
	Subtotal	**3,318,055,000**	**3,667,043,000**	**6,985,098,000**	**4,692,241,511**	**(2,292,856,489)**	**(32.82)**
126	Development	78,000,000	-	78,000,000	-	(78,000,000)	(100.00)
132	Development	2,081,607,000	80,006,000	2,161,613,000	499,898,559	(1,661,714,441)	(76.87)
	Subtotal	**2,159,607,000**	**80,006,000**	**2,239,613,000**	**499,898,559**	**(1,739,714,441)**	**(77.68)**
	Total	**5,477,662,000**	**3,747,049,000**	**9,224,711,000**	**5,192,140,070**	**(4,032,570,930)**	**(43.71)**

Audit noted that there was an overall saving of Rs. 4,032.571 million mainly due to savings in current as well as development expenditure.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 3,747.049 million were obtained, which were 68.41% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, savings in current expenditure were 11.03%, which, after accounting for Supplementary Grants increased to 124.31%. In development expenditure, saving against original budget was 100.00% which remains same when Supplementary Grants were taken into account. In charged expenditure there was an excess expenditure of 41.42%, which changed to savings of 32.82% when Supplementary Grants were taken into account.



24.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Law & Justice and Human Rights (including Devolved M/o Women Development)	1989-90	1	1	1	0	100%
	1990-91	4	4	3	1	75%
	1992-93	4	4	3	1	75%
	1997-98	1	1	0	1	0%
	1999-00	0	20	0	20	0%
	2000-01	25	25	15	10	60%
	2005-06	9	9	0	9	0%
	2006-07	6	6	4	2	67%
	2007-08	1	1	0	1	0%
	2008-09	2	2	1	1	50%
Total		**53**	**53**	**7**	**46**	13%

24.4 AUDIT PARAS

Irregularity & Non Compliance

24.4.1 Wasteful expenditure on purchase of vehicles - Rs. 79.968 million

Para 10(i) of GFR Volume-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.

Para 10(ii) of GFR Volume-I states that the expenditure should not be prima facie more than the occasion demands.

The Ministry of Law, Justice and Human Rights purchased 71 vehicles in relaxation of ban through a Summary dated 10.10.2012 approved by the Prime Minister subject to fulfillment of the following conditions:

i. Ministry of Law, Justice and Human Rights may be allowed to procure staff cars as prescribed in the Staff Car Rules, 1980 notified by the Cabinet Division in a transparent manner as per Public Procurement Rules, 2004.

ii. The Ministry shall procure the prescribed vehicles only for the officers/posts which are filled at that point in time.

iii. For the vacant posts the Ministry would be allowed to procure a vehicle as soon as the Ministry of Law, Justice and Human Rights notifies the Finance Division that posts have been filled.

iv. The Ministry of Law, Justice and Human Rights will also ensure not to procure vehicles for officers where this facility has already been monetized as per notification of the Cabinet Division.

The Ministry of Law, Justice and Human Rights moved a summary for the Prime Minister on 10.10.2012 for purchase of 124 vehicles in relaxation of ban for the Law Offices, Special Courts and Tribunals. The Prime Minister of Pakistan approved the proposal for purchase of 71 vehicles subject to the aforementioned conditions suggested by the Finance Division. The Law and Justice Division incurred an expenditure of Rs. 79.968 million for purchase of the following 71 vehicles during 2012-13:

(Rupees)

S. No.	Officers for whom vehicles were purchased	Particulars of vehicles	Rate	No. of vehicles	Amount
1.	Judges of Special Courts, Addl. Attorney General & Deputy Attorney General	Honda City 1-VTEC(PT) 1.3 Euro included freight charges	1,504,500	15	22,567,500
2.	Standing Counsels, Drug Court, Karachi, Secretary to Attorney General	Suzuki Cultus VXR E-II petrol 1000cc	1,005,000	56	56,280,000
		Freight Charges of 1000cc vehicles	20,000	56	1,120,000
				Total	**79,967,500**

Audit observed as under:

i. Out of 15 Honda City 1300cc vehicles, five vehicles costing Rs. 7.523 million were retained by the Law and Justice Division.

ii. Delivery of all the 56 Suzuki Cultus 1000cc vehicles costing Rs. 57.400 million was not obtained despite reminders by Suzuki

Federal Motors, Islamabad and are still lying with them since 21.05.2013 in open sky and are rusting.

Audit is of the view that retention of five vehicles by the Ministry was irregular and unauthorized as none of the vehicles was purchased for the Ministry.

Audit is also of the view that 56 vehicles were purchased without assessing the requirement which resulted in wastage of public funds.

The management did not reply.

The PAO was informed on 04.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for wastage of public funds.

24.4.2 Irregular investment - Rs. 15.000 million

Para 208 of GFR Volume-I states that in cases in which conditions are attached to the utilization of a grant in the form of specification of particular objects of expenditure or the time within which the money must be spent, or otherwise, the departmental officer on whose signature or counter signature the grant-in-aid bill was drawn should be primarily responsible for certifying to the Accountant-General, where necessary, the fulfillment of the conditions attached to the grant, unless there is any special rule or order to the contrary.

The Ministry of Law, Justice & Human Rights vide letter dated 11.03.2013 released grant-in-aid amounting to Rs. 15.000 million to Pakistan Bar Council for betterment of Pakistan Bar Council, Islamabad, i.e. renovation of bar room, bath room, purchase of books for library and computers.

Audit observed that as per expenditure statement audited by M/s Riaz Ahmed and Company, the Pakistan Bar Council invested Rs. 15.000 million in Term Deposit Receipts, although the amount had been provided as grant-in-aid.

Audit is of the view that the grant was not spent on the intended purpose which was irregular and unauthorized.

The management did not reply.

The PAO was informed on 04.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that either the grant-in-aid should be spent on the intended purpose or the Pakistan Bar Council may be requested to refund the amount along with interest earned.

24.4.3 Unauthorized payment to High Court Bar Associations and District Bar Associations - Rs. 45.400 million

Section 57 of the Legal Practitioners and Bar Councils Act, 1973 provides that the Federal Government, in the case of the Pakistan Bar Council, and the Provincial Government, in the case of a Provincial Bar Council, may make such Grants-in-Aid of the funds of the Bar Council as it may deem fit, having regard to the total number of advocates on the roll of the Council.

The Law and Justice Division paid Rs. 45.400 million to three High Court Bar Associations and 67 District Bar Associations during 2013-14. Details are at Annexure-X.

Audit observed as under:

i. Legal Practitioners and Bar Councils Act, 1973 did not provide for Grant-in-Aid by the Federal Government to Provincial Bar Councils and Districts & Tehsil Bar Associations.

ii. The Ministry of Law, Justice and Human Rights was directed in the DAC meetings held on 05.01.2011 and 07.10.2013 to make appropriate amendments in the law in the light of a similar audit observation, which was yet to be made.

Audit is of the view that payments were irregular, un-justified and in violation of the Legal Practitioners and Bar Councils Act, 1973.

The management did not reply.

The PAO was informed on 04.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the irregular practice should be discontinued till a proper legal mechanism is in place to cover such payments.

24.4.4 Failure to study the present system for improving the standards of legal education

Section 6(4) of Law and Justice Commission of Pakistan Ordinance, 1979 states that the Commission shall study the present system of legal education and make recommendations to the Federal Government for improving the standards of legal education.

The Law & Justice Commission was required to study the present system of legal education and make recommendations for improving the standards of legal education.

Audit observed that since 1979 no such study on the system of legal education had been conducted for recommending improvement in the standards of legal education.

Audit is of the view that failure to conduct the study for improving the standards of legal education was a serious lapse on the part of the management.

The management replied that the Governing Body, Access to Justice Development Fund in its meeting held on 13.06.2011 approved the project of "overall improvement in standards of legal education and innovation in teaching of legal education and curriculum development" at a cost of Rs. 1.000 million for eight months. Accordingly, an agreement was signed with the researcher on 20.06.2012. However, the recommendations/suggestions of the study would be made to the Federal Government after receiving feedback/comments from the remaining Members, Technical Evaluation Committee, Access to Justice Development Fund.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 04.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that study should be conducted for making recommendations to the Federal Government for improving the standards of legal education.

CHAPTER 25

25. NATIONAL FOOD SECURITY AND RESEARCH DIVISION

25.1 Introduction of Division

Following departments/offices and functions were assigned to National Food Security and Research Division vide SRO 1088(I)/2011(F.No.4-14/2011-Min-I) dated 09.12.2011:

i. Economic coordination and planning in respect of food, economic planning and policy making in respect of agriculture.

ii. Imports and exports control on food grains and foodstuffs, inspection, grading analysis of food grains and foodstuffs, maintenance of standards of quality for import and export and inspection, handling, storage and shipment of rice exports.

iii. Collection of statistics regarding production, consumption, prices, imports and exports of food grains.

iv. Coordination with aid and assistance agencies in respect of food sector.

v. Pakistan Agricultural Research Council and other Federal agriculture research organizations.

vi. Food and Agriculture Organization (FAO) of United Nations in respect of food.

vii. Plant protection, pesticide import and standardization, aerial spray, plant quarantine and locust control in its international aspect and maintenance of locusts warning organizations.

viii. Federal seed certification and registration.

ix. Standardization and import of fertilizer.

x. Procurement of food grains, including sugar:

   a. from abroad;

b. for Federal requirement;

c. for inter-provincial supplies; and

d. for export and storage at ports.

xi. Grading of agricultural commodities, other than food grains, for exports.

xii. Administrative control of PASSCO.

xiii. Preparation of basic plan for bulk allocation of food grains and foodstuffs.

xiv. Price stabilization by fixing procurement and issue prices, including keeping a watch over the price of food grains and foodstuffs imported from abroad or required for export and those required for inter-provincial supplies.

xv. Agricultural Policy Institute.

xvi. Animal quarantine departments, stations and facilities located anywhere in Pakistan.

xvii. National Veterinary Laboratory, Islamabad.

xviii. Laboratory for Detection of Drugs Residues in Animal Products, Karachi.

xix. Veterinary drugs, vaccines and animal feed additives:

a. import and export; and

b. procurement from abroad for Federal requirements and for inter-provincial supplies.

xx. Livestock, poultry and livestock products:

a. import and export; and

b. laying down national grades.

xxi. Pakistan Dairy Development Company.

xxii. Livestock and Dairy Development Board

xxiii. Fisheries Development Board.

xxiv. Pakistan Oil-Seed Development Board (for Federal areas only) added vide SRO No. 128(I)2013 dated 22.02.2013 (F.No. 4-2/2012-Min-I).

xxv. International cooperation matters relating to agriculture and livestock added vide SRO No. 622(I)/2013 (F.No. 4-8/2013-Min-I) dated 28.06.2013.

xxvi. Administrative control of the Agricultural Counselor's Office at Rome, Italy added vide SRO 622(I)/2013 (F.No. 4-8/2013-Min-I) dated 28.06.2013.

25.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the National Health Service Regulations and Coordination Division for the financial year 2013-14 was Rs. 2,455.451 million out of which the Division utilized Rs. 2,430.627 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
79	Cuerrenrt	257,600,000	1,000	257,601,000	232,777,348	(24,823,652)	(9.64)
134	Development	2,197,850,000	-	2,197,850,000	2,197,849,997	(3)	(0.00)
	Total	**2,455,450,000**	**1,000**	**2,455,451,000**	**2,430,627,345**	**(24,823,655)**	**(1.01)**

Audit noted that there was an overall saving of Rs. 24.823 million, which was mainly due to saving of Rs. 24.824 million in current expenditure.

During the year no Supplementary Grants were obtained, therefore, variance analysis could not be performed.

25.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
National Food Security and Research (Devolved M/o Food and Agriculture)	1987-88	17	17	15	2	88%
	1988-89	11	11	7	4	64%
	1989-90	9	9	5	4	56%
	1990-91	6	6	4	2	67%
	1991-92	19	19	2	17	11%
	1992-93	22	22	6	16	27%
	1993-94	31	31	4	27	13%

	1994-95	6	6	0	6	0%
	1995-96	14	14	0	14	0%
	1996-97	90	90	12	78	13%
	1997-98	7	7	3	4	43%
	1999-00	64	64	5	59	8%
	2000-01	45	45	2	43	4%
	2001-02	20	20	6	14	30%
	2005-06	9	9	5	4	56%
	2006-07	3	3	2	1	67%
	2007-08	5	5	4	1	80%
	2008-09	2	2	0	2	0%
	Total	**411**	**411**	**113**	**298**	27%

25.4 AUDIT PARAS

Non Production of Record

25.4.1 Non-production of record of 269 reinstated employees

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

The management of PARC, Islamabad reinstated and regularized the services of 269 employees in June & July, 2012.

Audit was not in a position to authenticate that how many individuals were actually reinstated and whether the individuals reinstated met the eligibility criteria for the posts, as the relevant record was not provided to Audit.

Audit is of the view that in the absence of auditable record, Audit could not ascertain the authenticity of the regularization of the employees and subsequent payment of salaries.

The management did not reply.

The PAO was informed on 30.12.2014 and 16.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for hindering the auditorial functions of the Auditor General of Pakistan besides production of record to Audit.

Irregularity and Non Compliance

25.4.2 Non-recovery of excess payment of Pay & Allowances from Chairman, PARC - Rs. 1.923 million

Finance Division O.M. No. F.3(7)R-4/98 dated 18.08.1998 states that it has been decided that the terms and conditions of professionals from the private sector, proposed to be appointed on contract against top management positions in the public sector, may be negotiated/determined within the scope of the salary and perquisite packages under reference. The negotiated terms in each case may be submitted to the authority competent to make such appointment for formal approval. No other benefit of any kind would be admissible or may be considered for the contract appointees over and above those terms indicated in the salary and prerequisites packages under reference.

The Establishment Division vide Notification No. 1/102/2005-E-6 dated 10.09.2012 appointed Dr. Iftikhar Ahmed as Chairman, PARC in MP-I Scale on contract basis for a period of two years.

The management of PARC fixed the salary of the Chairman at the maximum of MP-I Scale w.e.f. 12.09.2012 instead of minimum of MP-I. The Ministry of National Food Security & Research vide letter No. F.2-15/2005-Admn-III dated 08.07.2014 re-fixed the Pay & Allowances of the Chairman and the PARC management calculated excess payment of Rs. 1.923 million from 12.09.2012 to 30.06.2014.

Audit observed that the excess payment was not recovered from the Chairman.

Audit is of the view that failure to recover the excess payment was lapse on the part of the PARC management.

The management did not reply.

The PAO was informed on 30.12.2014 and 16.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that the excess payment may be recovered from the Chairman, PARC.

25.4.3 Irregular grant of 40% Income Tax rebate - Rs. 2.038 million

Clause-2 of Part-III of the Second Schedule of Income Tax Ordinance, 2001 states that the tax payable by a full time teacher or a researcher, employed in a non-profit education or research institution duly recognized by the Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission, including government training and research institutions, shall be reduced by an amount equal to 40% of tax payable on his income from salary.

The management of PARC deducted Income Tax from the salaries of the employees amounting to Rs. 2.574 million (60%) during 2013-14.

Audit observed that the management deducted only 60% of the income tax payable and granted 40% rebate in tax liability, amounting to Rs. 2.038 million.

Audit is of the view that grant of 40% rebate in Income Tax liability was irregular and unauthorized because PARC was not recognized by the Higher Education Commission, a Board of Education or a University recognized by the Higher Education Commission.

Audit is also of the view that the reduction in tax liability deprived the government of its due receipt.

The management did not reply.

The PAO was informed on 30.12.2014 and 16.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that reduction in tax liability may be discontinued forthwith while the income tax due may be recovered from the employees and deposited into the government treasury. The unauthorized rebate for the previous years may also be calculated, recovered and deposited into the government treasury.

CHAPTER 26

26. NATIONAL HEALTH SERVICES REGULATIONS AND COORDINATION DIVISION

26.1 Introduction of Division

Following departments/offices and functions were assigned to National Health Services Regulations and Coordination Division vide SRO No. 389(I)/2013 (F.No.4-5/2013-Min-I) dated 15.05.2013:

i. Pakistan Medical and Dental Council

ii. Pakistan Council for Nursing

iii. College of Physicians and Surgeons

iv. National Councils for Tibb and Homeopathy

v. Pharmacy Council of Pakistan

vi. National associations in medical and allied fields such as Pakistan Red Crescent Society and TB Association

vii. Directorate of Central Health Establishment

viii. Drug Regulatory Authority of Pakistan

ix. International aspects of medical facilities and public health, International Health Regulations, health and medical facilities abroad

x. National Institute of Health

xi. National Health Emergency Preparedness and Response Network

xii. Pakistan Medical Research Council

xiii. Health Services Academy, Islamabad

xiv. Coordination of Vertical Health Programmes including interaction with GAVI, EPI and the Global Fund for AIDS, TB, Hepatitis and Malaria

xv. National planning and coordination in the field of health

xvi. Planning and development policies pertaining to population programs in the country

xvii. Matters relating to National Trust for Population Welfare and National Institute of Population Studies

xviii. Mainstreaming population factor in development planning

xix. Directorate of Central Warehouse and Supplies, Karachi

26.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the National Health Services Regulations and Coordination Division for the financial year 2013-14 was Rs. 28,997.152 million out of which the Division utilized Rs. 24,915.078 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
81	Cuerrenrt	891,200,000	892,570,000	1,783,770,000	1,575,897,758	(207,872,242)	(11.65)
135	Development	25,739,199,000	1,474,183,000	27,213,382,000	23,339,180,407	(3,874,201,593)	(14.24)
	Total	**26,630,399,000**	**2,366,753,000**	**28,997,152,000**	**24,915,078,165**	**(4,082,073,835)**	**(14.08)**

Audit noted that there was an overall saving of Rs. 4,082.074 million, which was mainly due to saving of Rs. 3,874.202 million in development expenditure.

26.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Complied	Not - Complied	% of Compliance
National Health Services. Regulations and Coordination (Devolved M/o Health)	1988-89	2	2	0	2	0%
	1995-96	8	8	5	3	63%
	1996-97	22	22	17	5	77%
	1997-98	1	1	1	0	100%
	2000-01	52	52	5	47	10%
Total		**85**	**85**	**28**	**57**	33%

26.4 AUDIT PARAS

Non Production of Record

26.4.1 Non-production of record - Rs. 113.932 million

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

The management of Drug Regulatory Authority of Pakistan (DRAP), Islamabad incurred an expenditure of Rs. 113.932 million on two PSDP funded projects during 2013-14.

Despite repeated written and verbal requests the management did not provide the record relating to PSDP funded projects.

Audit is of the view that due to non-production of record the authenticity of the expenditure incurred could not be ascertained.

The management replied that the PSDP funded projects were closed on 30.06.2014 and proper staff was not available to produce the record. Necessary instructions had been issued to both Project Directors for production of complete record to the audit team.

The reply was not accepted because no record was produced to Audit.

The PAO was informed on 16.01.2015 and 23.01.2015, but DAC was not convened till the finalization of the audit report.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of the Auditor General of Pakistan besides production of auditable record.

Irregularity & Non Compliance

26.4.2 Irregular retention of government money - Rs. 32.039 million

Rule 7 of FTR Volume-I states that all moneys received on behalf of Government on account of revenues shall without delay be paid in full into Government Treasury and Government receipts should not be utilized towards expenditure.

The management of National Institute of Population Studies, Islamabad collected an amount of Rs. 32.039 million and retained an amount of Rs. 28.039 million in National Bank of Pakistan, PIMS Branch, Islamabad while the remaining amount of Rs. 4.000 million was invested in Regular Income Certificate of National Savings Scheme.

Audit observed as under:

i. The amount collected was departmental receipt and was required to be deposited into the government treasury as NIPS was neither authorized to retain the amount nor to invest it.

ii. The management did not collect interest amounting to Rs. 1.246 million since March, 2012 on Regular Income Certificate.

Audit is of the view that retention of receipt and its investment was irregular and unauthorized.

The management did not reply.

The PAO was informed on 30.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that departmental receipts and profit earned from the investments should be deposited into the government treasury.

26.4.3 Unauthorized payment of Health Professional Allowance - Rs. 84.855 million

The Federal Government vide Finance Division O.M. No. F.2(13)R-2/2011-777 dated 06.02.2012 granted benefit of one basic pay of running salary as Health Allowance to the "health personnel" in the employment of Federal Government, in BPS scheme, with effect from 01.01.2012.

Finance Division vide U.O. No. F.2(13)R-2/2012-172 dated 27.03.2012 clarified that the definition of the "Health Personnel" is the same as was provided in Section 2(b) of the Career Structure for Health Personnel Scheme Ordinance, 2011 which is as under:

Section 2(b) of the Career Structure for Health Personnel Scheme Ordinance, 2011 states that "health personnel" means a person who holds a post in any institute or organization delivering services in the health sector and included in Schedule-I.

Para 1 of Finance Division No. F.2(13)R-2/2011-1006 dated 27.10.2014 states that reference to Finance Division's U.O. No. F.2(13)R-2/2012-172 dated 27.03.2012 on the subject and to state that Health Allowance is admissible to the health personnel serving in Federal Government hospitals and clinics.

The management of Drug Regulatory Authority of Pakistan, Islamabad paid Rs. 84.855 million as Health Allowance to its employees during 2011-14. Details are as under:

(Rupees)

S. No.	Cost Centre	Year	Amount
1.	ID6756	2013-14	35,912,980
2.	ID6756	2012-13	34,195,972
3.	ID6118	2011-12	7,160,060
4.	ID6757	2013-14	1,656,600
5.	ID6757	2012-13	1,560,120
6.	ID6119	2011-12	427,290
7.	ID6758	2013-14	1,890,240
8.	ID6758	2012-13	1,698,030
9.	ID6120	2011-12	354,150
		Total	**84,855,442**

Audit observed that Health Allowance was paid to the employees of

DRAP although it was not a Federal Government hospital or clinic.

Audit is of the view that payment of Health Allowance to the employees of DRAP was irregular and unauthorized.

The management replied that employees of the DRAP were paid Health Allowance after seeking clarification from the Finance Division vide U.O. No. F.2 (13)/-2/2012-172 dated 27.03.2012 which states that " heath personnel" means as person who holds a post in any institute or organization delivering services in the heath sector and included in the Schedule-I. As all the posts under DRAP were included in the Schedule-I of the Health Personnel Scheme Ordinance, 2011 so the Health Allowance was paid to the employees with the approval of the then Secretary on the demand of AGPR, Islamabad.

The reply was not accepted because subsequently the Finance Division vide Para 1 of O.M. No. F.2(13)R-2/2011-1006 dated 27.10.2014 has clarified that Health Allowance was admissible to the health personnel serving in Federal Government hospitals and clinics only.

The PAO was informed on 16.01.2015 and 23.01.2015, but DAC was not convened till the finalization of the audit report.

Audit recommends that recovery of irregularly paid Health Allowance besides discontinuing the practice forthwith.

26.4.4 Non-utilization of Central Research Fund - Rs. 409.261 million

Section 20(2) of Drug Regulatory Authority of Pakistan states that the Central Research Fund fee shall be deposited in the non-lapsable sub-account of the Authority to be utilized as per existing rules.

Section 20(3) of Drug Regulatory Authority of Pakistan states that the existing Central Research Fund kept with the Federal Government shall be transferred to the Authority immediately after notification of establishment of the Authority.

Rule 19(14) of Drugs (Licensing, Registering and Advertising) Rules, 1976 states that the Licensee shall, by the 30th June and the 31st December each year, whichever is immediately after the annual financial closing of the company contribute one per cent of his gross profit before deduction of income-tax towards the Central Research Fund to be maintained by the Federal Government and utilized by it in accordance with the Drugs (Research) Rules, 1978.

Rule 3 of the Drugs (Research) Rules, 1978 states that the Federal Government may utilize the Fund for conducting research, development or evaluation of a drug either itself or through a research institution working under its control or disburse it among investigators or institutions for such purposes subject to such conditions as may be specified and for that matter. It may also utilize the fund to upgrade and establish Drugs Research and testing laboratories and a unit in the Drugs Control Section, Ministry of Health for evaluation and monitoring of the research proposals and projects and management of the fund.

The Drug Regulatory Authority of Pakistan, Islamabad maintained Central Research Fund and a balance amounting to Rs. 409.261 million was available on 30.06.2014.

Audit observed that the management did not utilize CRF for conducting research, development or evaluation of drugs.

Audit is of the view that non-utilization of CRF for the intended purposes defeated the objective/utility of creation of the Fund.

The management replied that during the transition period from devolution of Ministry of Health to establishment of Drug Regulatory Authority of Pakistan, the research & development activities with the funding of Central Research Fund remained suspended under orders of Federal Government for the purpose of certain revisions/amendments in the Drug Research Rules, 1978 framed under Drug Act, 1976 and Accounting Procedure developed for utilization of Central Research Fund in accordance with DRAP Act, 2012. The revised Drug (Research) Rules framed under Drug Regulatory Authority of Pakistan Act 2012 have been notified in April 2014. Accordingly, the proposed amendments in the Accounting Procedure for utilization of CRF are in the process of finalization. As soon as the same are notified, the research and development activities under revised Drugs (Research) Rules shall be initiated for funding from available amount of Central Research Fund.

The reply indicates that the management has accepted the point of view of Audit.

The PAO was informed on 16.01.2015 and 23.01.2015, but DAC was not convened till the finalization of the audit report.

Audit recommends that the amendments in the Accounting Procedure should be finalized at the earliest so that the objectives of establishing the Fund could be achieved.

CHAPTER 27

27. MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT

27.1 Introduction of Ministry

Following departments/offices and functions were assigned to the Ministry of Overseas Pakistanis and Human Resource Development vide SRO No. 622(I)/2013(F. No. 4-8/2013-Min-I) dated 28.06.2013:

1. National policy, planning and coordination regarding manpower development and employment promotion for intending overseas workers.
2. Preparation of short and long-term programs for manpower development and employment promotion abroad.
3. Research into problems of overseas Pakistanis; promotion and coordination of measures best suited to resolving them and motivating Pakistani citizens abroad to strengthen their links with the mother country.
4. Policy for linkages between the training of workers/labour force with the latest requirements abroad.
5. Linkage of training imparted at training institutes like National Training Bureau, Pakistan Manpower Institute, etc. with the efforts for increase in manpower export through Overseas Employment Corporation and Bureau of Emigration and Overseas Employment. This would also include close coordination and linkage with the Community Welfare Attaches abroad.
6. Welfare of Pakistani emigrants abroad and their dependents in Pakistan.
7. Periodic assessment, review and analysis of manpower resources and employment requirements overseas.
8. Administrative control of Overseas Pakistanis Foundation.

9. Special Selection Board for selection of Community Welfare Attaches for posting in Pakistan Missions abroad.

10. Administration of:

a) Emigration Ordinance, 1979;

b) Control of Employment Ordinance, 1965;

c) Workers Welfare Fund Ordinance, 1971;

d) Companies Profits (Workers Participation) Act, 1968;

e) Employees' Old Age Benefits Act, 1976 including supervision and control of the employees' old age benefits institutions.

11. Administrative control of:

a) Overseas Employment Corporation; and

b) Bureau of Emigration and Overseas Employment.

12. Foreign Employment and Emigration.

13. Administration of the Industrial Relations Act, 2012 and keeping a watch on labour legislation from international perspective, coordination of labour legislation in Pakistan and the Industrial Relations Commission.

27.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ministry for the financial year 2013-14 was Rs. 1,327.744 million including Supplementary Grant of Rs. 324.206 million out of which the Ministry utilized Rs. 932.812 million. Grant-wise detail of current expenditure is as under:

(Rupees)

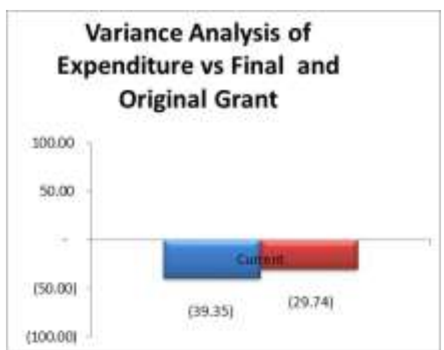
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)	% age Excess/ (Saving)
49	Cuerrenrt	353,390,000	-	353,390,000	9,125,032	(344,264,968)	(97.42)	(97.42)
83	Cuerrenrt	650,148,000	324,206,000	974,354,000	923,687,179	(50,666,821)	(5.20)	(7.79)
	Total	**1,003,538,000**	**324,206,000**	**1,327,744,000**	**932,812,211**	**(394,931,789)**	**(29.74)**	**(39.35)**

Audit noted that there was saving of Rs. 394.932 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 324.206 million were obtained, which was 32.31% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, savings in current expenditure was 39.35%, which, after accounting for Supplementary Grants changed to saving of 29.74%.



27.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Ministry of Human Resource Development (Devolved M/o Labour and Manpower and M/o Overseas	1989-90	1	1	1	0	100%
	1990-91	2	2	2	0	100%
	1992-93	13	13	3	10	23%
	1993-94	9	9	7	2	78%
	1994-95	2	2	2	0	100%
	1996-97	1	1	0	1	0%
	1997-98	23	23	10	13	43%
	1999-00	43	43	22	21	51%

Pakistanis)	2001-02	1	1	0	1	0%
	2006-07	1	1	0	1	0%
	2008-09	2	2	0	2	0%
	Total	**98**	**98**	**47**	**51**	**48%**

27.4 AUDIT PARAS

Non Production of Record

27.4.1 Non-production of record of project employees regularized by the sub-committee of Cabinet

Section 14(2) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 states that the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

Section 14(3) of Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 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.

The sub-Committee of the Cabinet regularized a large number of project employees in the Bureau of Emigration and Overseas Employment (Headquarters), Islamabad during 2011-14.

Despite repeated written and verbal requests the management did not provide record/data/information relating to the employees who were regularized.

Audit is of the view that due to non-production of record the authenticity of the regularization could not be ascertained.

The management did not reply.

The PAO was informed on 26.11.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for hindering the auditorial functions of the Auditor General of Pakistan besides production of auditable record.

CHAPTER 28

28.MINISTRY OF PARLIAMENTARY AFFAIRS

28.1 Introduction of Ministry

Following functions were assigned to the Parliamentary Affairs Division vide SRO No. 445 (I)/2012 dated 30.04.2012 (F.No.4-2/2012-Min-I):

1. Majlis-e-Shoora (Parliament), summoning of either House or both Houses or Joint sitting of Majlis-e-Shoora (Parliament) and prorogation thereof.
2. Dissolution of the National Assembly.
3. Liaison between the Divisions and Majlis-e-Shoora (Parliament) in respect of official and non-official business; priority of official business.
4. Follow up of the assurances, promises and undertakings given by the Federal Government on the floor of the House with a view to their implementation by the Divisions concerned.
5. Submission of Bills passed by Majlis-e-Shoora (Parliament) or by the National Assembly to President for his assent.
6. Legislation pertaining to privileges of Majlis-e-Shoora (Parliament) and members of Majlis-e-Shoora (Parliament), salaries and allowances of the Chairman and Deputy Chairman of the Senate, Speaker and Deputy Speaker of the National Assembly and members of Majlis-e-Shoora (Parliament).
7. Legislation pertaining to the Leader of the House and the Leader of the Opposition, provision of staff and other facilities for the Leader of the House.
8. Rules of Procedure of either House or Joint Sitting of Majlis-e-Shoora (Parliament).
9. Legislation pertaining to punishment of persons who refuse to give evidence or produce documents before committees of National Assembly or the Senate.

10. Appointment and terms and conditions of Federal Parliamentary Secretaries.

11. Legislative business relating to the Election Commission

28.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ministry for the financial year 2013-14 was Rs. 315.298 million including Supplementary Grant of Rs. 70.338 million out of which the Ministry utilized Rs. 169.308 million. Grant-wise detail of current expenditure is as under:

(Rupees)

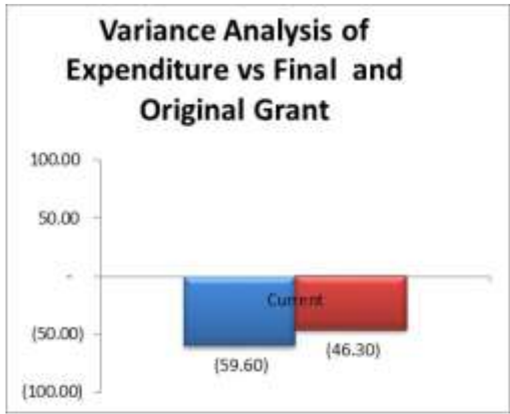
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)	% age Excess/ (Saving)
69	Cuerrenrt	244,960,000	70,338,000	315,298,000	169,308,610	(145,989,390)	(46.30)	(59.60)

Audit noted that there was saving of Rs. 145.989 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 70.338 million were obtained, which was 28.71% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, savings in current expenditure were 59.60%, which, after accounting for Supplementary Grants changed to saving of 46.30%.



28.3 Brief comments on the status of compliance with PAC Directives

There is no PAC directive.

28.4 AUDIT PARAS

Irregularity & Non compliance

28.4.1 Recovery of salaries and allowances from parliamentary secretaries disqualified by the Supreme Court of Pakistan - Rs. 21.432 million

The Supreme Court of Pakistan vide orders dated 20.09.2012, 12.11.2012 and 21.03.2013 disposed of Petition No. 5 of 2012 and disqualified a number of Parliamentarians under Article 63(1)(C) of the Constitution of the Islamic Republic of Pakistan, 1973 as they had made false declarations before the Election Commission of Pakistan while filing their nomination papers. The Election Commission of Pakistan also de-notified the names of the Parliamentarians.

The Supreme Court of Pakistan directed five Members of Parliament to refund all monetary benefits drawn by them for the period during which they occupied the public office and had drawn their emoluments, etc. from the public exchequer including monthly remunerations, TA/DA, facilities of accommodation along with other perks. The amount so recovered from all of them shall be deposited in the public exchequer within a period of two weeks.

The Ministry of Parliamentary Affairs paid salaries, allowances, accommodation and other perks and privileges, etc. amounting to Rs. 21.432 million to the following disqualified Parliamentary Secretaries:

(Rupees)

S. No.	Name	Period		Amount
		From	To	
1.	Cap ® Rai Ghulam Mujtaba Kharal.	26.07.2008	16.03.2013	11,608,322
2.	Begum Shahnaz Sheikh.	01.12.2011	17.09.2012	2,311,274
3.	Mr. Farhat Muhammad Khan.	08.04.2010	14.07.2011	7,512,200
			Total	**21,431,796**

Audit observed that management of Parliamentary Affairs Division has failed to recover the amount from above Ex-Parliamentary Secretaries.

Audit is of the view non recovery of monetary benefits was a violation of the orders of the Supreme Court of Pakistan and deprived the government of its due receipt.

The management replied that in the light of a short order of the Honorable Supreme Court of Pakistan against Constitutional petition No. 05 of 2012 titled "Syed Mehmood Akhter Naqvi VS Federation of Pakistan Islamabad & others" a letter and subsequent reminder was issued to M/s Capt. (R) Rai Ghulam Mujtaba Kharal, Begum Shahnaz Sheikh and Farhat Muhammad Khan for refund of monetary benefits including Salary/Allowances, TA/DA, facilities of accommodation and other perks/privileges in their capacity as Parliamentary Secretaries. In this regard, no reply has been received so far as the matter is sub-judice.

The management has accepted the viewpoint of Audit.

The PAO was informed on 22.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that amount may be recovered and deposited into the government treasury.

28.4.2 Unauthorized withdrawal of public money from Federal Consolidated Fund - Rs. 196.110 million

Rule 13 of the FTR states that save as expressly provided by or under these rules, or unless the Government after consultation with the Auditor General otherwise direct in any case, moneys may not be withdrawn from the Federal Consolidated Fund or Public Account of the Federation, as the case may be, without the written permission of the Treasury Officer or of an officer of Pakistan Audit Department authorized in this behalf by an Accountant General.

Rule 147 of the FTR states that save as expressly provided by or under these rules, no person is authorized to draw on a treasury by means of cheques without special order of the Government and before he has been placed in the account with that treasury by the Accountant General.

The Parliamentary Affairs Division was provided cheque books of Civil Departments (other than Forest and Public Works) by AGPR, Islamabad and officer of the Division was exercising powers of cheque signatories for withdrawal of public moneys from Federal Consolidated Fund. An amount of Rs. 196.111 million was withdrawn by the Ministry through cheque out of the budget-Payment to Parliamentary Secretaries during 2011-14.

Audit observed as under:

i. The money was withdrawn without the written permission of the Treasury Officer or of an officer of Pakistan Audit Department authorized in this behalf by an Accountant General in violation of Rule 13 of the FTR.

ii. The money was withdrawn from treasury by means of cheques without special order of the Government in violation of Rule 147 of the FTR.

Audit is of the view that practice being followed was irregular and unauthorized.

The management replied that the audit observation was noted and would be brought in to the notice of AGPR for better arrangements.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 22.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that unauthorized practice should be discontinued immediately.

CHAPTER 29

29. MINISTRY OF PETROLEUM AND NATURAL RESOURCES

29.1 Introduction of Ministry

The Ministry of Petroleum & Natural Resources was created in April, 1977 prior to which matters relating to petroleum and natural resources were part of the Ministry of Fuel, Power and Natural Resources.

The functions assigned to the Ministry as per Rules of Business, 1973 are:

1. All matters relating to oil, gas and minerals at the national and international levels, including:
   - (i) Policy, legislation and planning regarding exploration, development and production;
   - (ii) Import, export, refining, distribution, marketing, transportation and pricing of all kinds of petroleum and petroleum products;
   - (iii) Matters bearing on international aspects;
   - (iv) Federal agencies and institutions for promotion of special studies and development programs.
2. Geological Surveys.
3. (i) Administration of Regulation of Mines and Oilfields and Mineral Development (Federal Control) Act, 1948 and rules made there under, in so far as the same relate to exploration and production of petroleum, transmission, distribution of natural gas and liquefied petroleum gas, refining and marketing of oil;
   - (ii) Petroleum concessions, agreements for land, off-shore and deep sea areas;
   - (iii) Import of machinery, equipment, etc., for exploration and

development of oil and natural gas.

4. (i) Administration of Marketing of Petroleum Products (Federal Control) Act, 1974 and rules made there under;

(ii) Matters relating to Federal investments and undertakings wholly or partly owned by the Government in the field of oil, gas and minerals, except those assigned to the Industries and Production Division.

5. Administration of:

(i) The Petroleum Products (Development Surcharges) Ordinance, 1961 and the rules made there under;

(ii) The Natural Gas (Development Surcharges) Ordinance, 1967 and the rules made there under;

6. (i) Coordination of energy policy, including measures for conservation of energy and energy statistics;

(ii) Research, development, deployment and demonstration of hydrocarbon energy resources

(iii) Secretariat of Mineral Policy Committee.

The following department/office was transferred to the Ministry of Petroleum & Natural Resources vide Cabinet Division Notification No. 4-9/2011-Min.1 dated 29.06.2011:

- Chief Inspector of Mines, Islamabad

29.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Petroleum & Natural Resources Division for the financial year 2013-14 was Rs. 851.253 million including Supplementary Grant of Rs. 127.707 million out of which the Division utilized Rs. 775.965 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

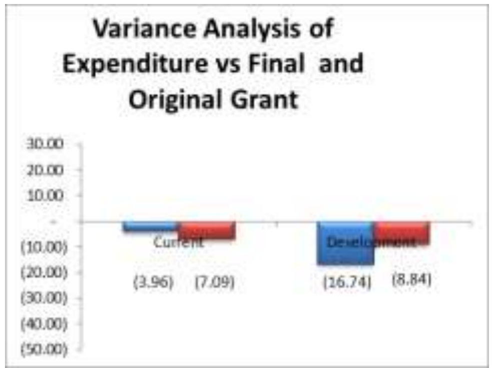
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
85	Current	266,190,000	4,000	266,194,000	234,393,771	(31,800,229)	(11.95)
86	Current	323,127,000	22,700,000	345,827,000	331,341,370	(14,485,630)	(4.19)
87	Current	84,229,000	-	84,229,000	81,167,248	(3,061,752)	(3.64)
	Subtotal	**673,546,000**	**22,704,000**	**696,250,000**	**646,902,389**	**(49,347,611)**	**(7.09)**
123	Development	50,000,000	105,003,000	155,003,000	129,062,156	(25,940,844)	(16.74)
	Total	**723,546,000**	**127,707,000**	**851,253,000**	**775,964,545**	**(75,288,455)**	**(8.84)**

Audit noted that there was an overall saving of Rs. 75.288 million, which was due to savings of Rs. 49.347 million in Current Grants.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 127.707 million were obtained, which was 17.65% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the savings in current expenditure were 3.96%, which was increased to 7.09% after accounting for Supplementary Grants. In development expenditure, savings against original budget were 16.74% which changed to savings of 8.84% when Supplementary Grants were taken into account.



29.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Ministry of Petroleum and Natural Resources	1987-88	2	2	0	2	0%
	1988-89	5	5	2	3	40%
	1990-91	1	1	1	0	100%
	1992-93	3	3	2	1	67%
	1993-94	2	2	1	1	50%
	1994-95	4	4	0	4	0%
	1995-96	4	4	3	1	75%
	1999-00	4	4	0	4	0%
	2000-01	52	52	38	14	73%
	2005-06	11	11	3	8	27%
	2006-07	3	3	2	1	67%
	2008-09	3	3	0	3	0%
Total		**94**	**94**	**52**	**42**	55%

29.4 AUDIT PARAS

Irregularity & Non Compliance

29.4.1 Non-auction of 85 unserviceable vehicles

Rule 26 Rules for the Use of Staff Cars, 1980 states that all vehicles shall be disposed of by Ministry /Division concerned through public auction.

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

The management of Geological Survey of Pakistan (GSP), Quetta provided a list of 85 off road vehicles.

Audit observed that the vehicles were unserviceable and were parked at different places inside the premises of GSP. The vehicles were of 60s, 70s and 80s models and their condition was deteriorating with the passage of time.

Audit is of the view that the management did not take appropriate steps/measures to dispose of these vehicles at the right time so as to fetch proper auction price.

The management replied that all vehicles were not meant for condemnation. Most of the vehicles were repairable subject to availability of funds. A meeting of the Condemnation Committee was held on 08.12.2013 and 26 vehicles were condemned, which would be disposed of after the meeting of Disposal Committee. Construction of parking shed was under process which would be completed within a month.

The reply was not accepted because it was the responsibility of the management to make appropriate arrangement to safeguard and dispose of the unserviceable vehicles which were parked there for the last many years.

The PAO was informed on 19.11.2014, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for failure to safeguard the government assets and dispose of unserviceable vehicles.

29.4.2 Unauthorized maintenance of a fleet of 26 vehicles on general duty

Serial No. (xv) of Cabinet Division letter No. 6/7/2011-CPC dated 12.12.2011 states that the Ministries/Divisions/Departments needing operational vehicles shall get their authorization of such vehicles fixed from the Vehicle Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division /Department.

The management of Geological Survey of Pakistan (GSP), Quetta was maintaining a fleet of 26 vehicles.

Audit observed that the vehicles were maintained as general duty vehicles without the authorization of the Cabinet Division. Details are at Annexure-XI.

Audit is of the view that retention of a large number of vehicles without the approval of the Cabinet Division was irregular and unauthorized.

The management replied that the Ministry of Petroleum and Natural Resources would be requested to obtain authorization of all vehicles of GSP from the Cabinet Division.

The reply indicates that the management has accepted the audit observation.

The PAO was informed on 19.11.2014, but DAC was not convened till the finalization of the report.

Audit recommends that revised authorization may be obtained from the Cabinet Division.

CHAPTER 30

30.PRIME MINISTER'S OFFICE (PUBLIC)

30.1 Introduction

The office of Prime Minister was created immediately after the establishment and the creation of Pakistan in 1947. Originally, the Prime Minister was given central executive powers, which were later reduced as the powers of the Governor General. Liaquat Ali Khan was the first Prime Minister appointed in 1947, but was assassinated in 1951. From 1951 till 1957, the country saw the tenures of seven different Prime Ministers. In 1956, Parliament of Pakistan adopted the 1956 Constitution, replacing the Governor General with President of Pakistan. However, the office was disbanded by President Iskandar Mirza and, in a coup led by his successor General Ayub Khan in 1958, the 1956 Parliamentary Constitution was replaced with the 1962 Presidential system, completely dissolving the Prime Minister's Office. From 1958 until 1970, there was no Prime Minister as the country had the Presidential system. Following the imposition of the Constitution of Pakistan, 1973 the office of Prime Minister was revived and Mr. Zulfikar Ali Bhutto became the elected Prime Minister of Pakistan. The 1973 Constitution provided the parliamentary system to Pakistan and President of Pakistan as a figurehead.

The Prime Minister is elected by the National Assembly, members of which are elected by popular vote. The Prime Minister is responsible for appointing a Cabinet, as well as running the government, and taking executive decisions.

30.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Prime Minister's Office for the financial year 2013-14 was Rs. 878.792 million including Supplementary Grant of Rs. 68.720 million against which the Office utilized Rs. 730.961 million. Details are as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
8	Cuerrenrt	754,614,000	68,719,000	823,333,000	703,376,007	(119,956,993)	(14.57)
10	Cuerrenrt	55,458,000	1,000	55,459,000	27,585,165	(27,873,835)	(50.26)
	Total	**810,072,000**	**68,720,000**	**878,792,000**	**730,961,172**	**(147,830,828)**	**(16.82)**

There was saving of Rs. 119.957 million which was mainly due to saving in Grant No. 8.

30.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Prime Minister's Office	1996-97	6	6	3	3	50%
	2005-06	1	1	0	1	0%
	Total	**7**	**7**	**3**	**4**	43%

30.4 AUDIT PARAS

Irregularity & Non Compliance

30.4.1 Irregular expenditure out of Contingent Grant - Rs. 3.728 million

In terms of Finance Division O.M. No. F.5(4)-F&A/2000 dated 27.07.2000 the purposes of Contingent Grant are as follows:

i. Ex-gratia payments to private citizens and organizations which are normally not financed from public money;

ii. Grants to public and private organizations like bar councils which are the responsibility of the provincial governments;

iii. Grants which fall within the financial jurisdiction of the Federal Government or public sector organizations under their control for which full or adequate budgetary provision does not exist;

iv. Donations to school, clubs, charitable institutions, similar bodies and financial assistance to indigent individuals and public servants;

v. Donations to the needy and the disadvantaged groups/individuals in cases determined at the level of the President/Chief Executive.

The management of the Prime Minister's Secretariat incurred an expenditure of Rs. 12.426 million out of Contingent Grant during 2013-14.

Audit observed that the management paid an amount of Rs. 3.728 million as payment of ex-gratia to the employees (BS-1 to 4) of the Prime Minister's Office Public (Rs. 1.397 million) and Internal (Rs. 2.331 million).

Audit is of the view that payment of ex-gratia to the employees of the Prime Minister's Office (Public & Internal) was not covered under the purposes of the Contingent Grant, and was, therefore, irregular and unauthorized.

The management replied that this was an established tradition since long that every Prime Minister of Pakistan distributes ex-gratia/Eidee out of the Contingent Grant to the employees of this office. Accordingly, the Prime Minister was pleased to approve one month's basic pay to the employees (BS 1-4) of Prime Minister's Office (Public and Internal) and Rs. 4,000 each to the employees (BS 1-4) of supporting departments as ex-gratia/Eidee on the occasion of Eid-ul-Fitr- 2013) out of Contingent Grant. The purpose of Contingent Grant issued by the Finance Division was not above the authority of Prime Minister. As per Rules of Business, 1973 the Prime Minister was the competent authority to approve such cases without observing the purpose of Contingent Grant issued by the Finance Division.

The reply was not accepted because the guidelines issued by the Finance Division were fully applicable to payments from the Contingent Grant, being public funds. The purposes of the Contingent Grant were, therefore, clearly defined. According to the guidelines issued by the Finance Division, ex-gratia payments could only be made to private citizens and organizations which were not financed from public money, while indigent public servants were only entitled to financial assistance. These guidelines were fully applicable to the Prime Minister also as these were public funds and not personal money.

The PAO was informed on 07.01.2015, but DAC was not held till the finalization of the report.

Audit recommends that the irregularity should be discontinued and public funds should not be utilized outside the purposes of the grant.

CHAPTER 31

31.PRESIDENT'S SECRETARIAT (PUBLIC)

31.1 Introduction

The President is the symbol of unity of the country. Pakistan is the true legacy of the British Parliamentary System whereby the President is elected by the Electoral College comprising Senate, National Assembly and the four Provincial Assemblies, plus the two MNA's from the Islamabad Capital Territory and FATA representatives in the Assembly. The President is elected for a term of five years and can be re-elected only for two consecutive terms. Being the constitutional head of the country, the President is the Supreme Commander of the Armed Forces and an integral part of the Parliament, who is approached for requisitioning the sessions of the National Assembly and the Senate. His annual address to the Joint Session of the Parliament has immense significance for democracy in Pakistan. The President is the final authority in judicial matters regarding capital punishment and possesses the power to grant pardon. The President must be kept informed of all legislative matters by the Prime Minister. He can exercise his functions in accordance with the advice of the Cabinet or the Prime Minister. The President may seek briefing from Prime Minister on any administrative matter of the country.

31.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the President's Secretariat for the financial year 2013-14 was Rs. 785.613 million including Supplementary Grant of Rs. 96.612 million out of which the Secretariat utilized Rs. 735.880 million. Grant-wise detail of expenditure is as under:

(Rupees)

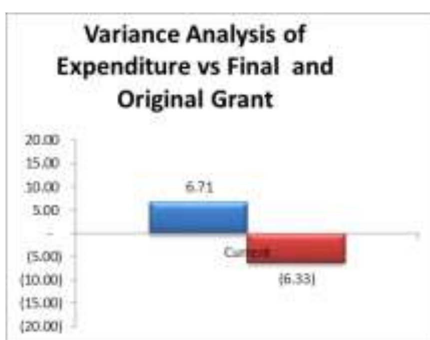
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
A	Charged	689,612,000	96,001,000	785,613,000	735,880,320	(49,732,680)	(6.33)

Audit noted that there was an overall saving of Rs. 49.732 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 96.001 million were obtained, which was 13.92% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess was 6.71% of Original Grant, which came to saving of 6.33% after accounting for Supplementary Grants.



31.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
President Secretariat	1992-93	1	1	1	0	100%
	2005-06	1	1	0	1	0%
Total		**3**	**3**	**2**	**1**	67%

31.4 AUDIT PARAS

Irregularity & Non Compliance

31.4.1 Irregular payment from Contingent Grant - Rs. 5.000 million

The Finance Division O.M. No. F.5(4)-F&A/2000 dated 27.07.2000 specifies the purposes of Contingent Grant as follows:

i. Ex-gratia payments to private citizens and organizations which are normally not financed from public money;

ii. Grants to public and private organizations like bar councils which are the responsibility of the provincial governments;

iii. Grants which fall within the financial jurisdiction of the Federal Government or public sector organizations under their control for which full or adequate budgetary provision does not exist;

iv. Donations to school, clubs, charitable institutions, similar bodies and financial assistance to indigent individuals and public servants;

v. Donations to the needy and the disadvantaged groups/individuals in cases determined at the level of the President/Chief Executive.

vi. Any other expenditure which has been approved by the President.

The President's Secretariat (Public), Islamabad paid an amount of Rs. 5.000 million to President's Secretariat (Personal) from Contingent Grant vide cheque No. A071576 dated 01.10.2013 during 2013-14.

Audit observed that the amount was spent on establishment of Community Center at Presidential Estate Colony, Islamabad.

Audit is of the view that the payment of Contingent Grant for development expenditure was not covered under the instructions of the Finance Division.

The management replied that President's Secretariat (Personal) vide U.O. No. 547(1)-A/2011 dated 19.09.2013 requested to provide an amount of Rs. 5.000 million as advance on urgent basis for official use, which was utilized for the establishment of Community Centre at Presidential Estate Colony, Islamabad. Adjustment accounts along with supporting documents were available.

The reply was not accepted because development expenditure of Presidential Estate Colony was not covered under the purposes of the Contingent Grant.

The PAO was informed on 29.12.2014 and 09.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility should be fixed for the irregularity.

31.4.2 Irregular and unauthorized expenditure on foreign visits by the President from President's Contingent Grant - Rs. 6.144 million

The Finance Division O.M. No. F.5(4)-F&A/2000 dated 27.07.2000 specifies the purposes of Contingent Grant as follows:

i. Ex-gratia payments to private citizens and organizations which are normally not financed from public money;
ii. Grants to public and private organizations like bar councils which are the responsibility of the provincial governments;
iii. Grants which fall within the financial jurisdiction of the Federal Government or public sector organizations under their control for which full or adequate budgetary provision does not exist;
iv. Donations to school, clubs, charitable institutions, similar bodies and financial assistance to indigent individuals and public servants;
v. Donations to the needy and the disadvantaged groups/individuals in cases determined at the level of the President/Chief Executive.
vi. Any other expenditure which has been approved by the President*.

(*inserted vide O.M. dated 13.11.2013)

The President's Secretariat (Public), Islamabad paid advance amount of Rs. 6.144 million (equivalent to US$ 60,000) to President's Secretariat (Personal) for visit abroad of the President from Contingent Grant during 2013-14. Details are as under:

(Rupees)

S. No.	Description	Cheque No.	Date	Adjustment description	Amount
1.	Visit to China & South Africa	A071577	08.10.2013	Inam: Ziara Khasa, Security Staff, Waiters, Wheel Chair Operators, Aalim at Mecca	2,657,500
2.	Visit to China	A137247	19.05.2014	Inam: Waiters, drivers & serving staff	993,000
3.	Visit to Turkey, Nigeria and Saudi Arabia	A137253	06.06.2014	Inam: Waiters, drivers & serving staff	1,997,000
4.	Visit to Saudi Arabia	A137297	27.06.2014	Inam: Security Staff, Waiters, & drivers	496,750
				Total	**6,144,250**

Audit observed as under:

i. An amount of Rs. 3.487 million was paid as Inam (tips) during foreign visits to Security Staff, Drivers, Waiters and other staff from Contingent Grant (Serial No. 2 to 4).

ii. An amount of Rs. 2.658 million was approved by the Secretary to the President for payment of Inam (tips) during foreign visits of the President to Security Staff, Chair Operators, Aalim and other staff from Contingent Grant (Serial No. 1).

Audit is of the view that payment of Inam (tips) from Contingent Grant was against the instructions of the Finance Division.

The management replied that funds were allocated under the Demand of Foreign Affairs Division regarding other external affairs services abroad Delegation Abroad (President) Charged. All the expenditure of boarding/lodging of President's visits abroad was met under the said Demand. As far as the expenditure incurred by the President for the tips to drivers, security guards and waiters out of PCG was concerned, it was covered under the purpose, as the addition in Finance Division's O.M. dated 27.07.2000 vide O.M. dated 13.11.2013 which states that "Any other expenditure which has been approved by the President” to the purposes of PCG. However, in future the possibility of meeting this expenditure from demand of Foreign Affairs will be explored.

The reply was not accepted because the major expenditure of Rs. 2.658 million was incurred before the addition of Serial No. vi vide O.M. 13.11.2013. Further, the amendment by the Finance Division dated 13.11.2013 was totally in violation of the principles of financial discipline because expenditure is appropriated to specific heads of account to maintain budgetary and financial discipline. The amendment by the Finance Division dated 13.11.2013 defeated the basic principles of accounting and gave the impression that the President could spend public money for any purpose whatsoever at his sole discretion. Under the President’s Salary, Allowances and Privileges Act, 1975 the President has already been provided funds under Discretionary Grant for expenditure at his discretion.

The PAO was informed on 29.12.2014 and 09.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that such irregular expenditure should be discontinued forthwith.

CHAPTER 32

32.PRESIDENT'S SECRETARIAT (PERSONAL)

32.1 INTRODUCTION

The President is the symbol of unity of the country. Pakistan is the true legacy of the British Parliamentary System whereby the President is elected by the Electoral College comprising Senate, National Assembly and the four Provincial Assemblies, plus the two MNA's from the Islamabad Capital Territory and FATA representatives in the Assembly. The President is elected for a term of five years and can be re-elected only for two consecutive terms. Being the constitutional head of the country, the President is the Supreme Commander of the Armed Forces and an integral part of the Parliament, who is approached for requisitioning the sessions of the National Assembly and the Senate. His annual address to the Joint Session of the Parliament has immense significance for democracy in Pakistan. The President is the final authority in judicial matters regarding capital punishment and possesses the power to grant pardon. The President must be kept informed of all legislative matters by the Prime Minister. He can exercise his functions in accordance with the advice of the Cabinet or the Prime Minister. The President may seek briefing from Prime Minister on any administrative matter of the country.

32.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the President's Secretariat for the financial year 2013-14 was Rs. 785.613 million including Supplementary Grant of Rs. 96.612 million out of which the Secretariat utilized Rs. 735.880 million. Grant-wise detail of expenditure is as under:

(Rupees)

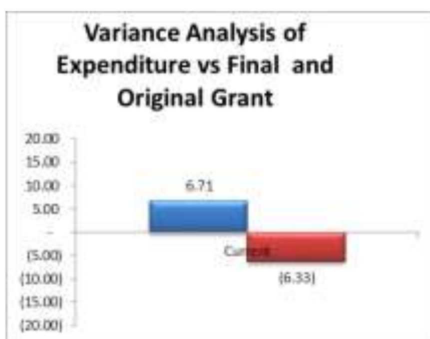
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
A	Charged	689,612,000	96,001,000	785,613,000	735,880,320	(49,732,680)	(6.33)

Audit noted that there was an overall saving of Rs. 49.732 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 96.001 million were obtained, which was 13.92% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess was 6.71% of Original Grant, which came to saving of 6.33% after accounting for Supplementary Grants.



32.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
President Secretariat	1992-93	1	1	1	0	100%
	2005-06	1	1	0	1	0%
Total		**3**	**3**	**2**	**1**	67%

32.4 AUDIT PARAS

Irregularity & Non Compliance

32.4.1 Recovery of income tax from firms providing food items - Rs. 1.292 million

Part III, Division III, Item No. 1(b)2(ii) of Section 153 of Income Tax Ordinance, 2001 states that in case of the sale of other goods 3.5 % Income Tax and in case of services (other than transport) 6% Income Tax will be deducted at source.

The President's Secretariat (Personal) paid an amount of Rs. 36.909 million for procurement of various items, i.e. vegetables, meat, fruit, eatable items and entertainment, etc. to M/s Peshawari Namak Mandi, General Order Suppliers during 2013-14.

Audit observed that the management did not deduct Income Tax at source @ 3.5% amounting to Rs. 1.292 million.

Audit is of the view that due to non-deduction of Income Tax the government was deprived of its due receipts.

The management replied that the actual expenditure incurred on food items purchased from M/s Peshawari Namak Mandi during 2013-14 was Rs. 31.000 million and an amount of Rs. 1.085 million @ 3.5% would be deducted as Income Tax from the firm and deposited in to the government treasury.

The reply indicates that the management has accepted the audit observation.

The DAC was held on 29.01.2015. The management informed that the vendor had been asked through a letter to deposit the amount of Income Tax pointed out by Audit. As soon as the Income Tax was deposited by the vendor, a copy of challan would be provided to Audit.

Audit recommends that the Income Tax amount should be recovered from the firm and deposited into government treasury.

32.4.2 Excess expenditure on Dispensary Establishment and Maintenance of Gardens - Rs. 45.062 million

Column 3 of the Second Schedule of Section 7(a) of President's Salary, Allowances and Privilege Act, 1975 states that maximum yearly amount for expenditure for staff, including Dispensary Establishment is Rs. 2.250 million.

Column 4 of the Second Schedule of Section 7(a) of President's Salary, Allowances and Privilege Act, 1975 states that maximum yearly amount for expenditure for Contract Allowance including Maintenance of Gardens is Rs. 1.500 million.

The management of President's Secretariat (Personal) incurred an expenditure of Rs. 18.086 million under Dispensary Establishment of President's Secretariat (Personal) ID-0016 during 2013-14.

The President's Secretariat (Personal) incurred expenditure amounting to Rs. 18.086 million on Dispensary Establishment and Rs. 30.725 million on Maintenance of Gardens during 2013-14. Details are as under:

(Rupees)

S. No.	Description	Permissible limit	Actual expenditure	Difference
1.	Dispensary Establishment	2,250,000	18,086,410	15,836,410
2.	Maintenance of Gardens	1,500,000	30,725,313	29,225,313
			Total	**45,061,723**

Audit observed that expenditure amounting to Rs. 45.062 million was incurred over and above the permissible limit.

Audit is of the view that expenditure incurred over and above the permissible limit was irregular and unauthorized.

The management replied that the Cabinet Division was requested vide letter No. 538(4)-A-2013-14 dated 23.01.2014 to enhance the maximum yearly amount of dispensary due to inflation and increase in expenditure. The Cabinet Division vide U.O. No. 1-3/2010-Min-I dated 17.02.2014 raised certain queries which were being replied to revise the Second Schedule of President’s Privilege Act, 1975.

The reply was not accepted because the Cabinet Division could not enhance the allocation of funds without amendment in the President’s Salary, Allowances and Privileges Act, 1975. This was also discussed during the DAC meeting held on 09.01.2014, and the management had assured to initiate efforts to amend the President’s Salary, Allowances and Privileges Act, 1975 to bring it in accordance with the present day requirements. Unfortunately, the Act had not been amended and the irregularity was being continued.

The DAC was held on 29.01.2015. The management informed that the case for amendment in President’s Salary, Allowances and Privileges Act, 1975 had been initiated with the Cabinet Division.

Audit recommends that the irregular expenditure should not be incurred beyond the limits given in the President’s Salary, Allowances and Privileges Act, 1975.

CHAPTER 33

33. MINISTRY OF RELIGIOUS AFFAIRS AND INTER FAITH HARMONY

33.1 Introduction of Ministry

The Ministry of Religious Affairs and Inter Faith 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 & Khateebs 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:

1. Pilgrimage beyond Pakistan; Muslim pilgrims' visits to India
2. Ziarat and Umra
3. Welfare and safety of pilgrims and zairines
4. Administrative control of the Hajj Directorate at Jeddah and dispensaries in Makkah and Medina
5. Islamic studies and research, including holding of seminars, conferences, etc. on related subjects
6. Training and education of Ulema and Khatibs, etc.
7. Error-free and exact printing and publishing of the Holy Quran
8. 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
9. Ruet-e-Hilal

10. Tabligh
11. Council of Islamic Ideology
12. Observance of Islamic Moral Standards
13. Donations for religious purposes and propagation of Islamic ideology abroad
14. Development of policies, arrangement for the proper collection, disbursement and utilization of Zakat and Ushr funds and maintenance of their accounts
15. Maintenance of liaison with Pakistan Missions abroad for collection of Zakat and other voluntary contributions from Pakistan citizens and others residing outside Pakistan

Following functions were transferred to the Ministry of Religious Affairs and Inter Faith Harmony vide Cabinet Division Notification No. 4-17/2010-Min-1 dated 02.12.2010:

- Collection of Zakat and Ushr, Disbursement of Zakat and Ushr to Provinces and other areas as per formula approved by Council of Common Interests (CCI)

Following functions were transferred to the Ministry of Religious Affairs and Inter Faith Harmony vide SRO No. 622(I)/2013(F.No. 4-8/2013-Min-I) dated 28.06.2013:

- Policy and legislation with regard to interfaith harmony.
- International agreements and commitments in respect of all religious communities and implementation thereof.
- Representation of Pakistan at UN Sub-Commission on Prevention of Discrimination to Minorities.
- Minorities' Welfare Fund.
- National Commission for Minorities.
- Evacuee Trust Property Board.

33.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ministry of Religious Affairs and Inter Faith Harmony for the financial year 2013-14 was Rs. 1,836.690 million including Supplementary Grant of Rs. 1,121.478 million out of which the Division utilized Rs. 1,691.208 million. Grant-wise detail of current expenditure is as under:

(Rupees)

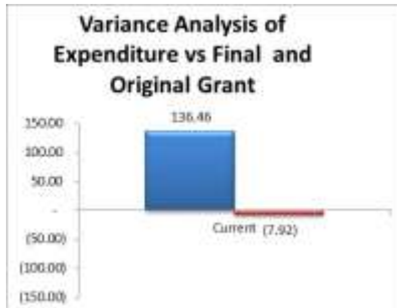
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
94	Current	150,042,000	216,824,000	366,866,000	307,786,656	(59,079,344)	(16.10)
95	Current	81,003,000	1,000	81,004,000	74,010,385	(6,993,615)	(8.63)
96	Current	484,167,000	904,653,000	1,388,820,000	1,309,410,883	(79,409,117)	(5.72)
	Total	**715,212,000**	**1,121,478,000**	**1,836,690,000**	**1,691,207,924**	**(145,482,076)**	**(7.92)**

Audit noted that there was an overall saving of Rs. 145.482 million in final budget allocated to the Ministry.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 1,121.478 million were obtained, which was 156.80% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess in current expenditure was 136.46% of original grant, which changed to savings of 7.92% after accounting for Supplementary Grants.



33.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Complied	Not - Complied	% of Compliance
Religious Affairs and Interfaith Harmony	1988-89	2	2	2	0	100%
	1989-90	4	4	1	3	25%
	1990-91	3	3	0	3	0%
	1991-92	7	7	4	3	57%
	1992-93	3	3	2	1	67%
	1994-95	1	1	1	0	100%
	1995-96	1	1	1	0	100%
	1996-97	4	4	2	2	50%
	2000-01	27	27	21	6	78%
	2005-06	1	1	1	0	100%
Total		**53**	**53**	**35**	**18**	66%
Religious Affairs and Interfaith Harmony (Devolved M/o Minorities)	1989-90	1	1	1	0	100%
	1990-91	3	3	0	3	0%
	1993-94	2	2	0	2	0%
	1994-95	1	1	0	1	0%
	1996-97	3	3	0	3	0%
	2000-01	3	3	0	3	0%
	2005-06	3	3	0	3	0%
	2006-07	1	1	0	1	0%
Total		**17**	**17**	**1**	**16**	6%

33.4 AUDIT PARAS

Irregularity & Non Compliance

33.4.1 Loss due to purchase of medicines by ignoring lowest bids - Rs. 7.860 million

Rule 2(h)(i)(ii) of Public Procurement Rules, 2004 states that the “lowest evaluated bid” means, a bid most closely conforming to evaluation criteria and other conditions specified in the bidding document; and having lowest evaluated cost.

Rule 38 of Public Procurement Rules, 2004 states that the bidder with the lowest evaluated bid, if not in conflict with any other law, rules, regulations or policy of the Federal Government, shall be awarded the procurement contract, within the original or extended period of bid validity.

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

The management of Ministry of Religious Affairs and Inter-Faith Harmony, Islamabad incurred expenditure of Rs. 27.741 million on purchase of medicines/injections, surgical items, and laboratory test items during 2013-14.

Audit observed that 93 medicines/injections, surgical items, and laboratory test items were not purchased from the lowest bidders.

Audit is of the view that failure to purchase the medicines/injections, surgical items, and laboratory test items from the lowest bidders the government sustained a loss of Rs. 7.860 million.

The management replied that Rule 38 of Public Procurement Rules, 2004 was applicable in only those cases which were not in conflict with any other law, rules, regulation or policy of the Federal Government. The policy of the government on providing medical cover to the Hujjaj was framed in line with the policy of Saudi Government for providing health cover facilities to the Hujjaj and as such, there was no room for purchase of substandard medicines for use of Hujjaj during Hajj 2013. Ninety three (93) medicines were purchased from branded firms having sound reputation/track record on viable efficacy of their manufactured medicines.

The reply was not accepted because the policy of purchase of quality medicines did not mean that the lowest bidder had quoted substandard medicines. All medicines were registered with the government and could not be declared substandard merely for the reason that their price was lower than other similar medicines. A medicine could only be declared substandard on the basis of laboratory tests and not through a subjective judgment.

The PAO was informed on 05.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for inflicting loss to the government.

33.4.2 Unauthorized payment of House Building Advance - Rs. 2.747 million

Note 1 of Para 253(2)(iv) of GFR Volume-I states that the full advance will be admissible only to those who are less than 47 years of age in the case of former superior service Government servants and 38 years of age in the case of former Class IV Government servants on the date of the repayment of the first installment of the advance. In the case of those former superior service Government servants who are above the age or 47 years and those former Class IV Government servants who are above the age of 38 years the amount of the advance should be reduced so much as would enable the recovery at the rate of not more than 1/4th of the Government servants pay in any one month of the total amount advanced including interest, possible before the retirement of the Government servant.

The management of Ministry of Religious Affairs and Inter-Faith Harmony, Islamabad sanctioned HBA to its employees amounting to Rs. 5.021 million during 2013-14. Details are as under:

(Rupees)

S. No.	Name	Designation	BPS	Remaining Service (months)	Basic Pay	HBA Sanctioned	HBA Due	Excess
1.	Mr. Shahid Khan	Additional Secretary	21	58	86,200	3,103,200	1,209,600	1,893,600
2.	Mr. Fazal-ur-Rehman	Assistant	14	74	21,420	771,120	396,270	374,850
3.	Mr. Muhammad Ishaq	Assistant	14	86	20,810	749,160	447,415	301,745
4.	Mr. Mahmood Hussain	Naib Qasid	3	80	11,050	397,800	221,000	176,800
					Total	**5,021,280**	**2,274,285**	**2,746,995**

Audit observed as under:

i. The HBA was sanctioned equivalent to 36 months pay to the employees whose ages were more than 47 years, resulting in excess payment of Rs. 2.747 million.

ii. The applications for grant of HBA in favor of persons at Sr. 3 & 4 were forwarded to AGPR and HBAs were sanctioned before full recovery of HBAs previously drawn.

Audit is of the view that payment of excess HBA to the employees in violation of the General Financial Rules was irregular and unauthorized.

The management replied that the applications were forwarded to AGPR, Islamabad who issued Fund Availability Certificates (FAC). Accordingly, HBA was sanctioned in pursuance of Rule 253-A(2)(V). Keeping in view the Para 253-A(2)(ii) of GFR, the administration issued the sanction of HBA. The advances would be recovered before the dates of their retirement. Further, Mr. Muhammad Ishaq, Assistant and Mr. Mahmood Hussain, Naib Qasid deposited the outstanding amount of previous HBA in treasury and thereafter, HBA was sanctioned.

The reply was not accepted because the House Building Advance was sanctioned in violation of General Financial Rules and the AGPR did not have any authority whatsoever to override the rules.

The PAO was informed on 05.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that the total overpaid amount should be recovered forthwith.

33.4.3 Unauthorized retention and utilization of receipts - Rs. 22.745 million

Rule 7(1) of FTR Volume-I states that all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall, without undue delay, be paid in full into a treasury and shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund (FCF) of the Federal Government.

Rule 3 of the Hajj Pilgrims Welfare Fund Rules, 1990 states that the Fund shall comprise of the income received from the following sources:

(i) Service charges and Hajj Application Fee recovered from the Hajj Pilgrims under the Sponsorship and Regular Schemes or any other Schemes approved by the Government from time to time;

(ii) Donations received from Federal or Provincial Governments of Pakistan, any other organization or person;

(iii) Any income generated from the utilization of the facilities at Madina-tul-Hujjaj, Islamabad, Bait-ul-Hujjaj, Karachi or any other Haji Camp to be established in future and profit/income from any Account or investment, if any;

(iv) Sale proceeds of unclaimed personal effects of pilgrims after retaining them for three years;

(v) The unspent amount of deductions from the Personal Exchange Quota of Pilgrims that may remain un-refunded due to any reason;

(vi) Any other income derived from the charges leviable from Hajis not falling within the definition of the term 'Revenue' creditable to the Federal Consolidated Fund.

The management of Ministry of Religious Affairs and Inter-Faith Harmony, Islamabad received an amount Rs. 22.745 million on account of penalties and registration/change of address(s) from Hajj Group Operators (HGOs) during 2013-14. Details are as under:

(Rupees)

S. No.	Description	Amount
1.	Registration/Change of Address of HGOs	11,620,121
2.	Penalties imposed on HGOs	11,125,000
	Total	**22,745,121**

Audit observed that the management did not deposit the receipts into the government treasury. Instead, the management diverted these funds towards Hajj Pilgrims Welfare Fund and appropriated the same to meet the departmental expenditure.

Audit is of the view that retention and utilization of receipts which cannot form a part of Pilgrims Welfare Fund as defined under Rule 3 of the Hajj

Pilgrims Welfare Rules, 1990 was unauthorized and deprived the government of its due receipts.

The management replied that as per procedure approved by the Secretary, the amount of registration/change of address of HGOs, etc. was received from HGOs. Similarly, penalty imposed on HGOs was recovered due to violation of agreements made between the HGOs and Hujjaj. The amount so recovered as penalty, registration fee, change of addresses, etc. was deposited in the Pilgrims Welfare Fund Account, which was spent for the welfare activities of Pilgrims. The amount received from the HGO's was deposited in the Pilgrims Welfare Fund account under Rule 3 (i & vi). Therefore, the same could not be deposited into the Federal Consolidated Fund as it related to Pilgrims and no government funds were involved.

The reply was not accepted because the receipts collected from HGOs on account of penalties and registration/change of address(s) did not fall under any Clause of Rule 3 of Hajj Pilgrims Welfare Fund Rules, 1990. The Secretary did not have the authority to impose or allow collection of any receipts, and retain them for subsequent use.

The PAO was informed on 05.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that the receipts collected from HGOs on account of penalties and registration/change of address(s) should be deposited into the government treasury.

33.4.4 Unauthorized expenditure on entertainment - Rs. 1.159 million

Serial No. 9(38)(ii) of Annexure-I of Finance Division O.M. No. F.3(2)Exp.III/2006 dated 13.09.2006, as amended vide Finance Division No. even dated 10.12.2013 states that for receptions, lunches and dinners up to Rs. 100,000 in each case for Ministries/Divisions subject to the condition that per head expenditure including taxes and soft drinks, etc. should not in any case exceed Rs. 2,500.

The management of Ministry of Religious Affairs and Inter-Faith Harmony, Islamabad incurred an expenditure of Rs. 1.159 million on entertainment during 2013-14. Details are as under:

(Rupees)

S. No.	Occasion	Sanction Date	Amount
1.	Ulema Meeting at PC Hotel, Karachi	31.12.2013	239,922
2.	Ulema Meeting at Islamabad Hotel	02.04.2014	170,280
3.	Dinner for participants of Seerat Conference at Aiwan-e-Sadar	02.04.2014	492,210
4.	Ulema Meeting at Serena Hotel, Quetta	02.04.2014	256,379
		Total	**1,158,791**

Audit observed that the expenditure was sanctioned beyond the powers delegated to the Ministries/Division, i.e. Rs. 100,000 in each case.

Audit is of the view that the expenditure beyond the delegated powers was irregular and unauthorized.

The management did not reply.

The PAO was informed on 05.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

CHAPTER 34

34.MINISTRY OF SCIENCE AND TECHNOLOGY

34.1 Introduction of Ministry

The following departments/offices and functions were assigned to the Ministry of Science and Technology vide SRO No. 622(I)/2013(F.No. 4-8/2013-Min-I) dated 28.06.2013:

1. Establishment of science cities
2. Establishment of institutes and laboratories for research and development in the scientific and technological fields
3. Establishment of science universities as specifically assigned by the Federal Government
4. Planning, coordination, promotion and development of science and technology, monitoring and evaluation of research and development works, including scrutiny of development projects and coordination of development programs in this field
5. Promotion of applied research and utilization of results of research in the scientific and technological fields carried out at home and abroad
6. Guidance to the research institutions in the Federation, as well as the Provinces, in the fields of applied scientific and technological research
7. Coordination of utilization of manpower for scientific and technological research
8. Promotion and development of industrial technology
9. Promotion of scientific and technological contacts and liaison nationally and internationally, including dealings and agreements with other countries and international organizations
10. Initiate promotional measures for establishment of venture capital companies for technological development and growth

11. Support to NGOs concerned with development of science and technology
12. Promotion of metrology standards, testing and quality assurance system
13. National Commission for Science and Technology
14. Pakistan Council of Scientific and Industrial Research
15. Pakistan Council of Research in Water Resources
16. Council for Works and Housing Research
17. Centre for Applied Molecular Biology
18. Pakistan Science Foundation
19. National Institute of Electronics
20. Pakistan Council of Science and Technology
21. National Institute of Oceanography
22. Scientific and Technological Development Corporation
23. National University of Science and Technology
24. Pakistan Standards and Quality Control Authority
25. Prescription of standards and measures for quality control of manufactured goods
26. Establishment of standards of weights and measures
27. Development, deployment and demonstration of renewable sources of energy
28. Pakistan National Accreditation Council
29. Pakistan Council of Renewable Energy Technologies
30. COMSATS Institute of Information Technology
31. Pakistan Engineering Council

34.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Ministry of Science and Technology for the financial year 2013-14 was Rs. 6,941.727 million including Supplementary Grant of Rs. 62.544 million out of which the Division utilized Rs. 5,840.880 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

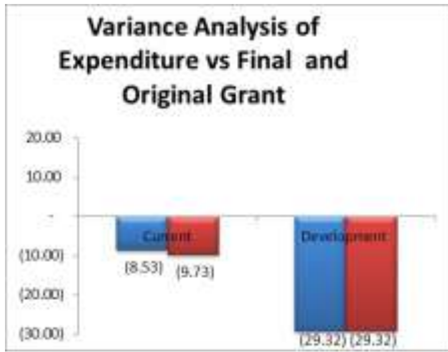
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
97	Current	431,630,000	-	431,630,000	351,599,599	(80,030,401)	(18.54)
98	Current	4,274,970,000	62,544,000	4,337,514,000	3,953,718,265	(383,795,735)	(8.85)
	Subtotal	**4,706,600,000**	**62,544,000**	**4,769,144,000**	**4,305,317,864**	**(463,826,136)**	**(9.73)**
137	Development	2,172,583,000	-	2,172,583,000	1,535,561,766	(637,021,234)	(29.32)
	Total	**6,879,183,000**	**62,544,000**	**6,941,727,000**	**5,840,879,630**	**(1,100,847,370)**	**(15.86)**

Audit noted that there was an overall saving of Rs. 1,100.847 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 62.544 million were obtained, which was 0.91% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, savings in current expenditure was 8.53% of Original Grant, which increased to 9.73% after accounting for Supplementary Grants. In development expenditure there was savings of 29.32% against Original Budget during the year no Supplementary Grants were taken into account.



34.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Science & Technology	1988-89	3	3	0	3	0%
	1989-90	7	7	5	2	71%
	1990-91	4	4	1	3	25%
	1991-92	12	12	9	3	75%
	1992-93	8	8	7	1	88%
	1994-95	6	6	3	3	50%
	1995-96	2	2	0	2	0%
	1996-97	3	3	3	0	100%
	1999-00	158	158	90	68	57%
	2000-01	7	7	1	6	14%
	2005-06	4	4	2	2	50%
	2007-08	3	3	2	1	67%
	2008-09	5	5	2	3	40%
Total		**222**	**222**	**125**	**97**	56%

34.4 AUDIT PARAS

Irregularity & Non Compliance

34.4.1 Irregular retention of departmental receipt - Rs. 492.207 million

Rule 7 of Federal Treasury Rules states that all moneys received by or tendered to Government officers on account of the revenues of the Federal Government shall without undue delay be paid in full in to a treasury. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Federal Consolidated Fund.

Section 10(1) of the Pakistan Council for Scientific and Industrial Research (PCSIR) Act, 1973 states that the funds of the Council shall comprise;

a) Funds of the registered Council which stand transferred to the Council under Section 22;

b) Grants from the Federal Government and the Provincial Governments;

c) Donations and endowments; and

d) Income and receipts from such other sources as may be approved by the Federal Government.

The management of PCSIR (Headquarters), Islamabad collected Rs. 492.207 million during 2011-13 as departmental receipt. Details are as under:

(Rupees)

S. No.	Financial Year	Total receipt
1.	2011-12	141,940,255
2.	2012-13	350,266,613
	Total	**492,206,868**

Audit observed that the management of PCSIR retained departmental receipt without the approval of the Federal Government and utilized the receipt outside the approved budget.

Audit is of the view that sources of income and receipts, their collection, retention and utilization without approval of the Federal Government was irregular and unauthorized.

The management replied that the self-generated funds of PCSIR were being maintained in accordance with Section 10 of PCSIR Act, 1973. The modalities approved by the Council of PCSIR as well as the Governing Body in the meetings also support the contention that Council was empowered to utilize these funds. However, on the directives of the Public Accounts Committee, draft rules to regulate the self-generated income of S&T organizations (including PCSIR) had been submitted to the Ministry of Science and Technology vide letter No. PCSIR/CS-11(A)/2001/56 dated 13.07.2012 for seeking approval of the Finance Division.

The reply was not accepted because Section 10(1)(d) of PCSIR Act, 1973 requires that income and receipts from such other sources as may be approved by the Federal Government would form part of the funds of the Council. As approval of Federal Government for retention and utilization of departmental receipt was not obtained under the said Act, the entire receipt generated and utilized for departmental expenditure was irregular and unauthorized.

The DAC meeting held on 04.12.2014 directed the management to pursue the case vigorously for early finalization. It was also advised that the figures of self-generated funds of PCSIR should be budgeted and reflected in the next year budget so that the Federal Government may allocate budget accordingly.

Audit recommends that the departmental receipt should be deposited into the government treasury till such time approval of the Federal Government is obtained for its collection, retention and subsequent utilization.

34.4.2 Non-framing of Accounting Procedure

Section 18 of the Pakistan Council for Scientific and Industrial Research (PCSIR) Act, 1973 states that the Federal Government may, by notification in official gazette, make rules for carrying out the purposes of this Act.

Section 5(e) of CGA Ordinance, 2001 provides that the CGA should render advice on accounting procedure for new schemes, programs or activities undertaken by the Government concerned.

The management of PCSIR (Headquarters), Islamabad was required to devise an Accounting Procedure and get it approved from the Federal Government.

Audit observed that the management did not devise any Accounting Procedure since 1973.

Audit is of the view that failure to frame an Accounting Procedure was violation of the provisions of the relevant law.

The management replied that draft Accounting Procedure had been submitted to the Ministry of Science and Technology for obtaining the approval of the competent forum.

The reply indicates that the management has accepted the audit observation.

The DAC meeting held on 04.12.2014 directed the management to pursue the framing of rules at the earliest.

Audit recommends that the decision of the DAC may be implemented.

34.4.3 Irregular expenditure from departmental receipt - Rs. 98.593 million

Section 10(1) of the Pakistan Council for Scientific and Industrial Research (PCSIR) Act, 1973 states that the funds of the Council shall comprise;

a) Funds of the registered Council which stand transferred to the Council under Section 22;
b) Grants from the Federal Government and the Provincial Governments;
c) Donations and endowments; and
d) Income and receipts from such other sources as may be approved by the Federal Government.

Section 18 of PCSIR Act, 1973 states that the Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of the Act.

Section 19 of the of PCSIR Act, 1973 states that the Council may, with the previous sanction of the Federal Government, make such regulations, not inconsistent with the Act or the rules made thereunder, as may, in its opinion, be necessary or expedient for the achievement of its aims and objects or for the performance of its functions.

The management of National Physical & Standards Laboratory (NPSL), Islamabad a subordinate entity of PCSIR, collected an amount of Rs. 110.602

million as testing fee during 2007-14 out of which an amount of Rs. 98.593 million was incurred as expenditure. Details are as under:

(Rupees)

S. No.	Year	Income	Expenditure
1.	2007-08	22,412,459	16,917,288
2.	2008-09	6,235,276	10,495,428
3.	2009-10	10,204,827	8,981,499
4.	2010-11	13,062,867	11,677,218
5.	2011-12	15,145,287	8,739,570
6.	2012-13	18,974,473	20,471,150
7.	2013-14	24,567,239	21,311,120
	Total	**110,602,428**	**98,593,273**

Audit observed as under:

i. Receipts were retained without the approval of the Federal Government.

ii. Receipts were not made part of the budget.

iii. Expenditure was incurred outside the approved budget.

Audit is of the view that retention and utilization of receipts without the approval of the Federal Government was irregular and unauthorized.

The management replied that as per Clause 10(1)(d) of PCSIR Act, 1973 self-generated funds were integral part of PCSIR funds. Further, as far as expenditure from departmental receipts was concerned it had been incurred in the light of the Ministry of Science and Technology letter dated 08.09.1996 and PCSIR Governing Body decision dated 26.05.2007.

The reply was not accepted because Section 10(1)(d) of PCSIR Act, 1973 requires that income and receipts from such other sources as may be approved by the Federal Government would form part of the funds of the Council. As approval of Federal Government for retention and utilization of departmental receipt was not obtained under the said Act, the entire receipt generated and utilized for departmental expenditure was irregular and unauthorized.

The PAO was informed on 10.12.2014 and 14.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that the departmental receipt should be deposited into the government treasury till such time approval of the Federal Government is obtained for its collection, retention and subsequent utilization.

34.4.4 Irregular distribution of workers' share from departmental receipts - Rs. 12.104 million

Section 18 of PCSIR Act, 1973 states that the Federal Government may by notification in the official Gazette, make rules for carrying out the purposes of the Act.

Section 19 of the of PCSIR Act, 1973 states that the Council may, with the previous sanction of the Federal Government, make such regulations, not inconsistent with the Act or the rules made thereunder, as may, in its opinion, be necessary or expedient for the achievement of its aims and objects or for the performance of its functions.

The management of National Physical & Standards Laboratory (NPSL), Islamabad incurred an expenditure of Rs. 12.104 million @ 10% of the total receipts as Workers' Share and paid to its employees during 2007-12. Details are as under:

(Rupees)

S. No.	Year	Amount
1.	2007-08	2,538,926
2.	2008-09	4,077,317
3.	2009-10	811,074
4.	2010-11	2,257,266
5.	2011-12	2,419,710
	Total	**12,104,293**

Audit observed that NPSL distributed the workers' share from the receipt without approval of rules and regulations from the Federal Government.

Audit is of the view that distribution of workers' share from the receipts was irregular and unauthorized.

The management replied that Ministry of Science and Technology letter dated 08.09.1996 elaborated different heads, including awards for meritorious services for utilization of Self-Generated Funds. Further, PCSIR (Headquarters), Islamabad had conveyed a detailed formula for distribution of workers' share to the employees with the approval of the Governing body/Council. Accordingly, the workers' share had been distributed on the recommendations of a Committee. However, in compliance of Finance Division letter dated 29.11.2012 the distribution of workers' share had been stopped and no payment on this account had been made from September, 2012 onwards.

The reply was not accepted because stoppage of the irregular payment established the contention of Audit that no rules and regulations had been formulated to regulate the affairs of NPSL.

The PAO was informed on 10.12.2014 and 14.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that rules and regulations should be framed with the consent of the Federal Government to manage the affairs of the organization

34.4.5 Irregular retention of departmental receipt - Rs. 17.230 million

In terms of the judgment of the Supreme Court of Pakistan in appeal No. PLD 1990 SC 612, the Organizations established through Resolutions are deemed to be sub-ordinate offices defined in Rule 2(i)(xx) of Rules of Business, 1973 unless their status is changed through legislation to make them Autonomous/Body Corporate.

Rule7(1) of FTR Volume-I states that all moneys received by or tendered to government office on account of the revenue of the Federal Government shall without undue delay be paid in full into Treasury or into the bank. No department of the government may require that any moneys received by it on account of the revenues of the Federal Government be kept out of Federal Consolidated Fund of the Federal Government.

The management of Council for Works and Housing Research (CWHR), Karachi, an entity established through resolution, collected an amount of Rs. 17.230 million as laboratory testing fee, consultancy charges and testing fee during 2013-14. Details are as under:

(Rupees)

S. No.	Name of Project	Account No.	Receipt
1.	Consultancy and Research Account	2690-5	15,317,795
2.	Non Destructive Testing	2720-4	1,634,468
3.	Testing Fee Account	2500-4	277,780
		Total	**17,230,043**

Audit observed as under:

i. As per Supreme Court of Pakistan Judgment CWHR was deemed to be considered as sub-ordinate office of the Federal Government.

ii. The CWHR retained departmental receipts amounting to Rs. 17.230 million and utilized an amount of Rs. 15.538 million towards departmental expenditure.

Audit is of the view that being sub-ordinate office of the government CWHR was not authorized to retain and utilize the departmental receipts. The retention and utilization of receipt was irregular and unauthorized.

The management replied that the Finance Division treated all the Science and Technology Organizations as self-earning units and budget was provided short of requirements. The departmental receipts were utilized to meet the shortage of funds.

The reply was not accepted because CWHR was created through a Resolution and according to the judgment of the Supreme Court it was a subordinate office of the Federal government. Retention of receipts and utilization thereof towards departmental expenditure was not covered under the rules.

The PAO was informed on 01.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that the departmental receipt should be deposited into the government treasury till such time approval of the Federal Government was obtained for its collection, retention and subsequent utilization.

CHAPTER 35

35.SENATE SECRETARIAT

35.1 Introduction of the Senate

After independence, the first Constituent Assembly of Pakistan, elected in December, 1945 in undivided India, was assigned the task of framing the Constitution of Pakistan. This Assembly passed the Objectives Resolution on 12th March, 1949 laying down principles which later became substantive part of the Constitution of Pakistan. However, before it could accomplish the task of framing the constitution, it was dissolved in October, 1954. Thereafter, the Governor General, convened the Second Constituent Assembly in May, 1955, which framed and passed the first Constitution of Pakistan on 29.02.1956. That Constitution was promulgated on 23.03.1956, which provided a parliamentary form of Government with a unicameral legislature. However, from 14.08.1947 to 01.03.1956 the Government of India Act, 1935, was retained as the Constitution of Pakistan.

On 07.10.1958, Martial Law was promulgated and the Constitution was abrogated. The Military Government appointed a Constitution Commission in February, 1960 which framed the 1962 Constitution, which provided for a Presidential form of Government with a unicameral legislature. The 1962 Constitution was abrogated on 25.03.1969. The Civil Government, which came to power in December, 1971 pursuant to 1970 elections, gave the nation an interim Constitution in 1972.

The 1970 Assembly framed the 1973 Constitution which was passed on 12th April and promulgated on 14.08.1973. The Constitution of Pakistan, 1973 provides for a parliamentary form of Government with a bicameral legislature, comprising the National Assembly and the Senate. The membership of the Senate, which was originally 45, was raised to 63 in 1977 and to 87 in 1985. The membership of the Senate was again raised from 87 to 100 in 2002. The current membership of the Senate is 104, after addition of four seats for non-Muslims through the Constitution (Eighteenth Amendment) Act, 2010.

35.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Senate for the financial year 2013-14 was Rs. 1,356.475 million out of which the Senate utilized Rs. 1,325.547 million. Grant wise detail of current and development expenditure is mentioned below:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)	% age Excess/ (Saving)
A	Current	1,356,465,000	10,000	1,356,475,000	1,325,547,014	(30,927,986)	(2.28)	(2)

Audit noted that there were savings of Rs. 30.928 million.

35.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Complied	Not - Complied	% of Compliance
Senate Secretariat	1996-97	18	18	3	15	17%
	2008-09	1	1	0	1	0%
Total		**19**	19	3	**16**	16%

35.4 AUDIT PARAS

Irregularity & Non Compliance

35.4.1 Non framing of rules by the Senate Secretariat

Clause 14 of the Members of Parliament (Salaries & Allowances) Act, 1974 states that after consultation with the Chairman of the Senate, the Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Act.

Clause 19 of Chairman and Deputy Chairman (Salaries, Allowances and Privileges) Act, 1975 states that the Federal Government may, by notification in the official Gazette, make rules for carrying into effect the provisions of this Act.

The Federal Government was required to frame rules after consultation with the Chairman of the Senate.

Audit observed that rules were not framed despite passage of forty years.

Audit is of the view that failure to frame the rules was a violation of the Member of Parliament (Salaries & Allowances) Act, 1974 and Chairman and Deputy Chairman (Salaries, Allowances and Privileges) Act, 1975.

The management replied that the Draft Rules would take some time as separate TA/DA, Medical and other rules would be made in line with similar rules in other Parliaments of the region/world. The Senate Secretariat had started working on the rules and efforts would be made to finalize them as soon as possible.

The reply indicates that the management has accepted the audit observation.

The DAC in its meeting held on 10.12.2014 pended the para till finalization of the draft rules.

Audit recommends that the rules may be framed with the consultation of the Chairman of the Senate and notified in the official gazette.

CHAPTER 36

36.STATISTICS DIVISION

36.1 Introduction of Division

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

i. Preparation of an overall integrated plan for development and improvement of statistics in Pakistan and to estimate the budgetary requirements thereof

ii. Preparation of annual programs in accordance with agreed priorities and to assign responsibilities for the execution of their component items

iii. Examination and clearance of budgetary proposals for annual programs for statistical improvements and developments

iv. Formulation of policy regarding general statistics for Pakistan and implementation thereof by suitably adapting the statistical system of Pakistan to conform with the policy

v. Coordination with the Provincial and Federal Governments, Semi-autonomous bodies and international organizations on statistical matters bearing directly or indirectly on such subjects as trade, industry, prices, expenditure, input-output accounts, flow of funds, balance of payments, etc.

vi. Evaluation and introduction of standard concepts, definition and classification pertaining to national statistics series

vii. Preparation and implementation of in-service and foreign training programs in the field of statistics

viii. Evaluation of efficient computerized methods for statistical estimation

ix. Clearance of statistical projects undertaken by different organizations on a contract basis

x. Preparation, printing and release of publications on national statistics

xi. Undertaking national census and surveys

xii. Industrial Statistics Act

xiii. Administration of the General Statistics (Reorganization) Act, 2011

xiv. Agricultural Census

xv. Population Census

xvi. National Quinquennial Livestock Census

xvii. Collection, maintenance and analysis of demographic and population statistics

xviii. Vital health statistics

xix. Compilation of labour statistics for national and international consumption

xx. Compilation of manpower and employment statistics for national and international consumption

xxi. Periodic assessment, review and analysis of manpower resources and requirements with reference to the employment situation in the country

36.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Statistics Division for the financial year 2013-14 was Rs. 3,600.742 million including Supplementary Grant of Rs. 1,769.735 million out of which the Division utilized Rs. 1,756.515 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

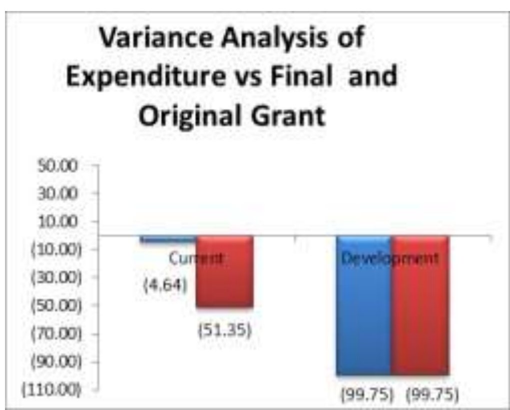
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
26	Current	1,531,007,000	-	1,531,007,000	2,747,108	(1,528,259,892)	(99.82)
	Current	0	1,469,697,000	1,469,697,000	1,457,167,375	(12,529,625)	(0.85)
	sub-total	**1,531,007,000**	**1,469,697,000**	**3,000,704,000**	**1,459,914,483**	**(1,540,789,517)**	**(51.35)**
110	Development	150,000,000	-	150,000,000	367,771	(149,632,229)	(99.75)
	Development	0	150,019,000	150,019,000	147,932,431	(2,086,569)	(1.39)
	sub-total	**150,000,000**	**150,019,000**	**300,019,000**	**148,300,202**	**(151,718,798)**	**(50.57)**
	Total	**1,831,007,000**	**1,769,735,000**	**3,600,742,000**	**1,756,514,887**	**(1,844,227,113)**	**(51.22)**

Audit noted that there was an overall saving of Rs. 1,844.227 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that ‘Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 1,769.735 million were obtained, which was 96.65% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, savings in current expenditure was 4.64% of original grant, which increased to 51.35% after accounting for supplementary grants. In development expenditure there was saving of 99.75% against original budget, which remains same after accounting for supplementary grant.



36.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No of audit paras	No of Actionable Points	Full Compliance	Not Complied	% of Compliance
Statistics Division	2005-06	3	3	0	3	0%
Total		**3**	**3**	**0**	**3**	**0%**

36.4 AUDIT PARAS

Irregularity & Non Compliance

36.4.1 Non preparation, printing and release of publications on Gilgit-Baltistan statistics - Rs. 90.000 million

Under Serial No 29(10) of Schedule II of Rule3(3) of Rules of Business 1973 the Statistic Division is responsible for Preparation, printing and release of publications on national statistics.

The management of Pakistan Bureau of Statistics, Field Office, Gilgit incurred an expenditure of Rs. 90.000 million on surveys during 2006-14.

Audit observed that the management did not prepare, print and release any publication/report on Gilgit-Baltistan statistics on the basis of surveys conducted during 2006-14.

Audit is of the view that non publication of the report despite conducting surveys was a violation of the Rules of Business, 1973.

The management did not reply.

The PAO was informed on 12.12.2014, but DAC was not convened till the finalization of the report.

Audit recommends that report as required under rules may be prepared.

CHAPTER 37

37.MINISTRY OF WATER AND POWER

37.1 Introduction of Ministry

The Ministry of Water and Power, besides all policy matters relating to development of these two resources, performs certain specific functions, such as carrying out strategic and financial planning for the long term master plans in public and private sector. The long term power sector projects submitted by WAPDA and its allied corporations are scrutinized in the Ministry through its attached departments keeping in view the technical and financial viability of such projects. The Ministry of Water and Power also monitors activities in the fields of power generation, transmission and distribution, and performs supervisory and advisory role for smooth operation of power sector. It also coordinates inter-provincial water-sharing issues and activities related to irrigation, drainage, water logging, and monitors the operation of Indus Water Treaty of 1960. The Water and Power Wings are the main sub-units of the Ministry, including office of the Chief Engineering Adviser/Chairman, Federal Flood Commission and Private Power and Infrastructure Board.

The departments/autonomous bodies attached with the Ministry are:

- Alternative Energy Development Board
- Karachi Electric Supply Corporation
- National Engineering Services Pakistan
- National Power Construction Company
- Private Power and Infrastructure Board
- Water and Power Development Authority
- Federal Flood Commission

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

1. Matters relating to development of water and power resources of

the country.

2. Indus Water Treaty, 1960 and Indus Basin Works.

3. (a) Water and Power Development Authority;

   (b) Matters relating to electric utilities.

4. Liaison with international engineering organizations in water and power sectors, such as International Commission on Large Dams, International Commission on Irrigation and Drainage and International Commission on Large Power Systems

5. Federal agencies and institutions for promotion of special studies in water and power sectors

6. (a) Electricity;

   (b) Karachi Electric Supply Corporation and Pakistan Electric Agencies Limited

7. (a) Matters regarding Pakistan Engineering Council;

   (b) Institute of Engineers, Pakistan

8. National Engineering (Services) Pakistan Limited

9. Administrative control of:

   (a) Tubewell Construction Company;

   (b) National Power Construction Company

10. Indus River System Authority

11. Private Power and Infrastructure Board

37.2 Comments on Budget & Accounts (Variance Analysis)

Final budget allocated to the Water and Power for the financial year 2013-14 was Rs. 57,221.642 million including Supplementary Grant of Rs. 376.432 million out of which the Division utilized Rs. 32,893.684 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

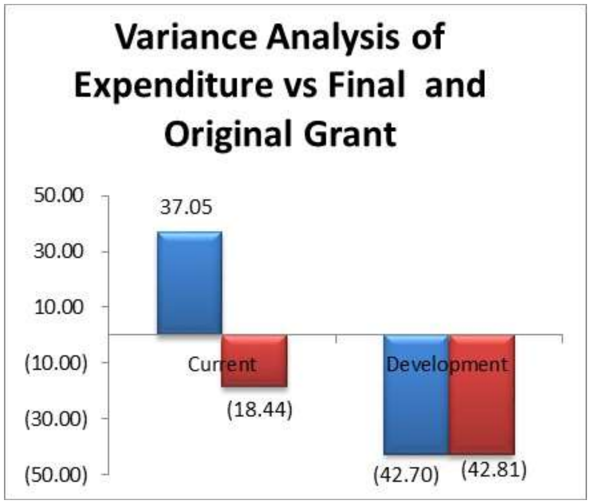
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
105	Current	406,229,000	276,429,000	682,658,000	556,741,732	(125,916,268)	(18.44)
140	Development	56,438,981,000	100,003,000	56,538,984,000	32,336,941,917	(24,202,042,083)	(42.81)
	Total	**56,845,210,000**	**376,432,000**	**57,221,642,000**	**32,893,683,649**	**(24,327,958,351)**	**(42.52)**

Audit noted that there was an overall saving of Rs. 24,327.958 million.

Supplementary Grants obtained without careful cash forecasting

In order to ensure prudent financial management, Para 13(vii) of System of Financial Control and Budgeting, 2006 states that 'Ministries / Divisions should be able to anticipate budgetary requirements well ahead of the financial year to which the budget relates and obtain the concurrence of the Finance Division. The Finance Division is expected to decline any request for Supplementary Grants except in extraordinary circumstances.' This document further states that 'the funds obtained from Supplementary Grants shall be expended for the purposes for which these have been sanctioned. In current expenditure, demands for Supplementary Grants shall not be made, except in extraordinary circumstances.' During the year, Supplementary Grants of Rs. 376.432 million were obtained, which was 0.66% of the Original Budget.

According to Para 71 of General Financial Rules (Volume I), while framing budget estimates, the authorities should exercise utmost foresight. Variation between estimated and actual expenditure captures the level of foresight that goes into budget formulation. As shown in the chart below, the excess in current expenditure was 37.05% of Original Grant, which changed to savings of 18.44% after accounting for Supplementary Grants. In development expenditure there was savings of 42.70% against original budget which came to savings of 42.81% when supplementary grant was taken into account.



37.3 Brief comments on the status of compliance with PAC Directives

Name	Years	No. of audit paras	No. of Actionable Points	Full Compliance	Not Complied	% of Compliance
Water and Power	1987-88	1	1	1	0	100%
	1994-95	1	1	0	1	0%
	1996-97	1	1	0	1	0%
	1999-00	7	7	1	6	14%
	2005-06	5	5	1	4	20%
	2007-08	2	2	0	2	0%
Total		**17**	**17**	**3**	**14**	18%

37.4 AUDIT PARAS

Irregularity and Non Compliance

37.4.1 Irregular expenditure on Allowances of the Members - Rs. 12.537 million

Rule 4 of Indus River System Authority (Chairman and Members Conditions of Service) Rules, 2000 states that the post of a Member shall be in BPS -21 and he shall be entitled to pay, entertainment allowance, accommodation, transport, personal staff, travelling allowance, residential telephone, medical facilities and other perquisites as are admissible to holder of a post in BPS-21 under the Federal Government.

Rule 7 of Indus River System Authority (Chairman and Members Conditions of Service) Rules, 2000 states that for all matters not provided for in these rules, a Member shall be governed by the rules and orders applicable to a Government servant of the corresponding pay scale under the Federal Government.

The management of Indus River System Authority (IRSA), Islamabad paid allowances amounting to Rs. 12.537 million to the Members. Details are as under:

(Rs. in million)

S. No.	Year	Allowances	Amount
1.	2012-13	House Rent Allowance (75% above the government ceiling rates)	1.889
2.	2013-14	House Rent Allowance (75% above the government ceiling rates)	2.034
3.	2009-14	IRSA Allowance (100% of Basic Pay)	7.936
4.	2013-14	Utility Allowance (35% of Basic Pay)	0.678
		Total	**12.537**

Audit observed that these allowances were not covered under Indus River System Authority (Chairman and Members Conditions of Service) Rules, 2000. These allowances were also not entitled to BPS 21 officers of Federal Government.

Audit is of the view that payment of unauthorized allowances to the Members was irregular and unauthorized.

The management replied that Section 21(2) of IRSA Act, 1992 states that the Authority shall prescribe the procedure for appointment, terms and conditions of service of its officers and members of staff, experts and consultants and shall be competent to take disciplinary action against its officers & members of the staff. The Ministry of Water & Power, Islamabad vide O.M. No. A-I-6/4/2000-IRSA dated 30.06.2000 issued NOC to the effect that the 'Authority itself is competent to prescribe the procedure for appointment, terms and conditions of its officers and members of staff'. The Authority in its meeting held on 13.11.2000 decided that the house acquisition ceiling should be paid as per entitlement of IRSA employees including those on contract/deputation. In the light of IRSA Act and due to non-provision of single accommodation by the federal government to IRSA Members and due to high rate of rents of accommodation in Islamabad the house rent allowance was being paid to the Members. The IRSA Allowance was also admissible to all IRSA employees, officers, Members and even to the deputationists equal to one basic pay, as the Federal government employees such as FBR, AGPR, Police Department, etc. were also drawing one basic pay in addition to their own basic pay.

The reply was not accepted because the instructions of the Ministry of Water and Power could not override the provisions of Rule 4 and Rule 7 of the Indus River System Authority (Chairman and Members Conditions of Service) Rules, 2000 which had been framed under Section 21 of IRSA Act, 1992. The subsequent payments were, therefore, irregular and unauthorized.

The PAO was informed on 08.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that the irregular payments should be discontinued forthwith and the amount already paid should be recovered.

37.4.2 Irregular expenditure of Allowances to IRSA employees - Rs. 45.186 million

Section 21 of IRSA Act, 1992 states that the Federal Government may make rules to carry out the purposes of the Act.

Section 22(1) of IRSA Act, 1992 states that the Authority may make regulations consistent with the Act and the rules framed thereunder for the purpose of giving effect to the provisions of the Act.

Section 22(2) of IRSA Act, 1992 states that in particular and without prejudice to the generality of the foregoing provisions, such regulations may provide for all or any of the following matters, namely:

a) The manner in which the meetings of the Authority may be convened and held and the procedure to be followed thereat; and

b) Formation of committees and conduct of business in such committees.

The management of the Indus River System Authority (IRSA), Islamabad paid an amount of Rs. 45.186 million to the employees of IRSA on account of House Rent Allowance (75% above the government ceiling rates), IRSA Allowance (100% of Basic Pay) and Utility Allowance (35% of Basic Pay). Details are as under:

(Rs. in million)

S. No.	Year	Allowances	Amount
1.	2012-13	House Rent Allowance	8.748
2.	2013-14	House Rent Allowance	11.064
3.	2009-14	IRSA Allowance	22.801
4.	2013-14	Utility Allowance	2.573
		Total	**45.186**

Audit observed that the management of IRSA paid the allowances to the employees in the absence of rules framed by the Federal Government as required under the IRSA Act, 1992.

Audit is of the view that payment of allowances without framing rules was irregular and unauthorized.

The management replied that Section 21(2) of IRSA Act, 1992 states that the Authority shall prescribe the procedure for appointment, terms and conditions of service of its officers and members of staff, experts and consultants and shall be competent to take disciplinary action against its officers & members of staff. The Ministry of Water & Power, Islamabad vide O.M. No. A-I-6/4/2000-IRSA dated 30.06.2000 issued NOC to the effect that 'Authority itself is competent to prescribe the procedure for appointment, terms and conditions of its officers and members of staff'. Payment of all allowances was met through self-autonomy of IRSA without budgetary grants from Federal Government. The rules framed were consistent with the IRSA Act, 1992 and with the concurrence of the Ministry of Water and Power and Establishment Division, Islamabad authorized the Authority to prescribe the terms and conditions of its officers & members of staff.

The reply was not accepted because the management was required to frame rules under Section 21 of the IRSA Act, 1992. The management had earlier justified its stance of paying extra Allowances to the Members on the analogy of the IRSA employees, who themselves were being paid various allowances in the absence of properly framed rules.

The PAO was informed on 08.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that the irregular payments should be discontinued forthwith and the amount already paid should be recovered.

37.4.3 Irregular appointment/continuation of Member IRSA after 65 years - Rs. 15.700 million

The Cabinet Division vide letter No. 6/12/2007/RA-I dated 09.10.2007 conveyed that the Prime Minister had approved standardized terms and conditions of Chairman and Members relating to Regulatory Authorities, Autonomous Bodies, Corporations and Commissions as follows:

The Chairman/Chief Executive shall, unless he resigns from office earlier, hold office for a period of three years and shall be eligible for re-appointment for such term or terms as the Federal Government may determine, provided that the Chairman shall cease to hold office on attaining the age of sixty five years or expiry of the tenure whichever is earlier.

A Member shall, other than an ex-officio member, unless he resigns from office earlier, hold office for a period of three years and shall be eligible for re-appointment for such term or terms as the Federal Government may determine, provided that the Member shall cease to hold office on attaining the age of sixty five years or expiry of the tenure whichever is earlier.

The management of Indus River System Authority (IRSA), Islamabad paid an amount of Rs. 15.700 million to the Members during 2009-14. Details are as under:

(Rupees)

S. No.	Name of Member	Date of Birth	Date of attaining 65 years	Period after 65 years	Amount
1.	Mr. Aman Gul Khattak	14.04.1944	13.04.2009	14.04.2009 to 05.07.2010	1,530,420
2.	Mr. M. Amin	15.07.1945	14.07.2010	15.07.2010 to 07.08.2011	1,819,855

3.	Mr. Raqeeb Khan	15.11.1942	14.11.2007	14.07.2010 to 30.06.2014	8,052,348
4.	Mr. M. Khan Memon	18.02.1944	17.02.2009	18.02.2009 to 10.02.2011	2,732,202
5.	Mr. Shafqat Masood	17.08.1944	16.08.2009	17.08.2009 to 02.10.2010	1,565,002
				Total	**15,699,827**

Audit observed that the Members were appointed/continued their services beyond the age of 65 years.

Audit is of the view that appointment/continuation of Members IRSA beyond the age of 65 years was irregular and unauthorized.

The management replied that IRSA Act did not restrict the age limit in respect of appointment of Members of IRSA. The IRSA Members were nominated by the Chief Ministers of the Provinces and then through Ministry of Water & Power the appointment of a Member was made by the Prime Minister of Pakistan.

The reply was not accepted because the appointments were made in violation of the instructions of the Cabinet Division. In case the IRSA Act did not specify any age limit for the appointment of IRSA Members, the instructions of the Cabinet Division were required to be followed and the Ministry of Water and Power should have informed the Chief Ministers and Prime Minister accordingly.

The PAO was informed on 08.01.2015, but DAC was not convened till the finalization of the report.

Audit recommends that the Chairman and Members IRSA should be appointed and allowed to continue by observing the age limits laid down by the Cabinet Division.

Annexure-I Memorandum for Departmental Accounts Committee (MAFDAC)

(Rs. in million)

S. No.	PAO	No. of Paras	Amount
1.	Aviation Division	87	736.047
2.	Benazir Income Support Program	67	57,775.661
3.	Cabinet Division	85	123,369.065
4.	Capital Administration & Development Division	161	4,946.442
5.	Climate Change	12	10.572
6.	Commerce	184	5,669.076
7.	Controller General of Accounts, Islamabad	122	857.233
8.	Defence Division	108	575.595
9.	Defence Production	13	2,492.870
10.	Economic Affairs Division	6	1.216
11.	Election Commission of Pakistan, Islamabad	100	2,338.329
12.	Establishment Division	135	4,158.630
13.	Federal Shariat Court	10	10.942
14.	Federal Tax Ombudsman	44	81.656
15.	Federally Administrated Area (FATA)	621	14,486.292
16.	Finance Division	140	177,424.180
17.	HEC	69	2,532.586
18.	Interior Division	1,074	42,122.467
19.	Inter-Provincial Coordination Division	14	120.571
20.	Islamabad High Court	19	2.616
21.	Kashmir Affairs and Gilgit-Baltistan Division	12	1,321.406
22.	Ministry of Communication	78	7,524.946
23.	Ministry of Federal Education & Professional Training	104	787.516
24.	Ministry of Housing &Works	11	4.279
25.	Ministry of Industries & Production	23	73.337
26.	Ministry of information & Broadcasting and National Heritage, Integration	153	1,284.017
27.	Ministry of Information Technology	38	461.243
28.	Ministry of Law, Justice & HRD	32	253.010
29.	Ministry of Narcotics Control	92	1,803.677
30.	Ministry of National Food Security & Research	87	724.260
31.	Ministry of Overseas Pakistanis &Human Resource Development	9	10.605
32.	Ministry of Petroleum And Natural Resources	72	1,387.108
33.	Ministry Of Ports & Shipping	176	8,841.698
34.	Ministry of Science & Technology	228	2,575.329
35.	Ministry of Water & Power	13	475.294
36.	National Accountability Bureau	17	56.569
37.	National Assembly	10	284.340
38.	National Disaster Management Authority	12	25.114
39.	National Health Service, Regulation and Coordination	76	129.204
40.	National School of Public Policy, Lahore	65	772.879
41.	PAEC	11	179.527

42.	Parliamentary Affairs Division	9	20.418
43.	President Secretariat (Personal)	7	14.894
44.	President Secretariat (Public)	7	42.507
45.	Prime Minister’s Office (Internal)	13	145.372
46.	Prime Minister’s Office (Public)	12	19.355
47.	Prime Minister's Inspection Commission	2	0.240
48.	Religious Affairs and Inter Faith Harmony, Islamabad	42	692,262.079
49.	SAFRON	132	2,346.434
50.	Senate Secretariat	13	781.139
51.	Statistics Division, Islamabad	46	63.011
52.	Supreme Court of Pakistan	14	577.750
53.	Wafaqi Mohtasib	22	18.981
54.	Board of Investment	53	531.212
	Total	**4,762**	**1,165,510.795**

Annexure-II 2.4.2 Unauthorized payment of Monetization Allowance to officers of BPS -18 and 19 - Rs. 9.573 million

(Rupees)

S. No.	Name	Period	Amount
1.	Mr. Hamid Ali	July, 2013 to June, 2014	547,056
2.	Mr. Muhammad Azhar	July, 2013 to June, 2014	547,056
3.	Mr. Naveed Akbar	July, 2013 to June, 2014	547,056
4.	Mr. Noor Rehman Khan	July, 2013 to June, 2014	547,056
5.	Mr. Shoib Khan	July-August, 2013	91,176
6.	Syed Javed Abbas	July, 2013 to June, 2014 (except August, 2013)	501,468
7.	Mr. Muhammad Tahir Noor	Feb-June, 2014	227,940
8.	Dr. Ehtsham Anwar	July-August, 2013	91,176
9.	Mr. Monis Ali	July-Nov, 2013, JUN-Mar, 2014	364,704
10.	Ms. Farhana Bashir	July-Oct 2013.	182,352
11.	Mr. Muhammad Khan Marwat	July, 2013 to June, 2014	547,056
12.	Mr. Muhammad Saleem	July-Nov, 2013 and Jan-March, 2014	364,704
13.	Mr. Muhmmad Shamim Khan	July, 2013 to June, 2014	547,056
14.	Mr. Muhammad Waqas Hanif	July, 2013 to April, 2014	455,880
15.	Mr. Muhammad Zubair	July, 2013 to June, 2014	547,056
16.	Rana Kaiser Ishaque	July-Oct, 2014	182,352
17.	Mr. Sajid Mehmood Raja	July, 2013 to June, 2014	547,056
18.	Mr. Shahzad Nawaz Cheema	July, 2013 to June, 2014	547,056
19.	Syed Asif Munir	July, 2013 to April, 2014	455,880
20.	Mr. Zafar Iqbal Khan	July-August, 2014	91,176
21.	Ms. Uzma Munir	Sep-Oct, 2013	91,176
22.	Mr. Samir Ali	Dec, 2013 to June, 2014	319,116
23.	Ms. Samreen Zahra	Dec, 2013 to June, 2014	319,116
24.	Mr. Muhammad Imtiaz	Jan-June, 2014	273,528
25.	Mr. Mukhtar Paras Shah	Jan-June, 2014	273,528
26.	Ms. Shazia Toor	Jan-June, 2014	273,528
27.	Mr. Zulfiqar Khan	Feb-March, 2014	91,176
		Total	**9,573,480**

Annexure-III 4.4.12 Irregular regularization of 38 employees without availability of sanctioned posts - Rs. 17.235 million

(Rupees)

S. No.	Name of Employee	Gross Monthly Salary	Gross Annual Salary
1.	Mr. Yasir Shamim Khan	90,265	1,083,180
2.	Mr. Rizwan Mahmood	84,405	1,012,860
3.	Mr. Ali Temoor	84,405	1,012,860
4.	Mr. Fiaz Qaiser	73,941	887,292
5.	Syed Mohsen Hassan	58,787	705,444
6.	Mr. Sheryar Masood	75,791	909,492
7.	Ms. Zubaida Rafiq	53,119	637,428
8.	Mr. Zahid Hussain	35,439	425,268
9.	Mr. Muhammad Nadeem	64,871	778,452
10.	Mr. Abdul Sattar	64,871	778,452
11.	Mr. Waqas Ahmed	47,216	566,592
12.	Mr. Muhammad Zakeer	35,439	425,268
13.	Mr. Hassan Raza	35,439	425,268
14.	Mr. Zeshan Siddique	35,439	425,268
15.	Mr. Omer Abid	35,439	425,268
16.	Mr. Bashir	35,439	425,268
17.	Mr. Tahir Mahmood	35,439	425,268
18.	Mr. Muhammad Sheraz	35,439	425,268
19.	Mr. Muhammad Sohail	35,439	425,268
20.	Mr. Muhammad Asif	39,235	470,820
21.	Mr. Muhammad Zubair	39,468	473,616
22.	Mr. Muhammad Jamil	39,468	473,616
23.	Mr. Muhammad Ishtiaq	26,599	319,188
24.	Mr. Tariq Mahmood	39,468	473,616
25.	Mr. Sajjid Hussain Shah	26,599	319,188
26.	Mr. Khushnood Ahmed	26,599	319,188
27.	Mr. Saleem Satti	26,599	319,188
28.	Mr. Muhammad Yousuf	20,151	241,812
29.	Mr. Khuda Baksh	13,599	163,188
30.	Mr. Munir Ahmed	13,599	163,188
31.	Mr. Muhammad Zahid	13,599	163,188
32.	Mr. Tasawar Ali	13,599	163,188
33.	Mr. Ghulam Fareed	13,076	156,912
34.	Mr. Shoukat Hussain Shah	13,599	163,188
35.	Mr. Nazir Asghar Bhatti	13,599	163,188
36.	Syed Zafar Hussain Shah	13,599	163,188
37.	Mr. Rashid Latif	13,599	163,188
38.	Mr. Asim Abbas	13,599	163,188
		Total	**17,235,300**

Annexure-IV 5.4.12 Less deduction of Income Tax - Rs. 3.449 million

(Rupees)

S. No.	Personal No.	Name of Employee	BPS	Designation	* Taxable Salary	Tax Payable	Tax Deducted	Difference
1.	50156094	Dr. Ghazala Mahmud	21	Dean	1,947,356	165,787	129,469	36,318
2.	50003491	Dr. Rukhshanda Rashid	20	Professor	2,305,751	228,506	137,041	91,465
3.	50003494	Dr. Jamal Zafar	20	Professor	2,590,804	280,661	166,971	113,690
4.	50004157	Dr. Hassan Abbas Zaheer	20	Professor	2,098,383	192,217	180,730	11,487
5.	50004551	Dr. Rauf Niazi	20	Professor	2,134,348	198,511	117,768	80,743
6.	50005115	Dr. Ghiasuddin Butt	20	Professor	2,014,295	177,502	106,326	71,176
7.	50016030	Dr. Syed Shoaib Haider	20	Consultant	2,060,046	185,508	111,436	74,072
8.	50021189	Dr. Khaliq Uz Zaman	20	Professor	2,421,592	248,779	148,166	100,613
9.	50026352	Dr. Tashfeen Adam	20	Professor	2,074,178	187,981	119,749	68,232
10.	50026366	Dr. Muhammad Naeem	20	Professor	2,679,688	298,438	177,689	120,749
11.	50036578	Dr. Abid Zaheer Farooqi	20	Professor	2,331,719	233,051	139,797	93,254
12.	50037939	Dr. Imran Sikandar Khan	20	Professor	2,262,880	221,004	131,430	89,574
13.	50039939	Dr. Rizwan Taj	20	Professor	2,024,800	179,340	106,327	73,013
14.	50041132	Dr. Anjum Khawar	20	Professor	2,421,592	248,779	134,863	113,916
15.	50041278	Dr. Khawaja Kamal Nasir	20	Professor	1,830,865	145,401	84,987	60,414
16.	50047927	Dr. Tanveer Khaliq	20	Professor	2,471,512	257,515	153,333	104,182
17.	50049098	Dr. Muhammad Iqbal	20	Professor	2,580,304	278,561	151,599	126,962
18.	50130176	Dr. Shahid Nawaz Malik	20	Professor	1,439,807	87,476	57,616	29,860
19.	50016405	Dr. Iftikhar Ahmed	20	Chief Radiologist	3,263,039	421,684	413,367	8,317
20.	50003286	Dr. Haroon Khan	19	Assistant Professor	1,876,850	153,449	91,140	62,309
21.	50006685	Dr. Mansoor Ahmad	19	Associate Professor	2,342,838	234,997	140,756	94,241
22.	50012173	Dr. M. Imtiaz Masroor	19	Associate Professor	2,220,566	213,599	138,360	75,239
23.	50012614	Dr. Ayesha Isani	19	Associate Professor	1,169,540	59,454	35,122	24,332
24.	50022220	Dr. Syed Afaq Ahmed	19	Assistant Professor	2,338,638	234,262	139,580	94,682
25.	50025629	Dr. Ikram Ullah Khan	19	Associate Professor	1,758,656	133,798	80,162	53,636
26.	50036011	Dr. Samina Khaleeq	19	Associate Professor	2,079,488	188,910	113,252	75,658
27.	50036684	Dr. Lubna Nasim	19	Associate Professor	2,116,334	195,358	130,117	65,241
28.	50039357	Dr. Rana Imran Sikander	19	Associate Professor	1,422,362	85,295	49,516	35,779
29.	50045595	Dr. M. Irshad	19	Associate Professor	2,296,138	226,824	135,079	91,745
30.	50047597	Dr. Bader-Us-Samad	19	Assistant Professor	2,242,654	217,464	130,164	87,300
31.	50047616	Dr. Ashok Kumar	19	Assistant Professor	2,188,426	207,975	124,446	83,529
32.	50047689	Dr. Rizwan A.Qazi	19	Associate Professor	2,403,082	245,539	147,079	98,460
33.	50049263	Dr. Zahoor Ahmed	19	Associate Professor	1,868,362	151,963	90,700	61,263
34.	50049702	Dr. Anwar Ali	19	Associate Professor	2,279,454	223,904	133,859	90,045
35.	50053003	Dr. Ali Akhtar	19	Associate Professor	2,296,138	226,824	135,804	91,020
36.	50065911	Dr. Wajahat Aziz	19	Associate Professor	2,129,710	197,699	117,884	79,815
37.	50005567	Dr. Shajee Ahmed Siddiqui	18	Assistant Professor	1,824,295	144,252	85,740	58,512
38.	50006436	Dr. Aatif Inam	18	Assistant Professor	1,516,518	97,478	58,282	39,196
39.	50006851	Dr. S. Sohail Tanveer	18	Assistant Professor	1,744,757	131,714	78,276	53,438
40.	50018377	Dr. Shahzad Hussaain Waqar	18	Assistant Professor	1,717,830	127,675	76,497	51,178
41.	50024248	Dr. Ijaz Ahmad	18	Assistant	1,864,135	151,224	89,991	61,233

				Professor				
42.	50025064	Dr. Altaf Hussain	18	Assistant Professor	916,891	34,189	15,853	18,336
43.	50035005	Dr. Muhammad Naeem	18	Assistant Professor	1,758,139	133,721	79,384	54,337
44.	50036635	Dr. Zafar Iqbal Malik	18	Assistant Professor	2,126,263	197,096	117,829	79,267
45.	50038419	Dr. Muhammad Tariq	18	Assistant Professor	2,025,607	179,481	106,967	72,514
46.	50042226	Dr. Mazhar Badshah	18	Assistant Professor	1,858,326	150,207	89,990	60,217
47.	50045334	Dr. Qasim Mehmood Buttar	18	Assistant Professor	1,170,043	59,504	35,041	24,463
48.	50045790	Dr. Sajid Mumtaz Qazi	18	Assistant Professor	1,979,911	171,484	101,685	69,799
49.	50052118	Dr. Inayat Ullah Khan Adil	18	Assistant Professor	2,046,725	183,177	153,803	29,374
50.	50065093	Dr. Uzma Rasheed	18	Assistant Professor	1,055,335	48,034	28,379	19,655
51.	50116288	Dr. Muhammad Arif Khan	18	Assistant Professor	1,072,494	49,749	45,008	4,741
52.	50143043	Dr. Israr Ahmed	18	Assistant Professor	879,487	30,449	16,297	14,152
53.	50154078	Dr. Saeeda Abdullah	18	Assistant Professor	704,382	15,219	9,102	6,117
				Total	**104,243,333**	**9,338,668**	**5,889,808**	**3,448,860**

* Monetization Allowance not included and admissible amount of House Rent Allowance is included.

Annexure-V 5.4.14 Irregular purchase of dietary items - Rs. 14.125 million

Islamabad Hospital

S. No.	CS. No.	Items	Rate	Quantity	Amount
1	1	Atta	42.00	59,890.90	2,515,418
2	3	Margarine Blue band	460.00	510.54	234,848
3	4	Bread	38.00	36,372.00	1,382,136
4	6	Black Pepper Powder	1,700.00	33.20	56,440
5	7	Gram Masallah Mix	1,800.00	138.28	248,904
6	8	Cooking Oil	234.00	5,006.60	1,171,544
7	33	Milk 1000ml for Tea	95.00	12,525.10	1,189,885
8	34	Milk 250 ml	113.00	11,461.50	1,295,150
9	37	Rice old basmati	152.00	326.50	49,628
10	38	Red Chili Powder	625.00	165.73	103,581
11	40	Salt	25.25	1,333.80	33,678
12	41	Tealeaf	750.00	268.43	201,319
13	42	Turmeric Powder	600.00	91.25	54,750
14	47	Jam / Marmalade	210.00	1,978.80	415,548
				Total	**8,952,829**

BURN CARE CENTER

S. No.	CS. No.	Items	Rate	Quantity	Amount
1	1	Atta	42.00	2,778.90	116,714
2	3	Margarine Blue band	460.00	117.42	54,013
3	4	Bread	38.00	1,541.00	58,558
4	5	Banana	9.00	16,736.00	150,624
5	8	Cooking Oil	234.00	235.55	55,119
6	33	Milk 1000ml for Tea	95.00	644.80	61,256
7	34	Milk 250 ml	113.00	1.00	113
8	38	Red Chili Powder	625.00	8.30	5,184
9	40	Salt	25.25	64.30	1,624
10	41	Tealeaf	750.00	11.77	8,824
11	42	Turmeric Powder	600.00	3.36	2,016
				Total	**514,044**

MCH

S. No.	CS. No.	Items	Rate	Qty	Amount
1	1	Atta	42.00	13,231.00	555,702
2	3	Margarine Blueband	460.00	242.80	111,688
3	4	Bread	38.00	8,001.00	304,038
5	7	Gram Masallah Mix	1,800.00	32.00	57,600
6	8	Cooking Oil	234.00	1,136.20	265,871
7	33	Milk1000ml for Tea	95.00	4,750.00	451,250
9	37	Rice old basmati	152.00	158.00	24,016
10	38	Red Chili Powder	625.00	33.40	20,875
11	40	Salt	25.25	167.00	4,217
12	41	Tealeaf	750.00	59.34	44,505
13	42	Turmeric Powder	600.00	16.70	10,020
14	47	Jam/Marmalade	210.00	854.00	179,340
				Total	**2,029,122**

Children Hospital

S. No.	CS. No.	Items	Rate	Qty	Amount
1	1	Atta	42.00	19,764.00	830,088
2	3	Margarine Blue band	460.00	40.30	18,538
3	4	Bread	38.00	12,112.00	460,256
5	7	Gram Masallah Mix	1,800.00	52.45	94,410
6	8	Cooking Oil	234.00	1,781.80	416,941
7	33	Milk 1000ml for Tea	95.00	3,282.50	311,838
8	34	Milk 250ml	113.00	1,475.00	166,675
9	37	Rice old basmati	152.00	149.00	22,648
10	38	Red Chili Powder	625.00	65.85	41,156
11	40	Salt	25.25	334.00	8,434
12	41	Tealeaf	750.00	80.05	60,038
13	42	Turmeric Powder	600.00	33.40	20,040
14	47	Jam / Marmalade	210.00	846.50	177,765
				Total	**2,628,826**
				Grand Total	**14,124,821**

Annexure-VI **17.4.1 Irregular payment of honorarium to officers of BPS 21 and above - Rs. 15.175 million**

(Rupees)

S. No.	Name	Designation	Honorarium 2013	Tax 2013	Honorarium including tax 2013	Honorarium 2014	Tax 2014	Honorarium including tax 2014	Total
1	Dr. Waqar Masood Khan	Finance Secretary	847,980	127,197	975,177	636,200	95,430	731,630	1,706,807
2	Rana Asad Amin	Advisor to Finance Division, MP-I	803,740	120,561	924,301	324,000	48,600	372,600	1,296,901
3	Dr. Shujat Ali	Additional Finance Secretary (Budget)	-		-	374,000	56,100	430,100	430,100
4	Mrs. Azra Mujtaba	Additional Finance Secretary (CF)	476,000	71,400	547,400	353,000	52,950	405,950	953,350
5	Mr. Shahid Mahmood	Additional Finance Secretary (EF)	-		-	366,000	54,900	420,900	420,900
6	Mr. Shabbir Ahmed	Additional Finance Secretary (Expenditure)	-		-	431,000	64,650	495,650	495,650
7	Syed Ijaz Ali Shah Wasti	Economic Advisor	512,400	76,860	589,260	379,000	56,850	435,850	1,025,110
8	Mr. Abdul Akbar Sharifzada	Senior Joint Secretary (Investment)	476,000	71,400	547,400	282,400	42,360	324,760	872,160
9	Mr. Arshad Ahmed	Senior Joint Secretary (FA Cabinet)	476,000	71,400	547,400	282,400	42,360	324,760	872,160
10	Dr. Nadeem Shafiq Malik	Senior Joint Secretary (FA Planning)	457,800	68,670	526,470	272,000	40,800	312,800	839,270
11	Mr. Noor Ahmed	Senior Joint Secretary (CF-II)	-		-	353,000	52,950	405,950	405,950
12	Ms. Farah Ayub Tarin	Controller General of Accounts	-		-	221,880	33,282	255,162	255,162
13	Mr. Amjid Mahmood	Additional Secretary (Establishment)	-		-	167,200	25,080	192,280	192,280
14	Mr. Tahir Mahmood	AGPR	156,800		156,800	-	-	-	156,800
15	Raja Hassan Abbas	Additional Secretary Establishment	172,400		172,400	-	-	-	172,400
16	Mr. Mahmood Akhtar	CCAO	170,400		170,400		-	-	170,400
17	Mr. Zafar Hassan Reza	Additional Finance Secretary (HRM)	548,800	82,320	631,120	162,000	24,300	186,300	817,420
18	Mr. Khizar Hayat Gondal	Additional Secretary	567,000	85,050	652,050	-	-	-	652,050
19	Mr. Muhammad	Additional Secretary	494,200	74,130	568,330	-	-	-	568,330

	Younis Dgaha								
20	Mr. Shafqat ur Rehman	Additional Secretary	494,200	74,130	568,330	-	-	-	568,330
21	Mr. Abdur Rauf Khan	Additional Secretary	585,200	87,780	672,980	-	-	-	672,980
22	Mr. Manzoor Ali Khan	Senior Joint Secretary	324,000		324,000	-	-	-	324,000
23	Mr. Abdul Khalid	Special Secretary Finance	517,200		517,200	-	-	-	517,200
24	Syed Ijaz Hussain	Additional Secretary	156,800		156,800	-	-	-	156,800
25	Mr. Aftab Anwar Baloch	Additional Secretary	182,800		182,800	-	-	-	182,800
26	Mr. Hamid Raza	Senior Joint Secretary	75,800		75,800	-	-	-	75,800
27	Mr. Abdul Wajid Rana	Ex-Finance Secretary	227,980		227,980	-	-	-	227,980
28	Mr. Muhammad Sarwar	Senior Joint Secretary	146,400		146,400	-	-	-	146,400
Total			**8,869,900**		**9,880,798**	**4,604,080**	**690,612**	**5,294,692**	**15,175,490**

Annexure-VII 18.4.9 Unauthorized maintenance of twenty three bank accounts - Rs. 209.627 million

(Rupees)

S. No.	Bank A/c No.	Maintained at	Title of A/c	Balance as on 30.06.2013	Balance as on 30.06.2014
Development Accounts					
1.	0119-1003487882	Bank Al-Falah, Main Branch, Gilgit	KIU Immediate Needs	372,564	2,380,737
2.	1077900126501	Habib Bank Limited, Main Branch, Gilgit	KIU Supporting Facilities	10,545,384	8,412,442
3.	10170050002901		KIU Uninterrupted Power Supply	846,050	909,215
4.	1191003488924	Bank Al-Falah, Main Branch, Gilgit	Hostel for Visiting Faculty	27,029	754,560
5.	10170050005301	Habib Bank Limited, Main Branch, Gilgit	Establishment of KIU	9,215,291	45,324,350
6.	11911003491494	Bank Al-Falah, Main Branch, Gilgit	SEED Project	793,545	15,369,095
			Total	**21,799,863**	**73,150,399**
Non-Development Accounts					
7.	1003824845	Bank Al-Falah, Main Branch, Gilgit	Pre-Step Research Project	90,008	217,233
8.	0119-1003491544	Bank Al-Falah, Main Branch, Gilgit	Pre-Step Research Project	474,904	507,538
9.	013067-5	National Bank of Pakistan, Main Branch, Gilgit	KIU Pension Fund	2,319,134	11,423,963
10.	2900199	Bank Al-Falah, Main Branch, Gilgit	KIU Water Sanitation Project	3,591,360	3,642,203
11.	1077900655403	Habib Bank Limited, Main Branch, Gilgit	KIU Silk Route Festival	-	155,475
12	1077900215801	Habib Bank Limited, Main Branch, Gilgit	KIU Tum Tum / Sabzazar	1,825,196	1,029,044
13.	1077900336101	Habib Bank Limited, Main Branch, Gilgit	KIU Quaility Enhancement Cell	2,033,986	78,125
14.	1003836937	Bank Al-Falah, Main Branch, Gilgit	KIU Thermatic Research Project	1,537,950	1,422,950
15.	1077900272003	Habib Bank Limited, Main Branch, Gilgit	KIU Flood Relief Fund	835,329	685,154
16.	23890-1	Karakoram Cooperative Bank Limited, Main Branch, Gilgit	KIU Fee Collection	-	27,538,665
17.	1077900335901	Habib Bank Limited, Main Branch, Gilgit	KIU Tuition Fee	48,870,600	4,107,362
18.	10779001381001	Habib Bank Limited, Main Branch, Gilgit	KIU Security Deposit	21,157,209	21,380,420
19.	294101000000363	Faisal Bank, Main Branch, Gilgit	KIU BEP Project	-	2,035,447
20.	30030	1st Micro Finance Bank Limited, Main Branch, Gilgit	KIU Exam Fee	5,577,601	8,625,430
21.	246701	Habib Bank Limited, Main Branch, Gilgit	KIU Recurring Grant	4,162,984	6,745,339
22.	2000842	Bank Al-Falah, Main Branch, Gilgit		14,504,724	42,171,703
23.	100376004	Bank Al-Falah, Main Branch, Gilgit	KIU Language Documents	2,848,000	4,710,570
			Total	**109,828,985**	**136,476,621**
			Grant Total	**131,968,848**	**209,627,020**

Annexure-VIII 22.4.12 Whereabouts of cash received by Senior Private Secretary to Ex-Minister of Interior and management of NCMC not known - Rs. 11.028 million

(Rupees)

S. No.	Cheque No.	Date	Amount paid	Remarks
1.	9207544	07.09.2010	38,000	Received Rs. 38,000 for misc. expenditure adjustment of which will be submitted by Mr. Abdul Hameed Awan, APS.
2.	1700750	20.10.2010	230,000	Whereabouts of this amount was not made known to Audit.
			70,000	Mr. Javed Iqbal Raja received Rs. 70,000 for source persons as per desire of Minister.
3.	488598	02.02.2012	200,000	Mr. Javed Iqbal Raja received Rs. 200,000 for payment to source persons.
4.	774579	09.04.2012	100,000	Mr. Javed Iqbal Raja received Rs. 100,000 for official use/for source persons.
			150,000	Whereabouts of this amount was not made known to Audit.
5.	774588	28.05.2012	500,000	Mr. Javed Iqbal Raja received Rs. 500,000 from DG, NCMC for official use.
			150,000	Whereabouts of this amount not provided.
6.	582028	28.11.2012	35,000	Mr. Javed Iqbal Raja received Rs. 25,000 and Rs. 10,000
			15,000	Whereabouts of cash not known.
7.	582075	18.01.2013	200,000	Mr. Javed Iqbal Raja received from DG, NCMC
8.	582099	12.03.2013	600,000	Received by Mr. Javed Iqbal Raja for payment to source persons as directed by competent authority
9.	447555	12.03.2013	440,000	
10.	447858	14.03.2013	800,000	
11.	447561	14.03.2013	700,000	Mr. Javed Iqbal Raja received Rs. 1,100,000 for payment to source persons as directed by competent authority.
			400,000	
			400,000	Whereabouts of this amount not provided.
12.	447565	13.05.2013	2,000,000	Received by Mr. Javed Iqbal Raja for operational expenses of caretaker Minister for Interior for different visits to troubled areas.
13.	447571	17.05.2013	1,000,000	Received by Mr. Javed Iqbal Raja from DG, NCMC for operational purposes in Karachi and Quetta
14.	715277	28.09.2012	1,000,000	Mr. Javed Iqbal Raja received Rs. 1,000,000 for disbursement to source persons on the directions of Minister of Interior
15.	582613	29.05.2013	2,000,000	Mr. Javed Iqbal Raja received Rs. 2,000,000 for payment to source persons
		Total	**11,028,000**	

Annexure-IX 22.4.14 Unauthorized expenditure on domestic and international air travels - Rs. 40.787 million

Financial Year 2011-12

(Rupees)

S. No.	Name	Designation	Domestic	International	Total
1.	Mr. A. Rehman Malik	Federal Minister of Interior	596,600	549,747	1,146,347
2.	Mr. Muhammad Ali Shah	Assistant Director/Staff Officer to Minister	353,541	225,060	578,601
3.	Mr. Javaid Iqbal Lodhi	Director General, NCMC	264,730	134,190	398,920
4.	Mr. Farid Ahmad Khan	Director (Operations)	133,021	0	133,021
5.	Mr. Abdul Hameed Awan	Personal Secretary to Minister (not on the payroll of NCMC)	219,710	0	219,710
6.	Mr. Rana Tahir	Working with the Minister (not on the payroll of NCMC)	134,480	0	134,480
7.	Syed Javaid Husnain Kazmi		79,424	218,689	298,113
8.	Others		771,065	327,485	1,098,550
		Total	**2,552,571**	**1,455,171**	**4,007,742**

Financial Year 2012-13

(Rupees)

S. No.	Name	Designation	Domestic	International	Total
1.	Mr. A. Rehman Malik	Federal Minister of Interior	2,387,886	16,429,336	18,817,222
2.	Mr. Muhammad Ali Shah	Assistant Director/Staff Officer to Minister	2,480,650	2,517,419	4,998,069
3.	Mr. Abdul Hameed Awan	Personal Secretary to Minister (not on the payroll of the NCMC)	74,935	3,484,698	3,558,633
4.	Mr. Asad Zameer	Working with the Minister (not on the payroll of the NCMC)	756,088	760,324	1,516,412
5.	Syed Javaid Husnain Kazmi		281,365	731,617	1,012,982
6.	Mr. Yasir Afridi		233,028	602,204	835,232
7.	Shehnaz Adam Aisahth		-	573,466	573,466
8.	Major Kashif Mehtab		361,789	210,500	572,289
9.	57 other persons		2,374,804	2,520,059	4,894,863
		Total	**8,950,545**	**27,829,623**	**36,779,168**

Annexure-X 24.4.3 Unauthorized payment to High Court Bar Associations and District Bar Associations - Rs. 45.400 million

(Rupees)

S. No.	Name of Bar	Amount
1.	High Court Bar Association, Rawalpindi	2,500,000
2.	District Bar Association, Mansehra	1,000,000
3.	District Bar Association, Chitral	500,000
4.	District Bar Association, Jhang	500,000
5.	District Bar Association, Kashmore at KandhKot	500,000
6.	District Bar Association, Kohlu	500,000
7.	District Bar Association, Chakwal	500,000
8.	District Bar Association, Mandi Bahauddin	500,000
9.	District Bar Association, Rahim Yar Khan	500,000
10.	District Bar Association, Umerkot	500,000
11.	District Bar Association, Swabi	500,000
12.	District Bar Association, Lower Dir at Timergara	500,000
13.	District Bar Association, Lodhran	500,000
14.	District Bar Association, Khairpur	500,000
15.	District Bar Association, Kasur	500,000
16.	District Bar Association, Attock	500,000
17.	District Bar Association, Gujrat	500,000
18.	District Bar Association, Hafizabad	500,000
19.	District Bar Association, D.I.Khan	500,000
20.	District Bar Association, Narowal	500,000
21.	District Bar Association, Shaheed Benazirabad	500,000
22.	District Bar Association, Malakand at Batkhela	500,000
23.	District Bar Association, Charsadda	500,000
24.	District Bar Association, Kohistan	500,000
25.	District Bar Association, Jamshoro	500,000
26.	District Bar Association, Chiniot	500,000
27.	District Bar Association, Barkhan	500,000
28.	District Bar Association, Shahdad Kot	500,000
29.	District Bar Association, Lakki Marwat	500,000
30.	District Bar Association, Faisalabad	800,000
31.	District Bar Association, Lahore	800,000
32.	District Bar Association, Sargodha	800,000

33.	District Bar Association, Sahiwal	800,000
34.	District Bar Association, Multan	800,000
35.	District Bar Association, Sukkur	800,000
36.	District Bar Association, Abbottabad	800,000
37.	District Bar Association, Mardan	800,000
38.	District Bar Association, Kharan	500,000
39.	District Bar Association, Ziarat	500,000
40.	District Bar Association, D.G. Khan	800,000
41.	District Bar Association, Shangla	500,000
42.	District Bar Association, Chaghi	500,000
43.	District Bar Association, Bahawalnagar	500,000
44.	District Bar Association, Layyah	500,000
45.	District Bar Association, Sheikhupura	500,000
46.	District Bar Association, Batagram	500,000
47.	District Bar Association, Upper Dir	500,000
48.	District Bar Association, Bhakkar	500,000
49.	District Bar Association, Sanghar	500,000
50.	District Bar Association, Nankana Sahib	500,000
51.	District Bar Association, Kohat	800,000
52.	District Bar Association, Peshawar	800,000
53.	District Bar Association, Saidu Sharif (Swat)	800,000
54.	District Bar Association, Bannu	800,000
55.	District Bar Association, Shikarpur	500,000
56.	District Bar Association, Tank	500,000
57.	District Bar Association, Tando Allahyar	500,000
58.	District Bar Association, Awaran	500,000
59.	District Bar Association, Noshki	500,000
60.	District Bar Association, Panjgoor	500,000
61.	District Bar Association, Buner	500,000
62.	District Bar Association, Turbat at Kech	500,000
63.	District Bar Association, Hangu	500,000
64.	District Bar Association, Nowshera	500,000
65.	District Bar Association, Killa Saifullah	500,000
66.	District Bar Association, Noushero Feroz	500,000
67.	High Court Bar Association, Bannu	2,000,000

68.	High Court Bar Association, Multan	3,000,000
69.	District Bar Association, Rajanpur	500,000
70.	District Bar Association, Pak Pattan	500,000
	Total	**45,400,000**

Annexure-XI 29.4.2 Unauthorized maintenance of a fleet of 26 vehicles on general duty

S. No.	Vehicle No.	MAKE/TYPE	ASSIGNED WITH
1.	QAM-447	Suzuki Jeep	Mr. Muhammad Younus, Incharge, Budget Branch
2.	GP-6502	Suzuki Carry Van	Mr. Muhammad Farooq, Incharge, Security Branch.
3.	QAM- 446	Suzuki Jeep	Handed over to Chief Accounts Officer's Office
4.	LSB – 9903	Suzuki Jeep	Handed over to Chief Accounts Officer's Office
5.	QAN-1696	Double Cabin	Handed over to Chief Accounts Officer's Office
6.	QAM-274	Single Cabin	Security Branch
7.	LSC-4352	Double Cabin	Station Duty
8.	QAD-5936	Toyota Hiace	School Van (off road, now needs repair)
9.	QAN-3004	Land Rover	School duty
10.	QAN-5528	Double Cabin	Field duty/station duty
11.	QAM-9081	Double Cabin	Field duty/station duty
12.	QAG-9475	Double Cabin	Field duty/station duty
13.	QAM-9083	Double Cabin	Field duty/station duty
14.	QAM-6316	Kia sportage	VIP/protocol/station duty
15.	QAM-9009	Toyota saloon	VIP/protocol/station duty
16.	LSB-3201	Suzuki Jeep	D.D.O. Branch
17.	LSB-9901	Suzuki Jeep	Station duty
18.	LSB-9610	Coaster	Station duty
19.	QAM-272	Double Cabin	Assigned for field duty
20.	QAN-5529	Double Cabin	Assigned for field duty

Area Geological Mapping Project vehicles

S. No.	Vehicle No.	Model	Make
1.	QAM-9083	2006	Toyota Double Cabin
2.	QAM-9081	2006	Toyota Double Cabin
3.	QAM-7402	2006	Land Rover Defender
4.	QAN-3004	2006	Land Rover Defender
5.	QAN-3003	2006	Land Rover Defender
6.	QAN-3002	2006	Land Rover Defender