



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

**AUDIT YEAR 2016-17**

**AUDITOR GENERAL OF PAKISTAN**



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## ABBREVIATIONS AND ACRONYMS

A/C	Account
ABL	Allied Bank Limited
ADP	Annual Development Program
AEDB	Alternative Energy Development Board
AFS	Additional Finance Secretary
AG	Accountant General
AGP	Auditor General of Pakistan
AGPR	Accountant General Pakistan Revenues
AIR	Audit and Inspection Report
AJK	Azad Jammu and Kashmir
APPM	Accounting Policies and Procedures Manual
BB-LMA	BISP Beneficiary - Limited Mandate Account
BDC	Benazir Debit Card
BECS	Basic Education Community Schools
BESOS	Benazir Employees Stock Option Scheme
BISP	Benazir Income Support Program
BoG	Board of Governors
BPS	Basic Pay Scales
CADD	Capital Administration and Development Division
CDA	Capital Development Authority
CDNS	Central Directorate of National Savings
CDWP	Central Development Working Party
CFAO	Chief Finance and Accounts Officer
CGA	Controller General of Accounts
CoA	Chart of Accounts
CNIC	Computerized National Identity Card
CPWA	Central Public Works Accounts (Code)
CPWD	Central Public Works Department (Code)
DA	Daily Allowance
DAC	Departmental Accounts Committee
DAGP	Department of the Auditor General of Pakistan
DDO	Drawing and Disbursing Officer
DDWP	Departmental Development Working Party
DFA	Deputy Financial Advisor
DG	Director General
DGA-FG	Directorate General Audit, Federal Government

EAD	Economic Affairs Division
ECC	Economic Coordination Committee
ECNEC	Executive Committee of National Economic Council
ECP	Election Commission of Pakistan
FA	Financial Advisor
FAM	Financial Audit Manual
FAP	Foreign Aided Project
FATA	Federally Administered Tribal Areas
FBR	Federal Board of Revenue
FCF	Federal Consolidated Fund
FDA	FATA Development Authority
FDWP	FATA Development Working Party
FPSC	Federal Public Services Commission
FR	Fundamental Rules
FTR	Federal Treasury Rules
FY	Financial Year
GB	Gilgit-Baltistan
GFR	General Financial Rules
GOP	Government of Pakistan
GPF	General Provident Fund
GST	General Sales Tax
HBA	House Building Advance
HBL	Habib Bank Limited
HEC	Higher Education Commission
HRA	House Rent Allowance
IPC	Inter Provincial Coordination
IPCC	Inter Provincial Coordination Committee
IPFMR	Implementing Partner Financial Monitoring Report
IPSAS	International Public Sector Accounting Standards
JV	Joint Venture
KA&GB	Kashmir Affairs & Gilgit-Baltistan
KPT	Karachi Port Trust
L/C	Letter of Credit
LFA	Leave Fair Assistance
LMA	Limited Mandate Account
LPR	Leave Preparatory to Retirement
MCA	Monopoly Control Authority
MCMC	Mid-Career Management Course
MD	Managing Director

MAFDAC	Memorandum for Departmental Accounts Committee
MIS	Management Information System
MNA	Member National Assembly
MOU	Memorandum of Understanding
NAB	National Accountability Bureau
NADRA	National Database and Registration Authority
NAM	New Accounting Model
NAVTC	National Vocational and Technical Training Commission
NBP	National Bank of Pakistan
NGOs	Non-Government Organizations
NH&MP	National Highways and Motorway Police
NIE	National Institute of Electronics
NIM	National Institute of Management
NSAP	National Security Action Plan
NSC	National Saving Center
NSMC	National Scholarship Management Committee
NSPP	National School of Public Policy
NTN	National Tax Number
O.M.	Office Memorandum
PAC	Public Accounts Committee
Pak PWD	Pakistan Public Works Department
PAO	Principal Accounting Officer
PC	Privatization Commission
PC-I	Planning Commission-I
PD	Project Director
PID	Press Information Department
PITAC	Pakistan Industrial Technical Assistance Centre
PPR	Public Procurement Rules
PPRA	Public Procurement Regulatory Authority
PSDP	Public Sector Development Program
PSEs	Public Sector Entities
Rs.	Rupees
S.R.O.	Statutory Regulatory Order
SBP	State Bank of Pakistan
SHS	Solar Home System
SLIC	State Life Insurance Corporation of Pakistan
SR	Supplementary Rules
SRO	Statutory Regulatory Order
TA	Travelling Allowance

TDR	Terms Deposit Receipt
TFC	Term Finance Certificates
TOR	Terms of Reference
UBL	United Bank Limited
UPS	Un-interrupted Power Supply
VC	Vice Chancellor
w.e.f.	With Effect From
WAPDA	Water and Power Development Authority
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 2015-16. 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 2016-17 on test check basis with a view to reporting significant findings to the 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 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:

(Rana Assad Amin)  
**Auditor General of Pakistan**





## **EXECUTIVE SUMMARY**

Directorate General Audit, Federal Government DGA (FG) is a strategic audit unit of 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. 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 132 officers and staff with 32,472 person days. The annual budget allocated to Directorate General for the year 2016-17 amounted to Rs. 194.165 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 incorporated 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. The scope of audit also included reviewing, analyzing and commenting on various Government policies relating to different sectors. Audit of the probity and propriety of administrative decisions taken within the audited entity was also 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 implemented 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 also ascertained 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 audit was primarily conducted for the financial year 2015-16, but in the case of 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 2015-16 was Rs. 13,953,816.385 million. The auditable expenditure under the jurisdiction of Directorate General Audit (Federal Government) was Rs. 1,737,522.337 million covering 60 PAOs and 2,827 formations. Of this, DGA (FG) audited an expenditure of Rs. 442,332.566 million, which in terms of percentage was 25% of the auditable expenditure. DGA (FG) also conducted 20 audit of Foreign Aided Projects (FAP), four accounts of the Federal Government for certification and 10 Special Audits.

**b. Recoveries at the instance of audit**

Recovery of 115.923 million was effected during the first six months of 2016-17 from July, 2016 to December, 2016 on the pointation of Audit.

Recovery aggregating to Rs. 544.617 million during last six months of 2015-16 was effected from January, 2016 to June, 2016 which was not reported in the Audit Report (Civil) 2015-16.

**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 and 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. Comparison of budget 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:

- a. The management of Planning and Development Division deposited back an amount of Rs. 19,868.583 million into the Federal Consolidated Fund which had earlier been retained in Public Sector Enterprises Account to avoid lapse of funds.
- b. National Highways and Motorway Police framed Rules regarding Road Safety Training Institute.
- c. Securities and Exchange Commission of Pakistan (SECP) agreed to adopt PPRA Rules, 2004 for its procurements.

- d. Girls Guide Association has initiated the process for approval of its Rules.
- e. Policy Wing of Ministry of Petroleum and Natural Resources has shifted from a rented premise.

**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 2015-16, 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 was one cases of embezzlement of public money and fictitious payments amounting to Rs. 10.400 million<sup>1</sup>.
- ii. There were 123 cases of irregular expenditure/payments and violation of rules amounting to Rs. 875,818.179 million<sup>2</sup>.
- iii. There were 135 cases of recovery amounting to Rs. 57,977.998 million<sup>3</sup>.

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<sup>1</sup> Para No. 27.4.5

<sup>2</sup> Para No. 1.1.1, 2.4.4, 5.4.4, 5.4.5, 5.4.6, 5.4.8, 5.4.9, 5.4.10, 5.4.23, 5.4.24, 5.4.31, 5.4.39, 6.4.2, 6.4.7, 6.4.9, 6.4.10, 6.4.117.4.2, 7.4.6, 10.4.3, 11.4.1, 12.4.4, 12.4.5, 12.4.8, 12.4.12, 12.4.16, 13.4.2, 14.4.2, 15.4.1, 15.4.2, 16.4.2, 16.4.3, 16.4.4, 16.4.12, 16.4.14, 16.4.15, 16.4.16, 16.4.21, 16.4.24, 16.4.25, 16.4.26, 16.4.27, 16.4.28, 16.4.33, 16.4.36, 16.4.48, 16.4.50, 16.4.51, 16.4.54, 16.4.55, 16.4.57, 16.4.58, 16.4.63, 16.4.65, 17.4.5, 17.4.6, 18.4.1, 18.4.2, 18.4.6, 18.4.7, 18.4.17, 19.4.1, 20.4.2, 20.4.4, 20.4.5, 20.4.11, 20.4.12, 20.4.15, 20.4.16, 20.4.22, 20.4.23, 20.4.24, 20.4.25, 20.4.26, 20.4.27, 20.4.28, 21.4.7, 21.4.9, 21.4.10, 21.4.12, 21.4.14, 21.4.19, 21.4.21, 21.4.22, 21.4.26, 21.4.27, 21.4.32, 21.4.33, 21.4.35, 21.4.36, 21.4.38, 23.4.4, 23.4.5, 23.4.6, 23.4.7, 24.4.3, 24.4.4, 24.4.5, 24.4.10, 24.4.14, 24.4.16, 25.4.2, 25.4.3, 26.4.1, 26.4.3, 26.4.5, 27.4.2, 27.4.6, 30.4.2, 30.4.8, 30.4.9, 32.4.3, 32.4.5, 33.4.13, 33.4.18, 33.4.19, 33.4.24, 33.4.27, 33.4.28, 33.4.30, 33.4.31, 33.4.32, 33.4.33

<sup>3</sup> Para No. 2.4.1, 2.4.2, 2.4.3, 2.4.5, 3.4.3, 4.4.1, 5.4.14, 5.4.24, 5.4.25, 5.4.28, 5.4.29, 5.4.30, 5.4.31, 5.4.32, 5.4.35, 6.4.1, 6.4.2, 7.4.1, 7.4.4, 7.4.10, 10.4.1, 10.4.2, 11.4.2, 11.4.3, 11.4.4, 11.4.5, 12.4.6, 12.4.9, 12.4.10, 12.4.11, 12.4.13, 12.4.14, 12.4.15, 14.4.3, 14.4.4, 14.4.6, 14.4.7, 15.4.1, 15.4.3, 15.4.7, 15.4.8, 16.4.7, 16.4.9, 16.4.10, 16.4.11, 16.4.13, 16.4.17, 16.4.18, 16.4.20, 16.4.21, 16.4.29, 16.4.31, 16.4.35, 16.4.37, 16.4.38, 16.4.39, 16.4.62, 17.4.1, 17.4.2, 17.4.4, 17.4.6, 17.4.7, 17.4.8, 17.4.9, 18.4.8, 18.4.9, 18.4.10, 18.4.13, 18.4.14, 18.4.15, 19.4.2, 19.4.4, 20.4.6, 20.4.7, 20.4.8, 20.4.11, 20.4.13, 20.4.22, 20.4.23, 20.4.27, 21.4.3, 21.4.4, 21.4.5, 21.4.11, 21.4.14, 21.4.28, 21.4.37, 21.4.42, 21.4.43, 21.4.44,

- iv. There were 16 instances of irregularity pertaining to non-production of record amounting to Rs. 1,935.440 million<sup>4</sup>.
- v. There were 78 cases of weak internal controls amounting to Rs. 1,527,514.739 million<sup>5</sup>.
- vi. There were 33 cases pertaining to weak financial management amounting to Rs. 1,881,915.624 million and 52 cases related to unsound asset management amounting to Rs. 9,522.516 million.
- vii. Audit paras for the Audit Year 2016-2017 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 as well of 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. All 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. Public Procurement Rules, 2004 should be religiously observed.
- vi. All auditable record should be produced when demanded.

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22.4.1, 22.4.2, 22.4.3, 22.4.4, 23.4.5, 24.4.2, 24.4.3, 24.4.11, 25.4.1, 26.4.2, 26.4.4, 26.4.5, 26.4.6, 27.4.4, 27.4.7, 27.4.9, 27.4.10, 27.4.11, 27.4.12, 27.4.13, 27.4.14, 28.4.3, 28.4.6, 28.4.7, 28.4.8, 30.4.3, 30.4.4, 30.4.5, 30.4.9, 30.4.11, 31.4.1, 31.4.2, 31.4.3, 32.4.2, 33.4.13, 33.4.14, 33.4.15, 33.4.16, 33.4.17, 33.4.19, 33.4.20, 33.4.21, 33.4.22, 33.4.23, 33.4.29

<sup>4</sup> Para No. 5.4.1, 5.4.2, 5.4.3, 9.4.1, 12.4.1, 12.4.2, 20.4.1, 21.4.1, 21.4.2, 23.4.1, 24.4.1, 27.4.1, 28.4.1, 29.4.1, 30.4.1, 32.4.1

<sup>5</sup> Para No. 1.1.3, 1.1.4, 5.4.7, 5.4.11, 5.4.12, 5.4.13, 5.4.34, 5.4.41, 6.4.6, 7.4.1, 7.4.4, 7.4.5, 7.4.7, 7.4.8, 12.4.3, 12.4.7, 12.4.10, 13.4.1, 13.4.3, 13.4.4, 14.4.1, 15.4.6, 15.4.11, 16.4.1, 16.4.32, 16.4.34, 16.4.47, 16.4.53, 16.4.56, 16.4.59, 16.4.60, 16.4.61, 16.4.64, 16.4.66, 17.4.2, 17.4.3, 18.4.3, 18.4.4, 18.4.5, 18.4.16, 19.4.3, 20.4.3, 20.4.9, 20.4.10, 20.4.14, 20.4.20, 21.4.6, 21.4.8, 21.4.16, 21.4.17, 21.4.29, 21.4.31, 21.4.34, 21.4.45, 21.4.46, 24.4.9, 24.4.12, 24.4.13, 24.4.15, 25.4.1, 26.4.2, 28.4.2, 28.4.4, 32.4.4, 33.4.1, 33.4.2, 33.4.3, 33.4.4, 33.4.5, 33.4.6, 33.4.7, 33.4.8, 33.4.9, 33.4.10, 33.4.11, 33.4.12, 33.4.20, 33.4.21

- vii. Bank accounts should be opened with proper authorization and balances should be reconciled at least on monthly basis.
- viii. Public funds should be invested in line with the instructions issued by the Finance Division.

## **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	450,469.23
2.	Total formations in audit jurisdiction	2,830	
3.	PAO's Planned	36	229,771.406*
4.	Formations Planned	209	
5.	Total Entities (Ministries / PAOs) Audited	36	399,537.949
6.	Total formations Audited	152	
7.	Audit & Inspection Reports	152	
8.	Special Audit Reports	04	19,678.254
9.	Performance Audit Reports	0	0
10.	FAP Reports	20	23,116.363
11.	Certification Reports	4	13,035,203.837

\* 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	9,552.516
2.	Weak financial management	1,881,915.624
3.	Weak internal controls relating to financial management	1,177,776.696
4.	Others	51,558.955
<b>Total</b>		<b>3,120,803.791</b>

### 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	347,504.467	86,876.117	260,628.350	1,042,513.402	1,737,522.337	1,857,731.000
2.	Monetary Value of Audit Observations	9,964.981	2,911.034	60,138.522	3,047,789.254	3,120,803.791	502,317.512
3.	Recoveries pointed out at the instance of audit	-	143.455	34,091.435	23,743.108	57,977.998	14,040.779
4.	Recoveries established at the instance of audit	-	143.455	34,091.435	23,743.108	57,977.998	14,040.779
5.	Recoveries realized at the instance of audit	-	-	538.384	122.155	660.539	391.395

### 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.	875,818.179
2.	Reported cases of fraud, embezzlement, thefts and misuse of public resources.	10.400
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 the financial statement.	112.173
4.	Weaknesses of internal control systems.	1,508,480.462
5.	Recoveries and overpayments, representing cases of	730,501.832

	established overpayment or misappropriations of public monies.	
6.	Non-Production of record.	1,935.440
7.	Others, including cases of accidents, negligence etc.	3,945.305

V. *Cost-Benefit*

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

Sr. No.	Description	2016-17	2015-16
1.	Outlays Audited	1,737,522.337	1,857,731.000
2.	Expenditure on Audit	194.165	176.153
3.	Recoveries made at the instance of audit	660.539	391.395
<b>Cost-Benefit Ratio</b>		<b>3.40</b>	<b>2.85</b>

## CHAPTER 1

### 1. PUBLIC FINANCIAL MANAGEMENT ISSUES

#### 1.1 ACCOUNTANT GENERAL PAKISTAN REVENUES (AGPR)

##### *1.1.1 Supplementary Grants remained Not Printed – Rs. 837,826.423 million*

##### **Risk Categorization: Low**

Para 104 of GFR Vol-I provides that cases which involve a supplementary grant will normally be accepted by the Ministry of Finance only if they relate to matters of real imperative necessity, or to the earning or safeguarding of revenue. In such cases the demand for a supplementary grant, or for a token grant in respect of a new service if the expenditure can be met by re-appropriation, will be presented to the Legislature as soon as practicable after the need arises.

During Certification Audit of Appropriation Accounts of Federal Government for the financial year 2015-16 prepared by the Accountant General Pakistan Revenues, Islamabad it was noted that the Ministry of Finance allowed Supplementary Grants of Rs. 1,098,701,985,000 to Ministries/ Division during the financial year 2015-16.

Audit observed that;

- i. Out of total Supplementary Grants, only Supplementary Grants of Rs. 260,875,562,000 were presented before the Parliament (Printed in the Supplementary Schedule of Authorized Expenditure - 2015-16) along with the Federal Budget 2016-17.
- ii. Supplementary Grants of Rs. 837,826,423,000 remained un-presented before the Parliament for approval during 2015-16 which comes to 76.25 % of total Supplementary Grants.
- iii. There was no record to calculate the amount of Technical Supplementary Grants.

**Implication:**

Audit is of the view that a large amount of Supplementary Grants remained un-presented (Not Printed) where as the Ministry of Finance was responsible for placing all Supplementary Grants before the Parliament for approval while submitting Federal Budget for the year 2016-17 but it was not done. Thus, financial rules were not observed in true spirit.

**Management Response:**

It was replied by Ministry of Finance that all Ministries/Divisions were requested to reconcile the Schedules with the Budget Wing to ensure that no Schedule remains out of the book of Supplementary Grants. After the target date it is not possible for Finance Division to include the same in the Book to be presented in the National Assembly for approval. The schedules received after the target date, are kept for Excess Budget Statement and thus, remain outside the Book.

**Audit Comments:**

Audit recommends to resolve this issue in order to present true and fair position of Supplementary Grants to the National Assembly.

***1.1.2 Expenditure remained un-reconciled in June (Final) – Rs. 655,657.000 million***

**Risk Categorization: High**

Para 89 (4) (viii) of GFR Vol-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.

During Certification Audit of Appropriation Accounts of Federal Government for the financial year 2015-16 prepared by the Accountant General Pakistan Revenues, Islamabad the management provided the following figures of

total expenditure during the year in each office and expenditure reconciled in June (Final).

**(Rupees in millions)**

<b>S. No.</b>	<b>Office</b>	<b>Total Expenditure</b>	<b>Reconciled in June (Final)</b>	<b>Not Reconciled in June (Final)</b>
1.	Main AGPR	2,001,563	1,770,334	231,229
2.	Sub-office Karachi	10,460,821	10,042,488	418,333
3.	Sub-office Lahore	227,996	227,830	166
4.	Sub-office Peshawar	145,518	139,838	5,680
5.	Sub-office Quetta	66,866	66,866	0
6.	Sub-office Gilgit	35,616	35,367	249
	<b>Total</b>	<b>12,938,380</b>	<b>12,282,723</b>	<b>655,657</b>

Audit observed that an expenditure of Rs. 655,657.000 million remained un-reconciled in June (Final) of 2015-16.

**Implication:**

Audit is of the view that the Heads of spending units and AGPR were jointly responsible for reconciliation of Actual Expenditure but it was not done and a large amount of Actual Expenditure remained un-reconciled in June (Final).

**Management Response:**

It was replied that AGPR made all efforts to improve the reconciliation position. Letters have been issued to defaulting PAOs.

**Audit Comments:**

Audit recommends that necessary checks may be put in place which could help in timely reconciliation of expenditure.

**1.1.3 Un-authorized excess expenditure - Rs. 352,466.731 million**

**Risk Categorization: High**

Para 12 of GFR Vol-I provides 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 instances of excess or financial irregularity that may be brought to notice as a result of audit scrutiny or otherwise.

During Certification Audit of Appropriation Accounts of Federal Government for the financial year 2015-16 prepared by the Accountant General Pakistan Revenues, Islamabad it was noted that;

- i. An expenditure of Rs. 352,027,080,694 was incurred in excess of Final Grants available for the Ministries/Divisions.

S. No.	Type of Grants	No. of Grants	Excess (Rs.)
1.	Current	20	28,448,208,717
2.	Development	06	21,987,802,859
3.	Charged	04	301,591,069,118
<b>Total</b>			<b>352,027,080,694</b>

- ii. It was also noted that an expenditure of Rs. 118,300,245 was disclosed in the Manuscript under different Current Grants. The expenditure was incurred without any Original Budget Allocation, Re-appropriations or Supplementary Grants.
- iii. Similarly an expenditure of Rs. 321,350,095 was included in the Manuscript under different Development Grants. The expenditure was incurred without any Original Budget Allocation, Re-appropriations or Supplementary Grants.
- iv. Thus, a total of Rs. 352,466,731,034 were incurred in excess.

Audit observed that Ministries/ Divisions were not authorized to incur excess expenditure over and above Final Grants, without any Supplementary Grants or without original budget allocation.

**Implication:**

Audit is of the view that;

- i. Incurring of excess expenditure over and above Final Grants without obtaining Supplementary Grants was not covered under the financial rules.
- ii. Incurring of excess expenditure without original budget allocation was not allowed.
- iii. This is indicative of the fact that internal controls to stop excess expenditure were not being implemented.

**Management Response:**

It was replied that budget check is not applied on Pay and Allowances of the employees. Some instances of excess were due to exchange account from Controller of Military Accounts (CMAs). Similarly State Bank of Pakistan made direct payments of Rs. 9,220,441. Excess of Rs. 4.052 billion relates to Civil pension and Rs. 10.870 billion relates to Defence pension. As regards excess in development expenditure it includes direct payment of foreign aid to ERRRA. Excess also occurred due to surrender of funds in excess of actual savings.

**Audit Comments:**

Audit recommends to take appropriate steps in this regard to avoid excess expenditure in future.

***1.1.4 Non-surrendering of savings – Rs. 217,146.331 million***

**Risk Categorization: Low**

Para 95 of General Financial Rules (GFR) Vol-I states that all anticipated savings should be surrendered to Government immediately when foreseen but not later than 15th May of each year in any case, unless they are required to meet excesses under some other unit or units which are definitely foreseen at the time. However, savings accruing from funds provided after 15th May shall be surrendered to Government immediately they are foreseen but not later than 30<sup>th</sup> June of each year.

During Certification Audit of Appropriation Accounts of Federal Government for the financial year 2015-16 prepared by the Accountant General



Pakistan Revenues, Islamabad it was noted that there were savings of Rs. 217,146,330,636 under different Grants.

S. No.	Type of Grants	No. of Grants	Savings (Rs.)
1.	Current	68	21,245,263,144
2.	Development	26	112,210,799,020
3.	Charged	08	83,690,268,472
<b>Total</b>			<b>217,146,330,636</b>

Audit observed that if the Ministries/ Divisions were not in a position to utilize the allocated budget then they were required to surrender the savings in time but it was not done. Thus, a large amount of approved budget lapsed.

**Implication:**

Audit is of the view that non-surrendering of savings was violation of financial rules.

**Management Response:**

It was replied that matter has been taken up with the Ministries/Divisions which did not surrender the savings. Responses will be forwarded to Audit as and when received.

**Audit Comments:**

Audit recommends that Ministries/ Divisions may be directed to surrender savings in time as required under the financial rules.

***1.1.5 Incomplete disclosure of Payments by Third Party***

**Risk Categorization: High**

Para 1.3.24 of International Public Sector Accounting Standards provides 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:

- a) Total payments made by third parties which are part of the economic entity to which the reporting entity belongs, showing separately a sub-classification of the sources and uses of total payments using a classification basis appropriate to the entity's operations; and
- b) Total payments made by third parties which are not part of the economic entity to which the reporting entity belongs, showing separately a sub-classification of the sources and uses of total payments using a classification basis appropriate to the entity's operation.

During Certification Audit of Financial Statements of Federal Government for the financial year 2015-16 prepared by the Accountant General Pakistan Revenues, Islamabad it was noted that this year the management had for the first time shown Rs. 35,684.000 million against Borrowings (Foreign Debt) as Third Party Payments pertaining to Safe City Project and PAEC only in the Statement of Cash Receipt and Payments under the column Payments by Third Parties, however audit observed during Special Audit of Expanded Programme on Immunization that:

- i. Global Alliance for Vaccine Initiative (GAVI) supplied vaccines, syringes, safety boxes and trucks to EPI, Islamabad. This activity was in-kind and free of cost for the children of Pakistan.
- ii. It was also informed by the EPI management that GAVI supplies 93% of total vaccine required for the country and 7% is procured by EPI.
- iii. As per reconciliation statement, EPI management incurred an expenditure of Rs. 1,024,095,738 during 2015-16 as its 7% share. This means that GAVI supplied vaccine costing Rs. 14,629,939,114 to EPI during the year.
- iv. The cost of trucks and other material provided by GAVI was not known.
- v. Under IPSAS Cash Basis, disclosure of Third Party Payments is a mandatory part of the general purpose statements and should be disclosed separately on the face of the Annual Statement of Cash

Receipts and Payments of the Federal Government but this fact was never reported by the EPI management to AGPR for inclusion in Financial Statements.

**Implication:**

Audit is of the view that;

- i. EPI management never intimated this fact to AGPR and this resulted in non-inclusion of cost of vaccine and other items in the Annual Financial Statements of Federal Government. Hence Third Party Payments are understated.
- ii. The matter needs to be investigated to fix responsibility and action be taken against those entities/projects which did not intimate Third Party Payments for inclusion in Financial Statements.
- iii. All concerned need to be directed to intimate EAD and AGPR all Third Party Payments so that a true and fair picture is recorded in the Financial Statements.

**Management Response:**

It was replied that the matter has been taken up with the concerned Department.

**Audit Comments:**

Audit recommends to take up the matter with Ministry of Finance, Planning Division and Economic Affairs Division to take up the issue with the stakeholders to resolve it permanently. Necessary instructions should be circulated to all for strict compliance in future so that true and fair picture of Accounts is presented before the Parliament.

## **CHAPTER 2**

### **2. BENAZIR INCOME SUPPORT PROGRAM (BISP)**

#### **2.1 Introduction**

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

- 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 2015-16 was Rs 102,000.00 million, out of which the Program incurred an expenditure of Rs. 101,998.735 million resulting in a saving of Rs. 1.264 million which is 0.001% of the Final Budget.

**(Rupees)**

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)
116	Development	102,000,000,000	-	102,000,000,000	101,998,735,584	(1,264,416)

Variance analysis could not be performed due to non-existence of Supplementary Grant.

## 2.3 Brief comments on the status of compliance with PAC Directives

There are no PAC Directives as PAC meeting to examine audit paras pertaining to BISP has not been held so far.

## 2.4 AUDIT PARAS

### *Irregularity & Non Compliance*

#### **2.4.1 Non-recovery from doubtful beneficiaries - Rs. 2,445.458 million**

Section 10(b) of BISP Act-2010 provides that the management shall adopt modern and effective processing and distribution mechanism without any intermediaries so that the financial assistance or funds are provided to eligible persons and families.

Para 23 of GFR Vol-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 BISP carried out Data Sanity Analysis in two phases from 27.02.2015 to 28.04.2015 and from 29.04.2015 to 25.05.2015. Data of

125,714 beneficiaries could not be matched with NADRA's record. They were found suspected but were paid Unconditional Cash Transfer.

Audit observed that as a result of Data Sanity Analysis 125,714 cases were declared as wrong/suspected but no action was taken for recovery of Rs. 2,445.458 million paid to them.

Audit is of the view that:

- i. No proper strategy was adopted/framed to avoid entry of ineligible beneficiaries.
- ii. No inquiry/action was initiated against the ghost beneficiaries and no recovery was made from them till June, 2016.
- iii. Neither any action was taken nor responsibility fixed against those who were held responsible for wrong data/ghost beneficiaries.

The management replied that BISP has conducted an audit of its beneficiaries that entered through Case Management system (CMS) from 2012 till Feb 2015. Audit was based on data machines i.e. Particulars of beneficiaries available in BISP database matched with that of provided by NADRA against these beneficiaries, 125,714 were found as wrong/ghost beneficiaries.

In the DAC meeting held on 27.12.2016, BISP management clarified that these beneficiaries were identified through an audit exercise conducted by BISP. These beneficiaries were suspected for their legitimacy and are under review by a "Review Committee". Further, the amount calculated by Audit is not correct, as the quarterly installments varied from Rs. 1,000 to Rs. 4,500 during the period under reference. It was further explained that an "Inquiry Committee" has been constituted to dig out the facts. It was, therefore, decided that the para stands till finalization of the proceedings.

Audit recommends that inquiry report may be completed and the amount should be recovered from the doubtful beneficiaries on priority basis.

#### ***2.4.2 Non-recovery of loan from the 11,967 beneficiaries of Waseela-e-Haq who were paid one installment – Rs. 1,795.050 million***

The BISP Board in its 24<sup>th</sup> meeting held on 03.11.2015 vide agenda No. 6.3.0 {6(iii)} decided that the first installment given to 11,967 beneficiaries of Waseela-e-Haq (WH) may be considered as last payment and recovery may be started from these beneficiaries.

Para 23 of GFR Vol-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 BISP extended Rs. 1,795.050 million to 11,967 BISP beneficiaries @ Rs. 150,000 as interest free loan (one installment only) under the WH programme.

Audit observed that despite BISP Board's decision, no recovery was made from the beneficiaries till 30, June, 2016.

Audit is of the view that non-recovery of loan despite decision of the Board was irregular.

The management replied that as per operational strategy of WH initiative approved by BISP Board in its 5<sup>th</sup> & 9<sup>th</sup> meeting, recovery of loan amount was required to be initiated after one year of disbursement of final installment. The same condition was incorporated in the agreement signed between BISP and beneficiaries. Those beneficiaries who were provided only first installment did not come under the purview of that policy. The BISP Board in this 20<sup>th</sup> meeting held in December, 2013 decided to close WH initiative in its current form. In pursuance of Board's decision, all trainings and disbursements under WH were ceased. The matter was also discussed with Management Consultant who has opined that it would be required to hire panel of lawyers in each region. It is however important to highlight that for hiring of panel of lawyers, they would be

required to follow PPRA rules prescribed for procurement of services which is a very complicated and time consuming process.

In the DAC meeting held on 27.12.2016 the BISP management explained legal complications to recover loan from beneficiaries of Waseela-e-Haq. However, Audit authorities stressed to resolve legal complications and ensure early recovery of loan amount. DAC directed recovery of loan.

Audit recommends to recover the loan amount and deposit it in the Government treasury.

#### ***2.4.3 Non-deposit of de-credited funds in Government Treasury - Rs. 1,600.000 million***

The BISP Board in its 25<sup>th</sup> meeting dated 25.02.2016 vide Minutes recorded at Serial No. 3.2 approved new policy for de-crediting and disposal of de-credited funds in supersession of previous policies, as re-produced below;

- i. Accounts of the beneficiaries having no activity for one year may be blocked and de-credited.
- ii. The amounts in such accounts may be de-credited to the BISP (LMA-1or other accounts so determined by BISP).
- iii. The de-credited amount may be deposited in the Government treasury as previously decided.
- iv. Upon claim by beneficiary, the same may be paid after successful biometric verification.
- v. The payment will be made through crossed cheque with CNIC number of the beneficiary written on it.

The management of BISP released funds to banks for making payments to beneficiaries during 2015-16.

Audit observed that:



- i. An estimated amount of Rs. 1,600.000 million was lying with banks as de-credited amount since long. Bank-wise detail of de-credited amount was not provided.
- ii. As per BISP Board's decision mentioned above this amount was required to be deposited into Government Treasury but it was not done till June, 2016.

Audit is of the view that non-deposit of de-credited amount into Government Treasury deprived the Government of its due receipt and banks were unduly patronized.

The management replied that for implementation of re-crediting policy, number of meetings were held with partner banks. The banks expressed their concern that re-crediting through paper instruments would not be transparent in handling and efficient in withdrawal, therefore they suggested adopting digital mode of payment instead of paper based. Due to the reluctance of Banks, the re-crediting policy approved by Board could not be implemented. Eventually, keeping in view the non-readiness of the banks to re-credit the amount through paper based instruments, it has been decided that available de-credited amount in LMA-1 accounts of BISP shall be deposited into the Government Treasury.

In the DAC meeting held on 27.12.2016, BISP management explained that an amount of Rs 3.9 billion had been de-credited in the LMA-I by 30.9.2016, out of which Rs 2.3 billion had been utilized in operational expenses as per decision of the Board taken in 23<sup>rd</sup> Board meeting. Remaining amount of RS 1.6 billion is being deposited into Government Treasury. DAC directed to deposit the amount into government treasury.

Audit recommends implementing the DAC decision and taking appropriate action against the responsible. Audit further recommends that no funds should be left at the disposal of banks at the cost of national Exchequer.

#### ***2.4.4 Regularization of services of contract employees – Rs.929.781 million***

Para 25 of GFR Vo-I provides 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, Ministry of Finance.

Para 17 of Accounting Procedure-2010 of BISP duly approved by the Auditor General of Pakistan states that in so far spending from the BISP funds is concerned, BISP shall observe the provisions of GFR, FTR and BISP Financial and Accounting guidelines for payments.

The management regularized the services of its 1755 contract employees.

Audit observed that the services were regularized without the approval of Establishment and Finance Divisions.

Audit is of the view that regularization of services of contract employees without the approval of Federal Government was irregular.

In the DAC meeting held on 27.12.2016, BISP management explained the BISP employees Service Regulations are being vetted by Federal Government i.e. Establishment Division, Finance Division and other relevant Ministries / Division. The case for regularization of BISP employees will be taken up with BISP Board once Regulations are approved. DAC directed that formal approval of the Government may be obtained.

Audit recommends to fix responsibility for committing the irregularity besides early approval of the Rules.

#### ***2.4.5 Less recovery of loan from the beneficiaries of Waseela-e-Haq who were paid two installments - Rs.18.384 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.

The management of BISP extended interest free loans of Rs. 422.460 million to 1,487 beneficiaries in two installments during 2009-13. The recovery of loan is to be made in 15 years (in 180 installments) at the rate of Rs. 1,667 per month.

Audit observed that Rs. 29,745,948 (1487 x Rs. 1,667 x 12) were recoverable during 2015-16 but only Rs. 11,362,124 were recovered leaving recoverable amount of Rs. 18,383,824.

Audit is of the view that an amount of Rs. 18,383,824 was less recovered from the beneficiaries during 2015-16.

The management replied that as per initial operational strategy of Waseela-e-Haq (WH) initiative, recovery of loans amount was required to be initiated after one year of grant period from the date of disbursement of final Installment. According to this policy recovery of loans has been initiated from 1,487 beneficiaries who have received both installments. It is pertinent to mention that at first National Bank of Pakistan (NBP) & Pakistan Poverty Alleviation Fund (PPAF) were approached to recover loan amount from WH beneficiaries. However, both organizations refused to do so due to various reasons. Resultantly, the BISP management decided to effect recovery procedure, recovery of the loan amount is primarily the responsibility of BISP field offices. WH wing has already provided regional offices with the list of beneficiaries from whom recovery has become due. Regional Offices are required to contact and handover one copy of repayment schedule to each concerned beneficiary. Field staff also educates the beneficiaries about repayment method. The procedures for recovery from defaulter case will be finalized in light of comments of Law Division and will be communicated to region offices for necessary action.

In the DAC meeting held on 27.12.2016, BISP management explained that continuous efforts were being made to recover loan of Waseela-e-Haq. Monitoring of recovery in future was also ensured by BISP Management. Audit, however stressed early recovery of loan amount. DAC directed recovery of loan.

Audit recommends to recover the outstanding amount.

#### ***2.4.6 Non-imposition of penalty clause on service providers***

Para b(i) of Clause:4 (Duties, Obligations & Service of Bank) of Amendment No.4 dated 01.06.2015 of contracts with banks states that the service provider shall be responsible for successful deployment of BISP Payment

Case Management System (PCMS) as per the shared timelines and shall ensure provision of all backend technical/operational support on 24/7 days live basis or as per BISP's requirements for smooth functioning and handling of payment complaints in real time manner. The timelines will be finalized and will become part of this addendum on mutual consent of both parties.

Para b(ii) of Clause:4 (Duties, Obligations & Service of Bank) of Amendment No.4 dated 01.06.2015 states that the service provider shall be responsible to share Turn Around Time (TAT) based web service and shall integrate their Redressal System with BISP PCMS as per requirements and shall ensure efficient functioning of this integrated grievance redressal mechanism as per agreed TATs.

Para b(iii) of Clause:4 (Duties, Obligations & Service of Bank) of Amendment No.4 dated 01.06.2015 states that service provider shall be under obligation to resolve/redress the complaints reported to bank as per agreed TAT, in case a complaint is not resolved in stipulated time frame BISP shall deduct service charges per complaint equivalent to a quarter installment service charges of a beneficiary i.e. (Rs.4,500x2.75% = 123.75 PKR) and will keep deducting till resolution of the complaint.

The management was responsible to devise/frame Payment Case Management System (PCMS) for redressal of complaints of beneficiaries against service providers in real time.

Audit observed that no such system was devised till June, 2016. No penalty could be imposed on any service provider due to non-framing/non-implementation of PCMS.

Audit is of the view that due to non-framing of PCMS the grievances of beneficiaries could not be resolved in time and no penalty could be imposed on service providers.

Management replied that due to resource constraints BISP, MIS is still in the process of development of comprehensive PCMS and so for 60% development could be completed in this regard. Therefore, the relevant provision

of penalty clause could not be implemented. As soon as MIS completes the PCMS the implementation will be made.

In the DAC meeting held on 27.12.2016, BISP management explained that implementation of penalty clause on service provider was subject to development of a comprehensive PCMS, which could not be developed due to frequent changes/up-dation in the disbursement mechanisms and shortage of staff in the MIS. The development of a comprehensive PCMS is underway and it will be finalized and operational in next few months and relevant penalty clause as per amendment No. 4 will be implemented. DAC directed to complete the task and implantation of penalty clause in letter and spirit.

Audit recommends to implement the DAC decision besides fixing responsibility.

## **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) Review the national investment policy and laws from time to time, 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 Cabinet Committee on Investment (CCOI).

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

Budget allocated to the Board of Investment (BoI) for the financial year 2015-16 was Rs 229 million, out of which the Board incurred an expenditure of Rs. 222.937 million resulting in a saving of Rs. 6.068 million which is 3% 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)
14	Current	229,000,000	5,000	229,005,000	222,937,320	(6,067,680)	(3)

Variance analysis could not be performed due to non-existence of Supplementary Grant.

### 3.3 Brief comments on the status of compliance with PAC Directives

There are no PAC Directives as PAC meeting to examine audit paras pertaining to BoI has not been held so far.



### **3.4 AUDIT PARAS**

#### ***Irregularity & Non Compliance***

##### ***3.4.1 Non framing of Service Rules for employees and regulations for investments***

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

Section 23 of the 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.

Section 24 of Board of Investment (BoI) Ordinance, 2001 states the BoI may, 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 Ordinance, 2001 was notified on 22.03.2001.

Audit observed that the Board of Investment did not frame Service Rules and Regulations for Investments despite lapse of fifteen years and employees of BoI were drawing Allowances/other benefits as admissible to the employees of Office of the Prime Minister of Pakistan.

The management replied that Service Rules for the employees were in process in consultation with the Establishment Division and the Finance Division. However, Finance Division did not agree specially with the proposed pay & package and advised to adopt Basic pay scales scheme instead of special pay scales. BoI had drafted some amendments in BoI Ordinance in order to

resolve the issue. The said draft amendments have been forwarded to Prime Minister Office.

The reply was not accepted because the management in response to similar audit para during 2014-15 responded that Service Rules for the employees were being drafted in consultation with Establishment Division and Finance Division and now, once Finance Division has not agreed to the proposed rules, have adopted a course of action which is not provided in the Ordinance of BoI. This also indicates that earlier authorization of Finance Division on allowances/benefits is no more valid.

Audit recommends that framing of Service Rules should be expedited and till its finalization pay/allowances/other benefits may be drawn as are admissible to Government servants working in Ministries/Division.

#### **3.4.2 Non-inclusion of receipts in the annual budget - Rs. 112.173 million**

Section 13 of Board of Investment (BoI) 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 received receipts and retained it during the period 2014-15. The actual figures of receipts were not available with BoI. However, expenditure incurred and closing balances are under:

<b>S. No.</b>	<b>Item</b>	<b>Amount (Rs)</b>
<b>1</b>	Expenditure reported during 2014-15	39,334,861
<b>2.</b>	Closing balance as on 30.06.2015 in PLS account No.0449912 at National Bank of Pakistan, Main Branch, Melody, Islamabad	28,076,917
<b>3.</b>	Funds lying in Non lapsable of PLA maintained with Federal Treasury Islamabad	44,761,547
	<b>Total</b>	<b>112,173,325</b>

Audit observed that BoI did not make the receipts part of the budget. The same Audit observation was raised during last Audit and was discussed in the

DAC meeting held on 08.06.2015 recommended that the receipts may be made part of the budget in future. However, no action has been taken by the management in this regard so far.

Audit is of the view that BoI has violated BoI Ordinance, 2001.

The management replied that BOI had drafted a note and forwarded to the Prime Minister's Office for amendments in the BOI Ordinance.

The reply was not accepted because the management should follow the BOI Ordinance provisions and implement decision of the DAC.

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

### ***3.4.3 Non deposit of Withholding Tax - Rs. 1.655 million***

Section 153 of the Income Tax Ordinance, 2001 states that every prescribed person making a payment in full or part including payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person:

- a) for sale of goods,
- b) for rendering of or providing of services,

on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing of services, shall at the time of making the payment deduct tax from the gross amount payable at the rate specified in Division III of Part III of the First Schedule. The gross amount payable for a sale of goods shall include the sales tax, if any, payable in respect of the sale.

Section 162(1) of Income Tax Ordinance, 2001 states that where a person fails to collect tax as required under Division II of this Part or deduct tax from a payment as required under Division III of this Part or as required under section 50 of the repealed Ordinance] 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 BOI deducted income tax and sales tax from vendors during financial year 2014-15 as per detail given below:

<b>GST</b>	<b>Income Tax</b>	<b>Total (Rs.)</b>
623,840	1,031,725	1,655,565

Audit observed that the management did not deposit the withholding tax into the Government treasury as required under the rules.

Audit is of the view that the Government was deprived of its due receipts which could have been obtained by depositing the withholding tax into Government treasury.

The management replied that the amount of withholding tax will be deposited in the Government treasury and copies of bank challan will be provided to Audit.

The management did not deposit the amount till finalization of the report.

Audit recommends that withholding tax of previous years may also be calculated and deposited into Government treasury or recover from the person held responsible besides taking action against the responsible for blocking Government receipts.

## **CHAPTER 4**

### **4. CABINET DIVISION**

#### **4.1 Introduction**

Cabinet Division is responsible for the conduct of business of the Federal Government in a distinct and specified sphere. 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

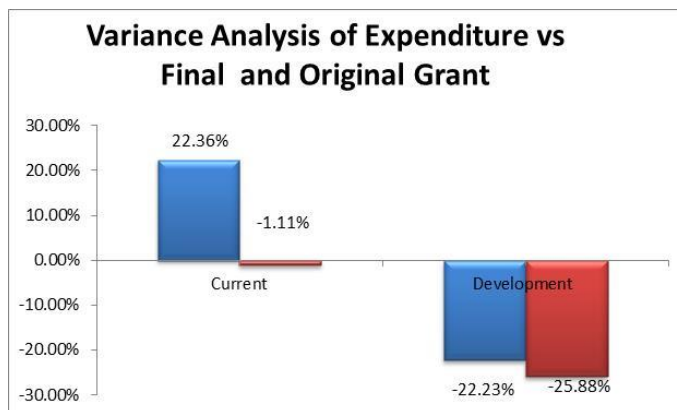
2015-16 was Rs. 40,988.188 million including Supplementary Grant of Rs. 4,374.058 million out of which the Division utilized Rs. 37,464.617 million resulting in savings of Rs. 7,897.628 million which was mainly in development expenditure. Grant-wise detail of current and development expenditure is as under:

**(Rupees)**

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
1	Current	166,000,000	20,503,000	186,503,000	176,473,624	(10,029,376)	(5)
2	Current	5,365,000,000	1,743,118,000	7,108,118,000	6,990,500,543	(117,617,457)	(2)
3	Current	290,000,000	742,126,000	1,032,126,000	954,080,513	(78,045,487)	(8)
4	Current	5,722,000,000	443,004,000	6,165,004,000	6,272,594,978	107,590,978	2
6	Current	842,000,000	25,301,000	867,301,000	816,581,977	(50,719,023)	(6)
15	Current	62,000,000	2,000	62,002,000	43,713,887	(18,288,113)	(29)
17	Current	87,000,000	3,000	87,003,000	82,186,480	(4,816,520)	(6)
	<b>Subtotal</b>	<b>12,534,000,000</b>	<b>2,974,057,000</b>	<b>15,508,057,000</b>	<b>15,336,132,002</b>	<b>(171,924,998)</b>	<b>(1)</b>
104	Development	27,654,188,000	900,001,000	28,554,189,000	21,128,485,349	(7,425,703,651)	(26)
107	Development	800,000,000	500,000,000	1,300,000,000	1,000,000,000	(300,000,000)	
	<b>Subtotal</b>	<b>28,454,188,000</b>	<b>1,400,001,000</b>	<b>29,854,189,000</b>	<b>22,128,485,349</b>	<b>(7,725,703,651)</b>	<b>(26)</b>
	<b>Cgarged</b>	<b>801,000,000</b>	<b>152,500,000</b>	<b>953,500,000</b>	<b>966,643,364</b>	<b>13,143,364</b>	
	<b>Total</b>	<b>40,988,188,000</b>	<b>4,374,058,000</b>	<b>45,362,246,000</b>	<b>37,464,617,351</b>	<b>(7,897,628,649)</b>	<b>(17)</b>

### *Supplementary Grants obtained without careful cash forecasting*

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 22.36%, which, after accounting for Supplementary Grants changed to saving of 1.11%. In development expenditure, savings against original budget was 22.23% which increased to 25.882% 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	
<b>Total</b>		<b>127</b>	<b>127</b>	<b>84</b>	<b>43</b>	<b>66</b>
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	
<b>Total</b>		<b>43</b>	<b>43</b>	<b>10</b>	<b>33</b>	<b>23</b>
Cabinet (devolved M/o Livestock)	2008-09	2	2	0	2	0
<b>Total</b>		<b>2</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>
Cabinet Division (devolved M/o Youth Affairs)	1992-93	2	2	1	1	50
	2006-07	1	1	1	0	100
<b>Total</b>		<b>3</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>67</b>

### 4.4 AUDIT PARAS

#### *Irregularity & Non Compliance*

#### *4.4.1 Non-recovery of interest on long term advances - Rs. 1.683 million*

Para 26 of General Financial Rules Vol-I states that “it is the duty of the departmental controlling officer to see that all the sums due to Government are regularly assessed, realized and duly credited in the Public Account”.

The management of Intelligence Bureau (Lahore) paid House Building Advance and Motor Cycle Advance to its employees.

Audit observed that the principal amount was recovered from the incumbents but interest due Rs. 1.683 million was not recovered.

Audit is of the view that Government had to sustain a loss of Rs. 1.683 million due to non recovery of interest.

The management did not reply.

The PAO was informed on 22.08.2016 and 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the recovery may be effected at the earliest.

## **CHAPTER 5**

### **5. CAPITAL ADMINISTRATION AND DEVELOPMENT DIVISION**

#### **5.1 Introduction**

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 of Constitution of Pakistan 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 2015-16 was Rs. 16,364.332 million including Supplementary Grant of Rs. 2,656.140 million out of which the Division utilized Rs. 17,941.178 million. Grant-wise detail of current and development expenditure is as under:

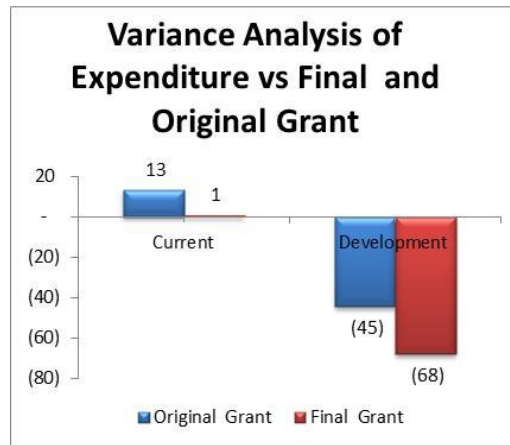
**(Rupees)**

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
8	Current	15,321,000,000	1,886,138,000	17,207,138,000	17,362,697,058	155,559,058	1
106	Development	1,043,332,000	770,002,000	1,813,334,000	578,481,043	(1,234,852,957)	(68)
	<b>Total</b>	<b>16,364,332,000</b>	<b>2,656,140,000</b>	<b>19,020,472,000</b>	<b>17,941,178,101</b>	<b>(1,079,293,899)</b>	<b>(6)</b>

Audit noted that there was an overall savings of Rs. 1,079.293 million, which was due to savings of Rs. 1,234.853 million in Development Grant No. 106, which was partly offset by excess of Rs. 155.559 million in the Current Grant.

### *Supplementary Grants obtained without careful cash forecasting*

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 13%. In development expenditure, saving against original budget was 45% which increased to 68% after 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
<b>Capital Administration and Development Division (Printed Under Ministry of Education Devolved)</b>	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	
<b>Total</b>		<b>97</b>	<b>97</b>	<b>64</b>	<b>33</b>	<b>66</b>
<b>Devolved M/o</b>	1992-93	9	9	9	0	100

<b>Social Welfare and Special Education</b>	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%
<b>Total</b>		<b>22</b>	<b>22</b>	<b>15</b>	<b>7</b>	<b>68%</b>
<b>Capital Administration and Development Division (Devolved M/o Health)</b>	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%	
<b>Total</b>		<b>85</b>	<b>85</b>	<b>28</b>	<b>57</b>	<b>33%</b>
<b>Devolved M/o Tourism</b>	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%
<b>Total</b>		<b>16</b>	<b>16</b>	<b>4</b>	<b>12</b>	<b>25%</b>

## 5.4 AUDIT PARAS

### *Non Production of Record*

#### *5.4.1 Gun and Country Club, Islamabad refused to get their accounts audited*

The Honorable Supreme Court of Pakistan in its judgment dated 08.07.2013 declared and directed in Para 27(b) that 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.

Section 14(2) of the 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 the 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.

On the Directions of the President's Secretariat (Public) vide letter No. 4(2)/Dir(SA)/2015 dated 06.07.2015 and instructions of the office of the Auditor General of Pakistan vide letter NO. 282/03/P&C/01-C/2013 dated 22.07.2015 an audit team was deputed to conduct the audit of Gun & Country Club, Islamabad.

The management of Gun & Country Club, Islamabad did not provide record to audit teams which visited the Club on 16.09.2015 and 18.01.2016 and no further response has been received. It was also brought to the notice of the management of the Club that if the record was not provided, this office would have no option to report the matter to Public Accounts Committee of the Parliament.

The management of the Club did not provide the auditable record for scrutiny.

Audit is of the view that non production of record was violation of the orders of the Supreme Court of Pakistan and attracts Section 14(3) of AGP's Ordinance, 2001.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but no response was received till the finalization of the Report.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Hon'able Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.

#### ***5.4.2 Non-provision of record regarding criteria and decision structure for granting membership***

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.

Auditor General's Office Letter No. 316/03/P&C/1-C/2013 dated 04.09.2015 specifically stated that evaluation of the criteria for granting membership may be included in the Terms of Reference of the Special Audit of Islamabad Club.

In order to evaluate the transparency in procedure of election of members of Islamabad Club, following record was requisitioned from the management.

- i. Minutes of the meetings of the Balloting Committee for election of members during the last 05 years.
- ii. Details about the members elected during the last 05 years.
- iii. Detail of applications received for granting of membership of Islamabad Club and details about calling letters for interview.

Audit observed that despite repeated verbal and written requests, the management of Islamabad Club did not provide the requisite record.

Audit is of the view that due to the non provision of required documents, an independent evaluation of the criteria for granting membership cannot be made by audit.



The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

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

#### **5.4.3 Non-Production of record of Islamabad Club**

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 Islamabad Club Islamabad also did not provide the following record despite repeated written and verbal requests.

- i. Details about ongoing and future expansion, renovation and development projects and Project Monitoring Mechanisms / Plans.
- ii. Record of Correspondence of Islamabad Club with the Capital Development Authority, Islamabad.
- iii. Number of buildings, date of construction and source of funding of construction.
- iv. Detail about complaint and dispute resolution mechanism, the number of complaints received from members and status of their disposal for the last five years.
- v. Record regarding the appointment of Administrator and Managing Committee of Islamabad Club.

- vi. Record regarding the appointment of President and Managing Committee of Islamabad Golf Club.
- vii. Record and employment history of all the executive officers.
- viii. Policy/procedure for providing food and beverages on subsidized rates to the members of Islamabad Club.
- ix. The Minutes of meetings of the managing committee for the past 05 years.
- x. Financial management policies, authorities, and procedures.
- xi. Service, Administrative and financial rules of Islamabad Golf Club.
- xii. Policy regarding sale of birds and eggs by Islamabad Golf Club.

Audit is of the view that in the absence of record, the audit of Islamabad Club cannot be carried out according to the Terms of Reference approved by the Auditor General of Pakistan.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

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***

#### ***5.4.4 Irregular expenditure on development without forming DDWP - Rs. 763.611 million***

Para 2 of Planning and Development Division letter No.231(2-Gen)PIA/PC/2004 dated 18.12.2004 provides that the autonomous organizations whether commercial or non-commercial having Board by whatever name called, should be competent to sanction their development schemes with 100% self financing with no Government guarantee and involving less than 25% foreign exchange/foreign assistance, subject to the following:

- i. Development Working Party should be constituted by each organization and notified to consider and approve their self-finance projects.
- ii. The Development Working Party should be headed by the Chairman/Head of the Organization and, among others, should include representatives of the Planning & Development Division, the Finance Division, and the concerned Ministry/Division each not below the rank of Joint Secretary.
- iii. The quorum of the Development Working Party would be incomplete without the presence of either representative of the Finance Division and the Planning & Development Division. In case either of these Divisions does not agree to the project proposal or nay aspect thereof, the case would be referred to the Central Development Working Party (CDWP) for consideration.

Management of Islamabad Club executed the following development projects with the approval of Managing Committee of Islamabad Club:

<b>Year of addition</b>	<b>Total development project (Construction) as per Audited financial statement</b>
2010-2011	8,784,800
2011-2012	122,619,085
2012-2013	87,551,869
2013-2014	276,383,837
2014-2015	268,272,076
<b>Total Rs.</b>	<b>763,611,667</b>

Audit observed as under:

- i. Departmental DWP was not constituted or notified.
- ii. There is no representative of Planning & Development and Finance Divisions in Managing Committee of Islamabad Club.
- iii. Management executed the Development Projects without the approval of Government.
- iv. Management failed to provide detailed record of development projects.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that a Development Working Party should be constituted and other instructions by Planning and Development may also be followed by the management besides provision of detail of development projects to audit.

#### **5.4.5 Irregular purchase of items without advertisement on PPRA website - Rs. 647 million**

Rule 12 (2) of Public Procurement Rules 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 12 (3) of Public Procurement Rules states that in cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website as well.

Management of Islamabad Club incurred an expenditure of Rs.647 million on procurement of different food items and other supplies during the audit period. Detail is as under:

<b>Year</b>	<b>Total procurement (Rs.)</b>
2010-2011	99,454,609
2011-2012	118,315,731
2012-2013	120,930,912
2013-2014	141,919,216
2014-2015	166,409,812
<b>Total Rs.</b>	<b>647,030,280</b>

Audit observed that management procured the items without advertisement on PPRA and Islamabad Club website as required under the rules.

Audit also observed that the management procured fruit and vegetables on overall lowest bidder basis by ignoring item rate.

Audit is of the view that the management failed to advertise on PPRA and own website which is violation of rules.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that Public Procurement Rules 2004 should be followed in letter and spirit.

#### **5.4.6 Irregular Purchase without Competition - Rs. 354 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 12 (3) of Public Procurement Rules states that in cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website as well.

Management of Islamabad Club procured the following items during the period 2011-2015:

<b>Purchase during 2010-11</b>	<b>Purchase during 2011-12</b>	<b>Purchase during 2012-13</b>	<b>Purchase during 2013-14</b>	<b>Purchase during 2014-15</b>	<b>Total (Rs)</b>
48,794,124	62,725,583	67,355,393	79,657,843	95,494,862	354,027,805

It was observed that the management procured different items without advertisement and on quotation basis. Audit further observed that management only prequalified the suppliers of food & vegetables, mutton & beef, chicken, rice & eggs.

Audit is of the view that the management of Islamabad Club procured the items in violation of Public Procurement Rules.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that Public Procurement Rules 2004 should be followed in letter and spirit.

#### **5.4.7 Irregular investment of funds - 127.697 million**

According to Finance Division O.M. No. F.4(1)/2002-BR-11 dated 02.07.2003, investment of working balances/surplus funds be made subject to fulfillment of various requirements such as investment in A rating banks, competitive bidding process, investment exceeding Rs. 10 million shall not be kept in one bank, setting up of in-house professional treasury management functions, formation of Investment Committee, employment of qualified investment management staff, utilization of services of professional fund managers approved by SECP, annual certificate of the Chief Executive of the organization, etc.

The management of Islamabad Club, Islamabad made investments during 2014-15. Details are as under:

<b>S. No.</b>	<b>Invested in</b>	<b>Date of Investment</b>	<b>Date of Maturity</b>	<b>Period</b>	<b>Rate of Profit</b>	<b>Amount invested</b>
<b>1.</b>	PIB	25.08.2014	19.07.2022	7.7 years	12.00%	45.979
<b>2.</b>	PIB	04.09.2014	19.07.2022	7.7 years	12.00%	49.998
<b>3.</b>	Treasury Bills (PKR)	14.05.2015	06.08.2015	84 days	6.84%	19.690
<b>4.</b>	TDR (PKR)	19.02.2015	19.02.2016	1 year	7.85%	6.000
<b>5.</b>	TDR (PKR)	20.02.2015	20.02.2016	1 year	7.85%	6.000
<b>6.</b>	TDR (USD)	05.05.2015	05.11.2015	180 days	0.70%	0.030
<b>Total (Rs. In Million)</b>						<b>127.697</b>

Audit observed as under:

- i. Working balance limit was not determined with the approval of administrative Ministry in consultation with the Finance Division.
- ii. Competitive bidding process was not carried out.
- iii. There existed no in-house professional treasury management functions.
- iv. No Investment Committee was constituted.
- v. Qualified investment management staff was not employed.

- vi. The services of professional fund managers approved by SECP were not obtained.

Audit is of the view that investment in violation of the instructions of the Finance Division was irregular and unauthorized.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that Government instructions regarding investment should be followed in letter and spirit.

#### ***5.4.8 Irregular Construction of building - Rs. 53.359 million***

Para II (2) of Lease Agreement with Capital Development Authority provides that the Lessee shall utilize the leased land only for the purpose of constructing thereon the buildings of Islamabad Club necessary for the purpose and for the exclusive use of the Club and shall construct and complete such buildings in accordance with the designs, plans and specifications first submitted by the lessee and approved in writing by the Lessor and the Lessee shall not make any structural alterations or additions to such buildings without the previous approval of the Lessor.

Management of Islamabad Club constructed the building named Riding Club House Building with the cost of Rs. 53.359 million.

Audit observed that the Riding Club House Building was constructed without the approval of Capital Development Authority as required under Lease Agreement.

Audit is of the view that construction of Riding Club House Building without the approval of Capital Development Authority was irregular and unauthorized.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

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

**5.4.9 Hiring of consultancy services without competition – Rs.49.634 million**

Rule 12 (2) of Public Procurement Rules 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 12 (3) of Public Procurement Rules states that in cases where the procuring agency has its own website it may also post all advertisements concerning procurement on that website as well.

Management of Islamabad Club hired the services of consultant for their development projects as under:

<b>Year of addition</b>	<b>Total development project (Construction) as per Audited financial statement</b>	<b>Consultancy fee @ 6.5%</b>
2010-2011	8,784,800	571,012
2011-2012	122,619,085	7,970,240
2012-2013	87,551,869	5,690,871
2013-2014	276,383,837	17,964,949
2014-2015	268,272,076	17,437,685
<b>Total Rs.</b>	<b>763,611,667</b>	<b>49,634,758</b>

Audit observed as under:

- i. Management hired the services of the consultant without advertisement and competition.
- ii. Management failed to provide the details of consultancy fee paid to consultants.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.



Audit recommends that Public Procurement Rules 2004 should be followed in letter and spirit.

**5.4.10 Irregular payment on account of Leave Encashment - Rs.44.908 million**

Para 25 of GFR Volume-I states that all departmental regulations in so far as they embody orders of 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 Islamabad Club made payment of Rs. 44.908 million as leave encashment to its employees for the un-availed annual leave and medical leave during 2010-15. Details are as under:

<b>Period</b>	<b>Amount (Rs)</b>
2010-11	6,759,560
2011-12	7,052,145
2012-13	8,097,428
2013-14	10,574,266
2014-15	12,424,601
<b>Total</b>	<b>44,908,000</b>

Audit observed that the leave encashment was paid to the Club employees without approved leave rules from the Federal Government.

Audit also observed that payment on account of leave encashment to the employees was contradictory to Government prevailing rules.

Audit is of the view that encashment of leave in contradiction to Government Rules was irregular and unauthorized. Audit is also of the view that rules, regulations bearing financial implications needs to be got approved from Finance Division which was not done.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that leave rules may be got approved from the Federal Government.

**5.4.11 Creation and Operation of “Staff Welfare Fund” Without Approval of Federal Government and expenditure there from - Rs. 22.609 million**

Section 10 of Islamabad Club Ordinance, 1978 states that the Federal Government may make rules for carrying out the purposes of this Ordinance.

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 Islamabad Club created a Staff Welfare Fund and was maintaining a separate bank account bearing Account No. 01131490020086 in Faysal Bank, Main Branch, Blue Area, Islamabad. The source of funding for this account was monthly contribution from members of the Club, donations from members and donations from any other sources.

Audit observed that an expenditure of Rs. 22.609 million was incurred during 2010-15 out of this Welfare Fund without obtaining approval for maintenance of fund from Ministry of Finance. Details of receipts and expenditure are as under:

<b>Period</b>	<b>Receipts</b>	<b>Payments</b>
2010-11	4,257,432	4,103,887
2011-12	4,318,535	6,434,678
2012-13	3,944,933	3,858,060
2013-14	6,086,097	1,378,087
2014-15	8,176,965	6,834,709
<b>Total</b>	<b>26,783,962</b>	<b>22,609,421</b>

Audit is of the view that creation and operation of Welfare Fund and its subsequent utilization without the approval of the Federal Government / Ministry of Finance was irregular and unauthorized.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that approval for creation and operation of Staff Welfare Fund may be obtained from Finance Division

**5.4.12 Creation and Operation of “Islamabad Club Employees Gratuity Fund” and expenditure there from - Rs. 20.237 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 Islamabad Club created and operated a Gratuity Fund which called “Islamabad Club Employees Gratuity Fund” and paid an amount of Rs. 20.237 Million from this fund as Gratuity to its employees during 2010-15. Details are as under:

<b>Period</b>	<b>Provident Fund (Rs.)</b>	<b>Gratuity (Rs)</b>
2010-11	1,485,158	1,750,635
2011-12	2,713,402	2,683,948
2012-13	2,266,595	3,551,010
2013-14	3,862,883	3,541,440
2014-15	4,219,368	8,709,474
<b>Total</b>	<b>14,547,406</b>	<b>20,236,507</b>

Audit observed as under:

- i. The management of Islamabad Club created and operated the “Islamabad Club Employees Gratuity Fund” without the approval of the Finance Division.
- ii. The management of Islamabad Club besides paying Provident Fund was also paying Gratuity to its employees, which was a violation of the instructions of the Finance Division.

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

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that approval for creation and operation of Islamabad Club Employees Gratuity Fund may be obtained from Finance Division

**5.4.13 Creation and Operation of “Islamabad Club Employees Provident Fund” and expenditure there from - Rs. 14.547 million**

Section 10 of Islamabad Club Ordinance, 1978 states that the Federal Government may make rules for carrying out the purposes of this Ordinance.

Section 11 of Islamabad Club Ordinance, 1978 states that if any difficulty arises in giving effect to any provision of this Ordinance, the Federal Government may make such order, not inconstant with the provision of this Ordinance, as may appear to it to be necessary for the purpose of removing the difficulty.

Para 25 of GFR Volume-I states that all departmental regulations in so far as they embody orders of 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 the Islamabad Club made a Deed of Trust on 01.07.2009, through creating a contributory provident fund known as “Islamabad Club Employees Provident Fund” through its Secretary to take effect from the date of commencement of the fund as per approval of the Administrator of the Club and vesting the same in a Board of Trustees.

In compliance of the Deed of Trust, the management of Islamabad Club created and operated a fund called “Islamabad Club Employees Provident Fund” and made payment of Rs. 14.547 million from this fund to its employees during 2010-15. Details are as under:

<b>Period</b>	<b>Provident Fund (Rs.)</b>	<b>Gratuity (Rs)</b>
2010-11	1,485,158	1,750,635
2011-12	2,713,402	2,683,948
2012-13	2,266,595	3,551,010
2013-14	3,862,883	3,541,440
2014-15	4,219,368	8,709,474
<b>Total</b>	<b>14,547,406</b>	<b>20,236,507</b>

Audit observed that the management of Islamabad Club created and operated the “Islamabad Club Employees Gratuity Fund” without the approval of the Finance Division.

Audit is of the view that creation and operation of “Islamabad Club Employees Provident Fund “without the approval of Finance Division was irregular and unauthorized.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that approval for creation and operation of Islamabad Club Employees Provident Fund may be obtained from Finance Division.

**5.4.14 Less deduction of Income Tax - Rs. 1.265 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 Islamabad Club paid salaries to its employees and deducted Income Tax during 2010-15.

Audit observed that an amount of Rs. 1.265 million on account of Income Tax was less deducted from the salaries of these employees during 2010-15. Details are as under:

<b>Period</b>	<b>Tax deducted</b>	<b>Tax to be deducted</b>	<b>Short Deduction (Rs)</b>
2010-11	707,470	869,213	161,743
2011-12	935,667	1,151,502	215,835
2012-13	606,531	849,943	243,412

2013-14	136,109	160,920	218,613
2014-15	1,643,919	2,069,420	425,501
<b>Total</b>	4,029,696	5,100,998	1,265,104

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

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends the recovery of Income Tax less deducted.

***5.4.15 Grant of memberships by Islamabad Club to other than those envisaged in Islamabad Club Ordinance, 1978***

The Islamabad Club was registered on 22.02.1968 as a limited company and was incorporated under the Companies Act, 1913, later on, through the Presidential Ordinance No.XXXIII of 17th July, 1978, “The Islamabad Club” Company was dissolved and its ownership and management was taken over by Government of Pakistan.

Section 10 of Islamabad Club Ordinance, 1978 states that the Federal Government may make rules for carrying out the purposes of this Ordinance.

Section 11 of Islamabad Club Ordinance, 1978 states that if any difficulty arises in giving effect to any provision of this Ordinance, the Federal Government may make such order, not inconstant with the provision of this Ordinance, as may appear to it to be necessary for the purpose of removing the difficulty.

As per Ordinance “the Islamabad Club was established as a social and residential Club for the use, relaxation, convenience and entertainment of the officers of the Federal Government and the members of the diplomatic corps stationed at Islamabad”.

Audit observed that the management divided the criteria for grant of membership in seven categories and granted membership to private persons as well as private companies which is not covered under Ordinance as under:

S. No.	Categories	No. of active members for Five Years					Total
		2010-11	2011-12	2012-13	2013-14	2014-15	
1.	Tenure	24	20	14	11	7	76
2.	Temporary	16	15	9	8	4	52
3.	Service	3417	3377	3410	3465	3526	17195
4.	Non service	2285	2309	2352	2435	2627	12008
5.	Legislature	30	67	99	132	177	505
6.	Corporate	3	6	6	8	8	31
7.	Associate	58	63	50	61	82	314
	<b>Total</b>	<b>5833</b>	<b>5857</b>	<b>5940</b>	<b>6120</b>	<b>6431</b>	<b>30181</b>

Audit is of the view that granting of membership of Islamabad Club to other than the officers of the Federal Government and the members of the diplomatic corps was irregular and unauthorized.

Audit is also of the view that instead of using the Islamabad Club for purposes defined in the Ordinance, the Club was being run as a commercial entity.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that either rules for granting of membership other than the officers of the Federal Government and diplomatic corps may be got approved from Federal Government or Islamabad Club Ordinance, 1978 may be implemented in true letter and spirit.

#### ***5.4.16 Non-framing of Financial and Service Rules for carrying out the purposes of Islamabad Club (Administration) Ordinance, 1978***

Section 10 of the Islamabad Club (Administration) Ordinance, 1978 states that the Federal Government may make rules for carrying out the purposes of this Ordinance.

Audit observed that although management had drafted Service Rules, Procurement Rules and Bye laws for conducting the operations of Islamabad Club, these rules were not got approved from the Federal Government despite lapse of 38 years as envisaged in Islamabad Club (Administration) Ordinance, 1978.

The Service Rules were framed by the Islamabad Club but their applicability was limited to the junior employees of Islamabad Club. The Service Rules were not got approved from the Federal Government.

Audit further observed that the Islamabad Club did not have any Financial Rules to regulate its financial transactions. Management has prepared an unapproved draft of Accounting Manual but an accounting/procedural manual is not a substitute for financial rules and regulations.

Audit is of the view that in the absence of Financial Rules, operations of the club were devoid of controls, and the management of revenue and disbursement of funds was left to the discretion and personal judgment of the management of Islamabad Club.

Audit is further of the view that the absence of approved financial rules, regulations and manuals deprive management of the criteria with which to monitor compliance and performance.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that the rules including financial rules and regulations may be framed and got approved from the Federal Government and implemented.

#### ***5.4.17 Lack of accountability and oversight mechanism of Islamabad Club***

The Islamabad Club was registered on 22.02.1968 as a limited company and was incorporated under the Companies Act, 1913. Due to various factors, the company persistently showed operating losses necessitating Government subsidies to off-set the losses. In 1978, through the Presidential Ordinance No. XXXIII of 17<sup>th</sup> July 1978, the ownership of the Club was assumed by the Government of Pakistan and the Company was dissolved. The affairs of the Club are now being run under the Ordinance.

Section 4 of the Islamabad Club (Administration) Ordinance, 1978 provides that on the commencement of this Ordinance, the Company shall stand dissolved, the administration of the affairs of the Islamabad Club shall vest in the



Administrator and all assets, rights, powers, authorities and privileges, all property, movable and immovable, cash and bank balances, reserve funds, investments and all other interests and rights in, or arising out of, such property, of the Company shall stand transferred to, and vest in, the Administrator.

According to the *Rules of Business, 1973*, the Islamabad Club is placed under Capital Administration and Development Division and is included in *Schedule II of the Rules of Business*.

Audit observed that the role of Capital Administration and Development Division is limited to correspondence and coordination of Islamabad Club with the Federal Government as all the administrative and financial powers vest in the Administrator, Islamabad Club.

Audit is of the view that Islamabad Club's position as an organization that is neither an incorporated Club nor a Government department supervised by a Principal Accounting Officer means that it is not subject to various mechanisms that provide information to stakeholders or hold the company, organization or a department accountable for results. Like many other incorporated clubs, Islamabad Club is not subject to either Securities and Exchange Commission of Pakistan (SECP) rules, regulations, or public disclosure requirements, nor it is accountable to members of the Club. Accountability and oversight mechanisms that apply to regular Government departments, such as oversight by the Public Accounts Committee and Principal Accounting Officer are non-existent and have not been implemented.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that proper system should be devised for accountability and oversight of Islamabad Club.

#### ***5.4.18 Appointment of Secretary, Islamabad Club in the Absence of Rules and Criteria and Without Open Competition***

According to the *Rules of Business, 1973*, the Islamabad Club is a subordinate office of Federal Government under Capital Administration and Development Division and is included in *Schedule II of the Rules of Business*,

*and* that in the absence of rules to govern the terms and conditions of its Executive employees, the rules by the Federal Government are applicable.

In the light of Standard Terms and Conditions of Contract Employment issued by the Establishment Division vide O.M. No. 10/52/95-R.2 dated 18.07.1996, as amended from time to time, the period of contract should not exceed two years and the post should be advertised.

The Management vide letters dated 16.12.1998, accepted the resignation of Col ® M.A Salim, as Secretary Islamabad Club with effect from 16.12.1998 and appointed Mr. Arif Mehmood Khan as Acting Secretary. Islamabad Club, Islamabad with effect from 17.02.1998. He was appointed as regular Secretary, on contract basis for three years on 07.04.1999. His three years contract was extended up to 29.02.2010 before he was appointed on regular basis in E-2 Scale.

The Management of Islamabad Club, Islamabad re-employed Mr. Arif Mehmood on his superannuation to the post of Secretary, Islamabad Club w.e.f. 01.04.2015 on contract basis for three years on standard terms and conditions.

Audit observed that:

- i. The management of Islamabad Club did not establish the skills, experience, and education required for filling the position of Secretary, Islamabad Club.
- ii. The appointment, extension and regularization of Mr. Arif Mehmood Khan as Secretary were made without referring to any law, rules and criteria.
- iii. The appointment on contract basis was made in violation of Establishment Division instructions communicated vide O.M. No. 10/52/95-R.2 dated 18.07.1996.
- iv. The post of Secretary, Islamabad Club was never advertised in order to ensure transparency and open competition.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that the appointment of the Secretary Islamabad Club should be made after establishing the skills, experience, and education for the post through open competition and after advertisement. Audit also recommends that the Government Instructions regarding appointment on contract basis may be followed.

***5.4.19 Irregular Appointment of the President and Management Committee, Islamabad Golf Club***

Section 6(1) of the Islamabad Club (Administration) Ordinance, 1978 states that the Federal Government shall appoint an officer of Government drawing pay in a grade not lower than grade 21 in the National Pay Scales to be the Administrator of the Islamabad Club in addition to his duties as such officer.

Section 6A of the Islamabad Club (Administration) Ordinance, 1978 states that to aid and advise the Administrator in the performance of his functions, the Federal Government shall constitute a Managing Committee.

The Capital Administration and Development Division vide notification F.No.12-1/2013-SO(SE) dated 01.12.2015 appointed Mr. Ahmad Nawaz Sukhera, as President of Islamabad Golf Club in addition to his own duties. According to the notification, the officer was appointed as President, Islamabad Golf Club under Section 6 (4) of Islamabad Club ordinance 1978.

Audit observed that there was no provision in Islamabad Club Ordinance 1978 for the post of President, Islamabad Golf Club and a separate Managing Committee to run the affairs of Islamabad Golf Club.

It was further observed that Ministry of Law, Justice & Parliamentary Affairs vide U.O.No.56112011-Law-I,dated 15-6-2011 had already clarified that:-

- i. The Islamabad Club was formed by the Federal Government in 1968 incorporated as a limited company which was allotted an area measuring 244.8 acres on which the facilities of the Club including a golf course were established.

- ii. On promulgation of Ordinance XXXIII of 1978, the company was 'dissolved and an Administrator was appointed by the Federal Government. In 1986, Golf Section was given under the control of Naval authorities as a separate unit named as "Islamabad Golf Club" and Sports Ministry notified its President in disregard of rules and without lawful authority.
- iii. Sports Ministry also issued a letter No.F.I-2/78-Admn, dated 5th June, 1986 by which it created Golf Club as a separate entity in absence of any law or rule. In April, 2009 Islamabad Club administration objected to legality of Golf Section affairs and of Naval control as a consequence whereof Golf Section was restored to Islamabad Club.
- iv. Ministry could not confer autonomy on the Golf Section by mere issuance of a letter (5<sup>th</sup> June 1986), as Islamabad Club is statutory body created through Ordinance XXXIII of 1978.

Audit is of the view that in the absence of any provision in law for Golf Section as a separate entity and post of President and management Committee of Islamabad Golf Club in Islamabad Club (Administration) Ordinance, 1978, the appointment Mr. Ahmad Nawaz Sukhera, as President of Islamabad Golf Club by the M/o Capital Administration & Development is without any legal basis.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that the irregular practice may be stopped forthwith and responsibility may be fixed for the irregularity.

#### ***5.4.20 Running the Affairs of Islamabad Club in Contravention of Islamabad Club (Administration) Ordinance, 1978 and Lease Agreement with Capital Development Authority***

The Islamabad Club (Administration) Ordinance, 1978 provides for the establishment of Islamabad Club as a social and residential Club for the use, relaxation, convenience and entertainment of the officers of the Federal Government and the members of the diplomatic corps stationed at Islamabad.

The Islamabad Land Disposal Regulation 2005 states that disposal of commercial plots could be done through open auction and defines Commercial and Business Plots as Plots for any kind of commercial activity having profit as a primary aim.

The management of Islamabad Club, Islamabad concluded two lease agreements with Capital Development Authority, Islamabad. According to the first lease agreement concluded on 10.11.1970, a land area of 233.4 Acres was allotted by Capital Development Authority, Islamabad to Islamabad Club, Islamabad. According to the second lease agreement concluded on 10.11.1970, a land area of 11.4 Acres was allotted by Capital Development Authority, Islamabad to Islamabad Club. According to the provisions of lease agreement, the Islamabad Club was to pay land rent at concessional rate of Re. 1 per Acre for the first 10 years only. The rent was to be revised at the expiry of the period. The rate of land rent was not revised after the expiry of ten years according to the terms of the contract.

Audit observed that Islamabad Club was undertaking many commercial activities and run on commercial lines and according to Rule 6(1) of the Islamabad Land Disposal Regulation 2005, the land used for such profitable activities comes under the purview of commercial plots and as the Islamabad Club was being run on commercial basis, according to Islamabad Land Disposal Regulations 2005, the land can only be leased to the Islamabad Club through open auction / charged accordingly.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that the provisions of Islamabad Club (Administration) Ordinance, 1978 and Lease Agreement with Capital Development Authority should be followed by Islamabad Club.

#### ***5.4.21 Violations of Public Procurement Rules, 2004***

Rule 12(2) of the Public Procurement Rules, 2004 provides 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.

According to the Rules of Business, 1973, the Islamabad Club is a subordinate office of Federal Government under Capital Administration and Development Division and is included in Schedule II of the Rules of Business.

Management of Islamabad Club has prepared a procurement policy that is not in conformity with Public Procurement Rules, 2004. Procurement policy prescribed by the management of Islamabad Club states that for procurements over Rs. 100,000 and up to Rs. 5 million, advertisements will be made if deemed necessary, otherwise quotations will be invited.

Audit observed that Management of Islamabad Club prepared an in-house procurement policy and was not following the Public Procurement Rules, 2004.

Audit is of the view that the provisions of the procurement policy by the management of Islamabad Club are inconsistent with the Public Procurement Rules, 2004.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that management should follow the provisions of Public Procurement Rules 2004.

#### ***5.4.22 Mis-Procurement of Services***

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.

Public Procurement Rules 15 (1) provides that a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement

proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

Management of Islamabad Club hired the services of following contractors for different service and maintenance agreements:

S No.	Name of Firm	Purpose of agreement
1	Chatta Khan Traders	Scrap/Garbage and Drain Cleaning
2	Eastern Services	Fumigation (Pest Control Services(
3	Geopafitness(SMC-PVT) Ltd	GYM Equipments
4	Nucon Engineers	Ebara Chillers
5	Kwick High Tech & Solutions	DTC 525 & 550 (Two) Member Card Printer
6	Rayee Engineers	AC System
7	Engima Technology	DVR-6 & Cameras
8	DWP Technologies	Photocopiers Xerox
9	Shirazi Trading Co Pvt Ltd	Canon copier
10	Souloco Pakistan Pvt Ltd	Hipath 3800 Siemens exchange
11	Mansha Services Pvt Ltd	Panasonic Fax Machine
12	Orient Energy Systems Pvt Ltd	Generators

Audit observed that the Management hired the services without competition. Detailed record of their contracts / service was also not provided to audit.

Audit is of the view that management hired the services in violation of rules.

The management was informed on 02.06.2016, 26.07.2016, 05.10.2016 and 22.12.2016, but did not respond to the audit observation.

Audit recommends that Public Procurement Rules 2004 should be followed in letter and spirit.

#### **5.4.23 Mis-procurement - Rs. 30.310 million**

Public Procurement Rule 4 provides that procuring agencies, while

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

Public Procurement Rule 10 provides 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.

Public Procurement Rule 50 provides that any unauthorized breach of these rules shall amount to mis-procurement.

Management of National Institute of Rehabilitation Medicines advertised tender notice on 10.06.2014 in different newspapers for the purchase of following items with the remarks that sealed tenders are invited from reputed firms having their vendor numbers issued from AGPR, Islamabad

<b>S No.</b>	<b>Name of tender</b>	<b>Expenditure</b>
1	Purchase of drugs/medicines and contrast media	14,999,085
2	Annual contract for maintenance	11,018,271
3	Purchase of dietary items	3,843,000
4	Purchase of stationery items	449,701
	<b>Total</b>	<b>30,310,057</b>

Audit observed that management limited the suppliers by inviting tenders only from those who had Vender Numbers issued by AGPR, Islamabad.

Audit is of the view that by limiting the tenders the management deprived the Government from benefit of competitive rates.

The management replied that the sentence “sealed tenders are invited form reputed firms having Vender Numbers issued form AGPR, Islamabad” was incorporated in the tender notice for the year 2014-15 keeping in view the pre-requisite of the AGPR for submission of bills to them. Since the AGPR accepts bills of only those firms having proper Vendor Number issued by the AGPR. It is noteworthy that the services needed by this hospital including emergency repair/maintenance of life saving machinery needs expedited processing. Therefore, in order to avoid any inordinate delay in payments the Vendor



Number was required from the firms for participation in the tender.

Reply was not accepted because the action of the management limited the competition in violation of the Public Procurement Rules, 2004

The PAO was informed on 28.06.2015 and 15.12.2016, 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 retention and collection of Bus Fund - Rs. 14.61 million***

The approved Education Code, 2006 allowed collection of receipts under Student Fund, Health Fund, Admission Fund and Library Security.

Article 34 of Education Code, 2006 states that no other fund except those mentioned above shall be realized in any institution except with the permission of the Director General (Education). The realization of an unauthorized fund is totally prohibited.

PAC directive dated 05.12.2012 for Para 6.12 (page 24-45) of Audit Year 2005-06 (FY 2004-05) communicated to the Secretary, Capital Administration and Development Division stated that bus fee should be deposited into Federal Treasury w.e.f. 01.01.2013. If the said amount was not deposited in the Federal Treasury, the responsibility would be fixed on the Principal Accounting Officer. The past irregularity was to be regularized as per rules from the Finance Division.

The management of Islamabad Model Colleges for Boys collected bus funds and retained in commercial bank accounts. Details are as under:

<b>S. No.</b>	<b>College</b>	<b>Amount Collected</b>	<b>Expenditure</b>	<b>Balance</b>
<b>1.</b>	IMCB, I-8/3, Islamabad	2.810	-	2.810
<b>2.</b>	IMCB, F-8/4, Islamabad	1.289	-	1.289
<b>3.</b>	IMCB, G-10/4, Islamabad	1.089	0.993	0.960
<b>4.</b>	ICB, G-6/3, Islamabad	9.422	8.878	0.544
<b>Total</b>		<b>14.61</b>	<b>9.871</b>	<b>5.603</b>

Audit observed as under:

- i. There was no provision in the Education Code, 2006 for the collection of Bus Fee.
- ii. Bus Fee amounting to Rs. 14.61 million collected was not deposited into the Government treasury.
- iii. Expenditure out of collected fund was utilized unauthorizdely.

Audit is of the view that failure to deposit the Bus Fee collected w.e.f. 01.01.2013 into the Government treasury and subsequent receipt was unauthorized and in violation of PAC directives.

The management of I-8/3, Islamabad and ICB, G-6/3 replied that Audit does not examine bus collection in accordance of Federal Directorate of Education letter No.F1-6/3-MC(A)FDE dated 25.04.13. However, the amount collected w.e.f. 01.01.2013 has been deposited into Government Treasury as desired and directive by Audit.

The reply was not accepted because the amount was not deposited into Government account as per PAC directives.

The PAO was informed on 28.06.2015 and 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amount may be deposited into Government Treasury.

#### ***5.4.25 Non-deposit of fee into Government treasury - Rs. 15.593 million***

Rule 7(1) of Federal Treasury Rules(Vol-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 or into the Bank. 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 Federal Medical and Dental College, Islamabad

received fee amounting to Rs.15.593 million from students during the period 2015-16.

Audit observed that the fee received from students was retained by the management instead of depositing the same into Government treasury.

Audit is of the view that non-deposit of fee in treasury resulted in loss to Government.

The management did not reply.

The PAO was informed on 21.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the amount may be deposited into Government treasury under intimation to audit.

#### ***5.4.26 Non observance of foreign seats quota***

Pakistan Medical and Dental Council, Islamabad vide letter dated 15.02.2012 allowed admission and training of 100 MBBS students annually in Federal Medical and Dental Council. The annual admissions strength of 100 MBBS seats includes all quotas including the 10% foreign seats quota.

The management of Federal Medical and Dental College, Islamabad enrolled 501 students from 2011-12 to 2015-16 on the basis of one hundred yearly seats.

Audit observed that the management did not admit any foreign student and utilized this quota for Pakistani Students.

Audit further observed that this quota was not announced in the entry test advertisement.

Audit is of the view that non observance of quota was violation of PMDC directives.

The management did not reply.

The PAO was informed on 21.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the responsibility may be fixed for non observance of foreign quota besides observing the quota in future strictly.

***5.4.27 Failure of the management to fill the vacant seats against dropout students***

Rule 12 of Admission in MBBS/BDS Courses and Conditions for House Job/Internship/Foundation Year Regulations, 2013 states that in lieu of dropout students/vacant seats in the first two years, the institution may admit students in subsequent admission so as total admission strength allowed to the institution in the first two years only and that should not be more than 10% of allocated seats per year. The failures/detained students shall be counted in the strength of the class in this connection.

The management of Federal Medical and Dental College, Islamabad has enrolled 501 students in five batches from 2011-12 to 2015-16 on basis of hundred approved seats and 23 students were dropped out.

Audit observed that 23 students were dropped out during 2011-12 to 2015-16 but the management did not admit the students in the subsequent years against dropped out seats to maintain the approved strength.

Audit is of the view that due to failure of the management students were deprived from admission in MBBS and the full benefit of the training facilities was not availed.

The management did not reply.

The PAO was informed on 21.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the responsibility may be fixed for not admitting the students against dropout students in subsequent years as provided in the rules besides observing provision of rules strictly at the time of admission.

**5.4.28 Unauthorized withdrawal of Health Professional Allowance - Rs.23.548 million**

The Finance Division vide UO 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 management of Regional Training Institute (RTI), Islamabad under Capital Administration and Development Division paid Rs. 23.548 million as Health Professional Allowance to its employees during 2011-16.

Audit observed as under:

- i. The Regional Training Institute was neither hospital nor a clinic.
- ii. The employees were drawing their pay and allowance from development budget under PC-I for 2011-2016.

Audit is of the view that withdrawal of Health Professional Allowance was unauthorized.

The management replied that RTI, Islamabad was a clinical training Institute and its employees are engaged in the provision of clinical/medical residential training for 24 months Basic training and other courses (promotional and refresher) of Health Personnel (paramedics/nurses and doctors) on Reproductive Health which include family planning services, maternal and child health care, management of common ailments. Clinical/medical training is partly imparted at Regional Training Institute and in Federal Government. Hospitals (PIMS & Poly Clinic PGMI) and Family Welfare Centers. The staff of RTI is health personnel as per schedule-1 and was also allowed in the light of Finance Division U.O. No. F. 2(13)R-2/2012-172 dated 27th March, 2012. Further CA&DD and AGPR approved the case.

The reply was not acceptable because RTI was a training institute. RTI was imparting training to those students who may be appointed Family Welfare Workers and they were not treated as health personnel.

The PAO was informed on 31.10.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that payment of Health Professional Allowance to employees of RTI, Islamabad may be stop immediately and the amount paid so far may be recovered.

**5.4.29 Irregular payment of Deputation Allowance to the project employees - Rs. 5.770 million**

Finance Division O.M. No. F.5(8)R-2/2007 dated 04.07.2007 states that Deputation Allowance may be granted to all officers/officials of different Ministries/Divisions/Departments who have been transferred to a post in a department or service altogether different from the one to which they permanently belong.

The management of Regional Training Institute (RTI), Islamabad under Capital Administration and Development Division paid Rs. 5.770 million as Deputation Allowance to all employees of RTI, Islamabad during 2010-16.

Audit observed that the administrative control of RTI, Islamabad was transferred from defunct Ministry of Population Welfare to Capital Administration and Development Division while the employees were not transferred to any other office or organization. They kept on working in RTI, Islamabad which was their parent office. Therefore, withdrawal of Deputation Allowance by the employees of RTI, Islamabad while working in their parent office was not allowed.

Audit is of the view that withdrawal of Deputation Allowance merely on change of administrative control was not justified.

It was replied that the employees of RTI (MoPW) were posted at RTI, ICT under section 10 on deputation basis and they were not absorbed till to date and all benefits like promotion are not given to the employees due to posting on deputation basis. The parent office/department of the employees was Ministry of Population Welfare which was devolved on 4th December, 2010.

The reply was not accepted as transfer under section 10 did not entitle the employees to draw Deputation Allowance while working in the same office.

The PAO was informed on 31.10.2016, but DAC was not convened till

the finalization of the Report.

Audit recommends to stop payment of Deputation Allowance and recover the amount under intimation to audit.

**5.4.30 Unauthorized/irregular withdrawal of Instructional Allowance - Rs. 1.180 million**

The Ministry of Finance vide para 10 (xii) of OM No.F.1(I)/Imp/2005 dated 01.07.2005 revised rates of Instructional Allowance to 20% of the Basic Pay subject to maximum of Rs.3,000 per month to those instructors imparting in service training to employees up to BPS-16.

The management of Regional Training Institute, Islamabad under Capital Administration and Development Division paid Rs.1.180 million as Instructional Allowance to the following officers during 2005-16:

<b>(Rupees)</b>			
<b>S. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Amount</b>
<b>1.</b>	Dr. Talat Jabeen	Principal	140,921
<b>2.</b>	Dr. Nilofar Sohail	-do-	494,200
<b>3.</b>	Dr. Margate Nazli	Deputy Principal	220,002
<b>4.</b>	Dr. Irum Javed	-do-	324,620
		<b>Total</b>	<b>1,179,743</b>

Audit observed that the officers were performing administrative duties only and time-tables reflect that they did not deliver lectures.

Audit is of the view that payment of Instructional Allowance to the officers who were performing administrative duties was irregular and unauthorized.

The management replied that the Principal and Deputy Principal had been also delivering lectures to the senior trainees i.e. doctors, etc. of the Government departments as per job description.

The reply was not acceptable because the Principal and Deputy Principal were administrative posts and hence they were not entitled for said allowance.

The PAO was informed on 31.10.2016, but DAC was not convened till the finalization of the Report.

Audit recommends to stop payment of Instructional Allowance and effect recovery from the employees.

**5.4.31 Unauthorized retention and utilization of receipts - Rs. 38.952 million**

Para 25 of Education Code states that amount of fee shall be deposited in to Government treasury immediately after its realization.

The Ministry of Education vide letter dated 07.06.1993 also issued instructions to all Principals that tuition fees and bus charges should be deposited in Federal Treasury.

The management of Islamabad Colleges received an amount of Rs. 38.952 million on account of tuition and admission fee on self finance basis. The management also incurred expenditure of Rs. 32.043 million from the said receipt. Details are as under:

<b>(Rupees)</b>					
<b>S. No.</b>	<b>College</b>	<b>Class</b>	<b>Amount Collected</b>	<b>Expenditure</b>	<b>Balance</b>
<b>1.</b>	IMCG, F-6/2	BS/MS fund	3.078	1.488	1.590
<b>2.</b>	ICB, G-6/3	I.Com, B.Com	5.414	5.084	0.33
<b>3.</b>	IMCB, F-8/4	O level	9.968	9.874	0.094
<b>4.</b>	ICG, F-6/2	M.A/Evening	20.492	15.597	4.895
<b>Total</b>			<b>38.952</b>	<b>32.043</b>	<b>6.909</b>

Audit observed that the fee collected from the students was not deposited into the Government treasury.

Audit is of the view that non-deposit of receipt into the treasury and expenditure there from was irregular and unauthorized.

The management of IMCG, F-6/2 replied that this institution is the first and only institution in Islamabad in the public sector where BS (Hons) was introduced in the subject of Computer science especially for girls on self finance basis with the approval of competent authority. However, the tuition fee of (BS/MS Program), have been deposited in Government account w.e.f. 01.07.2016.

The management of ICB, G-6/3 replied that classes on Self Finance basis were start functioning after obtaining the approval from Federal Directorate of



Education. No staff was provided to self-Finance Scheme. In case total receipt is deposited into Government Treasury then this scheme will be stopped and public interest will damage.

The management of ICG, F-6/2 stated that 2<sup>nd</sup> shift has been closed and now no fee has been charged from the students. However, the MA classes are running on self-finance basis with the approval of competent authority.

The reply was not accepted because the management did not deposit the whole amount in Government account.

The PAO was informed on 04.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that fee should be deposited in the Government Treasury.

#### ***5.4.32 Non-recovery of Orderly Allowance, Senior Post Allowance and Entertainment Allowance -Rs. 15.33 million***

Finance Division clarified vide letter No.F.No.1(13(R-1/2010-514/2013 dated 10.09.2013 that Orderly Allowance, Senior Post Allowance and Entertainment Allowance to a time scaled promoted teachers will remain the same of his original post.

Capital Administration & Development Division vide Notification No.F.2-I/2012/Promotion dated 26 June, 2012 in pursuance of Ministry of Finance Division vide O.M. No. F.1(13)R-I/2010-203 dated February 18th , 2011 and Establishment Division O.M.NO.8/53/2009-R-I dated September 19th, 2011 approved the Time Scale promotions of the Teaching Staff working in Islamabad Model Colleges under Federal Directorate of Education w.e.f. 01.01.2011.

The management of Islamabad Model Colleges paid Orderly Allowance, Senior Post Allowance and Entertainment Allowance to Associate Professors (BPS-19 & Time scale BPS-20) since 01.01.2011. Details are as under:

**(Rs. in million)**

S. No.	College	Number of Professors	Amount
1.	IMCB, G-10/4	6	3.798
2.	ICB, G-6/3	8	4.745
3.	IMCB, F-8/4	3	1.965
4.	ICG, F-6/2	17	4.822
<b>Total</b>		<b>34</b>	<b>15.33</b>

Audit observed that an amount of Rs. 15.33 million was over paid to the above Professors on account of Orderly Allowance, Senior Post Allowance and Entertainment Allowance up to 30.06.2016.

Audit is of the view that payment of allowances in violation of the Finance Division was irregular and unauthorized.

The management replied that recoveries have been processed.

The management has accepted the irregularity, however no documentary evidences were provided regarding the recovery.

Audit recommends that all the Allowances may be paid in accordance with the approval of the Finance Division besides over paid allowances may be recovered and deposited into Federal Treasury.

#### ***5.4.33 Loss due to irregular award of canteen contract - Rs.8.613 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 19(v) of GFR Vol-I states that when a contract is likely to continue for a period of more than 5 years, it should, wherever feasible, include a provision for an unconditional power of revocation or cancellation by Government at any time on the expiry of six months' notice to that effect.

The management of IMCG F-6/2 awarded contract of cafeteria to M/s Ch Muhammad Taj w.e.f. 01.01.2008. He was also tasked to construct canteen from his own resources.

According to Para 3 of the agreement a sum of Rs. 12,000 per month shall be charged as canteen rent including utility bills and there will be made 5% increase in the canteen rent w.e.f. 01.07.2008. The total amount of Rs. 2,309,131 incurred on construction of cafeteria shall stand adjusted in September 2022.

Audit observed that:

- i. The contract of the canteen was awarded without open competition.
- ii. The contractor constructed the canteen building involving cost of Rs. 2,309,131. The approval of competent authority for construction of building by the contractor prior to entering into the formal contract/agreement was neither available in the relevant file nor was provided to audit.
- iii. The Pakistan Public Works Department Islamabad vide letter No.CV/W-469/69 dated 28.01.2013 assessed Rs. 59,850 (excluding utilities) as monthly rent of the canteen whereas the management agreed monthly rent of Rs. 12,000 including utility bills resulting monthly loss of Rs. 47,850 in addition of payment of utility charges. The accumulated loss for the contract period comes to Rs. 8.613 million ( $12 \times 15 \times 47,850$ ).
- iv. The agreement was made for fifteen years but no provision as required in rules, was included in the agreement for an unconditional power of revocation or cancellation by Government at any time on the expiry of six months notice.
- v. No separate provision was made for payment of actual utility charges by the contractor. The inclusion of utility charges in the bill was an undue favor to the contractor and resulted in loss to Government.

Audit is of the view that contract was made in violation of the rules and undue favor was extended to the contractor at the cost of public exchequer.

The management replied that since the establishment of this college, no proper canteen/cafeteria was available to facilitate the 2500 students and more

than 200 staff members properly. The concerned principal approached the FDE in 2005, Islamabad for construction of cafeteria in IMCG, F-6/2, Islamabad. Pak PWD prepared the estimate amounting to Rs. 25,92,041 and submitted to FDE (P&D) wing Islamabad for further necessary action. The competent authority did not approve the proposal. Further stated that due to increase in the enrolment of student, the management of IMCG F-6/2 were constrained, to construct the canteen/ cafeteria through canteen contractor. The respective contractor has also constructed the canteen in some other Model Institutions.

Reply was not accepted because the management awarded the contract of the canteen without competition.

The PAO was informed on 04.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that inquiry may be conducted and responsibility fixed on concerned persons.

#### ***5.4.34 Irregular expenditure from security funds – Rs. 4.402 million***

Para -12 of GFR Volume-I states that 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.

As per clause 5 (r) of Ministry of Education notification dated 02.12.2006 regarding rules of private educational institutions (registration, regulations and promotion) state that security fee will be charged from the institutions which shall be refundable to the institutes.

Islamabad Capital Territory Private Educational Institutions Regulatory Authority (ICT-PEIRA) collected an amount of Rs. 4,402,000 on account of security funds from Private Educational Institutions during the year 2013-14 to 2014-15.

Audit observed that the management of the ICT-PEIRA kept this amount in HBL, FBISE Branch, Islamabad. The amount was spent by the management for their operational needs.

Audit is of the view that expenditure out of security fund was irregular.

The management replied that due to acute shortage of funds security funds were utilized for smooth running of the Authority.

The reply was not accepted as security fund was not meant for incurring expenditure as it was refundable to the institutions.

The PAO was requested on 03.06.2016 and reminded on 27.09.2016 and 06.12.2016, but meeting of DAC was not convened till finalization of the report.

Audit recommends that responsibility may be fixed for incurring expenditure out of refundable security fund.

***5.4.35 Non recovery of outstanding fees on account of renewal of registration - Rs. 2.800 million***

As per clause 9 (2) of Act 2013 of Islamabad Capital Territory Private Educational Institutions Regulatory Authority, the authority shall have a fund to which all income including income from inspection fee, registration fee, security fee, fine, etc. shall be credited. As per amended rule 11 of Private Educational Institutions (regulation and promotion) Regulatory Authority dated 27.01.2007 a fee on account of inspection and renewal will be charged after every two years as under:

- i. Institutions charging fee up to Rs. 1,000 will pay Rs. 5,000.
- ii. Institutions charging fee more than Rs. 1,000 will pay Rs. 10,000.

Islamabad Capital Territory Private Educational Institutions Regulatory Authority was established through Ordinance No. XXII on 21.09.2006 and registered 1,069 private educational institutions.

Audit observed that renewal fee of 459 institutes amounting to Rs. 2.800 million was outstanding.

Audit is of the view that non recovery of outstanding amount on account of renewal of registration is serious lapse on part of management.

The management replied that due to non-payment of salary to employees of ICT-PEIRA, the Authority remained stagnant and outstanding fee was not recovered from the institutes.

The management has accepted the audit finding.

The PAO was requested on 03.06.2016 and reminded on 27.09.2016 and 06.12.2016, but meeting of DAC was not convened till finalization of the report.

Audit recommends that outstanding renewal fee may be recovered immediately besides fixing responsibility.

***5.4.36 Unauthorized charging of monthly fee from the students taking admission in class-XI***

Para 10(ii) of GFR Volume-I states that the expenditure should not be prima facie more than the occasion demands.

Para 25 of GFR, Vol.-I stipulates that any orders or instructions involving financial character should be made with the approval of the Ministry of Finance.

The management of Islamabad Model / Colleges ICB-G-6/3, IMCB-G-10/4, IMCB-F-8/4, ICG-F-6/2 made admission in class-XI in the month of August during 2014-16 and charged monthly fee and funds from the students with effect from April of that year.

Audit observed that college authorities charged monthly Tuition Fee and Student Fund without any justification and authority from the students for the period (April to July) when students were not on the strength of the college.

Audit is of the view that collection of monthly Tuition Fee and Student Fund for the period prior to their actual admission was without having any authority and therefore unauthorized.

The management replied that institution received 12 months dues of academic year as defined at Sr. No. 12 of Education Code Chapter-I.

The reply of the management is not satisfactory as the charging of monthly Tuition Fee and Student Fund for the period (April to July) when

students were not on the strength of the college was not in order.

Audit recommends that monthly Tuition Fee and Student Fund may be charged in accordance with the actual period of classes and excess amount may be refunded to the Students after making such calculations for all Colleges of Federal Government.

***5.4.37 Failure to control abrupt increases in fees of private educational institutions by ICT-PEIRA***

Clause 4 (c) of Act No. XI dated 19.03.2013 of Islamabad Capital Territory Private Educational Institutions Regulatory Authority provides aims and objectives of authority and includes determination and fixation of rate of fee charged by the institutions, as per clause 5 (b) of the Act, functions of authority includes to register and regulate, private educations in Islamabad capital territory fixation of grade-wise rate of admission fee, security fee, monthly tuition fee and other fees being charged by private educational institutions, as per clause 5 (J) to make rules, regulations and policy and to execute the same and as per clause 11 of the Act the general direction and administration of the affairs of the authority shall vest in the Chairman and members. The Government shall be the sole judge as to whether a question is a question of policy and may, as and when it considers necessary, issue directives to the authority on matters of policy and the same shall be binding on the authority.

Clause 5 (g) of rules of private educational institutions (regulations and promotion) dated 02.12.2006, which deals with conditions and pre-requisites for registration of an institute, the facilities and quality of education being provided to the students shall be commensurate with the fees and other charges levied by it. Also that its management shall feel sensitive to the parents economic position and make sincere effort to ensure that fees and other charges remain within reasonable limits and as per clause 5 (l) it shall notify through a prospectus the details of facilities, fees and other information before the commencement of each academic year.

Audit observed that in last few years private educational institutes increased fees manifold without any formula / framed by ICT-PEIRA. Parents and students registered 80 complaints with ICT-PEIRA against increase in fees

by private educational institutes.

Audit is of the view that ICT–PEIRA failed to control the increases in fees by private educational institutions.

The management replied that ICT–PEIRA Act was passed in March 2013 which empowers the authority to determine & fix fee structure and efforts were made in 2015 and fees of private educational institutes were reverted to 2014 fees structure. Moreover, mechanism is under process to have better control over fee structure.

The reply was not accepted as ICT–PEIRA failed to act according to its mandate provided in the Act and failed to control the increases in fees by private educational institutes.

The PAO was informed on 03.06.2016 and reminded on 27.09.2016 and 06.12.2016, but meeting of DAC was not convened till finalization of the report.

Audit recommends that responsibility may be fixed for non fulfillment of responsibilities given to ICT–PEIRA.

#### ***5.4.38 Non achievement of aims and objective by ICT–PEIRA***

Clause 4 of the Act of Islamabad Capital Territory Private Educational Institutions Regulatory Authority (ICT–PEIRA) lays down the following aims and objectives for the Authority:

- a) Curricula according to Federal scheme of studies.
- b) Determination and fixation of rate of fee being charged by the institutions, qualifications, of teaching staff, their terms and conditions of service including salaries and mode of payment of their salaries.
- c) Promotion of curricular and co-curricular activities on inter-institutional basis.
- d) Achievement of fair measure of uniformity of academic standards evaluation among institutions.



- e) Capacity building of teachers.
- f) Performance of such other functions as may be incidental or conducive, to the attainment of the aforementioned objectives.

Audit observed that:

- i. Curricula according to Federal scheme of studies were not framed by ICT-PEIRA.
- ii. ICT-PEIRA failed to determine and fix the rate of fee being charged by the institutions, qualifications, of teaching staff, their terms and conditions of service including salaries and mode of payment of their salaries.
- iii. ICT-PEIRA did not promote curricular and co-curricular activities on inter-institutional basis.
- iv. ICT-PEIRA failed to bring uniformity of academic standards evaluation among institutions.
- v. ICT-PEIRA did not build capacity of teachers.

Audit is of the view that ICT-PEIRA failed to achieve its aims and objectives as produced in the Act.

The management replied that ICT-PEIRA Act was passed in March 2013 which empowers the authority to determine & fix fee structure and efforts were made in 2015 and fees of private educational institutes were reverted to 2014 fees structure and other related issues, moreover mechanism is under process to have better control over fee structure.

The reply was not accepted being not relevant to the audit findings.

The PAO was requested on 03.06.2016 and reminded on 27.09.2016 and 06.12.2016, but meeting of DAC was not convened till finalization of the report.

Audit recommends that responsibility may be fixed for non-attaining of aims and objectives by ICT-PEIRA.

**5.4.39 Irregular payment of Health Allowance to deputationists from Provinces/Authority - Rs. 1.877 million**

Finance Division vide 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 further clarified the term “Health Personnel” vide U.O. No. F.2(13)R-2/2012-172 dated 27.03.2012 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, 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. 1.877 million to deputationists during 2014-15. Details are as under:

**(Rupees)**

S. No.	Name & Designation	Parent Department	Rate	Amount
1	Dr. Tayaba Mazhar, Assistant Professor	Khyber Teaching Hospital, Peshawar	41,000	492,000
2	Dr. Fatima Mehboob, Senior Registrar	Health Department, Government of Punjab	10,000	120,000
3	Dr. Israr Ahmed, Assistant Professor	CDA, Islamabad	26,000	312,000
4	Ms. Nasreen Saleem, Head Nurse	Government of Baluchistan	35,200	422,400
5	Dr. Lubna Bashir, Asst. Dental Surgeon	Government of Sindh	29,200	350,400
6	Dr. Gulshan Bahar, Medical Officer	Government of KPK	15,000	180,000
			<b>Total</b>	1,876,800

Audit observed that the management paid Health Allowance to deputationists from Provinces/Authority.

Audit is of the view that payment of Health Allowance to deputationists from Provinces/Authority was irregular and unauthorized.

The management replied that prior to joining this Institute the officers were drawing Health Professional Allowance at specific rates as shown in their

LPCs. On the basis of LPCs AGPR, issued pay slip and allowed Health Allowance as they were drawing in their parent office.

The reply was not accepted because as per instructions Health Allowance was not admissible to the deputationist of Provinces.

The PAO was informed on 19.02.2016 and 07.03.2016 but DAC was not convened till finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity besides recovery.

***5.4.40 Wastage of public money due to non-functional of Liver Transplant Center - Rs. 150.430 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.

The management of PIMS procured electro medical equipment required for liver transplant diseases and Liver Transplant Center and incurred an expenditure of Rs. 150.430 million.

Audit observed that Liver Transplant Center was not functional and no operation of liver transplant was carried out during the year 2014-15. Audit further observed that as per stock register machinery and equipment costing Rs. 50.703 million was not installed and lying in store.

Audit is of the view that due to non-functional of the center and non-installation of the machinery and equipment public money was wasted.

The management replied that a Committee comprising administrative/technical members was constituted vide letter dated 26.01.2016 to fix the responsibility.

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

The PAO was informed on 19.02.2016 and 07.03.2016 but DAC was not convened till finalization of the Report.

Audit recommends that responsibility should be fixed and outcome of the inquiry may be shared with Audit.

***5.4.41 Whereabouts of Duo Demo Video Scope Machine not known - Rs. 2.600 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.

The management of PIMS procured Duo Demo Video Machine for Rs. 2.600 million.

Audit observed that the machine was not available in the hospital and an inquiry was initiated by the management to find out the machine. Audit requested the management to provide that inquiry report but the same was not provided.

Audit is of the view that misplacement of valuable items was negligence on the part of the management.

The management replied that a Committee has been constituted vide letter dated 26.01.2016 to fix the responsibility.

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

The PAO was informed on 19.02.2016 and 07.03.2016 but DAC was not convened till finalization of the Report.

Audit recommends that responsibility should be fixed and outcome of the inquiry may be shared with Audit.

## **CHAPTER 6**

### **6. MINISTRY OF COMMERCE**

#### **6.1 Introduction**

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

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

Final budget allocated to the Ministry for the financial year 2015-16 was Rs. 7,608.638 million out of which the Ministry utilized Rs. 6,083.332 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

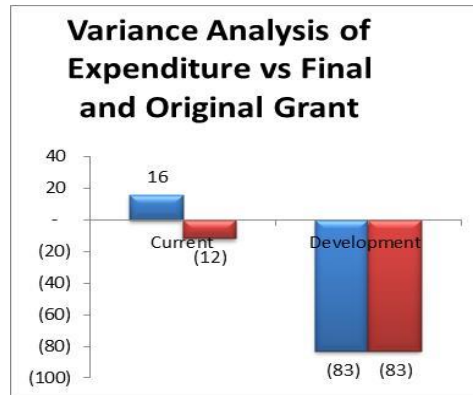
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)	% age Excess/ (Saving)
19	Current	5,122,998,000	1,610,018,000	6,733,016,000	5,933,869,439	(799,146,561)	(12)	16
109	Development	875,622,000	-	875,622,000	149,462,626	(726,159,374)	(83)	(83)
	<b>Total</b>	<b>5,998,620,000</b>	<b>1,610,018,000</b>	<b>7,608,638,000</b>	<b>6,083,332,065</b>	<b>(1,525,305,935)</b>	<b>(20)</b>	<b>1</b>

Audit noted that there was an overall saving of Rs. 1,525.306 million, which was due to savings in Development Grant, i.e. 83%.

### *Supplementary Grants obtained without careful cash forecasting*

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, there was excess of 16% in current expenditure which changed to savings when Supplementary Grant was taken while in the Development Expenditure the saving was 83%.



### 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
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	
<b>Total</b>		<b>155</b>	<b>155</b>	<b>83</b>	<b>72</b>	<b>54%</b>

## 6.4 AUDIT PARAS

### *Irregularity & Non Compliance*

#### **6.4.1 Unauthorized retention of Anti-Dumping Duty - Rs. 266.489 million**

Section 52(5) of Anti-Dumping Duties Act, 2015 of National Tariff Commission (NTC), Islamabad states that a refund of anti-dumping duties under this section shall normally take place within twelve months, and in no case later than eighteen months, after the date on which an application for refund complaint is received by the Commission.

Para 26 of GFR Vol-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 Government Account.

Para 28 of GFR Vol-I states that no amount due to Government should be left outstanding without sufficient reason.

The management of National Tariff Commission (NTC), Islamabad collected anti-dumping duty under Anti-Dumping Duties Act, 2015. As detail below:

<b>Description</b>	<b>Amount (Rs)</b>
Balance as on 30.06.2015	<b>823,385,640</b>
Less: Amount under dispute	256,474,376
Less: Deposited into the treasury	300,385,383
Balance required to be deposit into treasury	<b>266,485,881</b>

Audit is of the view that fund to the tune of Rs. 266,485,881 were retained by the NTC management without any justification out of balance as on 30.06.2015 which was held unauthorized.

The management replied that the closing balance of Anti Dumping Duty on 30.06.2016 was Rs. 924 million. Out of which disputed amount of anti-dumping duty in the cases filed in Hon'able Supreme Court is worked out to Rs. 256.47 million while some disputed anti-dumping duty amounting Rs. 65.45 million relates to cases of anti-dumping filed in Appellate Tribunal. Further,



recently the Commission has rejected refund amount of Rs. 64.5 million which is likely to be challenged in the court. The Commission has received an amount of Rs.527.57 million Anti-Dumping Duty from July 2014 to June 2016 which has been kept in PLA to meet the requirement of refund under Section 52 of Anti-Dumping Duties Act 2015. The National Tariff Commission (the NTC) deposits the amount of Anti Dumping after two years because the importers may file a request for refund of Anti Dumping duties under Section 52(2) of Anti Dumping Duties Act, 2015 which states that “An importer may submit an application for refund of anti-dumping duties collected within any twelve months period to the Commission not later than sixty days from the end of such period”. Section 52(5) of Anti-Dumping Duties Act, 2015 laid down the time period of twelve months to complete the refund investigation and make the refund payment. Therefore, the NTC would retain Anti-Dumping Duties in PLA Account for a period of two years and thereafter, the Anti-Dumping Duties deposited in PLA Account shall be transferred into Federal consolidated account under head of account C02370 Others. It may be mentioned that the NTC has never utilized any amount of Anti-Dumping Duties from the Non-Lapsable PLA Account. It is submitted that anti-dumping duties cleared from refunds and dispute would be deposited in the Government refund as early as possible.

The reply is not acceptable because the departmental receipt of only Rs.64.5 million is under dispute while rest of the amount collected during 2014-15 is no more under dispute. Therefore, the remaining amount should be deposited in the Federal Consolidated Fund immediately.

The PAO was informed on 11.11.2016, but DAC was not convened till finalization of the report.

Audit recommends that undisputed amount may be deposited in to the Government treasury.

#### ***6.4.2 Unauthorized excess withdrawal of salary by the Chairman NTC - Rs. 1.026 million***

Section 4(1) of National Tariff Commission (NTC) Act-2015 states that the Commission shall comprise of five members, appointed by the Federal Government in the prescribed manner. The Federal Government shall appoint

one of the members to be Chairman of the Commission.

Section 18(2) of the National Tariff Commission (NTC) Act-2015 states that from the date of appointment, the pension, gratuity, GP Fund and other retirement benefits of an employee appointed on full-time basis in the Commission shall be the same as Federal Government employees of the equivalent status, grade and scale.

The Ministry of Commerce appointed a Chairman, National Tariff Commission in MP-I Scale vide Notification dated 03.03.2015. The Ministry of Finance vide O.M. No. F.3(2)R-4/2011 dated 24.12.2012 had revised the pay package of the Management Position (MP) Scales as per the following table:

**(Rupees)**

S. No.	Type of salary	Minimum (MP-I)	Increment	Maximum (MP-I)
1.	Basic Pay	263,000	20,000	324,000
2.	House Rent	101,000		142,000
3.	Utilities	13,100		16,200

Audit observed that the Chairman was paid in excess of the approved rates. Details are as under:

**(Rupees)**

S. No.	Type of salary	Entitlement (Per month)	Paid (Per month)	Excess Paid p.m.	Period	Total Excess
1.	Basic Pay	263,000	283,000	20,000	16 months	320,000
2.	House Rent	101,000	142,000	41,000	--do--	656,000
3.	Utilities	13,100	16,200	3,100	--do--	49,600
	<b>Total</b>	<b>377,100</b>	<b>441,200</b>	<b>64,100</b>		<b>1,025,600</b>

Audit is of the view that payment made in excess of approved rates was irregular and unauthorized.

The management replied that the officer was appointed from the private sector for the post of Chairman by the Federal Government keeping in view enriched experience related to international trade and commerce his salary was required to be fixed not less than the previous appointments. Accordingly, the pay was fixed one stage above the minimum keeping in view his experience for the related field.

The reply was not acceptable because the Ministry of Commerce was not

competent to allow extra benefits to MP-I scale employees.

The PAO was informed on 11.11.2016, but DAC was not convened till finalization of the report.

Audit recommends that excess payment should be recovered from the officer under intimation to Audit.

#### ***6.4.3 NTC Fund not established as per requirement of NTC Act-2015***

Section 19 of the National Tariff Commission (NTC) Act-2015 states that the Fund of the Commission shall consist of;

- a) Grants from the Federal Government.
- b) Fee collected by the Commission.
- c) Aid from international agencies, and
- d) Such sums as the Federal Government may allocate to the Commission.

National Tariff Commission (NTC) maintained an assignment account with the NBP, Main Branch, Islamabad in which budget released by the Federal Government was available for utilization.

Audit observed that NTC Fund was not established as provided in the Acts rather an Assignment Account was maintained in the NBP.

Audit is of the view that non-establishment of NTC Fund was against the spirit of NTC Act of 1990 and 2015.

It was replied that PLA account has already been opened by the Commission in the Federal Treasury with the approval of Federal Government (Finance Division). Receipts of the Commission (Anti-Dumping, Countervailing Duties plus fee etc.) are deposited in PLA. Later on, it is transferred to Federal Consolidated Fund after refunds, if any. The fee is not a major source of the Commission's Fund and its receipt depends upon the number of applications received by the Commission. Collective amount of fee during a Financial year does not normally exceed rupees half million, therefore, opening of separate account for a meager amount does not seem to be appropriate. As the fee is being

deposited into PLA, therefore, no additional account is required to be opened.

The reply was not acceptable because NTC Fund is the requirement of NTC Act-2015 whereas the PLA referred in the reply is a separate account which is required for deposit of departmental receipts for a particular period prior to deposit in Federal Consolidated Fund.

The PAO was informed on 11.11.2016, but DAC was not convened till finalization of the report.

Audit recommends to establish NTC Fund in line with the provisions of NTC Act-2015.

#### ***6.4.4 Non-establishment/formulation of Key Performance Indicators (KPIs) by the TDAP Board***

As per Section 2(r) of TDAP Act, 2013 Key Performance Indicators (KPIs) means indicators that serve to measure performance of the Authority.

Section-20(a)&(b) of TDAP Act describe that the TDAP Board shall have the following functions:

- a) To establish short, medium and long term critical success factors and key performance indicators for the Authority;
- b) To review performance of the Authority annually including against pre agreed critical success factors and key performance indicators;

Section 13 of TDAP Act requires that the TDAP Board shall meet as often as may be necessary for the performance of its functions, but not less than once every three months.

TDAP was established on 8th November, 2006 under a Presidential Ordinance which was subsequently replaced by the TDAP Act, 2013.

During Special Audit it was observed that TDAP Board met thrice since its establishment, i.e. on 08.05.2013, 03.10.2014 and 02.12.2014 but did not formulate KPIs.

Audit is of the view that due to non-formulation of KPIs, performance of the Authority could not be ascertained.

The management replied that functions of the TDAP as mentioned in Section 21 of TDAP Act 2013 are also the Key Performance Indicators which were achieved within the available resources.

The reply was not accepted because Section 21 of TDAP Act describes the powers and functions of the Authority whereas audit observation was on non-formulation of KPIs by the Board.

Audit recommends that the management should be held responsible for non-formulation of KPIs.

#### ***6.4.5 Non-achievement of export target - US \$ 95 billion***

Preamble to the TDAP Act 2013 states that “there is a need for establishing greater clarity of institutional arrangements and linkages for purposes of policy formulation and the development of initiatives and implementation thereof amongst Ministry of Commerce, trade development organizations and the private sector”.

Ministry of Commerce issued a Strategic Trade Policy Framework (STPF) 2009-12 which required certain regulatory amendments and undertaking of export development initiatives. All regulatory amendments were implemented during 2009-12 however; export development initiatives could not be implemented completely.

Due to non-implementation of export development initiatives, Ministry of Commerce issued another STPF 2012-15. The main objectives of Strategic Trade Policy Framework (STPF) 2012-15 were:

- i. Make export sector as an engine of growth.
- ii. Enhance Pakistan’s export competitiveness in short as well as long term.
- iii. Increase Pakistan’s cumulative exports to \$ 95 billion during 2012-15.

The management of TDAP incurred an expenditure of Rs. 1,475.209 million during 2013-15 details are as under:

S. No.	Description	Rupees	
		2013-2014	2014-2015
1.	Expenditure on International Fairs/Exhibitions	356,829,048	655,278,739
2.	Subsidy for Allocated Fairs/ delegations	33,975,838	43,786,689
3.	Expo Pakistan 2013 & 2015	195,760,418	189,577,937
<b>Total</b>		<b>586,565,304</b>	<b>888,643,365</b>

During special audit it was observed that the cumulative export during 2012-15 was US \$ 73.236 billion against envisaged export of US \$ 95.000 billion. As such export from Pakistan was 23% lesser than the targeted amount despite expenditure of Rs. 1.475 billion.

Audit is of the view that export from Pakistan could not reach up to the bench mark of US \$ 95.000 billion during 2012-15 due to non-implementation of measures / initiatives as stated in the STPF 2012-15. No record/data was provided to audit which showed any extra ordinary efforts by TDAP.

Audit is further is of the view that non-implementation of Government policies by the TDAP was a clear disregard to TDAP's Act 2013 which resulted into non enhancement of export from Pakistan and finally not achieving targets set by Government of Pakistan.

The matter was reported to the management during audit. In its reply dated 16.05.2016, it was stated by the management that the TDAP is endeavoring its level best to increase country's export to manifold. TDAP is trying level best to exploit every opportunity whether it is lifting of sanction from Iran or our Trade agreement with various countries.

The reply was not accepted because non-implementation of Government/Ministry of Commerce policies by TDAP was the main reason for non-achievement of targets set by Government.

Audit recommends that matter may be inquired in detail for fixing responsibility.

**6.4.6 Non-achievement of effectiveness of participation in international trade fairs/exhibitions against foreign remittances released to the Pakistani Missions/Embassies abroad – Rs. 1.012 billion**

As per Para-37 (t) of TDAP Act, 2013 “till notification of Authority's financial rules along with the delegated powers for incurring expenditure, the delegation of powers for making expenditure in Export Promotion Bureau vis-a-vis regular budget receipts and EMDF, shall continue to remain as they were before the commencement of this Act”. As such all rules & regulations prior to notification of TDAP Service & Financial Rules will be applicable as earlier.

As per Rule-6.3 (a) & (b) of Guidelines for participation in Int'l Trade Fairs / Exhibitions issued in pursuance of EMDF Rules-1966 amended 1993 “Within 15 days of the closing of the fair, the Team Leader shall provide to TDAP a Participation Report. The report will include invoice of space rent and other expenses supported by vouchers. (b) Trade Officer / Pakistan Mission shall also send a report to TDAP within 15 days of the closing of the fair, covering effectiveness of participation, presentation and conduct of participants, and Embassy's recommendations regarding future participation.”

Para 213(5) of GFR Vol-1 states that advances made for public expenditure will be held under objection until a detailed account duly supported by vouchers is furnished in adjustment of them.

Para 10 (2) of GFR Vol.-I stipulates that the expenditure should not be prima facie more than the occasion demands.

The management of Trade Development Authority of Pakistan remitted Rs. 1,012.108 million to various Pakistani Foreign Missions as advance during 2013-15.

During special audit it was observed that Audited Statements/ Adjustment Accounts/Detail of unspent balances and refunds/Reports by the Team Leader of the Participants and Trade Officer of Pakistan Mission/Embassy Abroad and utilization reports were not obtained.

Audit is of the view that non-obtaining of audited statements and adjustment accounts were irregular which may lead to misuse of public money.

The management replied that information was handed over to Audit. It was further mentioned that without submission of team leader report, final adjustment bill could not be processed.

The reply was not accepted because only a few reports of team leaders were produced without reviewing and commenting by TDAP.

Audit recommends that adjustment accounts should be obtained along with retrieval of unspent balances.

**6.4.7 Unauthorized utilization of funds without approval of TDAP Board - Rs. 2.848 billion**

Section-20(e) of Trade Development Authority of Pakistan Act, 2013 provides that the Board has an authority to consider and approve with or without modification the budget for each financial year of the authority and approve expenditure there from.

Section-24 of Trade Development Authority of Pakistan Act, 2013 states that the Authority shall, in all respect of each financial year, prepare its own budget and submit it after obtaining approval from the Board to the Federal Government, through Ministry of Commerce, at least four months, before the commencement of every financial year.

The management of Trade Development Authority of Pakistan incurred an expenditure of Rs. 2.848 billion during 2013-15. Details are as under:

<b>S. No.</b>	<b>Year</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Excess</b>
1	2013-2014	907,400,000	1,220,347,948	312,947,948
2	2014-2015	1,100,000,000	1,627,768,826	527,768,826
<b>Total</b>		<b>2,007,400,000</b>	<b>2,848,116,774</b>	<b>840,716,774</b>

Audit observed that:

- i. The TDAP Board met thrice since its establishment i.e. on 08.05.2013, 03.10.2014 and 02.12.2014 but approval of the TDAP Board regarding incurrence of expenditure was not obtained as was evident from the Minutes of the Board's Meetings.



- ii. Approval of Finance Division for incurrence of excess expenditure beyond allocated budget during 2013-15 was also not obtained.

Audit is of the view that funds were utilized without the approval of TDAP Board as well as Finance Division.

The management replied that the matter has been placed before TDAP Board for ex-post facto approval of the expenditure.

The reply was not accepted because the decision/opinion of the Board on the matter was not provided.

Audit recommends that responsibility may be fixed for non-approval of budget and incurrence of excess expenditure without the approval of the competent forum.

#### ***6.4.8 Irregular and unauthorized retention of recovered amount – Rs. 274.069 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 recovered Rs. 274.069 million through FIA from various companies during the year 2014.

Audit observed that:

- i. Out of recovered amount Rs. 203.373 million were invested in TDRs on 30.07.2015 in JS Bank, I.I. Chundrigar Road, Karachi, and Rs. 70.696 million were retained in TDAP, NIDA, bank account No. 20031-2, instead of depositing in Government Treasury.
- ii. The management did not provide the detail of companies which deposited the amount.

Audit is of the view that retention of Government funds in a commercial bank and investment in TDRs was irregular and unauthorized.

The management replied that amount has been placed as per directives of the TDAP Board.

The reply was acceptable because the funds were provided by the government, therefore, the same were required to be deposited into Government treasury.

Audit recommends that the amount retained and invested along with interest earned may be deposited in Government Treasury besides fixation of responsibility for non-observance of government rules.

***6.4.9 Un-authorized payment of 50% subsidy to M/s Pakistan Tanners Association (PTA) – Rs. 9.941 million***

Para 6.1(b) of the Guidelines for Participation in International Trade Fairs/Exhibitions issued in pursuance of EMDF Rules, 1966 amended 1993 states that no subsidy shall be provided for Fairs where spot sales are allowed.

The management of TDAP paid an amount of Rs. 9,941,667 to M/s Pakistan Tanners Association (PTA) vide Cheque No. 4940503 dated 10.07.2014 for disbursement to 56 participants on account of 50% subsidy on space rent and construction of stands for participation in APLF-MMT Section from 25.03.2013 to 28.03.2013 at Hong Kong.

Audit observed as under:

- i. From the review of report of Consul General, Hong Kong dated 22.05.2013 it was noted that there was on spot sale of US\$ 25 million during the fair. As such the 50% subsidy to PTA was not admissible.
- ii. Acknowledgments of 56 participants were not provided to audit.

The management replied that as regard on spot Sales of US\$ 25 million these words were misunderstood by Audit. At para 462/N of the report, the then DG (Marketing) mentioned that Chairman PTA forecasted US\$ 25 million business generated on the spot and another US\$ 20 million orders were in pipeline.

The reply was not acceptable because the forecast indicated that on the spot business was generated. Hence PTA was not entitled for subsidy. Moreover acknowledgements of 56 individual companies were also not made available to Audit.

Audit recommends that amount be recovered from PTA.

#### ***6.4.10 Doubtful payment of subsidy - Rs. 49.481 million***

Para-3.2 (1) (b) of the Guidelines for Participation in International Trade Fairs/Exhibitions issued in pursuance of EMDF Rules, 1966 amended 1993, states that for managed and allocated fairs, an exporter or his firm/sister concern will be considered for selection with normal TDAP subsidy in the same event for three times only. Sister concerns are those where one or more directors are commonly identified by the National Identity Card (NIC). For participation for the fourth time subsidy will be reduced by 50%, while after that 100% expenditure will be borne by the exporter. The selection, however, in these cases (fourth & thereafter) will be subject to availability of space.

The management of TDAP, Karachi paid an amount of Rs. 49.481 million to M/s. Pakistan Tanners Association (PTA) on account of subsidy for participation in various fairs / exhibition conducted during 2013-2015.

Audit observed that the payment was made without observing following pre-requisites / formalities:

- i. Proof of submission of participation fee along with application form.
- ii. Proof of selection of the company / participant by the fair organizers and TDAP.
- iii. Selection criteria at TDAP level and whether the participants / company obtained the approval of TDAP to participate in the fair/exhibition.
- iv. The entire amount of Rs. 49.481 million was paid to M/s. Pakistan Tanners Association (PTA) instead of participants/companies. No proof of disbursement of subsidy to concerned participants/companies was available on record.

Audit is of the view that the payment without the participation record and the proof of disbursement was doubtful.

The management replied that policy for allocated fairs which has no relevance with the audit observation.

The reply is not acceptable because the management did not mention about the points raised by Audit.

Audit recommends that the matter may be investigated and proof of disbursement of subsidy to participants concerned may be obtained.

#### ***6.4.11 Irregular and unauthorized payment on safety & security through Sindh Police – Rs. 3.000 million***

Rule-18 of Schedule-II [Rule-3(3)] of Rules of Business 1973, states that Ministry of Interior is responsible for security measures for the Federal Secretariat and Attached Departments and Subordinate Offices.

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

The management of Trade Development Authority of Pakistan made payment to Sindh Police amounting to Rs. 3.000 million on account of safety and security charges with regards to Expo Pakistan, 2013 & 2015, Karachi. Details are as under:

Sr #	Cheque No.	Date	Name of Payee	Amount(Rs)
1	Vide No.SB/Verification/3535	22.09.2013	SSP Security, Special Branch, Karachi	550,000
2	8377618	26.09.2013	DIG East, Sindh Police, Karachi	700,000
3	4939978	20-Feb-15	DIG, Sindh Police, Karachi	800,000
4	4939981	23-Feb-15	SSP Security, Special Branch, Karachi	650,000
5	4940014	26-Feb-15	SSP Sindh Police, District South, Karachi	300,000
<b>Total</b>				<b>3,000,000</b>

Audit observed that:

- i. It was the core responsibility of Sindh Police Department to provide safety and security.
- ii. The services of Sindh Police Department were hired without prior approval/NOC from Ministry of Interior, Islamabad.
- iii. Payment was made without details of deployment of Police Offices / Officials.
- iv. Payment to Police Department was made despite heavy monthly expenditure on account of security guards at Karachi Expo Centre, Karachi.

Audit is of the view that the expenditure of Rs. 3.000 million was incurred without observing financial economy.

The management replied that in this mega event the role of Special Branch was critically essential, more than 500 special branch staff was deployed

at Expo Centre, Airport and Hotels to perform duty vigorously. As per request from Sindh Police Department and keeping the sensitivity of the event, TDAP arranged Rs. 3 million for lodging and feeding of the staff.

The reply was not acceptable because the services of Sindh Police were hired without prior approval/NOC from the Ministry of Interior, Islamabad and without determining number of police officers/officials before start of the event.

Audit recommends that the responsibility may be fixed for making payments without observing financial economy, non-approaching Ministry of Interior for security of the events and without having complete details of the Police deployment.

## **CHAPTER 7**

### **7. COMMUNICATIONS DIVISION**

#### **7.1 Introduction**

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

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

Final budget allocated to the Communications Division for the financial year 2015-16 was Rs. 8,757.447 million including Supplementary Grant of Rs. 1,121.700 million out of which the Division utilized Rs. 8,239.803 million. Grant-wise detail of current and development expenditure is as under:

**(Rupees)**

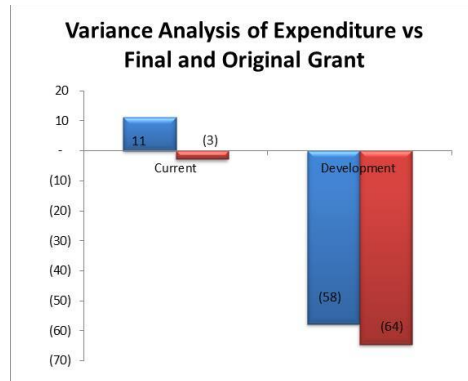
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)	% age Excess/ (Saving)
20	Current	4,821,000,000	8,000	4,821,008,000	4,590,170,979	(230,837,021)	(5)	(5)
21	Current	2,450,000,000	1,051,919,000	3,501,919,000	3,495,140,914	(6,778,086)	(0)	43
	<b>Subtotal</b>	<b>7,271,000,000</b>	<b>1,051,927,000</b>	<b>8,322,927,000</b>	<b>8,085,311,893</b>	<b>(237,615,107)</b>	<b>(3)</b>	<b>11</b>
110	Development	364,747,000	69,773,000	434,520,000	154,491,350	(280,028,650)	(64)	(58)
	<b>Total</b>	<b>7,635,747,000</b>	<b>1,121,700,000</b>	<b>8,757,447,000</b>	<b>8,239,803,243</b>	<b>(517,643,757)</b>	<b>(6)</b>	<b>8</b>

There was an overall saving of Rs. 517.644 million.

### *Supplementary Grants obtained without careful cash forecasting*

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, excess in current expenditure was 11%, which, after accounting for Supplementary Grants changed to savings of 3%. In development expenditure, the saving against original budget was 58% which increased to 64% when Supplementary Grants were taken into account.





### 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
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
<b>Total</b>		<b>44</b>	<b>44</b>	<b>35</b>	<b>9</b>	<b>80</b>

### 7.4 AUDIT PARAS

#### *Irregularity & Non Compliance*

#### **7.4.1 Short collections by NHA on account of fine imposed by NH&MP - Rs. 2,028.809 million**

In terms of Para 5(e) of Finance Division's O.M. No. F.3 (2)/Exp.III/2006 dated 13.09.2006 in the matter of receipts pertaining to the Ministry /Division/attached Department and Sub-Ordinate Offices, the Principal Accounting Officer is expected to ensure that adequate machinery exists for due collection and bringing to account of all receipts of any kind connected with the functions of the Ministry/Division(s), departments and subordinate offices under his control.

Rule 2 (i) of National Highways and Motorway Police (Road Safety Campaigns, Performance Reward Fund) Rules-2007, states that "share" means fifty percent of the total fine money, after deduction of collection charges,

deposited by the violators of traffic rules and transferred to NH&MP after reconciliation by the NHA on monthly basis.

The management of the NH&MP, Islamabad imposed fine of Rs. 19,704.994 million on violators of traffic rules up to 2015-16 but same was not collected by National Highway Authority (NHA).

Audit observed that total fine imposed by NH&MP up to 2015-16 was Rs. 19,696.983 million whereas the NHA reported fine collection of Rs.17,676.184 million leaving a difference of Rs.2,028.809 million. The detail of which is as under:

S. No.	Financial Year	Fine Imposed (Rs.)	Fine Collected (Rs.)	Difference (Rs.)
1	1997-98	10,017,510	9,089,175	928,335
2	1998-99	14,134,256	13,826,103	308,153
3	1999-00	18,944,329	17,343,460	1,600,869
4	2000-01	25,302,150	24,006,630	1,295,520
5	2001-02	49,350,950	44,068,602	5,282,348
6	2002-03	224,494,850	194,682,996	29,811,854
7	2003-04	535,006,744	442,174,071	92,832,673
8	2004-05	755,260,969	621,884,728	133,376,241
9	2005-06	1,080,893,137	882,192,324	198,700,813
10	2006-07	1,293,313,050	1,039,320,893	253,992,157
11	2007-08	1,434,267,180	1,142,598,544	291,668,636
12	2008-09	1,332,803,000	1,144,522,550	188,280,450
13	2009-10	1,406,261,100	1,049,387,934	356,873,166
14	2010-11	1,320,721,120	1,051,727,528	268,993,592
15	2011-12	518,768,850	410,450,311	108,318,539
	2011-12	1,174,822,750	1,168,654,796	6,167,954
16	2012-13	1,648,054,451	1,598,280,863	49,773,588
17	2013-14	2,235,096,000	2,207,932,294	27,163,706
18	2014-15	2,423,183,050	2,410,110,860	13,072,190
19	2015-16	2,204,298,400	2,203,929,250	369,150
<b>Total</b>		<b>19,704,993,846</b>	<b>17,676,183,912</b>	<b>2,028,809,934</b>

Audit observed that the management did not conduct any inquiry to find out the reasons behind the pilferage of huge amount of public money over the years.

Audit is of the view that non-collection of full amount by NHA of the fine imposed by the NH&MP resulted in a loss of Rs. 2,028.809 million to the Government.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

Audit recommends that a comprehensive inquiry may be conducted jointly by NH & MP and NHA in order to bring to light the reasons of pilferage of fine money and persons responsible for it.

**7.4.2 Non-obtaining of adjustment accounts of payments made for road safety activities to different sectors - Rs. 11.000 million**

Para 207 (3) of GFR Vol-1 states that before a grant is paid to any public body or institution, the sanctioning authority should as far as possible insist on obtaining an audited statement of the account of the body or institution concerned in order to see that the grant is justified by the financial position of the grantee and to ensure that any previous grant was spent for the purpose for which it was intended.

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.

It was observed that management made following advance payments to its different Sector Commanders for Road Safety Activities out of Road Safety Fund during 2014-15 and 2015-16. Detail of payments is as under:

S. No.	Sector Commander	Cheque No.	FY	Total (Rs.)
1	Sector Commander M-2 (South)	10066481	2014-15	2,000,000
2	Sector Commander M-1	36470496	2015-16	2,000,000
3	Sector Commander M-2 (North)	36470506	2015-16	2,000,000
4	Sector Commander M-2 (South)	36470507	2015-16	5,000,000
<b>Total</b>				<b>11,000,000</b>

Audit observed as under:

- i. The advances were granted without any estimates of requirements.

- ii. Adjustment accounts of advances were not obtained from Sector Commanders.
- iii. The management was asked to provide the adjustment accounts which were not produced to Audit.

Audit is of the view that the advances were made in violation of NH&MP (Road Safety Campaigns, Performance Reward) Rules, 2007 and instructions issued by Finance Division.

Audit is of the view that due to non-provision of audited statements/ adjustment accounts by the management the authority of the accounts could not be ascertained.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

The Management did not reply.

Audit recommends that the adjustment accounts may be requisitioned from the Sector Commanders and a copy thereof may be provided to the audit.

#### ***7.4.3 Unauthorized operation of Road Safety Training Institutes and collection of fee - Rs. 8.047 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 for training of drivers. The DIG N-5(North Zone) conducted various courses and collected Rs. 8.047 million from the trainees as fee. Out of which an expenditure of Rs. 7.402 million (Rs. 6,235,369 + Rs. 1,166,664) was incurred on various activities. Details are given as under:

(Rupees)

S. No.	Name of office	No. of Courses	Fee Collected	Expended Amount	Balance Details
1.	Beat-01 N-5 (North-I)	07	535,500	377,305	158,195
2.	Beat-02 N-5 (North-I)	08	756,000	633,483	122,517
3.	Beat-03 N-5 (North-I)	08	845,250	616,911	228,339
4.	Beat-04 N-5 (North-I)	08	610,000	459,999	150,001
5.	Beat-06 N-5 (North-II)	07	652,500	636,425	-10,925
6.	RSTI Driving School, Mirpur	03	189,000	160,300	28,700
7.	RSTI Driving School, Chakwal	01	72,000	105,000	33,000
8.	RSTI Driving School, Muzafarabad	01	76,500	87,555	-11, 055
9.	Beat-07 N-5 (North-II)	09	927,000	726,251	200,749
10.	Beat-08 N-5 (North-III)	11	1,057,500	727,100	330,400
11.	Beat-09 N-5 (North-III)	09	819,000	601,650	217,350
12.	Beat-10 N-5 (North-III)	10	994,500	757,240	237,260
13.	Beat-11 N-5 (North-III)	05	513,000	346,150	166,850
<b>Total</b>			<b>8,047,750</b>	<b>6,235,369</b>	<b>1,152,609</b>

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. 8.048 million @ Rs. 4,500 per trainee was collected out of which an expenditure of Rs. 6.235 million was incurred.
- iii. Further, balance amounts of Rs. 1.3 million handed over to Accounts Branch N-5 North-I sector, Khairabad out of which an amount of Rs. 1.167 was incurred without any justification.

Audit is of the view that opening of training institutes, collection of receipts and its utilization was irregular and unauthorized.

The department did not reply till the issuance of the report.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

Audit recommends that receipts on account of training schools may be deposited into the Government treasury.

#### ***7.4.4 Non-deposit of receipt into the bank - Rs. 7.1702 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.

The management of NH&MP received an amount of Rs. 7.170 million during 2015-16 for deposit in bank account No. 01-167-0002-4, Allied Bank Limited (ABL) maintained for Reward and Welfare Fund.

Audit observed that the amount was not deposited into the bank account.

Audit is of the view that non-deposit of receipt lead to misappropriation of funds.

The management replied that in order to probe the matter the Inspector General, NH&MP constituted an inquiry committee and report would be shared with Audit.

The reply indicates that the management has accepted that the amount was embezzled.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

Audit recommends that the matter may be investigated, responsibility may be fixed and amount may be recovered from the person(s) at fault.

#### ***7.4.5 Unauthorized opening of bank accounts and retention of funds - Rs.5.119 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 DIG N-5(North) NH&MP was maintaining following 04 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 as on 01.07.2014	Receipts	Expenditure	Balance as on 30.06.2015
1.	Allied Bank Limited, Civic Centre Branch, Islamabad.	PLS Account 0010000525620106	DIG N-5 (North Zone)	2,878,265	137,768	2,663,962	352,071
2.	National Bank Limited, Kamra Branch, Kamra.	Current Account 4042537457	SSP N-5 (North-1)	127,255	600,000	721,697	5,558
3.	National Bank Limited, Civil Lines Branch, Jhelum.	Current Account 4041869332	SSP N-5 (North-2)	104,593	598,294	472,727	230,160
4.	National Bank Limited, G.T. Road Branch, Gujranwala.	PLS Account 3062132240	SSP N-5 (North-3)	65,920	607,194	512,857	160,256
<b>Total</b>				<b>3,176,033</b>	<b>1,943,256</b>	<b>4,371,243</b>	<b>748,045</b>

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 at Islamabad.

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 department did not reply till the issuance of the report.

The PAO was informed on 15.12.2016, but DAC was not convened till 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.

#### **7.4.6 Short receipt of printing material - Rs. 4.203 million**

Rule 148 of GFR Vol-I states that all materials received should be

examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

The management of NH&MP, Motorway Zone, Islamabad incurred an expenditure of Rs. 8,945,000 on printing material during 2014-15.

Audit observed that advance payment of Rs. 7,913,925 was made to Pakistan Printing Corporation of Pakistan (PPCP) vide cheque dated 26.06.2015 for printing out of which material of Rs. 3,710,500 have been received so far and material worth Rs. 4,203,425 is still outstanding despite lapse of two years.

Audit is of the view that short receipt of printing material resulted in loss of Rs. 4,203,425.

The Management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

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

#### ***7.4.7 Unauthorized and irregular expenditures from Road Safety Fund on account of overhauling of vehicles - Rs. 3.559 million***

Rule 6 of Road Safety Campaigns, Performance and Reward Rules, 2007 states utilization of the fund as under;

- a) To purchase, procure, prepare and fix the signals and signboards on the national highways and motorways;
- b) 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 National Highways and Motorway Police by maintenance of national database on traffic



and roads safety programmes or by the other appropriate means including encouraging the community participation and holding of events like seminars, workshop within the scope of awareness about traffic codes, rules and safety, or any activity directly related to the safety of the road users.

- c) To award performance rewards up-to the twenty-five percent of the total strength of the Police force annually whose performance has been extraordinary, outstanding and meritorious service involving risk and initiative of the individuals;
- d) To finance different welfare measures and schemes for the welfare of National Highway and Motorway Police; and
- e) To donate amounts, subject to approval of the committee, to the Government, Governmental Organizations or any person during the natural calamities, emergency or accident, etc.

The management of Sector (N-II) Jhelum and Sector (N-I) Khairabad incurred expenditure of Rs. 1,800,000 and Rs. 1,759,390 respectively on overhauling of vehicles from Road Safety Fund during 2015-16.

It was observed that overhauling of vehicles was made out of this fund despite allocation in the regular budget under head (A-13001). The detail of expenditure is as under:

N-II Jhelum		N-I Khairabad	
Vehicle No. and Type	Amount	Vehicle No. and Type	Amount
IDP-2425 Toyota Hiace Van	250,000	IDP-2428 Toyota Hiace Van	280,000
IDP-2423 Toyota Hiace Van	250,000	IDP-1770 Toyota Parado Jeep	220,000
IDP-2436 Toyota Hiace Van	250,000	IDP-2406 Toyota Hiace Van	280,000
IDP-2441 Toyota Parado Jeep	150,000	IDP-1773 Toyota Parado Jeep	220,000
IDP-2119 Toyota Parado Jeep	150,000	IDP-2943 Toyota Hiace Van	280,000
IDP-2433 Toyota Hiace Van	250,000	IDP-1544 Hino Truck	190,000
IDP-2434 Toyota Hiace Van	250,000	IDP-1766 Hyundai Van (Ambulance)	289,390
IDP-2435 Toyota Hiace Van	250,000	-	
<b>Total</b>	<b>1,800,000</b>	<b>Total</b>	<b>1,759,390</b>

Audit is of the view that expenditure out of Road Safety Fund on repair of vehicles in violation of above mentioned rules was irregular and unauthorized.

The Management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

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

**7.4.8 Irregular and unauthorized payment of cash award - Rs. 3.388 million**

Serial No. 9(37) of Annex-I of 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 of payment of scholarship/reward in accordance with approved rates for scales.

The management of NH&MP paid cash award amounting to Rs. 1,218,600 during 2014-15 and Rs. 2,169,700 during 2015-16 to its officers and staff.

Audit observed that cash award was paid to the employees out of regular budget meant for scholarships as no rules for payment of cash award to the NH&MP employee were framed so far.

Audit is of the view that the payment of Rs. 3,388,300 as cash award to employees was unauthorized and irregular.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

Audit recommends that proper rules, policy and criteria may be framed for the payment of scholarship and cash reward.

**7.4.9 Irregular expenditure on purchase of souvenir items on the occasion of Eid-ul-Fitar without calling open tenders - Rs. 1.870 million**

Rule 9 of Public Procurement states that, a procuring agency shall

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

The management of NH&MP (HQ), Islamabad incurred an expenditure amounting to Rs. 1,870,000 on purchase of souvenir items (Eid Gifts Bags) for Central Zone, North Zone & Motorway Zone on the occasion of Eid-ul-Fitar 2016. The details of some vouchers are given below:

Bill No.	Items/ Description	Qty	Firms	Amount
230	Glasses + Bags + Fliers etc.	500	M/s Boss Man	97,516
515	Golf Caps	500	M/s Margalla Traders	99,640
520	Golf Caps	500	M/s Margalla Traders	99,640
523	Golf Caps	500	M/s Margalla Traders	99,640
140	Golf Caps	500	M/s JR Enterprises	99,640
205	Golf Caps	500	M/s JR Enterprises	99,640
200	Golf Caps	500	M/s JR Enterprises	99,640
110	Golf Caps	500	M/s SMK Enterprises	99,640
212	Golf Caps	500	M/s SMK Enterprises	99,640
212	Golf Caps	500	M/s Boss Man	99,640
210	Golf Caps	500	M/s Boss Man	99,640
214	Golf Caps	500	M/s Boss Man	99,640
215	Golf Caps	500	M/s Boss Man	99,640

Audit observed as under:

- i. Purchase and work orders were split up just to avoid the necessity of open tenders.
- ii. All three quotations were of same printing and same font size.
- iii. All invoices / bills / quotations of the all suppliers were without a date which shows that the bills are fictitious, therefore payment made to the supplier is held dubious.

Audit is of the view that purchase of Eid Gifts by splitting up of sanction orders and in non-transparent manner was irregular and unauthorized.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

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

***7.4.10 Unauthorized utilization of Government receipts on account of training fee - Rs. 1.045 million***

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 revenue of the Federal Government be kept out of Federal Consolidated Fund of the Federal Government.

Rule 7(1) of FTR further states that all Government receipts should be deposited into Government account and all moneys received shall not be appropriated to meet departmental expenditure.

The management of Road Safety Training Institute Lines (HQ) Driving Licencing Authority (DLA) under NH&MP, Islamabad, collected training fee amounting to Rs. 1,237,800.

Audit observed that management collected the training fee from the trainees for the period under audit amounting to Rs. 1,237,800 @ Rs. 4,500 and incurred expenditures of Rs. 1,044,713 from thereof and deposited remaining amount of Rs. 291,907 in the Government treasury.

Audit is of the view that incurring of expenditures from training fee was irregular and unauthorized.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

Audit recommends that the irregular practice may be stopped forthwith and the excess amount already paid may be deposited in the Government treasury.

#### ***7.4.11 Loss due to non-auction of condemned /off-road vehicles***

Para-167 of GFR Vol-I 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. Each order declaring stores as unserviceable should record the full reasons for condemning them and how the condemned stores are to be disposed of i.e., whether by sale, public auction or otherwise. The head of the office should record full particulars regarding all condemned stores in suitable list from which their disposal can be watched.

The management of NH&MP, Islamabad has 49 off-road vehicles lying idle since long that were not auctioned.

Audit observed that 49 vehicles were off-road but management did not auction these vehicles as per rules, which resulted in loss due to depreciation.

Audit is of the view that non-auction of condemned vehicles since long is a serious negligence on the part of the management which may cause heavy loss to Government exchequer.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

Audit recommends that the vehicles may be disposed of and sale proceeds may be deposited into the Government treasury.

#### ***7.4.12 Non framing of rules for function of National Highways and Motorway Police***

Section 93 of the NH&MP Ordinance 2000 provides that the Inspector General of Police (1) in consultation with the Government, may, by notification in the official Gazette, make rules for carrying into effect the provisions of this Chapter.

(2) Without prejudice to the generality of the foregoing powers, such rules may provide for all or any of the following matters, namely:

- a) For the efficient and effective discharge of duties by the force.
- b) Discipline, apparel, recruitment, induction, promotion, transfer and appointment.
- c) Procedure for employing experts and entering into contracts with various agencies.
- d) Procedure for investigation of offences, regulation of traffic and evaluation of facilities, hoardings and route permits.

In addition to above, Sections 17,38,40,64 and 80 also require framing of rules for the carrying in to effect the provisions of the NH&MP Ordinance in relation to registration of road vehicles, construction, equipment and maintenance of road vehicles control of traffic and offences, penalties and procedure.

Audit observed that despite the lapse of 16 years since the promulgation of National Highways Safety Ordinance, 2000, all the requisite rules for carrying out the purposes of the ordinance were not made.

Audit is of the view that non framing of rules is a lapse on the part of the management.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

Audit recommends that the rules may be framed after approval of the Federal Government.

#### ***7.4.13 Non-collection of 50% share of the total fine money by NH&MP from NHA***

Rule 2(i) of National Highways and Motorway Police (Roads Safety Campaigns, Performance Reward) Rules, 2007 states that “share” means fifty percent of the total fine money, after deduction of collection charges, deposited by the violators of traffic rules and transferred to National Highway and

Motorway Police after reconciliation by the National Highway Authority on monthly basis.

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.

The DIG N-5(North Zone), National Highways and Motorway Police (NH&MP) issued tickets to impose fine of Rs. 704.277 million to the violators of traffic rules during 2014-15.

Audit observed that out of total fines, Fine Collection Unit (FCU) of NHA collected Rs. 704.206 million. The 50% share of the total fine money after deducting of operational charges was required to be deposited in to NH&MP by NHA against the imposed fine, which was not deposited by the National Highway Authority as no record is available with DIG N-5 (NH&MP).

Audit is of the view that the DIG N-5 (North Zone) NH&MP did not collect its share of fine from NHA.

The department did not reply till the issuance of the report.

The PAO was informed on 15.12.2016, but DAC was not convened till finalization of the report.

Audit recommends that efforts should be made to recover the fine money from NHA and shown to audit.

## CHAPTER 8

### 8. DEFENCE DIVISION

#### 8.1 Introduction

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

Functions of Defence Division as per Rules of Business, 1973.

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.

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

Final budget allocated to the Defence Division for the financial year 2015-16 was Rs. 11,574.827 million including Supplementary Grant of Rs. 800.644 million against which the Division utilized Rs. 10,638.720 million. Grant-wise detail of current and development expenditure is as under:

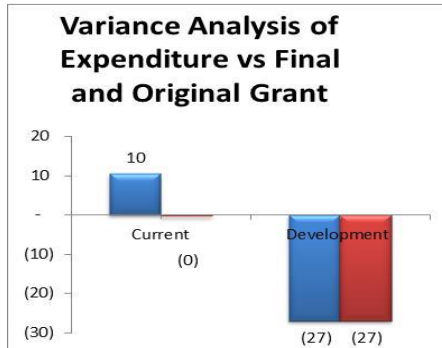
**(Rupees)**

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
23	Current	1,431,000,000	446,644,000	1,877,644,000	1,877,899,006	255,006	0
24	Current	1,111,000,000	-	1,111,000,000	1,067,011,950	(43,988,050)	(4)
25	Current	4,874,000,000	354,000,000	5,228,000,000	5,243,381,326	15,381,326	0
	<b>Subtotal</b>	<b>7,416,000,000</b>	<b>800,644,000</b>	<b>8,216,644,000</b>	<b>8,188,292,282</b>	<b>(28,351,718)</b>	<b>(0)</b>
111	Development	2,458,183,000	-	2,458,183,000	1,550,427,604	(907,755,396)	(37)
112	Development	900,000,000	-	900,000,000	900,000,000	-	-
	<b>Subtotal</b>	<b>3,358,183,000</b>	<b>-</b>	<b>3,358,183,000</b>	<b>2,450,427,604</b>	<b>(907,755,396)</b>	<b>(27)</b>
	<b>Total</b>	<b>10,774,183,000</b>	<b>800,644,000</b>	<b>11,574,827,000</b>	<b>10,638,719,886</b>	<b>(936,107,114)</b>	<b>(8)</b>

Audit noted that there was an overall savings of Rs. 936.107 million, which was due to savings of Rs. 907.755 million in development grants.

### *Supplementary Grants obtained without careful cash forecasting*

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 10%, which, after accounting for Supplementary Grants changed to savings of 0.35%. In development expenditure, savings against original budget was 27% and Supplementary Grants were not taken into account during the year for development expenditure.



### 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
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
<b>Total</b>		<b>72</b>	<b>72</b>	<b>49</b>	<b>23</b>	<b>68</b>

### 8.4 AUDIT PARAS

#### *Irregularity & Non Compliance*

#### *8.4.1 Loss due to auction of apprehended Indian boats below the reserve price - Rs. 19.000 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”.

The management of Pakistan Maritime Security Agency (PMSA), Karachi auctioned 17 apprehended Indian Boats, TVs, DVDs and Plastic Buckets, Plastic Tanks for Rs. 28,029,000.

The committee to ascertain the reserve price of apprehended boats, submitted the reserve price of confiscated boats with category A+, A and B, depending upon the condition of equipment, hull and machinery on boat, as per description below, with the following reserve price.

<b>S. No.</b>	<b>Items</b>	<b>Reserve Price</b>
1.	Fishing Boat (Category A <sup>+</sup> )	3,500,000
2.	Fishing Boat (Category A)	2,000,000
3.	Fishing Boat (Category B)	1,500,000

Audit observed that the president of Auction Committee reduced the reserve price by 50% on his own without the approval of Auction Committee. Accordingly the apprehended boats were auctioned at reduced reserve price. Detail as below:

<b>Category</b>	<b>Actual Reserve Price</b>	<b>Auctioned with less price</b>	<b>Difference</b>	<b>No of boats auctioned</b>	<b>Loss due to Auctioned with less price</b>
A <sup>+</sup>	3,500,000	1,500,000	2,000,000	02	4,000,000
A	2,000,000	1,000,000	1,000,000	15	15,000,000
				Total	19,000,000

Audit is of the view that the president of the Auction Committee was not competent to reduce the reserve price on his own without approval of Auction Committee, hence caused loss of Rs 19,000,000 to national exchequer.

The management did not reply.

The PAO was informed on 31.12.2015, but DAC was not convened till finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity.

## CHAPTER 9

### 9. ECONOMIC AFFAIRS DIVISION

#### 9.1 Introduction

Economic Affairs Division is responsible for assessment of requirements, programming and negotiations of external economic assistance related to the Government of Pakistan and its constituent units from foreign Governments and multilateral agencies. The issues regarding external debt management and matters relating to technical assistance to foreign countries, credit to friendly countries on lending/re-lending of foreign loans and monitoring of aid utilization are being handled by this Division. The functions and responsibilities of Economic Affairs Division as listed in Schedule II of Rules of Business, 1973 are as under:

- i. Assessment of requirements, programming and negotiations for external economic assistance from foreign Governments and organizations
- ii. Matters relating to International Bank for Reconstruction and Development, International Development Agency, International Finance Corporation, Asian Development Bank, International Fund for Agricultural Development
- iii. Economic matters pertaining to Economic and Social Council of the United Nations, Governing Council of United Nations Development Program, Economic and Social Commission for Asia and Pacific, Colombo Plan and Organization for Economic Cooperation and Development (Development Assistance Committee)
- iv. Negotiations and coordination activities, etc. pertaining to economic cooperation with other countries
- v. Assessment of requirements, programming and negotiations for securing technical assistance to Pakistan from foreign Governments and organizations, including nominations for EDI courses

- vi. Matters relating to technical assistance to foreign countries
- vii. External debt management, including authorization of remittances for all external debt service, compilation, accounting and analysis of economic assistance from foreign Governments and organizations
- viii. Review and appraisal of international and regional economic trends and their impact on the national economy. Proposals concerning change in international economic order
- ix. Matters relating to transfer of technology under UNDP assistance
- x. Matters relating to Islamic Development Bank

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

Final budget allocated to the Economic Affairs Division for the financial year 2015-16 was Rs. 1,365,163.170 million including Supplementary Grant of Rs. 22,726.414 million out of which the Division utilized Rs. 1,100,264.488 million. Grant-wise detail of current and development expenditure is as under:

**(Rupees)**

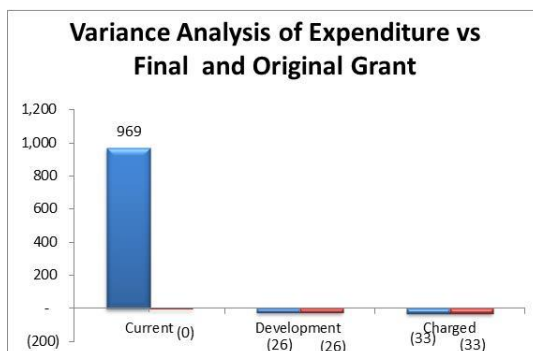
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
38	Current	507,000,000	4,913,716,000	5,420,716,000	5,418,682,352	(2,033,648)	(0)
	<b>sub-total</b>	<b>507,000,000</b>	<b>4,913,716,000</b>	<b>5,420,716,000</b>	<b>5,418,682,352</b>	<b>(2,033,648)</b>	<b>(0)</b>
117	Development	52,461,000	1,353,282,000	1,405,743,000	1,353,281,647	(52,461,353)	(4)
137	Development	209,505,435,000	-	209,505,435,000	154,482,566,342	(55,022,868,658)	(26)
	<b>Subtotal</b>	<b>209,557,896,000</b>	<b>1,353,282,000</b>	<b>210,911,178,000</b>	<b>155,835,847,989</b>	<b>(55,075,330,011)</b>	<b>(26)</b>
E	Charged	111,219,192,000	11,374,194,000	122,593,386,000	112,559,490,466	(10,033,895,534)	(8)
F	Charged	316,372,880,000	1,865,970,000	318,238,850,000	258,740,894,398	(59,497,955,602)	(19)
G	Charged	89,424,506,000	-	89,424,506,000	76,566,415,202	(12,858,090,798)	(14)
	<b>Subtotal</b>	<b>517,016,578,000</b>	<b>1,865,970,000</b>	<b>407,663,356,000</b>	<b>335,307,309,600</b>	<b>(72,356,046,400)</b>	<b>(33)</b>
	<b>Total</b>	<b>727,081,474,000</b>	<b>22,726,414,000</b>	<b>1,365,163,170,000</b>	<b>1,100,264,487,996</b>	<b>(264,898,682,004)</b>	<b>(19)</b>

Audit noted that there were overall savings of Rs. 264,898.682 million.

### *Supplementary Grants obtained without careful cash forecasting*

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, excess in current expenditure was 969%, which, after accounting for Supplementary

Grants changed savings. There were savings of 26% in development expenditure and 33% in charged expenditure.



### 9.3 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
Economic Affairs Division	1989-90	1	1	1	0	100
	1992-93	5	5	5	0	100
	1996-97	2	2	1	1	50
	2000-01	5	5	0	5	0
	2005-06	2	2	0	2	0
	2006-07	5	5	2	3	40
	2007-08	1	1	0	1	0
	2008-09	2	2	0	2	0
<b>Total</b>		<b>23</b>	<b>23</b>	<b>9</b>	<b>14</b>	<b>39</b>

### 9.4 AUDIT PARAS

#### *Non Production of Record*

##### *9.4.1 Trust for Voluntary Organization refused to get their accounts audited*

The Honorable Supreme Court of Pakistan in its judgment dated 08.07.2013 declared and directed in Para 27(b) that 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.

Section 14(2) of the 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 the 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.

Auditor General Office vide letter No. 742/Report/48-C/Coord/FAOs/15 dated 30.09.2015 directed to include organizations/entities who were claiming immunity or refusing to get their accounts audited through Auditor General of Pakistan in audit plan.

Trust for Voluntary Organization (TVO) was established under the Charitable Endowments Act, 1890. Section 18 of the Charitable Endowments (Central) Rules, 1942 states that the audit of organizations established under the said Act shall be conducted by the Comptroller and Auditor-General.

- i. The management of TVO was requested vide letters dated 28.09.2015, 20.10.2015, 22.01.2016 to submit their accounts for audit.
- ii. The matter was also taken up with Secretary, Economic Affairs Division with the request to direct TVO to submit their accounts for audit.
- iii. In terms of Article 170(2) of the Constitution of Islamic Republic of Pakistan read with AGP's Ordinance, 2001 the Auditor General of Pakistan has the mandate to audit accounts of any authority or body established by or under the control of the Federal or Provincial Government.
- iv. The Constitutional provisions were further elaborated by the Honorable Supreme Court of Pakistan in its judgment vide suo moto Case No. 12 of 2015.

Despite repeated requests, the management of TVO refused to get their accounts audited on the plea that TVO is a charitable, non-Governmental



organization registered under Charitable Endowment Act, 1980 which does not have Statutory Rules and TVO does not have funds provided out of the Federal Consolidated Funds of the Government of Pakistan.

Audit is of the view that the stance taken by the management is in violation of the orders of the Hon'able Supreme Court of Pakistan and attracts Section 14(3) of AGP's Ordinance, 2001.

Audit is also of the view that as the TVO has already acknowledged its establishment by the Federal Government through an agreement with the Government of United States of America and control of the Federal Government over its affairs through the Economic Affairs Division so TVO falls under the audit jurisdiction of the Auditor General of Pakistan.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Hon'able Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record.

## CHAPTER 10

### 10. ELECTION COMMISSION OF PAKISTAN

#### 10.1 Introduction

Election Commission came into being on 23<sup>rd</sup> 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 25<sup>th</sup> 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 18<sup>th</sup> 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 Hon'able Judges of High Courts of the Provinces.

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

Final budget allocated to the Election Commission for the financial year 2015-16 was Rs. 5,896.109 million including Supplementary Grant of Rs. 3,746.109 million out of which the Commission utilized Rs. 5,472.654 million. Grant-wise detail of current and development expenditure is as under:

**(Rupees)**

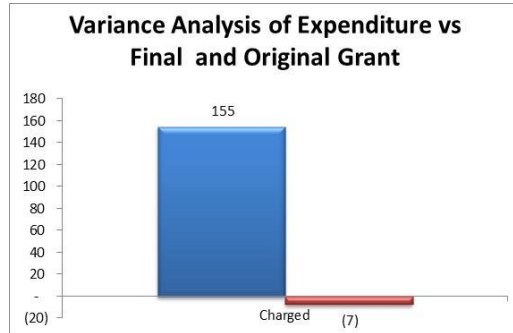
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
J	Charged	2,150,000,000	3,746,109,000	5,896,109,000	5,472,654,855	(423,454,145)	(7)

Audit noted that there was an overall savings of Rs. 423.454 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 expenditure was 155%, which, after accounting for Supplementary Grant changed to savings of 7%.



### 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
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
<b>Total</b>		<b>8</b>	<b>8</b>	<b>3</b>	<b>5</b>	<b>38</b>

### 10.4 AUDIT PARAS

#### *Irregularity & Non Compliance*

#### *10.4.1 Irregular charging of Rs. 2 over Short Messaging Service to check voting details and non-depositing of 1/3<sup>rd</sup> shares of ECP into Government treasury realized through cellular mobile phone companies - Rs. 46.356 million*

Clause 10 of Agreements dated 07.03.2012 between ECP, National Database & Registration Authority (NADRA) and cellular mobile phone companies states that cellular mobile phone companies will pay to ECP and NADRA their agreed share of the revenue generated from the SMS Services on monthly basis. Cellular Mobile Phone Companies shall charge Rs. 2.00 plus taxes from the subscribers for each SMS. This receipt shall be shared equally between the three parties.

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.

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 Election Commission of Pakistan (ECP) vide its meeting dated 30.11.2011 decided that SMS charges for public to check their voting details be fixed at Rs. 2.00 per SMS. The Commission directed that a proper contract in this regard will be signed between the three parties involved in the provision of SMS service to the voters for a period of one-year which will be extendable with the concurrence of the parties i.e. ECP, NADRA and Cellular Companies. In the meanwhile, DG (IT) will initiate the process for procurement of requisite equipment's for launching SMS service by the ECP itself.

Audit observed as under:

- i. Instead of depositing the share of ECP into the Government treasury, ECP's share amounting to Rs. 46.355 million was transferred to NADRA by mobile companies which was lying with NADRA for the last four years.
- ii. The charging of Rs. 2 from the subscribers for each SMS was fixed without obtaining the approval of Ministry of Finance.

Audit is of the view that non-receipt of ECP share deprived the Government of its due receipt.

The management replied that Hon'ble CEC/Commission had given the direction to prepare the proper contract regarding the SMS service in this regard. In order to ensure a careful and critical examination, the contract was vetted by

legal wing , Ministry of IT, Ministry of Law Justice and Human Rights which was approved by the Hon'ble CEC and the amount of 1/3 share was also a part of the approved contract. As far as CERS is concerned, it is informed that the transfer of CERS database to ECP is in progress already, and the connectivity between the ECP and field offices all over Pakistan has also been achieved for CERS connectivity by ECP. It is likely to be achieved as per decided timeline.

Cellular mobile phone companies did not pay the share of the ECP from the revenue generated from SMS service. ECP share was transferred by Cellular Mobile Phone Companies to NADRA and NADRA did not transfer the share of Rs.46.3655 for the period up to 05.07.15 to ECP. The detail of revenue generated by Cellular Mobile Phone Companies and share of ECP is missing and not available on record.

As per the approved contract the ECP set so many letters to NADRA for the transfer of ECP share which was generated from SMS service and as per the contract approved, NADRA was supposed share the amount with ECP which is still awaited.

Reply was not accepted because the management failed to get its share as per contract.

The PAO was informed on 24.11.2016 and 09.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that due share may be recovered from NADRA along with interest and deposited into the Government treasury besides regularization of charges of Rs. 2 from the Finance Division.

#### ***10.4.2 Irregular and unauthorized withdrawal of honorarium - Rs. 3.070 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.

Rule 9 of GFR Vol-II 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 management of ECP drew an amount of Rs. 3.070 million during the year 2015-16 for the payment of honorarium to the employees not drawing their salaries out of ECP Budget.

Audit observed that 167 employees belonged to other offices like AGPR, Finance including FA/DFA, PWD, and Police who were not entitled for the honorarium out of ECP Budget. The entire amount was drawn and paid through DDO in violation of rules.

Audit is of the view that employees of other offices were drawing salaries from their authorized grants and were working in their own establishments/offices and they were not entitled for grant of honorarium from an office other than their own. Thus the payment of honorarium to the employees of other departments who were not on the payroll of the ECP was irregular and unauthorized.

The department replied that ECP has obtained services of employees of some other/sister department, who are performing series side by side with the officials of ECP. All these employees are service the system in public interest and ECP sometimes considers them for the purpose of payment of honoraria purely for their services and contributions to the system. It is also submitted that departments and is not considered by them for payment of honoraria. It is elucidated for king information of audit team that, essential for Election commission of Pakistan. The strength of employees of organization is very meager. Obviously, there is no other option other than to take services of employees of other departments for smooth conduct of elections. Mostly the departments such as police Personal's PWD, PTCL, Finance Departmental (AGPR office), services and General administration (Provincial level), Education Department etc are taken for smooth conduct of election activities.

Reply was not accepted because the employees who performed any job which was occasional in nature and laborious then they should get honorarium from their own department. ECP was not supposed to grant honorarium to the employees of other department performing their duties according to their rules of business.

The PAO was informed on 24.11.2016 and 09.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that paid amount may be recovered besides discontinuing the practice.

***10.4.3 Irregular expenditure on hiring the services of security company - Rs. 1.585 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.

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.

The management of ECP, Islamabad hired the services of M/s Askari Guards(Pvt) Ltd and made an agreement on 26.06.2015 for the period 26.06.2015 to 25.06.2016 for providing two Security Guards(Armed) @ Rs. 30,000 and paid Rs. 1.585 million up to 31.07.2016.

Audit observed as under:

- i. The services of M/s Askari Guards (Pvt) Ltd were hired without open competition.
- ii. The contract was made for the deployment of two Guards whereas payment was made against deployment of three to four Guards.



- iii. The deployment of Security Guards was not justified as 11 police personnel's/guards are deployed in ECP Secretariat for Hon'ble ECP and members Security in addition to 02 police personnel's/guards and 04 FC personnel's for ECP building. 05 Chowkidar are also on the strength of ECP.
- iv. Income Tax/Services tax was not deducted by the ECP.
- v. The contract was not extended but payment is still being made to the security firm.

Audit is of the view that expenditure on security services without competition and disregard to Government instructions was irregular and unauthorized.

The department replied that contract was signed with M/s Askari Guards Pvt Ltd without open competition for the reason that there were chances if this office would opt for open competition any low rank company could qualify and win the competition. As the matter relates to Security and high ups of this office as well other dignitaries were mostly exposed to these guards, therefore, instead of taking any risk, the contract was directly signed with the best available company i.e. M/s Askari Guards Pvt Ltd, which deploys guards having background of Pak Army. Observation of audit regarding charge of GST by the firm and non-deduction of income tax from the firm will be reviewed and any irregularity will be corrected.

The reply of the management is not acceptable because the action of the management is in violation of the public procurement rules and undue favor is given to the firm.

The PAO was informed on 24.11.2016 and 09.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility for the irregularity may be fixed besides contract be awarded after competition.

#### ***10.4.4 Irregular re-employment without the approval of the President***

Establishment Division vide 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.

In terms of Establishment Division Corrigendum F.No.8/10/2000-CP dated 02.03.2000 and O.M. No. F.No.810/200-CP-I dated 12.08.2005, the condition of open advertisement is required to be dispensed with the approval of Prime Minister, if it is proposed to appoint a retired civil servant or a retired officer of the Armed Forces or a retired judge of a superior court, on contract basis.

Rule 11 of the Election Commission (Officers and Servants) Rules, 1989 states that a retired employee shall not ordinarily be re-employed in any post under the commissioner unless such re-employment is necessary in the public interest and is made with the prior approval of the Commissioner. Such re-employment shall be regulated by such terms and conditions as may be laid down by the Federal Government from time to time.

Rule 10(2) of the Election Commission (Officers and Servants) Rules, 1989 states that the Commissioner may, with the approval of the President, relax any of the prescribed conditions of appointment in case; where he considers it desirable to do so in the interest of public service.

Election Commission of Pakistan, Islamabad appointed Additional Director General, ECP on 21.05.2015.

Audit observed that re-employment was made without open competition and without the approval of the President.

Audit is of the view that the re-employment was irregular.

The management replied that the appointment was made in compliance of Establishment Division's rules/instruction. The Audit has not considered the issue in detail as in terms of Establishment Division's instructions that the post against which appointment is to be made on contract basis should be advertised. But the condition of open advertisement may be dispensed with, with the

approval of Chief Executive and in the case of such appointments under Election Commission of Pakistan the Hon'able Chief Election Commissioner is the Authority and powers vested in the President and Prime Minister.

The reply is not acceptable because appointment without advertisement is against the fundamental law and depriving the potential candidates from their rights. Further, approval of the President was not obtained.

The PAO was informed on 24.11.2016 and 09.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that appointments should be made as per laid down procedures.

## **CHAPTER 11**

### **11. ESTABLISHMENT DIVISION**

#### **11.1 Introduction**

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 there under.

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.

## **11.2 Comments on Budget & Accounts (Variance Analysis)**

Final budget allocated to the Establishment Division for the financial year 2015-16 was Rs. 4,747.533 million including Supplementary Grant of Rs.

195.533 million out of which the Division utilized Rs. 4,571.300 million. Grant-wise detail of current expenditure is as under:

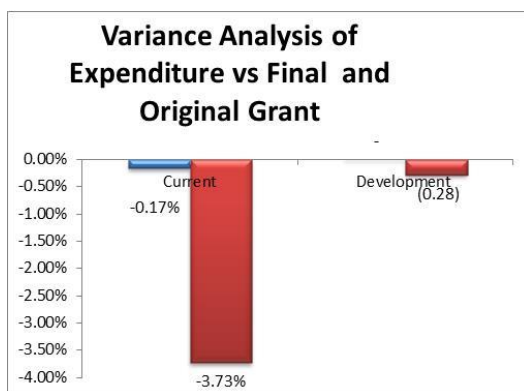
**(Rupees)**

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
9	Current	2,215,000,000	64,743,000	2,279,743,000	2,123,526,250	(156,216,750)	(7)
10	Current	526,000,000	27,166,000	553,166,000	553,007,207	(158,793)	(0)
11	Current	1,811,000,000	76,624,000	1,887,624,000	1,867,843,758	(19,780,242)	(1)
	<b>Subtotal</b>	<b>4,552,000,000</b>	<b>168,533,000</b>	<b>4,720,533,000</b>	<b>4,544,377,215</b>	<b>(176,155,785)</b>	<b>(4)</b>
106A	Development	-	27,000,000	27,000,000	26,923,213	(76,787)	(0)
	<b>Total</b>	<b>4,552,000,000</b>	<b>195,533,000</b>	<b>4,747,533,000</b>	<b>4,571,300,428</b>	<b>(176,232,572)</b>	<b>(4)</b>

Audit noted that there was an overall saving of Rs. 176.155 million in current expenditure.

### *Supplementary Grants obtained without careful cash forecasting*

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 0.17%, which, after accounting for Supplementary Grants changed to 3.73%.



### 11.3 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
	<b>Total</b>	<b>29</b>	<b>29</b>	<b>7</b>	<b>22</b>	<b>24</b>

## 11.4 AUDIT PARAS

### *Irregularity & Non Compliance*

#### *11.4.1 Non-reconciliation of Government receipts - Rs. 142.032 million*

According to Rule-77 (v) of FTR Vol-I, all money deposited into Government account should be reconciled with treasury.

Federal Public Service Commission (FPSC) realized Rs.142.032 million on account of competitive examinations and other ministerial recruitment examination fees from candidates. These amounts realized as examination fees were deposited by the candidates through treasury challans.

Audit observed that the receipts amounting to Rs. 142.032 million were not reconciled with FTO. It is pertinent to mention that FPSC is not reconciling the receipts since its inception.

Audit is of the view that non-reconciliation of receipts was irregular.

The management replied that no money from the head of account is being utilized in FPSC in any shape. Hence its partial reconciliation is meaningless and cannot be entrusted upon FPSC as NBP and Treasury authorities are not within the ambit of FPSC. Since, establishment of FPSC the said fees are being received and the matter of reconciliation of above receipt has never been questioned except the under referred. However, FPSC has developed a mechanism on the basis of original treasury receipts received from all the candidates is being maintained. In this particular case/para, figures of Government receipts were furnished to Audit from the record maintained by the FPSC.

The reply is not acceptable because the justification of the management is



not based on fact. Non reconciliation of the fee may lead to misappropriation of fees.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends early reconciliation of receipts.

#### ***11.4.2 Non recovery of outstanding dues from occupants - Rs. 8.206 million***

Rule 8 of Staff Welfare Organization, Hostel Accommodation Rules, 2012 states that the rent and charges shall be paid in advance by the allottees regularly on or before the 10<sup>th</sup> day of each month. All dues including losses and damages shall be cleared within a week failing which the adjustment will be made against the security or from the salary of the allottee at source through the department which disburses salary to her and the allotment shall stand automatically cancelled and the defaulter shall not be eligible for the allotment in future.

An amount of Rs 8.206 million was outstanding against the allottees of hostel accommodation as on 30.06.2016.

Audit observed that the management failed to take action against the defaulters in accordance with the rules.

Audit is of the view that outstanding of such huge money against the allottee is failure of implement the hostel rules and undue favor to the occupant.

The management did not reply.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that necessary action should be taken to recover the outstanding dues as per rules and to cancel the allotment of the defaulters.

**11.4.3 Unauthorized monetization of vehicles and payment of Monetization Allowance to BS-19 officers holding the Acting Charge of BPS-20 - Rs. 6.332 million**

The Cabinet Division vide letter No.6/7/2011-CPC dated 30.12.2011 clarified 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 Cabinet Division vide their letter No.6/7/2011-CPC dated 11.06.2012 clarified that BS-19 officers performing duties against the posts in BS-20 under Section-10 and on current charge basis are not entitled to Transport Monetization allowance but they will continue to avail the existing facilities of the post, as admissible under the rules. However, those Civil Servants of BS-20 who are appointed on acting charge basis after the process on due recommendation of the Selection Board and approval of the Prime Minister or competent authority of the post and not through local arrangements are entitled to the “Car Monetization Allowance”.

The management of the FEB & GIF in the 85th meeting of the Board of Trustees held on 16.03.2012 approved adoption of the Rules/ Policy for monetization of transport facility of the Federal Government for officers in BS-20 & above in the FEB&GIF.

The Committee recommended to hand-over the vehicles to the following officers w.e.f. 01.07.2012 as under:

S. No	Particulars of Vehicle	Possession	Original Price of Vehicle	Depreciated Cost		Final Cost
				Option 1	Option 2	
1.	Honda City 1300 CC Vario EURO-4 Complaint Auto Model 2011, Registration No. GX-163	Javed Iqbal Khan, Dy. Managing Director (Operations)	1,481,172	1,258,996	1,260,000	1,260,000
2.	Honda City 1300 CC Vario EURO-4 Complaint Auto Model 2011, Registration No. GX-165	Wali Muhammad Siddiqui, Dy. Managing Director (Investment/F&A)	1,481,172	1,258,996	1,260,000	1,260,000

The management approved to handover the vehicles vide office order No.9/248(Monetization)/Admn-BT dated 05.07.2012 and also gave entitlement for monthly transport monetization allowance @ Rs. 65,960.

Audit observed that:

- i. Officers of BS-19 were working on acting charge basis in BS-20.
- ii. Monetization Allowance was also paid to them @ Rs. 65,700 per month for which they were not entitled.

Audit is of the view that monetization of vehicles and payment of monetization allowance to BPS-19 officers working on acting charge basis was irregular and unauthorized.

The management replied that both the entitled officer on acting charge basis in BS-20. It is covered under Cabinet Division letter No. F.2/43/2015-CPC dated 18.9.2015 whereby appointment on acting charge basis after due process on the recommendations of the Selection Board and approval of the competent authority. Both the officers were appointed on acting charge basis after due process on recommendations of the Board and approval of the competent authority under the FEB & GIF (Employees) Service Rules, 2011. It is evident that the FEB & GIF adopted the said policy with the approval of the Board of Trustees and Secretary Establishment who is the Principal Accounting Officer has represented the Board as Chairman.

The reply is not acceptable because monetization policy was meant for regular employees in BPS-20 and above.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amount paid on account of monetization allowance may be recovered from the officers and monetized vehicles may be recovered from the officers, besides fixing responsibility.

#### ***11.4.4 Irregular payment of monetization allowance - Rs. 2.874 million***

Para 3 of Cabinet Division letter No. 6/7/2011-CPC dated 12.10.12 states

that BS-20 & 22 officers are not entitled to draw Transport Monetization Allowance during Earned Leave, Leave Preparatory to Retirement, or any other kind of leave except Casual Leave and Medical Leave up to one month.

The Cabinet Division Office Memorandum issued vide No.F.6/7/2011-CPC dated 30.09.2015 states that, the Steering Committee for implementation of Transport Monetization Policy in its meeting held on 17.09.2015 unanimously decided that monetization allowance should be allowed to the entitled officer during any kind of leave, except extra ordinary leave (EOL).

The management of Establishment Division granted Monetization Allowance to the officers during different kind of leaves. Details are as under:

<b>(Rupees)</b>					
<b>Sr. No.</b>	<b>Officer Name</b>	<b>Designation</b>	<b>Kind of leave</b>	<b>Period of leave</b>	<b>Monetization Allowance</b>
1	Mr. Abdur Rauf Khan	OSD (B-20)	Half Average Pay	19.08.2014 to 30.09.2015	885,140
2	Sardar Ali Khan	OSD (B-20)	LFP/LHAP	22.02.2013 to 28.01.2015	867,587
3	Mr. Ahmad Bilal	OSD (B-20)	LFP	01.05.2013 to 30.05.2014	1,121,320
				<b>Total:</b>	<b>2,874,047</b>

Audit observed that monetization allowance was paid during leave which was not admissible.

Audit is of the view that payment of monetization allowance during leave was irregular and unauthorized.

The management replied that matter had already be taken up for recovery of monetization allowance.

The reply was not accepted because the management inserted the recovery in the LPC only. The evidence of the recovery was not provided to Audit.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that monetization allowance paid during leave may be recovered from the officers and deposited into Government treasury.

**11.4.5 *Irregular maintenance of bank accounts and retention of funds - Rs. 1.169 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 the Community Centre G-7 and Community Centre G-9 was maintaining a bank account in National Bank of Pakistan, Islamabad. An amount of Rs. 1.169 million was retained in the said account.

Audit observed that the bank accounts were opened without obtaining approval of Finance Division

Audit is of the view that retention of Government money and opening of bank account without the approval of Finance Division was irregular and unauthorized.

The management did not reply.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the amount may be deposited into Government account immediately and responsibility may be fixed for opening and retaining Government money in bank account.

**11.4.6 *Irregular and unauthorized increase in the allowances of FEB & GIF employees***

Finance Division O.M No F.4(2)R.4/2006 dated 26.12.2006 states that

Federal Employees Benevolent Fund and Group Insurance, Islamabad had adopted National Pay Scales Scheme. However, the following allowances and perquisites are being provided to the employees of the Federal Employees Benevolent Fund and Group Insurance, Islamabad in addition to the National Pay Scales.

S. No	Allowance	BPS	Rate
1	Medical Allowances	BPS 1-15	650 per month
2	Medical Allowances	BPS 16 and above	1,000 per month
3	House Rent Subsidy	BPS1 to 21	60% of Basic pay
4	Conveyance Allowance	BPS1 to 19	20% of the initial pay
5	Canteen Allowance	BPS 1-17	200 per month
6	Canteen Allowance	BPS 18	300 per month
7	Canteen Allowance	BPS 19	400 per month
8	Amenity Allowance	BPS1-7	150 per month
9	Amenity Allowance	BPS 8-16	200 per month
10	Amenity Allowance	BPS 17	250 per month
11	Amenity Allowance	BPS 18	300 per month
12	Amenity Allowance	BPS 19	400 per month

The management of Federal Employees Benevolent Fund and Group Insurance, Islamabad paid the above mentioned allowances at the following rates.

S. No	Allowance	BPS	Rate
1	Medical Allowances	BPS 1-15	2600 per month
2	Medical Allowances	BPS 16 and above	15% of running basic pay minimum of Rs 2,600 per month
3	House Rent Subsidy	BPS1 to 21	90% of Basic pay
4	Conveyance Allowance	BPS1 to 19	20% of the initial pay
5	Canteen Allowance	BPS 1-16	400 per month
6	Canteen Allowance	BPS 17	450 per month
7	Canteen Allowance	BPS 18	500 per month
	Canteen Allowance	BPS 19	700 per month
	Canteen Allowance	BPS 20 and above	1,500 per month
8	Amenity Allowance	BPS1-7	450 per month
9	Amenity Allowance	BPS 8-15	500 per month
10	Amenity Allowance	BPS 16-17	600 per month
11	Amenity Allowance	BPS 18	800 per month
12	Amenity Allowance	BPS 19	1,200 per month
	Amenity Allowance	BPS 20	1,600 per month
	Amenity Allowance	BPS 21 and above	2,000 per month

Audit observed that increase in the allowances was incorporated in the service rules 2011 which was not approved by Finance Division till the completion of audit.

Audit is of the view that grant of increase in allowance without approval of the Service Rules 2011 was irregular and unauthorized.

The management replied that the increase in the medical, amenity, canteen, conveyance and house rent allowances was approved by the Board of Trustees, Federal Employees Benevolent & Group Insurance Funds headed by Secretary, Establishment Division and an officer of BS-20 of the Finance Division is also as member. Board of Trustees FEB&GIF has authority to grant such allowances under section 7(d) of FEB&GIF Act 1969.

The reply was not accepted because the management increased the allowances without the approval of the Finance Division. The BOT was not competent to increase the pay and allowances approved by Finance Division.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be discontinued forthwith and amount already paid should be recovered.

## **CHAPTER 12**

### **12. FEDERALLY ADMINISTERED TRIBAL AREAS (FATA) SECRETARIAT**

#### **12.1 Introduction**

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 in 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 were 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. FATA Secretariat has undertaken surveys for improvement in the development programs 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.

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

Final budget allocated to the Federally Administered Tribal Areas (FATA) for the financial year 2015-16 was Rs. 52,759.980 million including Supplementary Grant of Rs. 14,788.980 million against which the FATA Secretariat utilized Rs. 49,148.228 million. Grant-wise detail of current and development expenditure is as under:

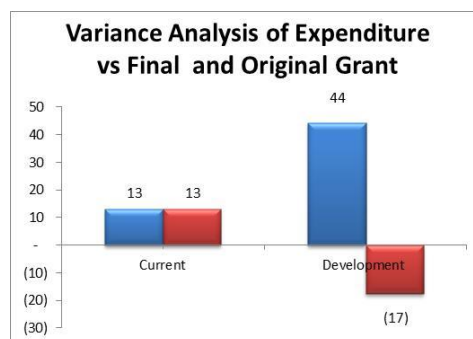
**(Rupees)**

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
97	Current	18,271,000,000	-	18,271,000,000	20,691,511,821	2,420,511,821	13
131	Development	19,700,000,000	14,788,980,000	34,488,980,000	28,456,715,764	(6,032,264,236)	(17)
	<b>Total</b>	<b>37,971,000,000</b>	<b>14,788,980,000</b>	<b>52,759,980,000</b>	<b>49,148,227,585</b>	<b>(3,611,752,415)</b>	<b>(7)</b>

Audit noted that there was excess expenditure of Rs. 2,420.512 million in current expenditure and savings of Rs. 6,032.264 million in development expenditure.

### *Supplementary Grants obtained without careful cash forecasting*

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 13%. In development expenditure, excess in original budget was 44% which changed to savings of 17% when Supplementary Grants were taken into account.



### 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
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	
<b>Total</b>		<b>103</b>	<b>103</b>	<b>39</b>	<b>64</b>	<b>38</b>

### 12.4 AUDIT PARAS

#### *Non Production of Record*

#### *12.4.1 Peoples Primary Health Initiative refused to get their accounts audited*

The Honorable Supreme Court of Pakistan in its judgment dated 08.07.2013 declared and directed in Para 27(b) that 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.

Section 14(2) of the 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 the 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.

An audit team was deputed to conduct the audit of People's Primary Healthcare Initiative (PPHI), Peshawar. However, the management of PPHI declined to get their accounts audited.

Audit is of the view that the stance taken by the management is in violation of the orders of the Hon'able Supreme Court of Pakistan and attracts Section 14(3) of AGP's Ordinance, 2001.

Audit is also of the view as the PPHI is established and controlled by the Federal Government thus it falls under the audit jurisdiction of the Auditor General of Pakistan.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Hon'able Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record.

#### ***12.4.2 Non-production of record of Citizen Losses Compensation Programme - Rs. 1,935.440 million***

Section 14 of the 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. Any person or authority hindering the auditorial functions of the Auditor General shall be subject to disciplinary action under relevant Efficiency and Discipline Rules.

The management of FATA Secretariat was requested to provide the record relating to Citizen Losses Compensation Program (CLCP) released to Political Agent, South Waziristan Agency amounting to Rs. 1,935.440 million.

Despite repeated requests the management did not provide the following record of CLCP Program:

- i. Detail of TDPs.
- ii. Details of payments
- iii. Adjusted vouched accounts.
- iv. Acknowledgment of receipt
- v. List of approved TDP.
- vi. Bank Statements.
- vii. Bank Reconciliation Statement.
- viii. Monitoring and evaluation reports.

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

The management did not reply.

The PAO was informed on 14.12.2016, 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 beside production of record.

### ***Irregularity and Non-compliance***

#### ***12.4.3 Non-obtaining of Adjustment Accounts and Monthly Progress Reports - Rs. 5,000.000 million***

In terms of Para 6 of the revised procedure of Assignment Account, the drawing authority will submit monthly account of expenditure with copies of paid vouchers to the concerned Accountant General/DAO office for post audit purpose by 15th of each month who will carry out 100% post audit. The Accountant General/DAO will issue a certificate of post audit by end of the each month to the concerned DDO.

Rule 668 of FTR states that detailed adjustment accounts of all advances, supported by vouchers should be obtained.

Clause 5.2.6 of the MOU signed between FATA Secretariat and Headquarters 11 Corps, Peshawar dated 09.06.2016 stated that the executing agency shall submit monthly progress report in terms of physical and financial progress to Temporary Dislocated Persons (TDPs) Management and Rehabilitation (M&R) Secretariat and FATA Secretariat by 5<sup>th</sup> of each month.

FATA Secretariat through its Rehabilitation & Reconstruction Unit (RRU) paid an amount of Rs. 5,000.000 million to Temporary Displace Persons (TDPs), Secretariat under Headquarters, 11 Corps, Peshawar for Permanent Reconstruction Program (North Waziristan Agency/South Waziristan Agency). Details are as under:

**(Rs. in million)**

<b>Sr. No</b>	<b>Cheque No.</b>	<b>Date</b>	<b>Amount</b>
1.	A193201	21.06.2016	1,113.056
2.	A193202	21.06.2016	461.500
3.	A193203	21.06.2016	203.906
4.	A193204	21.06.2016	1,003.000
5.	A193205	21.06.2016	827.485
6.	A193206	21.06.2016	1,064.023
7.	A193207	21.06.2016	260.780
8.	A193208	21.06.2016	66.250
<b>Total</b>			<b>5,000.000</b>

Audit observed as under:

- i. Neither RRU demanded the adjustment nor TDP Secretariat submitted the detailed accounts.
- ii. No monthly progress report with detail of physical and financial progress of the program is submitted to RRU by TDPs (M&R) Secretariat under Headquarters 11 Corps, Peshawar.

Audit is of the view that non-adjustment of account is a violation of treasury rules and revised procedure of Assignment Account.

The management did not reply.

The PAO was informed on 14.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that adjustment accounts and monthly progress reports should be obtained and provided to Audit.

**12.4.4 Splitting up of Schemes/Projects to avoid approval of higher forum - Rs. 1,891.508 million**

Planning Commission Notification No. 20(1-1) PIA-I/PC/2016 dated 03.06.2016 states that:

a) Construction of a new special forum under chairmanship of Commander 11 Corps for permanent reconstruction as a special dispensation in FATA. The forum may be empowered to approve projects of reconstruction and rehabilitation up to Rs. 1,500 million. These powers will cease at the end of December 2018.

b) The Committee will ensure non duplication and non-overlapping of projects with FATA DWP/FATA DC or any other source of public finance.

Para-59 of CPWD Code states that a group of works which forms one project shall be considered as one work, and the necessity for obtaining the approval or sanction of higher authority to a project which consists of such a group of works is not avoided by the fact that the cost of each particular work in the project is within the powers of approval or sanction of the minor local Government or officer concerned.

The Special Forum for Rehabilitation & Reconstruction in FATA held on 17.06.2016 approved schemes out of which following two Schemes were also approved and released amount of Rs. 1,891.508 million.

**(Rs. in million)**

Sr. No	Name of Agencies	Name of Schemes/Project	Cheque No.	Date	Amount
1.	North Waziristan Agency	Construction of Road of Mir Ali - Gharium Section 1 (0-20 Km)	A193205	21.06.2016	827.485
2.		Construction of Road of Mir Ali - Gharium Section 2 (20-40 Km)	A193206	21.06.2016	1,064.023
<b>Total</b>					<b>1,891.508</b>

Audit observed that the Special Forum was not competent to approve projects above 1,500 million.

Audit also observed that the Scheme/project of Construction of Road of Mir Ali - Gharium was split in two Sections to avoid approval from higher forum.

The management did not reply.

The PAO was informed on 14.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

***12.4.5 Unauthorized opening of bank account and retention of funds - Rs. 989.407 million***

Para 7 of GFR Volume-I states that unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the public account for deposit elsewhere without the consent of the Ministry of Finance.

Para 96 of GFR Volume-I states that it is contrary to the interest of the State that money should be spent hastily or in an ill-considered manner merely because it is available or that the lapse of a grant could be avoided. In the public interest, grants that cannot be profitably utilized should be surrendered. The existence of likely savings should not be seized as an opportunity for introducing fresh items expenditure which might wait till next year. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity.

FATA Secretariat released funds of Rs. 3,000.00 million to various line agencies for execution of Rehabilitation and Reconstruction Schemes in FATA, under Demand No. 131 Development Expenditure of FATA during 2015-16.

The management of Executive Engineer, Building, Tank and Executive Engineer, Public Health Engineering (PHE), Kohat withdrew an amount of Rs. 989.407 million from development projects and deposited in bank accounts during 2015-16. Details are as under:

(Rs. in million)

S. No.	Branch	Account No.	Title of Account	Cheque No.	Date	Amount
1	Sadam			5876939	03.05.2016	224.360
2	Shopping Center		Executive Engineer, Building, Tank	5876935	25.03.2016	50.820
3	NBP, Tank..	18510000016807		5876932	16.02.2016	264.996
4	KDA		Executive Engineer, PHE, Kohat	61238981	28.04.2016	142.130
5	Branch, NBP, Kohat			61238970	03.03.2016	95.516
6		1803002200032290		61238962	22.02.2016	211.585
<b>Total</b>						<b>989.407</b>

Audit observed during Special Audit of Funds Released to FATA Secretariat that:

- i. The withdrawn amount was deposited into commercial bank accounts maintained with National Bank of Pakistan.
- ii. The accounts were opened without the approval of the Finance Division.
- iii. The accounts were also used for disbursement of pay of staff, payment of pension and gratuity, petty expenses, etc.

Audit is of the view that withdrawal of money without actual claims and its deposit into a bank account was irregular and unauthorized.

Audit is also of the view that use of personal bank account for disbursement of salaries of staff is also irregular and unauthorized.

The management did not reply.

The PAO was informed on 14.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

#### ***12.4.6 Non-deduction of Withholding Tax - Rs. 478.967 million***

Section 153(1)(c) of the Income Tax Ordinance, 2001 states that Withholding Tax should be deducted @ 6% on payments made to contractors.



Clause 2.3 of MOU between FATA Secretariat (FS) and Headquarters 11 Corps, Peshawar defined Headquarters 45 Engineers Division, Frontier Works Organization and National Logistic Cell, Resident Formation or any other military outfit approved by Special Forum for Rehabilitation and Reconstruction in FATA (Special Forum) as Executing Agency.

Clause 11 of MOU between FATA Secretariat (FS) and Headquarters 11 Corps, Peshawar states National Highway Authority composite Schedule of Rates (NHA CSR) 2014 for road projects and Military Engineering Services (MES) Schedule of Rates 2014 revised 2015 for Social Sector Projects will be used as basis of estimation.

Para 2(c)(iv) of CSR 2014 states that the rates analysis of individual items of CSR 2014 consist of four basic inputs which includes overheads, profits, preliminaries and taxes.

The management of Rehabilitation & Reconstruction Unit, FATA Secretariat paid through Headquarters 11 Corps Rs. 5,000 million and Rs. 2,982.776 million through Line Departments of FATA Secretariat to executing agencies for the following programs during 2015-16:

<b>(Rs. in million)</b>		
<b>S. No</b>	<b>Name of Program</b>	<b>Amount Released</b>
1.	Permanent Reconstruction Program (North Waziristan Agency / South Waziristan Agency)	5,000.000
2.	Rehabilitation & Reconstruction in FATA	2,982.776
<b>Total</b>		<b>7,982.776</b>

Audit observed that overheads, profits, preliminaries and taxes were included in the cost estimates. Audit also observed that an amount of Rs. 478.967 million was not deducted as Withholding Tax @ 6%.

Audit is of the view that undue favour was extended to the executing agencies by not deducting the Withholding Tax, which was irregular and unauthorized and deprived the Government of its due receipt.

The management did not reply.

The PAO was informed on 14.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity and recovery may be made from the executing agencies.

***12.4.7 Non Reporting of Funds received from different sources to the Government by the NGOs - 4,478.593 million***

Para 8 of Economic Affairs Division Notification No. 1(5)INGO/05 dated 28.11.2013 states that the organization will declare to the Government all foreign contributions, along with the terms and conditions, as well as details of all bank accounts maintained by it. The organization will maintain accounts under international recognized accounting standards, get these accounts audited on annual basis by registered Chartered Accountant firm and will provide to the Government a Copy of the audited annual statements, along with a certificate from the Auditors to the effect that the foreign contributions have been utilized for the objectives of the organization as specified in the Memorandum of Understanding.

Para 9 of Economic Affairs Division Notification No. 1(5)INGO/05 dated 28.11.2013 states that the organization will provide to the Government and the concerned Provincial Government/local Government on an annual basis a report regarding its activities with reference to the Memorandum of Understanding and the foreign contributions. The Planning and Development Departments of the Provincial Governments may review the activities of the organization in the context of their development framework and priorities, and may convey recommendations to the Government from time to time.

Para 10 of Economic Affairs Division Notification No. 1(5)INGO/05 dated 28.11.2013 states that the Organization will be bound to provide any information that the Government may require from time to time. The Government may verify any information provided by the organization.

Directorate of Project, FATA Secretariat provided a list of NGOs working in FATA under different projects amounting to Rs. 4,478.593 million. Details are as under:

<b>Sr. No.</b>	<b>Type of Work/Project</b>	<b>Agencies / FRs</b>	<b>Sponsor/Donor Agency</b>	<b>NGOs/Firm /INGOs</b>
1.	Livelihood Programme Hindukush (LPH)	Mohmand Agency	LPH-IC	FRD
2.	Reconstruction of Livelihood and DRR for Community Uplift	Bajur and Mohmand Agency	WFP & SDC	HUJRA
3.	Third Party Monitoring	FRs	World Bank	SPECTRA Engineering Solution
4.	Food for Work/Cash	Orakzai and Kurram	WFP	FRD
5.	Food for Work/Training	SWA	WFP	SRSP
6.	Early Recovery Programme for FATA	SWA	Japan / USAID	FAO
7.	Early Recovery Programme for FATA	Khyber and Kurram	Japan / USAID	FAO
8.	Early Recovery Programme for FATA	NWA	Japan / USAID	FAO
9.	Establishment of communal Market	Bajaur Agency	KfW/ PATRIP	DTCE
10.	Programme for Poverty Reduction	Bajaur Agency	PPAF	SRSP
11.	Capacity Building initiative for the youth of SWA and Khyber	South and Khyber Agency	UNDP	IMS
12.	Assessment	SWA	UNDP	SPECTRA Engineering Solution
13.	Reviving of the agriculture productivity by rehabilitating irrigation channels in areas of returned through cash for work	Khyber Agency	WFP	SRSP
14.	Girls Right to Education Program	Mohmand Agency	UNESCO	WEO
15.	Local Quality Teams (LQTs)	Bajaur, Mohmand, Khyber and FR Peshawar	GIZ	Kamore Dev: Organization
16.	Restoration of Livelihood and community infrastructure in TDPs return areas of Khyber Agency	Khyber Agency	UNDP	SHID
17.	Restoration of Livelihood and community infrastructure in TDPs return areas of Khyber Agency	Khyber Agency	UNDP	FRD
18.	Reintegration and rehabilitation for TDPs	North, South, Khyber and Orakzai	KfW	SRSP
19.	Partnership for peace - community and Governments working together for improved services	Bajaur Agency	IRC	IRSP
20.	Reintegration and rehabilitation for TDPs	Kurram Agency	KfW	SRSP
21.	Warehouse management and transportation	Kurram, Orakzai, NWA & SWA	WFP	HUJRA
22.	Community Engagement project under FATA Recovery Programme	SWA & NWA	UNDP	SRSP
23.	Recovery of Livelihood and community Basic Infrastructure	Kurram Agency	UNDP	PRDS
24.	Third Party Monitoring	Kurram, Bajaur &	WFP	KWH

		Mohmand Agency		
25.	Warehouse management and transportation	Bajaur, Mohmand and Khyber Agency	WFP	LHO
26.	Restoration and Livelihood and Physical Infrastructure	Orakzai Agency	UNDP	CERD
27.	Assessment	Kurram Agency	UNDP	SPECTRA Engineering Solution
28.	Prime Minister Health Care Programme	Bajaur Agency	State Life Insurance	NIDA

Audit observed as under:

- i. The organization did not submit its annual audited accounts along with a certificate to the effect that the foreign contributions have been utilized for the intended purposes.
- ii. There was no record available in FATA Secretariat relating to utilization of funds by the Organizations.

Audit is of the view that non-reporting of progress by the organizations is a violation of EAD Policy.

The management did not reply.

The PAO was informed on 14.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that International NGOs must submit their progress reports to the FATA Secretariat so that Audit could verify the authenticity of the expenditure.

#### ***12.4.8 Irregular expenditure in the absence of Technical Sanction - Rs. 1,945.736 million***

According to Para-56 of CPWD Code, Work on a scheme may not be started unless it is Technically Sanctioned by the competent authority.

The management of Highway Division Khyber has incurred a total amount of Rs. 1,945.736 million on the execution of various Works/ Developmental Schemes during 2014-15 and 2015-16 as per detail given in the enclosed statement.

Audit observed that the said works/Developmental Schemes have not yet been Technically Sanctioned by the Competent Authority.

Audit is of the view that the expenditure of Rs. 1,945.736 million on the execution of works which are not technically sanctioned was irregular and unauthorized.

The management replied that all the detailed Cost Estimates have been technically sanctioned by the competent authority except few cases which are under process. As and when the Technical sanction is accorded, the same will be shown to audit.

The reply is not accepted as Technically Sanctioned Estimates of none of the Works/ Schemes contained in the statement enclosed were provided to audit.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the lapse and expenditure already incurred may be regularized from the Finance Division.

***12.4.9 Un-authorized payment on account of Unattractive Area Allowance (UAA)-Rs. 158.820 million***

According to Government of Pakistan Finance Division (Regulation Wing) OM No F.5(4)R-13/80 dated 16.06.1980, Unattractive Area Allowance (UAA) was admissible to the Federal Government Employees at various rates at specified stations i.e. Chitral, Kohistan, Dir and merged Areas of Hazara and Mardan Division, Swat, Buner, Shangla and Malakand District. The rates of UAA were revised with effect from 01.07.2016 vide Government of Pakistan Finance Division (Regulation Wing) Islamabad OM No 27(1)R-5/2012 dated 01.07.2016 for the said stations.

Rule-12(1) of Rules of Business provides that, “No Division shall, without previous consultation with the Finance Division, authorize the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division, which will affect directly or indirectly the finances of the Federation”.

In the offices of XEN Highway Division Khyber Agency, Political Agent (Levies/Khasadars) Khyber Agency, Agency Education Officer Khyber Agency and Political Agent (Levies/Khasadars) Miranshah under the control of Additional Chief Secretary FATA paid Rs. 158.821 million as UAA to their employees during 2014-16. Details are as under:

<b>(Rupees)</b>			
<b>S#</b>	<b>Name of Office</b>	<b>Para No and Year of AIR</b>	<b>Amount</b>
<b>1</b>	XEN Highway Division Khyber Agency	19/2014-16	8,445,735
<b>2</b>	Political Agent Khyber Agency	10/2015-16	43,394,855
<b>3</b>	Agency Education Officer Khyber Agency	25/2015-16	36,604,027
<b>4</b>	Political Agent North Waziristan Agency Miranshah	05/2015-16	70,376,187
<b>Total</b>			<b>158,820,804</b>

Audit observed that as per Finance Division notification ibid, Khyber and North Waziristan Agencies were not included in the specified areas for which the UAA was allowed but the management paid this allowance at revised rates meant for specified stations with effect from 01.07.2016 as the areas were not specified stations for the payment of UAA.

Audit is of the view that payment of Rs. 156.821 million as UAA at Khyber and North Waziristan Agencies was irregular and unauthorized.

The management of Levies/ Khasadars Khyber Agency replied that the UAA was paid in light of the Government of Pakistan KANA & SAFRON Islamabad No. F.2 (7)-L&K/2002 dated 22.03.2004 and the managements of Agency Education Office Khyber Agency and Levies/ Khasadars North Waziristan Agency stated that the allowance was paid in light of notification of the Finance Department FATA whereas the management of Highway Division Khyber Agency replied that detail reply would follow.

The replies were not accepted as no documentary evidence was provided in support of reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amount may be recovered and practice may be discontinued of the allowance forthwith may be ensured.

#### ***12.4.10 Irregular execution without Provision in BOQ - Rs. 111.902 million***

Para-10(i) of GFR Vol-I, provides that every Government officer shall 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.

Rule 395 FTR Vol-I, provides the payments of all works done shall be made the basis of measurements recorded in measurement book kept for the purpose. Claims for such payments shall be prepared by the claimant themselves in authorized forms of bills and no payment may be authorized unless the correctness of claim in respect of quantities and rates as well as the quality of the work done have been accepted.

The Executive Engineer Highway Division Kurram Agency paid an amount of Rs. 111,902,548 to contractor M/S Saajid Rahman vide Voucher No 9-CK dated 12.03.2015 on account of execution of the item of works “Rock Excavation in Hard Rock required Blasting in Grade-IV in the scheme “Feasibility & Construction of Shingled Road from Anguri to Sarak 7-KM Parachinar, Kurram Agency.

Audit observed that in the PC-I of the scheme, there was no provision for the item of works “Rock Excavation in Hard Rock required Blasting in Grade-IV”.

Audit is of the view that due to allowing non-BOQ item without the approval of the competent authority, the contractor was overpaid a total amount of Rs. 111,902,548 as tabulated below:

<b>S. No</b>	<b>Quantity</b>	<b>Rate</b>	<b>Premium</b>	<b>Total (Rs.)</b>
<b>1</b>	269445.24 m <sup>3</sup>	370.81 per m <sup>3</sup>	12%	111,902,548

The management stated that payment is made as per site classification and the scheme is ongoing and the payment made in G-IV rock will be regularized.

The management accepted the audit observation.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed besides recovery of the objected amount under intimation to audit.

**12.4.11 Overpayment made to a contractor as a result of making escalation on excessive rate - Rs. 7.997 million**

According to S.No. B (2) and (3) of Standard Procedure and Formula for price Adjustment (March 2009) of Pakistan Engineering Council Islamabad read with Note I to Appendix C of Standard Form of Bidding Documents (June 11, 2007) of Pakistan Engineering Council, the Base date Price (or Base date Index) of any elements shall be the price of submission of the tender and the current date price of any elements shall be the price of the elements which was prevalent 28 days prior to the last day of the building period.

The management of FDA floated the tender for the work “Construction of Boundary Wall at Marble City Mohmand Agency” on 05.07.2013 and same was awarded to M/S Ihsan Ullah Construction Co.

Audit observed that the base rates as required 28 days prior comes on 07.6.2013 and the rates of the paid elements on 7.6.2013 as per Intercity Consumer Prices Bulletin of Federal Bureau of Statistics were higher than the selected base rates of the FDA as per following detail.

<b>FBS Bulletin rates</b>		<b>Rates paid in escalation bills</b>	
Item	Rate	Item	Rate
Steel	74000/ton	Steel	72800/ton
Labor (Unskilled)	450/day	Labor (Unskilled)	300/day
Cement	455/bag	Cement	395/bag

Due to taking base rates on lesser side the difference between current rate and base rate were paid higher which resulted into an over payment of Rs. 8.571 Million to the contractor as per following detail.

Escalation paid on IPC 1 to IPC 5	Rs: 12.900 million
Escalation due on IPC 1 to IPC 5	Rs: <u>04.903 million</u>
<b>Over Payment</b>	<b>Rs. 7.997 million</b>



The management stated that the escalation was paid according to the clause 70 of the contract agreement.

The reply of the management was not satisfactory as the escalation paid to contractor was on irrational rates.

The para was discussed in the DAC meeting held on 14.01.2016, wherein DAC pended the Para with the direction to reconcile record of escalation amount and produce relevant bills within two weeks. However, no compliance was shown to audit.

Audit recommends that responsibility may be fixed and the amount overpaid may be recovered to save the Government from loss.

#### ***12.4.12 Irregular award of contract - Rs. 64.698 million***

According to Rule 15 of PPRA 2004 Pre-qualification of suppliers and contractors.- (1) A procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

(2) A procuring agency while engaging in pre-qualification may take into consideration the following factors, namely:-

- (a) Relevant experience and past performance;
- (b) Capabilities with respect to personnel, equipment, and plant;
- (c) Financial position;
- (d) Appropriate managerial capability; and

(e) Any other factor that a procuring agency may deem relevant, not inconsistent with these rules

Rule 10 of Public Procurement Rules Authority 2004, provides that specifications shall allow the widest possible competition and shall not favor any single contractor or supplier nor put others at a disadvantage. Bid evaluation criteria and details of standards that are to be used in assessing the quality of goods shall include in competitive bidding as required under rule 23 (2)(i) & (1) of Public Procurement Rules 2004.

The Executive Engineer Highway Division Kurram awarded the work “Construction & Black Topping of 8 KM road - Sadda Bypass Pekar Tangi : S/H 03 KM B/T road to Pekar Tangi village Upper Kurram” to Syed Amin Shah vide agreement No. 3558/CE/2013-14 for execution at an estimated cost of Rs.64.698 million.

Audit observed that the contractor was registered by the Pakistan Engineering Council for the categories of works falling under code CE-04 (Dams only) & CE-10 (General civil engineering works such as concrete repair, soil investigation and stabilization, landscaping and horticulture and building maintenance etc) but he was awarded a road work for which he had no expertise to execute.

Audit is of the view that the contractor was not registered for the relevant category to execute quality work as per specification and was granted undue favour which was irregular.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed against the person(s) responsible under intimation to audit.

***12.4.13 Overpayment on account of inadmissible escalation - Rs. 18.976 million***

According to S.No. 6.1 of Part I of standard procedure and formula for price adjustment issued by Pakistan Engineering Council Islamabad, Price adjustment should be given on the following elements.

- i. Cement
- ii. Steel
- iii. POL (HSD)
- iv. Labor Unskilled
- v. Bricks
- vi. Bitumen

According to Note-I to Appendix-C of Standard Form of Bidding Documents (Civil Works) (June 11, 2007) of Pakistan Engineering Council Islamabad indices for elements as per above for which escalation is paid are taken from the Federal Bureau of Statistics, Monthly Statistical bulletin.

The management of FATA Development Authority incurred an amount of Rs. 31.899 million on account of escalation for the work, FATA Development Authority Headquarter Building (Phase I & Phase II) at Hayatabad, Peshawar and shown paid to M/S CEMCON Pvt Ltd, Peshawar.

Audit observed that the contractor claimed escalation on work done for labour, cement, steel, and bricks despite the fact that these items were not executed/paid in the respective bills. For instance, in Interim Payment Certification (IPC)-I the contractor constructed tube well and executed excavation work, wherein steel, cement and bricks were not used and the labour rate was equal to base rates, thus no escalation was required to be paid, however, an amount of Rs. 241,459 was paid to the contractor on account of escalation. Audit further revealed that rates of steel were taken from different factories and varied with the bulletin rates of the respective period.

Audit holds that due to payment of escalation on work done and variation of the applied rates from the bulletin rates resulted in an over payment of Rs. 18.976 million made to the contractor.

The para was discussed in the DAC meeting held on 14.01.2016, wherein DAC pended the para with the direction to reconcile record of escalation amount and produce relevant bills within two weeks. However no compliance was shown to audit.

Audit recommends that responsibility may be fixed and the amount may be recovered

**12.4.14 Overpayment due to allowing inadmissible conveyance allowance - Rs. 16.726 million**

According to Finance Division O.M No. F.3(3)-Imp.1/77 dated 03.07.1977 (D.D.O code Para No.8.22 ii) conveyance allowance, Motor Car, Motor cycle maintenance allowance are not admissible during the period of leave.

The Agency Education Officer, Khyber at Jamrud incurred an expenditure of Rs. 16.726 million on account of Conveyance Allowance during 2015-16. Details are as under:

Month	Sector		Total (Rs)
	Primary	Middle	
07.2015	4,777,917	791,470	5,569,387
08/2015	4,779,011	796,825	5,575,836
06.2016	4,776,657	804,087	5,580,744
		<b>Total</b>	<b>16,725,967</b>

Audit observed that the management paid the conveyance allowance to the Teaching Staff during summer vacations i.e. (June, July & August).

Audit is of the view that Conveyance allowance was not admissible during vacations.

Due to allowing conveyance allowance the teaching staff was overpaid the subject amount.

The management stated that the exact amount regarding overpayment of conveyance allowance will be worked out and recovered.

The management accepted the audit observation.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the overpaid amount may be recovered and

stoppage of the same in future besides fixing responsibility against the person(s) at fault under intimation to audit.

**12.4.15 Overpayment due to allowing higher rates - Rs. 4.580 million**

S.No. 03-09-a of Composite Schedule of Rates (CSR) 2012 provides rate of item of work “Excavation in shingle or gravel formation and rock not requiring blasting undressed 50 m lead dry” as Rs. 249.60 per cubic meter (m<sup>3</sup>).

The Management of FATA Development Authority awarded the work, “Improvement of 4 km Shingle Road from main Data Khel road to Khaisorai Chromite mines Mohammad Khel North Waziristan Agency” to M/S Kurram Builders on CSR 2012 rates.

Audit observed that the item of work “Formation of embankment from roadway excavation in common material including compaction by power roller (S# 03-61-a of CSR 2012)” with a rate of Rs. 338.63 per M<sup>3</sup> was provided in the technically sanctioned estimates of the work. However, the contractor instead of this item of work has executed “Excavation in shingle or gravel formation and rock not requiring blasting undressed 50 m lead dry”.

Audit further observed that the contractor was allowed rate of Rs. 338.63 per m<sup>3</sup> for the executed item of work instead of correct rate of Rs.249.60 per m<sup>3</sup> in the 4<sup>th</sup> running bill paid vide Cheque No. A053952 dated 11.06.2015.

Audit is of the view that due to application of incorrect rate the contractor has been overpaid a total amount of Rs. 4,580,802 as worked out below.

Item of work	Quantity executed	Rate allowed	Rate required	Difference	Amount
Earth Excavation in shingle gravel not required blasting	37803.70 m <sup>3</sup>	338.63	249.60	89.03	3365663
<b>Total</b>					<b>3365663</b>
<b>7% Cost Factor</b>					235596
					<b>3601259</b>
<b>6% Premium</b>					216076
					<b>3817335</b>
<b>20% Premium</b>					763467
<b>Total</b>					<b>4580802</b>

The management replied that payment to the contractor has been allowed according to Item No.03-61-a of CSR 2012, which is also approved in the PC-I and TS.

The para was discussed in the DAC meeting held on 14.01.2016, wherein DAC directed to recover the overpaid amount. However, no compliance was shown to audit.

Audit recommends that responsibility may be fixed besides recovery of the overpaid amount of Rs. 4,580,802.

***12.4.16 Irregular excess payment for earth work over and above the technically sanctioned estimates - Rs. 4.873 million***

Para-40 of the CPWD code required that Divisional Officer is responsible for the execution and management of all works within his Division. And para-10 of GFR Vol-I says that every public officer is expected the same vigilance in respect of expenditure incurred from public money, as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The Technically Sanctioned Estimates and cross sections for the work “Construction of B/T road from Jamrud via Mulagori to Landikotal Khyber Agency Phase-IV (10 Km) Package-I (Kms 40, 41, 42) provides a total amount of Rs. 59,946,632 for the earth work.

The management of Highway Division Khyber Agency paid a total amount of Rs. 64,819,224 to the contractor Afan Ullah A/H Kifayat Ullah Jan under item, “Earth Work” of the above scheme till his 29th R/B paid vide voucher No 21-K dated 22.06.2015.

Audit observed that the quantities of earth work costing Rs. 59,946,632 as per survey and cross sections of Km 41, 42 and 43 were technically sanctioned from the Chief Engineer but was shown executed in excess with payment of Rs. 64,819,224 which was in excess by Rs. 4,872,592 against the provision in Technical Sanction and cross sections.

Audit is of the view that the undue favor was extended to the contractor at Government cost and Rs. 4,872,592 was overpaid.

The management replied that detailed reply will be given after consulting of the relevant record.

The management failed to respond properly.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that excess quantity may be regularized.

## CHAPTER 13

### 13. MINISTRY OF FEDERAL EDUCATION AND PROFESSIONAL TRAINING

#### 13.1 Introduction

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



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

Final budget allocated to the Ministry of Federal Education and Professional Training for the financial year 2015-16 was Rs. 4,845.782 million including Supplementary Grant of Rs. 1,460.001 million out of which the Division utilized Rs. 4,542.621 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)
28	Current	1,178,781,000	560,001,000	1,738,782,000	1,599,138,820	(139,643,180)	(8)
113	Development	2,207,000,000	900,000,000	3,107,000,000	2,943,482,009	(163,517,991)	(5)
	<b>Total</b>	<b>3,385,781,000</b>	<b>1,460,001,000</b>	<b>4,845,782,000</b>	<b>4,542,620,829</b>	<b>(303,161,171)</b>	<b>(6)</b>

Audit noted that there were overall savings of Rs. 303.161 million.

### 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
<b>Education, Training and standards in Higher Education (Printed under M/o Education)</b>	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
	<b>Total</b>	<b>18</b>	<b>18</b>	<b>2</b>	<b>16</b>	<b>11</b>

### 13.4 AUDIT PARAS

#### *Irregularity & Non Compliance*

#### *13.4.1 Loss due to Non-investment of Endowment Funds - Rs. 124.50 million*

Para 23 of GFR Volume-1 states that every Government Officer should realized 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 was 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.

Serial No. 3 of the terms and conditions of the agreement entered into between Ministry of Kashmir Affair, Governor, Gilgit Baltistan and Federal Ministry of Education on 15.09.2009 states that the endowment funds of Rs. 50.050 million in shape of deposits (TDRs) along with Rs. 74.000 million additional endowment funds allocated for financial year 2008-09 will be handed over to the National Education Foundation (NEF) for further investments.

Audit observed that endowment funds accounts were not re-invested after maturity of these funds as detailed below:

<b>Account No.</b>	<b>Bank Branch</b>	<b>Principal Amount in (Million)</b>	<b>Date of Maturity</b>
303646377200001-7	NBP Jutial Br. Gilgit	56.774	18.06.2013
PLS 18668-00-7	The Karakorum Co-Operative Bank Limited Gilgit	74.000	14.07.2014

Audit is of the view that non-investment of endowment funds after their maturity was serious lapse on the part of the management of BECS which resulted in the heavy loss to the Government.

The management of Regional Office Gilgit replied that management and signatories of both endowment funds were with Directorate General (BECS Headquarters), Islamabad. Maturity date of both accounts was informed to Head Office well in time by Regional Office, Gilgit but approval for re-investment is still awaited from Head Office.

The reply is not acceptable because non-investment of the amount resulted in loss to public exchequer.

The PAO was informed on 19.01.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that inquiry may be held to fix the responsibility.

#### ***13.4.2 Irregular purchase of teachers training material without open competition - Rs. 3.600 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:

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 the BECS Regional Office Karachi incurred an expenditure of Rs. 3.600 million on procurement of teacher training material during 2013-14.

Audit observed that Teachers training material amounting to Rs. 3,600,000 was procured without advertisement in violation of Rule 12(1&2) of Public Procurement Rules, 2004.

Audit is of the view that procurement of teacher training material without advertising the objects on website as well and in newspapers was irregular and unauthorized.

Management replied that the budget for teacher training/refresher courses was received in the month of June,2014 and the training which is an important component of the Regional Office is therefore, carried out on quotation basis. However, in compliance of Audit observation and subject to the receipt of funds well in time from Head Office Islamabad, BECS Regional Office Sindh will follow all rules relating to procurement.

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

The PAO was informed on 19.01.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

**13.4.3 Non adjustment of advances granted to regional Director - Rs. 3.000 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 management of the Basic Education Community Schools, Regional Office, Gilgit paid advances amounting to Rs. 3,000,000 to Ms Yasmeeen Ali, Regional Director for different purposes during 2010-11 as detailed below:

<b>(Rupees)</b>			
<b>Cheque No.</b>	<b>Date</b>	<b>Purpose of Advance</b>	<b>Amount</b>
326892	31.08.2010	To make/Purchase School Direction Boards	300,000
330754	27.10.2010	To make/Purchase School Direction Boards	1000,000
	31.01.2011	Cash withdrawal for onward submission to BECS Head Office Islamabad.	1000,000
341188	18.03.2011	For preparation of School Sign Boards	300,000
342532	22.04.2011	For preparation of School Sign Boards	400,000
<b>Total</b>			<b>3,000,000</b>

Audit observed that neither the adjustment accounts were submitted by the Director Regional Office, Gilgit nor any utilization record was available with Regional Office, Gilgit.

Audit is of the view that non submission of adjustment accounts by Ex Regional Director is susceptible to misappropriation of funds.

The management replied that the case was under process at BECS Head Office, Islamabad.

The reply is not acceptable because advances drawn in 2010-11 were not

adjusted till finalization of the Report.

The PAO was informed on 19.01.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that inquiry may be held and responsibility may be fixed against the person at fault besides providing vouched account and depositing unspent balances in Government account.

#### ***13.4.4 Unauthorized transfer of funds to head office - Rs. 2.000 million***

Para 85 of GFR Vol-I states that any unspent balance lapses and is not available for utilization in the following year.

Management of the BECS, Regional Office Gilgit transferred an amount of Rs. 2.000 million vide cheque No. 339473 dated 31.01.2011 to BECS Head Office Islamabad for deposit in Head Office Account No. 3592-7 NBP PIMS Branch Islamabad.

Audit observed that funds were withdrawn from Assignment Account and placed in commercial bank account to avoid possible lapse of funds which was irregular and unauthorized.

Audit is of the view that transfer of fund to BECS Head Office Islamabad was irregular and unauthorized which deprived the Government of its due receipt.

Management replied that fund amounting to Rs. 2.00 millions was transferred by Ex-Acting Director Ms. Yasmeen Ali into the account of Head Office Islamabad through online transfer.

The PAO was informed on 19.01.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that reply may be routed through Head Office Islamabad to know the view point of the Head Office.

## **CHAPTER 14**

### **14. MINISTRY OF FINANCE**

#### **14.1 Introduction**

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

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

Final budget allocated to the Finance Division for the financial year 2015-16 was Rs. 1,469,012.171 million including Supplementary Grants of Rs. 138,623.778 million out of which the Division utilized Rs. 1,272,765.454 million. Grant-wise details of current, development and charged expenditure are as under:

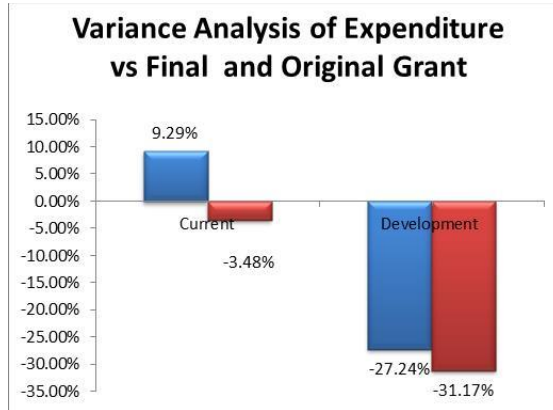
**(Rupees)**

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
29	Current	1,500,000,000	11,000	1,500,011,000	1,398,279,626	(101,731,374)	(7)
30	Current	4,713,000,000	719,250,000	5,432,250,000	5,397,294,417	(34,955,583)	(1)
31	Current	507,000,000	-	507,000,000	504,750,394	(2,249,606)	(0)
32	Current	2,591,000,000	51,000	2,591,051,000	2,321,598,756	(269,452,244)	(10)
33	Current	17,951,000,000	211,315,000	18,162,315,000	14,331,823,196	(3,830,491,804)	(21)
34	Current	231,000,000,000	5,000,000,000	236,000,000,000	251,016,187,291	15,016,187,291	6
35	Current	84,550,004,000	7,357,334,000	91,907,338,000	87,655,974,000	(4,251,364,000)	(5)
36	Current	445,840,000,000	92,911,976,000	538,751,976,000	513,277,485,961	(25,474,490,039)	(5)
44	Current	2,111,000,000	1,969,820,000	4,080,820,000	2,127,953,673	(1,952,866,327)	(48)
102	Current	18,209,532,000	490,801,000	18,700,333,000	9,058,609,124	(9,641,723,876)	(52)
103	Current	25,401,000,000	1,696,206,000	27,097,206,000	24,797,835,771	(2,299,370,229)	(8)
	<b>Subtotal - Current</b>	<b>834,373,536,000</b>	<b>110,356,764,000</b>	<b>944,730,300,000</b>	<b>911,887,792,209</b>	<b>(32,842,507,791)</b>	<b>(3)</b>
114	Development	141,222,405,000	1,768,748,000	142,991,153,000	34,391,120,355	(108,600,032,645)	(76)
115	Development	26,741,144,000	11,756,827,000	38,497,971,000	37,685,111,509	(812,859,491)	(2)
116	Development	162,100,000,000	3,934,579,000	166,034,579,000	114,161,971,370	(51,872,607,630)	(31)
119	Development	73,000,000	200,001,000	273,001,000	121,186,278	(151,814,722)	(56)
135	Development	213,186,000	-	213,186,000	70,249,506	(142,936,494)	(67)
136	Development	165,665,122,000	10,606,859,000	176,271,981,000	174,448,022,577	(1,823,958,423)	(1)
	<b>Subtotal - Development</b>	<b>496,014,857,000</b>	<b>28,267,014,000</b>	<b>524,281,871,000</b>	<b>360,877,661,595</b>	<b>(163,404,209,405)</b>	<b>(31)</b>
	<b>Total</b>	<b>1,330,388,393,000</b>	<b>138,623,778,000</b>	<b>1,469,012,171,000</b>	<b>1,272,765,453,804</b>	<b>(196,246,717,196)</b>	<b>(13)</b>

Audit noted that there was an overall savings of 13% amounting to Rs. 196,246.717 million.

#### *Supplementary Grants obtained without careful cash forecasting*

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 9.29%, which, after accounting for Supplementary Grants changed to saving of 3.48%. In development expenditure, savings against original budget were 27.27% which changed to saving of 31.17% 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
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	
<b>Total</b>		<b>86</b>	<b>86</b>	<b>53</b>	<b>33</b>	<b>62</b>

### 14.4 AUDIT PARAS

#### *Irregularity & Non Compliance*

#### *14.4.1 Supplementary Grants remained Not Printed – Rs. 837,826.423 million*

Para 104 of GFR Vol-I provides that cases which involve a supplementary grant will normally be accepted by the Ministry of Finance only if they relate to matters of real imperative necessity, or to the earning or safeguarding of revenue. In such cases the demand for a supplementary grant, or for

a token grant in respect of a new service if the expenditure can be met by re-appropriation, will be presented to the Legislature as soon as practicable after the need arises.

During Certification Audit of Appropriation Accounts of Federal Government 2015-16 prepared by the Accountant General Pakistan Revenues, Islamabad it was noted that the Ministry of Finance allowed Supplementary Grants of Rs. 1,098,701,985,000 to Ministries/ Division during.

Audit observed that;

- i. Out of total Supplementary Grants, only Supplementary Grants of Rs. 260,875,562,000 were presented before the Parliament (Printed in the Supplementary Schedule of Authorized Expenditure - 2015-16) along with the Federal Budget 2016-17.
- ii. Supplementary Grants of Rs. 837,826,423,000 remained un-presented before the Parliament for approval during 2015-16 which comes to 76.25 % of total Supplementary Grants.
- iii. There was no record to calculate the amount of Technical Supplementary Grants.

Audit is of the view that a large amount of Supplementary Grants remained un-presented (Not Printed) whereas the Ministry of Finance was responsible for placing all Supplementary Grants before the Parliament for approval while submitting Federal Budget for the year 2016-17 but it was not done. Thus, financial rules were not observed in true spirit.

It was replied by Ministry of Finance that all Ministries/Divisions were requested to reconcile the Schedules with the Budget Wing to ensure that no Schedule remains out of the book of Supplementary Grants. After the target date it is not possible for Finance Division to include the same in the Book to be presented in the National Assembly for approval. The schedules received after the target date, are kept for Excess Budget Statement and thus, remain outside the Book.

The management has accepted the audit observation.

Audit recommends that all Supplementary Grants must be laid before the Parliament in order to present true and fair position of total budget.

***14.4.2 Irregular retention/transfer of funds from Central Account No.1 to different accounts of Public Sector Enterprises in State Bank of Pakistan without actual expenditure - Rs. 7,091.373 million***

Rule 290 of FTR states that no money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.

Para 66 of GFR Vol-I states that all estimates of revenue and expenditure included in the Budget are for the financial year.

Para 96 of GFR Vol-I provides that it is contrary to the interest of the State that money should be spent hastily or in an ill-considered manner merely because it is available or that the laps of a grant could be avoided. In the public interest, grants that cannot be profitably utilized should be surrendered. The existence of likely savings should not be seized as an opportunity for introducing fresh items expenditure which might wait till next year. A rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a breach of financial regularity.

During Certification Audit of Appropriation Accounts of Federal Government 2015-16 prepared by the Accountant General Pakistan Revenues, Islamabad it was noted that unspent budget of Pakistan Dairy Development Company, Higher Education Commission and National Highway Authority were transferred to Public Sector Enterprises accounts opened in State Bank of Pakistan. The sanctions were endorsed by FA Wing of Ministry of Finance as per the following details;

<b>S. No.</b>	<b>Entity</b>	<b>Ministry</b>	<b>Sanctioned No. and date</b>
<b>1.</b>	Pakistan Dairy Development Company	M/o National Food Security and Research	F.4-7/2012-Plan dt 30.06.2016
<b>2.</b>	Higher Education Commission	M/o Finance	No.3-16/HEC/P&D/2015-16 dt 14.06.2016
<b>3.</b>	Higher Education	M/o Finance	No.3-16/HEC/P&D/2015-16

	Commission		dt 27.06.2016
4.	NHA	M/o Communication	4(2)/2015-Roads dt 29.06.2016
5.	NHA	M/o Communication	4(7)/2015-Roads dt 23.06.2016
6.	NHA	M/o Communication	4(3)/2015-Roads dt 23.06.2016

Audit observed that;

- i. An amount of Rs. 7,091.373 million was shown as Actual Expenditure whereas this amount was not actually utilized during the financial year 2015-16 but was transferred to other accounts opened in State Bank of Pakistan, apparently to avoid lapse of funds.
- ii. Retention/transfer of funds to other accounts opened for Public Sector Enterprises in State Bank of Pakistan in the last month of financial year was not covered under the rules.
- iii. This was a stop-gap arrangement and revised procedure as stated in para 1(f) of OM dated 24.06.2015 has not been notified so far.

Audit is of the view that the Actual Expenditure of Federal Government during 2015-16 was overstated to that extent. Hence validity of expenditure cannot be authenticated. Furthermore, transfer/retention of large amount in other accounts to avoid lapse of funds was irregular and is a measure to bypass Para 96 of GFR Vol-I.

The management replied that:

- i. The procedure for the operation of PSEs account maintained with the State Bank of Pakistan (SBP) will be abolished immediately under intimation to the concerned Public Sector Entities maintaining PSE Accounts with SBP.
- ii. All the concerned PSEs will surrender the available funds from their respective PSE account to Account No. 1 (Non-Food) under the Head of Non-Tax Revenues.
- iii. The concerned PSEs then will thereafter forward/submit a request for the issuance of Technical supplementary Grant to Finance Division against the respective amount surrendered to Account No. 1.

- iv. All the concerned PSEs will be responsible to complete all the codal formalities for the utilization of the funds after surrender of the same into Account No. 1 from their respective PSE Account.

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

Audit recommends that the irregular practice may be stopped forthwith.

***14.4.3 Non-recovery of penalties/fines imposed by the Commission - Rs. 26,446.587 million***

Section (40)(8) of the Competition Act, 2010 states that all penalties and fines recovered shall be credited to the Public Accounts of the Federation.

The management of the Competition Commission of Pakistan imposed penalties of Rs. 26,446.587 million on various companies during 2009-15

Audit observed that the amount of fines and penalties imposed by the Commission was not recovered.

Audit is of the view that non remittance of fine and penalties by the penalized firms was not only violation of Section (40)(8) of the Competition Act, 2010 but also resulted in loss to Government.

The management replied that the orders passed by the CCP whereby the penalties have been imposed were sub judice either before the Honorable High Courts, Competition Appellate Tribunal or the Honorable Supreme Court of Pakistan. In all the appeals/writ petitions the operation of the Orders of the CCP was suspended. Any action taken for recovery of penalties in the presence of the restraining orders of the superior courts would amount to contempt of court. It was submitted that unless the matters were ultimately decided by the Superior Courts, the CCP cannot recover the penalties imposed and deposit the same in the Public Account of the Federation.

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

The PAO was informed on 25.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the court cases may be followed vigorously for recovery of fines.

***14.4.4 Non-recovery of 3% on the fees and charges levied by Regulatory Authorities - Rs. 2,444.438 million***

Section 20(2)(f) of the Competition Act, 2010 states that the Fund shall be 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 during financial year 2008-09 to meet the charges in connection with the function of the Commission namely:

- a) The Securities and Exchange Commission of Pakistan
- b) The National Electronic Power Regulatory Authority
- c) The Oil and Gas Regulatory Authority
- d) The Pakistan Telecommunication Authority
- e) 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 Rule 3(1) 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 was required to receive 3% of the fees as levied from the Regulatory Authorities.

Audit observed that an amount of Rs. 2,444.438 million on account of 3% of the fees was outstanding against the Regulatory Authorities which was required to be received by the Commission as per rules.

Audit is of the view that non recovery of 3% share on the fee and charges levied by the Regulatory Authorities resulted in loss to the Commission as well as to Government exchequer as CCP receives grant in aid from Government to meet the deficit of operational cost of the Commission.

The management replied that the Competition Commission of Pakistan has consistently and persistently followed up payment of 3% with all the Regulatory Bodies.

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

The PAO was informed on 25.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amount outstanding against the Regulatory Authorities may be recovered.

#### ***14.4.5 Loss due to irregular opening of office at Karachi - Rs. 10.748 million***

Section 13 Competition Act, 2010 states that the head office of the Commission shall be in Islamabad and the Commission may establish and close down offices at such other places in Pakistan as it considers necessary.

Section 14(1) Competition Act, 2010 states that the Commission shall consist of not less than five and not more than seven members:

Section 24(1) Competition Act, 2010 states, the Chairman may convene such meetings of the Commission at such times and places as he considers necessary for the efficient performance of the functions of the Commission.

Para 23 of GFR Volume.1 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 Commission in its 3rd Meeting of the Commission, 2014 approved establishment of CCP's Branch Office at Karachi.

Audit observed as under:

- i. During the period 22.08.2013 to 16.12.2014 the Commission was consisting of three members including Chairman.
- ii. The Commission in its 3rd meeting held on 10.04.2014 approved the establishment of Branch Office at Karachi in violation of Section 14(1) Competition Act, 2010 which states that the Commission shall consist of not less than five and not more than seven members.
- iii. An expenditure of Rs.10.748 million was made on account of hiring of building, procurement of furniture and fixture and TA/DA.
- iv. Branch Office was then closed on 20.06.2015.

Audit is of the view that that the branch office of the Commission's was approved by an incomplete Commission subsequently which was closed on 20.06.2015, consequently the Commission sustained a loss of Rs.10.420 million incurred on rent, procurement of furniture and payment of TA /DA.

Management replied that the decision to open office at Karachi was taken in the 3<sup>rd</sup> Commission meeting held on 10.04.2014 with three members only. However, it may be appreciated that the Commission operated with three Members for a time period of 1-year and 4-months starting from 22.08.2013 to 16.12.2014, whereby the Members were not appointed by the Federal Government. In such circumstances, the Commission took decisions as deemed necessary and bon-a-fide in the best interests of the CCP. The decision of shutting down the operations was again taken in a Commission meeting dated 20.06.2015, consisting of five members. The matter is already under inquiry under the Competition Commission (Efficiency and Discipline) Rules, 2015.

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

The PAO was informed on 25.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed to recover the loss.

***14.4.6 Irregular payment of advances to Members of the Competition Commission of Pakistan - Rs. 6.125 million***

Section 17(1) of Competition Commission Act, 2010 states that the Chairman and Members of the Commission shall be appointed for a terms of three years on such salary, terms and conditions of service as the Federal Government may by rules prescribe.

Rule 4(1) of 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 Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 states that the salary of the Members shall be fixed at median of MP-I Scale they shall be entitled to annual increments earned in the normal course in terms of the MP-I Scale.

Rule 4(3) of 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) during 2014-15 paid various advances to its members appointed against the package of MP-I Scales. Details are as under:

<b>S. No.</b>	<b>Nature of Advance</b>	<b>Amount (Rs.)</b>
1	House Rent Allowance Advance	1,570,526
2	General Purpose Loan	4,555,000
<b>Total</b>		<b>6,125,526</b>

Audit observed that management of CCP granted advances to Members of the Commission over and above the package approved by the Government.

Audit is of the view that the payment of advances over and above the

Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rule, 2009 was irregular.

The management replied that the facility of payment of advance house rent allowance for hiring residence is granted under Regulation No. 3 of Chapter 6 of Competition Commission (Service) Regulations, made under Section 58. In accordance with this provision House Rent Advance equal up to 12 months was paid to the Members. The advances were sanctioned by the Chairperson. 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 OM. NO. F3 (2) Exp.III/2006 dated 13-09-2006 (System of Financial Control and Budgeting) wherein Ministries/Divisions and Head of Departments are authorized to pay one year advance rent of hired residence. It is further pointed out that payment of advance pay, rent etc are normal incidence of service and are allowed to the holders of the posts in all organizations, including the Government. The advances have been duly recovered as per regulations or are being recovered as per regulations

The reply was not accepted because the Members and Chairman are entitled for pay and allowances as admissible under MP-I Scales. These rules do not contain any provision for payment of such advances.

The PAO was informed on 25.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that advances paid to Chairperson and Members in violation of Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rule, 2009 may be recovered besides stopping the irregular practice forthwith as already recommended in the previous audits.

***14.4.7 Irregular payment to Members of the Competition Commission of Pakistan in addition to approved package - Rs. 3.407 million***

Section 17(1) of Competition Commission Act, 2010 states that the

Chairman and Members of the Commission shall be appointed for a terms of three years on such salary, terms and conditions of service as the Federal Government may by rules prescribe.

Rule 4(1) of 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 Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rules, 2009 states that the salary of the Members shall be fixed at median of MP-I Scale they shall be entitled to annual increments earned in the normal course in terms of the MP-I Scale.

Rule 4(3) of 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. 3.407 million to the members of the Commission appointed against the package of MP-I Scales. Details are as under:

**(Rupees)**

<b>S. No</b>	<b>Head of Account</b>	<b>Amount</b>
<b>1</b>	Leave Fare Assistance	1,901,073
<b>2</b>	Security Guard Services @ Rs.10,000 PM to five Members	600,000
<b>3</b>	Mobile Phone Charges	247,890
<b>4</b>	Orderly Allowance	342,548
<b>5</b>	Club Membership (monthly subscription)	243,818
<b>6</b>	Mobile Set Cost (Chairman )	72,105
	<b>Total</b>	<b>3,407,434</b>

Audit observed that management of CCP made the above payments to the Members of the Commission over and above the package approved by the Government.

Audit is of the view that the payment of payment of leave fare assistance, security charges, mobile phone charges, and orderly allowance, club membership

fee, provision of mobile set was over and above the Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rule, 2009 was irregular and unauthorized.

The management replied that all the expenditure under the Head of 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 CCP's Service Manual. This Manual was enforced in 2007 on inception of the Commission. In Section 62 of the Competition Act, 2010, it is justified. Section 62 reads as "Anything done, actions taken, orders passed, processes or communications issued, powers conferred, assumed or exercised, by the Commission or its officers on or after the 2nd October, 2007 and before the commencement of this Act, shall be deemed to have been validly done, made, issued, taken, initiated, conferred, assumed and exercised and provisions of the Act shall have, and shall be deemed always to have had effect accordingly". Competition Commission (Service) Manual, 2007 was made, came into force under the Notification S.R.O. 1192 (1) 2007 issued on November 20, 2007. As such all the actions taken/ payments made under the above mentioned manual are justified.

The reply was not acceptable as inconsistent with rules. The Members and Chairman are entitled for pay and allowances as admissible in terms of MP-I Scales which does not allow such payments.

The PAO was informed on 25.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the responsibility may be fixed for continued payment of allowances to Members in violation of Competition Commission (Salary, Terms and Conditions of Chairman and Members) Rule, 2009 besides making recovery and stopping the irregular practice forthwith as already recommended in previous audit reports.

***14.4.8 Unjustified purchase of land from Railway Estate Development and Marketing Company, Pakistan Railways - Rs. 27.223 million***

Section 24(c) of SECP Act, 1997 states that the Fund shall be expended for the purpose of purchasing or hiring equipment, machinery and any other materials, acquiring land and erecting buildings, and carrying out any other work and undertakings in the performance of its functions or the exercise of its powers under this Act.

Securities and Exchange Commission of Pakistan (SECP) participated in bid for purchase of a piece of land from Railway Estate Development and Marketing Company, Pakistan Railways. The size of plot was 2,100 square yards at the rate of Rs. 185,000 lease premium per square yards with total lease price of Rs. 388.500 million, for 99 years with annual ground lease rent @ Rs. 9 per square yard. An amount of Rs. 19.425 million was paid to Pakistan Railways as 5% bid security in October/November, 2012 and on 16.11.2012 Pakistan Railways accepted the bid of SECP and asked to make the remaining payment within 30 days to enable them to process the lease of the land to SECP. The SECP also incurred expenditure of Rs. 7.798 million as stamp duty on 08.03.2013.

Audit observed that the transaction for purchase of land could not be finalized due to a court case of land of Pakistan Railways. Due to the reason neither further payment was made to Pakistan Railways nor was the title of land transferred in the name of SECP.

Audit is of the view that the expenditure was unjustified as precautionary measures were not taken before making payment.

The management replied that when Commission proceeded on acquiring the land, the Hon'able Supreme Court of Pakistan imposed ban on transfer/allotment of Government land across Sindh Province. Now the matter is sub-judice.

The DAC in its meeting held on 08.11.2016 decided that the para may be placed before the PAC.

Audit recommends that the case may be pursued for possession of land.

## CHAPTER 15

### 15. NATIONAL FOOD SECURITY AND RESEARCH DIVISION

#### 15.1 Introduction

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.

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

Final budget allocated to the National Health Service Regulations and Coordination Division for the financial year 2015-16 was Rs. 15,545.729 million including Supplementary Grant of Rs. 10,342.729 million out of which the Division utilized Rs. 18,782.449 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	Current	3,703,000,000	10,004,518,000	13,707,518,000	17,972,692,136	4,265,174,136	31
108	Developm ent	1,500,000,000	338,211,000	1,838,211,000	809,757,516	(1,028,453,484)	(56)
	<b>Total</b>	<b>5,203,000,000</b>	<b>10,342,729,000</b>	<b>15,545,729,000</b>	<b>18,782,449,652</b>	<b>3,236,720,652</b>	<b>21</b>

Audit noted that there was excess of Rs. 3,236.720 million, which was mainly due to excess of Rs. 4,265.174 million 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
<b>National Food Security and Research (Devolved M/o Food and Agriculture)</b>	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
	<b>Total</b>	<b>411</b>	<b>411</b>	<b>113</b>	<b>298</b>	<b>27</b>

## 15.4 AUDIT PARAS

### *Irregularity & Non Compliance*

#### ***15.4.1 Irregular payment of Special/Additional Special Research Allowance to employees working at PARC Headquarters - Rs. 12.695 million***

Para 12 of OM. No.F-2-27/2006-ARW dated 18.10.2007 regarding Special Pay Scales (SPS) 2007 issued by PARC, for its employees states that Special Research Allowance (SRA) @ 30% of the minimum of the SPS-2007 will be admissible to the Scientists (possessing degree in the scientific disciplines related with agriculture) and para scientific staff on performance subject to the conditions specified by the Council.

Para 13 of OM. No.F-2-27/2006-ARW dated 18.10.2007 regarding Special Pay Scales (SPS) 2007 issued by PARC, for its employees states that Additional Special Research Allowance (ASRA)@ 20% of the minimum of the SPS-2007 will be admissible on performance to scientists (Possessing degree in the scientific disciplines related with agriculture) in SPS-7 and above subject to the fulfillment of the prescribed qualifications/ conditions, to be notified.

Finance Division O.M.No.F.4(8)R-4/2008, dated 14.02.2009 relating to revision of Pay Scales and Allowance of executive/ supervisory staff of PARC w.e.f. 01.07.2008 states that all existing rules/orders on the subject shall be deemed to have been modified to the extent indicated above. All existing rules/orders not so modified shall continue to be in force under the scheme.

The management of PARC paid Rs.12.695 million as Special Research Allowance and Additional Special Research Allowance to employees during 2014-15 who were working at PARC Headquarter.

Audit observed that:

- i. The posts at Headquarter were not meant for conducting research work.
- ii. As per expenditure statement the total expenditure of SRA and ASRA was Rs. 12.695 million whereas vouchers of Rs. 11.201 million were produced to audit. Thus, there was a difference of Rs. 1.494 million.

Audit is of the view that prescribed rules in this regard were not observed resulting in overpayment.

The management replied that the payment of Special Research Allowance and Additional Special Research Allowance on the minimum running basic time scales prevailing for period was made with the approval of Chairman.

The PAO was informed on 20.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be discontinued forthwith besides recovery.

#### ***15.4.2 Unauthorized maintenance of bank account and retention thereof - Rs. 11.806 million***

Rule 7(1) of FTR 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 or into the Bank. 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.

Para 7 of GFR Vol-I states that unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Ministry of Finance.

The Management of Pakistan Oil Seed Development Board is maintaining a Bank Account bearing No.790-3 at National Bank of Pakistan, B-Block, Pak. Secretariat Islamabad. According to bank statement an amount of Rs.11.806 million was available in the said account as on 12.07.2016

Audit observed as under:

- i. The account was opened without the approval of Finance Division.
- ii. The management did not provide evidence regarding source of receipt as no breakup of the funds available in the account was provided to audit.
- iii. Funds are frequently withdrawn as loan for operational expenditure of the office

Audit is of the view that bank account was opened without the approval of the Finance Division and moreover, the management has no evidence regarding receipt of funds in the said account. Therefore, the opening of bank account and retention of funds is held irregular and unauthorized.

Management replied that this account was opened with the approval of Finance Division. As per bank statement on 30.06.2016 an amount of Rs. 11.180 million is available in said account. PO DB management drew funds from this account as loan from time to time for the payment of salaries of employees only when regular releases from Finance Division were delayed. However, same amount were recouped to the account when budget was released in assignment account. Therefore, there was no irregularity or embezzlement of funds occurred during the audit year. Cash book, ledger book and all records are being maintained properly and available from 1995 to 30-06-2016.

The reply was not accepted because no documentary evidence was produced in support of the reply.

The PAO was informed on 26.10.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be taken up with Finance Division for regularization.

***15.4.3 Non-recovery of 40% rebate granted on Income Tax - Rs. 3.327 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 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, Islamabad deducted Income Tax from the salaries of 70 scientists working at PARC Headquarter by allowing them 40% rebate during 2014-15.

Audit observed that:

- i. The management deducted Rs. 4,989,843 (60%) of the income tax payable from 70 scientists and granted 40% rebate (Rs. 3,326,562) in tax liability.
- ii. The officers working at PARC Headquarters were performing the administrative and secretariat duty and were not full time researchers.

Audit is of the view that allowing reduction in tax liability was admissible to full time researchers only. Unauthorized allowing of tax rebate deprived the Government of its due receipt of Rs. 3,326,562.

The management replied that 40% rebate was granted to 69 scientists of PARC during 2014-15. PARC is apex agriculture research department and it is expended in all over the country and its offices are located in all Provinces. All research activities are managed and supervised by PARC HQs. For this purpose,

scientists are sitting in PARC HQs.

The PAO was informed on 20.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that allowing reduction in tax liability was admissible to full time researchers only, recovery be affected from the concerned and deposited into Federal Treasury.

#### ***15.4.4 Non-constitution of the Board of Governors of Pakistan Oil Seed Development Board***

Clause 2(2) of the Resolution No. F.17-1/94-PODB dated 25.10.1994 states that the Board of Governors (BOG) will be an apex body to oversee the performance of the PODB with the following mandate:

- i. Annual budget approval of the PODB
- ii. Approval to the projects to be undertaken by the Board
- iii. Decision on policy issues and any other issue emerging overtime

Cabinet Division vide Notification No.4-A/2012-Min-I dated. 09.10.2012 restored Pakistan Oil Seed Development Board (for Federal area only)

Audit observed that Ministry of Food Security and Research has not constituted the Board of Governors of Pakistan Oil Seed Development Board PODB. The last Board was constituted on 05.10.2009 for three years.

Audit is of the views that in absences of Board of Governors the decisions taken by the management have no legal validity.

Management replied that after restoration of PODB, M/o National Food Security & Research was requested vide letter No.F.1-1/PODB/Admn/ dated 15-01-2014 for re-constitution of Board of Governors but the same has not been finalized so far.

Management has accepted the audit point of view.

The PAO was informed on 26.10.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the Board of Governors of Pakistan Oil Seed Development Board may be constituted as required under the provision Resolution.

#### ***15.4.5 Irregular up-gradation of 163 posts***

As per Serial No. 1 of the Annexure to the System of Financial Control and Budgeting 2006, the creation of new posts required the approval of the Finance Division.

The management upgraded 163 posts of various nomenclatures during 2014-15. Details are as under:

<b>S. No.</b>	<b>Cadre</b>	<b>No. of posts</b>
<b>1.</b>	Technical/Ex-cadre	36
<b>2.</b>	Para Scientific	01
<b>3.</b>	Administration Cadre	74
<b>4.</b>	Accounts Cadre	16
<b>5.</b>	Steno Cadres	31
<b>6.</b>	Computers Cadres	05
<b>Total</b>		<b>163</b>

Audit observed that posts were neither created nor upgraded with the prior concurrence of Finance Division and Establishment Division.

Audit is of the view that up gradation of posts without any powers was un-authorized.

The management replied that the Chairman was authorized to up-grade the posts.

The reply is not acceptable because Chairman was not authorized to upgrade the posts without the approval of the Finance Division.

The PAO was informed on 20.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that expenditure incurred due to unauthorized up-gradation of posts without the approval of Finance Division and Establishment Division may be recovered.

**15.4.6 Wasteful expenditure on fish processing and cold chain development  
- Rs. 32.58 million**

GFR 10 states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety.

The management of NARC executed a Development sub project titled “Pilot Project on Fish Processing and Cold Chain Development” under Research for Agricultural Development Program (RADP) during 2014-15. The estimated cost of the project was Rs. 40.740 million against which expenditure of Rs. 32.58 million was incurred. The expected outcomes/ impact of the project were as under:

- i. Development of quality fish products of Fisheries Development Board (FDB) and aquaculture and fisheries program (AFP)/ Pakistan Agrotech Private Limited (PATCO) for high end consumer of Islamabad and Rawalpindi.
- ii. Capacity building and strengthening of Fisheries Development Board and NARC for provision of training and service delivery to its stakeholders.
- iii. Show casing a model cold-chain along the fish supply line.
- iv. Awareness raising for health benefits of quality fish consumption.

All the machinery items for the project were procured and installed in October, 2014. The capacity of the machinery installed was to process one ton fish/day.

Audit observed as under:

- i. The fish processed during 2014-15 was only 5 tons.
- ii. The expected outcomes from Sr. 2 to 4 were also not achieved as neither a cold chain for supply of fish to the plant and sale of finished product in the market was developed nor market for the sale of product was captured.
- iii. The profit earned from the commercial operations was not intimated.



- iv. The utility charges of the plant were incurred from the regular budget of NARC. This amount was also not intimated to Audit.
- v. Rs. 4.1 million was incurred on repair of fishery plant building. The detailed record was not provided.
- vi. File of the administrative approval of the project was not produced.

Audit is of the view that:

- i. The project did not achieve its objectives and the reason for which were not recorded.
- ii. The expenditure to strengthen a commercial organization was not the mandate of NARC.
- iii. In the absence of the complete record the authenticity of the expenditure could not be ascertained.
- iv. Due to non-functioning of equipment there is probability of the wastage of public money.

The management replied that production of finished products should be considered in view of demand and supply by the consumers. Being the new product for the local market only a demand of 5 ton was generated. The fish processing plant has been established in Pakistan for the first time. The facility is developed to help farmers to diversify fish products.

The reply was not accepted because neither a cold chain for supply of fish to the plant and sale of finished product in the market was developed nor market for the sale of product was captured which resulted in low demand from the consumers as well as from farmers.

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

***15.4.7 Non-recovery of penalty for non-completion of construction work - Rs. 10.498 million***

According to contractual Clauses of contract agreement made between PARC and M/S Zainul Abbidin & Sons for construction of Lab Building of NIGAB the contractor was liable to pay maximum 10% of the contract value in case it failed to complete the work during stipulated period.

The management of the PARC vide letter No. D.3510/09-DW dated 06-03-2009 issued acceptance letter to M/s Zainul-Abideen & Sons for construction of NIGAB Lab building against total contract value of Rs.104.982 million with completion period of 18 month i.e. March 2009 to September 2010.

Audit observed that the contractor failed to comply with the contractual obligations and building remained 50% uncompleted. Later on, a fresh tender was called and left over work was awarded to same contractor who completed the building after five years and nine months instead of the stipulated period of eighteen months period thus he was liable to be imposed ten percent maximum penalty for late completion of construction work.

Audit further observed that during 2008-12, project funds worth Rs. 40.818 million were utilized for procurement of consumable item research equipment and purchase of vehicles instead of utilizing such funds for construction of office building.

Audit also observed that due to late completion of building, most of the research equipment were lying uninstalled and remained non-functional.

Audit is of the view that the management utilized funds for procurement of consumable item and research equipment. Furthermore, utilization of consumables without completion of laboratory is doubtful.

The management replied that construction work was stopped by the contractor due to non-payment of his claims which NARC could not make because of non-receipt of release from the government. The Council could not foresee temporarily stoppage of funds and purchased some consumable items.

The reply was not accepted because funds were diverted the crucially required funds for completion of construction work to other activities.

Audit recommends that matter may be inquired at appropriate level and responsibility may be fixed.

***15.4.8 Non-deposit of tuition fee into government account - Rs. 8.521 million***

Treasury Rules-7 states that Government receipts may be deposited into Government Account as they occurred.

Para 25 of GFR Vol-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.

PARC Institute of Advanced Studies in Agriculture (PIASA) charged tuition fee @ Rs. 5,000 and 15,000 from the students and total collection for the period 2008-15 amounting to Rs. 8,520,550 was deposited into University's student fund account bearing number 0700-4 being maintained in NBP, NIH branch, Islamabad.

Audit observed that instead of depositing the fee into government treasury the management deposited tuition fee into student fund account and utilized it for salaries, lecture fee, etc. without approval of the Finance Division.

Audit is of the view that deposit of tuition fee into student fund account and its utilization was unauthorized.

The management replied that PIASA has been got affiliated with Agricultural University, Peshawar in pursuance of HEC directives. The University/affiliated institutions keep the fund with themselves, therefore, receipt has been kept in separate account.

The reply was not accepted because funds were retained without the approval of the Finance Division.

Audit recommends that responsibility may be fixed for the irregularity and fees collected may be deposited into government treasury.

***15.4.9 Irregular and unauthorized allotment of space/land to the Sohni Dharti TV***

Para 26 GFR 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.

PARC Agro Tech Company (Pvt) Ltd (PATCO) made an MOU with M/s Sohni Dharti Television owned and operate by the Tilton Pvt Ltd on 1st February 2012 with the objective that PATCO will disseminate the research based scientific solution and knowledge to the farming community of Pakistan with the help of Sohni Dharti TV. The management also issued NOC to the TV on 20.05.2015 for a 20 KV electricity connection from IESCO. The channel installed a booster near NIGAB building.

Audit observed as under:

- i. The space was provided without any administrative approval from the competent forum and fair competition amongst all such TV Networks.
- ii. Management did not receive any rent and electricity charges from the TV.
- iii. Detailed terms and conditions of the MOU were not provided.

Audit is of the view that provision of space to a private company was unauthorized and irregular.

The management replied that MOU was signed with M/s Sohni Dharti TV upon receipt of request from its CEO through Ministry. Case for recovery of rent has been initiated and Audit will be informed in due course of time.

The reply was not accepted because land was allocated without open competition. Further, the management accepted that the rent was not recovered.

Audit recommends that responsibility for provision of land and space without fair competition may be fixed besides recovery of rent and other utility charges.

**15.4.10 Wasteful expenditure on ostrich breeding project - Rs. 2.830 million**

GFR 10 states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety.

The management of NARC executed a Development sub Project titled “Establishment of Ostrich Breeding at NARC Islamabad” under RADP w.e.f. January, 2015. The estimated cost of the project was Rs. 10.23 million with completion period of 12 months. All the planned activities, i.e. hiring of manpower, purchase of ostrich (6 female and 3 male), purchase of equipments, experimental design, purchase of fodder etc. were completed in time and the total expenditure incurred in the completion period was Rs. 2,830,398.

The objectives of the project were as under:

- i. To standardize production techniques of ostrich farming
- ii. study factors to reduce the early chick mortality
- iii. to produce cheap and healthy red meat
- iv. to develop human resource and training of farmers

The results of the activities were as under:

<b>Estimated as per PC-1</b>	<b>Actual outcome</b>
<b>1.</b> 40 eggs per female, total 240 eggs	Total Eggs received 24
<b>2.</b> 30 off springs per female in a year, total 180 off springs	Total off springs received 2
<b>3.</b> Mortality rate 20%	Mortality 100% as both chicks died. 1 <sup>st</sup> chick died after one week and 2 <sup>nd</sup> died at 26 days.

Audit observed as under:

- i. The reason recorded for the less quantity of egg received were shortage of green fodder and lack of dry and hot climate. Both the reasons were based on physical observation and not on the experimental based. Further in the PC-1 no such deficiency had been mentioned.
- ii. None of the objectives were achieved.
- iii. Ostrich were procured without open tender.

Audit is of the view the project did not achieve its objectives due to ill planning.

Audit is also of the opinion that failure of the project was due to lack of technical competency to run the project.

The management in their reply stated that the young chicks did not survive. It was confirmed through clinical examination that fertility of eggs was very low which resulted in low hatching. It was unrealistically assumed that the birds would lay eggs as well as hatching would be successful from the start. In reality no success has been achieved.

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

Audit recommends that responsibility for the wasteful expenditure may be fixed.

#### ***15.4.11 Concealment of the record and suspected misappropriation of receipt of Hostels***

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 the Ordinance further 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 26 of GFR 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.

The management of NARC was requested to provide the list of hostels/rest houses along with room capacity and occupancy and also the receipt there against.

The management provided incomplete record regarding one guest house (NARC) and two hostels (I Hostel and J Hostel in NARC). The charges for a room in this Guest House for one day were Rs. 3,000.

Audit observed as under:

- i. Physical verification showed that the management was also maintaining a hostel at Murree, with four furnished bed rooms with two kitchens and two dining halls.
- ii. The management was also maintaining a women hostel in the NARC premises.
- iii. The receipt and expenditure record / the detail of occupancy was not produced to Audit.

Audit is of the view that the management hindered the auditorial functions of the Auditor General of Pakistan by not providing the complete record in the absence of which the authenticity of the accounts cannot be ascertained and the probability of misappropriation cannot be ruled out.

The management in their reply has accepted the existence of these hostels. The record of these hostels was provided to Audit and can be further presented on demand.

The reply was not accepted because no record in support of reply was produced.

Audit recommends that responsibility for non-production of record may be fixed and matter may be investigated for recovery of rental receipts.

**15.4.12 Un-necessary expenditure on procurement of olive plants - Rs. 49.101 million**

Para 10 of General Financial Rules states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety.

The management of NARC started a development project titled “Promotion of Olive Cultivation for Economic Development and Poverty Alleviation” during 2014-15 with a cost of Rs. 2,444.545 million. As per PC-I, olive plants will be distributed for plantation in Provinces and FATA. During March & April 2015, management purchased 190,000 plants @ Rs. 262.900 for Rs. 49.951 million from M/s Khaista Khan. As per stock register the distribution of the plants was as under:

S. No.	Date	Plants issued to	Quantity	Amount
1	14.03.2015	NRSP Punjab	5,000	1,314,500
2	-do-	ARI Baluchistan	7,000	1,840,300
3	-do-	BARDC Balochistan	8,000	2,103,200
4	-do-	Major Fateh	3,000	788,700
5	-do-	Col Khalid	3,000	788,700
6	19.03.2015	NARC	4,000	1,051,600
7	31.03.2015	NRSP Punjab	7,000	1,840,300
8	-do-	Punjab	4,000	1,051,600
9	-do-	KPK	20,000	5,258,000
10	-do-	FATA	5,000	1,314,500
11	-do-	ARI Baluchistan	6,000	1,577,400
12	-do-	BRDC Baluchistan	7,000	1,840,300
13	-do-	NARC	16,000	4,206,400
14	27.04.2015	NARC	95,000	24,975,500
<b>Total</b>			<b>190,000</b>	<b>49,951,000</b>

Audit observed as under:

- i. The acknowledgement of the 75,000 distributed plants and their farmer wise plantation record was not provided.



- ii. The balance 115,000 olive plants remained undistributed with NARC.
- iii. Another foreign Aided Development Pakistani-Italian Debt for Development Swap Agreement (PIDSA) at a cost of Rs. 382.153 million was earlier started in March, 2012 and was still on going against which 273,000 olive plants were purchased between January 2013 to April 2014 @ Rs. 146.74 per plant. The current project was started before the maturity and results from 273,000 plants already distributed through previous project (PIDSA) of in 2012/13.
- iv. The plants purchased in this Project were at a very high price as compared to those purchased in PIDSA.
- v. The plants were to be distributed to the Provinces but the demand received from the Provinces/FATA was not on record.
- vi. FATA Secretariat started its own development project “Plantation of Improved Olive Plants” with a cost of Rs. 400 million during 2006-15. Khyber Pakhtunkhwa Government started its project Titled “Research and Development on European olive” with a cost of Rs. 100 million and Punjab Government had the project titled “Standardization of Olive Propagation and its value addition techniques” with a cost of 22 million during 2010-14.

Audit is of the view that starting of a new project without considering the results of previous plantations, without consulting Provincial Governments and determining the actual requirements the objectives of the project could not be achieved.

The management replied that plants were purchased through open competition and as per rates quoted by suppliers. List of distribution of plants was available. Further, start of similar projects by other Provinces is a welcoming initiative.

The reply was not accepted because no record was produced in support of the reply and project was started without consultation of Provincial Governments.

Audit recommends that matter should be investigated.

## CHAPTER 16

### 16. HIGHER EDUCATION COMMISSION

#### 16.1 Introduction

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.

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

Final budget allocated to the Higher Education Commission for the financial year 2015-16 was Rs. 56,300.000 million including Supplementary Grant of Rs. 5,300.000 million out of which the Commission utilized all. 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)
37	Current	51,000,000,000	5,300,000,000	56,300,000,000	56,300,000,000	-	-

### 16.3 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	
<b>Total</b>		100	100	35	65	35

### 16.4 AUDIT PARAS

#### *Irregularity & Non Compliance*

#### *16.4.1 Irregular release of fund to public university without evaluation of financial needs - Rs. 174.013 million*

Higher Education Commission created budget head HEC-Universities Programs to meet the urgent and emergent needs of the Universities/Institutes/Centers. Funds under the said budget shall be used:

- i. To comply with the Presidents and Prime Minister's directives for provision of additional grant to the Higher Education Institutions
- ii. To meet the emergent needs of HEIs which are fully justified and based on relevant data.
- iii. To bridge the unforeseen budgetary deficit/ shortfall of the recurring budget of the HEIs subject full justification and availability of funds.
- iv. To allocate funds to newly established Universities/Centers/Institutes.

The management of Higher Education Commission, (HEC) released an amount of Rs. 174.013 million to different universities on 18.06.2015

Audit observed as under:

- i. President's and Prime Minister's directives for provision of additional grant to the above mentioned Higher Education Institutions were not available.
- ii. Causes of emergent need were not available.
- iii. Evaluation and examination of fund was not available
- iv. Detail of unforeseen budgetary deficit/shortfall of the recurring budget and its justification were not available.
- v. None of the Universities/Centers/Institutes was newly established.

Audit is of the view that release of funds without observing the criteria was irregular and unauthorized.

The management replied that the provision of additional funds amounting Rs.174.013 million to respective institutions was fully justified keeping in view their budgetary position and unforeseen/expected budget deficits during the year, fulfilling criteria mentioned in funding policy approved by the Commission.

The reply was not accepted because the management did not provide any documentary evidence regarding evaluation of the needs of the universities.

The PAO was informed on 09.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility should be fixed for the irregularity.

#### ***16.4.2 Unauthorized retention of 42 vehicles and expenditure thereon - Rs. 31.861 million***

Section 21 of the HEC Ordinance, 2002 states that the Commission may, with the prior approval of the Controlling Authority (Prime Minister), by notification in the official Gazette, make rules for carrying out the purposes of the HEC Ordinance, 2002

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 (xv) of Annexure to the Monetization Policy states that the Ministries/Divisions/Departments needing operational vehicles shall get their authorization of such vehicles fixed from the Vehicles Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division/Department.

The management of Higher Education Commission (HEC), Islamabad retained 42 vehicles for general duty and incurred expenditure of Rs. 31.861 million during the year 2014-15.

Audit observed as under:

- i. HEC has not framed HEC own staff car rules.
- ii. HEC adopted the monetization policy but vehicles were not got authorized after monetization policy.
- iii. Vehicles were placed on the general duty pool
- iv. The management incurred an amount of Rs 17.387 million on POL and Rs 14.476 million on repair and maintenance of the vehicles placed on general pool which is very high.

Audit is of the view that the retention of the vehicles on general duty pool without the approved rules and authorization from Cabinet Division after adoption of monetization policy was irregular and unauthorized.

The management replied that the vehicles are running round the clock and more repair and maintenance are required. Furthermore, most of vehicles of general pool are old and covered meter reading of above 4 lac kilometers and expenditure on repair and maintenance of vehicles is on higher side.

Reply was not accepted because the management was maintaining large number of vehicles at pool without approved rule. Furthermore, in absence of their own rule, the authorization from Cabinet Division was required especially when the monetization policy has been adopted.

The PAO was informed on 09.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the authorization of vehicles may be got fixed and the surplus vehicles should be surrendered to the Cabinet Division. Matter of high cost of repair and maintenance of vehicles may be investigated and responsibility should be fixed.

#### ***16.4.3 Unnecessary procurement of laptops - Rs. 16.721 million***

Para 10(ii) of GFR Volume-I states that the expenditure should not be prima facie more than the occasion demands.

The management of Higher Education Commission (HEC), Islamabad procured 230 laptop computers for their employees costing to Rs 16.721 million.

Audit observed that all offices of HEC are already equipped with desktop computers and every year spending a huge amount on procurement of computers and their repairs.

Audit is of the view that in the presence of the computer facility, procurement of laptops for 230 employees of the HEC was wastage of public money.

The management replied that the procurement in consideration is of only 230 laptops which is primarily due to the fact that many of the laptops/computers which were purchased in 2010 or earlier, had completed their extended life. These computers turned out as non-useable because specifications were not met the latest software requirements, spares were not readily available for the repair/ maintenance , cost of repairs were exceeding the depreciated cost, hardware issues and became irreparable over years of usage. Therefore HEC has procured these computers in replacement of old computers which have been auctioned recently.

Reply was not accepted because justification mentioned in the reply was not on record. Name, designation, number of computers and date of recommendation of the recommendatory committee was not available in the record.

The PAO was informed on 09.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that unnecessary procurement of computers should be discontinued and responsibility should be fixed for unnecessary purchase of laptops.

#### **16.4.4 Mis procurement of repair work - Rs 11.389 million**

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

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

The management of Higher Education Commission, Islamabad incurred an expenditure of Rs 11.508 million during the year 2014-15. Details are as under:

**(Rs. in million)**

<b>S. No</b>	<b>Year</b>	<b>Items</b>	<b>Amount</b>
1	2014-2015	Repair of building	2.389
2	2014-2015	Repair of IT equipment	1.603
3	2014-2015	Purchase of IT equipment	1.083
4	2014-2015	Civil works	6.433
<b>Total</b>			<b>11.508</b>

Audit observed that the repair was carried out on piece meal basis to avoid tender.

Audit is of the view that repair and maintenance of building by splitting the expenditure was irregular and unauthorized.

The management replied that the expenditure of Rs 2.389 million on account of Repair of Building and Rs 6.433 million on account of civil works has been incurred by observing all the codal formalities. The work was done by adopting PPRA rules 42(b), alternate method of procurement through quotations for the works amounting to less than Rs. 2 lacs. These works were performed during different times of the year as and when required by the users of the different buildings on urgent basis. Now HEC has made its annual procurements plan and proceeding accordingly.

Reply was not accepted because expenditure by splitting to avoid tender is favor to the contractor. Rule 42 (b) could not be referred in such cases. It is applied in special and unavoidable circumstances.

The PAO was informed on 09.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be discontinued and responsibility should be fixed for the irregularity.

#### ***16.4.5 Loss due to payment on higher rate - Rs. 5.544 million***

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

Para 10 (ii) of GFR Volume-I states that the expenditure should not be prima facie more than the occasion demands.

The management of Higher Education Commission (HEC), Islamabad entered into an agreement with Pakistan Telecommunication Company Limited (PTCL) for leasing of Optic Fiber Segments, Managed Capacities in Pakistan's North, Central and South Region on 02.08.2011 for 5 universities of 59.61 kilo meter at the rate of Rs 48,000 per kilometer for Rs 2,861,280 annually.

Audit observed that the management entered into another agreement with PTCL for leasing of Optic Fiber Segments, Managed Capacities in Pakistan's North, Central and South Region on 30.05.2012 for 31 universities of 349 kilo meter at the rate of Rs 1,500 per kilometer for Rs 9,885,600 annually. The



management did not take notice of the decline in the price due to competition and despite entrance into the agreement previous rate of the same firm for five universities were not revised which resulted in overpayment of Rs 5.544 million for the year 2013-14 and 2014-15. Details are as under:

<b>(Rupees)</b>			
<b>S. No</b>	<b>Amount paid at the rate of Rs 48,000/km for 59.61 km for the year 2013-15</b>	<b>Amount due at the rate of Rs 1,500/km for the year 2013-15</b>	<b>Difference</b>
<b>1</b>	5,722,560	178,830	5,543,730

Audit is of the view that payment of previous rate despite decrease in the price in the new contract was irregular and unauthorized and loss to the public exchequer.

The management replied that the agreements under consideration are related to two separate/independent tenders. Accordingly, one cannot guarantee to have same prices quoted or received in two different/independent procurements which are conducted through open competitive bidding. Further, there cannot be retrospective effect of later tender/agreement on earlier tender/agreement for which negotiation may be required; whereas, PPRA Rule 40 does not allow any pre or post-award negotiations. However, it is worth considering understanding the reason of receiving lower rates in later tender/agreement, that is, the One-time capital cost which HEC paid as to reduce the recurring cost as well as overall average per km cost.

Reply was not accepted because continuation of previous contract despite decrease in the price by the same firm is loss to the public exchequer.

The PAO was informed on 09.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the rate may be revised in light of new contract immediately and overpaid amount may be recovered from the supplier.

***16.4.6 Loss due to payment of different rates for the same service - Rs. 3.120 million***

Para 10 (ii) of GFR Volume-I states that the expenditure should not be prima facie more than the occasion demands.

The management of Higher Education Commission (HEC), Islamabad hired services of M/s PTCL and M/s Transworld for provision of internet bandwidth to the public and private universities in Pakistan through tender.

Audit observed that PTCL was charging US \$17 per MB and M/s Transworld US \$ 22 per MB. HEC was procuring 5,000 MB from M/s PTCL and charging \$85,000 per month and 3,000 MB from M/s Transworld and charging \$66,000 per month. The agreement was signed in September, 2013. Details are as under:

<b>(Rupees)</b>					
<b>S. No</b>	<b>Quantity</b>	<b>Year</b>	<b>Difference of rate</b>	<b>Exchange rate</b>	<b>Amount</b>
<b>1</b>	3000	02	\$5	104	3,120,000

The action of hiring same service from different supplier resulted in loss of Rs 3.120 million during the year 2013-15. Audit is of the view that if the service was acquired from M/s PTCL a loss of Rs. 3.120 million could be saved.

The management replied that the total internet bandwidth if acquired/procured equally from M/s PTCL and M/s Transworld then the same rate may be expected and so can be ensured. In cases the quantity of procurements varies, the volume discount would vary based on bulk procurement.

Reply was not accepted because payment of higher rate for the same service is loss to the public exchequer.

The PAO was informed on 09.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that rate may be got from the two supplier through competition and service should be acquired from the lowest bidder.

***16.4.7 Non-recovery of income tax from employees of Karakoram International University - Rs. 6.229 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.

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, but was implemented w.e.f. 01.01.2013.

The Karakoram International University (KIU), Gilgit had made payment of salaries to their employees but income tax amounting to Rs. 6,229,128 was not deducted at source.

Audit observed that the Income Tax was not deducted at source from the salaries of the employees of Karakoram International University, for the period from 01.07.2014 to 30.06.2015.

Audit is of the view that failure to recover Income Tax is violation of Gilgit-Baltistan Council Income Tax (Adaptation) Act, 2012 which resulted in the loss of Rs. 6.229 million to the Government.

Management replied that the issue of recovery of Income Tax was presented to the KIU Senate in its meeting held on 3<sup>rd</sup> May 2015 for decision. The KIU Senate decided that the income tax should be deducted as per decision of the GB council. Meanwhile the KIU employees have filed a writ petition in the Chief Court Gilgit against the decision of deduction of income tax from salaries. The matter is now subjudice. The decision of the court is awaited. Necessary action will be taken after decision of the Court.

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

The PAO was informed on 22.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that outstanding Income Tax since promulgation of Gilgit-Baltistan Council Income Tax (Adaptation) Act, 2012 may be recovered.

#### ***16.4.8 Non formulation of Statutes, Regulations and Rules by the University***

Section 25(1) 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 all or any of the matters given in Section 25 of the University Order.

Section 26(1) of the Karakoram International University Order, 2008 states that subject to the provisions of this Order and Statutes, Academic Council may make Regulations to be published in the official gazette for all or any of the matters given in Section 26 of the University Order.

Section (28) of the Karakoram International University Order, 2008 states that the Authorities and other bodies of the University may make rules to be published in the official gazette consistent with this order, Statutes or the Regulations to regulate any matter relating to affairs of the University which has not been provided in the Order or that is not regulated by Statutes or Regulations, including rule to regulate the conduct business and the time and place of meetings and related matters.

The management of KIU was required to formulate the Statutes, Regulations and Rules.

Audit observed that in compliance of the University Order, 2008 Statutes, Regulations and Rules were not framed.

Audit is of the view that functioning of the University affairs without approved and notified Statutes, Regulations and Rules is violation of University Order, 2008.

Management replied that it is considering the appointment of any suitable consultant to draft the Statutes, Regulations and Rules and it is expected that the university shall be able to formulate all the relevant Statutes, Regulations and Rules.

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

The PAO was informed on 22.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that formulation of Statutes, Regulations and Rules may be expedited.

***16.4.9 Irregular payment of 20% Special Allowance to employees - Rs. 5.500 million***

Finance Division O.M. No. 10(2)R-3/2012 dated 06.03.2013 conveyed approval of the Prime Minister to the grant of Special Allowance @ 20% of running Basic Pay with effect from 01.03.2013 to all the officers and staff working in the Federal Ministries/Divisions only.

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 the Board of Directors does not constitute approval of the Ministry of Finance.

The management of National Institute for Historical and Cultural Research (NIHCR), Quaid-e-Azam University, Islamabad paid Rs. 5.500 million as Special Allowance @ 20% of running Basic Pay to all the employees of NIHCR during 2013-14- and 2014-15.

Audit observed that payment of Special Allowance to the employees was in violation of instructions issued by the Finance Division.

Audit is of the view that payment of Rs. 5.500 million as Special Allowance was irregular and unauthorized.

The management replied that the Vice-Chancellor of QAU is the Administrative Officer and Chairman of the Board of Governor. The Quaid-i-Azam University and other sister organizations were allowed 20% special allowance 2013 along with NIHCR being in the same premises. However, payment of Special Allowance has been stopped.

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

The PAO was informed on 23.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that payment of special allowance may be recovered.

***16.4.10 Irregular payment of Medical Allowance over and above prescribed rates - Rs. 157.172 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-16(1)-Reg-6/2010-778 dated 05.07.2010 states that Medical Allowance is allowed to civil servants in BPS-1 to BPS-15 @ Rs. 1,000 per month and from BPS-16 to BPS-22 @ 15% of the existing basic pay in Basic Pay Scales, 2008 w.e.f. 01.07.2010.

The management of International Islamic University (IIU), Islamabad paid Rs.157.172 million as Medical Allowance @ 30% and 60% subject to minimum of Rs. 7,000 & maximum of Rs. 8,000 to unmarried and married staff respectively during 2014-15 with the approval of Rector/Chairman BOG. A minimum of Rs. 4,000 and maximum of Rs. 5,500 was paid to all category employees working in BPS-01 to BPS-17 & above.

Audit observed as under:

- i. The payment of Medical Allowance was made to the employees over and above the prescribed rates without obtaining the approval of the Finance Division.
- ii. The payment of Medical Allowance was granted with the approval of Rector/Chairman BOG who was not competent for the grant of Medical Allowance.

Audit is of the view that as the University had adopted the pay scales of the Government. Therefore, the management was not authorized to alter/revise the rates of Medical Allowance approved by the Government. The grant of Medical Allowance in excess of the rates approved by the Finance Division was irregular and unauthorized.

The management replied that IIU was established under Ordinance, 1985 and is fully autonomous body and was allowed to make its own rules and regulations. In terms of section 21(2)(I) the BOG is fully competent to approve the regulations, rules on the recommendation of the appropriate body. The University is fully autonomous body and expenditure on medical allowance was met from own sources of the University and not from Grant-in-aid and this fact may be ascertained from pay roll.

The reply was not acceptable because University had adopted the National Pay Scales, therefore, the management was not authorized to alter/revise the rates of Medical Allowance approved by the Government.

The PAO was informed on 23.09.2016, but DAC was not convened till finalization of the Report.

Audit recommends that Medical Allowance paid in excess of the rates approved by the Finance Division may be recovered from the employees, besides discontinuing the irregular payment.

#### ***16.4.11 Unauthorized payment of Special Allowance - Rs.71.276 million***

Finance Division O.M. No. F.10(2)R-3/2012 dated 06.03.2013 conveyed approval of the Prime Minister to the grant of Special Allowance @ 20% of running Basic Pay with effect from 01.03.2013 to all the officers and staff working in the Federal Ministries/Divisions only.

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 Islamic University (IIU), Islamabad paid Rs. 71.276 million on account of Special Allowance @ 20% of running Basic Pay to all the employees of IIU, Islamabad during 2014-15.

Audit observed that an amount of Rs.71.276 million was paid as Special Allowance during the year 2014-15 to the employees of IIU, Islamabad, in violation of instructions issued by the Finance Division.

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

The management replied that International Islamic University, Islamabad paid an amount of Rs.71.276 million on account of special allowance @ 20% of running basic pay to IIU employees during 2012-14 in pursuance of the judgment of Hon'able Islamabad High Court, Islamabad in Writ Petition No.1212/2013 Pervez Iqbal V/S Federation of Pakistan wherein the Worthy Justice Shoukat Aziz Siddiqui, Honorable Judge decided the grant of special allowance @ 20% to the employees working in the Federal Ministries/Divisions and withholding the same from Federal Government employees of other Secretariats, Departments and Statutory Bodies where Government scales are applicable is discriminatory in nature as such offensive to the constitutionally guaranteed rights of those employees. All the Federal Government employees are therefore, held entitled to Special Allowance @ 20% w.e.f. from the date the employees working in the Federal Ministries/Divisions have been allowed the same.

The reply was not accepted because no documentary evidence was produced in support of reply.

The PAO was informed on 23.12.2016, but DAC was not convened till finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

***16.4.12 Unjustified expenditure on payment of over time allowance - Rs. 45.354 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.

The management of IIU paid Rs. 45.354 million to its employees (B-01 to B-16) as Over Time Allowance during 2014-15. Details are as under:



**(Rs. in million)**

<b>S. No.</b>	<b>Name of Unit</b>	<b>Amount</b>
<b>1.</b>	Main male Campus	41.642
<b>2.</b>	Female Campus	3.712
<b>Total</b>		<b>45.354</b>

Audit observed that as under:

- i. Heavy amounts on account of Over Time Allowance were paid to the employees against daily late sitting including holidays in addition to payments of conduct of examination fee.
- ii. The University record is silent about frequently daily late sitting including Saturday and Sunday made by all employees (BPS-01 to BPS-16)
- iii. The criteria for the payment of over time allowance were not fixed by the management.

Audit further observed that same practice for payment of over time allowance was made by other units of the university like Dawah Academy, Shariah Academy and International Institute of Islamic Economics.

Audit is of the view that that payment of heavy amounts on account of over time allowance without any criteria was irregular and unjustified.

The management replied that management of the university appreciated the recommendations of the audit and has decided to introduce Bio Metric system in the university. This will help the process of duty hours to make crystal clear.

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

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be inquired and practice should be discontinued.

***16.4.13 Irregular payment of Medical Allowance over and above prescribed rates - Rs. 37.520 million***

Service Statutes of National University of Modern Languages (NUML), Islamabad states that the Pay Scales as and when revised by the Federal Government shall be applicable to the employees of the University.

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 National University of Modern Languages (NUML), Islamabad paid Rs. 37.520 million as Medical Allowance @ 17.5% of the pay, subject to a minimum of Rs. 1,000 & maximum of Rs. 4,160 and @ 35% of the pay, subject to a minimum of Rs. 2,000 & maximum of Rs. 8,320, to unmarried and married staff, respectively during 2014-15.

Audit observed that the approval of the Finance Division was not obtained for the grant of Medical Allowance over and above the prescribed rates.

Audit is of the view that as the University had adopted the pay scales of the Government. Therefore, the management was not authorized to alter/revise the rates of Medical Allowance approved by the Government. The grant of Medical Allowance in excess of the rates approved by the Finance Division was irregular and unauthorized.

The management replied that as per clause 4(2)(g) of Ordinance No XVIII of 2000 "The university shall be a fully autonomous body with freedom to govern its academic and administrative functions in order to achieve its objectives, in general and in particular freedom to use the financial and other resources allocated to it for the execution of its functions. Further in the case of statutory organizations the financial powers of their governing bodies are normally laid down in the relevant statute.

The reply of the management is not acceptable because the University had adopted the pay scales of the Government. Therefore, the management was not authorized to alter/revise the rates of Medical Allowance approved by the Government.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that Medical Allowance paid in excess of the rates approved by the Finance Division may be recovered from the employees, besides discontinuing the payment at these rates.

#### ***16.4.14 Mis-procurement of 125 Computers - Rs. 11.825 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 management of NUML purchased 125 Desktop Computer @ Rs. 94,600 from M/s A.A Traders, Lahore for Engineering and Computer Science Departments vide work order dated 26.09.2014 and an amount of Rs. 11.825 million was paid for the said procurement.

Audit observed as under:

- i. The procurement was made without open competition.
- ii. Advance of Rs. 8,277,500 (70% of the total price) was paid to the supplier on 03.10.2014 without any provision in the supply order/quotation/RFP.

Audit is of the view that by ignoring the open competition the Government was deprived of the benefit of competitive rates and undue favor was extended to the supplier by making advance payment.

The management replied that RFP duly prepared by concerned department was shared with the already 08 pre-qualified bidders. First time we didn't receive any response which might be due to the Law & Order situation in Islamabad due to "Dharnas" by political parties whereas the date was extended by Rector on Minute sheet and the same was again intimated to all pre-qualified bidders however that time only two bids received which were not opened by Tender Committee as at least three bids were required for bidding process therefore after getting the approval for direct contracting due to emergent needs of departments by addressing the need of Computer Labs for Engineering & for

Computer Science Departments which were supposed to be ready by Fall 2014 i.e. September, 2014. As per clause 8 (b) of RFP, the competent authority i.e. Rector was competent to accord approval for advance to the supplier on some logical ground.

The reply was not accepted because the equipment was not purchased from two bidders who submitted the bids in response to management's request but a third firm was unduly favored at the cost of the national exchequer.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

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

***16.4.15 Irregular procurement of different items for renovation of IT Auditorium without open competition - Rs. 1.409 million***

Rule 12(1) of Public Procurement Rules, 2004 procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website 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.

The management of National University of Modern Languages (NUML) incurred an expenditure of Rs. 1.409 million for procurement of following items during the year 2014-15:

S. No.	Particulars of purchases	Quantity	Amount (Rs)
1	AC 4 Ton Standing Complete S/F (Hot & Cool) ( 2 indoor only)	4	731,000
2	AC 2 Ton Split (ACSON) Complete S/F (Hot & Cool)	2	392,000
3	AC 1 ½ Ton Split (ACSON) complete S/F (HOT & Cool)	2	246,000
4	Handling+Installation & Extra Piping and wiring charges etc		40,100
<b>Total</b>			<b>1,409,100</b>

Audit observed that procurement was made without open tenders.

Audit is of the view that purchases without open competition were irregular which deprived the Government from the benefit of competitive rates.

The management replied that as the cost of ACs remains within the permissible limit of the PC-1, therefore no loss incurred to the University.

The reply is not acceptable because expenditure was within permissible limit of the tendering process.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

***16.4.16 Irregular expenditure due to appointment beyond the age of superannuation - Rs. 2.293 million***

The standard terms and conditions of contract employment issued by Establishment Division vide O.M No.10/52/95-R.2 dated 18.07.1996 as amended from time to time provide that the period of contract should not exceed two years and the post should be advertised.

According to Establishment Division letter No. 7/3/89-OMG-II dated: 28.01.1989, the following criteria are laid down for re-employment of Government servants:

- i. Non availability of suitably qualified or experienced officer 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.

Re-employment beyond the age of superannuation in all cases requires the approval of the Prime Minister.

The management of National University of Modern Languages (NUML), Islamabad re-employed Dr. Shazra Munnawar as Professor/Dean Faculty of Higher Studies beyond the age of superannuation against remuneration of Rs. 200,000 per month for a period up to 30.06.2016 with effect 17.06.2015. An amount of Rs.2.293 million was paid up to 31.05.2016.

Audit observed as under:

- i. The post was not advertised.
- ii. Approval of the Prime Minister was not obtained for appointment beyond the age of superannuation.
- iii. The rate of payment granted to the ex-Professor was neither approved nor justified.
- iv. A vehicle was also provided to the ex-professor for exclusive use without any justification.

Audit is of the view that appointment beyond the age of superannuation was made without obtaining the approval of the Prime Minister which was irregular and unauthorized.

The management replied that as per clause No. 10(f) of NUML Ordinance, Rector has power to appoint faculty and Admin Staff for a period of two years on contract basis. The appointment was made according to the statutes of University. Dr. Shazra Munnawar is a highly qualified professor who has rendered valuable academics contribution by putting her heart and soul. At the time of her retirement on superannuation, the University did not want to lose her as she was already heading as Dean, Faculty of Higher Studies. A number of PhD programs were being run under her able guidance. Keeping her valuable experience in the NUML she was offered the package of Rs.200,000/- to ensure her retention. On the other hand University benefited academically and in the best interest of the students in particular and University in general.

The reply of the management is not acceptable because Rector was not competent to make appointment beyond the age of superannuation besides approval of the Prime Minister was also not obtained.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

***16.4.17 Unauthorized payment of 20% Special Allowance - Rs. 25.176 million***

Finance Division O.M No.F.10(2)R-3/2012 dated 06.03.2013 conveyed approval of the Prime Minister to the grant of Special Allowance @ 20% of running Basic Pay with effect from 01.03.2013 to all the officers and staff working in the Federal Ministries/Division only.

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 Quaid-i-Azam University (QAU), Islamabad paid Rs. 25.176 million on account of Special Allowance @ 20% of running Basic Pay to all the employees during 2014-15.

Audit observed that payment of Special Allowance was paid in violation of instructions of the Finance Division.

Audit is of the view that payment of Special Allowance was irregular and unauthorized which has resulted in the loss of Rs.25.176 million to the University.

The management replied that decision of payments of special allowance was made by the Syndicate in its 161st meeting held on 8th July, 2013. Syndicate is the Competent Body/Authority of the University for framing its rules/regulations/statutes which is comprised of high ranking officials/experts/public representative.

Reply is not acceptable because payment of special allowance without approval of Finance Division is unauthorized.

The PAO was informed on 24.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

***16.4.18 Non-deduction of House Rent Allowance from the salary of Vice Chancellor - Rs. 1.235 million***

President Secretariat U.O. No 3(16)/Dir(A-II)/11 dated 28.08.2013 states that the following salary package of the vice Chancellors as proposed by the Higher Education Commission and concurred by the Finance Division has been approved by the Chancellor:

- i. Basic Salary equivalent to that of the Professor at Tenure Track System (TTS).
- ii. Vice Chancellor Allowance @ 20% of Basic Pay.
- iii. Transport and medical facilities as per entitlement of BPS-22.
- iv. Any other perk and privilege granted by the Chancellor as deemed necessary under peculiar circumstances.

Professor Dr. Javed Ashraf was appointed as Vice Chancellor QAU on 13.10.2014 and has been residing in H. No. A-5 in University Residential Colony since his appointment.

Audit observed that House Rent Allowance @ Rs.65,000 per month as worked out by Finance Division for the Professor on TTS was not being deducted from the salary of the Vice Chancellor.

Audit is of the view that non-recovery of House Rent Allowance from the Vice Chancellor was irregular and unauthorized which resulted in the loss of Rs. 1.235 million (Rs.65,000 from November, 2014 to May,2016) to the University.

The management accepted the audit observation.



The PAO was informed on 24.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that recovery may be effected from the Vice-Chancellor and deposited into university account.

#### ***16.4.19 Irregular payment of pension benefit for TTS Service***

Section 2.10(a) of the Model Tenure Track Process statutes (version-2.0) dated 01.01.2008 states that a faculty member appointed on tenure track shall be entitled in accordance with the rules, to the pay sanctioned for such post.

Section 2.10(b) of Model Tenure Track Process statutes (version-2.0) dated 01.01.2008 states that the salary scales are all inclusive and no other allowance (PhD. Allowance, medical allowance, orderly allowance etc), or benefit will be admissible to the concerned faculty members, except gratuity equal to one month's pay for each completed year of service.

As per Higher Education Commission letter No. DG/QA/HEC/TTS-120B/AII/06/2010/464/450 dated 21.06.2010, the existing faculty member who was serving under BPS and has already got entitled/eligible (as per Government rules) for pension under BPS before joining TTS, and working now under Tenure Track System may be considered for pension provided the period of service under TTS will not be counted toward service qualifying for pension under BPS, while such period of TTS may be treated as Extra-Ordinary Leave.

Management of Quaid-i-Azam University Islamabad is counting the period of service under TTS as qualifying service for pension benefits which is in violation of the Government instructions contained in HEC's above referred letter. Accordingly, pension was paid to professor Dr. Asghari Bano and Dr. Eatjaz Ahmed amounting to Rs. 2,551,229 and Rs. 1,850,981 including service on TTS respectively during Financial year 2014-15.

Audit observed that payment of pension to the retiring professors including service period rendered under TTS was irregular and unauthorized.

Audit is of the view that counting of service under TTS for calculation of pension was irregular and unauthorized which resulted loss to the University.

The management did not reply.

The PAO was informed on 24.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity and pension cases may be revised excluding the TTS period.

***16.4.20 Overpayment of Medical Allowance over and above prescribed rates- Rs. 76.969 million***

Finance Division O.M.No.F-16(1)-Reg-6/2010-778 dated 05.07.2010 states that Medical Allowance is allowed to civil servants in BPS-1 to BPS-15 @ Rs. 1,000 per month and from BPS-16 to BPS-22 @ 15% of the existing basic pay in Basic Pay Scales, 2008 w.e.f. 01.07.2010.

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 Allama Iqbal Open University (AIOU), Islamabad paid Medical Allowance to married staff @ 50% of the Basic Pay subject to minimum of Rs. 4,160 and maximum of Rs. 8,320 per month and to un-married staff @ 25% of the Basic Pay subject to minimum of Rs. 2,080 and maximum of Rs. 4,160 per month. An expenditure amounting to Rs. 102.181 million was incurred on payment of Medical Allowance during 2014-15.

Audit observed as under:

- i. The management of AIOU did not obtain approval of the Finance Division for the grant of Medical Allowance over and above the prescribed rates.
- ii. An overpayment amounting to Rs. 76.969 million was made on account of Medical Allowance.

Audit is of the view that the grant of Medical Allowance in excess of the rates approved by the Finance Division was irregular and unauthorized which resulted in the loss of Rs.76.969 million to the AIOU.

The management replied that matter is under process with Finance Division for regularization of expenditure.

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

The PAO was informed on 22.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

#### ***16.4.21 Unauthorized reimbursement of POL Charges - Rs. 4.359 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 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.

Section 24(2) of the Allama Iqbal Open University Act, 1974 states that the draft of Statutes shall be proposed by the Executive Council to the Pro-Chancellor who may approve it, or pass it with such modifications as he may think fit, or may refer it back to the Executive Council for reconsideration; Provided that the Executive Council shall not propose a draft of Statutes affecting the constitution or powers of any Authority, until such Authority has been given an opportunity of expressing an opinion in writing upon the proposals;

Provided further that draft of Statutes after Executive Council approved it, be forwarded to Pro-Chancellor and shall not be effective until it has been approved by the Pro-Chancellor.

The management of Allama Iqbal Open University (AIOU), Islamabad reimbursed POL charges amounting to Rs. 4.359 million to officers of BPS 20 to 22 during 2014-15.

Audit observed as under:

- i. Expenditure was incurred on reimbursement of POL charges to the University employees for running their private vehicles.
- ii. POL charges were reimbursed without getting approval from the Finance Division.

Audit is of the view that reimbursement of POL charges to the University employees for their private vehicles without approval from Finance Division was irregular and unauthorized.

The management replied that as per DAC directive, the matter will be presented in forthcoming meeting of AIOU Executive Council.

The PAO was informed on 22.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the difference of the conveyance allowance admissible and POL charges may be recovered.

#### ***16.4.22 Irregular appointment as System Administrator***

Section 8(a) of COMSATS Institute of Information Technology (CIIT) Employees Service Statutes, 2009 states that appointments to all posts shall be made by initial recruitment on the basis of merit and fitness, after due publicity of the vacancies in the national press, in accordance with the conditions of educational/professional qualifications and experience, except for meeting the urgent requirements of the Institute with the approval of the Competent Authority

CIIT Employees Service Statutes, 2009 prescribed the following qualification and experience for appointment as System Administrator:

- i. Qualification: First class 16 years degree in the relevant field from an accredited academic institution
- ii. Experience: Seven years experience in the relevant field in a University or other national or international organization.

The management of CIIT, Attock appointed Mr. Muhammad Zia ur Rehman as Network Administrator OG I (11,000-2250-67,250) on 20.01.2014 and fixed his Basic pay at Rs 26,750 by granting 7 advance increments.

Audit observed as under:

- i. Contract Review Committee (CRC) appointed him as System Administrator on 24.06.2015 OG-II (23,500-3350-107,250) without advertisement and fulfilling the prescribed experience.
- ii. His initial basic pay as Network Administrator OG I was fixed by granting 7 advance increments.

Audit is of the view that grant of advance increments at initial appointment as Network Administrator and further irregular appointment as System Administrator was irregular and unauthorized and specific favoritism to the incumbent by the management.

The management replied that the post of System Administrator was advertised by the CIIT Attock Campus on November 17, 2013 in which Mr. Zia ur Rehman Khan applied as he qualified the eligibility criteria i.e. qualification & experience, for the said post. But initially, Mr. Zia ur Rehman Khan was appointed as Network Administrator with fixation of pay @ Rs. 26,750, taking into consideration of his seven years experience.

Based on the recommendations of the Campus Director on account of his performance, recorded on Employees Performance Appraisal Form during the period and taking into consideration of his eligibility for the post of System Administrator, Mr. Zia ur Rehman was recommended for fixation in OG-II as System Administrator by the Contract Review Committee and subsequently approved by the Competent Authority.

Reply was not accepted as per service rules the post was required to be advertised and the management did not follow the rule and campus Director on the base of performance recommended for appointment in higher grade.

The PAO was informed on 23.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the post should be filled by advertisement besides reverting him to his original post and recover the additional pay and allowance due to grant of higher post.

#### ***16.4.23 Irregular appointment as Deputy Librarian***

Section 8 (a) of CIIT Employees Service Statutes, 2009 states that appointments to all posts shall be made by initial recruitment on the basis of merit and fitness, after due publicity of the vacancies in the national press, in accordance with the conditions of educational/professional qualifications and experience, except for meeting the urgent requirements of the Institute with the approval of the Competent Authority

CIIT Employees Service Statutes, 2009 described qualification and experience for appointment as Deputy Librarian as first class 16 years degree in the relevant field from an accredited academic institution and seven years experience of teaching Library Science or Library work in a University or other national or international organization.

The management of CIIT Attock appointed Mr. Laeeq Mushtaq as Deputy Librarian OG II (23,500-3350-107,250) on 27.01.2011.

Audit observed that Mr. Laeeq Mushtaq was possessing 2<sup>nd</sup> class in the respective field and despite knowing the fact Adhoc Selection Committee violated the CIIT, Statues, 2009.

Audit is of the view that the Adhoc Selection Committee had no power to condone the required qualification.

The management replied that the Rector CIIT approved the appointment of Mr. Laeeq Mushtaq as Deputy Librarian based on his meritorious services

and being pioneer and hard working employee of the Campus. However, before approval, the CIIT Adhoc Selection Committee thoroughly analyzed and discussed the case of Mr. Laeeq Mushtaq and finally recommended him to the competent authority for approval of his appointment as Deputy Librarian being most suitable candidate out of four candidates. In addition, the Head of CIIT Library Information Services had fully recorded the justification of appointment of Mr. Laeeq Mushtaq as Deputy Librarian.

Reply is not acceptable because the appointment was made in violation of CIIT Service Rules.

The PAO was informed on 23.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity and post should be filled as per Service Rules.

***16.4.24 Non-transparent expenditure on repair and maintenance - Rs. 15.151 million***

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

Section 153 of the Income Tax Ordinance, 2001 states that every prescribed person making a payment in full or part including payment by way of advance to a resident person or permanent establishment in Pakistan of a non-resident person:

- c) for sale of goods,
- d) for rendering of or providing of services,
- e) on the execution of a contract, other than a contract for the sale of goods or the rendering of or providing of services, shall at the

time of making the payment deduct tax from the gross amount payable at the rate specified in Division III of Part III of the First Schedule. The gross amount payable for a sale of goods shall include the sales tax, if any, payable in respect of the sale.

The management of CIIT, Attock incurred an expenditure of Rs 15.151 million on account of repair and maintenance of transport, machinery and equipment. Details are as under:

<b>(Rs. in million)</b>			
<b>S. No</b>	<b>Year</b>	<b>Head of account</b>	<b>Amount</b>
<b>1</b>	2014-2015	Repair and maintenance	5.435
<b>2</b>	2013-2014	Repair and maintenance	4.191
<b>3</b>	2012-2013	Repair and maintenance	3.444
<b>4</b>	2011-2012	Repair and maintenance	2.081
<b>Total</b>			<b>15.151</b>

Audit observed as under:

- a) Expenditure was incurred by extending advances to the CIIT Attock employees.
- b) Income tax from the supplier was not deducted
- c) Firms were not GST registered

Audit is of the view that incurrence of expenditure by advance payment to the CIIT employees and purchase from non registered firms was irregular and unauthorized.

The management replied that Attock is a very small city where there is shortage of GST registered firms. At times procurement has to be made on urgency basis for smooth running of the Campus. However, audit observation is noted for future compliance and procurement planning for FY 2016-17 has been in process for up loading on PPRA website.

Reply indicates that the management has accepted the audit observation.

The PAO was informed on 23.08.2016, but DAC was not convened till the finalization of the Report.



Audit recommends that irregular practice should be discontinued and expenditure should be incurred through annual planning.

**16.4.25 Irregular procurement of machinery and equipment - Rs. 2.787 million**

Rule 12 (1) of PPRA 2004 states that procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority’s website 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 20 of Public Procurement Rules states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

The management of CIIT, Attock paid an amount of Rs 2.787 million on account of purchase of machinery and equipment during 2012-14. Details are as under:

<b>(Rupees)</b>					
<b>S. No</b>	<b>Name of firm</b>	<b>Bill No</b>	<b>Date</b>	<b>Items</b>	<b>Amount</b>
<b>1</b>	M/s Dawlance Electronics	06-60	14.05.2013	Air conditioners	1,188,600
<b>2</b>	M/s Dawlance Electronics	20835	05.06.2014	Air conditioners	1,598,800
<b>Total</b>					<b>2,787,400</b>

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

The management replied that Air Conditioners were purchased from M/S Dawlance. A joint meeting of Purchase committee and TEC was held on 18.04.2012 in which members discussed the functioning of various local brands that were available in the market. It was informed that the Air conditioners were purchased last year and almost similar number in 2006 were purchased due to the better performance, after sales services, economical price.

The reply is not acceptable because the management procured the items without advertisement in violation of PPRA rules.

The PAO was informed on 23.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

***16.4.26 Irregular operations and expenditure on COMLABS - Rs. 6.828 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 4(iii) Section-II of CIIT Financial Rules, 2013 states that No contribution, donation or grant which may directly or indirectly involve any immediate or subsequent financial liability for the Institute, or which may involve an activity not included in the academic programmes of the Institute for the time being, shall be accepted without prior or general approval of the Board.

The management of the COMSATS Institute of Information Technology, Abbottabad opened COMLABS collection point in commercial area outside the CIIT Campus Building. The expenditure on rent and maintenance of the collection point is being borne by the CIIT, Abbottabad. During 2013-15, the management incurred expenditure of Rs. 6.828 million on COMLABS operations.

Audit observed that the commercial operation of COMLABS (Medical Laboratory) by the CIIT is irregular and unauthorized being an educational institute. The management of CIIT did not provide any document authorizing them to involve in commercial operations of COMLABS. The expenditure and receipts of COMLABS during 2013-15 are as under:

**(Rupees)**

<b>Financial Year</b>	<b>Expenditure</b>	<b>Receipts</b>	<b>Difference (Loss)</b>
2013-14	3,569,573	2,533,246	1,036,327
2014-15	3,258,353	2,628,244	630,109
<b>Total:</b>	<b>6,827,926</b>	<b>5,161,490</b>	<b>1,666,436</b>

Audit is of the view that commercial operations of COMLABS put the CIIT into a loss of Rs. 1.666 million, which could be utilized for educational activities.

The COMLABS establishment was solely based on:

- i. Under the initiative of ORIC
- ii. Research motives without financial gains
- iii. Locality near Ayub Medical Complex was to make it accessible to patients
- iv. Diagnostics quality results aligned with reputed labs like Agha Khan, Shaukat Khanam hospitals
- v. Extends subsidized diagnostics tests for students and faculty of CIIT along with the needy patients
- vi. Real time data be used by researchers (faculty, Pharm-D & graduate students) from Department of Pharmacy, Department of Chemistry, Department of Environmental Science (Bio Technology), etc.

To supplement the R&D activities of the Institute and help in Research Work being carried out at the Institute, it is felt that the facility is run on not for profit basis; so that tangible research can be carried out for the advancement of Science and Technology for the betterment of humanity.

The PAO was informed on 26.10.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the commercial activities of COMLAB may be stopped as the COMSATS Ordinance, 2000 does not allow such activity.

***16.4.27 Non-transfer of title of property from M/s Sanofi Aventis Pakistan Limited - Rs. 233.066 million***

The management of CIIT Wah Campus entered into “Agreement to Sell” with M/s Sanofi Aventis Pakistan Limited in 20.06.2012 for the purchase of property measuring 95.4 kanals, G.T Road, Wah Cantt. with all structures

standing thereon for the expansion of its adjacent campus at Wah Cantonment. Management paid Rs. 233.066 million to the M/s Sanofi Aventis Pakistan Limited for purchase of the property. Details are as under:

**(Rupees)**

S No.	Ch No. / BRV No.	Date	Amount
1	133	24.01.2012	80,000,000
2	227	15.06.2012	120,000,000
3	13566752	31.12.2012	25,000,000
4	5236124	03.05.2013	8,066,800
		<b>Total</b>	<b>233,066,800</b>

Audit observed that despite payment for the property, the title of the property had not been got transferred by the management.

Audit is of the view that non-transfer of title of property may result in blockage of public money besides non-implementation of proper plan for expansion of Wah campus to start academic and research activities for the students.

Management replied that there are two major problematic issues, because of which the title of the said property has not yet been transferred in the name of CIIT. Brief details are as under:

- i. A very high amount of Transfer of Immoveable Property Tax (TIP) imposed by Cantonment Board Wah. Right now it is PKR 33 million.
- ii. The Cantonment Board Wah has imposed Composition Fee at the rate of PKR 36 million on Seller. The Cantonment Board Wah has clearly stated that they will only be in a position to take-up the matter of transfer until the issue of composition fee is resolved first. At present, the matter is in the office of Directorate of Military Land for decision.

Management has accepted Audit Observation. The management did not evaluate the whole situation before making payment. Efforts should be made to get transfer of the title of property in the name of CIIT Wah Campus.

The PAO was informed on 26.08.2016, but DAC was not convened till

the finalization of the Report.

Audit recommends that title of property may be got transferred.

#### ***16.4.28 Irregular hiring of security services - Rs. 5.02 million***

Para 12(2) of PPR 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.

Management of COMSATS Wah Campus hired the services of security agencies detail is as under:

<b>(Rupees)</b>		
<b>S No.</b>	<b>Name of Agency</b>	<b>Amount paid</b>
1	Metro Guards	2,882,244
2	Fuji Security Services	2,138,494
	<b>Total Rs.</b>	<b>5,020,738</b>

Audit observed Management hired the services of Security agencies without advertisement as required under PPRs, 2004.

Audit is of the view that management hired the services of Security agencies without advertisement as required under rules.

Management replied that the services of M/S Metro Guards were hired through a Committee after obtaining quotations from three security companies and contract was awarded to the lowest bidder after approval of Director Campus. The services of M/S Fauji Security Services (A subsidiary of Army Welfare Trust) were hired after approval of Director Campus. M/S Fauji Security Services is providing security services to all factories of Pakistan Ordnance Factories (POF).

Management accepted audit view point as they hired the services without advertisement and competition.

The PAO was informed on 26.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for irregularity under intimation to audit.

***16.4.29 Irregular payment to welfare fund - Rs.1.00 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.

The management of COMSATS Wah Campus made a payment of Rs. 1,000,000 vide cheque No. 47655189, Bill Payment Voucher No. 857, dated 11.04.2015 to Dr. S. M. Junaid Zaidi Welfare Fund.

Audit observed that COMSATS is a non-profit earning education institution and payment made to an NGO is against the financial propriety.

Audit is of the view that payment to Welfare Fund was irregular and unauthorized.

The management replied that a cheque No. 2772002 dated 17.06.2016 for Rs. 1.000 million was refunded from the COMSATS, Islamabad.

The reply was not accepted because the amount was not deposited back from the account where was credited.

The PAO was informed on 26.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amount should be taken back from the S. M. Junaid Zaidi Fund.

***16.4.30 Irregular and unauthorized establishment of COMSAT Institute of Information Technology-Virtual Campus***

Section 3(3) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Institute shall have its principal seat at Islamabad and may set up any number of campuses at such places as the Board may determine.

Section 6(3) of COMSATS Institute of Information Technology Ordinance, 2000, states that the degree awarding programmes of the Institute shall conform to the approved criteria of the University Grant Commission (now HEC)

The COMSATS Institute of Information Technology (CIIT) started CIIT Virtual Campus at Islamabad in 2012. According to information available on the website of the campus, 9,283 students have been enrolled in the Virtual Campus which included 5,218 undergraduate and 4,065 graduates.

Audit observed that establishment of virtual campus was neither covered in the COMSATS Institute of Information Technology Ordinance, 2000 nor the HEC has approved the distance education programmes of the CIIT.

Audit is of the view that establishment of virtual campus without having provision in Ordinance and without the approval of the HEC was irregular and unauthorized.

The management replied that as the scheme for constitution and organization of Virtual Campus has been approved by the Board on the recommendation of Academic Council and further the approval of establishment of CIIT Virtual Campus has also been accorded by BOG in-line with the provisions of CIIT Ordinance, therefore, no violation has been committed by the institute in this regard and thus establishment of CIIT virtual campuses perfectly legal and regular.

The reply is not acceptable because there was no provision in the Ordinance to establish a Virtual Campus.

Audit recommends that matter may be inquired for establishing a Virtual Campus in violation of the provisions of the Ordinance.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit also recommends that the detail of income and expenditure of the Virtual Campus may be provided to audit with complete record.

#### ***16.4.31 Non recovery from defaulter scholars - Rs. 183.559 million***

Section 25 (1) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Board may make rules for carrying out the purposes of this Ordinance.

Section 25 (2) (c) of COMSATS Institute of Information Technology Ordinance, 2000, states such rules may provide for the conditions under which the Institute may enter into arrangements with other public or private organizations for purposes of instructions, research and other scholarly activities.

The management of CIIT Islamabad awarded scholarships to 36 students in different international universities for MS, Ph D program amounting to Rs. 183.559 million.

Audit observed that 36 scholars did not return after completion of their degree programme nor the management recover the expenditure incurred from the scholars or their guarantor.

Audit is of the view that non recovery from scholars resulted in loss to the Government.

The management replied that CIIT has framed and approved the rules/procedures for the award of foreign scholarship and has instituted multi-tier system of supervisory oversight.

The reply was not accepted because recovery from scholars was not initiated.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that recovery may be made from the defaulters/guarantors.



***16.4.32 Irregular and unauthorized expenditure on Pak-China Business forum - Rs. 85.430 million***

Section 4(a) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Institute is empowered to provide for instruction and training in computer and information technology and to make provisions for the advancement and dissemination of knowledge in such manner as it may deem fit.

COMSATS Institute of Information Technology Islamabad incurred an expenditure of Rs. 84.160 million under the head conferences and seminars during the period 2013-15. Similarly, an expenditure of Rs. 1.136 million was incurred on Seminars.

Audit observed that the expenditure of Rs. 84.160 million was made on holding seminar on Pak China Business Forum and Rs. 1.136 million was made on celebration of Italian Day.

Audit is of the view that expenditure on organizing Pak-China Business Forum celebration of Italian Day was not covered in the functions of the Institute and therefore, held irregular and unauthorized.

The management replied that CIIT has introduced an academia driving model of business cooperation by conducting Pak-China Business Forum on annual basis. The forum is organized under the patronage of Dr. S. M. Junaid Zaidi (S.I) (H.I), Rector-CIIT and Dr. Haroon Rashid, Pro-Rector CIIT takes lead role in organizing the Forum. The aim of the forum is to encourage and promote business, mutual understanding, and friendly relationship between individual and business community of Pakistan and China. It also supports the idea of Pak-China Economic Corridor and aims to take the relations of both countries to new economic heights.

The reply was not accepted because the Ordinance did not allow CIIT to encourage and promote business, mutual understanding, and friendly relationship between individuals and business community.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the responsibility may be fixed for incurring expenditure on activities not covered under the Ordinance besides stopping the irregular and unauthorized practice forthwith.

***16.4.33 Irregular and unauthorized appointment of Advisor/Consultant - 71.896 million***

Section 12(2) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Rector shall be the principal academic and administrative officer of the Institute and shall be responsible for proper implementation of the decisions of the Board and for the execution of the programmes of the Institute in accordance with guidelines and policies formulated by the Board.

Section 12(3) of COMSATS Institute of Information Technology Ordinance, 2000, states that at any time when the office of the Rector is vacant, or the Rector is absent or is unable to perform the functions of his office due to illness or some other cause, the Executive Director, COMSATS, shall make such arrangement for the performance of the duties of the Rector as he may deem fit.

The management of CIIT has appointed 65 Advisors/Consultants at fixed monthly salary ranging from Rs. 20,000 to Rs. 202,000. The annual salary expenditure of advisor/consultants comes to Rs. 71.896 million. Moreover, staff cars are also provided to some advisors/consultants.

Audit observed that the Rector, CIIT was not empowered to engage the services of 65 advisors/consultants to assist him in discharge of his academic and administrative functions over and above the approved faculty.

Audit is of the view that hiring the services of Consultants/Advisors without any provision in the Ordinance was irregular and unauthorized.

The management replied that Clause 13(b) of CIIT Employees Service Statutes, 2009 provides that appointment may be made on fixed emoluments as approved from time to time as Research/Teaching Associates, or under any other suitable designation, e.g. Advisor or Consultants. Clause 33 and 35 of CIIT Employees Service Statutes 2009, fully allows the re-employment of

superannuated officials as advisors or consultants, therefore making all these appointments regular and with lawful authority.

The reply was not accepted because the management did not frame criteria for selection and also not fix the number of Consultants/Advisors to be hired. No documentary proof of research conducted by these consultants despite incurring large expenditure was provided.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that appointments of unlimited consultants/advisors in violations of the provision of the Ordinance may be investigated for fixing the responsibility.

#### ***16.4.34 Irregular and unauthorized expenditure on VC Forum - Rs. 66.454 million***

Section 4(a) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Institute is empowered to provide for instruction and training in computer and information technology and to make provisions for the advancement and dissemination of knowledge in such manner as it may deem fit.

Section 25(1) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Board may make rules for carrying out the purposes of this Ordinance

Section 25 (2) (c) of COMSATS Institute of Information Technology Ordinance, 2000, states such rules may provide for the conditions under which the Institute may enter into arrangements with other public or private organizations for purposes of instructions, research and other scholarly activities

COMSATS Institute of Information Technology Islamabad incurred an expenditure of Rs. 66.654 million on account of holding /forum during 2013-15.

Audit observed that the expenditure was made on Vice Chancellors forums, universities in the Islamic World, Challenges of Internationalization.

Audit is of the view that expenditure on the Vice Chancellors forums of Universities was neither covered in the functions of the Institute nor the Institute attained the status of university and therefore, the expenditure is held irregular and unauthorized.

The management did not reply.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for making expenditure on activities outside the mandate of the Institute.

***16.4.35 Irregular and unauthorized payment of honorarium - Rs. 41.228 million***

Section 12(2) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Rector, shall be the principal academic and administrative officer of the Institute and shall be responsible for proper implementation of the decisions of the Board and for the execution of the programmes of the Institute in accordance with guidelines and policies formulated by the Board.

The management of CIIT Islamabad incurred expenditure of Rs.41.228 million on account of honorarium during 2013-15.

Audit observed that neither the management has framed any rules nor the Board has formulated any policy and guidelines for payment of honorarium.

Audit is of the view that in absence of rules and approved policy and guidelines the expenditure on account of honorarium is held irregular and unauthorized.

The management replied that honorarium was recommended on basis of performance during the year.

The reply was not accepted because honorarium was granted without any provision in the Ordinance.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

***16.4.36 Irregular and unauthorized creation of post and appointment of Pro-Rector - Rs. 14.879 million***

Section 12(2) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Rector shall be the principal academic and administrative officer of the Institute and shall be responsible for proper implementation of the decisions of the Board and for the execution of the programmes of the Institute in accordance with the guidelines and policies formulated by the Board.

Section 12(3) of COMSATS Institute of Information Technology Ordinance, 2000, states that at any time when the office of the Rector is vacant, or the Rector is absent or is unable to perform the functions of his office due to illness or some other cause, the Executive Director, COMSATS, shall make such arrangement for the performance of the duties of the Rector as he may deem fit.

The Board of Governors of COMSATS Institute of Information Technology in its 23rd meeting held on 26.12.2012 approved the creation of post and statutes for appointment of Pro-Rector

The COMSATS Institute of Information Technology appointed Dr. Haroon-ur-Rashid, S.I, Director External Campus, as Pro-Rector for four years term w.e.f 04.04.2013 vide Notification No.CIIT-Reg/Notif-521/13/886 dated 12.06.2013. The terms and conditions of appointment of Pro-Rector was governed by the Addendum to COMSATS Institute of Information Technology Service Statutes, 2009.

Audit observed as under:

- i. The position of Pro-Rector is not covered in the COMSATS Institute of Information Technology Ordinance, 2000.
- ii. The officer was appointed on 12.06.2013 and simultaneously he was also occupying the post of Director External Campus as well

from where he retired on 21.10.2013 on attaining the age of superannuation.

- iii. Addendum to COMSATS Institute of Information Technology Service Statutes, 2009 covering the terms and conditions of the Pro-Rector were tailor made to accommodate a particular person.
- iv. No record was provided relating to appointment of the officer to ensure whether the conditions as laid down in the Addendum to COMSATS Institute of Information Technology Service Statutes, 2009 were fulfilled or otherwise.

Audit is of the view that the Executive Director, COMSATS is required to make such arrangement for the performance of the duties of the Rector at any time when the office of the Rector is vacant, or the Rector is absent or is unable to perform the functions of his office due to illness or some other cause. Therefore, the appointment and creation of the post of Pro-Rector was not covered in the Ordinance, therefore, the appointment is held irregular and unauthorized.

The management replied that the creation of the positions of Pro Rector by BoG and appointment of Pro Rector by BoG after adopting the prescribed procedure given in the approval status is legal and with lawful authority and no violation has been committed by the Institute in this regard.

The reply is not acceptable because the position of Pro-Rector was not covered under the Ordinance, therefore, BOG was not competent to create position in consistent with the provisions of the Ordinance.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

**16.4.37 Irregular and unauthorized payment of pension and irregular provision of gratuity - Rs. 9.920 million**

Section 12(1) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Board may appoint the Rector, on such terms and conditions, as it may determine.

Clause 32(a) of COMSATS Institute of Information Technology Employees Service Statutes, 2009, states that the date of superannuation of an employee shall be the date on which he/she attains the age of 60 years.

Clause 4(c) of COMSATS Institute of Information Technology Pension/Retirement benefits Statutes, 2010, states that employee means a regular employee of the Institute appointed in a Scale of pay.

The Board appointed Mr. S.M. Zaidi as Rector for different terms from 01.03.2001 to 19.03.2016. Details are as under:

<b>Term</b>	<b>Period</b>	<b>Retiring benefits after completion of term</b>
1 <sup>st</sup> Term	20.03.2001 to 19.03.2004	One month basic pay will be paid as gratuity for each completed year of service.
2 <sup>nd</sup> term	20.03.2004 to 19.04.2008	Do
3 <sup>rd</sup> Term	20.04.2008 to 19.03.2012	Do (retired on 18.07.2009)
4 <sup>th</sup> Term	20.12.2012 to 19.03.2016	As per CIIT Statutes
5 <sup>th</sup> Term	20.03.2016 to 19.03.2017	Do

Audit observed as under:

- i. As per Contract Service Agreements, the Rector was entitled for gratuity equal to one month basic pay for each completed year of service and not for pension.
- ii. Rector was granted pension on 18.07.2009 on attaining the age of superannuation in violation of the provisions of contract agreements.
- iii. The pension was sanctioned on 22.03.2012 after lapse of two years and eight months after the attaining the age of superannuation.

- iv. At the time of attaining the age of superannuation i.e. on 18.07.2009 the pension scheme was not existed in the CIIT.
- v. The office was paid commutation of Rs.8.240 million besides monthly pension of Rs.44, 400.
- vi. The contract service agreements of the Rector after retirement contained the provision of payment of gratuity as admissible to the employees of the Institute. The liability accumulated in violation of rules comes to Rs.1.68 million.

Audit is of the view that in accordance with the terms and conditions of the service of the Rector, he was entitled for gratuity. Therefore, the payment of pension commutation and monthly payment is held irregular and unauthorized.

Audit is also of the view that in accordance with the provision of COMSATS Institute of Information Technology Service Statutes, 2009 and Pension/Retirement benefits Statutes, 2010 the rector was not entitled for payment of gratuity as he was already in receipt of pension for the same post from the same Institute. Neither the service statutes nor the Pension/Retirement benefits Statutes allow the dual pensionary benefits after attaining the age of superannuation. Therefore, the provision of payment of gratuity is held irregular and unauthorized.

The management replied that the rector was allowed pensionary benefits following the CIIT Pension/Retirement Benefits Statutes, 2010 for the period from 10th March, 1998 to 18th July, 2009 (date of superannuation). Further, during this period he was not given other benefits like gratuity, CPF, etc. The payment of pension, commutation and monthly pension was made as per CIIT Pension Statutes, 2010.

The reply was not accepted because pensionary benefits could not be granted to a person who was appointed on contract basis.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that unauthorized payment made to Rector as pension may be recovered.



***16.4.38 Unauthorized appointment of TTS faculty member as Dean - Rs. 3.906 million***

Higher Education Commission Letter No. Ref.ED//HEC/TTS/105/04/78 dated 12.04.2016 states that after 30.06.2014 a faculty member on the TTS assumed responsibility of academic administrative position of director Research, Dean of faculty or Head of a Department, the period of holding such an appointment shall not be counted toward probation period on Tenure Track and he/she will not be eligible to draw TTS salary.

The management of COMSATS Institute of Information Technology (CIIT), Islamabad appointed Prof Dr. Arshad Saleem Bhatti as Dean, Faculty of Science of the CIIT vide Notification No.CITT-Reg /Notif/34/12/43/date 9.01.2012.

Audit observed that, the appointment of the TTS faculty member on the post of academic administrative position was also violation of Tenure Track Policy. The payment of salary amounting to Rs.3.906 million in TTS scale paid after 30.06.14 is held irregular and unauthorized and resulted in loss to the Institute.

The management replied that the Deans are appointed amongst three senior most professors in the faculty by the Rector, CIIT. The HEC has been requested to allow the faculty.

The reply was not accepted being irrelevant.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity besides recovery.

***16.4.39 Unauthorized payment of encashment of un-availed leave - Rs. 1.404 million***

Para 25 of GFR Volume-I states that all departmental regulations in as 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.

In terms of rule 13 of Centre of Excellence Employees (Service, Appointment, Promotion and Transfer) Rules 1989, an employee of the Centre will be entitled to such compensatory allowances as may be sanctioned by the Board with the approval of Federal Government from time to time.

The management of Area Study Centre for Europe, University of Karachi paid an amount of Rs. 1.404 million on account of encashment of un-availed leave to its employees during the financial year 2015-2016.

Audit observed that:

- i. Leave Rules of the Center were not approved/vetted from the Finance Division.
- ii. Leave encashment was paid as incentive to the employees.
- iii. Revised Leave Rules, 1980 does not allow encashment of un-availed leave in such a way except LPR.

Audit is of the view that payment on account of encashment of un-availed leave has resulted in as irregular payment of Rs. 1.404 million.

The management replied that the employees of each Centre would be subject to service, medical, leave, efficiency and discipline, conduct rules, statues etc. of the concerned university.

The reply was not accepted because no documentary evidence was produced in support of the reply.

The PAO was informed on 16.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity besides recovery.

#### ***16.4.40 Irregular award of space to various firms for commercial activities***

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.

The management of CITT Islamabad allotted space to the following firms for establishment of cafeteria, tuck shops, canteen etc.

<b>S. No</b>	<b>Name of firm</b>	<b>Purpose</b>
<b>01</b>	M/s Chat Corner	Student Cafeteria
<b>02</b>	M/s Mustaq Juice	-do-
<b>03</b>	M/s TRP	-do-
<b>04</b>	M/S SUBWAY	-do-
<b>05</b>	M/S MAJEED	-do-
<b>06</b>	M/S Marshal Café	-do-
<b>07</b>	M/s Shaheen Café	-do-
<b>08</b>	M/s Fijj's Café	-do-
<b>09</b>	M/S KRP ( Alaska Foods)	-do-
<b>10</b>	M/s Tuck Shop	-do-
<b>11</b>	M/s Tuck Shop	(AB-II) G, Floor
<b>13</b>	M/s TucK Shop	(AB-II) G, Floor
<b>14</b>	M/s Staff Cafeteria	Staff Cafeteria
<b>15</b>	M/s Bismillah Tuck Shop	Student Cafeteria
<b>16</b>	M/s Spice Station Asian Caterers	Student Cafeteria
<b>17</b>	M/s Tandoori Caterers	Faculty Cafeteria
<b>18</b>	M/s Chapper Hotel	Student Cafeteria

Audit observed that neither the space for commercial activities was awarded thorough open competition nor recoveries on account of rent, utilities and other services provided to the canteens contractors by the CIIT were made. No written contracts were available on record to calculate the actual recovery of rent.

Audit is of the view that the allotment of space to firms for commercial activities and without open competition was irregular and unauthorized and resulted in loss to the Institute.

The management did not reply.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter regarding allotment of space to various firms for commercial activities without open competition may be investigated for fixing the responsibility

***16.4.41 Non-disclosure of Income and Expenditure of National Testing Service Pakistan( NTS ) in Institute's accounts***

Section 22(1) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Institute shall have the fund to which shall be credited income from fees, donations, trust, bequests, endowments, grants, contributions and income from any other source.

National Testing Service was established as project of COMSAT Institute of Technology, Islamabad vide Notification NO. CIIT-Reg/Notifi/02 dated 02.07.2002, managed and administered by the Management Committee of the CIIT.

The following officers of CIIT are Directors of NTS.

S. No.	Name	Post held in CIIT	Post Held in NTS
1	Dr. Syed Muhammad Junaid Zaidi	Rector	Director/Chairman
2	Dr. Muhammad Haroon Rashid	Pro-Rector/Director Campus	Director/Chief Executive
3	Mr. Muhammad Sohail Ghani	Controller of Examination	Director
4	Dr. Izhar Hussain	Registrar/TTS faculty	Director
5	Dr. Shahid Ahmed Khan	In charge Campus	Director

Audit observed as under:

- i. The income and expenditure of NTS was not reflected in the financial statements of CIIT.
- ii. As per Tenure Track System policy the TTS faculty member cannot be posted on administrative position and even on the position of dean in the Universities where as Dr. Izhar Hussain

was holding post of Registrar as well as the Director NTS in violation of the TTS policy.

- iii. The COMSATS Institute of Information Technology Ordinance, 2000 does not allow the formation of such company by the Institute nor allow the employees of the Institute to become the Members/Directors of such companies.

Audit is of the view that incorporation of NTS is not covered in the Ordinance. Moreover, the income and expenditure of the company formed by the CIIT is required to be incorporated in the accounts of the Institute.

The management stated that being an independent entity/company under Section 42 of Companies Ordinance, 1984 NTS maintains its own accounts/financial statements and the accounts are being audited by the Chartered Accountants. As an entity of CIIT, NTS extended loan to CIIT including Virtual Campus.

The reply is not acceptable because NTS was a project of CIIT and its income and expenditure was not reflected in the financial statements of CIIT. This indicates that financial statements of CIIT did not reflect true and fair picture of the accounts of CIIT.

The PAO was informed on 11.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility for non-disclosure of accounts of NTS may be fixed.

#### ***16.4.42 Failure of Internal Control with regard to Dual Degree Program***

Clause 10(d) of Higher Education Commission (HEC) Ordinance, 2000 states that for the evaluation, improvement, and promotion of higher education, research and development, the Commission may prescribe conditions under which Institutions, including those that are not part of the State education system may be opened and operated.

Clause 2.1.1 of the International Collaboration Agreement between the University of Lancaster (LU) and COMSATS Institute of Information

Technology (CIIT) states that the agreement shall not come into effect and shall be conditional upon CIIT obtaining consent from HEC in Pakistan.

Clause 2.4 of the International Collaboration Agreement states that LU and CIIT shall use all reasonable endeavors to meet the conditions set out in the agreement above as soon as practicable after the date hereof and upon meeting a condition that party shall promptly notify the other. If conditions were not met by 01.01.2011 then the agreement shall become null and void and of no further effect.

In February 2008, Executive Committee of the National Economic Council (ECNEC) approved mega Projects for the establishment of Universities of Engineering, Science and Technology Pakistan (UESTP) on the proposal made by HEC. UESTP program was however, abandoned/delayed.

In a presentation on the functioning of COMSATS and CIIT in February 2009, the Prime Minister observed that instead of establishing new universities, a few selected universities in the country should be provided with special funds to raise its standards of education and research activities to the international level. In 23.02.2009, the then Prime Minister issued a directive to provide funds to CIIT to raise its standard and research activities to the international level. In order to implement the PM's directive, Planning Commission wrote a letter on 28.03.2009 to CIIT emphasizing the need to develop a few departments as centers of excellence in collaboration with reputed foreign universities with the ultimate objective of turning them into their external campuses

COMSATS Institute of Information Technology started exploring avenue of cooperation with reputed foreign universities. The Lancaster University, UK responded positively and it was decided to start an undergraduate course in collaboration with Lancaster University to provide a Foreign Degree in Pakistan. Students successfully completing the program at CIIT Lahore Campus would earn two degrees: one from CIIT Lahore and another from Lancaster University.

CIIT sent a request to Higher Education Commission (HEC) for approval of Dual Degree Program (DDP) in October 2009. Without waiting for a response from HEC, a Memorandum of Agreement (MOA) for launching DDP was signed on 18.02.2010, in London. This was announced in a joint press conference held

in Islamabad in July 2010 wherein it was also announced that on successful completion of four years' program, students would be awarded two degrees, one by LU and other by CIIT.

In October 2012, HEC constituted a Committee to make recommendations for the accreditation and recognition of the DDP and to propose / design a National Policy for such programs. In June 2014, the HEC informed CIIT that it did not agree to award of two separate degrees and gave the following three options to CIIT:

- Option 1. A Joint Degree and a Joint Transcript signed by both the Institutions.
- Option 2. A Single Degree from CIIT and a Joint Transcript signed by both the Institutions.
- Option 3. A Single Degree from Lancaster University and a Joint Transcript signed by both the Institutions.

The decision of the HEC's Committee was presented, through circulation, to the members of the CIIT Board of Governors (BoG) in November 2014 and the BoG approved the adoption of Option 3 for the students admitted under DDP from Fall 2010 to Fall 2014 semesters. This was formally notified by the CIIT on 01.12.2014.

Some of the students approached the Wafaqi Mohtasib. The Wafaqi Mohtasib on 07.04.2015 gave following findings:

- i. CIIT was ignorant of legal environment in vogue for higher education in the country.
- ii. Planning Commission did not ask for starting a dual degree program, rather it desired to identify gaps in funding requirements.
- iii. HEC cannot be absolved of its responsibilities as the program was launched with wide publicity and it failed to play a vigilant and proactive role as a regulator.
- iv. Both CIIT and HEC acted irresponsibly and were guilty of mal-administration.

The Wafaqi Mohtasib in another case gave his findings on 15.06.2015

that:

- i. The Agency launched DDP without obtaining NOC from the HEC and the Pakistan Engineering Council (PEC).
- ii. The MOU signed with LU for DDP has lapsed as it was not got approved by the HEC and Agency's own governing bodies.
  - i. In response to the solution offered by HEC (in consultation with CIIT itself and PEC) the Agency opted to award joint transcript and one degree from LU.
  - ii. LU degree awarded by CIIT is without accreditation from both councils (local and foreign).
  - iii. The HEC and PEC are not ready to accredit dual degree, if awarded by DDP partners.
  - iv. DDP has not been approved by the Accreditation and Qualification Equivalence Committee of PEC.
  - v. PEC required joint accreditation process by PEC and EC-UK in case UK is awarding degree alone.
  - vi. As per PEC accepting DDP with same syllabi and duration would raise technology scenario since PEC have undergone and international agreement (Washington Accord) for quality assurance, international acceptance and cross border mobility of Engineers.
- vii. The PEC have favored for CIIT own degree for case of accreditation by PEC.
- viii. DDP degree, if awarded would not be accredited by PEC
  - ix. An absolute decision in favor of awarding dual degree by dropping the option of fee refund requires and from the HEC and the PEC as it has legal and academic implications.
  - x. The CIIT is guilty of maladministration.

The Wafaqi Mohtasib decided that the Agencies (CIIT, HEC and PEC) should:

- i. Award dual degrees to the students already enrolled under the DDP from 2010 onwards after meeting the legal and regulatory requirements, especially of having the LU's degree accredited from



both the local and foreign accreditation councils in the larger interest of the students.

- ii. In the alternate, fee charged for dual degree may be refunded by CIIT and the students should be given a choice to opt for either CIIT own degree or the LU degree and award accordingly with a joint transcript duly approved by both local and foreign accreditation councils.
- iii. Henceforth HEC should play an active and vigilant role
- iv. HEC has failed to give a policy in this regard for more than four years causing huge academic and career loss to the students.

The matter was also discussed in the meeting of the Senate Standing Committee on Science & Technology held on 24.07.2015. The Senate Standing Committee gave the directive that all students enrolled in DDP till this date as well as those that have successfully graduated from the DDP be awarded with dual degree recognized by the HEC. The Committee further directed HEC to formulate a clear and well defined policy to deal with such cases in the future. The Committee on 18.08.2015, after hearing view points of Chairman HEC and Rector CIIT, again directed to award dual degree to all the students of DDP.

Public Accounts Committee (PAC) of the National Assembly took cognizance of public agitation by students and parents and held special sessions on 30th September and 8th October, 2015 wherein Rector CIIT and Chairman HEC gave their point of view. After detailed discussion it was agreed that HEC will accept only the degree of CIIT to the enrolled students as one time dispensation and compliance be made within a week.

As no compliance was made, a sub-Committee of the PAC was constituted on 05.05.2016. The Committee met on 12.05.2016 and Rector CIIT and Executive Director HEC were heard again. The Sub-Committee decided that DDP issue was of an academic nature, therefore, Ministry of Federal Education and Ministry of Science & Technology may resolve the same by sitting together with CIIT and HEC.

The issue remains un-resolved and students have not been awarded the degrees till finalization of this report.

Audit observed that the management of CIIT, Lahore Campus, enrolled

2532 students (Engineering-1305 & Non-engineering-1227) under the Dual Degree Program during the year 2010 to 2014 (Fall 2010 to Fall 2014).

Audit discussed the following questions so as to know the reasons for which dual degree was not made available for the students who took admission and completed the DDP:

- a) Did CIIT obtain approval of the HEC to launch DDP?
- b) Was HEC involved in the Agreement made by CIIT with LU?
- c) Did HEC fulfill its responsibilities as a regulator?

Each question is discussed as under:

**a. Did COMSATS Institute of Information Technology obtain the approval of Higher Education Commission to launch Dual Degree Programme?**

Audit observed that the management of CIIT did not obtain the approval of HEC and started Dual Degree Program for the following academic program at CIIT, Lahore campus:

- i. BS (Business Administration)
- ii. BS (Computer Sciences)
- iii. BS (Software Engineering)
- iv. BS (Electronic Engineering)
- v. BS (Telecom Engineering)
- vi. BS (Computer Engineering)
- vii. BS (Chemical Engineering)

**b. Was Higher Education Commission involved in the Agreement made by COMSATS Institute of Information Technology with Lancaster University?**

CIIT vide its letter No. CIIT-Reg/10-10(1)/09/7455 dated 13.10.2009 informed HEC that:

- a. A Memorandum of Understanding (MoU) between CIIT and LU was signed in an attempt to develop a few departments as centers of excellence as envisaged by the Prime Minister and the strategic direction set by Planning Commission of Pakistan. It would also strengthen the ongoing teaching and research programs at CIIT.

Keeping this aim in sight, diligent efforts were undertaken, resulting in the form of an agreement to start CIIT-LU Dual Under Graduate Degree programs in selected fields and this DDP has the following features:

- Initially these programs would be limited to three disciplines, namely i) Business Administration, ii) Computer Science and iii) Electrical Engineering.
  - Lancaster University would validate, evaluate and monitor the above educational programs at CIIT to make them compatible with their standards through replication of their system in Pakistan.
  - Students who register for the Dual Degree Program at CIIT would be considered ‘external students’ of Lancaster University, UK, while undertaking studies at CIIT’s Lahore Campus, under oversight and support from Lancaster University.
- b. All statutory bodies/fora of Lancaster University, including its Senate, have given formal approval to the above initiative. After the final endorsement from Lancaster University’s Senate, given on 07.10.2009, the Dual Degree Program was now ready to be launched at CIIT’s Lahore Campus. The curriculum and academic standards of the dual degrees were quite stringent and in line with the criteria laid down by the Pakistan Engineering Council (PEC) and other academic accreditation bodies of the country.
- c. This letter be taken as a formal communication of CIIT to launch DDP for the Pakistani students.

It was followed by another letter dated 28.10.2009. HEC did not respond to these letters. The management of CIIT vide its letter No. CIIT-Rec/10599 dated 26.01.2010 then requested HEC to attend the formal signing of agreement on Dual Degree Program in UK on 18.02.2010. HEC neither responded to invitation letter nor attended the ceremony. CIIT also made a presentation on Dual Degree Program on HEC request dated 23.02.2011.

Audit observes that though HEC did not attend the ceremony of formal inking of the agreement but its silence gave implied approval.

**c. Did HEC fulfill its responsibilities as a regulator?**

HEC vide its letter No. 15-21/HEC/A&A/2002/66 dated 27.10.2014 stated that as the DDP guidelines/policy was still not finalized/approved by the competent authority, therefore it is presumed that the CIIT would not have admitted new students since initiation of approval process in this program. CIIT discontinued the DDP from Spring 2014.

Audit observed that HEC took action after four years of launching of Dual Degree Program which caused the loss to students and therefore was a failure on the part of HEC.

Audit is of the view that launching of Dual Degree Program without the prior approval of HEC was unauthorized and in violation of International Collaboration Agreement made with the Lancaster University. Audit is also of the view that HEC did not play timely role as a regulator.

The management of CIIT replied that first formal letter of Intent to Launch the DDP in collaboration with LU was sent to the HEC on 13th October 2009 and was followed by another letter dated 28th October 2009. Later on in January 2010, formal invitation letters were also sent to HEC officials to attend the Memorandum of Agreement signing ceremony at London. As no reservations/comments were received from HEC, on the said letters, therefore, this program was launched at Lahore Campus of CIIT and first batch of students was admitted in Fall 2010 semester after due advertisements in several newspapers. The starting of DDP was with the unwritten understanding that letter of formal approval from HEC will be received in due course of time. This action of CIIT was based on good faith, keeping HEC in loop and in the best interest of students.

HEC replied that on the appearance of first advertisement for admissions in the DDP, HEC asked CIIT to give a detailed presentation about the concept of Dual Degree Program. It is also submitted that HEC resolved this issue in consultation with CIIT itself and PEC along with all relevant stakeholders on June 02, 2014 well before the completion of 1st batch graduation.

The CIIT management accepted the irregularity and has confirmed that starting of Dual Degree Program was with an unwritten understanding and that

the letter of formal approval from HEC would be received in due course of time.

Reply of HEC was not acceptable as even on the occasion of appearance of first advertisement in newspapers for admissions in the DDP, HEC did not take clear direction and took action after lapse of four years of the launching of DDP, which was too late and caused the loss to students.

A meeting of DAC was held on 28.11.2016. The management of HEC and CIIT reiterated viewpoints already given in their written replies to Audit. During the meeting audit also sought clarification as to why the agreement with LU was not null and void once it did not meet its pre-requisites and why LU did not stop the working with CIIT. The Rector CIIT informed the DAC that continuation was due to another agreement which was made by CIIT with LU. Audit stressed that responsibility should be fixed for putting the career of students at risk and starting the Program without first clearing the legal formalities.

DAC recommended that an Inquiry Committee may be constituted to investigate the matter and fixing of responsibilities. DAC also directed the CIIT to provide a copy of second/subsequent agreement made with LU to Audit and HEC.

Audit recommends that a thorough inquiry be conducted by a Ministerial level Inquiry Committee.

#### ***16.4.43 Non-Accreditation of Engineering Courses under Dual Degree Program from Pakistan Engineering Council***

Clause 10 of Pakistan Engineering Council Act 1976 states that the engineering qualifications granted by engineering institutions in Pakistan which are included in the First Schedule shall be the accredited engineering qualifications for the purposes of this Act. Any engineering institution in Pakistan which grants an engineering qualification not included in the First Schedule may apply to the Council to have such qualification accredited and the Council may, by notification in the official Gazette, amend the First Schedule so as to include such qualification therein.

Clause 11 of Pakistan Engineering Council Act 1976 states that the

engineering qualifications granted by engineering institutions outside Pakistan which are included in the Second Schedule shall be accredited engineering qualifications for the purposes of this Act. Any engineering qualification granted by an engineering institution outside Pakistan not included in the Second Schedule may be accredited by the Council, and the Council may, by notification in the official Gazette, amend the Second Schedule so as to include such qualification therein.

The management of CIIT entered into International Collaboration Agreement for the following four Engineering Courses under Dual Degree Program with Lancaster University UK:

- i. BS (Electronic Engineering)
- ii. BS (Telecom Engineering)
- iii. BS (Computer Engineering)
- iv. BS (Chemical Engineering)

Pakistan Engineering Council (PEC) vide letter No.PEC/EA&QEC/COMSETS-LHR/2010 dated 13.07.2010 addressed to Rector COMSATS Institute of Information Technology (CIIT) stated that the new initiative of Dual Degree Program (DDP) which was being initiated by CIIT Lahore may become a precedent for other engineering institutions in the country. Therefore, it is highly advisable that CIIT should clarify its complete plan of conducting DDP to the Council before admitting students in the program, so that issues relating to accreditation of such degrees should be timely discussed for appropriate decisions.

Audit observed that CIIT launched the Engineering Courses under DDP without obtaining the accreditation from PEC.

Audit is of the view that engineering courses under DDP without the accreditation of PEC was unauthorized.

The management replied that as the Electrical (Telecommunication) Engineering program being offered to the students in Pakistan was already accredited by PEC therefore, it was considered that this engineering program under DDP did not require new accreditation. PEC further informed CIIT on

06.08.2010 that despite the fact that PEC has certain reservations on DDP, separate application for accreditation of each program may be made to enable the Council to comment upon various aspects of the Program. Accordingly CIIT applied (AC-I Form) to PEC on 10.12.2010. After placing these in Engineering Accreditation (EA) & Quality Evaluation Committee (QEC) meeting held on 04.06.2011, PEC informed CIIT to work on a single nomenclature/domain of degree in consultation with Lancaster University and further informed that issue will be finalized in the next meeting of EA & QEC accordingly. After the 62nd meeting of EA & QEC, PEC informed CIIT on 20.02.2012 that after thorough deliberation, the house decided that DDP is not acceptable in its present form hence zero visit<sup>6</sup> will not be undertaken.

The management has accepted the irregularity but has failed to comment on BS (Electronic Engineering), BS (Computer Engineering) and BS (Chemical Engineering) which were also launched under DDP and required obtaining the accreditation from PEC.

DAC in its meeting held on 28.11.2016 recommended that an Inquiry Committee may be constituted to investigate the matter and fixing of responsibilities.

Audit recommends that a thorough inquiry be conducted by a Ministerial level Inquiry Committee.

#### ***16.4.44 Non-vetting of Agreement under Dual Degree Program from Ministry of Law and Justice***

Para-19 (ii) of General Financial Rules Vol-I states that as far as possible, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into.

The management of CIIT entered into International Collaboration Agreement with University of Lancaster UK on 18.02.2010 for Dual Degree Program.

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<sup>6</sup> Institutions apply for zero visit by providing detailed information to PEC according to the questionnaire for conformance evaluation of the essential requirements of starting a new engineering program. Zero visit is mandatory. Source: <http://www.pec.org.pk/downloadables/Accreditation/AccreditationManual-2014-Draft.pdf>

Audit observed that the International Collaboration Agreement was not vetted from Ministry of Law & Justice.

Audit is of the view that non-vetting of agreement from Ministry of Law and Justice was violation of General Financial Rules.

The management replied that being a body corporate established by an act/ordinance issued by the Federal Government on the analogy of other public sector universities in Pakistan, powers are vested/inherent in the COMSATS Institute of Information Technology to enter into agreements, contracts and arrangements for establishing academic linkages and collaborative educational programs with other organizations, institutions, and bodies for carrying out its functions and activities. It may be noted that CIIT has signed a number of academic agreements with foreign universities and have received Government funding to execute those agreements including the one signed with Lancaster University without referring them to the Law Division for formal vetting.

The reply is not acceptable as the International Collaboration Agreement was required to be vetted from Ministry of Law and Justice.

DAC in its meeting held on 28.11.2016 recommended that an Inquiry Committee may be constituted to investigate the matter and fixing of responsibilities.

Audit recommends that a thorough inquiry be conducted at Ministry level.

#### ***16.4.45 Irregular Launching of Dual Degree Program without provision in the Ordinance/Charter***

Higher Education Commission (HEC) organized a meeting held at Lahore on 30.10.2013 in order to deliberate the recognition and accreditation issues of Dual Degree Program and to develop a policy guidelines for implementation in future and recommended / approved that institutions desirous to enter Dual Degree Program with foreign University must have the respective provision in their Charter.

The management of CIIT entered into International Collaboration



Agreement with the Lancaster University, UK on 18.02.2010 for Dual Degree Program.

Audit observed that no provision is available in CIIT Ordinance 2000 / Charter for initiation of Dual Degree Program.

Audit is of the view that launching of Dual Degree Program without provision in Ordinance/Charter was irregular.

The management replied that decision taken at the meeting organized by HEC cannot be taken to apply retrospectively to the Dual Degree Program that was launched in 2010 as well as the International Collaboration Agreement was entered into in February 2010.

The reply is not acceptable as no provision is available in CIIT Ordinance 2000 / Charter for initiation of Dual Degree Program.

DAC in its meeting held on 28.11.2016 recommended that an Inquiry Committee may be constituted to investigate the matter and fixing of responsibilities.

Audit recommends that a thorough inquiry be conducted at Ministry level.

***16.4.46 Improper approval of Dual Degree Program made by Board of Governors of COMSATS Institute of Information Technology***

The Board of Governors (BoG) of COMSATS Institute of Information Technology (CIIT) in its 16th meeting (Special) held on 29.10.2009 on the Dual Degree Program (DDP) with Lancaster University (LU), UK and advised that CIIT to proceed further to complete all legal requirements for launching of the program. The actual launching the DDP would, however, be subject to fulfillment of the following conditions:

- Provision of infrastructure as well as facilities of international standards.
- Provision of security measures

- Approval of the overall DDP from Higher Education Commission (HEC) as well as Pakistan Engineering Council (PEC) for the engineering degree program.

The management of CIIT entered into International Collaboration Agreement with LU on 18.02.2010 for DDP.

Audit observed that BoG in its 18th meeting held on 16.03.2010 gave approval of DDP without fulfillment of conditions recommended in its 16th meeting.

Audit is of the view that launching of DDP without fulfillment of conditions set by BoG was irregular as no evidence was available on record to prove that all the conditions were met.

The management replied that even before the decisions taken in the BoG's 16th meeting held on 29.10.2009, CIIT assumed that HEC had no reservation in respect of the DDP, particularly because the model/ concept of DDP had been conceived by HEC itself. It was in these circumstances that the DDP was approved by the Board of Governors of CIIT in its 18th meeting held on 16.03.2010. It may be noted that the approval of the DDP by the Board of Governors in its 18th meeting was in accordance with the procedure prescribed by law in that, as with other academic programs, the DDP was also recommended by the Academic Council to the BoG that approved the recommendation of the Academic Council.

The reply is not acceptable as no evidence is available on record to prove that all the conditions imposed by the BoG in its 16th meeting held on 29.10.2009 were fulfilled. Evidence was also not made available to support the contention that the model/ concept of DDP had been conceived by HEC itself.

DAC in its meeting held on 28.11.2016 recommended that an Inquiry Committee may be constituted to investigate the matter and fixing of responsibilities.

Audit recommends that a thorough inquiry be conducted at Ministry level.

***16.4.47 Extra charging of fee over and above the Standard Degree Program - Rs.495.602 million***

CIIT entered into International Collaboration Agreement with University of Lancaster (LU), UK on 18.02.2010 for Dual Degree Program (DDP) and BoG of CIIT in its 18th meeting held on 16.03.2010 gave approval of the Program.

The management of CIIT, Lahore Campus, enrolled 2532 students (Engineering-1305 & Non-engineering-1227) under this Program during the years 2010-2014 (Fall 2010 to Fall 2014).

Audit observed that CIIT charged extra fee of Rs.495.602 million from the students took admission under DDP as compared with the fee charged from the students who took admission in Standard Degree Program (SDP) of CIIT. It was observed this additional fee was separate from the UK Pounds 2000 which the students remitted to LU.

Audit further observed that students of DDP and SDP were studying the same curriculum in same campus.

Audit is of the view that the action of the management regarding charging of fee over and above the SDP from the students of DDP Program was unjustified and required to be refund to the students.

The management replied that the fee charged from the students registered in the DDP is fully justified as DDP has been flagship educational program of CIIT that requires meeting the educational standards of a high ranking UK university. There have been significant and multifaceted value additions in the curriculum, assessments and Final Year Projects of the students in Dual Degree programs. Several cost-bearing activities have been carried out for the Dual Degree students at CIIT, Lahore. The Dual Degree Program provides the most viable and cost effective path to an International degree in addition to the CIIT degree.

The reply is not acceptable as the decision of the management regarding charging of fee over and above the SDP Program from DDP students to such a higher extent is unjustified.

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

***16.4.48 Irregular payment of TA/DA on official visit abroad - Rs. 11.775 million***

Cabinet Division instructions circulated on visit abroad states that where Government funds or funds of the autonomous body / corporations concerned are involved in visit abroad by officers / officials up to BS-22 (other than Secretaries / Additional Secretaries Incharge) and their equivalent; working in Autonomous / Semi-Autonomous Bodies and Corporations including MP-I, MP-II, MP-III, M-I and M-II (except Heads of autonomous / semi-autonomous bodies in MPI) and Heads of Departments, the approval of the Minister in charge will be necessary subject to prior clearance by the Ministry of Finance. Visit abroad by Federal Minister, Minister of State, persons holding the status of Federal Minister or Minister of State, Secretaries / Additional Secretaries In charge of the Ministries / Divisions and Head of autonomous / semi-autonomous bodies and corporations in MP-I scale will require prior approval of the Prime Minister. All cases of visits abroad will require clearance from the Ministry of Foreign Affairs. No Minister or Government Functionary should solicit at his own an invitation for participation in training, seminars, conferences, workshops, meeting, etc. from any source.

Cabinet Division vide its U.O No.9-1-148/2002-Min.II dated 26.04.2010 stated that in continuation of the instructions on the visit abroad by the Government officials, issued from time to time, it has been decided that prior approval of the Prime Minister shall be obtained for visit/training abroad of Government Servants in BS-20 and above, where the same is at the expense of Government of Pakistan.

Clause 3.7 of the International Collaboration Agreement between the Lancaster University (LU) and COMSATS Institute of Information Technology (CIIT) states that the parties agree to develop a schedule of services for staff development, including both academic and non-academic development opportunities for staff of CIIT, as detailed in Schedule 2, including timetable and fees.

The management of CIIT sent 11 foreign delegations to LU, from time to time, which included 44 Academic Staff, 25 Administrative Staff, Rector and Minister of State under “Staff Development” initiative. CIIT paid Rs. 11.775 million to the members of foreign delegation against visa fee, ticket and TA/DA.

Audit observed that:

- i. The members of foreign delegations up to BS-19 were nominated without obtaining approval of the Minister In charge and BS-20 and above officers were nominated without obtaining approval of the Prime Minister.
- ii. Minister of State undertook one visit abroad without obtaining approval of the Prime Minister.
- iii. Prior clearance of the visits from Ministry of Finance was not made in all cases.

Audit is of the view that visits abroad without prior approval of the Prime Minister/Minister In-charge and without obtaining clearance from Ministry of Finance was irregular and unauthorized.

The management replied that according to the CIIT’s Ordinance, 2000 the Rector, CIIT is administrative head of the institution and authorize to approve/sanction the expenditures approved by the BoG in different heads including TA/DA. Further, as administrative head the Rector can allow its subordinate officers for the official visit. The Chancellors i.e. Minister for Science & Technology had the blessings of the Prime Minister for the said visit.

The reply is not acceptable as the visits abroad were performed without prior approval of the Prime Minister/Minister In-charge and without obtaining clearance from Ministry of Finance.

DAC in meeting held on 28.11.2016 recommended that rules and regulation regarding payment of TA/DA may be provided to HEC for consideration/investigation and finding may be submitted to Audit for verification.

Audit recommends that matter may be inquired and findings may be sent to Audit.

***16.4.49 Irregular offered scholarships equal to £ 2,000 for 04 years per student and difference in fee to the students took admission in Standard Degree Program.***

Clause 13(1) of COMSATS Institute of Information Technology (CIIT) Ordinance, 2000 states that the general supervision and control of administrative, academic and financial affairs of the Institute and the power to lay down policies of the Institute shall vest in a Board of Governors.

Clause 14(e) of CIIT Ordinance, 2000 states that the Board shall, exercise the power and perform to initiate and approved schemes for achievement of the objectives of the Institute.

Clause 18(2) (a) of CIIT Ordinance, 2000 states Academic Council shall have the power to advice the Board on academic matters.

Clause 25(c) of CIIT Ordinance, 2000 states that subject to the provisions of this Ordinance, the Board may make rules for conditions under which the Institute may enter into arrangements with other public or private organizations for purposes of instructions, research and other scholarly activities.

Clause 12(2) of CIIT Ordinance, 2000 states that the Rector shall be the Principal Academic and Administrative Officer of the Institute and shall be responsible for proper implementation of the decision of the Board and for the execution of the programmes of the Institute in accordance with the guidelines and policies formulated by the Board.

The management of CIIT shifted 55 students of BS (Computer Science) and 42 students of BS (Business Administration), who had paid normal/standard fee of Standard Degree Program (SDP) of CIIT for admission in Spring 2011, to Dual Degree Program (DDP) without charging additional fee. Payment of UK Pounds 2000, which was payable to LU by the student of DDP, was also made by CIIT, as scholarship to these students.

Audit observed that this scholarship was offered only to the students admitted in Spring 2011 and that too without framing rules for scholarship and obtaining approval of Board of Governors.

Audit is of the view that payment of scholarship to one batch of student and that too without framing rules/obtaining approval of Board of Governors was irregular and discriminatory.

The management replied that According to the CIIT's Ordinance, 2000 Campus Director is competent to sanction the expenditures provided in the approved budget.

The reply is not acceptable as the scholarship was given only to the students admitted in Spring 2011 and without framing rules for scholarship and obtaining approval of Board of Governors.

DAC in its meeting held on 28.11.2016 recommended that an Inquiry Committee may be constituted to investigate the matter and fixing of responsibilities.

Audit recommends that a thorough inquiry be conducted at Ministry level.

***16.4.50 Irregular expenditure on purchase of air tickets for Academic visit of DDP students to Lancaster University, UK - Rs. 3.014 million***

Clause 14(e) of COMSATS Institute of Information Technology (CIIT) Ordinance, 2000 states that the Board shall, exercise the power and perform to initiate and approve schemes for achievement of the objectives of the Institute.

The management of CIIT, Lahore incurred an expenditure of Rs. 3.014 million on purchase of air tickets for 29 DDP Fall 2010 semester students and 01 faculty member for an Academic Visit (Practical Experience) to Lancaster University (LU), UK. Food, accommodation and local transport were provided by LU.

Audit observed that expenditure on 'practical experience' to DDP students was made from CIIT funds without provision in the International Collaboration Agreement made for DDP with LU and obtaining approval of Board of Governors (BoG).

Audit further observed that such 'practical experience' was offered only

to students of DDP Fall 10 semester whereas later on 05 batches of 82 students visited LU in its summer camp but arranged his own ticket and paid about UK £ 685 each for accommodation and local transport to LU.

Audit is of the view that incurring of expenditure without obtaining approval of BoG was irregular.

The management replied that According to the CIIT's Ordinance, 2000 Campus Director is competent to sanction the expenditures provided in the approved budget.

The reply is not acceptable as the expenditure was incurred without obtaining approval of BoG.

DAC in its meeting held on 28.11.2016 recommended that ex-post facto approval of BoG may be obtained to regularize the expenditure besides obtaining approval of Prime Minister and Minister-in-Charge where necessary.

Audit recommends that efforts may be made to obtain the concurrence of the BOG and approval of Prime Minister and Minister-in-Charge where necessary.

***16.4.51 Irregular offer of scholarships to faculty for split site PhD degree in collaboration with Lancaster University, UK and payment of scholarship - Rs.21.248 million***

Clause 13(1) of COMSATS Institute of Information Technology (CIIT) Ordinance, 2000 states that the general supervision and control of administrative, academic and financial affairs of the Institute and the power to lay down policies of the Institute shall vest in a Board of Governors.

Clause 14(e) of CIIT Ordinance, 2000 states that the Board shall, exercise the power and perform to initiate and approved schemes for achievement of the objectives of the Institute.

Clause 18(2) (a) of CIIT Ordinance, 2000 states Academic Council shall have the power to advice the Board on academic matters.



Clause 25(c) of CIIT Ordinance, 2000 states that subject to the provisions of this Ordinance, the Board may make rules for conditions under which the Institute may enter into arrangements with other public or private organizations for purposes of instructions, research and other scholarly activities.

Clause 12(2) of CIIT Ordinance, 2000 states that the Rector shall be the Principal Academic and Administrative Officer of the Institute and shall be responsible for proper implementation of the decision of the Board and for the execution of the programs of the Institute in accordance with the guidelines and policies formulated by the Board.

A MoU was signed by CIIT with Lancaster University (LU) regarding split site PhD program. Clause 2 of the SOP for split site PhD program of the CIIT Lahore and Lancaster University, UK states that the scholarship for Split Site PhD will consist of two components; one in local currency during the Scholar's stay at CIIT and one in foreign currency during his/her stay at Lancaster University. The ceiling amounts of each individual scholarship award for study at the Lancaster University are as follows:

<b>Sr. No.</b>	<b>Budget Head</b>	<b>Amount in £</b>
1	Maintenance Allowance for One Year @ £ 750/month	9,000
2	Travel Cost @ £ 2,000 maximum (Maximum Three Visits)	2,000
3	Residential Tuition Fee for One Year	6,000
4	Away Tuition Fee for Two Years	6,000
<b>Unit cost of Scholarship</b>		<b>23,000</b>

The Scholar whiles his / her stay at CIIT, will be paid a stipend equivalent to his/her last drawn salary.

The management of CIIT offered scholarships to its 09 faculty members for split site PhD degree in collaboration with Lancaster University (LU) and paid Rs.21.248 million to its faculty members on account of visa fee, tuition fee, ticket and living allowance during their period of stay in LU. According to SOP the scholarship for Split Site PhD was minimum of three years and maximum of five years. The candidate would spend maximum of one year at Lancaster University and rest of the time at CIIT.

While conducting audit of Dual Degree Program undertaken by CIIT with LU, it was observed that:

- i. The management of CIIT issued a notification on 04.02.2013 approving the SOP for split site PhD program of the CIIT Lahore and LU without framing rules for scholarship and obtaining approval of Board of Governors.
- ii. A stipend equivalent to last drawn salary was paid in addition to monthly salary during study at CIIT.
- iii. All the amounts of scholarship were paid on estimation as approved in SOP's.
- iv. Adjustment of the paid amounts was not made.
- v. Tuition Fee £6,000 per year of LU and Maintenance Allowance for one year @ £750 per month were paid in cash to the scholars in Pakistani rupee at the prevalent rate.
- vi. Travel Cost of £2,000 was paid in cash to the scholars in Pakistani rupee at the prevalent rate.

Audit is of the view that payment of scholarship without framing rules and obtaining approval of Board of Governors was irregular. Payment in cash to the scholars and non-obtaining of adjustment was also irregular.

The management replied that:

- i. The SoPs for split site PhD Program were approved by the Fellowship Management Committee (FMC).
- ii. Stipend equivalent to last drawn salary has not been paid to any scholar. The leave without pay was granted to scholars.
- iii. The amounts of scholarships were paid on actual basis.
- iv. As per SoPs they were eligible to receive 12 months stipend while in UK, so it have been paid as a monthly stipend for living cost and is not to be adjusted.
- v. The tuition fee per year was paid directly to Lancaster University.
- vi. The maximum ceiling of travel cost @ GBP 2,000 (maximum three visits) was decided in clause 2 of the SoPs for split site PhD Program. While payment has been made on the basis of actual air ticket/invoice in Pak Rupee directly to travel agent.

The reply is not acceptable as no documentary evidence in support of the reply was given. Further, the payment of scholarship was made without framing rules and obtaining approval of Board of Governors.

DAC in its meeting held on 28.11.2016 recommended that observation may be reviewed in the light of HEC guideline and Government's instructions. CIIT informed to the Committee that the para did not relate to DDP/the agreement made with the Lancaster University. DAC directed to CIIT that all documentary evidences may be provided to Audit to know the exact status of the para which may then be transferred from Special Audit Report to Regular Audit Report of CIIT.

Audit recommends that approval of the BoG may be obtained to regularize the expenditure besides conducting a verification exercise with Audit in reference to replies of CIIT.

#### ***16.4.52 Irregular and unauthorized establishment of NTS Pakistan***

Section 4(a) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Institute is empowered to provide for instruction and training in computer and information technology and to make provisions for the advancement and dissemination of knowledge in such manner as it may deem fit.

Section 13(1) of COMSATS Institute of Information Technology Ordinance, 2000 states that the general supervision and control of administrative, academic and financial affairs of the Institute and the power to lay down policies of the Institute shall vest, in a Board of Governors.

National Testing Service was established as project of COMSAT Institute of Technology, Islamabad vide Notification NO.CIIT-Reg/Notifi/02 dated 02.07.2002 managed and administered by the Management Committee. Later on in 2003 the Company M/s National Testing Service-Pakistan was incorporated under Section 42 of the Companies Ordinance, 1984 vide Security and Exchange Commission of Pakistan Certificate of Incorporation No. 3304/20030401 dated 30.04.2003.

The NTS Project of COMSAT was transferred to the Company M/s

National Testing Service-Pakistan vide COMOST Notification No. CIIT-Reg/Notifi/3067 dated 28.08.2012.

Audit observed as under:

- i. National Testing Service was established as project of COMSAT without obtaining the approval of the Board of Governors.
- ii. According to Memorandum of Association, the company was formed by the following employees of the CIIT:
  - a. Syed Mohammed Junaid Zaidi, Rector, CIIT
  - b. Mr. Mohammad Haroon Rashid, Director, CIIT
  - c. Mr. Mohammed Sohail Ghani Warraich, Controller Examination CIIT
  - d. Mr. Tahir Maqbool Khakwani, Additional Director.
  - e. Mr. Rizwan Tauqeer Ahmed, employee of CIIT.
- iii. Neither the COMSATS Institute of Information Technology Ordinance, 2000 allowed the establishment of such company by the Institute nor the approval of the Board of Governors for establishment of the company was obtained.
- iv. The assets of the Projects of COMSATS were transferred to the Company in violation of the provision of the COMSATS Institute of Information Technology Ordinance, 2000 and without the approval of the Board of Governors.
- v. The company remained dormant since its establishment in 2003 to 28.02.2013.

Audit is of the view that formation of Company by the employees of the CIIT was irregular and unauthorized.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.53 Non-reconciliation of receipts - Rs. 6,438.19 million***

Section 234(1) of the Companies Ordinance, 1984 states that every balance-sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of its financial year, and every profit and loss account or income and expenditure account of a company shall give a true and fair view of the profit and loss of the company for the financial year so, however, that every item of expenditure fairly chargeable against the year's income shall be brought into account and, in case where any item of expenditure which may in fairness be distributed over several years has been incurred in any one financial year, the whole amount of such item shall be stated, with the addition of the reasons why only a portion of such expenditure is charged against the income of the financial year.

Article 52(i) of the Articles of Association of the NTS-Pakistan states the Board shall cause to be kept proper books of accounts with respect to all sums of money received and expended by the Organization and the matters in respect of which receipt and expenditure take place.

National Testing Service-Pakistan received Rs. 6,438.19 million in various accounts during 2002-16.

Audit observed as under:

- i. Management has not devised any mechanism for reconciliation of receipts being received throughout the country through various bank branches and management entirely depends on banks.
- ii. Project wise record relating to income and expenditure was not maintained.

Audit is of the view that non reconciliation of receipt and non-maintenance of project wise record was irregular and can lead to misappropriation.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.54 Irregular and unauthorized execution of development project - Rs. 900.75 million***

In terms of Planning and Development Division's letter No.21(2-Gen)/PIA/PC 2004, dated 18-12- 2004, the autonomous organizations whether commercial or non-commercial having a Board by whatever name called, would be competent to sanction their development schemes with 100% self-financing with no Government guarantee and involving less than 25% foreign exchange/foreign assistance, subject to the following:-

- i. A Development Working Party should be constituted by each organization and notified to consider and approve their self-financed projects.
- ii. The Development Working Party should be headed by the Chairman/Head of the Organization and, among others, should include representatives of the Planning & Development Division, the Finance Division, and the Ministry/Division concerned, each not below the rank of Joint Secretary.
- iii. The quorum of the Development Working Party should be considered incomplete without the presence of either representative of the Finance Division and the Planning and Development Division. In case either of these Divisions does not agree to the project proposal or any aspect thereof, the case would be referred to the CDWP for consideration.
- iv. The decision of the Development Working Party will be subject to the endorsement of the Board of the organization.

National Testing Service was established as project of COMSAT Institute of Technology, Islamabad vide Notification NO.CIIT-Reg/ Notifi/02 dated 02.07.2002 managed and administered by a Management Committee. The objective of the project was to provide a unified standard for knowledge base and

assesses skill sets at different levels. Later on in 2003 the Company M/s National Testing Service-Pakistan was incorporated under Section 42 of the Companies Ordinance, 1984 vide Security and Exchange Commission of Pakistan Certificate of incorporation No.3304/20030401 dated 30.04.2003 which remained dormant till 28.03.2013.

The COMSAT Institute of Technology, Islamabad purchased plot No. 96, measuring 4,259 Sq in Sector H-8/1 Islamabad at cost of Rs.55.792 million for construction of NTS Building.

Audit observed as under:

- i. The project was initiated by COMSATS Institute of Technology, Islamabad without obtaining the approval of the Development Working Party as required under Planning and Development Division's letter No.21(2-Gen)/PIA/PC 2004, dated 18.12.2004.
- ii. The plot is owned by CIIT whereas the expenditure on construction of building is being met out of NTS-Pakistan.
- iii. Prior to transfer of the project to the Company, an expenditure of Rs.132.856 million had already been incurred by CIIT, Islamabad.

Audit is of the view that execution of development project without the approval of competent forum was irregular and unauthorized.

Audit is also of the view that heavy expenditure by the company on construction of building on plot which is not owned by the Company was irregular and unauthorized.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that responsibility may be fixed for the irregularity.

***16.4.55 Irregular and unauthorized expenditure on printing - Rs. 786.732 million***

Rule 12(2) of Public Procurement Rules 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 20 of Public Procurement Rules states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

National Testing Service-Pakistan incurred an expenditure of Rs.786.732 million during the period 2011-2016 as printing charges.

Audit observed that the management of the NTS-Pakistan has neither prepared procurement rules nor followed the Public Procurement Rules to maintain the transparency in procurement process.

Audit is of the view that the execution of printing work from various printing firms without adopting open competition was irregular and unauthorized.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.56 Irregular unauthorized expenditure without supporting documents - Rs. 453.865 million***

Section 234(1) of the Companies Ordinance.1984 states that every balance-sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of its financial year, and every profit and loss account or income and expenditure account of a company shall give a true and



fair view of the profit and loss of the company for the financial year so, however, that every item of expenditure fairly chargeable against the year's income shall be brought into account and, in case where any item of expenditure which may in fairness be distributed over several years has been incurred in any one financial year, the whole amount of such item shall be stated, with the addition of the reasons why only a portion of such expenditure is charged against the income of the financial year.

Para 23 of GFR Volume.1 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.

National Testing Service was established as project of COMSAT Institute of Technology, Islamabad vide Notification NO.CIIT-Reg/Notify/02 dated 02.07.2002 managed and administered by the management committee. According to income and expenditure statements the project management of NTS/CIIT incurred an expenditure of Rs.453.865 million during the period 2002 to 2009-10 as detail given below.

<b>S.No</b>	<b>Year</b>	<b>Expenditure</b>
<b>1</b>	2002-03	4.474
<b>2</b>	2003-04	12.176
<b>3</b>	2004-05	14.164
<b>4</b>	2005-06	27.957
<b>5</b>	2006-07	50.639
<b>6</b>	2007-08	132.172
<b>7</b>	2008-09	83.740
<b>8</b>	2009-10	128.543
<b>Total</b>		<b>453.865</b>

Audit observed that the record was misplaced/stolen from office as intimated by the management.

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

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.57 Irregular and unauthorized loan to CIIT Virtual Campus - Rs. 227.447 million***

Section 208 of Companies Ordinance, 1984 states that subject to sub-section (2A) a company shall not make any investment in any of its associated companies or associated undertakings except under the authority of a special resolution which shall indicate the nature, period and amount of investment and terms and conditions attached thereto:

Article 63(iii) of the Articles of Association of the NTS-Pakistan states the organization shall utilize its money, property or income or any part thereof, solely for promoting its objects.

The annual accounts of the NTS-Pakistan for the period 2015-16 reflected an amount of Rs. 378.180 million as Advances/Accounts Receivables and Loans.

Audit observed as under:

- i. National Testing Service-Pakistan extended a loan of Rs.227.447 million to CIIT Virtual Campus without any provision in the Articles of Association.
- ii. The Establishment of the Virtual Campus of CIIT was not covered in the COMSATS Institute of Information Technology Ordinance, 2000.
- iii. The loan was not approved by the Board of National Testing Service of Pakistan.
- iv. Loans were also extended by NTS to CIIT from time to time as is evident from the annual accounts of the company.

Audit is of the view that the loan to an organization out of Company funds was neither covered in the objectives of the company nor the approval of

the Board was obtained, therefore, the loan to Virtual Campus of CIIT is irregular and unauthorized and violation of the provision of Articles of Association of the Company and violation of Section 208 of Companies Ordinance, 1984.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that responsibility may be fixed for the irregularity.

***16.4.58 Irregular and unauthorized payment of advertising charges -Rs. 235.000 million***

In accordance with recruitment policy for the Federal Services/ Autonomous Bodies/Corporations circulated by Establishment Division vide Office Memorandum No. F.53/1/2008-SP/dated 22.10.2014 the respective Ministries/Divisions/Departments/Autonomous Bodies/Corporations are responsible to advertise the vacancies.

Para 2(I) of Ministry of Information 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.

National Testing Service was established as project of COMSAT Institute of Technology, Islamabad vide Notification No. CIIT-Reg/Notifi/02 dated 02.07.2002 managed and administered by the management committee. The objective of the project was to provide a unified standard for knowledge base and assesses skill sets at different levels. Later on in 2003 the Company M/s National Testing Service-Pakistan was incorporated under Section 42 of the Companies Ordinance, 1984 vide Security and Exchange Commission of Pakistan Certificate of incorporation No. 3304/20030401 dated 30.04.2003.

The management of National Testing Service-Pakistan incurred an expenditure of Rs. 235.00 million as advertising charges during 2011-16.

Audit observed as under:

- i. The advertising firms have been selected without adopting open competition.
- ii. Advertising the posts on behalf of different Government departments, agencies, institution, etc is not covered in the mandate assigned to the Company.
- iii. The advertising cost is being charged from the candidates appearing in various recruitment tests, admission examination etc.

Audit is of the view that charging of advertisement cost from the applicants seeking job is neither covered in the objectives assigned to the Company nor the Government recruitment policy allow the same.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.59 Doubtful and irregular payment to data entry staff - Rs. 217.271 million***

Section 25(1) of COMSATS Institute of Information Technology Ordinance, 2000, states that the Board may make rules for carrying out the purposes of this Ordinance.

Rule 5(7)(e) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall formulate significant policies of the Public Sector Company, which may include marketing of goods to be sold or services to be rendered by the Public Sector Company.

National Testing Service-Pakistan has appointed data entry staff and incurred an expenditure of Rs.236.490 million on account of data entry during 2006-16.

Audit observed as under:

- i. Neither the management of CIIT has framed rules nor has the Company formulated any policy for hiring the services of individuals/firms for data entry.
- ii. An amount of Rs. 23.998 million was paid to Mr Waheed ullah Nagra, Data Entry Operator through cheques in his own favor in addition to amount transferred through bank advice in his bank account
- iii. The work is being executed without signing formal agreement.
- iv. Out of Rs. 217.271 million an amount of Rs.175.144 million was for transfer to bank accounts of the data entry staff. However, no evidence was available that the amounts were actually transferred in the accounts of data entry staff.
- v. Advance payment on account of invigilation and other accounts were also sanctioned to the data entry operator from time to time.

Audit is of the view that hiring of the services of data entry staff without formal approval of the board and without adopting open completion was irregular and unauthorized. Moreover, in absence of acknowledgement receipt the authenticity of disbursement of Rs. 175.144 million could not be ascertained whether the same was actually received by the actual beneficiaries.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.60 Irregular and unauthorized payment of consultancy charges -Rs. 175.145 million***

Para-23 of GFR Volume.1 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 20 of Public Procurement Rules states that the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Article 32(ii) of the Articles of Association of the NTS-Pakistan states that the business of the organization shall be managed by the Board.

Article 63(iii) of the Articles of Association of the NTS-Pakistan states that the organization shall utilize its money, property or income or any part thereof, solely for promoting its objects.

Article 63(iv) of the Articles of Association of the NTS-Pakistan states that the organization shall not pay or transfer any portion of its money, property or income, directly by way of dividend, bonus or profit, to any of its members or the relative or relatives of members.

Rule 5(7)(e) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall formulate significant policies of the Public Sector Company, which may include marketing of goods to be sold or services to be rendered by the Public Sector Company.

National Testing Service-Pakistan incurred an expenditure of Rs. 175.145 million during the period 2011-2016 on account of consultancy charges.

Audit observed as under:

- i. Neither the BoG of CIIT nor the Board of Directors of NTS has approved the policy regarding hiring of services of consultants for promotion of NTS product.
- ii. The consultants were hired for business growth to promote the NTS products and services to various departments of Federal and Provincial Government's including autonomous bodies.
- iii. Antecedents of Consultants were not shown to Audit. Few Computerized Identity Cards, mentioned on MOUs signed with

the Consultants, were verified from NADRA's Database which were found fake.

- iv. The MOUs between the NTS and Consultants laid emphasis on exploring the possibility of working together jointly for mutual business benefit and the Consultant was required to promote business products of NTS and services in different Government sectors/departments.
- v. The consultancy fee @ Rs. 60 to Rs. 100 per application was paid to the Consultant.
- vi. For NAT/GAT Tests the NTS charged Rs. 2,000 from each student, out of which Rs. 500 per student was paid to the Consultant (which comes to 25% of the total fee).
- vii. The Consultants were appointed without open competition and without the approval of the Board of NTS.
- viii. Consultancy services were neither covered in the objectives of the Company nor in the recruitment policy of the Government.
- ix. The provision of the consultancy fee is made in the fee which is ultimately paid by the students/candidate seeking admission/jobs and thus an extra burden on them.
- x. In two cases consultancy fee of Rs. 0.901 million and 1.589 million, respectively was paid to respective departments, i.e. SZABMU and Federal Government Educational Cantt/Garrison Rawalpindi.
- xi. An amount of Rs. 6.620 million was paid to Mr. Kashif Jawaid as consultancy service for admission test in MBBS through SZABMU.
- xii. Similarly an amount of Rs. 3.097 million was paid to Mr. Muhammad Usman for business promotion with FBR.

Audit is of the view that the company was incorporated under Section 42 of the Companies Ordinance, 1984 as nonprofit company and limited by guarantee and not having a share capital, therefore, the appointment of the Consultants and heavy payments to them in absence of approved policy and

procedure by the Board was not only irregular and unauthorized and violation of the provision of the Articles of the association but it also put an extra burden on the applicants as well as the amount was reimbursed to the Consultants out of the collected fee.

Audit is also of the view that the authenticity of the expenditure could not be ascertained as whereabouts of the Consultants as well as the services provided by them were not known and in some cases CNIC Numbers were fake.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.61 Irregular disbursement of salaries to invigilators without supporting vouchers - Rs. 115 million***

Section 234(1) of the Companies Ordinance, 1984 states that every balance-sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of its financial year, and every profit and loss account or income and expenditure account of a company shall give a true and fair view of the profit and loss of the company for the financial year so, however, that every item of expenditure fairly chargeable against the year's income shall be brought into account and, in case where any item of expenditure which may in fairness be distributed over several years has been incurred in any one financial year, the whole amount of such item shall be stated, with the addition of the reasons why only a portion of such expenditure is charged against the income of the financial year.

Rule 205 of FTR states "Subject as hereinafter provided in this rule, 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. Every voucher must bear, or have attached to it, an acknowledgment of



the payment signed by the person by whom, or in whose behalf, the claim is put forward. The acknowledgment shall be taken at the time of payment. "

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

National Testing Service-Pakistan paid an amount of Rs.115.00 million on account of invigilation charges during the period 2011-16.

Audit observed as under:

- i. The invigilators were hired without open competition.
- ii. The invigilators were appointed by the management without signing any formal agreement containing the detail terms and condition of appointment.
- iii. Policy for hiring the services of invigilators, supervisor, was not approved by the Board.
- iv. The payment was disbursed by Tameer Microfinance Bank Limited through easy paisa Outlets. The selection of the bank was made without adopting open competition and approval of the Board was also not obtained.
- v. The acknowledgment receipts were not available on record.
- vi. An amount of Rs. 5.000 million was placed with the bank as security deposit. No interest on this amount was charged from the bank.

Audit is of the view that disbursement salary through a non-banking channel and without obtaining acknowledgment receipt was irregular and unauthorized and can lead to fraud.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.62 Undue favor was extended to invigilators by depositing their Income Tax from NTS Funds - Rs. 101.830 million***

Section 153(1)(b)(ii)(b) of 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 for the rendering of or providing of services the rate of tax to be deducted @ 10% of the gross amount payable, if the person is a filer and 15% if the person is a non-filer.

Section 162(1) of Income Tax Ordinance, 2001 states that where a person fails to collect tax as required under Division II of this Part or deduct tax from a payment as required under Division III of this Part or as required under section 50 of the repealed Ordinance] 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 National Testing Service – Pakistan paid an amount of Rs. 805.365 million for invigilation of tests during 2006-16.

Audit observed as under:

- i. The management did not deduct tax at source amounting to Rs. 101.830 million for services rendered at the rate prescribed in Income Tax Ordinance, 2001.
- ii. Instead of deduction of tax the management paid tax amounting to Rs. 101.830 million on behalf of the invigilators, supervisors, etc.

Audit is of the view that by this action of the management the expenditure of NTS increased by 101.830 million once by non-deduction of tax at source and other by paying the tax on behalf of invigilators, supervisors, etc.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.63 Irregular agreement with M/s TCS - Rs. 74.527 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.

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

Article 32(ii) of the Articles of Association of the NTS-Pakistan states that the business of the organization shall be managed by the Board.

National Testing Service-Pakistan entered into an agreement with M/s TCS 28.06.2016 for data processing, printing, delivery of roll No. slip and result card, application booking, etc. and paid an amount of Rs. 74.527 million.

Audit observed as under:

- i. The contract was made without adopting open tender and without the approval of the Board.
- ii. Prior to June, 2016 no formal contract was made with the courier agency.
- iii. Printing work is also assigned to courier agency is not included in the core activities of the agency.

Audit is of the view that the execution of printing work and courier services though TCS without adopting open competition was irregular and unauthorized.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

**16.4.64 Irregular and unauthorized payment of consultancy charges - Rs. 32.994 million**

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

Article 32(ii) of the Articles of Association of the NTS-Pakistan states the business of the organization shall be managed by the Board.

Rule 5(7)(e) of the Public Sector Companies (Corporate Governance) Rules, 2013 states that the Board shall formulate significant policies of the Public Sector Company, which may include marketing of goods to be sold or services to be rendered by the Public Sector Company.

National Testing Service-Pakistan paid an amount of Rs. 32.994 million to Mr. Raja Faisal Mehmood as consultancy charges during 2010-16 as detail given below:

<b>(Rupees)</b>				
<b>S. No.</b>	<b>Cheque No</b>	<b>date</b>	<b>Transaction description</b>	<b>Amount</b>
<b>1</b>	4167361	31.01.2015	Consultancy for PSED Project	6,598,900
<b>2</b>	4167859	21.01.2015	Consultancy for PSED Project	5,429,250
<b>3</b>	1512364295	08.12.2014	20% Consultancy for PSED Project	5,241,600
<b>4</b>	4167352	29.12.2014	20% Consultancy for PSED Project	5,241,600
<b>5</b>	5493373	12.12.2014	20% Consultancy for PSED Project	5,241,600
<b>6</b>	5493376	23.12.2014	20% Consultancy for PSED Project	5,241,600
<b>Total</b>				<b>32,994,550</b>

Audit observed as under:

- i. The consultant was appointed without open competition and without the approval of the Board of NTS.
- ii. The consultant was also working as data entry operator in NTS.
- iii. The Board of Directors of NTS has not approved any policy regarding hiring of services of consultants for selling NTS products.

- iv. The management of Punjab Secondary Education Department has not signed any agreement with NTS regarding award of work of appointments in the department through the consultant.

Audit is of the view that appointment of a data entry operator in absence of approval of board and concerned department was irregular and unauthorized and resulted in loss to the Company.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

***16.4.65 Loss due to non-auction of waste paper and tonners - Rs. 16.255 million***

Para-23 of GFR Volume.1 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 the NTS-Pakistan sold waste paper weighing 84,870 Kg amounting to Rs.1.084 million during the period August, 2016 to November, 2016.

Audit observed as under:

- i. The waste papers were sold without adopting open competition in violation of Public Procurement Rules.
- ii. No record is available for the period 2003 to June, 2016 regarding sale of waste paper.

- iii. Keeping in view the trend of waste generated during the period August, 2016 to November, 2016, the estimated loss for the last five years comes to Rs. 16.255 million.
- iv. The management was maintaining forty Laser Jet, Printers. The cost of one toner comes to Rs. 17,000 and the used toner is sold in the market at average price of Rs. 300 to Rs. 500.
- v. The detail of used toners auctioned/destroyed by the management was not provided to ascertain the loss, in such circumstances the chances of use of refilled toners against original price cannot be ruled out.

Audit is of the view that non auction of waste paper resulted in heavy loss to the Company. Moreover, the non audition of waste papers after November, 2016 without competition was also irregular and violation of Public Procurement Rules.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

#### ***16.4.66 Whereabouts of proceeds of pay order not known - Rs. 1.000 million***

Para 23 of GFR Volume.1 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.

Article 63(iii) of the Articles of Association of the NTS-Pakistan states the organization shall utilize its money, property or income or any part thereof, solely for promoting its objects.

The management of the NTS as project of CIIT Pakistan paid an amount of Rs.1.00 million to Mr. Muhammad Imran Khan Chief Coordinator South vide cheque No. 09102892 dated 23.06.2010.

Audit observed as under:

- i. Pay order of Rs.1.00 million was prepared from faysalbank vide PO No. 0108310 dated 01.06.2010 in favour of Benazir Bhutto Youth Development Program.
- ii. The amount was reimbursed to the Chief Coordinator against the bid security deposited by him.
- iii. The proceed of the pay orders prepared on account of bid security against which the amount was reimbursed to coordinator was neither received in the bank account the NTS nor the Original Pay Order was available with the management.

Audit is of the view that in absence of record proceeds of the pay order can lead to misappropriation of funds.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

#### ***16.4.67 Non availability of Audit Log in the database of NTS***

Chapter “Protection of Information Assets” of Certified Information System Auditor (CISA) Manual states that application Audit Trails may be used to discover flaws in an application system or violations of security policy committed within an application. If the application is critical, it can be desirable to record not only who invoked the application, but certain details specific to each use such as menus or submenus accessed. For a database application, it may be useful to record who accessed what database as well as the individual rows or columns of a table that were read (or changed or deleted), instead of just recording the execution of the database program.

The management of National Testing Service – Pakistan was maintaining a computerized system for result management in SQL Server for Scanning, Reading Answer Sheets, Compiling Results.

Audit observed as under:

- i. Data was uploaded in the database after compiling the data manually instead of directly input by the software itself.
- ii. The scanning application was not connected to the main database system.
- iii. Any person can edit the results and the log of results editing was not enabled in the system and there was no provision to enable the log as full version of SQL Server was not installed.
- iv. Keystroke monitoring was not conducted to protect systems and data from intruders who access the system without authority or in excess of their assigned authority, as it was also disabled in the system.

Audit is of the view that by not enabling the Audit Trail (Audit Log) the authenticity of the results could not be ascertained as anyone could change the results and the management could not detect it as the Audit Trail (Audit Log) is disabled.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

#### ***16.4.68 Whereabouts of fee collected on tests of GAT/NAT***

Section 234(1) of the Companies Ordinance.1984 states that every balance-sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of its financial year, and every profit and loss account or income and expenditure account of a company shall give a true and fair view of the profit and loss of the company for the financial year so, however, that every item of expenditure fairly chargeable against the year's income shall be brought into account and, in case where any item of expenditure which may in fairness be distributed over several years has been incurred in any one financial



year, the whole amount of such item shall be stated, with the addition of the reasons why only a portion of such expenditure is charged against the income of the financial year.

The management of NTS-Pakistan has been holding test of GAT/NAT for many years.

Audit observed that whereabouts of fee collected on account of GAT/NAT was neither known nor a separate bank account was maintained for this purpose.

Audit is of the view that without the whereabouts of the fee the authenticity of the fee collected and expenditure thereon could not be ascertained.

Observations were issued to the management on 01.01.2017.

The management vide letter dated 20.01.2017 requested to allow response time up to the end of January, 2017.

Audit recommends that inquiry may be held to fix the responsibility.

## CHAPTER 17

### 17. INDUSTRIES AND PRODUCTION DIVISION

#### 17.1 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 there under.
- 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.

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

Final budget allocated to the Industries and Production for the financial year 2015-16 was Rs. 1,895.189 million including Supplementary Grant of Rs. 112.308 million out of which the Division utilized Rs. 1,653.013 million. Grant-wise detail of current and development expenditure is as under:

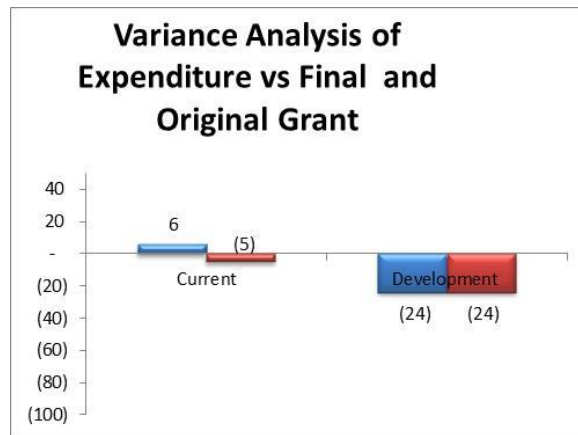
**(Rupees)**

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
52	Current	282,000,000	3,000	282,003,000	238,523,865	(43,479,135)	(15)
53	Current	14,000,000	1,000	14,001,000	5,772,346	(8,228,654)	(59)
54	Current	696,000,000	112,298,000	808,298,000	807,478,472	(819,528)	(0)
	<b>Sub-Total</b>	<b>992,000,000</b>	<b>112,302,000</b>	<b>1,104,302,000</b>	<b>1,051,774,683</b>	<b>(52,527,317)</b>	<b>(5)</b>
140	Development	790,881,000	6,000	790,887,000	601,238,254	(189,648,746)	(24)
	<b>Total</b>	<b>1,782,881,000</b>	<b>112,308,000</b>	<b>1,895,189,000</b>	<b>1,653,012,937</b>	<b>(242,176,063)</b>	<b>(13)</b>

Audit noted that there was an overall saving of Rs. 242.176 million that was mainly due to saving of Rs. 189.649 million in development expenditure.

### *Supplementary Grants obtained without careful cash forecasting*

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 6%, which, after accounting for Supplementary Grants changed to saving of 5%. In development expenditure, savings against original budget was 24% which remains same when Supplementary Grants were 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	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	
<b>Total</b>		<b>73</b>	<b>73</b>	<b>41</b>	<b>32</b>	<b>56</b>

## **17.4 AUDIT PARAS**

### ***Irregularity & Non Compliance***

#### ***17.4.1 Non-recovery of outstanding dues from various firms - Rs. 1.862 million***

As per provision of Para 26 of GFR, it is the responsibility of every controlling officer to see that all sums due to Government are regularly and promptly assessed and realized.

The management of Pakistan Industrial Technical Assistance Centre Lahore did not recover outstanding dues from various firms after completion of jobs.

Audit observed that different jobs were completed for various firms by Pakistan Technical Assistance Centre Lahore during the period 2014-15 but Government dues of Rs. 1.862 million were still outstanding/pending against the firms.

Audit is of the view that the management did not take effective steps to recover the outstanding dues from the defaulters which was a lapse on their part.

The management replied that the amount would be received from the customers very soon.

The PAO was informed on 16.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that outstanding recovery of Rs. 1.862 million may be made from defaulters and deposited into Government account immediately.

#### ***17.4.2 Un-authorized opening of bank accounts without the approval of Finance Division and Non-inclusion/disclosure of receipts in annual budget - Rs. 105.668 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.

Para 7 of GFR Volume-I states that unless otherwise expressly authorized by any law or rule or order having the force of law, moneys may not be removed from the Public Account for investment or deposit elsewhere without the consent of the Ministry of Finance.

The management of Engineering Development Board was maintaining following four bank accounts and collected receipts during 2010-16. Details are as under:

<b>(Rupees)</b>		
<b>S. No.</b>	<b>Description</b>	<b>Amount</b>
<b>1.</b>	Rental account No.6475-8, NBP, Marriot Branch, Islamabad	100,974,300
<b>2.</b>	Vendor Registration account No. 3096208793, NBP, Marriot Hotel, Islamabad	886,948
<b>3.</b>	Export Marketing & Product Development, account No. 008718-6, NBP, B-Block, Pak Secretariat, Islamabad.	306,378
<b>4.</b>	Registration of Participants (Hannover Mess) T.DAP Account No.4056753241, NBP, Marriot Branch, Islamabad.	3,500,000
<b>Total</b>		<b>105,667,626</b>

Audit observed that bank accounts were opened without obtaining the approval of the Finance Division for depositing and incurring of funds received and the receipts were not made a part of the annual budget of Engineering Development Board.

Audit is of the view that retention of public money in commercial bank accounts in violation of instructions of the Finance Division and non-inclusion of receipts in the annual budget was irregular and unauthorized.

The management replied that except export marketing and product development account remaining three accounts are opened on need basis by fulfilling codal formalities.

The reply is not acceptable because the accounts were opened without the approval of the Finance Division and no reply to exclusion of funds in the annual budget was given.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that funds may be withdrawn from the unauthorized bank accounts and deposited into the Government Account besides fixing of responsibility for the unauthorized opening of bank accounts.

Audit further recommends that receipts may be brought into the knowledge of Federal Government and approval may be got before expenditure from receipt account.

***17.4.3 Irregular payment on account of rent of residential accommodation - Rs. 71.084 million***

Para 2(iv) of Ministry of Housing and Works O.M. No. F.2(3)/2003-Policy dated 31.07.2004 states that each Ministry/Division/Department will constitute an Assessment Committee comprising three officers headed by a BPS-19 officer (in the case of Departments, Chairman of the Committee will be a representative of the administrative Ministry/Division) to assess the rent of the house and submit Assessment Report keeping in view the rental ceiling of the allottee and the covered area according to specification as prescribed in the Accommodation Allocations Rules, 2002.

Para 2(vi) of Ministry of Housing and Works O.M. No. F.2(3)/2003-Policy dated 31.07.2004 states that all payment will be made through cross cheques, which will be forwarded to the manager of the bank for depositing in account of the owner.

Para 2(xxi) of Ministry of Housing and Works O.M. No. F.2(3)/2003-Policy dated 31.07.2004 states that hiring in the rural areas of Islamabad/Rawalpindi may be allowed. Moreover, assessment of such houses may be calculated one step below for the purpose of rent.

The management of Engineering Development Board incurred

expenditure on account of rent of residential accommodation Rs. 71.084 million.  
Detail is as under:

<b>Financial Year</b>	<b>Total Amount (Rs)</b>
2010-11	7,833,356
2011-12	8,960,641
2012-13	10,067,071
2013-14	14,744,770
2014-15	14,155,563
2015-16	15,322,879
<b>Total</b>	<b>71,084,280</b>

Audit observed as under:

- i. The assessment of the covered area was not carried out.
- ii. The payment was made to the employee instead of owner of the house without entering into lease agreement with the owner by the EDB.
- iii. Income Tax was not deducted on these payments.
- iv. Payments were made without determining rural/urban areas.

Audit is of the view that payment on account of rent of residential building was made without assessment of the covered area to the employee instead owner of the house without entering into lease agreement was irregular.

The management replied that Department stated that after merger of EAC, EDB has adopted the pay scales scheme of State Engineering Corporation on the advice of Finance Division vide U.O.No.F.4(2)R-4/04/850/04 dated 28.12.2004 which empowered the Board to accord the hiring facility to its employees.

The reply is not acceptable because rent agreements were not executed between Owners and Board.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that irregular practice for payment of rent for residential accommodations may be stopped immediately and further payments



be made in accordance with the policy besides justification for the irregularity.

**17.4.4 Non-recovery of rent from tenants - Rs. 19.566 million**

Para 26 of GFR 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.

The management of Engineering Development Board (EDB) rented out its building to different organizations and is receiving advance rent on annual basis in accordance with the agreement.

Audit observed that a sum of Rs. 19,565,700 is outstanding on account of rent from the tenants for the period 01.01.2010 to 30.06.2016. Detail is as under:

S. No.	Department from Whom amount is receivable	Rent (Rs.)
1.	Federal Tax Ombudsman	8,393,700
2.	World Trade Organization	1,104,000
3.	Privatization Commission	10,068,000
	<b>Total</b>	<b>19,565,700</b>

Audit is of view that due to outstanding rent, Government was deprived its due receipts.

The management replied that all amounts have been recovered only Rs. 8.649 million are outstanding against tenants for the period 2010-16.

The management has accepted the audit observation. However, documentary evidence for recovery of Rs. 10.917 million was not provided.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that outstanding amount may be recovered.

**17.4.5 Irregular payment on account of medical re-imburement - Rs. 31.036 million**

As per clause 3.1 (n) of Rules of Business of EDB 1999 states that the

Board of EDB shall frame rules for the regulation of the affairs of the EDB with the approval of Federal Government.

According to para (5) of Guidelines for submission and scrutiny of the medical claims; “in case the patient is referred to some other hospital by his authorized medical attendant, a copy of such referral letter/move sanction, as the case may be, be attached with the claim.”

According to para (6) of Guidelines for submission and scrutiny of the medical claims; “cost of treatment taken from the un-authorized hospital/private clinic of the doctor (even if he/she is serving in any Government hospital) is not admissible.”

As per rule 3(2) where a Government Servant is entitled to receive free of charge medical attendance, any amount paid by him on account of such treatment, on production of a certificate in writing by the authorized medical attendant in his behalf and after necessary verification, be reimbursed to him by the Federal Government.

The management of Engineering Development Board incurred an expenditure of Rs. 31.036 million on account of medical re-imburement during the period 2010-16. Detail is as under:-

Financial Year	Indoor	Outdoor		Total Amount (Rs)
		Executive	Non-Executive	
2010-11	1,857,644	2,005,539	486,301	4,349,484
2011-12	2,163,993	2,392,793	855,461	5,412,247
2012-13	2,019,830	1,828,423	890,931	4,739,184
2013-14	1,004,796	2,544,686	867,343	4,416,825
2014-15	3,500,890	1,731,263	911,699	6,143,852
2015-16	2,481,584	2,441,777	1,051,411	5,974,772
<b>Total</b>	<b>13,028,737</b>	<b>12,944,481</b>	<b>5,063,146</b>	<b>31,036,364</b>

Audit observed as under:

- i. The reimbursement of routine medical charges indoor and outdoor was made against medical treatment made from private clinics/Hakeem without any provision available in Medical Attended Rules as EDB failed to approve the service rule so far from Federal Government.

- ii. The claims were reimbursed without countersignature of Authorized Medical Attendant on prescribed form.
- iii. The ceiling of two month basic pay was fixed for reimbursement of medical charges for Executives up to the level of Manager whereas no limit was fixed for GM /DGM etc only on production of cash memo against outdoor claims. Similarly ceiling of two month basic pay was paid to the non-executive on equally rate with monthly salary.

Audit is of the view that payment of medical re-imburement claims of private clinics/hospitals/Hakeems is not admissible without referral letter issued by the authorized medical attendant.

The Department stated that after merger of EAC, EDB has adopted the pay scales scheme of State Engineering Corporation on the advice of Finance Division vide U.O.No.F.4(2)R-4/04/850/04 dated 28.12.2004.which empowered the Board to accord the medical facility to its employees.

The reply is not acceptable because the expenditure was made without any authorization from the Government.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that irregular practice for payment of medical re-imburement claims may be stopped immediately and further payments be made in accordance with the policy besides justification for the irregularity.

***17.4.6 Un-authorized payment of two month basic pay to EDB employees on Eid-ul-Fitr - Rs. 5.051 million***

Finance Division vide OM No.1(1) Imp/94 dated 26.6.1999 stated that a standing committee comprising of additional Finance Secretary (expenditure) has been constituted in the Finance Division. The standing committee will scrutinized the recommendation of the respective Board of Directors /Governors of the statutory public sector corporation; autonomous /semiautonomous bodies etc. and submit its finding to competent authority for final orders. No corporation

will announce the revision of salary/allowances, structures without prior approval of competent authority.

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(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 EDB Paid two months additional pays to EDB employees amounting to Rs. 5.051 million during 2015-16 with the approval of CEO, EDB.

Audit observed as under:

- i. Two months additional/basic pay was paid to all EDB employees (Executive officers E-IV equivalent to BPS-19 and above & Non-Executive) in violation of Government instructions and decision made by the DAC.
- ii. Payment was also made to six Contract employees and 12 internees without any justification.

Audit is of the view that expenditure incurred on account of payment of two months additional/Basic pay without approval of Standing Committee, Finance Division was irregular.

The Department stated that due to Auto Policy employees were under stress so they have been paid two honorarium in future this practice will be avoided.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be investigated and responsibility be fixed besides further payment may be made with the approval of Standing

Committee, Finance Division.

***17.4.7 Overpayment on account of Pay & Allowance to Chief Executive Officer of EDB - Rs. 1.480 million***

Establishment Division vide its notification No. 1/66/2005-E-6 dated 27.03.2015 appointed Mr. Tariq Ejaz Chaudhary as Chief Executive Officer, EDB in MP-I scale, on contract basis for a period of two years, with immediate effect.

Finance Division vide OM No. 1(1)Imp/94 dated 26.6.1999 stated that a standing committee comprising of additional Finance Secretary (expenditure) has been constituted in the Finance Division. The standing committee will scrutinized the recommendation of the respective Board of Directors /Governors of the statutory public sector corporation; autonomous /semiautonomous bodies etc. and submit its finding to competent authority for final orders. No corporation will announce the revision of salary/allowances, structures without prior approval of competent authority.

Rule-3.1(d) of Rules of the Business of Engineering Development Board states that the Board shall lay down, in consultation with Ministry of Finance, the scales of Pay and other terms and conditions of service of the officers and staff except the Chairman and the Vice Chairman/Chief Executive, who shall be appointed by the Government of Pakistan and whose pay etc. shall be determined by the Government of Pakistan.

The Board of Management of EDB in its 34<sup>th</sup> meeting dated 06.06.2016 through revised Minutes of meeting issued on 03.08.2016 recommended the fixing of pay of the Chief Executive Officer of EDB to maximum of pay scale of MP-I w.e.f. date of appointment. Mr. Tariq Ejaz Chaudhary assumed the charge of his post on 31.03.2015 as Chief Executive Officer.

Audit observed that the management of EDB paid arrears of pay Rs. 1.480 million for the period 31.03.2015 to 30.11.2016 without obtaining the approval of the Federal Government from Receipts/rental account.

Audit is of the view that fixation of pay and payment of arrears without the approval of the Federal Government was irregular.

The department stated that approval from Finance Division is under process which will be communicated to audit shortly.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that further payment of pay may be made in accordance with the approval of Finance Division besides recovery of overpaid amount.

***17.4.8 Irregular sale of four vehicles to the employees of Engineering Development Board without any provision - Rs. 1.439 million***

As per clause 3.1 (n) of Rules of Business of EDB, 1999 states that the Board of EDB shall frame rules for the regulation of the affairs of the EDB with the approval of Federal Government.

The management of Engineering Development Board sold four (4) vehicles to its employees on retirement during 2010-16. Details are as under:

<b>Sr #</b>	<b>Vehicle No.</b>	<b>Capacity</b>	<b>Make and Model</b>	<b>Sold to</b>	<b>Reserved price (Rs)</b>
1.	GK-431	993CC	Suzuki Cultus	Mr. Farooque khan, (Ex-GM)	380,171
2.	IDK-5632	1300CC	Honda City	Mr. S.M.Adil Shah (Ex-GM)	163,988
3.	GY-999	1000CC	Suzuki Cultus	Mr. Khalid L Malik (Ex-GM)	447,207
4.	GY-997	1000CC	Suzuki Cultus	Mr. Ejaz Rasool (Ex-GM)	447,207
<b>Total</b>					<b>1,438,573</b>

Audit observed that four official vehicles were sold on reserved/depreciated price to the employees of Engineering Development Board without any provision as EDB failed to approve the Service Rules so far from Federal Government.

Audit is of the view that in the absence of approved Service and Financial Rules, all the official vehicles sold on reserved/depreciated price to the employees were irregular.

The department in its reply stated that all four officers to whom vehicles were sold on book value were the employees of former EAC and were entitled to this facility under the retirement policy of the organization. The facility was

approved for the officers of EAC in the 8th meeting of the Sub-Committee of EAC Board of Governors held on 07.02.1983. This Sub-Committee was authorized by the Board of Governors to decide all administrative and financial matters. Similarly the Service Rules of the EDB which were approved by its Board of Management in its 15th meeting held on 26th April, 2003 also provided the same facility for the retiring officers of the EDB.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be investigated and responsibility be fixed besides stoppage of the irregular practice forthwith.

***17.4.9 Irregular payment to Chief Executive Officer of EDB on account of additional pay on Eid-ul-Fitr, Leave Fare Assistance (LFA) and incentive - Rs. 1.335 million***

Establishment Division vide its notification No. 1/66/2005-E-6 dated 27.03.2015 appointed Mr. Tariq Ejaz Chaudhary as Chief Executive Officer, EDB in MP-1 scale, on contract basis for a period of two years, with immediate effect.

Finance Division vide OM No.1(1) Imp/94 dated 26.6.1999 stated that a standing committee comprising of additional Finance Secretary (expenditure) has been constituted in the Finance Division. The standing committee will scrutinized the recommendation of the respective Board of Directors /Governors of the statutory public sector corporation; autonomous /semiautonomous bodies etc. and submit its finding to competent authority for final orders. No corporation will announce the revision of salary/allowances, structures without prior approval of competent authority.

The management of EDB paid Rs. 1.335 million to CEO, EDB during 2015-16. Details are as under:

<b>S. No.</b>	<b>Description</b>	<b>Amount</b>
<b>1.</b>	additional pay on Eid-ul-Fitar	566,000
<b>2.</b>	Leave Fare Assistance	283,000
<b>3.</b>	Incentive	486,000
<b>Total</b>		<b>1,335,000</b>

Audit observed that both the amounts were paid irregularly as neither CEO, EDB was entitled for LFA nor competent to approve incentive out of Hanover Messe-2016 Germany and additional pay on Eid-ul-Fitr.

Audit is of the view that both the amounts were paid without obtaining the approval of Finance Division which were irregular.

The Department stated that Additional pay on the occasion of Eid-ul-Fitar being a honoraria has been paid to all employees who has completed one year of service in the EAD so CEO has also been paid. Payment of Leave Fare Assistance was also paid to CEO as per EDB rules. And Rs. 486,000 were paid to CEO from (Hanover Messe-2016 Germany) out of funds given by TDAP not from Board's receipt. Finance approval is awaited.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for irregular payment besides recovery of both amounts from the officer.

#### ***17.4.10 Irregular absorptions without approved Service Rules***

As per clause 3.1(n) of Rules of Business of EDB, 1999 states that the Board of EDB shall frame rules for the regulation of the affairs of the EDB with the approval of Federal Government.

EDB in its 33<sup>rd</sup> meeting held on 06.06.2016 recommended EDB service rule and promotion policy for onward approval from the Ministry.

The management of Engineering Development Board approved the permanent absorption of following officers/staff. Detail is as under:-

<b>Sr #</b>	<b>Name</b>	<b>Designation</b>	<b>Date of Absorption</b>	<b>Parent department</b>
<b>1.</b>	Mr. Saddar-ud-Din Memon	Assistant Manager (E-II)	05.01.2016	Sindh Engineering Ltd, Karachi
<b>2.</b>	Mr. Altaf Hussain	Assistant Manager (E-II)	06.04.2016	Heavy Mechanical Complex, Taxila
<b>3.</b>	Mr. Roshan Lal Haseja	Dy.Manager/(E-III)	27.12.2010	Sindh Engineering Ltd, Karachi



4.	Syed Zahid Ali	Dy.Manager/(E-III)	27.12.2010	Sindh Engineering Ltd, Karachi
5.	Mr. Umer Barakzai (Retd)	Dy.GM/E-V	02.12.2005	Sindh Engineering Ltd, Karachi

Audit observed that EDB did not frame/approve the service rules from Federal Government but absorbed five (5) officers on permanent basis without completing the codal formalities.

Audit is of the view that absorption without approved Service Rules was irregular.

The management replied that Service Rules are under process but partially approved which enable the Board to absorb the services.

The management has accepted the audit observation.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for irregular absorption.

#### ***17.4.11 Irregular appointment of Chief Executive Officer***

Establishment Division's O.M. No.6/4/96-R-3 dated 10.05.1997 states that in the appointment of Chief Executive/Head of Organization, the Selection Board shall be headed by the Minister In charge and recommended from a panel of three names for the approval of Prime Minister/Chief Executive .

The management of EDB advertised in the press on 23.04.2014 for appointment of Chief Executive Officer, EDB. Establishment Division vide its O.M. dated 30.01.2015 informed that SAPM/Chairman will chair the Selection Board of the Ministry of Industries and Production for the purpose of selecting a CEO for EDB in relaxation of the provisions of Establishment Division's O.M. No.6/4/96-R-3 dated 10.05.1997 and this will be one-time special dispensation allowed specifically for the purpose of enabling the Selection Board of the Ministry of Industries and Production to select CEO for EDB. In response to advertisement 34 applications were received. Selection Board interviewed ten

(10) candidates who appeared on 30.01.2015 and recommend that it would be advisable to expand the competition after revision of qualifications and pay package. And also that adequate number of qualified and eligible candidates could not appear for interview due to short notice. On 04.02.2015, Prime Minister of Pakistan approved the proposal to re-advertise the post after revision of experience criteria to attract larger response and expand the competition made by Ministry of Industries and Production through summary dated 31.01.2015. The post was re-advertised on 11.02.2015 with required qualification and experience “Bachelor’s degree in Engineering with MBA from a reputable University of Pakistan or abroad recognized by HEC and must possess at least 20 years of professional experience with a minimum of 3-5 years at top management position or as head of national/multinational Organization ” 35 applications were received. Selection Board interviewed five (05) short listed candidates on 28.02.2015 and recommended three names/candidates for appointment as CEO of EDB. Prime Minister of Pakistan approved the summary of Ministry of Industries and Production dated 28.02.2015 for appointment of Mr. Tariq Ejaz Chaudhary as Chief Executive Officer, EDB in MP-I scale, on contract basis for a period of two years.

Establishment Division vide its notification No. 1/66/2005-E-6 dated 27.03.2015 appointed Mr. Tariq Ejaz Chaudhary as Chief Executive Officer, EDB in MP-I scale, on contract basis for a period of two years, with immediate effect. Mr. Tariq Ejaz Chaudhary assumed the charge of his post on 31.03.2015.

Audit observed as under:

- i. The post was re-advertised but no change in required qualification and experience was made. In original advertisement “Bachelor’s degree in Engineering along with MBA from a reputable University of Pakistan or abroad and must possess at least 20 years of professional experience with a minimum of 10 years as CEO of reputable national/multinational Organization” and in re-advertisement “Bachelor’s degree in Engineering with MBA from a reputable University of Pakistan or abroad recognized by HEC and must possess at least 20 years of professional experience with a minimum of 3-5 years at top management position or as head of national/multinational Organization”.
- ii. One-time special dispensation was allowed in relaxation of the

provisions of Establishment Division's O.M. No.6/4/96-R-3 dated 10.05.1997 and Selection Board was headed by Special Assistant to PM on 30.01.2015 due to resignation of the Federal Minister and with a view to ensure compliance with the Honorable Courts. In the case of re-advertisement of the post it was necessary that the Selection Board was to be chaired by the Minister In charge

- iii. Mr. Tariq Ejaz Chaudhary submitted his application with CV and mentioned that two degrees MS Marketing and Mechanical Engineering recognized by HEC whereas recognition of HEC on MBA degree was not mentioned. The recognition of HEC on MBA degree was neither noticed by the Scanning Committee nor carried out so far.
- iv. Mr. Tariq Ejaz Chaudhary did not have the required experience of CEO post "minimum of 3-5 years at top management position or as head of national/multinational Organization"
- v. Scanning/Short listing Committee was not constituted.

Audit is of the view that due to this shortcoming, the appointment of CEO of EDB was irregular.

The Department stated that all codal formalities were fulfilled to make the appointment of CEO and complete file was produced to audit.

The reply was not accepted because documentary evidence was not produced in support of the reply.

The PAO was informed on 29.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be reviewed and outcome shown to audit besides recognition of HEC on MBA degree if available be made immediately.

***17.4.12 Misuse of facility provided by SRO 656 and Defective practice for awarding of quota to Original Equipment Manufacturer***

Inter-Departmental Technical Committee (IDTC) of EDB is responsible for allocation of quota to Original Equipment Manufacturers.

Revenue Division SRO 656(I)/2006 dated 22.06.2006 provides exemptions on Custom Duties as specified in First Schedule of Custom Act, 1969 on components required for assembly or manufacture of vehicles on the basis of total annual requirement of the materials to be determined by Engineering Development Board.

Para vi of SRO states that in case, the importer-cum-assembler or manufacturer fails to provide reconciliation account of all inputs used in assembly or manufacture of vehicles, the EDB may get an audit conducted either by themselves or through designated persons or agency to see if all the conditions are met.

EDB allocates quota to each Original Equipment Manufacturer (OEM) for import of different spare parts required in assembling/manufacturing of their vehicles. The Custom Authorities levy import duty accordingly.

Audit observed as under:

- i. EDB was not allocating yearly quota after determining number of vehicles manufactured/assembled.
- ii. Detail of unused items, resulting from less production than the imports was not available with EDB and EDB keeps on allocating a almost fix quota to OEM for each year without reducing the surplus available with OEM in violation of the SRO.

Audit is of the view that allocation of quota without ascertaining the balance stock available with OEM resulted in loss to Government because imports not required in manufacturing/assembling are levied at a higher import duty and there was clear possibility that the surpluses imported items under reduced custom tariff are sold in open market.

The management did not reply so far.

Audit recommends that detail scrutiny of items import after availing exemptions and actual production made by the OEM may be carried out and difference in the both figures known to audit besides allotment of quota in future by deducting the closing balances available.

## CHAPTER 18

### 18. MINISTRY OF INFORMATION, BROADCASTING AND NATIONAL HERITAGE

#### 18.1 Introduction

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. It 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.

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

Final budget allocated to the Ministry of Information and Broadcasting for the financial year 2015-16 was Rs. 10,528.772 million including Supplementary Grant of Rs. 2,591.275 million out of which the Division utilized Rs. 9,817.868 million. Grant-wise detail of current and development expenditure is as under:

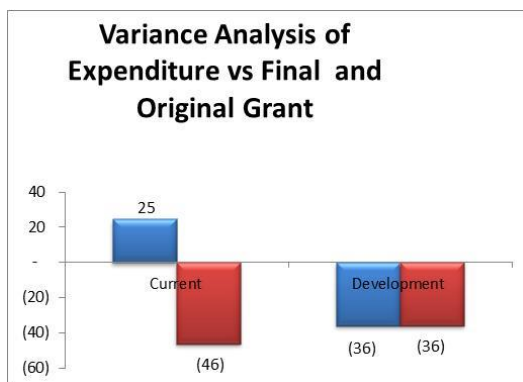
**(Rupees)**

Grant No	Type of Grant	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
55	current	851,000,000	48,189,000	899,189,000	891,460,006	(7,728,994)	(1)
56	current	241,000,000	-	241,000,000	234,462,275	(6,537,725)	(3)
57	current	568,000,000	2,237,201,000	2,805,201,000	2,404,783,265	(400,417,735)	(14)
58	current	739,000,000	-	739,000,000	526,131,847	(212,868,153)	(29)
59	current	5,424,000,000	200,765,000	5,624,765,000	5,601,330,272	(23,434,728)	(0)
59A	current	-	105,120,000	105,120,000	86,520,000	(18,600,000)	(18)
	<b>sub-total</b>	<b>7,823,000,000</b>	<b>2,591,275,000</b>	<b>10,414,275,000</b>	<b>9,744,687,665</b>	<b>(669,587,335)</b>	<b>(46)</b>
120	Development	114,497,000	-	114,497,000	73,179,962	(41,317,038)	(36)
	<b>Total</b>	<b>7,937,497,000</b>	<b>2,591,275,000</b>	<b>10,528,772,000</b>	<b>9,817,867,627</b>	<b>(710,904,373)</b>	<b>(7)</b>

Audit noted that there was an overall saving of Rs. 710.904 million, which was due to saving of Rs. 669.587 million in current grants.

### *Supplementary Grants obtained without careful cash forecasting*

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%, which, after accounting for supplementary grant changed to savings of 46%. In development expenditure, savings against original budget was 36%, during the year no Supplementary Grant was taken into account.



### 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
<b>Information, Broadcasting and National Heritage</b>	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	
<b>Total</b>		<b>153</b>	<b>153</b>	<b>65</b>	<b>88</b>	<b>42</b>



## 18.4 AUDIT PARAS

### *Irregularity & Non Compliance*

#### *18.4.1 Irregular expenditure on advertisement campaign through electronic media - Rs. 245.283 million*

In terms of Schedule-II (Rule 3(3) Serial No.16(Item (1)) of the Rules of Business 1973,the Ministry of Information and Broadcasting and National Heritage is responsible for policy relating publicity on national matters.

In terms of Schedule-II (Rule3(3) Serial No.16(Item 6(i))of the Rules of Business 1973, the Ministry of Information and Broadcasting and National Heritage is responsible for policy regarding Government advertisement, control of advertisement and placement.

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 Ministry of Information, Broadcasting and National Heritage incurred an expenditure of Rs. 245.283 million on various advertisement campaigns relating to Government policies, programs, projects through electronic media as detail given below:

S.No.	Bill No.	Date	Agency Name	Campaign	Amount (Rs.)
1	1/2015-16	10.11.2015	M/s. M.Com	2 years Performance	52,200,333
2	2/2015-16	10.11.2015	M/s Channel 7	Kia ap ny kabi socha hai	34,885,274
3	3/2015-16	10.11.2015	M/s Channel 7	2 Years Performance	13,675,585
4	4/2015-16	12.11.2015	M/s. Interlink	14 August Songs	16,233,402
5	5/2015-16	12.11.2015	M/s. Channel 7	Jazba-e-Azadi	66,841,026
6	6/2015-16	17.11.2015	M/s. Interlink	Jazba-e-Azadi	48,621,478
7	7/2015-16	07.12.2015	M/s. Interlink	Political Stability	12,825,540
<b>Total</b>					<b>245,282,638</b>

Audit observed as under:

- i. The Ministry of Information and Broadcasting and National Heritage has not formulated policy relating to publicity on national matters as required.
- ii. The Ministry of Information and Broadcasting and National Heritage has not devised any policy regarding electronic Government advertisement, control of advertisement and placement as required under rule of business.
- iii. Finance Division while endorsing Ministry of Information and Broadcasting and National Heritage summary to Prime Minister Office for allocation of funds for Government policies, Programs, Projects, Plan, specifically mentioned that no appropriate mechanism is in place regarding verification/authentication of advertisement claims with regard to actual time and stated that absence of appropriate mechanism responsibility rests with the administrative Ministry to ensure authenticity of the claims.
- iv. PID has no mechanism to verify the actual air time. PID only see the requisition letter of the client and transmission certificate issued by the respective TV channel at the time of checking/scrutinizing the electronic media invoice.
- v. On one hand Ministry is of the view that PID is authorized to verify claims of print media only according to the prescribed rates on other hand make payment to the advertising agencies claims on the basis verification of PID.
- vi. The work was awarded without open competition.
- vii. Client release orders in respect of campaigns at S.No.2 to 4 were not available with payment vouchers nor were provided.

Audit is of the view that in the absence of approved policy/rates and without competition the payment of advertisement claims is irregular and unauthorized.

The management replied that the Federal Government Policy regarding electronic media advertisements is under consideration in M/o, Information, Broadcasting and National Heritage. The same was prepared and forwarded by Directorate of Electronic Media and Publications.

Directorate of Electronic Media and publication has been established to check and authenticate spots on-aired on TV Channels. PID scrutinizes invoices as per requisition of the Client Department. The work was awarded after open competition for appointment of advertising agencies on the panel of M/o Information, Broadcasting and National Heritage.

Management has accepted that policy regarding electronic media advertisements is under consideration in M/o, Information, Broadcasting and National Heritage. The stance regarding award of work through open competition is not supported with documentary evidence.

The PAO was informed on 28.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be investigated for making the expenditure in absence of policy for advertisement through electronic media, and in absence of the mechanism regarding verification/authentication of advertisement claims with regard to actual time.

#### ***18.4.2 Irregular transfer of funds to PTVC for AJK TV - Rs. 145.00 million***

Para 8 of PC-I of the Project “TV Programme Production and Transmission facilities for AJ&K” states that the annual recurring expenses are to be borne by the Government of AJ&K for operation of the channel against annual recurring grant from the Government of Pakistan.

The following decisions were taken in meeting held on 25.02.2005 under the Chairmanship of Secretary Ministry of Information and Broadcasting to resolve the issues relating to the development project of AJK TV Centre.

- i. The AJK Government will own the TV Centre and run facility with technical and professional assistance of PTVC.

- ii. The Government of AJK undertakes to off-set the recurring expenditure and running of the TV facilities at Muzaffarabad. The Government of AJK would request GOP for annual grant of Rs. 160 million.
- iii. The PTV would raise an invoice against the AJK Government for reimbursement of expenditure w.e.f, February, 2004.
- iv. The AJK Government would charge the fees and revenues generated through license fee and advertisement, if any.

The management of Ministry of Information, Broadcasting and National Heritage transferred an amount of Rs. 145.000 million to Pakistan Television Corporation, Islamabad on account of re-imburement of recurring expenses of AJK TV Center for the Financial Year 2015-16.

Audit observed as under:

- i. AJK Government has not taken over the TV Centre so far as decided in the meeting dated 25.02.2005.
- ii. The Government of AJK has neither off-set the recurring expenditure nor generated revenue through licence fee and advertisement as decided.
- iii. The PTV was required to raise the invoice against the AJK Government which was not done.
- iv. The recurring cost was required to be borne by the Government of AJ&K from annual recurring grant provided by the Government of Pakistan.
- v. The amount reimbursed on account of recurring expenses was not supported with detailed accounts.

Audit is of the view that the direct payment to the PTVC was in violation of the provision of the PC-I and ECNEC decision. Therefore, the release of funds directly to the PTVC is held irregular and unauthorized.

Management replied that the President of Pakistan announced the establishment of TV Centre at Muzaffarabad AJ&K on 05.02.2002. The Executive Committee of National Economic Council (ECNEC), Government of

Pakistan approved the project of TV Production and Transmission facilities for AJK with the arrangements that Government of Pakistan will provide Rs.432.390 million as capital cost for construction of TV Centre and the Government of AJK would run the units with the assistance of PTV, if needed. The financial deficit will be provided by the Government of Pakistan as subsidy to AJK, but PTV has not received any subsidy/assistance from either side up till 30.06.2011, however, PTV has incurred operational expenditure of Rs.936.281 million from February, 2004 to June, 2011 for extending the facility for Programme Production and Transmission from the TV Centres/Boosters in AJ&K. The collection of TV Licence Fee and Advertisement income from AJ&K has yet not been allowed by Government. PTV, in the mean time has requested to Chief Secretary of AJK to obtain budgetary provision from the Government of Pakistan for recurring expenditure to make necessary arrangement and take over the project for future operation but Ministry of Kashmir Affairs & Gilgit – Baltistan has yet not to take over AJK TV.

As the AJ&K Television is a non viable project and it was approved in the PC-1 that recurring/operational cost of AJK TV will be borne by the Government of Pakistan in compliance to the minutes of the meeting held on 25.02.2005 that “ PTV would claim the reimbursement of expenditure from Government of Pakistan as the financial help, PTV is not in a position to absorbed the burden of AJ&K transmission facilities and if the financial support is not provided by the Government of Pakistan, it would be an embarrassing position for PTV to continue the transmission facilities in AJ&K. therefore Government of Pakistan is providing recurring expenditure from the financial year 2011-12 to meet its operational cost until the project is not taken over by the AJK Government. Hence the grant given by the Government of Pakistan is being spent for which it was intended.

Direct payment to the PTVC was not the violation of the provision of the PC-1 and decision of the ECNEC. The management of PTV is continuously requesting the AJK Government to take over AJK Television but Kashmir Affairs & Gilgit – Baltistan has yet not decided to take over the channel; resultantly the funds are being released to PTV without which the financial grant of Government of Pakistan transmission of AJK Television cannot be continued.

Reply is not acceptable because Para 8 of PC-I clearly states that the annual recurring expenses are to be borne by the Government of AJ&K for operation of the channel against annual recurring grant by the Government of Pakistan.

The PAO was informed on 28.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the recurring cost may be made in accordance with the provision of the PC-I besides obtaining the detailed account. Further, the past irregularity may also be regularized. Moreover, a corporate strategy may also be devised to make the unit self sufficient in order to lessen the burden on national exchequer in the long run.

***18.4.3 Non formulation of policy for payment of financial assistance to news agencies - Rs. 21.805 million***

As per Rules of Business 1973, the Ministry of Information and Broadcasting and National Heritage is responsible for policy relating publicity on national matters.

Para 10 of GFR Vol-I states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and the expenditure should not be prima facie more than the occasion demands.

The management of Ministry of Information, Broadcasting and National Heritage paid an amount of Rs.21.805 million out of head contributions and subscription to various news agencies as financial assistance, as per following detail:

<b>S.No</b>	<b>News Agency</b>	<b>Amount (million)</b>
<b>1</b>	Pakistan Institute of National Affairs	2.00
<b>2</b>	Internews	1.00
<b>3</b>	National News Agency	2.500
<b>4</b>	International Islamic News Agency of (IINA)	0.105
<b>5</b>	United Press of Pakistan (UPP)	0.200
<b>6</b>	Pakistan Press International (PPI)	2.100
<b>7</b>	Asian News Network (ANN)	2.100
<b>8</b>	International News Network (INN)	1.200

<b>9</b>	ONLINE	2.100
<b>10</b>	Independent News Provider (INP)	2.500
<b>11</b>	Right to Information (RTI)	1.00
<b>12</b>	Diplomatic News Agency (DNA)	1.500
<b>13</b>	Burning News Provider (BNP)	1.00
<b>14</b>	South Asian Broadcast Association (SABAH)	2.500
<b>Total</b>		<b>21.805</b>

Audit observed as under:

- i. The Ministry of Information and Broadcasting and National Heritage has not formulated policy for payment of financial assistance to news agencies.
- ii. No provision exists in Rules of business for payment of financial assistance to news agencies.
- iii. Finance Division did not recommend financial grants to non-Government organizations.

Audit is of the view that in absence of approved policy and provision in rules of business the payment of financial assistance to various new paper agencies is not justified.

Management replied that the Ministry followed a policy for release of financial assistance to the News Agencies. Funds were released only to these agencies which contributed towards projection of Development Agenda of the Government, and played role in creating mass awareness and projection of soft image of Pakistan. PID's professional evaluation report about news agency was made a compulsory requirement for release of funds and for each quarter's release PID separately submitted its evaluation report about performance of the respective news agencies. Financial assistance to News Agencies is also protected under Rules of Business 1973 (Schedule-II : Entry-16 Sub Provisions 5 & 9 highlight M/o IB&NH mandatory functions for provision of facilities for the development of newspaper industry and liaison with news agency and media on matter concerning GOP policy and activities.

The management did not provided the copy of approved policy followed for release of financial assistance out of head contributions and subscription to various news agencies.

The PAO was informed on 28.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that a policy may be got approved for granting financial assistance to news agencies besides regularizing the past irregularity.

#### ***18.4.4 Irregular release of fund to PTV - Rs. 105.00 million***

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.

Para 10 of GFR Vol-I states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and the expenditure should not be prima facie more than the occasion demands.

The management of Ministry of Information, Broadcasting and National Heritage released an amount of Rs.105.00 million to PTVC for operational cost of English News Channel.

Audit observed as under:

- i. The proposal to launch the English News Channel was approved by the Secretary Ministry of Information and Broadcasting.
- ii. The establishment of English News Channel was approved by the BOD of PTVC in their 199th meeting held on 17.05.2012 with capital cost of Rs.300.00 million to be met from PTV revenue.
- iii. The nomenclature of PTV WORLD was changed vide PTV circular dated 01.01.2013.

Audit is of the view that the launching of a channel was not covered in the business assigned to the Ministry nor the approval of the competent authority obtained therefore, the expenditure is held irregular and unauthorized.

The management replied that PTV World English News Channel was launched under verbal directives of President of Pakistan with a view to promote true face of Pakistan before the modern world by projecting soft image of



Pakistan through communication to global society in English language. i.e. universally read, heard and understood as to diminish coherence hate and misunderstanding that has been spread through misrepresentation of Foreign Media against Pakistan and his people. The objective is being effectively achieved through informative programmes, Talk Shows and documentaries. Since launch of PTV World, PTV incurred Rs.356.117 million up till 30.06.2015 on its operation inspite of the fact that the President of Pakistan assured in his inaugural speech for financial grant to PTVC to meet out the expenses incurred and required on account of its running/operation. Due to limited viewer ship in Pakistan the revenue generation of PTV World at present is zero. Hence Government of Pakistan sanctioning an annual grant of Rs.105 million to PTV for its operational expenses to run the channel of English News without the recurring grant of Rs. 105.000 million the transmission of English News Channel cannot be continued.

The reply is not supported with the directives of President of Pakistan regarding establishment of channel and meeting its operational expenditure through grant provided by the Government. Moreover, the nomenclature of the channel has also been changed as PTV World.

The PAO was informed on 28.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for launching and releasing the funds to PTV without the approval of the competent forum.

#### ***18.4.5 Non-obtaining of Adjustment Account - Rs. 17.00 million***

Para 207 (3) of GFR volume-I states that before a grant is paid to any public body or institution, the sanctioning authority should as far as possible insist on obtaining an audited statement of the account of the body to ensure that any previous grant was spent for the purpose for which it was intended.

Para 209 (i)(ii) of GFR volume-I states that unless it is otherwise ordered by Government, every grant made for a specific object is subject to the implied conditions i.e. that the grant will be spent upon the object within a reasonable time, if no time limit has been fixed by the sanctioning authority; and that any

portion of the amount which is not ultimately required for expenditure upon that object should be duly surrendered to Government.

The management of Ministry of Information, Broadcasting and National Heritage released an amount of Rs.17.00 million to the press clubs as detail given below:

			<b>(Rupees)</b>
<b>S. No.</b>	<b>Press Club</b>	<b>Cheque</b>	<b>Amount</b>
1.	Rawalpindi/Islamabad Union of Journalists	5707143 dated 17.02.2016	5,000,000
2.	Chakwal Press Club	5707611 dated 22.02.2016	2,000,000
3.	National Press Club	5775252 dated 16.05.2016	10,000,000
<b>Total</b>			<b>17,000,000</b>

Audit observed that the management has neither obtained the adjustment account nor the audited statement.

Audit is of the view that without the adjustment accounts and audit certificate it cannot be ascertained whether the funds were utilized for the specified purposes.

Management replied that the adjustment accounts and audit certificate will be obtained from above bodies and shared with Federal Audit.

The PAO was informed on 28.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends adjustment account of the amount released may be obtained to confirm the utilization of funds for intended purpose.

#### ***18.4.6 Irregular award of advertising work to ROZE TV - Rs. 12.825 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 Ministry of Information, Broadcasting and National Heritage paid an amount of Rs. 12.285 million to M/s Interlink for advertisement campaign titled “Political Stability” through ROZE TV.

Audit observed as under:

- i. The work was awarded without open competition
- ii. The advertisement campaign was assigned exclusively to M/s ROZE TV.
- iii. The campaign was launched on 29.11.2014 where as the client release order was issued on 05.08.2015 on the verbal orders of the Federal Minister for Information and Broadcasting as is evident from U.O. No.4(3)/2015-DSO dated 05.08.2015.
- iv. The claim was not verified by the PID.

Audit is of the view that award to advertising campaign to a particular agency without adopting open competition was irregular and unauthorized.

Management replied the work was awarded through M/s. Interlink advertising agency. The advertising agency was appointed by this Department on the panel of Ministry of I,B&NH with effect from 15.10.2014. It was not exclusively assigned to Roze TV but it was part of full-fledged campaign of the Federal Government titled “Political Stability”. The Federal Minister/ Secretary, Information and Broadcasting accorded ex-post facto approval for the subject campaign.

The reply is not acceptable as the advertisement campaign “Political Stability” was exclusively assigned to Roze TV.

The PAO was informed on 28.09.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be investigated for fixing the responsibility for awarding work to an agency without formal client order and open competition.

#### ***18.4.7 Irregular expenditure on hiring of vehicles - Rs. 2.043 million***

Para 10(i) of GFR Vol-I states that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Para 10(vi) of GFR Vol-I states that public moneys should not be utilized for the benefit of a particular person or section of the community.

The management of Press Information Department, Islamabad hired the private vehicles for pick and drop facility to journalist and incurred an expenditure of Rs. 2.043 million in this regard.

Audit observed that the management of PID hired a number of vehicles for journalists from time to time whereas there were 38 vehicles were available at the pool of PID.

Audit is of the view in the presence of 38 vehicles hiring of vehicles was burden on the National Exchequer.

Management replied that it is to clarify that the vehicles were hired for Senior Media persons like Chief Editors/Editors/Anchorpersons etc who were invited by the President, Prime Minister, Federal Ministers and Secretary, Ministry of Information & Broadcasting, Islamabad for special briefing from time to time on important national and international issues/events. Moreover, PID has to facilitate the private media party pertaining to both the print and electronic media men who were accompanied the President and the Prime Minister during their foreign visits.

The reply is not satisfactory. Observance of financial rules for achieving austerity in the expenditure is the responsibility of the management but it was not done so.

The PAO was informed on 21.10.2016, 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.

**18.4.8 Non-recovery of outstanding dues from licensees - Rs. 116.901 million**

Rule-5(3) of Pakistan Electronic Media Regulatory Authority's Rules-2009 states that the fee relating to the grant of a licence, renewal thereof, late payment surcharge and fine, if any, shall be deposited in the account of the Authority.

The management of PEMRA prepared its annual budget on the basis of receipts realized from licensees.

Audit observed that an amount of Rs. 116.901 million for the period 2014-15 was outstanding against Annual Fee and License revalidation Fee as per statement provided by the management of PEMRA. Details are as under:

**(Rs. in million)**

<b>S. No</b>	<b>Description</b>	<b>Outstanding Amount</b>
1.	Shalimar Television	42.829
2.	FM Radio	24.600
3.	Cable TV	49.472
<b>Total Amount</b>		<b>116.901</b>

Audit is of the view that non receipt of outstanding dues deprived Authority from its receipts as well as to the Government as the surplus fund is required to be surrendered to the Federal Treasury.

The management replied that a considerable amount has been recovered and enforcement wing had been directed to recover the balance amount.

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

The PAO was informed on 23.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that total outstanding amount may be worked out and recovered.

***18.4.9 Unauthorized Payment of Honoraria to the Chairman and Members of the Authority - Rs. 1.760 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 the Pakistan Electronic Media Regulatory Authority paid an amount of Rs.1,760,000 on account of Honorarium / meeting allowance to the Chairman and Members of the authority @ Rs.40,000 per meeting during financial year 2014-15.

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 further observed that Chairman, Executive Member and ex-officio member i.e. Secretaries Ministry of Interior, Ministry of Information, Broadcasting and National Heritage, and Chairman FBR living in Islamabad were also paid honoraria for attending meetings at PEMRA HQ Islamabad.

Audit is of the view that payment of Honoraria/Meeting Allowance without approval of the President of Pakistan as required under Section-9 of the PEMRA Act, 2007 was irregular and unauthorized which resulted in the loss of Rs. 1.760 million to the PEMRA.

The management replied that the Chairman and members of the Authority were paid honoraria / meeting fee at the rate duly prescribed / approved by the Authority. However, on being indicated by the Federal Audit, a request to Ministry of IB&NH was forwarded on January 1, 2015 for approval of the President of Pakistan under Section 9 of the PEMRA Ordinance 2002 as amended by (Amendment) Act 2007, to fix the emoluments / meeting fee & expenses to be paid to the Chairman and members of the Authority and to regularize the payment already being paid. In this regard, subsequent reminders dated July 13, 2015, July 27, 2015 and April 7, 2016 have also been submitted to

the Ministry of IB&NH with a request to expedite the matter at their earliest convenience. However, requisite response is awaited.

The reply was not accepted because honoraria/meeting fee was paid to the Chairman without approval of the President in violation of Section 9 of the PEMRA Ordinance 2002 as amended by (Amendment) Act 2007.

The PAO was informed on 21.10.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that payment of honoraria to the Chairmen, Members and Ex-Officio Members may be got recovered and further payment to this effect stopped.

***18.4.10 Irregular payment of salaries after repatriation of the deputationist - Rs. 1.082 million***

Section 49 of Pakistan Electronic Media Regulatory Authority Employees Service Regulations, 2011 states that the post in PEMRA may be filled by deputation of employees of other organizations only under the following conditions:

- i. Employee holds post on regular basis in the same basic pay scale or equivalent in his parent department in which the post is placed in PEMRA
- ii. The borrowed employee would be scrutinized / interviewed by the selection committee appointed by the competent authority for appointment, as the case may be, before hiring of person on deputation in PEMRA.

Ms. Sadia Atta Ghumman, Director, Basic Education Community School (BECS) under Ministry of Federal Education and Professional Training was appointed as General Manager (Finance) in Pakistan Electronic Media Regulatory Authority on deputation basis vide PEMRA letter No.4(6)/2008-HR(A) dated 12.03.2013 w.e.f 20.03.2013 and was repatriated to her parent department on 27.03.2014.

Audit observed as under:

- i. Ms. Sadia Atta Ghumman was actually a contractual employee of BPS-17 in BECS project and she was promoted to BPS-18 and then to BPS-19 in the project irregularly as the contractual employee could not be promoted to next scale.
- ii. Ms. Sadia was neither interviewed nor her particulars scrutinized by the selection committee appointed by the competent authority for appointment in PEMRA on deputation basis in violation of Section 49 of Pakistan Electronic Media Regulatory Authority Employees Service Regulations, 2011.
- iii. Payment of arrear of pay and allowances amounting to Rs.1,081,748 for the period from 28-03-2014 to 30-04-2015 vide Cheque No. 68091533 dated 01-06-2015 after repatriation from PEMRA was irregular and un-authorized.

Audit is of the view that appointment of Ms. Sadia Atta Ghumman in PEMRA on deputation basis and payment of arrears of salary was irregular and un-authorized which resulted in the loss of Rs.1.082 million to the Authority.

Management replied that the matter of payment of arrears of pay and allowances amounting to Rs. 1,081,748 for a period from 28.03.14 to 30.04.15 vide Cheque No. 68091533 dated 01.06.15 has been taken up with Ministry of Law & Justice, Islamabad for views/comments. The information will be provided to audit as and when received from the Law & Justice Division, Islamabad.

The PAO was informed on 23.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the inquiry may be held to fix the responsibility besides the recovery of irregular payment of pay and allowances.

#### ***18.4.11 Non-framing of Financial Rules***

Section 39(1) of Pakistan Electronic Media Regulatory Authority Ordinance-2002 as amended by PEMRA (amendment) Act, 2007 states that the Authority may, with the approval of the Government, by notification in the official gazette, make rules to carry out the purposes of this Ordinance/Act.



The management of PEMRA was required to frame Financial Rules to carry out purposes of the Authority.

Audit observed that management of PEMRA has not framed its rules in violation of section 39(1) of PEMRA Act, 2007.

The management replied that the Authority is pursuing the matter with the Finance Ministry for approval of Financial Rules.

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

The PAO was informed on 23.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that financial rules may be framed and got approved from the competent forum.

#### ***18.4.12 Non-framing of Financial and Service Rules***

Section 19 of the Pakistan Academy of Letters Act, 2013 states that the Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Act.

Section 20 of the Pakistan Academy of Letters Act, 2013 states that the Academy may, by notification in the official Gazette, make regulations, not inconsistent with provisions of this Act or the rules, for exercising its powers and carrying out its functions under this Act.

Audit observed that the management of Pakistan Academy of Letters did not frame Financial Rules, Service Rules and other Rules and Regulations since inception.

Audit is of the view that non-framing of rules and regulations were violation of provisions of the Pakistan Academy of Letters Act, 2013.

Management did not reply.

The PAO was informed on 23.11.2016, but DAC was not convened till

the finalization of the Report.

Audit recommends that rules and regulations may be framed as per provisions of the Pakistan Academy of Letters Act, 2013.

**18.4.13 Non-recovery of rent from tenants - Rs. 133.647 million**

Para 26 of the General Financial Rules 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. They should accordingly arrange to obtain from their subordinates monthly accounts and returns in suitable form claiming credit for so much paid into the treasury or otherwise and also see that the amounts reported as collected have been duly credited in the Public Account.

The management of Aiwan-e-Iqbal Complex, Lahore did not recover outstanding rent from tenants.

Audit observed that monthly rent and electricity charges Rs.133.647 million is outstanding against the different tenants up to October, 2015. The detail is given below:

**(Rs. in million)**

Name of Tenants	Period	Rent	Period	Electricity charges	Total
Pakistan Software Export Board	07-2006to 06-2007	0.633	-	-	0.633
	07-2007 to 06-2008	0.706	-	-	0.706
	07-2008 to 06-2009	0.777	-	-	0.777
	07-2009 to 06-2010	0.854	-	-	0.854
Iqbal Academy Lahore	01-2001-to 09-2015	115.838	01-2001to 09-2015	7.570	123.408
SEMDA	-	-	08-2015 to 09-2015	0.611	0.611
Huawei Integrated Solution (Pvt) Ltd	Sep-Oct, 2015	1.490	08-2015 to 09-2015	0.883	2.373
RE2QA	09-2015 to 10-20015	0.307		0.00	0.307
TBOS	10-20015	0.156	06-2015 to 09-2015	0.390	0.546
COMSATS	08-2015 to 09-20015	0.016	Sep.2015	0.035	0.051
Link Dot	-	-	08-2015 to 09-2015	0.076	0.076
Zong	-	-	06-2015 to 09-2015	0.145	0.145
Canteen	-	-	06-2015 to 09-2015	0.009	0.009
Centre for Human Excellence	08-2008 to 07-2010	3.151	-	-	3.151
		<b>123.928</b>		<b>9.719</b>	<b>133.647</b>

Audit is of the view that by not recovering the outstanding rent the government was deprived of its due receipt.

The management replied that on the advice of audit outstanding amount Rs. 3.353 million out of Rs. 133.647 million has been recovered from the tenants.

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

Audit recommends that outstanding amount of rent and electricity charges Rs.130.295million (Rs.133.647 million –Rs.3.353 million) may be recovered from the tenants immediately.

***18.4.14 Non-deposit of receipts into government treasury - Rs. 368.442 million***

Serial No. IX(2) of the resolution No.8-2/84.A.III dated 05.01.1984 issued by devolved Ministry of Culture, Sports and Tourism describes that the funds of the Authority of Aiwan-e-Iqbal Complex shall be kept in Personal Ledger Account to be opened with the Government treasury or a bank discharging treasury functions on behalf of Government. All receipts of the Aiwan-e-Iqbal Complex shall be deposited into this account. Separate accounts of receipts and expenditure shall be maintained by the treasury officer and Authority of Aiwan-e-Iqbal Complex.

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.

Clause 5.2.2.1of the Accounting Policies Procedure and Manual (APPM) provides that all monies received as revenue of the Government must be banked in the name of Government without delay and included in the consolidated fund of the respective Federal or provisional or local Government.

Public Accounts Committee in its meeting held on 25.09.2012 directed that receipt of Aiwan-e-Iqbal Complex should be deposited into government treasury as recommended by DAC in its meeting held on 27.06.2012.

The management of Aiwan-e-Iqbal Complex, Lahore received rent and miscellaneous receipts amounting to Rs. 368.442 million during 2012-15. Details are as under:

<b>(Rs. in million)</b>					
<b>S. No.</b>	<b>Particulars</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>Total</b>
1.	Opening balance	3.376	18.816	15.713	37.905
2.	Security Deposited by Tenants	0	1.620	0	1.620
3.	Rent from Tenants	60.409	64.600	76.259	201.268
4.	Electricity Bill from Tenants	17.750	24.401	23.682	65.833
5.	Rent from Conference Centre	5.959	3.702	4.113	13.774
6.	Miscellaneous Receipts	0.149	0.132	0.504	0.785
7.	Bank Profit	13.951	17.515	12.290	43.756
8.	Return of House Building Advance	0.476	0.586	0.735	1.797
9.	Return of Motor Car Advance	0.657	0.262	0.405	1.324
10.	Return of Motor Cycle Advance	0.040	0.092	0.248	0.380
<b>Total</b>		<b>102.767</b>	<b>131.726</b>	<b>133.949</b>	<b>368.442</b>

Audit observed that the management did not deposit its receipt into the Federal Consolidated Fund in violation of government instructions and instructions of Public Accounts Committee.

Audit is of the view that due to non-deposit of receipt in government account the exchequer was deprived of its due receipt.

The management replied that on the advice of Ministry the amount was not deposited into Government Treasury.

The reply was not accepted because the issue has already been decided by PAC.

Audit recommends that PAC directives dated 25.09.2012 and DAC decision dated 27.06.2012 should be implemented henceforth and all receipts of Aiwan-e-Iqbal Complex should be deposited into government treasury.

***18.4.15 Irregular purchase and subsequent monetization of vehicle to the Administrator - Rs. 1.520 million***

Finance Division (Exp) Wing O.M. No. F.7 (2) Exp. IV/2011 dated 17.08.2011 states that there will be ban on the purchase of physical assets

including all types of vehicles during the financial year 2011-12. Ban on purchase of vehicles will also be applicable to development expenditure.

Para 25 of Staff Car Rules, 1980 (revised up to 2008) provides that no staff cars shall be replaced without the approval of Condemnation Committee of Administrative Ministry. Further all cases of replacement of cars would continue to be referred to the Cabinet Division for obtaining “No Objection Certificate”.

Para 24(2)(c) of Staff Car Rules, 1980 (revised up to 2008) states that Additional Secretaries/Senior Joint Secretaries / Officers in BPS-21 / 20 and equivalent are entitled to use the vehicle of 1000-CC.

Cabinet Division letter No. 617/2011-CPC dated 12.12.2011 stipulates that government officers in BPS-20 to 22 working in Ministries/Divisions/ Subordinate offices were entitled to avail the monetization facility which was further clarified vide serial No. 6 and 8 of Cabinet Division letter No. 6/7/2011-CPC dated 30.12.2011 that officers posted on deputation shall avail the facility after their repatriation to the Federal Government.

Management Committee in its 16<sup>th</sup> meeting held on 23.12.2010 revised the Financial Powers of Administrator. According to the revised financial powers the Administrator has been fully empowered to accord sanction of expenditure incurred on the purchase/replacement of motorcycle/bicycle only.

The management of Aiwan-e-Iqbal Complex Lahore replaced, purchased and monetized a vehicle without observing the government instructions.

Audit observed as under:

- i. Mr. Nadeem Iqbal Abbasi, Deputy Secretary (B-19) of devolved Ministry of Culture was given additional charge of the post of Administrator, Aiwan-e-Iqbal Complex, Lahore. The officer took over the charge on 23.07.2010. The officer was later promoted in B-20 and posted on deputation as Administrator Aiwan-e-Iqbal Complex vide Cabinet Secretariat Establishment Division Notification No. 39/895/2011-E-1 dated 08.02.2011.

- ii. A Suzuki Cultus (LZD-6516 model 2004) was auctioned on 05.07.2011 for Rs. 0.565 million. A new Toyota Corolla (LEG-11-2153 GLI 1300cc Model 2011) valuing Rs. 1.520 million was purchased from M/s Indus Motors which was delivered on 14.09.2011. The vehicle was monetized to Administrator on 18.10.2012.
- iii. Vehicle was purchased without obtaining prior approval from the Finance Division.
- iv. The amount for the purchase of vehicle Rs. 1.520 million was sanctioned by the Administrator without financial power.
- v. The Co-opted members of the Management Committee objected the monetization of Toyota Corolla vehicle and Management Committee directed to Mr. Nadeem Iqbal Abbasi for returning the said vehicle. The letter was issued with the approval of Chairman of Management Committee which indicates that monetization of vehicle was not according to the rules and the entitlement of the officer.

Audit is of the view that government instructions / rules for purchase of new Toyota Corolla and monetization policy was not strictly observed.

The management replied that Rs. 1.000 million has already been recovered from the officer leaving recoverable amount Rs. 0.335 million.

Audit recommends that responsibility may be fixed for unauthorized monetization besides recovery of full amount of the vehicle.

***18.4.16 Irregular / un-authorized purchase of 2<sup>nd</sup> hand equipment - Rs. 3.346 million***

Para 10 GFR Volume-I provides that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Rule 12(i) of the Public Procurement Rules 2004 provides that procurement of goods & services over one hundred thousand rupees and up to limit of two rupees shall be advertised on the authority's website in the manner

and format specified by regulations by the authority from time to time. These procurements opportunities may also be advertised in print media if deemed necessary by procuring agency.

The management of Aiwan-e-Iqbal Complex purchased second hand equipment for office use without any provision and without calling open tender.

Audit observed that management of Aiwan-e-Iqbal Complex purchased second hand equipment amounting to Rs. 3.346 million. Details are as under:

(Rs. in million)

S. No.	Name of supplier	Nature of claim	Cheque No.	Date	Amount
1.	M/s Muhammad Bashir and Company	Generator (Diesel) KVA-562	6226013	05.09.2009	2.776
		Installation Charges	6460616	26.11.2009	0.490
2.	M/s Rehman Auto Agency	2 AC (4 ton Daikin)	5702412	16.07.2009	0.080
<b>Total</b>					<b>3.346</b>

Audit is of the view that purchase of second hand equipment was irregular and unauthorized.

The management replied that administrative Ministry has constituted a committee for detail inquiry.

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

Audit recommends that matter may be investigated responsibility fixed and factual position be communicated to audit.

***18.4.17 Irregular / unauthorized receipt of funds from Government of Norway without approval of Federal Government - Rs. 16.308 million***

Section 21 of the Iqbal Academy Pakistan Lahore Ordinance 1962 states that the funds of the Academy shall comprise:

- a) Grants from the Central Government and the Provincial Governments.
- b) Fees from Members.
- c) Donations.

d) Proceeds from the sale of its publications and other sources.

Rule 3(3) Item No. 7 of Schedule II of the Rules of Business, 1973 provides that it is the function of the Economic Affairs Division to enter into agreements with international organizations.

The management of Iqbal Academy Pakistan, Lahore received an amount of Rs. 16.308 million from Government of Norway and deposited into a bank Account No. 069597 (RRPMA) with Faysal Bank, Egerton Road, Lahore. Details are as under:

<b>(Rs. in million)</b>			
<b>S. No.</b>	<b>Date</b>	<b>Narration</b>	<b>Amount</b>
1.	21.08.2006	Deposit (Norwegian Ministry of FA)	7.000
2.	17.11.2007		7.350
3.	15.11.2008		1.958
<b>Total</b>			<b>16.308</b>

Audit also observed that:

- i. The management of Iqbal Academy Pakistan Lahore was not authorized to receive funds directly from the donors.
- ii. The funds were received from the Norwegian Government without involvement of Economic Affairs Division.
- iii. The above mentioned account was operative since 2006. However, its record was not produced to the Audit previously. The account was also not mentioned in the list of bank accounts provided by the management.

Audit is of the view that receiving of foreign funds without the approval of the Government and without involvement of Economic Affairs Division was irregular and unauthorized.

The management replied that the matter has already been taken up with the Ministry for ex-post facto approval from EAD.

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

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



## CHAPTER 19

### 19. MINISTRY OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

#### 19.1 Introduction

Ministry of Information Technology and Telecommunications is the national focal Ministry and enabling arm of the Government of Pakistan for planning, coordinating and directing efforts to initiate and launch Information Technology and Telecommunication programs and projects aimed at economic development of the country. The Ministry strategically run by elected representatives of the public and administratively controlled by the bureaucracy. Being the primary concern for any Government this sector is controlled by each provincial Ministry at provincial level and by district Governments at district level.

The core operational activities of the Ministry are:

- Preparation of an overall integrated Plan as well as formulation of policy for the development and improvement of information technology including infrastructure in Pakistan
- Cooperation with the Provincial Governments, autonomous bodies, private sector, international organizations and foreign countries in respect of information technology
- Promotion of information technology applications
- Providing guidelines for the standardization of software for use within the Government
- Matters relating to Pakistan Computer Bureau (PCB), Pakistan Software Export Board (PSEB) and the National Information Technology Commission (NITC)
- Planning, policy-making and legislation covering all aspects of telecommunications, excluding radio and television

The following functions have been assigned to the Ministry of

Information Technology and Telecommunications as per the Rules of Business, 1973:

1. Preparation of an overall integrated plan, as well as formulation of policy for the development and improvement of Information Technology, including infrastructure in Pakistan.
2. Co-ordination with the Provincial Governments, autonomous bodies, private sector, international organizations and foreign countries in respect of information technology.
3. Human resource development in the field of information technology.
4. Promotion of information technology applications.
5. Providing guidelines for the standardization of software for use within the Government.
6. Matters relating to Pakistan Computer Bureau, Private Software Export Board and the National Information Technology Commission.
7. Planning, policy-making and legislation covering all aspects of telecommunications, excluding radio and television.
8. All matters relating to PTCL, FAB, NTC, TIP, Central Telephone Research Laboratory (CTRL), CTI, Telecommunications Foundation (TF) and the Special Communications Organization (SCO).

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

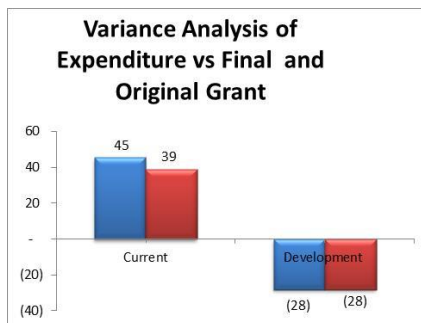
Final budget allocated to the Ministry of Information Technology for the financial year 2015-16 was Rs. 4,467.809 million of which the Ministry utilized Rs. 5,595.912 million. Grant wise detail of current and development expenditure is mentioned below:

(Rupees)							
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
60	current	3,390,000,000	155,000,000	3,545,000,000	4,931,463,732	1,386,463,732	39
121	Development	922,804,000	5,000	922,809,000	664,448,513	(258,360,487)	(28)
	<b>Total</b>	<b>4,312,804,000</b>	<b>155,005,000</b>	<b>4,467,809,000</b>	<b>5,595,912,245</b>	<b>1,128,103,245</b>	<b>25</b>

Audit noted that there was excess of Rs. 1,128.103 million mainly due to excess expenditure of Rs. 1,386.464 million in the current grant.

***Supplementary grants obtained without careful cash forecasting***

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 45% which reduced to 39% when supplementary grants were obtained. In development expenditure, the saving was 28% against original budget.



**19.3 Brief comments on the status of compliance with PAC Directives**

Name of Ministry	Years	Total No of audit paras	No of PAC Directives / Actionable Points	Compliance	Non-Complied
IT & T	2006-07	1	1	1	0

**19.4 AUDIT PARAS**

***Irregularity and Non Compliance***

***19.4.1 Irregular appointment of Advisors - Rs. 28.293 million***

Section 34 of the Virtual University of Pakistan, Ordinance, 2002 states that the University shall have to work within the framework of the Education

Policy and other law or policy framed or amended by the Government from time to time.

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

Virtual University of Pakistan, Lahore hired the services of the following two advisors and paid an amount of Rs. 28.293 million. Details are as under:

Name	Designation	Period	Monthly Salary	Total (Rs.)	Remarks
Dr. Muhammad Nawaz	Advisor	01.02.2012 to 30.09.2013	Rs 300,000 w.e.f July 12	1,900,000	Revised salary by VU
		01.10.2013 to 31.01.2014	440,000	5,280,000	Granted Rs 50,000 as conveyance allowance in addition to 3 increments
		01.02.2014 to 31.01.2015	470,000	5,640,000	one increment Rs 30,000
		01.02.2015 to 31.01.2016	500,000	6,000,000	one increment Rs 30,000
		01.02.2016 to 30.09.2016	530,000	4,240,000	one increment Rs 30,000
<b>Sub Total</b>				<b>23,060,000</b>	
Mr.Suleman Khan	Advisor (Marketing)	06.07.2015 to 05.07.2016	350,000	4,143,547	
		06.07.2016 to 30.09.2016	380,000	1,089,333	one increment Rs 30,000
<b>Sub Total</b>				<b>5,232,880</b>	
<b>Grand Total</b>				<b>28,292,880</b>	

Audit observed as under:

- i. Executive Council, Virtual University of Pakistan in its 6<sup>th</sup> meeting held on 30.09.2013 revised the criteria for the post of Advisor. According to new criteria the advisor will be appointed by Rector through invitation and with no age limit in violation of the VUP Ordinance, 2002.
- ii. Terms of Reference for appointment of the Advisor and deliverables were not on record.
- iii. Continuous extension in the contract with increase in salary and annual increment were granted.
- iv. Leave encashment of Rs. 212,520 and Rs. 112,520 was paid to Dr. Muhammad Nawaz and Mr. Suleman Khan, respectively

despite the fact that there was no provision in the approved Statutes and Pay packages of the Virtual University.

Audit is of the view that appointment without advertisement, grant of increment, leave encashment and continuous extension in the contract was irregular and unauthorized.

The management replied that Board in its 13th meeting approved that recommendation of Executive Council regarding appointment of Advisor. As there is no age limit mentioned in the University ordinance, it is therefore appointment of Advisors is not in Violation of Virtual University Ordinance 2002.

Reply was not accepted because the appointment was made without advertisement. Further in the University Ordinance, 2002 it is clarified that Government rules and regulations should be followed therefore the management violated the Ordinance.

The PAO was informed on 15.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be discontinued and responsibility should be fixed for appointing Advisors without advertisement, TOR and deliverables.

#### ***19.4.2 Non deduction of Income Tax - Rs. 21.271 million***

Section 153 of 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 (a) for the sale of goods; (b) for the rendering of or providing of services; (c) on the execution of a contract, including contract signed by a sports person but not including a contract for the sale of goods or the rendering of or providing services, shall, at the time of making the payment, deduct tax from the gross amount payable (including sales tax, if any) at the rate specified in Division III of Part III of the First Schedule.

Virtual University Pakistan, Lahore paid an amount of Rs. 283.623 million during the year 2015-16 on account of Private Virtual Campuses (PVC) and invigilator fee. Details are as under:

<b>(Rupees)</b>			
<b>S. No.</b>	<b>Particulars</b>	<b>Amount</b>	<b>Income tax @ 7.5%</b>
<b>1</b>	PVC Tuition fee share	247,334,745	18,550,106
<b>2</b>	PVC Exam Share	19,794,839	1,484,613
<b>3</b>	PVC Prospectus Share	2,820,000	211,500
<b>4</b>	Invigilator Fee	13,673,868	1,025,540
	<b>Total</b>	<b>283,623,452</b>	<b>21,271,759</b>

Audit observed that the management did not deduct Income Tax from the payments.

Audit is of the view that non deduction of Income Tax deprived the Government of its due receipt.

The management replied that Virtual University is providing quality education to its students through online mode of education and its Private Virtual Campuses (PVCs) are working as resource centers. Virtual University is paying certain agreed percentage of fee received from students to its PVCs as ‘Share.’ The University accounted for the fee received after deducting the share paid in its accounts: same can be evidenced from the audited accounts of the university.

Reply was not accepted because the reply was irrelevant and the management did not deduct the income tax from the share of the PVCs

The PAO was informed on 15.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that income tax may be recovered and deposited into the Government treasury.

#### ***19.4.3 Irregular expenditure on satellite link and license fee -Rs. 44.399 million***

Para 23 of GFR Volume-I states that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will

also be held personally responsible for any loss arising from fraud or negligence on 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.

Virtual University of Pakistan entered into an agreement with Paksats International Private Limited for providing an access to satellite space segment capacity from 1C Band Transponder through PAKSAT-IR on December, 2010. The agreement was for providing 16 MHz space at the rate of US\$ 2775/MHz/Month which was revised on 31.12.2015 by decreasing the space up to 9 MHz with the same rate.

Virtual University of Pakistan paid an amount of Rs. 44.399 million to Paksats International Private Limited and PEMRA during 2015-16 on account of satellite bandwidth. Details are as under:

<b>(Rupees)</b>			
<b>S. No.</b>	<b>Name of firm</b>	<b>Particulars</b>	<b>Amount</b>
<b>1.</b>	Paksats International Private Limited	Satellite bandwidth	43,199,262
<b>2.</b>	PEMRA	License fee of four channels	1,200,000
<b>Total</b>			<b>44,399,262</b>

Audit observed as under:

- i. Payments were made for 16 MHz since December, 2010 while the same facility could be arranged with 9 MHz space. The management paid approximately Rs. 2 million additional charges for 5 years.
- ii. Visibility of four channels was not ensured and all four channels were not visible on television due to nonexistence of the channels at the cable operator's lists.
- iii. No monitoring and complaint redressal mechanism was devised to ensure that channels were broadcast on Cable TV.

Audit is of the view that expenditure on account of satellite bandwidth without visibility of four channels of VU is loss to public exchequer.

The management replied that Virtual University holds 4 educational television licenses from PEMRA and is the only one educational television network that is serving the country; it is prudent to mention that since VU is a

PEMRA license holder and a Government owned entity the responsibility to ensure that all cable operators carry Virtual Television Channels lies with PERMRA. Several times management of University has taken up the said case with PEMRA.

Virtual University of Pakistan has accepted the audit observation and tried to absolve the responsibility of non-visibility of the channels

The PAO was informed on 15.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that a mechanism may be devised to ensure that online lectures are delivered to the students through cable TV besides revision of bandwidth rate as per requirement.

***19.4.4 Irregular and unauthorized payment of pay and allowances - Rs. 6.512 million***

Section 34 of the Virtual University of Pakistan, Ordinance, 2002 states that the University shall have to work within the framework of the Education Policy and other law or policy framed or amended by the Government from time to time.

Higher Education Commission vide letter No. ED/HEC/TTS-105/04/78 dated 12.04.2016 clarified that as per Tenure Track System (TTS) Rules only a tenured faculty member can be appointed as Vice Chancellor. Earlier, from 30.06.2014 Director Research, Dean of a faculty and Head of Department were to be manned by a tenured faculty member. It was further clarified that:

- i. If a faculty member assume an administrative post in the University such as Registrar, Director HR or Treasurer etc. then the period for which he/she remains on that post shall not be counted towards his/her TTS on tenure or tenure track and during that period he/she will not be eligible for TTS salary.
- ii. After 30.06.2014, if a faculty member on tenure track assumes responsibility of academic administrative position of Director Research, Dean of a faculty or Head of a Department, the period



of holding such an appointment shall not be counted toward his/her TTS probation period on tenure track and he/she will not be eligible to draw TTS salary.

- iii. A faculty member on tenure track is not allowed to take position (appointment, deputation etc.) in a university/organization, within /outside country, paid/unpaid, other than specified in the tenure track statutes.

Virtual University of Pakistan hired the services of Professor Dr. Masroor Ellahi Babar, Department of Livestock Production, Faculty of Animal Production and Technology, University of Veterinary and Animal Sciences, Lahore as Registrar of Virtual University and paid the following pay and allowances:

**(Rupees)**

S. No	Period	Pay Fixed & drawn	Deputation Allowance	Total	Rate of increment	Remarks
1	01.04.2014 to 31.12.2014	325,520	46,800	3,442,400	11,440	One increment was granted w.e.f. 01.05.2014
2	01.01.2015 to 12.11.2015	371,280	46,800	3,999,632	11,440	Three increments were granted by VU
3	13.11.2015 to 31.12.2016	464,100	46,800	817,440	14,300	Salary revision
4	01.01.2016 to 31.08.2016	492,700	46,800	4,316,000	14,300	two increments were granted by the VU
<b>Total</b>				<b>12,575,472</b>		

As per rule the following pay and allowances were admissible to the deputationist. Details are as under:

**(Rupees)**

S. No	Period	Pay Admissible (E-1) Scale	House Rent Allowance @ 45%	Utilities Allowance @ 10%	Conveyance Allowance @15%	Total
1	01.04.2014 to 31.03.2015	140,650	63,293	14065	21,097.5	2,869,260
2	01.04.2015 to 31.03.2016	154,715	69,622	15471.5	23,207.25	3,156,186
3	01.04.2016 to 01.08.2016	170,187	76,584	17018.65	25,527.975	1,157,268
<b>Total</b>						<b>7,182,714</b>

Audit observed as under:

- i. Professor hired was appointed as Registrar, Virtual University of Pakistan, Lahore which was in violation of TTS scheme.

- ii. TTS pay and allowances were paid to the deputationist
- iii. Leave encashment Rs. 271,923 was paid which was not applicable to a deputationist
- iv. An interest free loan of Rs. 3.750 million was granted and the University sustained a loss of Rs. 450,000 at the rate of interest of 6% annually.
- v. An official vehicle No. LEJ-1182 was in exclusive use of the Registrar and an expenditure of Rs. 253,935 on POL and Rs 142,952 on account of Repair and Maintenance was incurred during 2015-16.

Audit is of the view hiring of Professor on TTS scheme to an administrative post was irregular and unauthorized and against the basic spirit of appointment of professors on TTS.

The management replied that Professor Dr. Masroor Ellahi Babar was appointed as on deputation on March 26, 2014 on agreed terms and conditions. Virtual University relieved the concerned employee as soon as the parent organization requested repatriation as per directive/notification /clarification of HEC regarding Tenured Professors.

The management accepted the Audit observation.

The PAO was informed on 15.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility should be fixed for irregularity and excess amount paid should be recovered and deposited into Government account.

#### ***19.4.5 Irregular appointment without observing quota and age limits***

Under Establishment O.M. No 8/9/72-TRV/R.2 dated 20.09.1973 (Sl. No 49) the provincial/regional quotas have been made applicable to appointment in or equivalent to BPS-17 and above in all Autonomous/Semi-autonomous bodies under the administrative control of the/Federal Government. As such recruitment to posts up to BPS-16 in autonomous/semi-autonomous bodies located in Islamabad is outside the provincial/regional quota.

The following merit and provincial/regional quotas shall be observed in filling vacancies reserved for direct recruitment to post under the Federal Government which are filled on all Pakistan basis. Merit 10 % Punjab 50%, Sindh 19%, KPK 11.5%, Baluchistan 3.5% GB and FATA 4% and AJK 2%

Virtual University of Pakistan appointed 68 officers and officials during the year 2015-16.

Audit observed that the management filled the vacancies without observing Merit/Provincial/Regional quotas and age limits for recruitment in the university.

Audit is of the view that non-observing of appointments quota deprived the citizens of their right.

The management replied that Virtual University is an equal opportunity employer and all appointments were made on need basis all over Pakistan through proper advertisement in National Newspaper.

Reply was not accepted because the University being a Federally Chartered university should follow Government rules and regulations regarding appointments.

The PAO was informed on 15.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that reserve quotas for all posts should be determined and in future appointment should be made in accordance with that reserved quota basis. Further minimum and maximum age limit for each post should be fixed in accordance with the Government rules.

## **CHAPTER 20**

### **20. MINISTRY OF INTER PROVINCIAL COORDINATION**

#### **20.1 Introduction of Ministry**

On 19.03.2007, recognizing the importance of Federal and Provincial relationships to grow in ever greater harmony, the Government of Pakistan created an independent Division named Inter Provincial Coordination Division. Later, the Inter Provincial Coordination Division was given the status of a full-fledged Ministry w.e.f. 03.11.2008.

The Ministry of Inter Provincial Coordination (IPC) has been designated as the Secretariat of Inter Provincial Conference Implementation Commission and the Council of Common Interests. So far 64 meetings of Implementation Commission and one meeting of Council of Common Interests have been convened.

The Inter Provincial Coordination Committee works under the Ministry of Inter Provincial Coordination. The Inter Provincial Coordination Committee is a mechanism designed under the Rules of Business, 1973 to initiate strategic decision-making in exploring various options for greater understanding, trust and confidence building as embedded in the 1973 Constitution and to resolve issues by mutual dialogue and consensus-building amongst Provinces and the Federation.

The following departments/offices and functions were assigned to the Ministry of IPC under the Rules of Business, 1973:

1. General coordination between the Federal Government and the Provinces in the economic, cultural and administrative fields.
2. Promoting uniformity of approach in formulation of policy and implementation among the Provinces and the Federal Government in all fields of common interest.
3. Discussions on policy issues emanating from the Provinces which have administrative or economic implications for the country as a whole.
4. Secretarial work for Council of Common Interests and their committees.

5. Any other matter referred to the Division by a Province or any other Ministry or Division of the Federal Government.
6. Pakistan Tourism Development Corporation and subsidiaries.
7. Malam Jabba Resort Limited.
8. Pakistan Veterinary Medical Council, Islamabad.
9. Inter Board Committee of Chairmen, Islamabad.
10. Medical, nursing, dental, pharmaceutical, paramedical and allied subjects:
  - a. education abroad;
  - b. educational facilities for backward areas and foreign nationals, except the nomination of candidates from Federally Administered Tribal Areas for admission to medical colleges.
11. Legislation covering all aspects of sports affairs and matters ancillary thereto.
12. Administrative control of Board established for the promotion and development of sports under the Sports (Development and Control) Ordinance, 1962.
13. Pakistan Sports Board.
14. Pakistan Cricket Board.

International exchange of students and teachers, foreign studies and training and international assistance in the field of education.

## **20.2 Comments on Budget & Accounts (Variance Analysis)**

Final budget allocated to the Inter Provincial Coordination Division for the financial year 2015-16 was Rs. 4,980.990 million including Supplementary Grant of Rs. 2,726.437 million out of which the Division utilized Rs. 2,341.480 million. Grant-wise detail of current and development expenditure is as under:

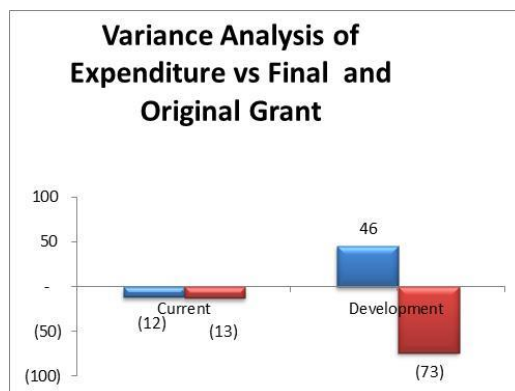
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
61	Current	1,645,000,000	18,000,000	1,663,000,000	1,454,434,164	(208,565,836)	(13)
122	Development	609,553,000	2,708,437,000	3,317,990,000	887,045,481	(2,430,944,519)	(73)
	<b>Total</b>	<b>2,254,553,000</b>	<b>2,726,437,000</b>	<b>4,980,990,000</b>	<b>2,341,479,645</b>	<b>(2,639,510,355)</b>	<b>(53)</b>

Audit noted that there was an overall saving of Rs. 2,639.510 million, which was due to saving of Rs. 2,430.945 million in development grant.

### *Supplementary Grants obtained without careful cash forecasting*

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 12%, which, after accounting for Supplementary Grants changed to saving of 13%. In development expenditure, excess against original budget was 46% which changed to saving of 73% when supplementary grant is 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	Full Compliance	Not Complied	% of Compliance
M/o Inter Provincial Coordination	1988-89	6	6	0	6	0
	1990-91	1	1	0	1	0
	1992-93	10	10	7	3	70

<b>(Devolved M/o Sports)</b>	1994-95	1	1	1	0	100
	1996-97	1	1	0	1	0
	1997-98	15	15	6	9	40
	2001-02	5	5	4	1	80
	2005-06	4	4	2	2	50
	2006-07	29	29	0	29	0
	2007-08	2	2	0	2	0
	2008-09	5	5	0	5	0
<b>Total</b>	<b>79</b>	<b>79</b>	<b>20</b>	<b>59</b>	<b>25</b>	

## 20.4 AUDIT PARAS

### *Non Production of Record*

#### *20.4.1 Non production of record relating to President/Prime Minister directives regarding grant - Rs. 531.500 million*

Rule 209 of GFR Vol-I states that unless it is otherwise ordered by the Government, every grant made for a specific object is subject to the implied conditions:

- i. that the grant will be spent upon the object within a reasonable time, if no time limit has been fixed by the sanctioning authority; and
- ii. that any portion of the amount which is not ultimately required for expenditure upon that object should be duly surrendered to Government.

Pakistan Hockey Federation received grant of Rs. 531.500 million under President/Prime Minister directives during the period 2009-13. Detail is as under:

**(Rupees)**

S. No.	Year	Amount
1	2009-10	140,000,000
2	2010-11	80,000,000
3	2011-12	85,000,000
4	2012-13	226,500,000
<b>Total</b>		<b>531,500,000</b>

Audit observed that neither the Pakistan Hockey Federation nor the Pakistan Sports Board had provided the record relating to President/Prime Minister directives to ascertain the objectives and purpose of the grant.

The DAC directed the PHF to coordinate with PSB and to determine the objectives and purposes of the grants for their proper utilization and record be provided to PSB for onward submission to audit.

Audit is of the view that in absence of the record relating to the directives it cannot be ascertained whether the grants given under the President/Prime Minister directives were utilized for the purposes for which these were released, and the objectives set forth were achieved or not.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Hon'able Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.

### ***Irregularity & Non Compliance***

#### ***20.4.2 Irregular expenditure without obtaining formal sanction from the competent authority - Rs. 1,084.982 million***

In accordance with rule 5 of the Financial Rules of the Pakistan Hockey Federation the Secretary General is authorized for all expenditures approved by the Congress, Executive Board and President PHF. Secretary PHF may sanction up to Rs. 500,000.

The Pakistan Hockey Federation incurred expenditure of Rs.1,084.982 million during 2009-14. Details are as under:

**(Rupees)**

<b>Year</b>	<b>Federal Government</b>	<b>Own Receipts</b>	<b>Others (CM)</b>	<b>Total Receipt</b>
2009-10	148,063,250	47,662,056	80,000,000	275,725,306
2010-11	89,566,360	49,146,729	50,000,000	188,713,089
2011-12	92,500,000	139,014,568	0	231,514,568
2012-13	234,247,702	39,784,289	10,000,000	284,031,991
2013-14	4,700,000	17,523,923	82,773,101	104,997,024
<b>Total</b>	<b>569,077,312</b>	<b>293,131,565</b>	<b>222,773,101</b>	<b>1,084,981,978</b>

Audit observed that the expenditure was incurred without obtaining formal sanction of expenditure from the Secretary General/President, PHF.

Audit further observed that payments were made on the basis of vouchers signed by the Secretary General.



Audit is of the view that neither the formal sanction from the competent authority was obtained nor the formal sanction letter was issued which was irregular and unauthorized.

The management replied that the Secretary PHF sanctions expenditure up to Rs.500,000 but after getting the formal approval from President Hockey Federation having full power to sanction the amount. The procedure followed by Pakistan Hockey Federation is to obtain a sanction first, followed by approval through Honorary Treasurer, the Secretary General and then formal approval of President, PHF if amount falls in the criteria as laid down in financial rules of Pakistan Hockey Federation. The practice is in vogue and all the transactions are made within the rules of Pakistan Hockey Federation.

Reply was not accepted as the approval of the President PHF regarding expenditure over and above Rs. 0.500 million was not shown to the Audit. The copies of minute sheets showing the approval of President PHF provided with the reply do not contain the date or the file number on which the approval was obtained.

The DAC in its meeting held on 20.10.2015 decided to ratify the expenditure from the PHF Executive Board within ninety days and the same would be shown to Audit.

Audit recommends that the decision of the DAC may be implemented.

***20.4.3 Non-maintenance of rent and security deposit record of shops -Rs. 70.375 million***

Article 9.5 of the Constitution of the Pakistan Hockey Federation states that Pakistan Hockey Federation will raise and utilize funds for the promotion of the game including purchase, lease, sale, hire or exchange of moveable or immovable properties.

The management of Pakistan Hockey Federation received an amount of Rs.57.417 million on account of rent of shops at National Hockey Stadium Karachi. Further, the annual accounts of the Pakistan Hockey Federation for the year 2013 reflected security deposit of Rs. 12.958 million received from tenants of shops at the National Hockey Stadium, Karachi.

Audit observed that the rent received for shops at Karachi Hockey Stadium was accounted for through monthly rent report received from Karachi. The management did not maintain the record relating to numbers of shops, lease period, monthly rent agreed, and outstanding rent if any, security deposit fixed and received, etc.

In the absence of required record Audit could not verify the record of receipt of rent and security deposit.

Management replied that rent of the shops at Hockey Club of Pakistan (HCP) Stadium, Karachi was accounted for through monthly rent reports received from HCP Karachi every month, as well as amount received in every month in our PHF fund was maintained properly and reflected in our Audit Report. As far as lease agreements were concerned, these were kept in the custody of PHF and maintained in Hockey Club of Pakistan Office, Karachi.

Reply was not satisfactory. It was the responsibility of the management to keep all the record at the Headquarters.

The DAC on 20.10.2015 directed the PHF management to frame of rules/policy and make efforts to resolve the issue. Furthermore, proper record may be maintained.

Audit recommends that complete record should be maintained and provided to Audit.

#### ***20.4.4 Mis-procurement of Air Tickets and Sports Items - Rs. 57.910 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.

Para 154 of GFR Vol-I states an inventory of the dead stock should be maintained in all Government offices in a form prescribed by competent authority, showing the number received, the number disposed of (by transfer, sale loss etc.), and the balance in hand for each kind of article.

The management of Pakistan Hockey Federation (PHF), Lahore incurred an expenditure of Rs. 55.827 million on purchase of air tickets for foreign tour of PHF teams during 2009-14. Details are as under:

S.No.	Financial Year	Amount (Rs.)
1	2009-10	2,307,756
2	2010-12	18,817,017
3	2012-13	27,290,737
4	2013-14	7,411,848
<b>Total</b>		<b>55,827,358</b>

The management also incurred an expenditure of Rs. 2.083 million on purchase of sport items for senior and junior women hockey team and Pakistan men's Hockey team. Details are as under:

S. No.	Firm	Items	Purpose/ Event	Cheque No and Date	Amount (Rs.)
1	Sabir Sports	Track suits, green kits,	Senior, Junior & Women hockey team	8258006 30.07.13	850,000
2	-do-	Track Suits, Kits, Shirts, Socks etc.	Senior and Junior Women Hockey team	3438556 10.09.13	334,500
3	-do-	Track Suits, Kits, Shirts, Socks etc.	Senior Hockey team	3438496 19.11.13	236,600
4	-do-	Shoes, playing shirts, socks e.tc	Pakistan Men's Hockey team	Cash payment	195,000
5	Ski Sports	Tennis balls, Skipping rope, clutches etc.	Junior Camp Islamabad	Cash payment	67,170
6	Gift House	Souvenirs	1 <sup>st</sup> women challenge cup Bangkok	Cash payment	78,450
7	-do-	Hockey shoes	1 <sup>st</sup> women challenge cup Bangkok	Cash payment	64,050
8	-do-	Plates, medal sets	Hockey World League	Cash payment	257,000
<b>Total</b>					<b>2,082,770</b>

Audit observed that:

- i. Procurement of air tickets and sports items (kits) was done without open competition.
- ii. Receipts of procured sports items were not recorded in the stock register.

Audit is of the view that the procurement of air tickets and sports items without competitive bidding was irregular and unauthorized.

The management replied that three quotations were received from different travel agents and lowest was accepted, and purchase of air tickets during financial year is under the rules of Pakistan Hockey Federation. Necessary documents are enclosed. Management further stated that as for sport items different quotations were received and lowest was accepted. All the items which were supplied by the contractor were taken on stock register and issued to concerned manager/coach/players.

The reply was not tenable because response from the PHF did not carry documentary evidence as indicated in their reply.

The DAC on 20.10.2015 decided that PHF authorities should strictly follow the PPRA Rules with directions to provide documentary evidence in support of their assertion that quotations were obtained and stock entries were made for verification by Audit.

The management did not provide record for verification till the finalization of the report.

Audit recommends that responsibility may be fixed for the irregularity and provide evidence that necessary instructions have been issued to ensure that the directives of the DAC are followed in future.

#### ***20.4.5 Irregular Purchase of Sports items under development of Hockey Programme - Rs. 33.682 million***

In accordance with Article 8 the by-laws of the PHF, framed by Congress/Board, shall include General Rules, Standing Orders, and Tournament Regulations.

In accordance with Article 22.2.4 of the Constitution of the PHF the Treasurer will keep and maintain accounts of PHF properly and may produce the same for inspection to any person, duly authorized by the President.

In accordance with Article 9.1 of the Constitution of the Pakistan Hockey Federation, the Pakistan Hockey Federation was established to promote, control, develop and organize the game of hockey at all levels in Pakistan and to protect and safeguard the interests of its member.

The management of Pakistan Hockey Federation purchased sports items at a cost of Rs. 28.182 million from different vendors during 2010-14. Details are as under:

**(Rupees)**

S. No.	Vendor	Date	Amount	Remarks
1.	M/s Awan Sports Sialkot	30.07.2013	7,500,000	Through cheque
2.	M/s Awan Sports Sialkot	15.12.2010 13.01.2011	5,250,000	Through cheque
3.	M/s B the Boss manufacturers and exporters	30.04.2014	9,180,000	Cash payment
4.	M/s FD International Sialkot	13.08.2010	6,252,000	Through cheque
5	M/S FD international Sialkot	01.10.2009, 27.05.2010, 12.06.2010,	5,500,000	Through cheque
<b>Total</b>			<b>33,682,000</b>	

Audit observed as under:

- i. The hockey sticks were purchased without open competition
- ii. According to payment/withdrawal vouchers Rs.9.180 million were drawn in cash.
- iii. The invoice submitted by the firm was not on proper format as it neither contained the Sales Tax No. or the Income Tax Number.
- iv. Neither the procured items were recorded in the stock register nor any evidence of further distribution, delivery documents; acknowledgment receipts were available on record.
- v. Tax at source was not deducted at the time of payment.

Audit is of the view that procurement without open competition was irregular and unauthorized. Audit is also of the view that in the absence of stock entries and evidence of distribution the entire procurement became doubtful.

Management replied that the Pakistan Hockey Federation had purchased the hockey sticks on various occasions. PHF had purchased hockey sticks from well-known brands from different contractors giving the lowest bid. It was further clarified that three quotations were received and the lowest was accepted. As per practice in vogue in Pakistan Hockey Federation, all the sports items were

received and taken on charge in Stock Register. Every after half year Stock Taking had been carried out and signed by the Secretary General PHF.

The reply was not satisfactory. The entire purchase was made in violation of procurement rules as the procurement over one hundred thousand rupees was required to be made through open competition instead of obtaining quotations. The copies of stock register provided required verification of original record to verify the stock and distribution with documentary evidence.

The DAC on 20.10.2015 directed PHF to hold an Inquiry and fix the responsibility within 30 days under intimation to audit.

Audit recommends that responsibility may be fixed for the irregularity besides stopping the irregular practice in future.

#### ***20.4.6 Non recovery from Punjab Sports Board - Rs. 17.226 million***

Article 9.5 of the Constitution of the Pakistan Hockey Federation states that Pakistan Hockey Federation will raise and utilize funds for the promotion of the game including purchase, lease, sale, hire or exchange of moveable or immovable properties.

The Government of Punjab sanctioned a special grant of Rs.100 million to Pakistan Hockey Federation for revival of Hockey in Pakistan through Sports Board Punjab on 24.02.2014.

Audit observed that Punjab Sports Board had released an amount of Rs.82.770 million against sanctioned amount of Rs.100 million leaving a balance of Rs.17.226 million. But the PHF did not make efforts to recover the balance amount.

The management replied that the Government of Punjab sanctioned a special grant of Rs.100.00 million to Pakistan Hockey Federation for revival of Hockey in Pakistan through Punjab Sports Board on 24.02.2014 against which a balance of Rs. 17.226 million was still pending up to June 2014.

The DAC in its meeting held on 20.10.2015, directed to take up the case with Punjab Sports Board for release of remaining balance amount of approximately Rs.9.0 million as stated by PHF management and record be

provided to audit. It may also be seen whether the objectives of the grant have been met.

Audit recommends that PHF may obtain amount from the Punjab Sports Board for achieving the given objectives.

**20.4.7 Irregular expenditure on tournaments sponsored by Malaysian Hockey Confederation – Rs. 16.789 million**

In accordance with Article 22.2.4 of the constitution of the PHF the treasurer will keep and maintain accounts of PHF properly and may produce the same for inspection to any person, duly authorized by the President.

The Pakistan Hockey Federation withdrew an amount of Rs.16.789 million as advance for 3<sup>rd</sup> and 4<sup>th</sup> Sultan of Johar Cup and 21<sup>st</sup> and 22<sup>nd</sup> Azlan Shah Tournament sponsored by Malaysian Hockey Confederation. Details are as under:

S.No	Name of Event	Cheque No and Date	Purpose	No. of Sponsors	Squad visited	Rupees in million	DAR Para No.
1	3rd Sultan of Johar Cup (Men's Junior)	No.438561 dated 18.09.2013	Adjustment Accounts and Stock entry of Gifts and sports items	22	25	7.500	Para No.15
2	4th Sultan of Johar Cup (Men's Junior)	Advance Cash	Adjustment Accounts and stock entry of sports items, gifts.	22	25	7.718	Para No.16
3	21 <sup>st</sup> Azlan Shah Tournament	Advance cash	Adjustment Accounts of DA,	22	25	0.755	Para No.18
4	22 <sup>nd</sup> Azlan Shah Tournament	Advance cash	hotel, Refreshment	22	25	0.816	
<b>Total</b>						<b>16.789</b>	

Audit observed as under:

- i. The Malaysian Hockey Confederation sponsored the expenditure of 18 players and 4 officials. Therefore, the payment of hotel charges for officials over and above the sponsored contingent was not justified.

- ii. The Hotel accommodation expenses of PHF Officials over and above the sponsored squad was irregular.
- iii. The adjustment of hotel accommodation was not supported with hotel bills to substantiate the claim/adjustment.
- iv. The sports items procured for the teams were not recorded in the stock.
- v. Souvenirs purchased for distribution at the tournaments were not recorded in the stock.

Audit is of the view that withdrawal of amount for hotel accommodation of PHF officials and other expenditure without fulfilling the required formalities for a sponsored tournament was an undue burden on the finances of the Federation.

The management replied that the amount in question was drawn for the purpose of Men's Junior invitational tournament which was held in Malaysia. The amount was paid on account of Daily Allowance, miscellaneous expenditure to the Players, Manager, Coaches and Officials. All the sanctions operated through Honorary Treasurer who deals with all Financial Matters as laid down in PHF Constitution. Cash was drawn and after getting the proper sanction and was delivered to players, coaches, manager and officials of the PHF.

PHF have to follow the Constitution of the Federation and Financial Rules which was approved in PHF Congress Meeting. All the sports items were received and taken on charge in Stock Register. Stock verification was being carried out twice every year and signed by the Secretary General PHF.

Reply is not satisfactory. The management provided copies of stock register which could not be verified as original record was not made available. Moreover, the management did not respond regarding non observance of procurement rules. No record was provided regarding DA, Miscellaneous Expenditure, Hotel charges as stated in the reply to substantiate the expenditure.

The DAC in its meeting held on 20.10.2015 directed to submit available record for verification by Audit and also show adjustment of accounts within 30 days. .



The management did not provide record for verification till the finalization of the report.

Audit recommends that the amount paid as advance may be recovered or adjustments provided besides fixing responsibility for withdrawal of amount without assessing the actual requirement.

**20.4.8 Non deduction of taxes - Rs. 7.77 million**

Section 153(1) of Income Tax Ordinance, 2001 states that every person making 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 at the time of making the payment, deduct tax at 3.5% for sale of goods and 5% on services from the gross amount payable as specified in Division-III, Part-III of First Schedule.

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 in Division I of Part I of the First Schedule on the estimated income of the employee chargeable under the head "Salary" for the tax year in which the payment is made.

The management of Pakistan Hockey Federation made payments to various vendors on account of purchased of hockey sticks as detail below:

<b>(Rupees)</b>			
<b>S. No.</b>	<b>Vendor</b>	<b>Date</b>	<b>Amount</b>
<b>1.</b>	M/s Awan Sports Sialkot	30.07.2013	7,500,000
<b>2.</b>	M/s Awan Sports Sialkot	15.12.2010 13.01.2011	5,250,000
<b>3.</b>	M/s B the Boss manufacturers and exporters	30.04.2014	9,180,000
<b>4.</b>	M/s FD International Sialkot	13.08.2010	6,252,000
<b>5</b>	M/S FD international Sialkot	01.10.2009, 27.05.2010, 12.06.2010,	5,500,000
<b>Total</b>			<b>33,682,000</b>

Similarly the management of Pakistan Hockey Federation paid an amount of Rs. 54.606 million to M/s Hassan Sports Event Management as 30% service charges for arranging sponsorship for hockey.

The management also paid salaries to officials of PHF during 2010-14. Details are as under:

S. No.	Name of Official	Period	Salary Income	Income Tax payable
1.	Muhammad Asif Bajwa, Secretary General	2010-11	1,600,000	110,000
		2011-12	2,400,000	384,000
		2012-13	2,400,000	245,000
2.	Rana Mujahid Ali, Secretary General/Director Operations	2010-11	840,000	62,990
		2011-12	860,000	64,500
		2012-13	1,080,000	50,500
		2013-14	2,200,000	210,000
<b>Total</b>				<b>1,126,990</b>

Audit observed that income tax of Rs.1.18 million @ 3.5% was not deducted from the payments made on account of purchase of hockey sticks and Income Tax of Rs. 5.46 million at the @ of 10% for payments made to M/s Hassan Sports Event Management. The management also did not deduct Income Tax amounting to Rs. 1.13 million from the salaries of the two above named officials.

Audit is of the view that non deduction of Tax deprived the Government of its due share of revenue.

The management did not reply regarding deduction of Income Tax.

The DAC on 20.10.2015 directed PHF to recover the Tax and record of such deposit in Government treasury may be shown to the Audit. .

Audit recommends that the taxes may be recovered from the individuals and deposited into Government treasury.

**20.4.9 Unauthorized payment of foreign exchange to non-official by PHF – USD-39,920 equivalents to Rs. 3.832 million**

In accordance with Article 22.2.4 of the constitution of the PHF the Treasurer will keep and maintain accounts of PHF properly and may produce the same for inspection to any person, duly authorized by the President.

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 Pakistan Hockey Federation drew an amount of Rs.4.700 million vide cheque No.6946345 dated 01.11.2012 for 2<sup>nd</sup> Sultan of Johar Cup (Men's Junior) Invitational Tournament Johor Bahru, Malaysia Cup held in Malaysia from 07-19 November 2012 sponsored by Malaysian Hockey Confederation.

The management purchased US dollar 41,000 equivalents to Rs.3.936 million from the open market.

Audit observed that the dollars purchased were handed over to Mr. Shahzad Malik, Journalist ARY TV Lahore for onward delivery to Manager Pakistan Hockey Junior Team vide PHF acknowledgment receipt dated 05.11.2012

Audit is of the view that withdrawal of heavy amount in cash and its subsequent conversion into dollars and handing over to a non-official by the PHF put the finances of the PHF at risk.

The management replied that the amount was drawn for 2<sup>nd</sup> Sultan of Johar Cup (Men's Junior) Invitational Tournament Johor Bahru, Malaysia Cup held in Malaysia from 07-19 November 2012 and sponsored by Malaysian Hockey Confederation.

It is further added that the payment was handed over to Mr. Shahzad Malik Journalist ARY TV Lahore for onward delivery to Manager Pakistan

Hockey Junior Team. Both the receiving/ acknowledgement receipts are enclosed. Audit observation has been noted for strict compliance in the future and the management will be more careful.

Management has accepted the irregularity.

The DAC in its meeting held on 20.10.2015 directed to verify the original record from Audit within 30 days. .

The management did not provide record for verification till the finalization of the report.

Audit recommends that matter may be investigated for fixing the responsibility besides stopping the irregular practice. Complete disbursement record of the amount may also be provided for verification.

#### ***20.4.10 Irregular and unauthorized expenditure - Rs. 3.265 million***

The financial matters of the Pakistan Hockey Federation are being dealt in accordance with the provisions of the PHF Financial Rules, 2008 as amended on 22.11.2013.

In accordance with Article 9.1 of the Constitution of the Pakistan Hockey Federation, the Pakistan Hockey Federation was established to promote, control, develop and organize the game of hockey at all levels in Pakistan and to protect and safeguard the interests of its Member.

Rule 157 (2) of the Federal Treasury Rules states that cheque drawn in favour of corporate or local bodies, firms or private persons for payments in favour of Central Gazetted Government servants or Central non Gazetted Government servants drawing emoluments for payments in respect of their personal claims shall be crossed wherever such payments are made by cheques.

The management of the Pakistan Hockey Federation incurred expenditure of Rs. 3.265 million on scrutiny expenses of PHF Election, 2013.

Audit observed as under:

- i. The funds were withdrawn in cash instead of making payment through crossed cheque.
- ii. An amount of Rs.1.565 million was paid as hotel charges without any supporting documents.
- iii. An amount of Rs.0.600 million was paid to 20 persons @ Rs.30,000 as honorarium without justification.
- iv. An amount of Rs.1.100 million was paid to 20 persons@ Rs. 55,000 as transportation charges without any documentary evidence.

Audit is of the view that PHF funds were meant for promotion of hockey and expenditure incurred on PHF election is neither covered in the Constitution of Pakistan Hockey Federation nor the Financial Rules of the Federation. Therefore the expenditure was irregular, unauthorized and undue.

The management replied that all the payments made to officials of PHF during scrutiny/ election were covered in Constitution of Pakistan Hockey Federation.

Reply is not satisfactory as the management could not substantiate the reply with the specific rule of the Constitution or the Financial Rules of PHF.

The DAC in its meeting held on 20.10.15 settled the para subject to the condition that the PHF authorities would frame the Financial Rules to get the expenditure regularized and verified from audit.

No response was received till finalization of the report.

The recommendations of the DAC may be followed and got verified from audit.

#### ***20.4.11 Irregular and unauthorized withdrawal of funds - Rs. 2.500 million***

Article 22.2.4 of the Constitution of the PHF states that the Treasurer will keep and maintain accounts of PHF properly and may produce the same for inspection to any person, duly authorized by the President.

Rule 3 of the PHF Financial Rules, 2013 states that for the domestic, international commitments and training camps of national senior, junior and women hockey teams along with PHF establishment expenses the Secretary General is empowered to withdraw cash from the PHF bank accounts and settle the same within 10 days.

On the request of the Secretary General Pakistan Hockey Federation the President Pakistan Hockey Federation approved a payment of Rs.2.5 million on 10.07.2012 for purchase of souvenirs for PHF/FIH/AFH officials, distinguished guests and to sponsor journalists for better coverage and image building during London Olympics held in July, 2012. The payment was made in cash on 13.07.2012 to the then Secretary General, PHF.

Audit observed that neither the souvenirs purchased/were brought on record nor was the amount was refunded. Also, amount spent on account of sponsored journalists was not accounted for.

Audit is of the view that withdrawal of heavy amount in cash and non-refund was serious violation of the rules and can lead to misappropriation of funds.

Management replied that on the request of the Secretary General Pakistan Hockey Federation the President Pakistan Hockey Federation approved a payment of Rs.2.500 million on 10.07.2012 for purchase of souvenirs for PHF/FIH/AFH officials, distinguished guests and to sponsor journalists for better coverage and image building during London Olympics held in July 2012. The payment was made in cash on 13.07.2012 to the then Secretary General PHF.

The management did not provide the record relating to the lawful utilization of the amount withdrawn.

The DAC in its meeting held on 20.10.2015, directed to provide adjustment accounts to Audit for verification within 30 days.

The management did not provide record for verification till the finalization of the report.

Audit recommends that, the responsibility may be fixed for not adhering to DAC direction and the recovery effected from the concerned. Audit also recommends to get the expenditure condoned from the Congress and to avoid the irregular practice in future.

***20.4.12 Irregular and unauthorized expenditure on purchase of kit items and holding of 32<sup>nd</sup> Junior Championship - Rs. 2.00 million***

Rule 12(1) of Public Procurement Rules, 2004 states that the procurements over one hundred thousand and up to the limit of one 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 154 of GFR Vol-I states that an inventory of the dead stock should be maintained in all Government offices in a form prescribed by competent authority, showing the number 'received, the number disposed of (by transfer, sale loss etc.), and the balance in hand for each kind of article.

The Pakistan Hockey Federation drew an amount of Rs. 1.500 million through cheque No.150117 dated 28.01.2013 and Rs.500,000 vide cheque No.6946321 dated 13.07.2012 for purchase of kits, for 32<sup>nd</sup> Junior Championship tournament.

Audit observed as under:

- i. The amount was withdrawn in cash in violation of rules.
- ii. Open competition procedure was not adopted for purchase of the kits.
- iii. The payment voucher was not supported with copy of orders, delivery challan, stock entry, inspection report, distribution list, etc.
- iv. An amount of Rs.1.000 million was meant for 32<sup>nd</sup> Junior Championship expenditure against which no disbursement record

was found attached with the vouchers even after lapse of three years.

Audit is of the view that withdrawal of heavy amount in cash was not only serious violation of rules but could lead to mishandling of Federation funds.

Audit is also of the view that due to non-adoption of open competition the Federation was deprived of the benefit of competitive rates.

Audit holds that in absence of documentary evidence the authenticity of the expenditure could not be ascertained.

The management replied that an amount of Rs. 500,000 was to be paid on account of purchasing kit items for Senior Hockey Team for London Olympics 2012 on quotations basis and an amount of Rs.1,000,000 was paid as Subsidy/ Grant to Punjab Hockey Association. The remaining Rs.500,000 was expended on different occasions in four different tours on account of expenditure as kit items.

Reply is not satisfactory. The management did not provide any supporting documents as stated in the reply to substantiate the expenditure. The claim of the management that the expenditure was made on quotation basis is also against the Rule 12(1) of Public Procurement Rules, 2004 which requires that the procurements over one hundred thousand and up to the limit of one million rupees shall be advertised on the Authority's website in the manner and format specified by the Authority from time to time. These procurement opportunities may also be advertised in print media, if deemed necessary by the procuring agency.

The DAC in its meeting held on 20.10.2015 directed that a detailed procedure be made for such expenditure and contributions where head wise details be mentioned. The details of previous contributions may be provided to audit for verification. .

Audit recommends that inquiry may be held to fix and responsibility for the irregularity which should be condoned by the PHF Executive Board.



**20.4.13 Irregular disposal of vehicles and non-deduction of advance tax-  
Rs.2.048 million**

Article 8.1 of the Constitution of PHF states that by-laws of the PHF, framed by Congress/Board, shall include General Rules, Standing Orders, and Tournament Regulation.

Rules 26 for the use of Staff Cars 1980 states that all vehicles shall be disposed of by Ministry /Division concerned through public auction.

Section 236-A of the Income Tax Ordinance, 2001 requires that the person making sale by public auction to collect advance tax @5% based on the gross sale price of the auctioned property. The said tax is charged from the person to whom such properties or goods are being sold.

The management of Pakistan Hockey Federation sold two Honda City vehicles at a cost of Rs. 1.950 million. Details are as under:

<b>S. No.</b>	<b>Purchaser</b>	<b>Registration No.</b>	<b>Model</b>	<b>Amount Rs</b>
<b>1.</b>	Muhammad Musa	LEA-4251	Not available	1,250,000
<b>2.</b>	Mr. Aziz Raza Cheema	LED-8898	2007	700,000
<b>Total</b>				<b>1,950,000</b>

Audit observed as under:

- i. Vehicles were sold without open competition.
- ii. Advance Tax @ 5% amounting to Rs. 97,500 was not deducted by the management.

Audit is of the view that vehicles of the PHF were required to be disposed of through open auction to obtain the competitive sale price. Moreover, due to non-deduction of advance tax the Government was deprived of its due receipt.

Management replied that the vehicles were disposed of as per rules and regulations of PHF. As regards tax deduction, no tax was deducted from the individuals as per practice in vogue in PHF. The PHF would approach the above named individuals to recover the tax.

The DAC on 20.10.2015 directed PHF to ensure recovery of advance tax and get it verified by Audit. Furthermore, Government rules may be applied till formulation of policy.

Audit recommends that responsibility may be fixed for sale of vehicles without open competition and non-deduction of tax. The amount of tax should also be recovered from the purchaser.

***20.4.14 Unauthorized payment of award money to Foreign Coach - Rs.1.600 million***

Article 12.8 of the Constitution of the PHF states that the supreme authority of PHF shall vests in the Congress.

Rule 6(b) of the PHF Financial Rules, 2013 states that the coach of the senior team is entitled to free boarding and lodging/pocket allowance @Rs.1,000 per day/airfare(economy) on joining and termination of camp(once only).

The Pakistan Hockey Federation appointed Mr. Michel Van Den as Head Coach from June,2010 to 30.08.2012 at monthly pay of €6,000 (all inclusive)with free boarding and lodging during the period of his assignment in Pakistan.

The Pakistan Hockey Federation paid award of €11,160 equal to Rs.1.400 million to Mr. Michel Van Den Heuvel, Chief Coach, Pakistan senior team and €3,980 equal to Rs.0.200 million was paid to Wilken Jeroen Pieter Bernardus assistant of Mr. Michel Van Den on wining the Asian Games-China.

Audit observed that there was no provision of bonuses/award in the contract agreements of the foreign coaches.

Audit is of the view that payment of award money to the foreign coaches was irregular and unauthorized.

The management replied that award to foreign coach as was sanctioned by the Prime Minister on the occasion of wining the Asian Games. All award money were duly reflected in the audit report which was audited by Chartered Accountant in Financial Year 2010-11.

The approval of the Prime Minister regarding payment of award money to the foreign coach as stated in the reply was not provided.

The DAC directed to get the approval of the PHF Congress and provide the same to audit. .

Audit recommends that approval of the Prime Minister as stated in reply may be provided besides implementation of DAC decision.

***20.4.15 Non-accounted of two laptop - Rs. 0.110 million***

Article 22.2.4 of the Constitution of the PHF states that the Treasurer will keep and maintain accounts of PHF properly and may produce the same for inspection to any person, duly authorized by the President.

The management of the Pakistan Hockey Federation purchased two Dell Laptops at a cost of Rs. 110,500 from Century Computer Systems and Laptops on 11.04.2013.

Audit observed that receipt of the laptops were neither entered in the stock register nor was their distribution available on record.

Audit is of the view that in the absence of stock entry and distribution record the assets of the federation were susceptible to misuse.

The management replied that the laptops were entered in the stock register and further given as gift to FIH Officials.

Gifting of laptops was against the rules and canons of financial propriety.

The DAC on 20.10.2015 decided to conduct an Inquiry and fix responsibility under intimation to audit.

Audit recommends that responsibility may be fixed for the irregularity and such practice should be avoided in future. Besides, recovery of cost of laptops may be made from the official who gifted the assets of PHF in violation of rules.

***20.4.16 Irregular payment of TA/DA to the Minister and Collector Model Customs- Rs. 0.54 million***

The PHF Financial Rules, 2008 determine the entitlement of TA/DA for players, officials and observers, etc.

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 and he is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The management of PHF paid US dollars 2,750 on 30.10.2009 to the then Minister of Sports as Daily Allowance for 11 days from 30.10.2009 to 09.11.2009 @ USD 250 per day for visit to Lille (France) for World Cup Qualifier.

Similarly, PHF also paid an amount of Rs. 0.165 million to M/s Polani's (Pvt) Limited vide cheque No. 4752015 dated 30.08.2012 for purchase of air ticket for Khawar Farid Maneka, Collector Model Customs Collectorate (Preventive), Karachi for travelling to UK to witness the performance of Pakistan Hockey team during London Olympics on the invitation of the PHF.

Audit observed that the Constitution and the Financial Rules of the Federation did not allow such payments to Minister Sports and Collector Model Customs Collectorate (Preventive), Karachi out of Hockey Federation Funds. As such the payment out of PHF funds was unauthorized.

The management replied that according to PHF Financial Rules Minister Sports was allowed DA @ US \$ 250 per day as PHF official/observer. As per PHF policy, officials were allowed to get Air Ticket & Hotel Accommodation abroad during their visit with Pakistan Hockey Team.

Management further replied that Khawar Farid Maneka, Collector Model Customs Collectorate (Preventive), Karachi was sent as observer and allowed to get Air Ticket & Hotel Accommodation abroad during the visit of Pakistan Hockey Team.

Reply was not convincing. Financial Rules of PHF did not allow payment of TA/DA either to the Federal Minister or the Collector Model Customs Collectorate (Preventive), Karachi.

The DAC on 20.10.2015 directed to place the case before the Congress for approval and this practice may be stopped in future. The record after regularization by the Congress be provided to audit for verification. .

The management did not provide record for verification till the finalization of the report.

Audit recommends that recovery may be affected from the concerned besides stopping the irregular practice.

***20.4.17 Substantial loss of rental income due to non-formulation of policy for revision of rent of shops in accordance with existing market rates.***

The management Hockey Club of Pakistan, Karachi, which was on lease for 30 years w.e.f 15.02.1963 from Karachi Cantonment Board, was handed over to Pakistan Hockey Federation by Hockey Club of Pakistan on 01.03.1984 through an agreement. The stadium consisted of 132 shops.

The management of the Pakistan Hockey Federation has received rent amounting to Rs.62.716 million as detail given below:

**(Rs. in million)**

S. No.	Year	Amount
1.	2009-10	10.543
2.	2010-11	12.502
3.	2011-12	12.720
4.	2012-13	12.355
5.	2013-14	14.596
<b>Total</b>		<b>62.716</b>

Audit observed as under:

1. The management has not formulated any policy to enhance the rent in accordance with prevailing market rates.
2. The rent of shops was being enhanced on the basis of rates agreed initially during the period 1968, 1986, etc. without making fresh

agreement on basis of market rates as was evident from the case of rent of M/s Rose Wood to whom shop was rented out at monthly rent of Rs.50 during 1968 and the rent was being enhanced till now on the basis of initial rent of Rs.50. The current monthly rent of the shop was Rs. 2,450 as compared with market rate of Rs. Rs. 17,820.

3. The rent of shops being rented out during 2011-12 onward was far less as compared with prevailing market rates as was evident in case of Ansari Sugar Mills, Naudero Sugar Mills (Pvt) Ltd. and Bawany Sugar Mills which were rented out at monthly rent of Rs. 28,435 to Rs. 33,000 as compared with market rates which were from Rs. 200,000 to Rs. 400,000 as assessed by management of Station Headquarters.
4. Initial rent agreements were not available in most cases.

Audit is of the view that due to non formulation of policy regarding enhancement of rent the PHF was sustaining substantial loss every month.

The DAC on 20.10.2015 directed to frame rent policy and make efforts for enhancement of rent.

Audit recommends that the rent may be revised in accordance with prevailing market rates in the vicinity.

#### ***20.4.18 Lack of Accounting Procedures, Rules and Regulations for PHF Fund and approved books of accounts***

Article 8.1 of the Constitution of the PHF states that the by-laws of the PHF, framed by Congress/Board, shall include General Rules, Standing Orders, and Tournament Regulations.

Article 9.2 of the Constitution of the Pakistan Hockey Federation states that the Hockey Federation shall make Rules, Regulations, By-Laws and issue Directives on all matters related, thereto;

In accordance with Article 22.2.4 of the Constitution of PHF the Treasurer will keep and maintain accounts of PHF properly and may produce the same for inspection to any person, duly authorized by the President, PHF.

Pakistan Hockey Federation received funds amounting to Rs. 1,084.982 million from Government of Pakistan during 2009-14. Details are as under:

**(Rupees)**

<b>Year</b>	<b>Federal Government</b>	<b>Own Receipts</b>	<b>Others (CM)</b>	<b>Total Receipt</b>
2009-10	148,063,250	4,766,2056	80,000,000	275,725,306
2010-11	89,566,360	49,146,729	50,000,000	188,713,089
2011-12	92,500,000	139,014,568	0	231,514,568
2012-13	234,247,702	39,784,289	10,000,000	284,031,991
2013-14	4,700,000	17,523,923	82,773,101	104,997,024
<b>Total</b>	<b>569,077,312</b>	<b>293,131,565</b>	<b>222,773,101</b>	<b>1,084,981,978</b>

Audit observed as under:

- i. Despite lapse of 16 years the PHF had not framed internationally accepted accounting policies and procedures.
- ii. In the absence of approved accounting policies and procedures the PHF was maintaining its funds without proper internal controls.
- iii. The books of accounts were not being maintained in proper format or in a manner that could assure permanence.
- iv. According to existing rules PHF cheques can only be signed by the (Honourary) Treasurer and the Secretary General, whereas one is located in Karachi and the other is stationed at Lahore, respectively. Such an arrangement for running the PHF is a risk for proper financial control of PHF.

Audit is of the view that approved internationally accepted accounting policies and procedures, rules and regulations for maintenance of the PHF Fund and proper books of accounts need to be adopted.

Management replied that the PHF was running all its affairs according to its Rules, Regulations & By-Laws. PHF has framed the accounting manual containing the detailed policies and procedures and Financial Rules according to its Constitution. Before making the payment to any person, sanction/approval is obtained from Secretary General, PHF/President, PHF.

The reply was not tenable as there was no evidence of PHF having internationally accepted accounting policies and procedures, rules and

regulations for fund management. Besides, books of accounts were not maintained in proper form or manner.

The Departmental Accounts Committee (DAC) in its meeting held on 20.10.2015, directed to frame the Financial Rules and Regulations duly approved by the Government. PHF authorities promised to complete the formality within three months.

Audit recommends that the decision of DAC may be implemented.

#### ***20.4.19 Non monitoring of financial affairs of the Sports Federations by Pakistan Sports Board***

In pursuance of Sub-section (1) of Section 3 of 4 of the Sports (Development and Control) Ordinance, 1962, the Federal Government constituted Pakistan Sports Board for control of Sports excluding cricket and made rules for determining the constitution, powers and functions of the Board vide SRO 222(1)/81 dated 16.03.1981.

In terms of Rule 10(i) the Executive Committee is empowered to approve the affiliation of the national games and sports organizations and associations to the Board and to ensure that the managing body of each of the national games and sports organization functions in the best interest of that particular game for the promotion and development of which the organization is responsible and to issue such directives in this behalf as may be deemed necessary in consultation with the Pakistan Olympic Association.

In terms of Rule 10 (ii and iii) the Executive Committee responsible to exercise supervision on day to day working of the national games and sports organizations and to approve the managers, delegates or officials for Pakistan teams going aboard.

Pakistan Sports Board Islamabad releases funds as grant in aid and special grants to different sports federations which were around 39 during 2013-14.



PSB released funds of Rs.569.077 million to Pakistan Hockey Federation during the period 2009-10 to 2013-14. Audit observed as under:

1. PSB had not devised any mechanism to monitor the utilization of funds released to various sports federations to ensure that the funds released were utilized in transparent and fair manners on the purposes for which these were released.
2. Prior to January, 2015 no approved criteria for affiliation of sports federations was in place.
3. No policy existed for hiring of foreign coaches for sports disciplines.
4. PSB only demanded financial statements from the sports federations only to verify the disclosure of GoP funds in their receipt accounts.

Audit is of the view that PSB was required to ensure whether the managing body of each of the national games and sports organization was functioning in the best interest of those particular games and the funds released on account of grants-in-aid, special grant and subsidies were being utilized by following best practices in fair and transparent manner.

Audit is also of the view that in the absence of approved criteria the management of PSB was not in position to direct the sports federations to follow the Government rules while making expenditure out of funds released to them. In the absence of any role of the PSB, the federations' financial affairs were not managed in organized manners as was evident in case of PHF where internal control system was not in placed.

The management did not reply.

The DAC on 20.10.2015 observed that there was a need of coordination between PHF and PSB and periodical accounts should be rendered in future.

Audit recommends that the decision of the DAC may be implemented.

#### ***20.4.20 Non-investment of funds - Rs. 39.499 million***

Section 9(7) of Pakistan Veterinary Medical Council (PVMC)

Regulations, 2000 states that such funds of the Council as in excess of the current requirements, with the prior approval of the Council, be invested in the National Saving Schemes or any other suitable investment.

The following were savings of PVMC at the end of each financial year:

<b>(Rupees)</b>	
<b>Financial Year</b>	<b>Saving</b>
2013-2014	39,244,712
2014-2015	38,020,654
2015-2016	39,498,767

Audit observed that an amount of Rs. 39.499 million was lying unutilized since 2013 but the management did not invest in interest bearing schemes as per provision of the regulations.

Audit is of the view that due to non-investment of surplus funds the Council was deprived of approximately Rs. 2 million each year @ 5% per annum.

The management replied that the PVMC is of the view that as the construction of the PVMC R&T Centre with an approved cost of Rs. 66.853 million was under process and funds could be required at any stage therefore, the investment was not made. After the observation of the audit, the process of investment of surplus funds has been initiated.

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

Audit recommends that responsibility may be fixed for the loss besides investment of surplus funds as required under the regulations.

#### ***20.4.21 Irregular appointment of consultant without competition***

Section 8 of PVMC Act, 1996 states that the Council may, with the previous sanction of the Federal Government, fix the remuneration and allowances to be paid to the President, the Vice-President, members, officers and servants of the Council.

Establishment Division No. 10-6/2004-R.2. dated 21.06.2005 states that guidelines regulating the re-employment of consultant after the age of superannuation are as under:

- i. Engagement of retired officers as consultants shall required prior permission of the Government invariably i.e. Defence Division in case of retired defence officers and
- ii. No consultant shall be re-employed after the age of superannuation without prior approval of the Prime Minister.

The management of the PVMC appointed Col (R) Muhammad Ali Asghar Raza as Consultant for preparation of PC-I of the PVMC Research & Training Centre Project on a lump sum pay of Rs. 150,000 per month on 12.05.2016.

Audit observed as under:

- i. Appointment was made without open competition.
- ii. That there was no sanctioned post of Consultant in PVMC.
- iii. The age of the consultant was 63 years (his date of birth is 02.03.1953) thus prior approval of the Prime Minister was required for his appointment.
- iv. Lump sum pay package was fixed by the Council instead of the Federal Government i.e. Ministry of IPC in violation of Section 8 of PVMC Act 1996.
- v. That as per record the grey structure of PVMC R&T Centre had already been completed at the cost of Rs. 42.566 million without PC-I before appointment of the Consultant.

Audit is of the view that appointment and payment of lump sum remuneration pay without prior approval of Defence Division, Prime Minister and Federal Government was irregular and unauthorized which resulted in loss of approximately Rs. 750,000 (payment of salary from May to September 2016) to Council.

Management replied that the officer was hired on 12th May 2016 as

consultant. The contract was up to 11.11.2016 which was not further extended.

The reply is not satisfactory because re-employment was made after superannuation, without approval of the Prime Minister and NOC of Ministry of Defence. Further, the management did not respond to other audit observations.

Audit recommends that responsibility may be fixed for hiring the services of Consultant after completion of grey structure without PC-I. Audit also recommends that responsibility may also be fixed for appointment of Consultant without the approval of the Prime Minister.

***20.4.22 Irregular transfer / appointment and unauthorized payment of salary to the Project Director – Rs. 3.422 million***

As per para 5 (c) of the System Of Financial Control And Budgeting, 2006 “while sanctioning expenditure out of the funds placed at his disposal, the Principal Accounting Officer shall ensure that the requirements of the relevant rules and regulations are fully met and that the approval of the Finance Division has been obtained in all cases which are not covered by a standing authorization that may have been delegated.”

The Ministry vide Office order No. F.1-1/2014-Edu dated 27.11.2014 transferred the services of Mr. Shahzad Iqbal, Project Director, Award of 3,000 Scholarships for Afghan students under Prime Minister’s Directive to Provision of Quality Education Opportunities to the Students from FATA & Baluchistan and three PMU since his appointment w.e.f 11.07.2014. The management paid Rs. 214,774 per month as salary.

Audit observed that:

- i. The services of the Officer from one project to the other project were transferred without the approval of Prime Minister.
- ii. The officer was paid Rs. 1.22 million from 11.07.2014 to December 2014, the period for which he did not work in the project.
- iii. Pay package of the officer was fixed without consultation with the Finance Division.

- iv. Hiring was paid for two years from 09.07.2014 to 10.06.2015 and 11.07.2015 to 10.06.2016 was paid. However, officer left the project in December 2015.
- v. The officer was also paid transport monetization @ Rs. 77,430 per month.

Audit is of the view that transfer/appointment without adopting laid down criteria was irregular and unauthorized.

The management replied that Mr. Shehzad Iqbal, Senior Joint Secretary, Ministry of Inter Provincial Coordination was retired from Government service on attaining the age of superannuation i.e. 60 years on 03.07.2014. Ministry of Inter Provincial Coordination moved a summary to the Prime Minister for approval of appointment of Mr. Shahzad Iqbal as Project (BPS-20) in the project titled "Award of 3,000 Scholarships for Afghan students under Prime Minister's Directive". Mr. Shahzad Iqbal transferred his services to the project titled "Provision of Quality Education to the students of Baluchistan and FATA" w.e.f. 11.07.2014 vide Ministry of Inter Provincial Coordination office order dated 27.11.2014 without approval of Prime Minister. F & A Section of Ministry of Inter Provincial Coordination is being asked to initiate recovery from Mr. Shehzad Iqbal, ex-Project Director.

The management has accepted the audit finding.

The PAO was requested on 08.12.2016 and reminded on 03.01.2017, but meeting of DAC was not convened till finalization of the report.

Audit recommends that responsibility should be fixed for irregular transfer / appointment besides initiating the recovery from concerned.

#### ***20.4.23 Irregular and unauthorized payment of honorarium – Rs. 1.776 million***

Sl. No. 1(iv) of Finance Division (Regulation Wing) O.M F-16(1) Reg-14/2003 dated 18.04.2012 states that incentive in the shape of honorarium may be provided to the official (other than project staff) involved in designing / critical and initial work of project as part of their routine activities.

Para 10(ii) of GFR Volume –I states that the expenditure should not be prima facie more than the occasion demands.

The management of the project titled “Provision of Quality Education to the students of Baluchistan and FATA”, Ministry of Inter Provincial Coordination, Islamabad paid Rs. 1,775,618 to its employees on account of honorarium.

Audit is of the view that honorarium was not admissible to the project staff as per above referred OM of Finance Division.

The management replied that honorarium cannot be paid to the project staff. In instant case approval of competent authority i.e. Secretary was not obtained, therefore, honorarium of Rs. 1.776 million paid to the project staff need recovery. F&A Section Ministry of Inter Provincial Coordination is being asked to initiate recovery from the project staff.

The PAO was requested on 08.12.2016 and reminded on 03.01.2017, but meeting of DAC was not convened till finalization of the report.

Audit recommends that recovery should be made for unauthorized payment of honorarium.

***20.4.24 Irregular retention of development grant released to Ski Federation of Pakistan for purchase of Snow Pressing Machine - Rs. 51.666 million***

According to para 2(vi) of revised procedure of Assignment Account issued vide letter No.AC-II/1-39/08-Vol-V/632 dated 24.09.2008, the officers holding Assignment Accounts 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 cheques for payments on account of purchases / supplies will be drawn in the name of contractor / supplier.

Rule10(iv) of Pakistan Sports Board(PSB) Rules, 1981 states that the Executive Committee shall be competent to allocate funds, grants-in-aid and subsidies to the National Games and Sports Organizations and sportsmen and to

sanction expenditure for activities, schemes or events of special nature or of national or international importance.

Para 85 of the GFR Volume-I states that an appropriation was intended to cover all the charges, including the liabilities of any of past years, to be paid during the year or to be adjusted in the accounts. It can be authorized by competent authority at any time before but not after the expiry of the financial year. Any unspent balance lapses and was not available for utilization in the following year.

Para 95 of the GFR Volume-I states that all anticipated savings should be surrendered to government immediately these are foreseen but not later than 15th May of each year in any case, unless they are required to meet excess under some other unit or units which are definitely foreseen at the time. However, savings accruing from funds provided through supplementary grant after 15th May shall be surrender to Government immediately these are foreseen but not later than 30th June of each year. No savings should be held in reserve for possible future excesses.

A project titled “Improvement of Ski Slope at Naltar, Gilgit Baltistan” was approved by the DDWP on 12-03-2013 at a cost of Rs. 29.299 million with the completion period of 12 months. PSB and Ski Federation Pakistan (SFP) are responsible for the execution of the project. As per scope of work, Snow pressing machine is required to be purchased. The DDWP also approved that the funds will be routed through PSB. The Procurement will be made by a procurement committee constituted by the SFP in which a member from the PSB will also be included. The Joint Secretary (Sports), M/o IPC will be nominated on the Executive Committee of SFP at an appropriate level, on the recommendation of the President of the SFP for representation of the general public. Later on the project was revised by the DDWP on 21.05.2014 at a cost of Rs. 52.273 million with the completion period of 24 months.

The management of Pakistan Sports Board released Rs. 11.720 million and Rs. 39.946 million during the year 2013-14 and 2014-15 respectively to Ski Federation.

Audit observed as under:

- i. PSB released Rs. 51.666 from Assignment Account of the Project in to SFP.
- ii. The record does not show that machine has been purchased.
- iii. Amount of interest earned by the SFP on this amount was not disclosed to audit.
- iv. A member from PSB was not involved in procurement of machine as approved by the DDWP.
- v. The funds were released by the PSB to SFP without obtaining the approval of the Executive Committee as is required under Pakistan Sports Board(PSB) Rules, 1981.

Audit is of the view that in the absence of adjusted account, the authenticity of the expenditure remains questionable.

Audit is further of the view that transfer of funds to SFP without immediate requirement and retention more than two years was irregular and unauthorized.

Audit recommends that the irregular practice may be stopped forthwith and responsibility may be fixed for the irregularity.

The management replied that the project was approved for the purchase of a Snow Pressing Machine, to be used at Naltar Ski Slope. Since the machine was to be imported, total cost of the machine was required to be made available in lump-sum because the machine could not be imported in piece-meals. Hence there was no other option except to release the amount of Rs.11.720 million to Ski Federation of Pakistan during 2013-14 to enable them to process the procurement on receipt of the balance amount during the next financial year. After release of the balance amount of Rs.40.000 million during fiscal year 2014-15, the Ski Federation imported the machine. Pakistan Sports Board is pursuing the Federation to furnish the utilization which, on receipt, would be provided to Audit. Approval of the Executive Committee for release of funds to Ski Federation was not required as the DDWP while approving the PC-I had decided that the procurement would be made by SFP; however funds would be routed through PSB.



The reply of the management is not acceptable as the funds were released in to SFP without immediate requirement which were retained by SFP more than two years. No adjustment account of the released amount was made by the SFP.

Audit recommends that adjustment may be made immediately besides fixing the responsibility for the irregular transfer and retention of amount.

***20.4.25 Irregular and unauthorized payment of Honorarium – Rs. 12.823 million***

Section 4 of Pakistan Sports Board Ordinance 1962 states that the name, constitution, powers and functions of the Board shall be such as may be determined by the Central Government.

Serial No. 17 of Annex-I of Para 8(a) of Finance Division O.M. No. F.3(2)Exp-III/2006 dated 13.09.2006 states that Ministries/Divisions and Heads of departments are empowered to sanction honoraria up to the level of Section Officer or equivalent. The amount should not exceed one month's pay of the Government servant concerned on each occasion. In case of recurring honoraria, this limit applies to the total of recurring payments made to an individual in a financial year.

Section 11 of Pakistan Sports Board Ordinance, 1962 states that in matter of emergency the President or in his absence the Senior Vice-president or, in his absence, the Vice-President or in his absence the Additional Vice-president may take such decision or sanction such expenditure as considered expedient but such decision or sanction shall be reported to the Executive Committee at its next meeting.

The Executive Committee of Pakistan Sports Board vide its 78th meeting held on 27-10-2014 observed that there was no provision in the rules for the grant of honorarium at the occasions of Eid-ul-Fitter, Eid-ul-Azha and at the close of each financial year. The Secretary, Ministry of Inter Provincial Coordination /Vice President, PSB stated that in the absence of any specific provision in the rules, Ex-post facto of the Executive Committee was not justified. The Executive Committee decided to defer the item.

Rule 28(2) of FTR Volume-I states that a Government Officer supplied with funds for expenditure shall be responsible for seeing that payments are made to persons entitled to receive them.

Fundamental Rule 9(9) states that honorarium means a recurring or non-recurring payment made to a government servant from general revenue as remuneration for special work of an occasional of intermittent character.

The management of Pakistan Sports Board withdrawal Rs.12.823 million out of recurring budget and paid as honorarium to the employees of the PSB and main ministry during the year 2014-15 with the approval of Secretary, Ministry of Inter Provincial Coordination (IPC) and Director General PSB. A detail of payment is as under:

S#	Name/Designation	Pay Drawn	Date/Vr. #	Amount
1	Officers, (17-19) & Daily Wages Officers One for Eid-ul-Fitter & One for Eid-ul-Azha	Equal to two months basic pay	23.09.2014/221	2,432,800
2	Employees (1-16) One for Eid-ul-Fitter & One for Eid-ul-Azha	Equal to two months basic pay	23.09.2014/181 23.09.2014/182	3,285,390 3,266,490
3	Daily Wages Employees one for Eid-ul-Fitter & One for Eid-ul-Azha	Equal to two months basic pay	23.09.2014/183 23.09.2014/184	159,650 164,450
4	Christian Staff on the event of Christmas& Easter	Equal to two months basic pay	12.12.2014/742 22.05.2015/1637	215,200 215,200
5	PSB employees at HQ BPS ( 1-20)	50% of running pay at the close/end of financial year,2015	26.06.2015/1976	2,595,940
6	Vijay Kumar, DDG(B-19) on Deewali	Equal to One Month Basic pay	30.10.2014/273	65,200
<b>Sub Total</b>				<b>12,400,320</b>
7	DS Sports Office, JS Sports Office, M/o IPC & CFO office staff	25% of Basic Pay	30.06.2015/42	173,158
8	Minister & Secretary's office staff	50% of Basic Pay at the close/end of financial ear,2015	26.06.2015/1976	168,740
9	Tariq Amin Khan, Dep Sec (Dev) M.Umar, Research Officer (IPC)	Equal to One Month Basic pay	20.08.2014/61	55,800
10	Muhammad Arfanullah khan Legal Advisor	-	26.06.2015/1978	25,000
<b>Sub Total</b>				<b>422,698</b>
<b>Grand Total</b>				<b>12,823,018</b>

Audit observed as under:

- i. The Secretary, Ministry of Inter Provincial Coordination (IPC) and Director General Pakistan Sports Board was only empowered

to sanction honoraria up to the level of Section Officer or equivalent and the amount should not exceed one month's pay of the Government servant concerned in a financial year.

- ii. The payments made to the employee's belong to the main ministry, etc. out of the budget of Pakistan Sports Board was not in order.
- iii. The payments of honorarium were not made in accordance with the provisions of the Fundamental Rule- 9.

Audit is of the view that as the Secretary and Director General are not empowered to sanction honorarium over and above the delegation, therefore, the payment is held irregular and unauthorized.

The management replied that admissibility or otherwise of different financial benefits to the employees of PSB was taken up with the Finance Division. That Division opined that the case relating to the grant of benefits to the unionized staff are not dealt with in the Finance Division. Finance Division advice is reproduced "Subordinate organizations of the Ministries/ Divisions to be manned by unionized staff are outside the purview of the Standing Committee. Further, the Standing Committee considers the revision/ sanction of pay scales and allowances of the officers and supervisory staff only. As regards, Pakistan Sports Board being body Corporate, it is an industry as declared by National Industrial Relations Commission, Islamabad vide their judgment No. Case No.12 (61)/ 99 dated 21.02.2002 and governed by Industrial Relations Ordinance 2002 to be defined therein as of and industry. Since the instant case regarding charter of demands of Pakistan Sports Board employees union (CBA) (non-supervisory/ non-executive staff), such cases are not dealt by Regulations Wing, Finance Division for placing before Standing Committee, therefore, it is proposed that this file may be returned to the quarter concerned. Grant of honorarium to the employees of PSB at different occasions was agreed on the basis of Memorandum of Settlement signed by the Management and the CBA".

The reply of the management is not acceptable as it is irrelevant.

Audit recommends that responsibility should be fixed for the irregularity beside recovery and discontinuation of the irregular practice.

***20.4.26 Irregular hiring the services of food contractor without open competition – Rs. 39.858 million***

Rule 12 (1) of Public Procurement Rules, 2004 procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website 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 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.

Para 11 of 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 PSB, Islamabad incurred an expenditure of Rs. 39.858 million through 25 different cheques during the year 2014-15 on arranging food for the players stayed in the PSB hostels during National Camps.

Audit observed as under:

- i. The food items were purchased without calling open tenders.
- ii. The scale of per day/time meal items provided to the players was not available on record.

- iii. The reconciliation between category wise players residing in the hostels as recommended by the Federations and meals arranged was not available on record.
- iv. During the period 04-08-2014 to 31-01-2015, an amount of Rs.14.190 million was incurred for arranging food items but number of players to serve the food was not available on record.
- v. As against total capacity of 250 to 300 persons in all the hostels, an amount of Rs 4.596 million was incurred for arranging food of 1906 persons/players residing in the hostels during Inter Board Sports-2015 and XII West Asia Baseball Cup held on 13.02.2015 to 22.02.2015. The numbers residing to served food and capacity of hostels was un-believable/ astonishing.

Audit is of the view that purchases were made without open competition and without scale of per day/time meal items provided to the players was irregular.

The management did not reply.

Audit recommends that responsibility may be fixed for the irregularity.

#### ***20.4.27 Irregular payment on hiring of the services of the Iranian Judo Coach – Rs. 3.353 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.

In terms of Rule 4(xvi) of Pakistan Sports Board Rules, 1981 PSB gives Grants-in-aid and subsidies from time to time to the National Games and Sports Organizations affiliated to the Board and deserving sportsmen.

The Pakistan Judo Federation, Peshawar hired the services of Iranian Judo Coach since long. A case for the renewal of agreement for hiring the services of the Iranian Judo Coach was sent to PSB, Islamabad by the Pakistan Judo Federation vide its letter dated 23.12.2013 for approval of PSB and informed that all the expenses of the Iranian Judo Coach will be beard by the

PSB. Pakistan Judo Federation, Peshawar made an agreement with Mr. Sajjad Kazemi on 15.01.2014 for the period of two year @ USD \$ 2,500 per month. An amount of Rs. 3.353 million was paid to Iranian Judo Coach by the PSB during the year 2014-15.

Audit observed as under:

- i. The contract was signed between Pakistan Judo Federation and Mr. Sajjad Kazemi, Iranian Judo Coach whereas payments were made by PSB without any provision in the Ordinance and Rules.
- ii. The services of Judo Coach were hired without open competition and without obtaining the approval of the competent authority.
- iii. All the payments were made to the Judo Coach in dollars and in cash.

Audit is of the view that the payment of monthly remuneration and other reward to Judo Coach out of PSB funds is irregular and unauthorized.

The management replied that since in its inception, Pakistan Sports Board has been hiring the services of Foreign Coaches on the recommendations of affiliated National Sports federation and with the approval of Ministry dealing with the subject of Sports and with the clearance of Ministry of Interior. As there was no policy for the hiring the services of Foreign Coaches therefore, the case was placed before the 80th Meeting of Executive Committee of PSB held on 07.05.2015. During discussion, the Executive Committee decided that more than for which was required and hence, the item was deferred for further discussion. The case was again place before the 81st Meeting of the Executive Committee of PSB in its meeting held on 18.09.2015. The Executive Committee approved the criteria for hiring of Foreign Coaches with the observation that representative of concerned Federation should be co-opted in the Committee to recommend the selection of a Foreign Coach. Following criteria was approved:

- i. Since National Sports federations are responsible for coaching and training of their respective disciplines therefore the concerned Federation will forward the name of required foreign coach after

due scrutiny of its qualification, experience and terms of appointment.

- ii. The constituted Committee will examine and scrutinize the credentials of the nominated foreign coach and recommend the nomination for onward approval of Secretary, Ministry of IPC.
- iii. The Committee will also recommend the terms and conditions for hiring the services of a particular coach.

The reply of the management is not acceptable as the services of Judo Coach were hired without open competition and without obtaining the approval of the competent authority.

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

***20.4.28 Purchase of cloth and track suit without conducting the laboratory test to determine the cloth was according to the approved specifications – Rs. 19.697 million***

Rule 10 of Public Procurement Rules, 2004 states that specifications shall allow the widest possible competition and shall not favor 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”.

The management of Pakistan Sports Board (PSB), Islamabad incurred Rs.19.697 million during 2014-15 for purchase of cloths for stitching the official Uniforms and Track Suits.Details are as under:

S#	Vr.& date	To whom purchased	Name of Supplier	Particular of purchases	Amount (Rs)	Budget A/C
	194 23.09.2014	Pakistani Contingent	M/s Taimoor Traders, Islamabad	Branded Cloth for Trousers	3,637,400	Assignment Account
	195 23.09.14	Pakistani Contingent	M/s Sunny Fabrics and Tailors, Islamabad	Cloth	452,700	-Do-
1	919 21-01-15	Pakistani Contingent	M/s BMITCO, Islamabad	Uniform items Part Payment	6,274,400	-Do-
2	708	-Do-	M/s Roshi Sports, Lahore	-Do-	1,846,000	-Do-

	10.12.2014					
3	05 26.06.15	Players	M/s Green Hill Corporation	Track Suits	7,486,875	National Games Account
					19,697,375	

Audit observed as under:

- i. Laboratory test was not carried out to determine whether the cloth and track suits were according to the approved specifications or not.
- ii. Neither PSB mentioned the classifications the cloth nor did suppliers mention the brand of cloth.

Audit is of the view that undue favor was extended to the suppliers by accepting cloth and track suits without conducting the laboratory tests.

The management replied that the purchases of cloths were made in accordance with the PPRA Rules. In PPRA Rules, the condition of Laboratory Test for determining specifications of cloth or track suits is not mentioned. In this regard a Purchase Committee comprising experts was constituted. The Committee after evaluating the technical bid recommended branding cloth of Sara Fabric SITE Karachi. Furthermore, the purchases were made according to the sample of cloth available in the PSB Store. Also as per previous practice, no objection was raised by any auditor in past regarding determination of cloth or track suits by Laboratory Tests. However, in future efforts shall be made to purchase the cloth after laboratory test.

The reply of the management is not acceptable as undue favour was made to the suppliers.

Audit recommends that matter may be inquired to fixing of responsibility.



## **CHAPTER 21**

### **21. INTERIOR DIVISION**

#### **21.1 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:

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

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

Final budget allocated to the Interior Division for the financial year 2015-16 was Rs. 131,900.777 million including Supplementary Grant of Rs. 46,092.364 million against which the Division utilized Rs. 109,835.565 million. Grant-wise detail of current and development expenditure is as under:

**(Rupees)**

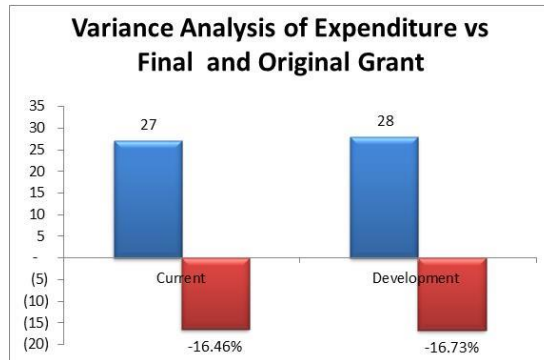
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
62	Current	657,000,000	17,919,055,000	18,576,055,000	606,168,387	(17,969,886,613)	(97)
63	Current	6,737,000,000	1,016,322,000	7,753,322,000	7,647,016,528	(106,305,472)	(1)
64	Current	1,416,000,000	512,216,000	1,928,216,000	1,916,223,114	(11,992,886)	(1)
65	Current	39,415,000,000	14,402,278,000	53,817,278,000	54,197,022,808	379,744,808	1
66	Current	7,606,000,000	20,350,000	7,626,350,000	7,447,555,906	(178,794,094)	(2)
67	Current	1,674,000,000	73,256,000	1,747,256,000	1,742,356,031	(4,899,969)	(0)
68	Current	16,968,000,000	5,102,285,000	22,070,285,000	20,786,060,679	(1,284,224,321)	(6)
69	Current	3,069,000,000	1,397,711,000	4,466,711,000	4,219,685,146	(247,025,854)	(6)
	<b>Subtotal</b>	<b>77,542,000,000</b>	<b>40,443,473,000</b>	<b>117,985,473,000</b>	<b>98,562,088,599</b>	<b>(19,423,384,401)</b>	<b>(16)</b>
123	Development	8,266,413,000	5,648,891,000	13,915,304,000	11,273,476,314	(2,641,827,686)	(19)
	<b>Total</b>	<b>85,808,413,000</b>	<b>46,092,364,000</b>	<b>131,900,777,000</b>	<b>109,835,564,913</b>	<b>(22,065,212,087)</b>	<b>(17)</b>

Audit noted that there was an overall saving of Rs. 22,065.212 million, mainly due to savings of Rs. 17,969.887 million in Current Grant No. 62.

### *Supplementary Grants obtained without careful cash forecasting*

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 27%, which, after accounting for Supplementary Grants changed to savings of 16.46%. In development expenditure, excess against original budget was 28% which changed to savings

of 16.73% when Supplementary Grants were taken into account.



### 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
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%	
<b>Total</b>		<b>278</b>	<b>278</b>	<b>196</b>	<b>82</b>	<b>71</b>

### 21.4 AUDIT PARAS

#### *Non-production of Record*

##### *21.4.1 Non Production of record*

Section 14 (2) of the 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 the 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 Ministry of Interior did not provide the following record to Audit till date:

- i. Mission-wise and year-wise number of personnel sent.
- ii. Mission-wise and year-wise personnel cost and contingent equipment cost due and received from UN.
- iii. Total receipts collected directly/by other departments
- iv. Month-wise number of arm licenses renewed/revalidated and month wise fee/penalty received during 2014-15.
- v. Number of free licenses renewed/revalidation.
- vi. Present Arms Policy of Government
- vii. Detail of officers/officials re-employed after superannuation.
- viii. Detail of consultants/contract employees appointed during the audit period.
- ix. Copies of Internal Audit Report and Physical Verification Report for the period under Audit.
- x. Movement/Log Book Registers of vehicles, petrol account and vehicle-wise expenditure on POL/Repair of each vehicle along with requisition slips.
- xi. List of off road vehicles.
- xii. A certificate regarding theft, embezzlement, fraud, etc during the period under audit.

Audit is of the view that in the absence of the relevant record, the authenticity of the accounts of the Ministry could not be ascertained.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.

#### ***21.4.2 Non-production of record***

Section 14 of the Auditor-General's Ordinance 2001 and Para-17 of GFR Vol-I states that it is the duty of every Department/Controlling Officer to afford all reasonable facilities to the Audit in the discharge of their duty and to furnish the fullest possible information which they may ask for in connection with the preparation of an account or report which it is their duty to prepare. No information or book should be withheld, which is the statutory right of the Audit to see on behalf of the Auditor-General of Pakistan.

The Honourable Supreme Court of Pakistan in its judgment dated 08.07.2013 in Constitution Petition No.105 of 2012 vide Para 27(b) declared and directed that the Auditor General of Pakistan, 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.

The management of Islamabad Capital Territory Police (ICTP) was requested to provide record.

The management did not provide the following record/information till the completion of audit.

- i. List of bank accounts being maintained by the ICT Police.
- ii. Record of Welfare Fund, Audit has already raised an audit para in

AIR 2013-14 regarding maintain a bank account No. PLS-81395-7 in the National Bank of Pakistan, F-8 Markaz Branch Islamabad.

- iii. Record relating to shops, canteens and petrol pump of ICT Police.
- iv. Physical verification report.
- v. Details of vehicles and other physical assets lying within premises of Police Department or with Police Department and their current status as on 30.06.2015.
- vi. Record of office cards branch.
- vii. Record of empty boxes/cans etc of vehicles oil and their disposal.

Audit is of the view that non-production of record hindered the auditorial functions of the Auditor General of Pakistan.

The management replied that:

- i. A committee has constituted under the chairmanship of DIG/HQ Islamabad who analyzes the applications/cases on merit basis and decides about the sanction of expenditure for each and every case. Proper records of Receipt and expenditure accounts Regimental Welfare Fund are available and will be produced to Audit. Nothing is used as commercial but it is the necessity of personnel of ICT Police to maintain their refreshment/entertainment.
- ii. Committee under the Chairmanship of DSP, HQrs has physically carried out inspection/verified all stores of Police Lines H-11, Islamabad.
- iii. Vehicles and other physical assets held under article 134 confiscated goods, vehicles is within the purview the District Magistrate and ICT Police has no concerned with.
- iv. Record of NAS (US Embassy) funds received during 2014-15 available with ICT Police, which can be verified/checked.
- v. The record of Shagird Pешa already provided to the Audit team. However revised statement over the signature of competent authority is attached. There is no appointment of Daily Wages Workers during the audit period.

- vi. Empty boxes/cans etc of vehicles were destroyed in the presence of competent authority. A report of MT Inspector is attached.
- vii. Pre-printed office cards were issued to officers/officials.

The reply was not accepted because no documentary evidence was produced in support of the reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.

### ***Irregularity and Non-compliance***

#### ***21.4.3 Non recovery of Personnel deployment cost from UN - US\$ 7.753 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.

Ministry of Interior signed MoUs with the United Nations during 2004, 2006 and 2007 for sending its contingent to UN peace mission at fixed cost of US\$ 1,132/man/month to be reimbursed on monthly basis:

Audit observed as under:

- i. As per data provided to Audit by the Ministry, personnel cost of US\$ 7.753 million was still recoverable from United Nations for 2013-15. Details are as under:

Mission	Starting Date of Mission	No of Personnel	Per month per man cost US\$	Amount receivable for two years US\$	Amount received US\$	Receivable US\$
Haiti	April 2004	140	1,132	3,803,520	5,015,548	
Darfur	June 2007	140	1,132	3,803,520		
Cote D Ivoire	June 2006	190	1,132	5,161,920		
<b>Total</b>				<b>12,768,960</b>	<b>5,015,548</b>	<b>7,753,411</b>

- ii. The management did not provide any record/information for the period before 2013-14, therefore, the exact recoverable amount could not be calculated.
- iii. The management could not prove that they had pursued the case with the UN for the recovery of outstanding personnel cost.
- iv. There was no clause in the MoU for the compensation for late payment of dues from UN.

Audit is of the view that the management was not pursuing the case due to which public exchequer is suffering financial loss.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be pursued at appropriate level for recovery of outstanding cost.

#### ***21.4.4 Non-recovery of equipment rent from UN - US\$ 5.314 million***

Para 26 of GFR 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.

Ministry of interior signed MoUs with the United Nations during 2004, 2006 and 2007 for sending its contingents to UN peace mission along with equipment provided by the Government of Pakistan. The rent of equipment recoverable on monthly basis was mentioned in Annexure-B of MoU.

Audit observed as under:

- i. The rent/cost of the contingent owned equipment was not reimbursed by the United Nation during 2014-15. Ministry did not provide any record showing the reimbursement made. The details are as under:



<b>Mission</b>	<b>Starting Date of Mission</b>	<b>Per month Rent / cost US\$</b>	<b>Amount receivable for two years US\$</b>
Haiti	April 2004	53,873.56	1,292,965.44
Darfur	June 2007	90,054.27	2,161,302.48
Cote D Ivoire	June 2006	77,494.29	1,859,862.96
<b>Total</b>			<b>5,314,130.88</b>

- ii. The management did not provide any record / information for the period before 2013-14, therefore, the exact recoverable amount could not be calculated.
- iii. The management could not prove that they had pursued the case with the UN for the recovery of outstanding equipment rent/cost.
- iv. There was no Clause in the MoU for the compensation for late payment of dues from UN.

Audit is of the view that the management was not pursuing the case due to which public exchequer is suffering financial loss.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be pursued at appropriate level for recovery of outstanding dues.

***21.4.5 Unauthorized payment of reimbursed contingent cost to the employees - Rs. 301.328 million***

Paragraph 5 of the General Terms and conditions of the MoU between the Government of Pakistan and UNO states that during the period of their assignment the Government shall be responsible for the payment of whatever emoluments, allowances and benefits may be due to its personnel under national arrangements.

Paragraph 2 of the Annexure-A of MoU between the Government of Pakistan and UNO states that Government will be reimbursed Personnel cost at the rate of \$ 1,028 per month per contingent member. In addition the personnel will be paid per month US\$ 68 for clothing, US\$ 5 for weaponry and ammunition and daily allowance US\$ 1.28. Further 10% of the strength will be

paid specialist allowance @ US\$ 303 per month.

As per the expenditure statement provided to Audit, the expenditure incurred under the cost centre relating to UN Missions for the year 2014-15 was as under:

S.No	ID	Cost Reimbursed	Amount (Rs)
1.	3799- UN Mission in Cote D'Ivoire	Personnel Cost	228,449,427
2.	5214- UN mission Darfur (Sudan)	-do-	72,878,880
<b>Total</b>			<b>301,328,307</b>

As per provisions of MoU, the Government of Pakistan paid all emoluments, allowances and benefits on monthly basis from their respective offices to all the personnel deputed in UN peace mission for the periods of their deployments.

Audit observed that management also paid the reimbursed personnel cost to the employees (in addition to monthly salaries from the Government) at different rates.

Audit is of the view that the reimbursed personnel cost from the UN was in addition to the emoluments, allowances and benefits already paid to the employees on monthly basis from the Government budget. Hence, the amount received from UN was to be deposited into Government account instead of its payment to the personnel.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amounts may be recovered.

#### ***21.4.6 Wasteful expenditure on printing of extra copies of Gazette notification - Rs. 21.940 million***

Para 10 of GFR states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are the

following:

- i. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- ii. The expenditure should not be prima facie more than the occasion demands.

Ministry of Interior paid printing charges of gazette notifications of polling stations of the National and Provincial Assembly for General Election 2013 during financial year 2014-15. Details are as under:

<b>(Rupees)</b>				
<b>S.No</b>	<b>Bill No</b>	<b>Province</b>	<b>Extra Copies for DC.S&amp;F</b>	<b>Amount</b>
1	CB-1702	KPK	295	1,081,567
2	CB-1705	Sindh/ Baluchistan	275	2,800,109
3	CB-1706	Punjab	300	5,105,181
<b>Total</b>				<b>8,986,857</b>

Election Commission of Pakistan ordered to print 50 copies of the gazette notification for which they paid the printing cost. The cost of extra copies printed by the Printing Corporation of Pakistan (PCP) for Department of Controller Stationery and Forms (DC S&F) Karachi were paid by the Ministry of Interior.

Similarly, the Ministry of Interior incurred expenditure of Rs. 12.953 million on printing extra copies (250 to 750) of Gazette notifications of the other Ministry/Divisions and their subordinate offices including the Regulatory Authorities/Autonomous Bodies.

Audit observed as under:

- i. The Ministry had no authorization and justification for the printing of extra copies of each Gazette notification for DC.S&F, Karachi.
- ii. The Ministry could not produce any utilization record from DC.S&F for extra copies printed for them by the PCP.
- iii. The copies of notification relating to constituencies of KPK, Punjab and Baluchistan were sent to Karachi, for which, there

seems no relevance of utilization.

- iv. When in the IT regime, every notification of each Ministry, Division/Department is available on their website then there was no justification of incurring the expenditure on printing of extra copies.

Audit is of the view that the expenditure was unauthorized and unnecessary.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the responsibility for the expenditure on extra copies may be fixed and practice should be stopped forthwith.

#### ***21.4.7 Mis-procurement of uniform items - Rs. 54.573 million***

Rule 36(b)(v) of Public Procurement Rules, 2004 states that the procuring agency shall evaluate the technical proposal in a manner prescribed in advance, without reference to the price and reject any proposal which does not conform to the specified requirements.

The office of Inspector General of Police, Islamabad invited tenders for purchase of uniforms on 13.04.2014 through press. According to Tender Documents the Technical and Financial Proposals were required to be submitted as single stage two envelop separately marked as Technical and Financial Proposals.

Audit observed as under:

- i. The management did not set any criteria for technical evaluation.
- ii. Technical evaluation was not prepared.
- iii. Specification of uniforms, total number of firm participated in technical process were not made available to Audit.
- iv. Reasons for rejection in the technical evaluation was not recorded.

Audit is of the view that the procurement was made in violation of Public Procurement Rules and technical evaluation was doubtful.

The management replied that uniforms are a regular requirement of Police department. Uniform items are purchased in each and every financial year. ICT Police has adopted a very simple method for purchase of uniform items to encourage maximum participation of firms for healthy financial competition as per PPRA Rules. Furthermore, there is no discriminatory clause in tender documents as per PPRA Rules. Unlike other items purchased by ICT Police including security equipments, weapons & ammunition, anti-riot items, etc, uniform items do not require any particular technical analysis therefore technical score sheet is not included in technical evaluation criteria to avoid any kind of complexity and confusion. The basic requirements for successful technical evaluation as well as criteria for technical evaluation are clearly mentioned at clause No. 5, 6, 11 and 16 of tender documents. NTN, GST registered firms are required to submit bids on company letter head with samples, brochures of items for analysis of Technical Committee. It has also been mentioned at clause No. 2 of bidding documents that laboratory testing of samples and supplies can be used by the technical committee. The main purpose of technical evaluation is to ensure that firms are NTN / GST registered, have the necessary expertise for successful supplies and the firms are providing samples for supplies which are according to departmental requirements. This simple technical evaluation process ensures purchase of quality goods for regular uniform items and does not require any complex method of technical evaluation / technical score sheet etc. Accordingly, it is not correct that management has not set any criteria for technical evaluation.

Specifications of uniforms along with approved samples are on permanent display at Uniform Store which can be checked / seen during office hours on any working day. Furthermore, all the specifications are provided with bidding documents at the time of tender. Hence, it is not a fact that specifications of uniforms were not made available to Audit. Approved samples of uniform Items along with specifications are on permanent display at Uniform Store, Police Lines Headquarters, Sector H-11, Islamabad which can be checked / seen during office hours on any working day. Total number of firms participating in technical process is mentioned on technical evaluation report in respect of each

item. The same is duly signed by four officers of ICT Police. Total numbers of firms participating in technical process along with name of firms in respect of each item are also mentioned in minutes of the meeting as per PPRA rules clause 28. The said minutes of the meeting are signed by Accounts Officer CPO, SSP Logistics (Headquarters), SSP Traffic, SSP Security, AIG General, DIG Headquarters and approved by the Inspector General of Police, Islamabad. Accordingly, there is no ambiguity regarding participation of firms in technical process.

The reply is not acceptable because comprehensive analysis of technical evaluation reveals that 50 items were required to be purchased in tender. Technical bid of all participating bidders in respect of 30 items were accepted, therefore, reasons for rejection were not required in the said cases. It was observed that a healthy financial competition as per PPRA Rules, 2004 was ensured in 11 items wherein bids of more than one firm were publicly opened. Bids in respect of 3 items were rejected as all samples were found to be inferior quality as clearly mentioned in the minutes of the meeting of Purchase Committee. In case of only 6 items, bids of single bidder were accepted. While purchases of items were made after due competition but this was lacking in procurement of uniforms. Hence, PPRA Rules were violated.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

#### ***21.4.8 Non-recording of expenditure on DHARNA 2014 in ICT Police cash book - Rs. 695.463 million***

Rule 77(i) of Federal Treasury Rules (FTR) Volume-I states that every officer receiving money on behalf of the Government should maintain a Cash Book in Form T. R. 4.

Rule 77(ii) of Federal Treasury Rules (FTR) Volume-I states that all monetary transactions should be entered in the Cash Book as soon as they occur and attested by the head of the office as a token of check.

The office of Senior Superintendent Police, Headquarters, Islamabad

provided a statement which showed an amount of Rs. 695.643 million was incurred during Dharna of Pakistan Tehrik-e-Insaf and Pakistan Awami Tahrik during 2014-15. Details are as under:

<b>(Rs. in million)</b>		
<b>S. No.</b>	<b>Item of expenditure</b>	<b>Amount</b>
<b>1.</b>	Food Charges	326.787
<b>2.</b>	Hiring of vehicles	158.820
<b>3.</b>	POL Charges	148.881
<b>4.</b>	Security Equipment	29.475
<b>5.</b>	Misc. Expenses	26.500
<b>6.</b>	Rent of Residential Buildings	5.000
	<b>Total</b>	<b>695.463</b>

Audit observed as under:

- i. The expenditure of Rs. 695.463 million was incurred through 30 cheques but neither copies of cheques were available nor were they recorded in the cash book.
- ii. All the cheques were drawn in the name of Drawing and Disbursing Officer.
- iii. No acknowledgment was available in the record.
- iv. The evidence regarding deduction of Income Tax was also not provided.

Audit is also of the view that in absence of cash book and acknowledgments the authenticity of the expenditure of Rs. 695.463 million cannot be ascertained.

The management replied that during the month of August, 2014 on announcement of “Dharna” by PTI and PAT in Islamabad, an emergency situation took place regarding law & order in the city. Finance Division was requested for supplementary grants through Ministry of Interior which was accepted. All sanctions in this regard were issued by the DFA for advance withdrawal of funds required to meet the emergency situation. In light of these sanctions bills were processed in AGPR, Islamabad and AGPR issued cheques which were encashed by the DDO ICT Police from State Bank of Pakistan. All funds were utilized properly in the light of relevant rules/procedures and payment was made to the vendors through cash and proper record was

maintained. Due to emergency situation, all procurements were made under PPRA rules 42-C (clause-v). It is pertinent to mention here that in light of General Financial Rules (GFR), after withdrawal of funds from Government Treasury, they cannot be kept in any bank account. Therefore, payment through cross cheque was not possible by ICT Police. All payments have been made after proper scrutiny under supervision of Senior Officers of ICT Police. Each and every receipt has been verified by AIG/General and SP (HQ) of ICT Police.

The reply was not accepted because expenditure was not recorded in the Cash Book.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

***21.4.9 Irregular expenditure on food items during Dharna 2014 - Rs. 326.787 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.

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. 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 expenditure should not be prima facie more than the occasion demands.

Pakistan Tahrik-e-Insaf and Pakistan Awami Tahreek commenced Dharna from 14.08.2014 in Islamabad. The office of the Senior Superintendent of Police reported payment of Rs. 326.787 million to various firms as expenditure on food charges during Dharna 2014. Details are as under:



**(Rupees)**

<b>S. No.</b>	<b>Name of firm</b>	<b>Amount</b>
1	Savour Foods	54,356,585
2	Makkah Catering	26,795,275
3	Madina Catering	2,034,350
4	Hafiz Catering	18,936,420
5	Al-Ghazal Catering	25,267,265
6	Fancy Catering	70,971,045
7	Tavakkal Catering	16,801,585
8	Bao Gee Murgh Palau	31,838,375
9	Chohan Catering	25,387,219
10	Wedding Belle	10,102,150
11	Hotel De Pape	300,456
12	Abdullah Catering	26,772,800
13	Mobile Cheff	16,283,500
14	Tandoori Restaurent	93,900
15	Imtiaz Foods	454,575
16	Madni Catering	391,500
<b>Total</b>		<b>326,787,000</b>

Audit observed as under:

- i. The management hired services of 16 firms without adopting open tendering system.
- ii. Payment was made in cash instead of crossed cheque.
- iii. The Drawing and Disbursing Officer did not verify the cash payments.

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

The management replied that during Dharna all procurements were made under PPRA rules 42(c)(v) all payments made to vendors/service providers were made after proper scrutiny.

The reply was not accepted because the procuring agencies did not specify appropriate fora vested with necessary authority to declare an emergency under rule 42(c)(v) of Public Procurement Rules, 2004.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

**21.4.10 Irregular expenditure regarding hiring of vehicles during Dharna 2014 - Rs. 101.051 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.

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. 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 expenditure should not be prima facie more than the occasion demands.

Pakistan Tahrik-e-Insaf and Pakistan Awami Tahreek commenced Dharna from 14.08.2014 in Islamabad. The office of the Senior Superintendent of Police reported payment of Rs. 42.422 million to M/s Khushab Sargodha Transport Service and Yasir Mehmood Transport Company as hiring of vehicles during Dharna 2014. Details are as under:

<b>(Rupees)</b>			
<b>S. No.</b>	<b>Name of Firm</b>	<b>Date</b>	<b>Amount</b>
1	Khushaab Sargodha Transport Service	19.08.2014	1,768,000
2	Khushaab Sargodha Transport Service	22.08.2014	3,284,000
3	Khushaab Sargodha Transport Service	29.08.2014	2,088,000
4	Khushaab Sargodha Transport Service	02.09.2014	4,153,000
5	Khushaab Sargodha Transport Service	09.09.2014	3,756,000
6	Khushaab Sargodha Transport Service	16.09.2014	6,234,000
7	Khushaab Sargodha Transport Service	23.09.2014	4,555,000
8	Khushaab Sargodha Transport Service	30.09.2014	3,549,000
9	Khushaab Sargodha Transport Service	03.03.2014	2,028,000
10	Khushaab Sargodha Transport Service	13.10.2014	4,039,000
11	Yasir Mehmood Transport Company	20.08.2014	4,384,000
12	Yasir Mehmood Transport Company	23.08.2014	9,330,500
13	Yasir Mehmood Transport Company	27.08.2014	4,191,600
14	Yasir Mehmood Transport Company	29.08.2014	2,095,800
15	Yasir Mehmood Transport Company	02.09.2014	1,254,200
16	Yasir Mehmood Transport Company	09.09.2014	10,479,000
17	Yasir Mehmood Transport Company	16.09.2014	15,061,200
18	Yasir Mehmood Transport Company	23.09.2014	9,515,500
19	Yasir Mehmood Transport Company	30.09.2014	3,958,500
20	Yasir Mehmood Transport Company	03.03.2014	1,992,000
21	Yasir Mehmood Transport Company	13.10.2014	3,335,000
<b>Total</b>			<b>101,051,300</b>

Audit observed as under:

- i. The management hired shehzor truck, water tanker, Suzuki pickup from M/s Khushab Sargodha Transport Service and Bus, mini bus, Hiace from M/s Yasir Mehmood Transport without adopting open tendering.
- ii. A summary of vehicles, i.e. shehzor, Suzuki pickup, bus, mini bus, Hiace and water tanker containing total number of vehicles, expenditure incurred on each category of vehicle was not provided.
- iii. Payments for the water tankers were made but in their co-relation water tanks were not available which creates doubt.
- iv. Payment was made in cash instead of crossed cheques.

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

The management replied that due to emergency situation during “Dharna”, all procurements were made under PPRA rules 42-C (clause-v) Large No. of transactions were taking place during emergency situation of “dharna”. Therefore, M/S Khushab Sargodha Transport Service and M/S Yasir Mehmood Transport Company had maintained a separate cash memo book for ICT Police during Dharna in order to handle their accounts record easily. Record of all vehicles hired during “dharna” was properly maintained by ICT Police. It is clarified that water tankers hired during “dharna” were used for provision of drinking water to deployed personnel at various places. Moreover, water tanks were not available, therefore, tankers were provided for water 24 hours a day.

The reply is not tenable because no record regarding hiring of vehicles and its use was produced to Audit for scrutiny.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that inquiry may be held to fix the responsibility.

**21.4.11 Non-recovery of Federal Excise Duty on provision of food services during Dharna-2014 - Rs. 52.978 million**

Section 3(1) of the Federal Excise Act, 2005 states that subject to the provisions of this Act and rules made there under, there shall be levied and collected in such manner as may be prescribed duties of excise on, (a) goods produced or manufactured in Pakistan; (b) goods imported into Pakistan; (c) such goods as the Federal Government may, by notification in the official Gazette, specify, as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein; and (d) services provided in Pakistan including the services originated outside but rendered in Pakistan; at the rate of 15% add valorem except the goods and services specified in the First Schedule, which shall be charged to Federal excise duty as, and at the rates, set forth therein.

Section 18(1) of the Federal Excise Act, 2005 states that a person registered under this Act shall issue for each transaction a serially numbered invoice at the time of clearance or sale of goods, including goods chargeable to duty at the rate of zero per cent, or providing or rendering services containing the following particulars, namely (I) name, address and registration number of the seller; (II) name, address and registration number of the buyer; (III) date of issue of the invoice; (IV) description and quantity of goods or as the case may be, description of services; (V) value exclusive of excise duty; (VI) amount of excise duty; and (VII) value inclusive of excise duty.

The office of Senior Superintendent Police Headquarter Islamabad made cash payment of Rs. 353.189 million regarding services of food and catering services rendered by the various firms during PTI and PAT Dharna, 2014. The cash payments were made without obtaining the invoices containing the excise duties as per the provision of the Federal Excise Act, 2005, the position is as under:

S. No.	Name of firm	Amount	Federal Excise Duty @ 15%
1	Savour Foods	54,356,585	8,153,487.75
2	Makkah Catering	26,795,275	4,019,291.25
3	Madina Catering	2,034,350	305,152.50
4	Hafiz Catering	18,936,420	2,840,463.00
5	Al-Ghazal Catering	25,267,265	3,790,089.75
6	Fancy Catering	70,971,045	10,645,656.75
7	Tavakkal Catering	16,801,585	2,520,237.75

8	Bao Gee Murgh Palau	31,838,375	4,775,756.25
9	Chohan Catering	25,387,219	3,808,082.85
10	Wedding Belle	10,102,150	1,515,322.50
11	Hotel De Pape	300,456	45,068.40
12	Abdullah Catering	26,772,800	4,015,920.00
13	Mobile Cheff	16,283,500	2,442,525.00
14	Tandoori Restaurent	93,900	14,085.00
15	Imtiaz Foods	454,575	68,186.25
16	Madni Catering	391,500	58,725.00
<b>Sub Total</b>		<b>326,787,000</b>	<b>49,018,050</b>
<b>Other catering services rendered by various firms as per O.S. No. 13</b>			
17	Various Firms	26,402,000	3,960,300
<b>TOTAL</b>		<b>353,189,000</b>	<b>52,978,350</b>

Audit observed that cash payments were made to the above firms without having valid invoices containing the excise duties imposed which deprived the Government from its due share of revenue amounting to Rs. 52.978 million.

Audit is of the view due to non-obtaining of invoices containing excise duty deprived the Government from its due share of revenue amounting to Rs. 52.978 million.

The management replied that as payments were made in cash and tax @ 6% in light of FBR SRO has been deducted at source in light of relevant rules and same has been deposited in Government Treasury by ICT Police. Copies of challan forms of tax deposit were produced to Audit. All the concerned firms have provided the food items at a specific point. Therefore, they don't cover under supplies nor service charges were included in their food items. More than 25,000 personnel from other districts along with 10,000 local personnel of ICT Police were deployed for duties during "Dharna" therefore, arrangements of meals 03 times a day was a difficult task continuously for more than 04 and a half months. Moreover, established hotels have no capacity to provide food to more than 35000 personnel 03 times a day. Therefore, local catering service providers were also hired & these firms has no proper books of accounts and unable to provide proper invoices. However, in light of relevant rules tax was deducted at source by ICT Police and was deposited in the Government Treasury.

The reply was not accepted because audit observation was raised about non-imposition of Federal Excise Duty and not Income Tax.

The PAO was informed on 15.12.2016, but DAC was not convened till

the finalization of the Report.

Audit recommends that amount may be recovered from the service providers and deposited into the Government treasury.

***21.4.12 Irregular payment to M/s Taha Enterprises as rent of containers during Dharna 2014 - Rs. 42.422 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.

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. 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 expenditure should not be prima facie more than the occasion demands.

Pakistan Tahrik-e-Insaf and Pakistan Awami Tahreek commenced Dharna from 14.08.2014 in Islamabad. The office of the Senior Superintendent of Police reported payment of Rs. 42.422 million to M/s Taha Enterprises as hiring of containers including charges for the burnt containers during Dharna 2014.

Audit observed as under:

- i. The containers were deployed from 2<sup>nd</sup> week of August, 2014 at various places in Islamabad. However, the management invited tenders through press on 10.11.2014 and the tenders were opened on 24.11.2014. M/s Taha Enterprises was awarded the work for supply of containers and cranes on rental basis.
- ii. The containers, cranes, etc. were already engaged whereas the advertisement was made after three months of commencement of Dharna.

- iii. The management paid shifting charges for containers amounting to Rs. 2.900 million which was unjustified because another contractor was being paid for shifting of containers and cranes .
- iv. Three containers were reported as burnt and payment of Rs. 1,050,000 was made. However the contractor had not lodged a FIR therefore, claim was not justified.
- v. Invoices submitted by the contractors were without numbers which creates doubt and in the absence of proper invoices authenticity of the claims could not be ascertained.
- vi. Total number of containers remained deployed at different places and during the different period was not provided.

Audit is of the view that the tenders were invited after three months of the Dharna merely to show fulfillment of codal formalities thus the spirit of competitive rates could not be achieved.

The management replied that arrangement for hiring of containers, cranes etc. deployed during sit-in by PTI and PAT from August 2014 were made in extreme urgency as brought about by events unforeseeable to ICT Police. The circumstances were related to national matters which are not attributable to the ICT Police. Consequently, time limits laid down for open and limited bidding methods could not be met. Accordingly, ICT Police engaged in negotiated tendering as permissible under Rule 42(d)(iii) of Public Procurement Rules 2004. Later on, PTI again made announcements for allegedly big protests on 30.11.2014. Accordingly, ICT Police had sufficient time to process the tender which was initiated without any lapse or delay. Hence, all services were hired as per provisions of PPRA rules. It is not correct that cranes and crane lifters were also deployed for the same purpose and paid separately. It is clarified that cranes hired by the ICT Police remained permanently on high alert at important police stations during sit-in by PTI and PAT to make necessary changes in the placement position of specific containers installed at specific points. Hence, cranes hired by ICT Police were not used for shifting containers from one place to another place. It is further clarified that shifting of containers from one place to another place required separate cranes, long trucks and labour which required special expertise. Moreover, it is also pointed out that simultaneous shifting of multiple containers was done on emergent basis as per requirement during sit-in by PTI and PAT therefore separate cranes, trucks and labour were utilized by the

service provider for each container. Hence, crane services are completely separate from shifting charges of containers.

The burning of containers on 31.8.2014 and 01.9.2014 was reported by three SHOs i.e. SHO Police Station Aabpara, Bhara Kahu and Secretariat. The same was also verified by DSP/SDPO Secretariat, DSP/SDPO City as well as the SP City, Islamabad. Accordingly, necessary verification was effectively done by the gazetted police officers for making payment on account of three burnt containers. M/S Taha Enterprises submitted its invoices to the concerned officers of ICT Police including SP Saddar, SP City, SP Headquarters, ASP / SDPO Ramna, DSP / SDPO Secretariat, DSP / SDPO City, DSP Headquarters, SHO Secretariat, SHO Kohsar, SHO Abpara, SHO Bhara Kahu, SHO Sabzi Mandi, SHO Golra Sharif, SHO Tarnol, SHO Margalla. The said officers verified every description in each bill after which payment was made to the firm. Further authenticity of the bills is proven by the fact that M/S Taha Enterprises approached the honourable Islamabad High Court regarding its bills and payments. The honourable Islamabad High Court directed for immediate release of pending payments to M/S Taha Enterprises.

Summary of containers which remained deployed at different places along with period was prepared by concerned officers of ICT Police including SP Saddar, SP City, ASP / SDPO Ramna, DSP / SDPO Secretariat, DSP / SDPO City, SHO Secretariat, SHO Kohsar, SHO Abpara, SHO Bhara Kahu, SHO Sabzi Mandi, SHO Golra Sharif, SHO Tarnol, SHO Margalla.

The reply is not acceptable because no documentary evidence was produced in support of the reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that inquiry may be held to fix the responsibility.

***21.4.13 Unauthorized collection of fee for recruitment of police personnel - Rs. 29.860 million***

Section 5 of Civil Servant Act, 1973 states that appointment in All Pakistan Service or to a Service of the Federation, or to a civil post in connection



with the affairs of the Federation, including any civil post connected with defence, shall be made in the prescribed manner by the President or by a person authorized by the President in that behalf.

Rule 2(e) of Civil Servants (Appointment, Promotion and Transfer) Rules, 1973 made provision of Departmental Selection Committee for making appointments in BPS-01 and above other than which fall within the purview of Federal Public Service Commission.

Establishment Division lifted ban on recruitments vide their O.M. No. F.53/1/2008-SP dated 22.10.2014 and thereafter devised mechanism for making recruitment vide O.M. No. even dated 16.01.2015. The Establishment Division vide para 1(a) provided centralized screening test be carried out by a testing agency to be hired in consultation with Establishment Division, wherein as per para 2(b), 70% weightage was to be given for test and 30% weightage for interview by the Departmental Selection Committee. In para 1(c) of O.M. dated 16.01.2015 it was made clear that 'Objective Type Test' will be organized through a testing agency with prior permission of Establishment Division.

The Islamabad Capital Territory Police signed an MOU on 04.02.2015 with National Testing Service (NTS) Pakistan for conducting physical test and written test for which an amount of Rs. 650 per applicant would be received by the NTS from the candidates.

Audit observed as under:

- i. Establishment Division made involvement of a private agency in the recruitment process of the Federal Ministries/Divisions/Departments by giving them 70% weightage and leaving the 30% weightage for Interview by the Departmental Selection Committee.
- ii. The involvement of private agency in recruitment process especially for Islamabad Police was a serious threat to the existing Government structure.
- iii. There was no provision in the Police Rules, 1934 regarding the conduct of physical test and written test by a private firm.

- iv. Although the Establishment Division O.M. dated 16.01.2015 provided selection of a testing agency with the Establishment Division for 'Objective Type Test' there was no provision for conducting physical tests by the testing agency.
- v. A total 45,939 number applicants appeared for physical test out of which 15,279 were allowed to appear in written test thus 30,660 applicants left for which no written tests were obtained. NTS had collected Rs. 19.929 million from 30,660 applicants @ Rs. 650 per applicant but they were not allowed to appear in written test.

Audit is of the view that involvement of a private agency i.e. NTS without backing of legal authority and its involvement in Government structure was a violation of Civil Servants Act, 1973.

The management replied that a letter was sent to competent authority of ICT Police vide this office letter No. 1093/B&A/Acctt, dated 22.04.2016 and No.1388/A (HQ)/B&A/15-16, dated 17.05.2016 for reply which would be communicated to Audit as and when received.

The reply is not acceptable because candidates were charged Rs. 650 for both the tests.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity besides discontinuation of this practice.

***21.4.14 Non-recovery of Federal Excise Duty on provision of transport services during Dharna-2014 - Rs. 21.886 million***

Section 3(1) of the Federal Excise Act, 2005 states that subject to the provisions of this Act and rules made there under, there shall be levied and collected in such manner as may be prescribed duties of excise on, (a) goods produced or manufactured in Pakistan; (b) goods imported into Pakistan; (c) such goods as the Federal Government may, by notification in the official Gazette, specify, as are produced or manufactured in the non-tariff areas and are brought to the tariff areas for sale or consumption therein; and (d) services provided in

Pakistan including the services originated outside but rendered in Pakistan; at the rate of 15% (fifteen per cent) ad valorem except the goods and services specified in the First Schedule, which shall be charged to Federal excise duty as, and at the rates, set-forth therein.

Section 18(1) of the Federal Excise Act, 2005 states that a person registered under this Act shall issue for each transaction a serially numbered invoice at the time of clearance or sale of goods, including goods chargeable to duty at the rate of zero per cent, or providing or rendering services containing the following particulars, namely (I) name, address and registration number of the seller; (II) name, address and registration number of the buyer; (III) date of issue of the invoice; (IV) description and quantity of goods or as the case may be, description of services; (V) value exclusive of excise duty; (VI) amount of excise duty; and (VII) value inclusive of excise duty.

The office of Senior Superintendent Police Headquarter Islamabad made cash payment of Rs. 145.909 million regarding transportation services rendered by three firms during PTI and PAT Dharna, 2014. The cash payments were made without obtaining the invoices containing the excise duties as per the provision of the Federal Excise Act, 2005, the position is as under:

S. No.	Name of Firm	Amount	Federal Excise Duty @ 15%
1	Khusab Sargodha	33,326,760	4,999,014
2	Taha Enterprises	40,307,328	6,046,099
3	Yasir Mehmood Transport Co	72,275,002	10,841,250
<b>Total</b>		<b>145,909,090</b>	<b>21,886,363</b>

Audit observed as under:

- i. The cash advances were received and thereafter cash payments were made to the above firms without having valid invoices containing the excise duties imposed which deprived the Government from its due share of revenue amounting to Rs. 21.886 million.
- ii. Since cash payments were made, therefore, the Disbursing Officer should have obtain the valid invoices inclusive of excise duties but this was not done and invalid invoices were admitted.

Audit is of the view due to non-obtaining of invoices containing excise

duty deprived the Government from its due share of revenue amounting to Rs. 21.886 million.

The management replied that these firms have provided services at a specific point. Therefore, they don't cover under supplies nor service charges were included in their goods. More than 25,000 personnel from other districts along with 10,000 local personnel of ICT Police were deployed for duties during "Dharna" on daily basis therefore, arrangements of vehicles throughout the day was a difficult task continuously for more than 04 and a half months. Moreover, established firms have no capacity to provide transportation to more than 35,000 personnel 03 times a day. Therefore, local service providers were also hired & these firms has no proper books of accounts and unable to provide proper invoices. However, in light of relevant rules tax was deducted at source by ICT Police and was deposited in the Government treasury. Moreover, all these payments have been verified by senior officers of ICT Police.

The reply was not accepted because audit observation was raised about non-imposition of Federal Excise duty and not Income Tax.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amount may be recovered from the service providers and deposited into the Government treasury.

***21.4.15 Wasteful expenditure regarding procurement of Pre Printed Digital Driving License - Rs. 7.992 million***

Item No. 21 of the Agreement made between the SSP Logistic Islamabad and M/s. Crest Corporation Karachi states that if the firm fails to supply any or all the items along with allied series specifications and required standard then performance security mentioned in the Agreement will be forfeited and the unsupplied items along with allied services will be purchased on the risk and cost of the supplier. Action for blacklisting of the firm will also be initiated.

The management of Islamabad Capital Territory Police entered into an agreement on 23.07.2014 with M/s. Crest Corporation Karachi for provision of Pre-Printed Digital Driving License (DDL) @ Rs. 124.90 each. The firm was

also required to install Desktop Computers, Network Printers for Learner License, Card Printers for DDL, Finger Print Capturing Devices, Digital Cameras and all other allied equipments (UPS etc.) which will become property of the Islamabad Traffic Police. During the year 2014-15 the management paid an amount of Rs. 7.992 million to the firm.

Audit observed as under:

- i. SSP, Traffic Division vide letter dated 12.12.2014 and the SSP, Headquarters letter dated 08.10.2015 reported to IG Office that the firm did not provide 3 DDL Printers, 3 Biometric Devices, 3 Cameras and UPS.
- ii. The firm also did not provide the required stock of accessories/consumables as per Section 10 of the Agreement.
- iii. The printers provided were not functioning properly as reported by the SSP Headquarters to IG Islamabad on 09.02.2016.
- iv. The SSP Headquarters on 06.01.2016 informed the firm that Digital Driving License material supplied was faulty and of inferior quality.
- v. The SSP Traffic Division Islamabad reported on 10.02.2016 about malfunctioning of the Data Card Printers as well.

Audit is of the view that in light of above observations by SSP Traffic the expenditure was wasteful.

The management replied that a letter has been issued to SSP/Traffic, Islamabad for clarification in light of Audit observation.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for provision of substandard material and for non-provision of agreed number of equipment.

**21.4.16 Un-justified expenditure on account of hiring of hotel accommodations - Rs. 4.501 million**

Para 11 of 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 Capital Territory Police (ICTP) paid an amount of Rs. 4.788 million to various hotels at Islamabad as accommodation charges for Police officers arrived from different cities of Pakistan during Dharna, 2014. Details are as under:

S. No.	Hotel Name	Amount
1	Mujahid Plaza, Plot No. 9, I-11, Islamabad.	1,269,000
2	Copper Lodges, F-6/2	419,616
3	Al Ikram Hotel, G-7	397,056
4	Al Hamra Hotel, G-7	368,480
5	Hotel Al Feroze, G-8/1	338,400
6	Al Meraj Hotel G-9	320,352
7	Travis Hotel, F-10/3	267,712
8	Jumeria Residence, G-9/3	188,000
9	Heaven Heights	186,496
10	Hotel Hill Park, F-10	133,856
11	Paramid II, G-8/2	111,296
12	Metro Park Hotel, G-10/4	79,712
13	Land Mark, F-8/4	76,704
14	Green City Hotel, G-7	57,152
15	The City Lodges House, G-6/4	54,144
16	Milton House, F-6/1	52,640
17	Serene Lodge, F-6/1	49,632
18	Islamabad Residency, F-6/1	31,584
19	Butt Lodges II, G-9/3	25,568
20	Holiday Lodges, F-10/3	21,056
21	VIP House, F-7/4	19,552
22	Capital Sweet Home-I	13,536
23	Hotel Al Habib	12,032
24	Mashal Inn, F-8/4	7,520
<b>Total</b>		<b>4,501,096</b>

Audit observed as under:

- i. Payment of Rs. 1.269 million was shown to have been made to Mujahid Plaza, Plot No. 9, Sector I-11, Sabzi Mandi, Islamabad but it was not actually paid as in support of the payment the

documents provided showed it as a balance payment. Therefore, the claim is not valid and required to be recovered from concerned besides fixing responsibility.

- ii. Regarding Serial No. 3, 6, and 24 the claims were on letter head pad therefore, the same was invalid and required to be recovered.
- iii. Regarding Serial No. 8 and 12 the invoice No. were not mentioned hence the same claims were not justified.
- iv. The management provided a list of 74 officers who came from various cities and stayed at different hotels, lodges and guest houses at Islamabad but their movement orders or any other documentary evidence in support of the expenditure was not made available to Audit.
- v. All the invoices were without General Sales Tax.

Audit is of the view that amount of Rs. 1.269 million regarding Mujahid Plaza was recoverable and the payment shown against M/s Al Karam (S. No. 3), Al Miraz (S. No. 6) and M/s Mishal Inn (S. No. 24) being on letter head pad were also recoverable and the authenticity of the remaining expenditure could not be ascertained.

The management replied that ICT Police has no official accommodation in order to accommodate more than 25,000 police personnel deployed during “Dharna” from various units/division such as Punjab Police, AJK, Railway Police, FC for more than 04 months. Therefore, in emergency situation various Government buildings including Schools, Colleges, Pakistan Sports Complex, Hajj Complex and some private hotels were also hired due to non-availability of accommodation. Moreover, record of personnel resided in concerned buildings is also available. It is further added that some building owners do not have proper books of accounts, invoices and letter head pads and also not aware of the Government Rules. Therefore, some discrepancies were found in the bills/ vouchers provided by them. All payments have been made after proper scrutiny under supervision of Senior Officers of ICT Police. Each and every receipt has been verified by AIG/General and SP (HQ) of ICT Police.

The reply is not acceptable because no documentary evidence was

provided in support of the reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

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

***21.4.17 Doubtful payment to M/s Ajmal & Sons - Rs. 1.190 million***

Para10 of GFR Volume-I states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. 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 expenditure should not be prima facie more than the occasion demands.

The management of Islamabad Police has shown payment of Rs. 1.190 million on 20.08.2014 to M/s Ajmal & Sons for provision of tents during Tahrik-e-Insaf and Pakistan Awami Tahreek Dharna, 2014.

Audit observed as under:

- i. Payment of Rs. 1,190,095 was made to M/s Ajmal & Sons dealing with supply of Crush, Stone Dust and Sand supplied for supply of tents during the Dharna, 2014.
- ii. The payment was shown to have made on the letter head of the firm but their address and any other reference of contact number were not mentioned on it.
- iii. Payment was made in cash instead of crossed cheque.

Audit is of the view that payment shown was doubtful.

The management replied that M/S Ajmal & Sons is a general order supplier. All payments were made after proper scrutiny and verification and each receipt was verified by senior officers of ICT Police. Moreover, the firm provided the payments receipts on their printed letter head. The same has also been verified by competent authority of ICT Police.



The reply is not acceptable because the supplier was not a general order supplier but a supplier of crush, stone dust and sand. The contention of the management is not based on facts.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that inquiry may be held to fix the responsibility.

#### ***21.4.18 Unjustified deployment of Followers with officers at their residences***

Para 10 of GFR Vol-I states that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

Para 11 of GFR-I Vol-I states that each head of 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 ICT Police has deployed thirty four followers i.e. cooks, sweepers, washman, gardener with officers.

Audit observed that 34 out of 353 Followers were exclusively deployed with police officers at their residences at the cost of public exchequer. In some cases the officers had left Islamabad or retired from services even then Followers were working with them. However, a scrutiny of the deployment of Cook Followers revealed that 24 cooks were deployed with officers at their residences, some of instances of 2 years old cases are as under:

- i. Mr. Sherzaman, Cook has been working with AIG Waqar Chohan since 04.06.2011.
- ii. Mr. Muhammad Saqlain, Cook has been working with DIG Sultan Azam Temouri since 03.10.2012.
- iii. Mr. Manzoor Shah, Cook has been working with SSP Mir Vais Niaz Ahmed since 06.06.2009.

- iv. Mr. Shafqat Mehmood, Cook has been working with SSP Sajid Ali Kayani Headquarters since 09.09.2009. In addition another Cook Mr. Muhammad Saddique was also deployed with him on 24.01.2016.
- v. Mr. Muhammad Gulzar, Cook (Sl. 52 of the list) is working at the residence of Madam Sumera, ASP since 15.02.2014.

Audit is of the view that deployment of Followers with the officers at their residences was not covered under the rules.

The management replied that list provided to Audit by the lower staff of the department showing record of posting of Followers staff during audit period i.e. 2014-15 was not updated.

The reply was not accepted because list was provided by the management to Audit.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that pay and allowances paid to 34 Followers may be recovered from the concerned officers and this practice should be stopped forthwith.

***21.4.19 Irregular payment of salaries & TA/DA by Drawing and Disbursing Officer without acknowledgment - Rs. 728.999 million***

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(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.

Rule 157 of FTR 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 Gilgit Baltistan Scouts, Gilgit withdrew monthly salaries amounting to Rs. 724.099 million and TA on transfer amounting to Rs. 4.9 million from sub-office AGPR, Gilgit in the name of Drawing and Disbursing Officer during 2014-15.

Audit observed as under:

- i. Salaries & TA on transfer was disbursed to different wings without acknowledgment.
- ii. The amounts were not drawn on actual basis as Rs. 2.850 million were deposited back in to Government account during the year 2014-15 after payment of monthly salaries.

Audit is of the view that withdrawal of Salaries & TA on transfer without actual calculation and acknowledgment may lead to misuse of funds.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the salaries of the employees should directly be credited into the accounts of employees instead of payment through DDO.

Audit also recommends that claims of TA should also be disbursed through crossed cheques in the name of the employees.

***21.4.20 Loss due to purchase of ration from other than lowest bidder - Rs. 2.709 million***

Rule 36(ix) of Public Procurement Rules, 2004 states that the bid found to be the lowest evaluated bid shall be accepted.

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.

The management of the Gilgit Baltistan Scouts, Gilgit invited tenders for the purchase of Ration items and adopted single stage, two envelop procedure.

Audit observed that an amount of Rs. 2.709 million was paid to M/s Abdullah & Co other than the lowest bidder for purchase of ration during 2014-15. Details are as under:

**(Rupees)**

S.No	Station	Description	Quantity in KG	Purchase Rate	Lowest Rate	Difference	Loss
1.	HQ Gilgit	Meet on Hoof at HQ	53,845	192	180	12	646,140
2.	114 Wing at Gilgit	Meet on Hoof 114 Wing at Gilgit	47,060	192	180	12	564,720
3.	HQ, and 114 Wing at Gilgit	Patato	43,104	18	10	8	344,832
		Fruit	86,222	30	20	10	862,220
		Onion	21,179	21	10	9	190,611
4.	112 Wing, 113 Wing at Skardu	Patato	11,247	16	10	6	67,482
		Onion	5,581	20	14	6	33,486
<b>Sub Total</b>							<b>2,709,491</b>

Audit is of the view that due to purchase of ration from other than lowest bidder the public exchequer was put to a loss of Rs. 2.709 million.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

***21.4.21 Unauthorized running of Regimental Fund and deduction from the monthly salaries of the employees - Rs. 10.860 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.

The management of GB Scouts, Gilgit is maintaining Regimental Fund and deducted Rs. 10.860 million from the monthly salaries of the employees during 2014-15.

Audit observed as under:

- i. Approval of the Finance Division for operations of Regimental Fund was not obtained.
- ii. The management was not competent to deduct the Regimental Fund from the monthly salary of employees.
- iii. Record relating to expenditure from the Fund was not shown to Audit.

Audit is of the view that maintaining of Regimental Fund without approval of the Finance Division was irregular.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that necessary rules may be got approved from the Finance Division and deduction of Regimental Fund from the salaries may be stopped forthwith.

Audit further recommends that accounts of the Fund may be got audited.

***21.4.22 Irregular procurement of different items without open competition-  
Rs. 2.830 million***

Rule 12(1) of Public Procurement Rules, 2004 procurements over one hundred thousand rupees and up to the limit of two million rupees shall be advertised on the Authority's website 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.

The management of the Gilgit Baltistan Scouts, Gilgit incurred an expenditure of Rs. 2.830 million for the procurement of following items during 2014-15. Details are as under:

		<b>(Rupees)</b>
<b>S. No</b>	<b>Particulars of Purchases</b>	<b>Amount</b>
1	Ceremonial Dress	2,004,280
2	Fire Fighting Equipment	826,400
Total		2,830,680

Audit observed that purchases were made without calling open tenders.

Audit is of the view that undue favour was extended to the contractors by making purchases without open competition.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

#### ***21.4.23 Unauthorized establishment of Rangers Foundation***

Section 21(1) of Pakistan Rangers Ordinance, 1959, states that the Federal Government may frame rules to carry out the purposes of this Ordinance.

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 7 of the SRO No. 755(I)/2005 dated 30.05.2005 states that the rules would be framed with the approval of Government for carrying out the purposes of the scheme.

PAC while discussing Para 6.13 on 12-15.02.2002 regarding non-deposit of revenue into Government treasury directed the PAO Ministry of Interior to get the expenditure regularized from Ministry of Finance wherever required. The

PAC also directed the Ministry to constitute a high level Committee under the chairmanship of Additional Secretary, Ministry of Interior with senior officers, each from Rangers Coast Guard, Frontier Corps, Financial Adviser, M/o Finance, DG, Audit and a senior level representative of Military Accounts as members to review the existing financial rules/regulations concerning CAFs and prepare a comprehensive report. The high level committee should then evolve a standard/transparent system and get it approved from the competent authority with a report to PAC Secretariat within three months.

In meeting held on 24.09.2002 in pursuance of the PAC directives it was decided that the Civil Armed Forces (CAF) could maintain, operate Welfare Scheme/Projects based on voluntarily subscriptions, after approval from the Ministry of Finance and Interior. For this purpose, the forces would also seek formal approval of the SOPs being followed by them.

Pakistan Ranger vide Ministry of Social Welfare and Special Education vide SRO No. 755(I)/2005 dated 30.05.2005 established Pakistan Rangers (Punjab) Foundation.

Audit observed as under:

- i. Foundation was established without the approval of the Government.
- ii. Rules were neither framed nor approved from Ministry of Finance as recommended by the Committee constituted in compliance of PAC directives dated 12-15.02.2002
- iii. Pakistan Rangers Ordinance, 1959 did not allow establishment of such Foundation.
- iv. Sources of funds/receipt were not disclosed in the SRO regarding establishment of Foundation.
- v. The rules with the approval of Government as required in terms of Para 7 of the SRO No. 755(I)/2005 dated 30.05.2005 for carrying out the purposes of the scheme were not made by the management.
- vi. The financial statements of the Foundation were not provided to audit.

Audit is of the view that establishment of Rangers Foundation was irregular and unauthorized.

The management replied that Rangers Foundation was established in 2005 vide gazette notification No.3-2/2004-E-II dated 30th July 2005 published by Ministry of Social Welfare and Special Education and the objectives of the Foundation were described in Para 4 of notification. The Rangers draft rules were prepared in 1961 and printed from Pakistan Printing Corporation of Pakistan, however on direction of Public Accounts Committee as other Civil Armed Forces were asked to prepared draft rules. In this regard the meeting of the committee was held on 06.03.2014. The representative from the Finance Division and Controller General of Accounts accepted the clarification and expressed that Regimental Funds neither fall in the definition of Federal Consolidated Funds nor it falls under the definition of Public Accounts. It is like Endowment Fund; therefore, it should be outside the ambit of Auditor General of Pakistan. Moreover, after 18<sup>th</sup> Amendment in the Constitution of Islamic Republic of Pakistan, 1973 all welfare foundations have been placed under control of Provincial Government, hence audit of Pakistan Rangers Foundation's accounts now will be audited by Chartered Accountant. The same nature Para was raised by the audit authority during financial year 2011-12 and was settled/drooped during discussion.

The reply is inconsistent with the provisions of Pakistan Rangers Ordinance, 1959 which does not allow the establishment of such Foundation. Moreover, the stance of the management that all Welfare Foundations have been placed under control of Provincial Government is not valid as the Foundation was established for Pakistan Rangers (Punjab) which is a federal entity established through an Ordinance. Moreover, all the affairs and activities of the Foundation are managed and performed by the serving employees of the Punjab Rangers in addition to use of land and other resources.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be investigated for establishing Pakistan Ranger (Punjab) Foundation. Moreover, all the record relating to income and expenditure of the Foundation since its establishment may also be



provided to Audit.

#### ***21.4.24 Unauthorized maintenance of Rangers Insurance and Welfare Fund***

The Honorable Supreme Court of Pakistan in its judgment dated 08.07.2013 declared and directed in Para 27(b) that 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.

Section 21(1) of Pakistan Rangers Ordinance, 1959, states that the Federal Government may frame rules to carry out the purposes of this Ordinance.

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.

PAC while discussing Para 6.13 on 12-15.02.2002 regarding non-deposit of revenue into Government treasury directed the PAO Ministry of Interior to get the expenditure regularized from Ministry of Finance wherever required. The PAC also directed the Ministry to constitute a high level Committee under the chairmanship of Additional Secretary, Ministry of Interior with senior officers, each from Rangers Coast Guard, Frontier Corps, Financial Adviser, M/o Finance, DG, Audit and a senior level representative of Military Accounts as members to review the existing financial rules/regulations concerning CAFs and prepare a comprehensive report. The high level committee should then evolve a standard/transparent system and get it approved from the competent authority with a report to PAC Secretariat within three months.

In meeting held on 24.09.2002 in pursuance of the PAC directives it was decided that the Civil Armed Forces (CAF) could maintain, operate Welfare Scheme/Projects based on voluntarily subscriptions, after approval from the Ministry of Finance and Interior. For this purpose, the forces would also seek formal approval of the SOPs being followed by them.

Pakistan Rangers (Punjab) vide policy letter No/Med/896/13/700 dated 19.10.2010 revised rates of monthly subscription for Pakistan Rangers Employees Medical Scheme (PREMS). The Circular states that all the services provided through hospital established by the Pakistan Rangers (Punjab) are being provided under the Pakistan Rangers Employees Medical Scheme (PREMS).

Audit observed as under:

- i. The management did not frame rules and regulations regarding welfare schemes/projects based on voluntarily subscriptions as recommended by the Committee constituted in compliance of PAC directives dated 12-15.02.2002
- ii. The management has not established a separate set up for provision of health services being financed out of Pakistan Rangers Employees Medical Scheme.
- iii. The doctors/specialist and other supporting staff working in the Ranger hospital are regular employees of the Pakistan Ranger (Punjab).
- iv. The medicines, surgical items, etc. for hospital is procured out of regular budget during 2014-15 an expenditure of Rs.40.690 million was made on this account.
- v. An expenditure of Rs. 17.00 million on account of Medical reimbursement charges was made out of regular budget during 2014-15 in addition to Medical Allowance of Rs. 288.316 million thus negating the purpose of Health Insurance done by Pakistan Rangers (Punjab).

Audit is of the view that the employees of the Pakistan Rangers Punjab are availing medical facilities on Government expense as admissible under Federal Services Medical Attendance Rules, 1990. Moreover, the management has not framed rules and regulations regarding welfare schemes/projects based on voluntarily subscriptions. Therefore, the maintenance of Pakistan Rangers Employees Medical Scheme (PREMS) was irregular and unauthorized.

The management replied that Rangers Foundation has been established

since 2005, vide gazette Notification No.3-2/2004-E-II dated 30th July 2005 published by Ministry of Social Welfare and Special Education. A meeting regarding framing of rules for operating Welfare/Regimental of Civil Armed Forces including Stakeholders, i.e. Auditor General of Pakistan, Controller General of Accounts and Finance Division was held on 6 March 2014 in the office of Senior Joint Secretary (CAF), Ministry of Interior for further consideration of proposed Rules. In meeting held on 06.03.2014 the representative from the Finance Division and Controller General of Accounts accepted the clarification and expressed that the Regimental Funds is neither fall in the definition of Federal Consolidated Funds nor it falls under the definition of Public Accounts. It is like Endowment Fund; therefore, it should be outside the ambit of Auditor General of Pakistan. Moreover, after 18<sup>th</sup> amendment in the Constitution of Islamic Republic of Pakistan, 1973 all Welfare Foundations have been placed under control of Provincial Government, hence audit of Pakistan Rangers Foundation's accounts now will be audited by Chartered Accountant. The same nature Para was raised by the audit authority during financial year 2011-12 and was settled/drooped during discussion.

The reply is inconsistent with the provisions of Pakistan Rangers Ordinance, 1959 which does not allow the establishment of such Foundation. Moreover, the stance of the management that the all welfare foundations have been placed under control of Provincial Government is not valid as the Foundation was established for Pakistan Rangers (Punjab) which is a Federal Entity established through an Ordinance. The management has not established a separate set up for provision of medical facilities out of rangers insurance and Welfare Fund. All medical facilities are being provided out of regular budget in accordance with Federal Services Medical Attendance Rules, 1990 affairs and activities of the scheme are managed and performed by the serving employees of the Punjab Rangers.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be investigated for launching Pakistan Rangers Employees Medical Scheme. Moreover, all record relating to income and expenditure of the scheme since its establishment may also be provided to Audit.

#### ***21.4.25 Unauthorized utilization of revenues without finalization of Rules/Regulations***

The Honorable Supreme Court of Pakistan in its judgment dated 08.07.2013 declared and directed in Para 27(b) that 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.

Para 7 of FTR state that all Government receipts should be deposited into Government account and all moneys received shall not be appropriated to meet departmental expenditure.

Para 26 of GFR Volume-1 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.

PAC while discussing Para 6.13 on 12-15.02.2002 regarding non-deposit of revenue into Government treasury directed the PAO Ministry of Interior to get the expenditure regularized from Ministry of Finance wherever required. The PAC also directed the Ministry to constitute a high level Committee under the chairmanship of Additional Secretary, Ministry of Interior with senior officers, each from Rangers Coast Guard, Frontier Corps, Financial Adviser, M/o Finance, DG, Audit and a senior level representative of Military Accounts as members to review the existing financial rules/regulations concerning CAFs and prepare a comprehensive report. The high level committee should then evolve a standard/transparent system and get it approved from the competent authority with a report to PAC Secretariat within three months.

In meeting held on 24.09.2002 in pursuance of the PAC directives it was decided that the Civil Armed Forces (CAF) could maintain, operate Welfare Scheme/Projects based on voluntarily subscriptions, after approval from the Ministry of Finance and Interior. For this purpose, the forces would also seek formal approval of the SOPs being followed by them.

The Pakistan Rangers (Punjab), Lahore is running following revenue generating projects.

- i. Lutf General Store,
- ii. Marriage Lawn/Hall
- iii. Mobile Tower,
- iv. Bakery, Canteen, Shops
- v. Rangers Public Model Schools and Colleges
- vi. Residential accommodation constructed out of Command Fund.

Audit observed as under:

- i. The management did not frame Rules and Regulations as recommended by the Committee constituted in compliance of PAC directives dated 12-15.02.2002
- ii. The management did not provide the complete list of commercial activities being carried out in addition to above.
- iii. The agreement files were not produced to Audit to determine the rental income of the property.
- iv. There was no proof that the contract of commercial shops and places were awarded through open competition
- v. Each Sector Headquarters is maintaining various other accounts such as:
  - a. Sector, Ranger Fund.
  - b. Rangers Public School and College(RBS&C Fund)
  - c. Projects Funds
  - d. Ration Security Fund Account
  - e. Pakistan Rangers Insurance and Welfare Fund.
  - f. Pakistan Rangers Employees Medical (PREMS) Fund
  - g. Central Medical Fund (CMMF)

Audit is of the view that in the absence of approved Rules and Regulations in pursuance of PAC directives the collection and utilization of revenues for departmental expenditure and running of various welfare schemes/projects was irregular and unauthorized.

Management replied that Pakistan Rangers draft rules were prepared in 1961 and were printed for Pakistan Rangers Printing Corporation. A meeting regarding framing of Rules for operating Welfare/Regimental of Civil Armed Forces including stakeholders i.e. Auditor General of Pakistan, Controller General of Accounts and Finance Division was held on 06.03.2014 in Ministry of Interior for further consideration of proposed Rules. The representative from the Finance Division and Controller General of Accounts accepted the clarification and expressed that Regimental Funds is neither fall in the definition of Federal Consolidated Funds nor it falls under the definition of Public Accounts. It is like Endowment Fund; therefore, it should be outside the ambit of Auditor General of Pakistan.

The welfare projects have been set up on a very small scale out of Regimental resources to give relief to hard pressed troops and their families confined to place of posting for twenty four hours and round the year due to operational requirement and exigencies of service. No amount was taken from public fund or extra budgetary. The products of the welfare projects is exclusively given to own troops on a cheap rates to lessen the financial hard ship due to price hike of daily commodities in the market. It is further clarified that these projects are non commercial institutes and meager profit accrued is further expended on the welfare of troops like provision of recreational entertainment, library, books, indoor games, financial aid to needy personnel and running of vocational institute for the troop's families. Pakistan Rangers is a para military force and is to be maintained like infantry battalion having soldiers of high spirit and moral obtained through various welfare measures. Moreover, Rangers Foundation has been established since 2005 vide gazette notification No.3-2/2004-E-II dated 30th July2005. The projects mentioned/observed by the Audit authorities have been established and being run purely by the said foundation and income of these projects is being utilized for welfare of serving/retired Rangers persons and their families.

It is further clarified that after 18<sup>th</sup> Amendment in the Constitution of

Islamic Republic of Pakistan, 1973 all Welfare Foundations have been placed under control of Provincial Government, hence audit of Pakistan Rangers Foundation's accounts now will be audited by Chartered Accountant. Rangers Public Model School is established by the Punjab Government and constructed by on land of Government of Punjab and not working under control of Rangers Authority. All staff of Rangers Public Model School for Girls, Jurrey Pull, Lahore is being paid by Punjab Government. It is clarified that, in Rangers Headquarters (Punjab) Lahore no residential accommodation has been constructed out of Command Fund. All houses have been constructed out of public budget.

Management has accepted the Audit point of view regarding utilization of revenues generated from commercial property and other welfare schemes. The reply is inconsistent with the provisions of Pakistan Rangers Ordinance, 1959 which does not allow establishment and operation of commercial activities.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be investigated for launching different commercial activities. Moreover, all record relating to income and expenditure of the scheme since its establishment may also be provided to Audit.

***21.4.26 Unauthorized maintenance of bank accounts and disbursement of pay and allowance through DDO - Rs. 1,290.458 million***

Section 21(1) of Pakistan Rangers Ordinance, 1959, states that the Federal Government may frame Rules to carry out the purposes of this Ordinance.

Section 21(b) of Pakistan Rangers Ordinance, 1959, states that in particular and without prejudice to the generality of the foregoing powers, such rules may provide for the classes and grades of and remuneration to be paid to the officers and men in Force.

Section 21(c) of Pakistan Rangers Ordinance, 1959, states that in particular and without prejudice to the generality of the foregoing powers, such rules may regulate the conditions of service of the members of the Force.

As per Table of Organization and Equipment of Pakistan Rangers (Punjab) the strength of manpower, vehicles and arms, of each unit has been sanctioned separately.

The Pakistan Rangers (Punjab), Lahore is maintaining the accounts of Headquarters and its all units at Lahore. All the payments to the Headquarters and other Units at Rahim Yar Khan, Bahawalpur, Sialkot, Islamabad and Mandi Bahauddin are made through Sub-office of AGPR, Lahore. The bills are prepared by the unit and send to the Headquarters, Lahore for payment.

According to bank statements the detail of debit transactions during the period under audit was as follow:

<b>(Rupees)</b>		
<b>S. No.</b>	<b>Month</b>	<b>Dr</b>
<b>1</b>	July	139,139,232
<b>2</b>	August	185,206,096
<b>3</b>	September	187,056,801
<b>4</b>	October	210,951,083
<b>5</b>	November	213,339,790
<b>6</b>	December	223,621,781
<b>7</b>	January	7,474,367
<b>8</b>	February	11,083,381
<b>9</b>	March	9,738,409
<b>10</b>	April	5,088,941
<b>11</b>	May	7,765,005
<b>12</b>	June	21,042,648
<b>Total</b>		<b>1,221,507,534</b>

Audit observed as under:

- i. Disbursement of claims by the PR Headquarters, Sectors Headquarters and Wings was not approved by the Finance Division.
- ii. In existing circumstances the claims of the employees are delayed.

Audit is of the view that payment of claims in cash was irregular and unauthorized and may lead to misappropriation of funds.



Management replied that to maintain the centralization of accounts of this department, the matter was discussed by Director General of Pakistan Rangers (Punjab) with the Auditor General of Pakistan in detail on 12 September 1985. After hearing our problems / details of the case existing system was adopted. Consequent upon re-origination of existing audit and accounts arrangements for Pakistan Rangers (Punjab), the entire drawl of claims including those of the retired personnel of the Force, previously done at 5 x stations has now been shifted to Central Accounts Section (Now Finance Section) established with effect from 01.02.1986 and payment of all claims of the Sector HQs are now being drawn by one Drawing & Disbursing Officer. Under these the Sector HQs are required to prepare budget estimate, maintain cash accounts of Sector HQ of payment received by them from Finance Section. Salary of officers and troops is being transferred through bank account by the AG PR directly on monthly basis since October 2013. Hence no delay in salaries is occurred.

The reply is not acceptable because PR Headquarter is operating Bank accounts without the approval of Finance Division. The existing procedure adopted by the management regarding disbursement of claims was not approved by the Finance Division.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that payments of salaries may be credited directly in the bank accounts of the employees. The payment procedure for the remaining expenditure may be got approved from the Finance Division.

#### ***21.4.27 Irregular payment of IS Allowance - Rs. 302.443 million***

Rule 205 of FTR Vol-I states that subject to the provision of this rule, 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. Every voucher must bear, or have attached to it, an acknowledgment of the payment signed by the person by whom, or in whose behalf, the claim is put forward. The acknowledgment shall be taken at the time of payment.

Rule 157(2) of the FTR states that cheque drawn in favour of corporate or local bodies, firms or private persons for payments in favour of Central Gazetted Government servants or central non-gazetted government servants drawing emoluments for payments in respect of their personal claims shall be crossed wherever such payments are made by cheques.

Sector Commander Punjnad, Pakistan Rangers, Lahore received an amount of Rs. 288.00 million on account of Internal Security Duty (ISD) Allowance as detail given below.

Sr No	Cheque No.	Date	Amount (million)	IS duty allowance Period
1	5359803	19.06.2015	150.000	May -14 to Dec-14
2	5506437	09.10.2015	138.000	Jan-15 to Jul-15
3			14.443	
<b>Total</b>			<b>302.443</b>	

Audit observed as under:

- i. An amount of Rs. 1,182,655 was retained out of 150.00 million and similarly Rs. 998,163 out Rs. 138.00 million by Pakistan Rangers Headquarter Lahore for payment to various officers at Headquarters without any justification
- ii. Entire amount was disbursed in cash in violation of Rule 157(2) of FTR.
- iii. Acknowledgement receipts were not available on record.
- iv. The record relating to calculation of IS duty allowance was not provided.
- v. The management also paid an amount of Rs. 14.443 million during 2014-15 as IS duty allowance source of which was not disclosed to Audit.
- vi. The bank account in which the above mentioned amount was maintained was also not disclosed to Audit.

Audit observed that payment in cash and without acknowledgements was irregular and unauthorized, especially in view of the fact that no details of calculation of IS duty allowance was shown to Audit.

Audit is of the view that in the absence of calculations of IS allowance and acknowledgments from the recipients the authenticity of the expenditure could not be ascertained.

The management replied that Internal Security duty allowance received from concerned quarters was being paid to individual concerned.

The reply was not accepted because the department did not respond to the observations of the Audit.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends complete disbursement record along with bank statement and supporting documents may be provided to Audit. The practice of making payment though cash may be discontinued.

#### ***21.4.28 Non-recovery of Advance Tax - Rs. 1.892 million***

Section 236-A of the Income Tax Ordinance, 2001 requires that the person making sale by public auction to collect advance tax @5% based on the gross sale price of the auctioned property. The said tax is charged from the person to whom such properties or goods are being sold.

Pakistan Rangers (Punjab), Lahore auctioned vehicles, animals and other stores involving sales proceeds of Rs. 37.282 million as detail given below:

<b>(Rs. in million)</b>		
<b>Sr. No.</b>	<b>Item</b>	<b>Sales Proceed</b>
1	Vehicles	35.532
2	Animals	01.141
3	Other stores	00.609
<b>Total</b>		<b>37.282</b>

Audit observed that Advance Tax @ 5% amounting to Rs.1.892 million was not deducted by the management.

Audit is also of the view that due to non-deduction of advance tax the Government was deprived of its due receipt.

Management replied that 31 public vehicles have been auctioned in Dec 2014 for Rs.17, 002,000. As per board proceedings, 5% sale tax for Rs. 850,100 has already been deposited into Government Treasury on 01.04.2016. The animals were auctioned under board of officers after seeking approval of Competent Authority. The amount of highest bids was deposited in to Government Treasury. The point for recovery of Tax @ 5% has been noted for future compliance.

The management has accepted the audit observations.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that Advance Tax may also be recovered and deposited into Government Treasury.

***21.4.29 Non-formulation of rules for expenditure on internal security duty - Rs. 10,713.533 million***

Section 7(b) of Pakistan Rangers Ordinance, 1959, states that the Force shall reinforce the Police for the maintenance of Law and Order whenever it is necessary.

Section 21(1) of Pakistan Rangers Ordinance, 1959, states that the Federal Government may frame rules to carry out the purposes of this Ordinance.

The management of Pakistan Rangers Sindh, Karachi deployed 26 Wings of the force on Internal Security Duty in Sindh including two wings deployed at Karachi and Hyderabad. The budget grant of Rs. 12,961.114 million was allocated by the Government of Sindh during the period 2006-07 to 2014-15 for IS expenditure against which the management incurred an expenditure of Rs. 10,713.533 million in addition to logistic support in the form of vehicles etc.

Audit observed that the management has neither framed the accounting procedure for management of these funds nor any rules to regulate the IS duty expenditure.

Audit further observed that no procedure was available to regulate

logistic supports received from the requisitioning agencies, Provincial and District Governments

Audit is of the view that in absence of approved rules as required under Pakistan Rangers Ordinance 1959, the authenticity of expenditure could not be ascertained.

The management replied that Pakistan Rangers Sindh deployed its troops in rural and urban areas of Sindh for maintaining Law and Order situation in compliance with Government of Sindh requirement made through Ministry of Interior. Formation of separate accounting procedure was not required as the bills are submitted to AG Sindh. All codal formalities were fulfilled during processing of bills and the same bills were pre-audited by AG-Sindh. Moreover, audit of IS budget has been conducted by Audit Team of Director General Audit Sindh, Karachi for the period mentioned above.

The reply was not accepted because Pakistan Rangers, Sindh was deployed without any governing rules, rates and scales.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that rules may be framed and got approved from Government.

#### ***21.4.30 Abnormal increase in Project cost - Rs. 2,254.44 million***

Para 7.1 of Manual of Development Projects states that the objectives of any effort in project planning and analysis is to have a project that can be implemented to the benefit and socio-economic uplift of the society. The Project Director is appointed, staff of all categories arranged, the detailed designs got prepared, if need be, with the assistance of consultants, contractors pre-qualified and short-listed, tenders floated for civil works, equipment, and their installation, contracts awarded, all in timeliness with the objective of initiating the operations and getting them fully underway for achieving the goals envisaged without any time and cost over-run, in order that the economic benefits accrue according to the promises made in the scheme.

The management of Pakistan Rangers Sindh, Karachi is executing a project titled “Construction of Accommodation for Abdullah Shah Ghazi Rangers at Karachi”

Audit observed as under:

- i. The original PC-I of the Project was approved on 14.12.2005 at a total cost estimates of Rs. 616.05 million and the project was required to be completed on 30.06.2009.
- ii. The project was extended from time to time up to June, 2014 and an expenditure of Rs. 582.01 million was incurred up to June, 2014 which was 94% of the total estimates of the original PC-I.
- iii. The PC-I of the Project was revised on 31.03.2015 and cost of the project was enhanced from Rs. 616.05 million to Rs. 2,870.490 million with completion date of 30.06.2017
- iv. Scope of work was not changed.
- v. An expenditure of Rs. 962.552 million has been made up to the close of financial year 2015-16 which is now 33.532% of the revised PC-I cost.

Audit is of the view that the delay in execution of the project has not only deprived the beneficiaries from its benefits but has also escalated the cost which has put extra financial burden on public exchequer.

The management replied that the original PC-1 of the Project was approved on 14.12.2005 at total cost of Rs. 616.05 million and the project was required to be completed on 30.06.2009 the project was not completed in time. In the meanwhile market rates had been increased due to escalation. Revised PC-1 amounting to Rs. 2,870.49 was again forwarded for approval. Subject PC-I was considered by the CDWP in its meeting held on 04.03.2015 and approved the project at a revised cost of Rs. 2,870.490 million vide their letter no. 7/13/2006-AC (Dev) dated 31.03.2015.

Reply was not accepted as the management has given no reason for non completion of the project in time.

The PAO was informed on 23.12.2016, but DAC was not convened till

the finalization of the Report.

Audit recommends that a fact finding inquiry may be held.

***21.4.31 Non recording of financial transactions in cash books - Rs. 1,605.767 million***

Rule 77(i) of FTR Vol-I states that every officer receiving money on behalf of the Government should maintain a Cash Book in Form TR 4.

Rule 77(ii) of FTR Vol-I states that all monetary transactions should be entered in the cash book as soon as they occur and attested by the head of the office in token of check.

The management of Pakistan Rangers Sindh, Karachi incurred an expenditure of Rs. 1,605.767 million during 2015-16 on account of operational expenditure.

Audit observed that an expenditure of Rs. 1,605.767 million relating to payments made to suppliers were not entered in Cash Book.

Audit is of the view that non maintenance of Cash Book is not only violation of provisions of FTR but can also lead to misappropriations.

The management replied that Cash book has already been maintained as per previous practice in vogue. All the transactions of receipts and expenditure have also been recorded in the Cash Book except cross cheques issued by AGPR in the name of suppliers. However the observation has been noted and in future all cheques will be entered in the cash book. The compliance may be verified at the time of next audit.

The management has accepted that payments made to contractors were not recorded in the Cash Book.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

**21.4.32 Unauthorized payment without detailed measurement of actual work done - Rs. 414.68 million**

Para 37 of CPWA Code states that the Superintending Engineer is required to make it his special duty during his tours to see that measurement books are carefully kept and measurements properly recorded, and that they are complete records of the actual measurements of each kind of work done for which certificates have been granted. He should also see that any orders of the minor local Government regarding check measurements are duly observed.

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 Rangers Sindh, Karachi paid an amount of Rs. 414.68 million to various contractors. Details are as under:

<b>(Rs. in million)</b>		
<b>S. No.</b>	<b>Project Name</b>	<b>Expenditure</b>
1.	Construction of accommodation for Abdullah Shah Ghazi Rangers at Karachi	300.452
2.	Construction of 120 x Single Man Barrack at Gaddap Range, Karachi	21.634
3.	Re-habilitation/Up-gradation of accommodation and allied Facilities of Thar Rangers	29.503
4.	A124 Building & Structure (Construction) & A133 Building & Structure (Repair)	63.086
<b>Total</b>		<b>414.68</b>

Audit observed as under:

- i. In all Measurement Books total quantity/measurements were recorded at one time instead of date wise actual work done.
- ii. Expenditure was incurred without making departmental regulations as required under the rules.



Audit is of the view that without actual measurement taken on Measurement Books the authenticity of the work and quality of the work could not be ascertained.

The management replied that measurement of quantities of actual work done was made on the actual measurement of minor construction and repair/maintenance already prepared and noted in measurement books. In future measurement will be recorded in measurement book as per actual work done as desired by Audit. The payment was made on the basis of actual work done by the contractor.

The reply was not accepted because without the actual measurement the quantity of work done could not be determined for payment at the approved rates. Further, the quantities in BOQ were estimates and not the actual quantity of work done.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be investigated to fix the responsibility.

#### ***21.4.33 Irregular purchase of land - Rs. 368.45 million***

Serial 1(1) of subsidiary instructions issued by the Federal Government under Appendix 15 of GFR Vol-I regarding acquisition of land for Federal purposes states that under Article 173 of the Constitution of Islamic Republic of Pakistan, 1973 when land belonging to a private party has to be acquired on behalf of the Federal Government, the acquisition shall be at the expense of that Government. In case where the Federal Government require any land which is in the occupation of the Provincial Government to be transferred to them, the amount payable by the Federal Government will ordinarily be the market value of the land and buildings, if any, thereon.

Serial 2 of subsidiary instructions issued by the Federal Government under Appendix 15 of GFR Vol-I states that the market value when applied to land may be defined as the price which the land would fetch if sold in the open market subject to the ground rent or assessment shown against it in the revenue

registers, or, if no ground-rent or assessment is shown against it in the revenue registers, subject to a ground-rent or assessment levied at the rate at which ground rent or assessment is actually being levied on similar lands in the neighborhood excluding all cases in which such similar lands in the neighborhood are held free of ground-rent or assessment at favourable or unfavorable rates of ground-rent or assessment at favourable or un-favourable rates of ground rent or assessment.

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

The management of Pakistan Rangers Sindh, Karachi purchased 37.5 acres land at cost of Rs. 336.420 million (@ Rs.9.843 million per acre) at main highway Karachi for construction of office buildings for two projects. Details are as under:

<b>(Rs. in million)</b>			
<b>S. No.</b>	<b>Project</b>	<b>Allocation under the head purchase of land in PC-I</b>	<b>Expenditure on account of purchase of land</b>
1	Construction of accommodation for 2x Rifles Wing at Karachi	235.200	235.200
2	Purchase of land for Special Security Division(Chinese Security)	117.600	133.250
<b>Total</b>		<b>352.8</b>	<b>368.45</b>

Audit observed as under:

- i. The land was not acquired as required under the Land Acquisition Act, 1894.
- ii. Value of the land purchased was not access by the revenue department concerned.
- iii. The land was purchased without open competition.

Audit is of the view that land was purchased in violation of rules.

Management replied that the case for allotment of land for Newly Raised Wings 2 x Rifle Wings and 1 x Special Security Division (Chinese Security) was sent to Home Department, Karachi but no response given by them.

Advertisement for procurement of land was not published due to short time/ security environment and progress on the raising capacity building and Special Security Division (Chinese Security) asked by GHQ Rawalpindi vide their letter No.4036/2/SSD Corres/MO-3GP049 dated 10.12.2015. On release of funds by MOI for 2 x Rifle Wings and Special Security Division (Chinese Security) vide their letters 2/50/2015-OS(Dev) dated 28.01.2016 and letter No.2/40/2015 dated 18.05.2016 the land consisting of 37.5 Acres was purchased at Superhighway Toll Plaza after negotiation with owners who agreed to sell for Rs. 9,843,000 per acre through authorized persons.

The reply was not accepted being irrelevant.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be investigated for fixing the responsibility.

***21.4.34 Unauthorized collection from employees and execution of commercial activities without finalization of Rules - Rs. 146.00 million***

PAC while discussing Para 6.13 on 12-15.02.2002 regarding non-deposit of revenue into Government Treasury directed the PAO Ministry of Interior to get the expenditure regularized from Ministry of Finance wherever required. The PAC also directed the Ministry to constitute a high level Committee under the chairmanship of Additional Secretary, Ministry of Interior with senior officers, each from Rangers Coast Guard, Frontier Corps, Financial Adviser, M/o Finance, DG, Audit and a senior level representative of Military Accounts as members to review the existing financial rules/regulations concerning CAFs and prepare a comprehensive report. The high level committee should then evolve a standard/transparent system and get it approved from the competent authority with a report to PAC, Secretariat within three months.

In meeting held on 24.09.2002 in pursuance of the PAC directives it was decided that the Civil Armed Forces (CAF) could maintain, operate Welfare Scheme/Projects based on voluntarily subscriptions, after approval from the Ministry of Finance and Interior. For this purpose, the forces would also seek

formal approval of the SOPs being followed by them.

The management of the Pakistan Rangers Sindh, Karachi received fixed scale wise contribution from officers/official on following rates:

**(Rupees)**

<b>S. No.</b>	<b>Rank</b>	<b>Monthly Contribution</b>
<b>1.</b>	SSR/Col	Not provided
<b>2.</b>	SR/Major	Not provided
<b>3.</b>	DSR/Captain	Not provided
<b>4.</b>	Inspector	569
<b>5.</b>	Inspector/Clerk	569
<b>6.</b>	Sub Inspector	529
<b>6.</b>	Havildar	485
<b>7.</b>	Niak	473
<b>8.</b>	L/Niak	464
<b>9.</b>	Sepoy	465
<b>10.</b>	SW/Aya	454

In addition of the above the Pakistan Rangers (Sindh) is running following revenue generating projects:

- i. Shooting Club
- ii. Rangers Security Services
- iii. Rangers Public Model Schools
- iv. Indus Ranger Petroleum Service
- v. Canteen
- vi. Residential accommodation constructed out of command fund.
- vii. Ranger Printing Press
- viii. Ranger Foundation
- ix. Regimental Fund/Command Fund

Audit observed that the Rules/Regulations as directed by the PAC on 12.05.2002 regarding utilization of revenue generated by the CAFs were not finalized despite lapse of 13 years.

Audit is of the view that non finalization of Rules and Regulations as

directed by the PAC was a violation of PAC directives.

The management replied that the noted amount is a contribution paid by individuals at their will for utilization of their welfare. It is further submitted that in the light of PAC directive the framing of Rules for operating Welfare/Regimental Funds of CAF including all stake holders i.e. Auditor General of Pakistan, Controller General of Accounts and Finance Division, are under vetting and approval at appropriate level.

The reply was not accepted because the amount was collected without any lawful authority and approved rules. Further, Pakistan Rangers Ordinance, 1959 did not allow establishment and operation of commercial activities.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be investigated for launching different commercial activities. Moreover, all record relating to income and expenditure of the scheme since its establishment may also be provided to Audit.

#### ***21.4.35 Doubtful expenditure on transportation of troops - Rs. 25.280 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.

The management of Pakistan Rangers Sindh, Karachi awarded the contract of transportation of troops to M/s Al-Habib Associates during 2015-16 and paid an amount of Rs. 25.280 million.

Audit observed as under:

- i. The quantity/number of articles and personnel to be transported from a particular station to other was neither mentioned in the tender notice nor in the tender documents in order to determine

the cost of transportation and enabling the bidders to submit the bids in accordance with volume of work.

- ii. The copy of approved Standard Operating Procedure for rotation of wings was neither provided to Audit nor available with paid vouchers.
- iii. The claims of transportation charges were neither supported with rotation orders nor provided to Audit to substantiate the expenditure.
- iv. Wing No. 51 was rotated with 23 different Wings in two days of June, 2016.
- v. The claims were not verified by the respective Wing/Company Commanders.

Audit is of the view that the entire proceeding was in violation of the provision of Public Procurement Rules and without supporting documents, therefore, held irregular and unauthorized.

The management replied that the vehicles were hired for relief/rotation of 51/34, 32/91 & 43/52 Wings from Hyderabad to Chachro, Karachi to Hathungo and Kashmore to Hyderabad. The expenditure was incurred after completing all codal formalities as required under PPRA Rules, 2004. Tenders were called for the whole year and not for a particular time or personnel. Places have been determined for getting rates of Buses or Trucks, which is quite easy for bidders to submit the bid.

The reply was not accepted because the management did not provide approved rotation plan and justify rotation of one Wing with 23 different wings in a single day.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be probed and results should be communicated to Audit.

***21.4.36 Irregular and unauthorized purchase of desert cotton vests - Rs. 12.420 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 documents and having lowest evaluated cost.

Rule 36 (viii) and (ix) of Public Procurement Rules, 2004 state that after the evaluation and approval of the technical proposal the procuring agency, shall at a time within the bid validity period; publicly open the financial proposals of the technically accepted bids only. The financial proposal of bids found technically non-responsive shall be returned un-opened to the respective bidders; and the bid found to be the lowest evaluated bid shall be accepted.

The management of Pakistan Rangers Sindh Karachi purchased 60,000 desert cotton vests (half sleeves) at a cost of Rs. 12.420 million from M/s Shaheen Knitwear Karachi. According to technical evaluation report dated 05.01.2016 two firms out of seven were technically qualified, i.e. M/s Shaheen Knitwear, Karachi and M/s IDOT Cool Pvt. (Ltd) Islamabad.

Audit observed that the supply was awarded to the M/s Shaheen Knitwear, Karachi without opening the financial bid of M/s IDOT Cool Pvt (Ltd).

Audit is of the view that award of contract to M/s Shaheen Knitwear, Karachi without opening the financial bid of M/s IDOT Cool Private Limited was irregular and unauthorized.

The management replied that sample was provided only by one firm i.e. M/s Shaheen Knitwear, Karachi. The word “Accepted” and “According to the specifications” against M/s IDOT Cool was erroneously mentioned on Technical Scrutiny Report.

The reply was not accepted because as per signed comparative statement both firms were qualified technically.

The PAO was informed on 23.12.2016, but DAC was not convened till

the finalization of the Report.

Audit recommends that the matter may be thoroughly investigated.

***21.4.37 Non-recovery on account of Sales Tax - Rs. 11.878 million***

Rule 3 of Sindh Sales Tax on Services Act, 2011 states that the provisions of this chapter shall apply to a person required to be registered under the Sindh Sales Tax on Services Act, 2011 and “taxable services” means the services listed in the Second schedule to the Sindh Sales Tax on Services Act, 2011.

Rent a car is provided at S. No. 9819.3000 as Services provided or rendered by specified persons or businesses under First Schedule of Sindh Sales Tax on Services Act, 2011.

Freight forwarding agents is provided at S. No. 9805.3000 as Services provided or rendered by specified persons or businesses under First Schedule of Sindh Sales Tax on Services Act, 2011.

The management of Pakistan Rangers, Sindh made payment of Rs. 69.874 million to various contractors/firms on account of cost of transportation during 2015-16.

Audit observed as under:

- i. Payments were made without obtaining the sales tax invoices containing the Sales Tax Number as per the provision of the Sindh Sales Tax on Services Act, 2011.
- ii. The invoices submitted by the suppliers neither contained the amount of sales tax separately nor the deduction at source was made.

Audit is of the view that due to non deduction of Sales Tax at source the Government was deprived of its due share of receipt amounting to Rs. 11.878 million @ 17% (of 69.874 million).

Management replied that Audit pointed out levy of Sales Tax on services



on “rent a car” service whereas, the department had undertaken work on account of transportation of goods through Heavy Transport given to Transport Contractors. Accordingly the contractor did not mention the sales tax on the bills / invoices. As such the tax is not applicable.

The reply was not accepted because the management entered into service agreements for transportation of goods and troops which required deduction of GST.

The PAO was informed on 23.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that sales tax may be recovered from the suppliers besides fixing the responsibility.

***21.4.38 Irregular sanction of advance to Nowshera Sheet Glass Industries - Rs. 25.581 million***

Para 7(iv) of the Constitution of the National Police Foundation states that the Board of Directors shall give loans or advances in any emergency to such of the projects as are owned by the Foundation wholly, or partly and to such of the companies in which the Foundation may be interested as shares holder or subscriber, on such terms and conditions as to interest, security and payment as may be determined by the Board of Directors.

The management of National Police Foundation extended advance / loan of Rs. 25.581 million to Nowshera Sheet Glass Industries (NSGI) from 01.07.2013 to 30.06.2016 on various counts to meet running expenditure of NSGI.

Audit observed as under:

- i. The Advance/loan was extended without determining the terms and conditions by the Board of Directors (BOD).
- ii. Advances/loans were not recovered from NSGI till June, 2016.
- iii. No interest has been charged/received from NSGI as on date and no mechanism has been evolved to recover the amount from

NSGI.

Audit is of the view that extending of loans to a commercial concern without determining the terms and conditions was unauthorized and disadvantageous to the Foundation.

The management did not reply

The PAO was informed on 05.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the loan may be recovered along with the interest at the market rate.

***21.4.39 Unauthorized retention of three vehicles of Foundation by Ex-Managing Director***

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 National Police Foundation (NPF) provided list of vehicles which shows the allocation of vehicles to various officers during 2013-14 to 2015-16.

Audit observed that three vehicles were still under the possession of ex-Managing Director along with drivers since 21.01.2016 after his retirement.

Audit is of the view that undue benefit was extended to ex-Managing Director at the cost of Foundation.

The management did not reply.

The PAO was informed on 05.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that vehicles may be retrieved besides recovery of repair & maintenance and salary of the deputed drivers.

***21.4.40 Unauthorized allotment of a commercial plot to ex-Chairman of Committee of Administration***

National Police Foundation was established in 1975 under Charitable Endowment Act, 1890. The main purpose was to provide relief to poor police officials in the shape of medical, education, dowry, etc.

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.

National Police Foundation (NPF) offered a commercial plot measuring 30×60 (200 square yards) situated at street No. 12, NPF Housing Scheme, Sector E-11, Islamabad for Rs. 10,000 per square yard, totaling Rs. 2,000,000 to Mr. Shahid Khan S/o Khan Muhammad Parvaiz, Chairman, Committee of Administration/National Police Foundation vide letter No. Misc/NPF/4135 dated 20.11.14.

The offer was accepted by the allottee and he deposited Rs. 2,000,000 vide slip No. 64809 dated 03.12.2014. The plot was handed over to the allottee vide letter No. M/542/E-11/com/4324-25 dated 05.12.2014.

The allottee sold the above mentioned plot to one Mr. Zahid Chen Zeb for Rs. 10,000,000 as per sale deed agreement dated 08.12.2014.

Audit observed as under:

- i. National Police Foundation did not frame bye-laws for allotment of all categories of plots.
- ii. The price of the plot was not determined as per prevailing market rate at the time of offer of allotment.
- iii. The selling of plot at 5 times of purchase price within 03 days shows clearly the disparity in pricing mechanism of NPF.

Audit is of the view that due diligence has not been done while offering

the plot.

Audit is also of the view that the plot was allotted only to benefit the individual.

The management did not reply.

The PAO was informed on 05.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that market cost of the plot may be recovered besides fixing the responsibility.

***21.4.41 Loss due to purchase of powdered milk instead of fresh milk - Rs. 7.995 million***

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.

As per Clause 1 of a contract agreement, with M/S Faridullah & Co and M/S Pir Masam Shah were to supply fresh milk for the personnel of Commandant Scouts Training Academy at Warsak @ Rs. 7,840 per hundred liters for 2014-15 and @ Rs. 11,000 per hundred liters for 2015-16.

The management of Scouts Training Academy at Warsak purchased 25,203.60 Kg of powdered milk @ Rs. 575 per Kg from October, 2014 to July, 2015 and 27,924.55 Kg @ Rs. 661.25 per Kg from August, 2015 to June, 2016.

Audit observed that per man per day rate of powdered milk was Rs. 28.75 for 2014-15 and Rs. 33.06 for 2015-16 whereas the rate of fresh milk was Rs. 19.31 and Rs. 27.28 for the corresponding periods.

Audit is of the view that due to continuous purchase of powdered milk instead of fresh milk from October 2014 to June, 2016 in violation of Clause 1 of the contract the Government was put to a loss of Rs. 7,994,860 as detailed below:

**(Rupees)**

Period	Quantity in Kgs	P/man P/day milk powder rate in Rs.	P/man P/day milk fresh rate in Rs.	Difference	Strength during the period	Excess Expenditure
October, 2014 to July, 2015	25,204	29	19	9.31	512,013	4,766,841
August, 2015 to June, 2016	27,925	33	27	5.78	558,481	3,228,019
<b>Total</b>						<b>7,994,860</b>

The management replied that according to contract agreement, the contractor was bound to supply milk powder, milk fresh and milk tinned. Due to non-availability of sufficient/purified fresh milk in the adjacent area, the contractor has supplied milk powder.

The reply was not acceptable because the contractor was bound to supply fresh milk as per contract. The reply was also not acceptable because the Academy is in the vicinity of Peshawar.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed and the loss may be made good from the person(s) held responsible.

#### ***21.4.42 Non-recovery of Income Tax from suppliers - Rs. 6.713 million***

Rule-153 of 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 for the sale of goods shall at the time of making the payment, deduct tax from the gross amount payable at the rate of 4.5%.

FBR Circular No. 1(13)w/2007 dated 30.04.2011 states that contractors who are resident of PATA/FATA and are executing contract in Tribal Area, but receiving payment in settled area, are not exempted from tax deduction under Section 153 of the Income Tax Ordinance 2001.

The management of Scouts Training Academy purchased fresh ration items from different suppliers and incurred expenditure of Rs. 149.183 million during 2015-16.

Audit observed that management did not deduct Income Tax amounting to Rs. 6.713 million from different suppliers during 2015-16. Details are as under:

**(Rupees)**

S. No.	Year	Name of supplier	Items	Amount	Income Tax @4.5%
1	2015-16	Mr. Muhammad Imran	Meat	100,975,174	4,543,883
2	2015-16	M/s Riaz & Company	Fruit	17,525,074	788,628
3	2015-16	-do-	Vegetable	12,218,033	549,811
4	2015-16	Pir Masam Shah	Milk Powder	18,465,109	830,930
<b>Total</b>				<b>149,183,120</b>	<b>6,713,240</b>

The record of such purchases made during 2014-15 was not provided, therefore, amount of Income Tax for that period could not be determined.

Audit is also of the view that due to non recovery of Income Tax, the public exchequer was put to loss. Furthermore non-provision of record for the year 2014-15 is a serious lapse.

The management replied that the contractors belong to tribal areas; hence they are exempted from payment of income tax as per orders of Government of Pakistan.

The reply was not accepted because these contractors were providing items to the Frontier Corps Units/offices in settled area. The management did not reply regarding non provision of record.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that recovery of Rs. 6.713 million may be made from the suppliers and deposited in Government treasury.

***21.4.43 Loss due to non-deposit of receipts - Rs. 3.433 million***

Para-8 of GFR Vol-I, states that it is the duty of administrative department to see that all the dues of Government are correctly and promptly assessed, collected and paid into the treasury.

Para-26 of GFR Vol-I, states that it is the duty of the department controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

The District Officer Frontier Constabulary Shabqadar collected an amount of Rs. 3,814,200 on account of rent of shops and canteen owned by the FC, during the financial year 2014-15. Details are as under:-

Particulars	Monthly Collection	Period (months)	Total (Rs)
Shops	298,550	12	358,2600
Canteen	19,300	12	231,600
<b>Total</b>			<b>3,814,200</b>

Audit observed that out of total receipt of Rs. 3,814,200 only Rs. 381,420 was deposited into Government Treasury.

Audit holds that the management was required to deposit the total amount collected into Government Treasury.

The management stated that 10% of the total receipts were deposited into Government Treasury in light of a DAC decision.

The reply of the management was not acceptable, as DAC is not a competent forum to take such decision. Furthermore, documentary evidence of deposit of 10% rent was also not provided.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that total amount on account of rents may be deposited into Government Treasury.

***21.4.44 Loss to Government due to non-recovery of Out Station Allowance - Rs. 23.153 million***

Para 26 of GFR Vol-I states that it is the duty of the department controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the public account.

According to Finance Division Notification No. F.No.11(5)R-I/2008-91/12 dated 01.02.2012, the ISD allowance was restored for Civil Armed Forces with the instructions that “the ISD cost would be borne by the requisitioning authority”.

The following platoons of District Officer Frontier Constabulary Shabqadar were deployed with Pak Army and Khyber Pakhtunkhwa, Police during 2014-15, as detailed below:

Platoon No.	Borrowing Department	ISD Rate Monthly/jawan	Strength	Months	Total (Rs.)
361	Pak Army	2625	35	36	3,307,500
412		2625	35	36	3,307,500
346		2625	35	36	3,307,500
328	KP Police	2625	35	36	3,307,500
416		2625	35	36	3,307,500
430		2625	35	36	3,307,500
253		2625	35	36	3,307,500
<b>Total</b>					<b>23,152,500</b>

Audit observed that the District Officer Frontier Constabulary Shabqadar, did not claim/recover the subject amount from the borrowing departments/agencies and therefore, the Government was put to a loss of Rs. 23.153 million.

The management replied that the matter will be taken up with the quarter concerned in light of Audit observation for recovery of the said amount.

The management accepted the Audit observation.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends early recovery of amount.

#### ***21.4.45 Irregular cash payment - Rs. 20.771 million***

Rule 157(1) of FTR 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 Khyber Rifles made payment of Rs. 20.771 million on purchase of POL during 2014-15.

Audit observed that the payments were made in cash instead of issuing cheques in the name of supplier.

Audit is of the view that cash payments is a violation of Rule 157 of FTR.

The management replied that the troops are all involved in active operation and the POL is provided on day to day basis however the point is noted for future compliance.

The management has accepted the Audit observation.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that irregularity may be got condoned from Finance Division besides discontinuation of this practice in future.

***21.4.46 Irregular and unjustified expenditure on transportation/parking charges - Rs. 3.896 million***

Rule 12(1) of Public Procurement Rules, 2004 states that procurements estimates to cost over one hundred thousand rupees shall be advertised on the Authority's (PPRA) website as well as in newspapers having wide circulation for the purpose of competitive rates.

Para 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 Headquarters, Frontier Corps, Balochistan, Quetta delegated/ Revised Financial Powers to Corps Commandants of all Units of FC Balochistan vide its letter No.112-1/330/F-4 dated 20.05.2014.

The Commandant Maiwand Rifles paid Rs. 3,580,300 to M/s New Khan Road Runners (Pvt.) Ltd as transportation charges and Rs. 316,000 to M/s Karam Khan Khetran as parking charges during 2015-16.

Audit observed as under:

- i. The work was awarded without open competition.
- ii. The sanctions were accorded beyond delegated financial powers.
- iii. Instead of cross cheques cash payments were made without acknowledgement.
- iv. Parking charges were paid without any justification.

Audit is of the view that award of work without competition deprived the Government from the benefit of competitive rates.

Audit is also of the view that payments in cash without acknowledgment and payment of parking charges without any justification susceptible to misuse of funds.

The management did not reply.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that inquiry may be held to fix the responsibility.

## CHAPTER 22

### 22. KASHMIR AFFAIRS & GILGIT BALTISTAN DIVISION

#### 22.1 Introduction

Ministry of Kashmir Affairs and Northern Areas (KANA) was established in March, 1949, initially to deal with matters related to the Kashmir dispute. Later, the administrative control of Northern Areas was also transferred to this Ministry. Kashmir Affairs and Northern Areas Division and the States & Frontier Regions Division were merged into one Division under the Ministry of Kashmir Affairs & Northern Areas and States & Frontier Regions (KANA & SAFRON) in November, 1996. In June, 2004 the Kashmir Affairs and Northern Areas was again given the status of an independent Ministry/Division and was separated from States and Frontier Regions.

This Division has been assigned the responsibility of policy formation, administration and development in Northern Areas, including relief and rehabilitation work, provision of civil supplies and administration of Jammu & Kashmir State Property in Pakistan. In addition, this Division is also involved in the activities like developing the relations with Azad Jammu & Kashmir Council and Azad Government of State of Jammu & Kashmir.

Functionally, the Ministry consists of one main Division along with various line departments/sub-offices. The Ministry is responsible for matters pertaining to Kashmir dispute. Various programs are initiated by the Government under each Division/Department with a sharper focus on poor and unprivileged segments of the society.

The Government of Pakistan introduced “Gilgit-Baltistan Empowerment and Self-Governance Order, 2009” on 28.08.2009 which was approved in September, 2009. The reforms package was introduced through a Presidential Order which was approved by the Federal Cabinet and set forth for immediate implementation. Through the reforms another setup has been created similar to Azad Jammu and Kashmir, i.e. the Gilgit-Baltistan Council headed by the Prime Minister of Pakistan.

Under the Gilgit-Baltistan Empowerment and Self-Governance Order, 2009 the name of the area has been changed from Northern Areas to Gilgit-Baltistan, and the offices of Governor, Chief Minister and Ministers have been created. The concept of Consolidated Fund has been introduced and the legislative powers of the Assembly have been increased from 49 to 61 subjects along with powers to legislate on all other subjects not in the domain of the Gilgit-Baltistan Council. The Gilgit-Baltistan Council has the power to legislate on 55 subjects. The detailed functions and procedures of running various organs of Gilgit-Baltistan's Government in light of Gilgit-Baltistan Empowerment and Self-Governance Order 2009 are laid down in Gilgit-Baltistan Rules of Business, 2009.

Following departments/offices and functions were transferred to KA & GB Division vide Cabinet Division Notification No. 4-17/2010-Min-1 dated 02.12.2010.

- Mainstreaming population factor in development planning process, in KA & GB
- Management and distribution of Zakat and Ushr in the GB & AJK 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 Kashmir Affairs and Gilgit Baltistan (KA&GB) Division for the financial year 2015-16 was Rs. 11,497.651 million including Supplementary Grant of Rs. 1,026.651 million out of which the Division utilized Rs. 10,824.210 million. Grant wise detail of current and development expenditure is mentioned as follows:

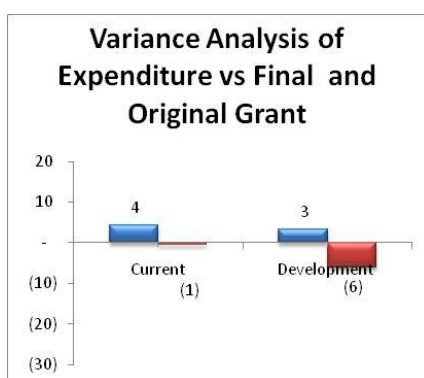
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
71	Current	284,000,000	26,648,000	310,648,000	304,460,866	(6,187,134)	(2)
72	Current	23,000,000	2,000	23,002,000	25,749,169	2,747,169	12
73	Current	227,000,000	-	227,000,000	227,000,000	-	-
	<b>Subtotal</b>	<b>534,000,000</b>	<b>26,650,000</b>	<b>560,650,000</b>	<b>557,210,035</b>	<b>(3,439,965)</b>	<b>(1)</b>
130	Development	9,937,000,000	1,000,001,000	10,937,001,000	10,267,000,000	(670,001,000)	(6)
	<b>Total</b>	<b>10,471,000,000</b>	<b>1,026,651,000</b>	<b>11,497,651,000</b>	<b>10,824,210,035</b>	<b>(673,440,965)</b>	<b>(6)</b>

Audit noted that there was an overall saving of Rs. 673.440 million, which was due to savings of Rs. 670.001 million in development grant.

*Supplementary grants obtained without careful cash forecasting.*

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 graph below, the excess in current expenditure was 4%, which, after accounting for supplementary grants changed to savings of 1%. In development expenditure, excess against original budget was 3% which changed to savings of 6% when supplementary grants were taken into account.



### 22.3 Brief comments on the status of compliance with PAC Directives

Name of Ministry	Years	Total No of audit paras	No of PAC Directives / Actionable Points	Compliance	Non-Complied
KANA	1992-93	11	11	8	3
	1994-95	4	2	0	2
	2006-07	6	6	3	3

## 22.4 AUDIT PARAS

### *Irregularity & Non Compliance*

#### *22.4.1 Non-recovery of arrears from the tenants - Rs. 30.753 million*

(Administration of Property) Ordinance-III of 1961 states that Administrator Jammu & Kashmir State Property under the Administrative control of Ministry of Kashmir Affairs and Gilgit-Baltistan is responsible for the management of immovable properties of Mahraja of Kashmir.

Section 5(5-C) of the Ordinance states that any sum due whether as rent or otherwise, in respect of its properties, if not paid within the time specified by the Administrator, shall be recoverable as arrears of land revenue.

Audit observed that management of Jammu & Kashmir State Property did not recover arrears of Rs. 30.753 million on account of rent and lease of the properties as detailed below:

S. No.	Description of property / land	Area in Acres	Description of arrears	Amount (Rs. million)
1.	Purab Distt Sheikhpura	906	Kharif 2014&Rabi-15 Kharif 2015 Rabi-2015	14.927 12.798 1.588
2.	Khata No. (310-311) kheray village Sultanpura	12	2013 to 2015	1.440
<b>Grand Total</b>				<b>30.753</b>

Audit is of the view that outstanding arrears may turn into bad debts.

The department replied that during Rabi 2014 heavy rains damaged the wheat crops which caused loss to the contractors and 23 contractors refused to cultivate the land under their possession and requested to cancel their contracts. The efforts were being made to recover the arrears from the defaulters and the District Collector Sheikhpura has been requested to recover arrears through Land Revenue Act. Moreover a rent enhancement committee has been constituted by the Ministry; the decision of rent committee will be implemented on finalization.

The reply was not acceptable because the department did not watch the

Government interests. Further, the department did not pursue the recoveries with the concerned District Collector under the Land Revenue Act.

Audit recommends immediate recoveries of up to date arrears.

#### **22.4.2 Non-recovery of arrears from the tenants - Rs. 12.564 million**

Section 3(3)(b) of the Jammu & Kashmir (Administration of Property) Ordinance 1961 (III of 1961), prescribes that the Administrator may evict summarily any person who is in default in the payment of rent of any such property for not less than three months.

Section 5(5-C) of the Ordinance further provides that any sum due whether as rent or otherwise, in respect of any of the aforesaid properties, if not paid within the time specified by the Administrator, shall be recoverable as arrears of land revenue.

Rule 26 of GFR VOI-I states that it is the duty of the departmental Controlling officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Jammu & Kashmir State Property, Lahore rents/leases out its different type of properties, i.e. commercial, residential, and agricultural.

Audit observed that the management did not recover the rent of Rs. 12.564 million from the tenants. Details are as under:

S. No.	Location of Property	Status	Amount of Arrears Rs.	Outstanding Since
01	Landa Bazar	Commercial	2309727	7/2006
02	Trunk Bazar	Commercial	971838	3/2007
03	Haveli Dhyam Singh	Residential	193771	7/2007
04	Sard Chah Bagh	Commercial	1767797	11/2011
05	Sarai Sultan	Commercial	2373885	7/2010
06	Sultan Pura	Commercial	776398	8/2009
07	Rehman Pura	Agricultural	233814	6/1999
08	Sultan Pura	Agricultural	55508	6/2007
09	Ahata Kirpa ram	Commercial	100652	11/2008
10	Ahata Ghulab Bibi	Commercial	40685	6/2015
11	Ahata Mian Sultan	Commercial	3124872	6/2007
12	Kutrey	Commercial	49362	6/2014
13	Changar Mohalla	Commercial	328170	7/2011
14	Ghujian	Commercial	48285	6/2015
15	Jangu Chak	Commercial	189410	6/2015
			<b>12564174</b>	

Audit is of the views that due to non-recovery of rent the J&K State Property was deprived of its due receipt.

The management replied that mostly, the arrears were due to litigation in different courts. Efforts were being made to finalize the court cases and recovery of arrears from the defaulters. Progress will be intimated accordingly.

The management has accepted the audit observation.

The PAO was informed on 24.05.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that arrears should be recovered.

#### ***22.4.3 Non-recovery of dues accruing due to change of tenancies at Poonch House Rawalpindi - Rs. 8.761 million***

Section 3A(1) of the Ministry Kashmir Affairs & Gilgit-Baltistan Division Notification NO.SRO-(82)(KE)/2012 dated 10.07.2012 states that the Administrator shall, upon the express consent in writing of the previous tenant, change the tenancy of a unit in favour of new tenant subject to payment of outstanding arrears of rent or any other outstanding dues, and execution of fresh tenancy agreement by the new tenant at the rent determined in the rule and payment of transfer fee equal to two years rent at the rate prevailing immediately before the newly fixed rate, in the case of agriculture, commercial and residential property.

Administrator Jammu & Kashmir State Property is responsible for management of immovable properties vested under (Administrative of Property) Ordinance, 1961.

Management rented out the residential flats, shops of Poonch House Complex and other properties to the various tenants.

Audit observed as under:

- i. The tenants illegally handed over the properties to other person willfully



without prior intimation/permission from the complex management. Authorities did not change the tenancies as per rules, which resulted into loss of revenue of Rs. 8.761 million.

- ii. The authorities also did not take the requisite legal action under the law for ejection of the illegal occupant nor took necessary steps for the change of tenancies in favour of the present occupants.

The management replied that some of the amendments in the prevalent rules are ultra vires to the Punjab Tenancy Act, 1887. The matter was laid before the Management Committee in its meeting on 14.03.2013, which recommended to constitute a sub-committee.

The reply was not acceptable because the department failed to change the tenancies as per rules and recover rents at new rates.

Audit recommends that illegal occupants may be evicted besides recovery of outstanding rents and fixing of responsibility.

#### ***22.4.4 Irregular expenditure on honorarium - Rs. 3.629 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.

Management of Jammu & Kashmir State Property Lahore paid honorarium amounting to Rs. 3.629 million during 2011-15. Details are as under:

**(Rs. in million)**

<b>Sr.No.</b>	<b>Financial year</b>	<b>Cheque No.</b>	<b>Dated</b>	<b>Amount</b>
<b>1</b>	2011-12	19800392-97	02.05.2012	0.700
<b>2</b>	2012-13	7573718-26	14.04.2013	0.481
<b>3</b>	2012-13	7573771-91	17.05.2013	0.103
<b>4</b>	2013-14	9058801-24	01.05.2014	0.981
<b>5</b>	2014-15	16013701-68	01.04.2015	1.149
<b>6</b>	2014-15	30972214-24	30.06.2015	0.215
			<b>Total:</b>	<b>3.629</b>

Audit observed that honorarium was paid to the staff and officers of Ministry of KA&GB.

Audit is of the view that payment of honorarium to staff and officers of Ministry was irregular.

The management replied that the honorarium was granted to the staff of the Ministry with the approval of Competent Authority on the basis of its involvement with the matters of J&K State Property.

The reply was not accepted because payment of honoraria to officers and officials of the Ministry was not a bonafide charged on budget of J&K State Property.

The PAO was informed on 24.05.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amount may be recovered and practice should be discontinued forthwith.

***22.4.5 Loss due to payment of fine to LDA for extension in construction period - Rs. 3.02 million***

Ministry of Kashmir Affairs and Gilgit-Baltistan is responsible for the better management and effective control of the Kashmiri properties vested in through (Administration of Property) Ordinance-III of 1961.

Para 23 of GFR Vol-I states that every Government officer should realize fully and clearly that he would be held personally responsible for any loss sustained by Government through fraud or negligence on his part and that he will also be held personally responsible for any loss arising from fraud or negligence on 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.

Jammu & Kashmir State Property owns a commercial plot measuring 4 Kanals , 8 Marlas and 72 Sq ft at 10-A, Kashmir Road, Lahore. The Management Committee for the Jammu & Kashmir State Property in its meeting held on 15.06.1986 decided to construct a multi-storied commercial plaza in order to enhance its rental income. A consultancy agreement was made with Mr. Zaheer-A-Sheikh Associates on 29.04.1993 for preparation of layout plan. All NOCs were obtained by November, 1997.

Audit observed as under:

- i. The department has not started construction of plaza despite passage of 19 years.
- ii. The management paid Rs. 3.02 million as fee to Lahore Development Authority (LDA) for extension of construction of multi-storied building during 1999 to 2013.
- iii. The extension granted by LDA was also expired on 31.12.2013.

Audit is of the view that due to delay in construction the management not only had to pay the extension charges but also the construction has escalated and the organization has been deprived of the rental income.

The management replied that necessary spade work has been completed and a proposal for construction of plaza is under consideration.

The reply was not accepted because the department was still preparing to start the construction despite passage of 19 years and payment of Rs. 3.02 million as extension charges.

The PAO was informed on 24.05.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be probed and responsibility may be fixed for a delay of 19 years despite early construction of the building.

## CHAPTER 23

### 23. MINISTRY OF LAW, JUSTICE AND HUMAN RIGHTS

#### 23.1 Introduction

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.

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

Final budget allocated to the Law and Justice Division for the financial year 2015-16 was Rs. 11,578.270 million including Supplementary Grant of Rs. 1,372.270 million out of which the Division utilized Rs. 9,385.034 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)
74	Current	893,000,000	100,099,000	993,099,000	428,505,089	(564,593,911)	(57)
75	Current	3,419,000,000	7,307,000	3,426,307,000	2,958,694,792	(467,612,208)	(14)
76	Current	91,000,000	1,000	91,001,000	89,577,748	(1,423,252)	(2)
77	Current	330,000,000	6,000	330,006,000	311,866,606	(18,139,394)	(5)
78	Current	2,221,000,000	675,196,000	2,896,196,000	2,591,017,811	(305,178,189)	(72)
78A	Current	-	543,505,000	543,505,000	291,268,807	(252,236,193)	(21)
	<b>Subtotal</b>	<b>6,954,000,000</b>	<b>1,326,114,000</b>	<b>8,280,114,000</b>	<b>6,670,930,853</b>	<b>(1,609,183,147)</b>	<b>(79)</b>
H	Charged	1,303,000,000	31,538,000	1,334,538,000	1,276,602,083	(57,935,917)	(19)
I	Charged	449,000,000	1,000	449,001,000	431,609,876	(17,391,124)	(4)
J	<b>Subtotal</b>	<b>1,752,000,000</b>	<b>31,539,000</b>	<b>1,783,539,000</b>	<b>1,708,211,959</b>	<b>(75,327,041)</b>	<b>(4)</b>
126	Development	1,500,000,000	14,617,000	1,514,617,000	1,005,891,384	(508,725,616)	(34)
	<b>Total</b>	<b>10,206,000,000</b>	<b>1,372,270,000</b>	<b>11,578,270,000</b>	<b>9,385,034,196</b>	<b>(2,193,235,804)</b>	<b>(19)</b>

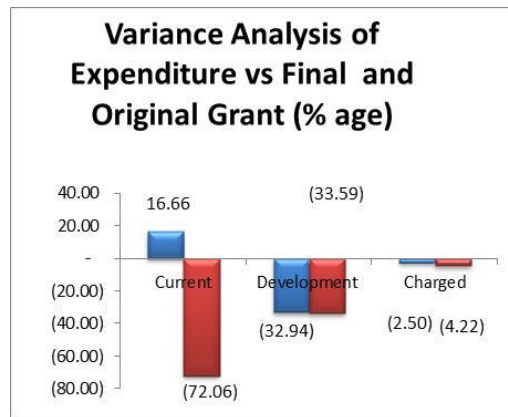
Audit noted that there was an overall saving of Rs. 2,193.236 million mainly due to savings in current as well as development expenditure.

#### *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, excess in current expenditure was 16.66%, which, after accounting for Supplementary Grants change to savings of 72.06%. In development expenditure, saving against original budget was 32.94% which changed to 33.59% when Supplementary Grants were taken into account. In charged expenditure there were savings of 2.50%, which changed to 4.22% when Supplementary Grants were taken into account.



### 23.3 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
<b>Law &amp; Justice and Human Rights (including Devolved M/o Women Development)</b>	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
<b>Total</b>		<b>53</b>	<b>53</b>	<b>7</b>	<b>46</b>	<b>13</b>

### 23.4 AUDIT PARAS

#### *Non Production of Record*

##### *23.4.1 Non-Production of record by Ministry of Law & Justice*

Section 14(3) of the 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 Ministry of Law & Justice, Islamabad did not provide the following records/document to Audit:

- i. Total number of legal cases in process in courts as on 01.07.2015 against Federal Government.
- ii. Number of new cases logged against the Federal Government during 2015-16.
- iii. Number of cases in process in courts as on 30.06.16 against Federal Government.

- iv. Number of cases disposed of by courts (logged against the Federal Government) during 2015-16.
- v. Number of cases decided in favor of Federal Government.
- vi. Number of cases dealt by Attorney General/Deputy Attorney General and standing counsels during 2015-16.
- vii. Number of cases dealt by hired counsels during 2015-16.
- viii. Amount of the legal fee outstanding/liabilities payable to the counsels hired as on 30.06.16.
- ix. Statement showing Counsel wise number of cases allotted.
- x. Expenditure incurred from the Government budget during 2015-16 on the offices of Attorney General/Deputy Attorney Generals and standing counsels.

Audit is of the view that in the absence of above mentioned record the authenticity of the process of hiring of counsels and expenditure thereof cannot be ascertained.

The PAO was informed on 03.01.2017, but DAC was not convened till the finalization of the Report.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.

### ***Irregularity & Non Compliance***

#### ***23.4.2 Non achievement of target by the project “Archiving, Digitization, Translation and Regulation of Publications of Laws of Pakistan”- Rs. 55.672 million***

Ministry of Law & Justice got approved a development project titled “Archiving, Digitization, Translation and Regulation of Publications of Laws of Pakistan” at a cost of Rs. 55.672 million on 29.05.2015 with the completion



period of one year. The project started its activities on 01.07.2015. The objectives of the projects were;

- i. To archive, digitize, and regulate error free publication of laws, manuals, rules and regulations including Pakistan Code and Provincial Codes to establish a supervisory mechanism for insuring availability of error free publication of Law of Pakistan and their translation into Urdu.
- ii. To establish a Law of Pakistan Cell under the publication of laws of Pakistan (Regulations) Ordinance, 2015 was promulgated on 04.04.2015.

The outcomes of the projects foreseen were to:

- i. Provide a legal basis for judicial and administrative reforms by ensuring error free publication and availability of law.
- ii. Improve the efficiency, timelines, and effectiveness in judicial services by availability of error free laws for judicial officers.
- iii. Support greater equity and accessibility in justice services for vulnerable poor by ensuring free availability of error free laws of Pakistan in English as well in Urdu language.
- iv. Improve predictability and consistency between fiscal and human resource allocation and mandates of reformed judicial police institutions at the Federal, Provincial and Local Government levels.

Total expenditure incurred during 2015-16 was Rs. 19.071 million.

Audit observed as under:

- i. The translation of the laws into Urdu was not started and the provision for same made in the financial year was surrendered.
- ii. The registration of the publisher of law books was not started.

Audit is of the view that due to non completion of above tasks the outcomes of the project were not achieved. Therefore, the benefits of the expenditure incurred to the general public could not be extended.

The management did not reply.

The PAO was informed on 03.01.2017, but DAC was not convened till the finalization of the Report.

Audit recommends that the responsibility for not completing the project activities/tasks in the stipulated period should be fixed .

***23.4.3 Non-achievement of target by the project “Strengthening of Institutional Capacity of M/o Law, Justice and Human Rights” - Rs. 57.596 million***

Ministry of Law & Justice got approved a development Project “Strengthening of Institutional Capacity of M/o Law, Justice and Human Rights” at a cost of Rs. 57.596 million on 15.07.2014 with the completion period of one year. The project started its activities in December, 2014.

The main objective of the projects was to strengthen the institutional capacity of the Ministry of Law, Justice and Human Rights.

The above objective was to be achieved with the following tasks:

- i. Computerization of various wings.
- ii. Improvement of library.
- iii. Networking and connectivity.
- iv. Training and workshop.
- v. Public awareness campaign.

Total expenditure of Rs. 28.382 million was incurred on the project during 2015-16.

Audit observed as under:

- i. All the equipment had been purchased but the computerization of the Wing was not completed as the records of court cases in solicitor wing were not still computerized.
- ii. The purchase of books was still in progress.
- iii. Training and public awareness tasks were also not completed.

Audit is of the view that due to non completion of above tasks, the benefits of the expenditure incurred were not achieved.

The management did not reply.

The PAO was informed on 03.01.2017, but DAC was not convened till the finalization of the Report.

Audit recommends that the responsibility for the not completion of the project activities/tasks in the stipulated period should be fixed.

#### ***23.4.4 Hiring of services of Lawyers without advertisement and technical evaluation - Rs. 8.632 million***

Article 25 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.

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

Ministry of Law and Justice hired the services of 576 lawyers, took them on their panel, allotted the cases to them and made payments aggregating to Rs. 8,632,055 during 2015-16.

Audit observed that management neither made technical evaluation of qualification and experiences of the lawyers hired nor provided any opportunity to the others for same through open advertisement.

Audit is of the view that hiring of services without providing opportunity to others through open advertisement is discrimination against others and is in this regard to constitutional provision of basic rights.

Audit is also of the opinion that hiring of services without any technical evaluation against the laid down criteria by drawing merit list was violation to the PPRA rules and expenditure incurred was irregular.

The PAO was informed on 03.01.2017, but DAC was not convened till the finalization of the Report.

Audit recommend that services of lawyers should be hired by technical evaluation on laid down criteria by inviting applications through open advertisement or position may be clarified otherwise to audit.

***23.4.5 Un-authorized/unjustified expenditure on rent of office building and non-recovery of Income Tax - Rs. 4.891 million***

Para 12 of GFR Volume-I states that 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.

Ministry of Law & Justice was executing to development projects i.e. “Archiving, Digitization, Translation and Regulation of Publications of Laws of Pakistan” and “Strengthening of Institutional Capacity of M/o Law, Justice and Human Rights” The project offices were in a rented building of Bureau of Immigration and Overseas Employment, Islamabad.

The management paid rent of Rs. 4,891,920 during 2015-16 to the Bureau of Immigration and Overseas Employment. Prior to the shifting, project offices were in House No. 146, Street No. 6, F-6/3, Islamabad which was owned by the Ministry of Law & Justice

Audit observed as under:

- i. The rent of building was paid from the non-development funds of the Ministry whereas it needs to be paid from the project.
- ii. The compulsory deduction of Income Tax more than Rs. 489,192 was not made from the payment as the amount paid was not the receipt of Bureau of Immigration and Oversees Employment but

was of Immigration Fund for which the exemption certificate was not produced.

- iii. The offices were not shifted to the newly constructed secretariat building which was complete and lying vacant without any use.
- iv. The building vacated was neither rented out nor brought into any other use, due to which the recurring loss was being caused.

Audit is of the view that the expenditure was un-justified, unauthorized and extra financial burden was put on public exchequer.

The PAO was informed on 03.01.2017, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

**23.4.6 Doubtful expenditure on procurement of physical assets - Rs. 4.243 million**

Para 148 of GFR Volume-I states that all materials received should be examined, counted, measured or weighed as the case may be, when delivery is taken, and they should be taken in charge by a responsible Government officer who should see that the quantities are correct and their quality good, and record a certificate to that effect. The officer receiving the stores should also be required to give a certificate that he has actually received the materials and recorded them in the appropriate stock register.

The project management of "Achieving Digitization, Translation and Regulation of publication of Laws of Pakistan" made procurement of physical asset during 2015-16. Details are as under:

<b>(Rupees)</b>			
<b>Cheque No.</b>	<b>Dated</b>	<b>Items</b>	<b>Amount</b>
5947009	22.06.14	UPS 8 KV	238,337
5942592	13.06.16	Two Microwave oven	35,751
5943741	16.06.16	Two Water Dispenser	45,936
5944000	16.06.16	02 Center Table and 02 Office wooden chair	43,611
5889635	01.06.16	Vertical Blinds	43,635
5888295	27.05.16	Two water dispenser	45,936
5889168	31.05.16	Furniture items	398,022

5940803	06.06.16	-do-	479,194
5889094	31.05.16	10 Laptops, 06 LEDs and 02 External Hard Drive	1,370,654
5945942	20.06.16	07 Desktop Computer	581,650
5759711	25.04.16	02 Photocopier	960,000
<b>Total</b>			<b>4,242,726</b>

Audit observed that there was no any stock entry, delivery challan and quality and quantity certificates against the items purchased.

Audit is of the view that the expenditure was doubtful.

The PAO was informed on 03.01.2017, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter should be investigated.

***23.4.7 Un-authorized expenditure on POL/Repair of vehicle of the retired Chief Justice of Pakistan - Rs. 4.051 million***

The Honorable Islamabad High Court in Writ Petition No 4761 of 2013 decided on 15.01.2014 that former Chief Justice shall be provided foolproof security along with provision of the bulletproof car for his and his family's use without putting embargo of any time specification and maintenance and expenses of the bullet proof car is concerned, the same shall be borne by the Ministry of Law.

In response to the above decision a bulletproof vehicle No GD-0341 was provided by the Cabinet Division and Ministry of Law & Justice incurred expenditure of Rs 4,051,713 on its POL & Repair.

Later, in the Intra Court Appeal No 65/2014 the Honorable Islamabad High Court set-aside the above decision in its judgment dated 11.05.2016.

Audit observed that the expenditure incurred by the Ministry during the period was neither recovered nor regularized after decision.

Audit is of the view that the retired judges of the superior courts are paid POL charges from the budget of the relevant court as per privileges decided by

the President of Pakistan and they are not entitled to any such facility from any other offices.

The PAO was informed on 03.01.2017, but DAC was not convened till the finalization of the Report.

Audit recommends that amount should be recovered or got regularized and position may be clarified to Audit.

## CHAPTER 24

### 24. NATIONAL HEALTH, SERVICES, REGULATIONS AND COORDINATION DIVISION

#### 24.1 Introduction

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 Health 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

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

Final budget allocated to the National Health Service Regulations and Coordination Division for the financial year 2015-16 was Rs. 29,776.411 million including Supplementary Grant of Rs. 7,398.483 million out of which the Division utilized Rs. 25,000.100 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)
82	Current	1,676,000,000	129,238,000	1,805,238,000	1,692,463,859	(112,774,141)	(6)
128	Development	20,701,928,000	7,269,245,000	27,971,173,000	23,307,636,492	(4,663,536,508)	(17)
	<b>Total</b>	<b>22,377,928,000</b>	<b>7,398,483,000</b>	<b>29,776,411,000</b>	<b>25,000,100,351</b>	<b>(4,776,310,649)</b>	<b>(23)</b>

Audit noted that there was an overall saving of Rs. 4,776.311 million, which was mainly due to saving of Rs. 4,663.537 million in development expenditure.

## 24.3 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
<b>National Health Services. Regulations and Coordination (Devolved M/o Health)</b>	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
<b>Total</b>		<b>85</b>	<b>85</b>	<b>28</b>	<b>57</b>	<b>33</b>

## 24.4 AUDIT PARAS

### *Non Production of Record*

#### *24.4.1 Non-production of record*

Section 14(2) of the 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 the 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.

During Special Audit of Expended Programme on Immunization (EPI), Islamabad for the period 2012-16, the management was requested to provide the following record:

- i. Copies of PC-Is (original and revised) along with administrative approvals and of all extension orders.
- ii. Year-wise copies of proposals submitted by EPI to GAVI for supply of vaccines for the period under audit.
- iii. Instructions of National Assembly Standing Committee on Health regarding purchase of Measles vaccine from UNICEF.
- iv. Summary submitted to Prime Minister for purchase of vaccines.
- v. Copy of orders for constitution of Procurement and Technical Committee for vaccines.
- vi. Detail of vaccines and syringes declared substandard.
- vii. Monthly reports submitted by each Province to EPI.
- viii. Detail of private sector involved in EPI surveillance and immunization services.
- ix. Detail of training provided by Federal EPI prior to assuming immunization responsibilities.

- x. Year-wise Log Books of generators installed at NIH premises for cold rooms along with detail of POL purchased for generators.
- xi. At page 13 of fact finding Inquiry regarding wastage of vaccine in EPI dated 03.07.2015 it was mentioned that “Allegations regarding pilferage of POL have surfaced during the course of this fact finding inquiry which warrant strict action against those involved. NPM EPI to take stern action against those involved after holding an inquiry and further to institute fool proof mechanism to avoid recurrence.” Please provide a copy of said inquiry report if conducted by the NPM EPI.
- xii. Copies of periodic Physical Verification Reports relating to vaccines (logistics) along with SOPs.
- xiii. Detail of theft cases, if any, of EPI property i.e. syringes, cold boxes (safety boxes) pallets etc. during audit period.
- xiv. List of cold chains (Cold Rooms) officers incharge, sub-engineers, technicians and store keepers with period and their qualifications and experience who performed duties during the period under audit and their current postings.
- xv. Detail of officers and staff (name, designation, BPS and their parent office) of cold chain, who were provided trainings (local and abroad), period of training and their current posting.
- xvi. List of vehicles/bikes and IT equipment, furniture and other assets provided by GAVI, UNICEF, WHO and any other agency, if any, and their current placement/use along with Dead Stock Registers.
- xvii. List of damaged/unserviceable/accidental vehicles along with inquiry report/FIR, if any and source of procurement of such vehicles.
- xviii. A copy of EPI outreach standards regarding monitoring, reporting and accountability.

Audit is of the view that non-production of record is a serious lapse on the part of the management.

The management replied that requisitions for record were received in the office of National Programme Manager (NPM) which were trickled down to the

officers concerned. The whole record requisitioned by the Audit was provided well in time.

The reply was not acceptable because all requisitions were issued and reminders were also issued but the above mentioned record was not provided till close of audit as no audit observation was issued on these issues.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.

### ***Irregularity and Non-Compliance***

#### ***24.4.2 Irregular payment of Health Allowance - Rs. 276.798 million***

FA's Organization's U.O. No. 433-DFA9NHSR&C)/2016, dated 01.06.2016 states that Finance Division vide letter No 2(13)R-2/2011-1006 dated 27.10.2014 has clarified that Health Allowance is meant only for health personnel serving in federal government hospitals and clinics and not for employees working in Ministries/Divisions/Departments. Ministry of NHSR&C was advised to write to AGPR to stop if the same is being drawn by its departments.

Section 20 of the Reconstitution and Re-organization of the Pakistan Health Research Council Act, 2016 states that the officers and employees who were appointed on regular basis in the Pakistan Medical Research Council before its reconstitution and re-organization as Pakistan Health Research Council shall stand transferred and absorbed into, and become employees of the Council.

The management of Pakistan Health Research Council (PHRC) paid an amount of Rs. 276.798 million on account of Health Allowance to its employees during 2011-16.

Audit observed that Pakistan Health Research Council was neither a Hospital nor a Clinic but Health Allowance was being paid to the employees.

Audit is of the view that payment of Health Allowance to the employees

of PHRC was irregular and unauthorized.

The management replied that PHRC received a letter No.1-8/Budget/HPA/2015 dated 07.09.2016 from Ministry of National Health Services, Regulations and Coordination accompanied with F.A's Organization's U.O.No.433-DFA (AHSR&C)/2016 dated 01.06.2016 in which reference was made of the Finance Division's letter No.2(13)R-2/2011-1006 dated 27.10.2014. PHRC informed the Ministry vide letter No.F.1-1/2016-17/Acct/Corres/1334 dated 25.10.2016 that Finance Division letter dated 27.10.2014 has already been declared null and void by the Federal Service Tribunal in its judgment dated 05.10.2015. PHRC requested the Ministry to bring that position into the notice of the Finance Division and to review its order for stoppage of Health Allowance. It was also requested to the Ministry that if there is any subsequent otherwise decision of Federal Services Tribunal or Supreme Court of Pakistan on Review Petition or appeal respectively the same may be intimated for implementation. PHRC has so far not received any reply from the Ministry. Therefore, since the matter is under process with the Ministry and Finance Division, therefore, PHRC will take necessary action as and when any instructions are received from the quarter concerned.

The reply is not acceptable because the management did not discontinue the payment despite the instructions of the Ministry and Finance Division.

The PAO was informed on 19.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the payment of Health Allowance may be stopped forthwith and amount already paid should be recovered and deposited into Government account.

#### ***24.4.3 Irregular and unauthorized retention of various funds - Rs. 44.104 million***

Establishment Division O.M. No. 4/1/91-R.7/R-3 dated 30.09.2000 states that a number of autonomous bodies were established by the Federal Government from time to time through Resolutions under which some measure of functional autonomy was allowed to the Board of Governors/Board of

Directors for the purpose of effective discharge of their allocated responsibilities. The legal status of such organization came up for consideration before the Supreme Court in Civil Appeal No 154 of 1988, and it was held by the Court that organizations established through Resolution were not bodies corporate but Government departments, and their employees were held to be civil servants.

Federal Service Tribunal in its judgment in Appeal No 51(POCS/2003 dated 12.06.2006 directed that the decision of Honorable Supreme Court of Pakistan are binding on all Ministries, Departments and other Government bodies irrespective of anything contrary in their rules or regulations (which stands modified to that extent). The appellant (an employee of PMRC) is a civil servant as held by the Supreme Court of Pakistan and entitled for payment of 30% bonus on GP Fund interest payments in accordance with the Finance Division policy circular of 19.11.1987 and 12.03.2001.

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.

The management of PHRC was maintaining the following funds despite the fact that Supreme Court has declared the organizations established under Resolutions as Government department. Details are as under:

<b>(Rupees)</b>			
<b>S. No</b>	<b>Title of Fund</b>	<b>Account No</b>	<b>Balance as on 30.06.16</b>
1	PMRC (NBC)	04600011023303	2,488,910
2	PMRC (Medical Research Fund)	04607900115701	39,886,898
3	PMRC (Revolving Fund)	04600006211101	1,727,793
<b>Total</b>			<b>44,103,601</b>

Audit is of the view that after declaration of the department as Government department these funds should be surrendered to the Government but the management retained and incurred expenditure from these funds which was irregular and unauthorized.

The management replied that instructions of Audit regarding Bio-ethic

Fund and Revolving Fund has been noted and due process has been started for closure of the account. In future all the recoveries on account of loan shall be deposited in Government treasury. With regard to Medical Research Fund it is stated that the Council has been reconstituted and re-organized with the name of Pakistan Health Research Council by providing administrative and financial autonomy for its efficient functioning through Ordinance vide notification No.F.9(33)/2015-Legis Dated 28.03.2016. According to the Clause 16, Chapter-V of the Ordinance, the Council has also been required to establish the Medical Research Fund to carry on its research activities.

Reply of the management was not accepted because the management maintained these funds irregularly and deprived Government from its due receipt.

The PAO was informed on 19.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the unspent balance should be surrendered to Government account and responsibility should be fixed for the irregularity.

***24.4.4 Irregular procurement of vaccine, syringes and safety boxes from UNICEF without observing procurement rules - Rs. 3,654.085 million***

Lahore High Court while disposing of the Intra Court Appeal No.132 of 2006 issued the direction that “the undertaking given by the respondents (M/o Health-EPI) before the learned Single Judge and reiterated before us today shall be honored and with effect from the next financial year beginning from 01.07.2007, the respondents shall follow the Public Procurement Rules, 2004, in letter and spirit in the matter of procurement of the medicines. They will also ensure that the medicines are supplied strictly in accordance with the laws applicable in Pakistan including the Drugs Act, 1976 and the Rules framed there under.”

Rule 12 (2) of Public Procurement Rules, 2004 states that all procurement opportunities over one 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 made advance payments of Rs.3,654.085 million to UNICEF on account of procurement of vaccines, syringes and safety boxes during 2012-13 to 2015-16.

During Special Audit it was observed that:

- i. UNICEF is neither a vaccine manufacturing organization nor a supplier and thus, making advance payments to UNICEF for procurement of vaccines, syringes and safety boxes was not covered under the rules.
- ii. Lahore High Court had clearly directed to follow Public Procurement Rules, 2004 but despite assurance to Honorable Court the management did not follow applicable procurement rules in vogue in Pakistan.
- iii. The vaccine against advance payment of Rs.494,234,760 paid vide cheque No.5796135 dated 18.05.2016 will be supplied somewhere in 2016-17. The funds were paid in advance merely because these were available and to book expenditure during 2015-16 to show EPIs funds utilization.

Audit is of the view that advance payments for the procurement of vaccines, syringes and safety boxes from UNICEF without observing codal formalities despite clear directions of Honorable Lahore High Court, was irregular.

The management replied that the Lahore High Court never ever ordered to stop the procurement through UNICEF rather the court advised to procure the vaccines in accordance with PPRA Rules and Drugs Act-1976. In accordance with the judgment, all the procurement was made by adopting the PPRA Rules. As regards the procurement during the year 2012-13, it is highlighted that after devolution, it was the obligation for Provinces to procure the vaccines. However, the Provinces could not purchase the vaccines, which was a dangerous situation for the lives of six million children and equally to pregnant women. Therefore, the M/o Inter Provincial Coordination called a meeting on 15.10.2012 to resolve



the issue wherein it was decided to procure the vaccine through UNICEF for a period of six months on urgent basis to ensure timely supply to the Provinces as the tender process was lengthy and urgent procurement was not possible through tenders. Hence the UNICEF was approached under Rule 42 d(iii) of PPRA Rules 2004 for supply of vaccines. The vaccine supplied by UNICEF was otherwise cheaper than through open tenders. The position was objected during audit of 2012-13. After clarification of the position, the DAC had already settled the para.

The reply is not acceptable because one time procurement under rule 42 d(ii) could be justifiable but cannot be adopted for all times to come. UNICEF also procures vaccines from manufacturers hence adoption of open tendering after first procurement could have been done. Lahore High Court did not allow to continue procurement from UNICEF but ordered to observe procurement rules in letter and spirit.

Audit recommends to fix responsibility for the irregularity.

#### ***24.4.5 Completion of procurement process after receipt of Pentavalent vaccine in one day – Rs. 403.496 million***

Rule 4 of Public Procurement Rules, 2006 states that procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Para 11 of GFR Vol-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 EPI issued a tender notice on 09.04.2015 for the purchase of 2,589,000 doses of Pentavalant vaccine with tender opening date on 04.05.2015. Only two firms participated. M/s Novartis was awarded the contract on 08.06.2015. A partial quantity of 1,301,600 doses was supplied by the firm on 25.06.2015. The payment was approved on 25.06.2015. Payment of Rs.403.496 million was made to the firm vide Cheque No. 5425414 dated 26.06.2015.

Audit observed that;

- i. Sufficient time is required for counting of 1,301,600 doses of vaccine and then sending samples for laboratory test. It also takes time to conduct tests of vaccine by the Lab.
- ii. The Lot Release Certificate was issued by the National Control Laboratory for Biologicals, Islamabad on 25.06.2015.
- iii. The vaccine was taken on stock on the same day.
- iv. It was not physically possible to check receipt of 1,301,600 doses in one day.

Audit is of the view that counting of vaccine, testing process and process of payment in one day was doubtful.

The management replied that EPI has a co-financing arrangement with Global Alliance for Vaccine Initiative (GAVI) for Pentavalent vaccine. GAVI provides 93% vaccine free of cost to the country with the condition that remaining 7% share could be purchased by the country from its own funds. The Alliance provided its share by the end of 2014 whereas Pakistan could not purchase its 7% share by that date. Consequently the country was placed in default status risking the whole donation from GAVI amounting to Rs.15.00 billion per year. Accordingly a case was moved on 25.03.2015 for advertisement of tenders. The tender notice was published on 08.04.2015 and after completion of technical evaluation process, financial bids were opened on 26.05.2015. The contract for supply of Pentavalent vaccine was awarded to successful bidder i.e. M/s. Novartis Pharma Ltd. on 08.06.2015. The bidder supplied its 1<sup>st</sup> consignment on 25.06.2015 which was counted by the inspection committee and found correct. As last date for submission of bills was 28.06.2015, as announced by the AGPR, therefore, approval was processed on fast track and payment cheque was obtained from AGPR on 26.06.2015. As regards counting of vaccines in a day, it is categorically clarified that EPI has a safe and sound system of counting as the vaccine which is perishable item and cannot be left in open space without required temperature.

The reply was not acceptable because the management completed whole process of counting 1,301,600 doses, testing and payment in one day. However, the contents of reply indicate that the audit observation has been accepted.

Audit recommends to hold fact finding inquiry for fixing responsibility.

#### ***24.4.6 Loss due to expiry of Vaccine - Rs. 337.815 million***

Para 23 of GFR Vol-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 National Programme Manager (NPM) found that 1,345,878 doses of Pentavalent vaccine lying in cold room No.13 located in NIH, Islamabad had reached stage 3 and 4, a stage where vaccine is not recommend for use. An inquiry was conducted to ascertain the reasons of expiry.

During Special Audit of EPI, it was observed that;

- i. The National Exchequer was put to a loss of Rs.337.815 million (Rs. 251 per dose)
- ii. The capacity of cold room No.13 was 8,700 liters but a quantity of 16,714 liters, almost double was stored in it, without considering the vaccine storing standards.
- iii. The cold chain In-charge was required to take proper/more care for early issue of said vaccine since the quantity of vaccine was double of the actual capacity of the cold room. But no such response was shown.
- iv. Vaccine was lying in cold room No.13 since March, 2013 but physical verification of said vaccine was not carried out during 2013 and 2014, as despite requests no report was provided
- v. First in First Out system for issuance of vaccine was not adopted which is done to avoid expiry.
- vi. Required temperature range (2-8 C) was not properly monitored or maintained, showing inefficiency and indifference on the part of the management.

- vii. No SOPs relating to cold chains for the period from 2012-13 to April, 2016 were provided to Audit despite repeated requests.
- viii. The log books of generator installed in NIH for the said cold room for the period from 2012-16 was neither maintained nor provided for Audit scrutiny. Thus, detail of POL issued and used in the said generator or whether it was actually deployed could not be determined.
- ix. Properly trained and qualified manpower was not deputed to operate cold chains and generator.
- x. Although one Technical Officer from WHO and one Coordinator from UNICEF were also available to supervise the cold chains but they also did not point out over stacking of vaccine from March, 2013 to February, 2015. No FIR was lodged by the management.
- xi. No responsibility was fixed.

Audit is of the view that the loss occurred due to lack of proper supervision, lack of proper deployment of manpower, negligence and inefficiency on the part of the management.

The management replied that soon after the incident, the leftover quantities of the vaccine were shifted to main EPI warehouses and honorable Minister as well as Secretary was taken on board. An inquiry committee was constituted to investigate the matter and fix responsibility. Prima facie the officers/ official responsible were either terminated (WHO Staff) or repatriated to their parent departments. The FIA arrested the five officers/officials for being responsible who are on bail and the case is sub-judice. After the fact finding inquiry, regular departmental inquiries are in process in the concerned departments.

The reply is not acceptable because no officer/official of EPI was terminated rather they were only repatriated to their parent office i.e. National Institute of Health (NIH), Islamabad.

The PAO was informed on 19.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends to fix responsibility for the loss.

**24.4.7 Loss of Vaccine due to fire accident - Rs. 294.985 million**

Para 23 of GFR Vol-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.

A fire incident took place on 09.08.2014 (Saturday) at 12:50 pm and following quantities of life saving vaccine in cold room No. 1,2 and 3 located in the premises of NIH, were burnt:

S. No.	Vaccine	Qty (doses)	Cost (Rs)
1.	Measles	2,726,040	63,312,405
2.	Pentavalent	870,949	231,672,434
		<b>Total</b>	<b>294,984,839</b>

During Special Audit it was observed that;

- i. No FIR was lodged by the management.
- ii. Forensic investigation was not got carried out from Directorate General Civil Defence to know the cause of fire.
- iii. No staff was deputed on holidays to look after the cold rooms which indicated negligence on the part of the management.
- iv. Fire/smoke detection system was not installed.
- v. Despite heavy loss no action was taken against anybody.
- vi. The destroyed quantity of vaccine was not removed from stock register till June, 2016 when audit was conducted, indicating least interest/responsibility of the management in maintaining the stock registers.

Audit is of the view that the management did not take appropriate measures to avoid loss of vaccines and did not take any steps after the incident which tantamount to gross negligence.

The management replied that Ministry constituted an inquiry committee vide office order No. F(1)/2014-Dir (IMP) dated 19.08.2014 under the Chairpersonship of Executive Director, Pakistan Medical Research Council (PMRC) to probe the incident deeply and concluded that incident was due to sudden electric short circuit. There was no element of fraud or negligence on the part of any Government officer/ official. As the FIR was not desired or directed by the enquiry committee and as the Committee did not find any officer/ official guilty of fraud or negligence. The forensic analysis was not possible at that later stage. Staff was deployed to look after the cold room which informed about the incident. The system was in place but fire due to short circuit was unavoidable. A committee was constituted to segregate and remove the un-usable vaccine from the stock. The committee submitted its report and the usable and unusable stock was segregated and sealed by FIA and Federal EPI with permission of the competent authority has requested to FIA for release of the stock so that should be disposed off as per SOP's.

The reply is not acceptable because the whole proceedings without scientific determination of cause of fire were basically defective.

The PAO was informed on 19.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends to fix responsibility for the loss.

#### ***24.4.8 Hiring of services of transporters having no refrigerated trucks for transportation of vaccine - Rs. 115.451 million***

Para 1.1.2.2.1 of Warehouse Standards Operating Procedures of EPI states that the nominated Federal EPI Warehouse person will transport the vaccine to the primary store through refrigerated vans.

The management of EPI hired the services of M/s Khyber Logistics, Islamabad for a period of two years on 21.01.2011 and M/s Khyber Exports, Islamabad similar period on 16.02.2015 for transportation of vaccine to and from EPI Warehouse. Contract of M/s Khyber Logistics was extended for two years. The management paid Rs.115.451 million on this account during 2012-16.

Audit observed that;

- i. While advertising for hiring the services of transporters the management did not include the condition of refrigerated trucks for transportation of vaccine. The interested transporters/contractors were asked to quote rates of 40 feet container, Hino trucks, Bedford trucks and Shehzor for transportation of vaccine but the basic requirement of refrigeration was not included in the advertisement.
- ii. In order to facilitate the EPI, GAVI and China had donated 19 refrigerated trucks in June, 2011 and 60 refrigerated trucks in January, 2014 respectively. Out of which 3 GAVI trucks and 15 Chinese trucks were available at EPI Islamabad for transportation of vaccine but these were not used.
- iii. These trucks were standing in the EPI premises under the open sky.

Audit is of the view that despite availability of own trucks for transportation of vaccine, hiring the services of transporters who did not even possessed refrigerated trucks was in violation of Warehouse Standard Operating Procedures and undue favour was extended to transporters.

The management replied that EPI is not only responsible for perishable vaccines but also supply of syringes, safety boxes, ORS and other logistics. For the transportation of vaccines, EPI has its own refrigerated trucks donated by China and others donors. The vaccine donated by GAVI is delivered up to the Islamabad Airport. Thereafter the transporter is responsible for custom clearance, loading on refrigerated trucks of EPI and then on loading in EPI cold rooms through its labors. The said vaccine is then supplied to Provinces by air. For this purpose the transporter provide loading services and all other services required at air port and ensure the supply to the Provinces. As regards syringes, Safety boxes, ORS and other logistics, EPI has no transportation arrangements. These services are provided by the transporter throughout the country. Therefore, hiring of services of transporter was essential.

The reply is not acceptable because as per contract and payment record, the transporters were hired for transportation of vaccine from airport to EPI warehouse and from warehouse to airport. The management could use own trucks for transportation of other material as well.

Audit recommends to fix responsibility for the irregularity.

**24.4.9 Non-adjustment of funds released to Area Offices from GAVI funds - Rs. 72.780 million**

Rule 668 of FTR 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.

According to Annex-B6 of PC-I (2009-10 to 2011-12) of Expended Programme on Immunization, the approved components for eligible expenditure under Global Alliance for Vaccine Initiative (GAVI) grant were human resources, training, office equipment, seminars, meeting, workshop, supervision and operational expenses, monitoring and evaluation, awareness, communications, social mobilization for routine immunization, cold chain equipment and logistics, operational vehicles, technical assistance through WHO and contingencies.

The management released Rs.72.780 million from GAVI funds to Area Offices during audit period. The details are as under:

**(Rupees in million)**

S. No.	Area Office	2012-13	2013-14	Total
1.	AJK	24.473	5.886	30.359
2.	FATA	15.350	6.167	21.517
3.	GB	13.514	2.523	16.037
4.	CDA	3.312	1.555	4.867
	<b>Total</b>	<b>56.649</b>	<b>16.131</b>	<b>72.780</b>

During Special Audit of EPI, it was observed that;

- i. Adjustment accounts were not obtained from the Area Offices to ascertain the eligibility of expenditure made by these offices.
- ii. The details of unspent balances, if any lying with those offices were not available with the management.

Audit is of the view that release of funds to Area Offices without obtaining adjustment accounts was violation of Rule 688 of FTR.



The management replied that payments were made to Federating areas as per their approved share in PC-1. Subsequent to the payments, all units were advised time and again to provide the adjustments which are still awaited despite repeated reminders. However, the same will be provided soon after receipt from the Federating units.

The management accepted the audit observation.

Audit recommends to fix responsibility for the irregularity besides obtaining adjustment accounts.

***24.4.10 Irregular procurement of vaccine and Nimkol from NIH without observing procurement rules - Rs. 38.037 million***

Rule 12 (2) of Public Procurement Rules, 2004 states that all procurement opportunities over one 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.

Lahore High Court while disposing of the Intra Court Appeal -132 of 2006 issued the direction that; "the undertaking given by the respondents (M/o Health-EPI) before the learned Single Judge and reiterated before us today shall be honored and with effect from the next financial year beginning from 01.07.2007, the respondents shall follow the Public Procurement Rules, 2004, in letter and spirit in the matter of procurement of the medicines for the said EPI. They will also ensure that the medicines are supplied strictly in accordance with the laws applicable in Pakistan including the Drugs Act, 1976 and the Rules framed there under."

The management purchased vaccines and Nimkol of Rs.38.037 million from National Institute of Health (NIH), Islamabad during 2013-14. The details are as under:

<b>(Rupees)</b>						
<b>S. No.</b>	<b>Vr. No.</b>	<b>Items</b>	<b>Quantity</b>	<b>Cheque No.</b>	<b>Date</b>	<b>Amount</b>
<b>1.</b>	87	Tetanus Toxoid Vaccine	200,000 doses	4593722	10.12.13	3,000,000
<b>2.</b>	88	Nimkol (ORS)	570,000 packets	4593723	10.12.13	3,990,000
<b>3.</b>	89	Measleas Vaccines	305,860 doses	4593721	10.12.13	7,646,500

4.	253	Tetanus Toxoid Vaccine	610,000 doses	4784412	30.05.14	23,400,000
<b>Total</b>						<b>38,036,500</b>

During Special Audit it was observed that Lahore High Court had clearly directed to follow Public Procurement Rules, 2004 but despite assurance to Honorable Court the management did not follow applicable procurement rules in vogue in Pakistan.

Audit is of the view that procurement of vaccines and Nimkol from NIH without observing codal formalities was in clear violation of honorable Lahore High Court's direction and Public Procurement Rules, thus, irregular.

The management replied that bulk quantity is received from NIH and stored in Federal EPI warehouses. After storage, the demands are received from Provinces/areas as per their storage capacity and the supply is made accordingly. The ORS lying in the EPI stores is reserved for Provinces/areas and will be supplied to them on their demand. In case of procurement from a Government department, PPRA are not required. Hence there is no breach of rules.

The reply is not acceptable because specific reply has not been given and NIH is not the only manufacturer of vaccines and Nimkol.

Audit recommends to fix the responsibility for the irregularity.

#### ***24.4.11 Unauthorized withdrawal of Health Allowance - Rs. 36.907 million***

The Finance Division vide UO 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.

PC-I of EPI states that EPI is a Federal Cell. The Cell is responsible for making plans for monitoring, training and evaluation of the programme in collaboration with WHO and UNICEF. EPI Cell is also responsible for procurement of EPI supplies (vaccine, cold chain equipment and transport).

The management of EPI incurred an expenditure of Rs.36.907 million on account of Health Allowance to officers and staff during 2012-16.

During Special Audit of EPI, it was observed that;

- i. EPI is a PSDP funded development programme.
- ii. EPI is neither a hospital nor a clinic. Hence payment of Health Allowance to employees of EPI was not allowed.

Audit is of the view that payment of Health Allowance to EPI employees without the specific approval of Ministry of Finance was unauthorized.

The management replied that Health Allowance equal to one month basic pay was sanctioned by the Government of Pakistan to all health personnel in January 2012 replacing the HPS scales. Accordingly being Health personnel, all EPI employees were entitled for the said allowance. Therefore the M/o. IPC (the then administrative authority of EPI) accorded approval for grant of Health Allowance to all EPI employees. Hence, the AGPR Islamabad added the Health Allowance in the salaries of all EPI employees. It is further clarified that the grant of Health Allowance has been accorded by the ECNEC headed by Finance Minister while approving the EPI's PC-I. In addition a committee constituted in M/o. NHSR&C in pursuance of High Court orders has also endorsed the grant of Health Allowance to EPI employees. The recommendations of committee have been ratified by the Secretary (NHSR&C). In the light of position stated above the grant of health allowance is within the Government instructions as circulated by M/o. Finance.

The reply was not acceptable because EPI is neither hospital nor a clinic therefore, withdrawal of Health Allowance was not admissible to the employees. No documentary evidence was provided in support of contention that Health Allowance was ordered by the High Court.

Audit recommends to recover the amount from the employees besides fixing responsibility for the irregularity.

#### ***24.4.12 Irregular excess retention of 16 vehicles resulting in extra expenditure - Rs. 34.015 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.

Para (xv) of Annexure to the Monetization Policy states that the Ministries/Divisions/Departments needing operational vehicles shall get their authorization of such vehicles fixed from the Vehicles Committee constituted with a representative each from Cabinet Division, Finance Division and the respective Ministry/Division/Department.

The management was maintaining 18 vehicles.

Audit observed that;

- i. There was no entitled officer in the EPI even then 18 vehicles were being used. Thus, all extra vehicles should be handed over to Cabinet Division to avoid misuse and reduce expenditure of POL and repair.
- ii. The management incurred an expenditure of Rs.34.015 million on POL and repair and maintenance of these vehicles during 2012-16.

Audit is of the view that the management retained vehicles in excess of actual requirement.

The management replied that EPI is a vertical health programme and responsible for monitoring of vaccination activities throughout the country. For this purpose donor agencies have provided operational vehicles to FEPI without any financial burden on the Government of Pakistan. Although 18 vehicles are insufficient for the operation of the programme still the operation is continued. It is not possible to reduce the number of vehicles which will result in collapse of all operational activities. The vehicles are not in the personal uses of any officer rather all the vehicles are meant for Monitoring & Surveillance activities which cannot be performed without vehicles.

The reply is not acceptable because Rs.27.490 million on POL and Rs. 2.932. million on repair & maintenance were incurred out of regular budget and Rs. 3.593 million from GAVI fund in 2012-13 only.

Audit recommends that authorization of Cabinet Division to retain these vehicles may be obtained immediately.

**24.4.13 Whereabouts of funds provided for fixing of refrigeration system on 19 trucks not known - Rs. 28.500 million**

Para 12 of GFR Vol-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.

During Special Audit of Expanded Programme on Immunization (EPI), Islamabad for the period 2012-13 to 2015-16, it was noted that 19 Hino trucks were donated by GAVI to Federal EPI, Islamabad for the Provinces during 2011. Rs.1.500 million were transferred to Provinces by EPI for fixing of refrigeration system on these trucks out of GAVI funds during 2011-12. Details are as under:

**(Rs. in million)**

S. No.	Province	Share in trucks	Cost of refrigeration per truck @ Rs.1.5 million
1.	Punjab	7	10.500
2.	Sindh	5	7.500
3.	Khyber Pakhtunkhwa	4	6.000
4.	Balochistan	3	4.500
	<b>Total</b>	<b>19</b>	<b>28.500</b>

Audit observed as under;

- i. No adjustment accounts were submitted by any Province, nor obtained.
- ii. Three Hino trucks allocated to Balochistan were standing in EPI premises under the open sky. These trucks were not taken over by the Province up to June, 2016. Funds of Rs.4.5 million were transferred to Balochistan for fixing of refrigeration system on trucks.

Audit is of the view that adjustment accounts of funds released to all Provinces were not obtained.

The management replied that GAVI provided the funds to Federal EPI for procurement of refrigerated trucks. Accordingly the trucks were purchased and distributed to the Provinces in accordance with their approved share.

Subsequently the funds were provided to the Provinces for fixing of refrigeration system on the said trucks. The Provinces have not provided any feedback regarding the fixing of the system and utilization of funds. As per advice of audit, the Provinces would be asked to provide the detail regarding utilization of those funds. As regards the share of Balochistan, the Province has been asked time and again to take the trucks from Federal EPI for their utilization. However the action is pending on the part of Balochistan. As per instruction of Audit, the Province will again be approached for the subject matter.

The management has accepted audit observation but has given no justification for transfer of Rs.4.500 million when trucks were still with EPI, Islamabad.

Audit recommends to fix responsibility for the irregularity besides obtaining adjustment accounts.

***24.4.14 Non-adjustment of fund released to PWD for civil works – Rs. 20.000 million***

Rule 668 of FTR 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 paid Rs.20.000 million to Executive Engineer, Central Civil Division-VIII, Pak. PWD Islamabad vide sanction No.A-II/Auth/IPC/D-128/2012-13/3564 dated 03.06.2013.

During Special Audit of EPI, it was observed that no detailed adjustment accounts were available with the management.

Audit is of the view that non-obtaining detailed adjustment accounts was in violation of Treasury Rules.

The management replied that it was decided in the PC-1 for the year 2004-05 to 2008-09 to construct a separate building for EPI along with warehouses. In accordance with the Government rules, PWD was entrusted the

job of construction of EPI building. The whole building along with warehouses was completed on the end of 2011. The EPI shifted its office in the building in March, 2012 and functionalized its cold rooms in the building. The payment was released to PWD from time to time. There was an outstanding balance of 20 million which was released in the year 2012-13 through AGPR Islamabad after fulfillment of codal formalities as the building was already completed and in the use of EPI. However, PWD has been requested to provide the detailed adjustment of entire funds.

The management has accepted audit observation. Management has also not stated reasons for making payment after one a half year of completion of building.

Audit recommends to fix responsibility besides obtaining adjustment accounts.

#### ***24.4.15 Irregular expenditure on account of rent of EPI office – Rs. 11.978 million***

Para 11 of GFR Vol-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 EPI paid an amount of Rs.11.978 million on account of rent of office building to National Institute of Health (NIH), Islamabad during 2012-16.

During Special Audit of EPI, it was observed that the office building of EPI, Islamabad was completed in end of 2011 and occupied by the management. Earlier EPI was housed in NIH and the management kept on occupying a portion of NIH till June, 2016. The management kept on occupying earlier premises despite of the fact that sufficient space was vacant and lying unused in new premises of EPI.

Audit is of the view that the management did not vacate premises of NIH and kept on paying rent.

The management replied that office of EPI was shifted from NIH to EPI building in March 2012. Afterwards no rent of office building has been paid to NIH. However, some warehouses of NIH are still in possession of EPI as the space in new EPI building is not sufficient to store the entire stock including syringes, safety boxes and other logistics. Therefore, retention of NIH warehouses is necessary for EPI. The rent has been paid to NIH only for that space.

The reply was not acceptable because sufficient space was available in its warehouses as well. Syringes, safety boxes etc. could be kept in vacant rooms to avoid expenditure on rent.

Audit recommends to fix responsibility for the irregularity.

***24.4.16 Irregular expenditure on account of purchase of stationery and other items without calling open tender – Rs. 4.367 million***

Rule 12 (2) of Public Procurement Rules, 2004 states that all procurement opportunities over one 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 incurred an expenditure of Rs.4.367 million on account of purchase of stationary and other items during 2012-16.

Audit observed that procurement were made without obtaining competitive rates.

Audit is of the view that procurements without competitive rates was irregular.

The management replied that EPI is an on-going development programme of the Government of Pakistan being funded through development budget. The funds neither released as per specified schedule nor allocated as per actual demand of the programme. Thus, keeping in view the uncertain situation of allocation and releases, it was deemed appropriate to meet the vital requirement of the programme only on need basis. It is also clarified that the



items purchased were of different nature and purchased on different dates. Also these items were purchased on need basis and after completion of codal formalities.

The management has accepted audit observation.

Audit recommends to fix responsibility for the irregularity.

***24.4.17 Blockage and wastage of funds due to excess purchase of ORS – Rs. 1.715 million***

Para 23 of GFR Vol-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 purchased 700,000 packets of Oral Rehydration Salt (ORS) on 11.02.2014 for Rs. 7.00 each from National Institute of Health (NIH), Islamabad at a total cost of Rs.4.900 million.

Audit observed that as per stock register 245,000 packets of ORS valuing Rs.1.715 million were lying in store till June, 2016 after a lapse of two and half years.

Audit is of the view that the management purchased ORS without properly estimating actual requirements which resulted in blockage of funds.

The management replied that the procurement of ORS is made only from NIH which was never in excess than the demand. It is further clarified that bulk quantity is received from NIH and stored in Federal EPI warehouses. After storage, the demands are received from Provinces/areas as per their storage capacity and the supply is made accordingly. The ORS lying in the EPI stores is reserved for Provinces/areas and will be supplied to them on their demand. EPI is under obligation to procure the quantity as approved in the PC-1.

The reply was not acceptable because procurement was made without

actual requirement, and historical data. 35% was lying in store despite lapse of more than two years. ORS expires after two years of manufacturing. The stocked quantity has already expired.

Audit recommends to fix responsibility for the irregularity and recovery of Rs.1.715 million from the concerned.

#### ***24.4.18 Rotavirus vaccine not introduced despite lapse of four years***

Annexure B-4 of modified PC-I of EPI (2011-12 to 2012-13), states that Rotavirus diarrhea is one of the greatest killers of Pakistan's children. 565,000 children under the age of five die in Pakistan annually, giving it the fourth highest burden child mortality in the world. Overall, Rotavirus has a detrimental effect on the state of Pakistan's children and hopes of achieving the United National's Millennium Development Goals to which Pakistan is a signatory. Vaccines offer the best solution to prevent Rotavirus from killing and debilitating Pakistan's children. Previously there was no effective way to prevent Rotavirus diarrhea. Vaccines that effectively protect from Rotavirus are now widely available.

During Special Audit of EPI, it was observed that the management, despite lapse of four years and very high mortality rate in children due to Rotavirus diarrhea, could not introduce Rotavirus vaccine in the country to save the precious lives of Pakistani children. As per studies referred in the PC-I about 2,260,000 (565,000 x 4) children have died during last four years due to Rotavirus diarrhea because of non-introduction of Rotavirus vaccine.

Audit is of the view that EPI failed to avoid deaths of millions of children due to non-availability of Rotavirus vaccine in the country.

The management replied that Rotavirus vaccines is for the prevention of diarrhea disease among the children under the age of 5 years. It is a costly and bulky vaccine. There were certain requirements like funding through Co-financing with GAVI and cold chain capacity. All four Provinces and the regions needed to agree on the funding for the co-financing share as the GAVI entertains only the National applications. In this regard a National application was submitted to the GAVI for co-financing which has been approved by the IRC.

The Rotavirus vaccine is being introduced in October 2016 initially in Punjab and after January 2017 across the country in a phased manner.

The reply is not acceptable because the management was required to introduce Rotavirus vaccine after approval of PC-I in 2011 but no concrete steps were taken for years.

Audit recommends to fix the responsibility for the deaths of approximately 2,260,000 children.

#### ***24.4.19 Full time independent National Programme Manager not appointed***

Para 1.5 of Development Projects Guidelines states that a good project may turn out to be a bad project with poor management and a bad project can become a good project with good management. Thus, the role of Project Director is very crucial in the realm of project management.

Para 2.2 of Development Project Guidelines states that Project Director, who is the focal point in project implementation, is responsible for project execution according to its objectives, work scope and implementation schedule.

Para 1 of Planning Commission letter No. Member (I&M)/ ED (IMU) dated 03.11.2006 states that ECNEC in its meeting held on 18.02.2004 directed all the Executing agencies to appoint independent Project Director for all the on-going projects costing Rs.100 million and above.

Para 2(iv) of Planning Commission letter No. Member (I&M)/ ED (IMU) dated 03.11.2006 states the appointment of Project Director will be made through advertisement in the press in a transparent manner.

Para 2(a) of Finance Division letter No. F.16 (1) R-14/2003 dated 12.08.2008 states that the for projects costing above Rs. 100 million (both new and on-going), appointment of Project Director on full time basis is mandatory in accordance with ECNEC decision dated 24.04.2005.

The following officers held the charge of National Programme Manager (NPM) during the period shown against each:

<b>S. No.</b>	<b>Name</b>	<b>Period</b>
<b>1.</b>	Mr. Qadir Bux Abbasi	26.12.2011 to 19.01.2012
<b>2.</b>	Dr. Zahid Larik	19.01.2012 to 30.08.2013
<b>3.</b>	Dr. Rana Muhammad Safdar	30.08.2013 to 12.02.2014
<b>4.</b>	Dr. Ejaz Ahmed Khan	12.02.2014 to 15.07.2014
<b>5.</b>	Dr. Rana Muhammad Safdar	15.07.2014 to 10.02.2015
<b>6.</b>	Dr. Syed Saqlain Ahmad Gilani	11.02.2015 to date

During Special Audit of EPI, it was observed that full time independent NPM with financial and administrative powers were not appointed for the EPI in violation of above mentioned instructions of Planning Commission. All these officers were/are of BPS-19 instead of BPS-20 as per PC-I.

Audit is of the view that the instructions of ECNEC and Finance Division for appointment of fulltime NPM were not followed.

The management replied that post of National Programme Manager was advertised from time to time. However, the candidates of required qualification and experience were not found. Therefore, the charge was assigned from time to time to various officers in view of their qualification and experience. It is further highlighted that all the officers were appointed on full time basis rather than additional charge and they all fulfilled the required qualification and experience for this post and discharge their duties on full time basis.

The reply was not acceptable because the responsibilities of NPM were very important and of sensitive nature which cannot be met without required experience and qualifications. Mostly B-19 offices were posted as NPM who, and others, did not possess the requisite experience and qualification as per PC-I.

Audit recommends to fix the responsibility for the irregularity and non-posting of NPM as per required experience and qualification.

#### ***24.4.20 Incomplete disclosure of Payments by Third Party***

Para 1.3.24 of International Public Sector Accounting Standards provides 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:

- a) Total payments made by third parties which are part of the economic entity to which the reporting entity belongs, showing separately a sub-classification of the sources and uses of total payments using a classification basis appropriate to the entity's operations; and
- b) Total payments made by third parties which are not part of the economic entity to which the reporting entity belongs, showing separately a sub-classification of the sources and uses of total payments using a classification basis appropriate to the entity's operation.

During Certification Audit of Financial Statements of Federal Government for the financial year 2015-16 prepared by the Accountant General Pakistan Revenues, Islamabad it was noted that this year the management had for the first time shown Rs. 35,684.000 million against Borrowings (Foreign Debt) as Third Party Payments pertaining to Safe City Project and PAEC only in the Statement of Cash Receipt and Payments under the column Payments by Third Parties, however audit observed during Special Audit of Expanded Programme on Immunization that:

- vi. Global Alliance for Vaccine Initiative (GAVI) supplied vaccines, syringes, safety boxes and trucks to EPI, Islamabad. This activity was in-kind and free of cost for the children of Pakistan.
- vii. It was also informed by the EPI management that GAVI supplies 93% of total vaccine required for the country and 7% is procured by EPI.
  - i. As per reconciliation statement, EPI management incurred an expenditure of Rs. 1,024,095,738 during 2015-16 as its 7% share. This means that GAVI supplied vaccine costing Rs. 14,629,939,114 to EPI during the year.
  - ii. The cost of trucks and other material provided by GAVI was not known.
  - iii. Under IPSAS Cash Basis, disclosure of Third Party Payments is a mandatory part of the general purpose statements and should be disclosed separately on the face of the Annual Statement of Cash

Receipts and Payments of the Federal Government but this fact was never reported by the EPI management to AGPR for inclusion in Financial Statements.

Audit is of the view that;

- i. EPI management never intimated this fact to AGPR and this resulted in non-inclusion of cost of vaccine and other items in the Annual Financial Statements of Federal Government. Hence Third Party Payments are understated.
- ii. The matter needs to be investigated to fix responsibility and action be taken against those entities/projects which did not intimate Third Party Payments for inclusion in Financial Statements.
- iii. All concerned need to be directed to intimate EAD and AGPR all Third Party Payments so that a true and fair picture is recorded in the Financial Statements.

It was replied that the matter has been taken up with the concerned Department.

The management has accepted the audit observation.

Audit recommends to take up the matter with Ministry of Finance, Planning Division and Economic Affairs Division to take up the issue with the stakeholders to resolve it permanently. Necessary instructions should be circulated to all for strict compliance in future so that true and fair picture of Accounts is presented before the Parliament.

## **CHAPTER 25**

### **25. MINISTRY OF OVERSEAS PAKISTANIS AND HUMAN RESOURCE DEVELOPMENT**

#### **25.1 Introduction**

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.

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

Final budget allocated to the Ministry for the financial year 2015-16 was Rs. 1,093.126 million including Supplementary Grant of Rs. 0.126 million out of which the Ministry utilized Rs. 889.240 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	1,093,000,000	126,000	1,093,126,000	889,240,314	(203,885,686)	(19)

Audit noted that there was saving of Rs. 203.886 million.



### 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
Ministry of Human Resource Development (Devolved M/o Labour and Manpower and M/o Overseas Pakistanis)	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
	2001-02	1	1	0	1	0
	2006-07	1	1	0	1	0
2008-09	2	2	0	2	0	
<b>Total</b>		<b>98</b>	<b>98</b>	<b>47</b>	<b>51</b>	<b>48</b>

### 25.4 AUDIT PARAS

#### *Irregularity and Non-Compliance*

#### **25.4.1 Non-realization of profit from State Life Insurance Corporation - Rs. 1,743.983 million**

Para 22-A of Emigration Rules, 1979 states that each person selected for employment abroad through an Overseas Employment Promoter or, as the case may be the Corporation, or direct employment shall get himself insured with an Insurance Company on such terms and conditions mutually agreed upon between the Director General and the said insurance company before his registration with the Protector of Emigrants.

Clause 12(a) of Emigrants Group Insurance Contract signed on 09.12.2010 between the Bureau of Emigration and Overseas Employment (Headquarters), Islamabad and State Life Insurance Corporation of Pakistan states that the Corporation shall pay the profit/commission to the Bureau within three months after the end of each contract year based on the working of the profit and loss account.

Bureau of Emigration and Overseas Employment (HQrs), Islamabad entered into an agreement with State Life Insurance Corporation (SLIC) on 15.05.1985 for collection of emigrant charges which was revised on 09.12.2010 and SLIC was collecting Rs. 2,000 per emigrant since January, 2011.

As per letter of SLIC dated 29.09.2015 a balance of Rs. 1,743.983 million was lying with SLIC.

Audit observed as under:

- i. Reconciliation was not carried out with SLIC to know the exact recoverable amount.
- ii. SLIC was bound to pay profit/commission to the Bureau within three months after the end of each contract year but no payment was made by the Corporation till June, 2015 and whole amount was retained by the Corporation un-authorizedly.

Audit is of the view that SLIC did not pay profit/commission to the Bureau within three months after the end of each contract year and due to non-reconciliation with SLIC the actual amounts could not be determined.

The management replied that the Bureau is proactive to get the yield from Bureau's fund. The Bureau of Emigration & Overseas Employment has time and again tried its level best to reconcile the State Life Emigrants Insurance Fund (SLEIF) but it could not be materialized due to one or the other reasons. However, a meeting was held at Karachi between Federal Secretary of Ministry of Overseas Pakistanis & Overseas Employment with Chairperson State Life Insurance Corporation (SLIC) and it was decided that:-

- (i) In the light of S.R.O. No.4-9/2003-Emig-I dated 16.02.2007, the Bureau of Emigration would withdraw its earlier severed Fund Management Agreement termination notice dated 20.04.2011 to State Life, as it was not issued.
- (ii) A revised Fund Management Agreement would be executed between the State Life & Bureau effective from 01.01.2015. The revised Fund Management Agreement will clearly mention the working methodology of rate of mark up to be credited to the Bureau's fund.
- (iii) Bureau of Emigration and SLIC would carry out a reconciliation exercise of accounts since 1982. For this purpose both Bureau and State Life would nominate their respective coordinators. Bureau has already forwarded the revised Fund Management Agreement, Emigrants Insurance Contract and a draft Fund Management Agreement termination notice to the Ministry vide letter No.

BE(Coord) 1(153)/2015/1290 dated 07.09.2015 and termination notice vide letter No. BE(Coord)1(153)/2015 dated 26.05.2015 but the SLIC Fund Management Committee has not yet considered said proposals.

- (iv) The Bureau is also going to execute a revised Fund Management Agreement with State Life on better terms and conditions to get yield on Bureau's fund at maximum as decided vide para 2(ii) of the Minutes of the Meeting. Upon execution of fund management agreement, proper reconciliation and posting of interest by State Life on Bureau's Fund, the Audit will be informed accordingly.

The management has accepted the audit observation and are entering into revised agreement with SLIC.

The PAO was informed on 21.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends early finalization of revised fund management agreement with SLIC.

#### **25.4.2 Non-reconciliation of departmental receipt - Rs. 1,505.503 million**

Rule 23 of Emigration Rules, 1979 states that a fee of Rs. 500 should be charged from each intending emigrant permitted by the Protector of Emigrants for the purpose of employment abroad.

From the record it was noted that the following number of emigrants went abroad during last five years:

**(Rupees)**

<b>S. No.</b>	<b>Year</b>	<b>Number of emigrants</b>	<b>Amount (Rs.)</b>
<b>1.</b>	2011	456,893	228,446,500
<b>2.</b>	2012	638,587	319,293,500
<b>3.</b>	2013	622,714	311,357,000
<b>4.</b>	2014	752,466	376,233,000
<b>5.</b>	2015	540,345	270,172,500
	<b>Total</b>	<b>3,011,005</b>	<b>1,505,502,500</b>

The management was requested to provide reconciliation statement of departmental receipt but nothing was supplied.

Audit observed that during last five years 3,011,005 emigrants went

abroad. An amount of Rs. 1,505,502,500 was collected from these emigrants. No reconciliation was carried out by the management with the National Bank of Pakistan and Federal Treasury Office. The reconciliation of prior years may also be carried out.

It was replied that the Regional Offices of the Bureau have been directed to forward reconciled non-tax receipts figures which are awaited.

The reply is not acceptable. It was the responsibility of the management to reconcile departmental figures regularly but it was not done.

The PAO was informed on 21.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends to fix the responsibility in this regard.

#### ***25.4.3 Non-functioning of HVAC system - Rs. 148.279 million***

As per revised PC-I of Emigration Tower Rs.148.279 million were approved for the installation of Heating Ventilation and Air Conditioning (HVAC) system in Emigration Tower which was completed in 2012.

The management had installed HVAC system In Emigration Tower but it was never operative since installation despite expenditure of Rs.148.279 million. It required sui-gas connection which was not obtained till March, 2016.

Audit is of the view that non-functioning of HVAC system for the last four years might have caused serious operational problems thereby deteriorating the life of the asset.

The management replied that since the construction of Emigration Tower the Bureau tried its best to get the Gas connection energized to make HVAC system operational. The Bureau of Emigration & Overseas Employment applied for provision of Gas connection at Emigration Tower on 08.06.2010. The Government of Pakistan had imposed ban/moratorium on provision of Gas connection to high-rise buildings. A summary was moved by Ministry of Petroleum & Natural Resources for relaxation of moratorium as a special case. But the approval was not accorded by the Prime Minister of Pakistan. In

response to DO letter of Federal Minister for Human Resource Development, Mr. Sohail Wajid Siddiqui for Minister of Petroleum and Natural Resources on 09.05.2013, Prime Minister of Pakistan had accorded approval for Gas connection to Emigration Tower conveyed vide Prime Minister Secretariat's letter dated 17.05.2013. But after the lapse of reasonable time, the Bureau could not succeed in energizing the Gas connection. In this connection, a DO letter No.1/1/MOP&HRD/2014 from Federal Minister of Overseas Pakistanis & Human Resource Development to Federal Minister of Petroleum & Natural Resources and a DO letter dated 27.08.2014 from Secretary, Ministry of Overseas Pakistanis & Human Resource Development to Secretary, Ministry of Petroleum & Natural Resources was communicated but no positive response has so far been received. The issue was placed before the Chairman Standing Committee of National Assembly. On the directives of Chairman Standing Committee a summary was moved to the Prime Minister of Pakistan on 13.10.2015. In response to the summary, the Prime Minister of Pakistan directed to energize the building through LNG, LPG or other alternate energy resources as provided in para 1(II)(E) of Ministry of Petroleum & NR letter dated 04.10.2011 on moratorium. It is pertinent to mention that the HVAC system installed at Emigration Tower is dual in nature and can also be operated on diesel.

The management has accepted audit observation.

The PAO was informed on 21.04.2016, but DAC was not convened till the finalization of the Report.

Audit recommends to take appropriate measures to make HVAC system operative.

## CHAPTER 26

### 26. PAKISTAN ATOMIC ENERGY COMMISSION (PAEC)

#### 26.1 Introduction of Commission

The history of Pakistan Atomic Energy Commission (PAEC) goes back to 1956, when the Atomic Energy Research Council was established. In 1964, 1965 and 1973 reorganization took place and the Atomic Energy Commission was incorporated as a statutory body under an Act, with considerable autonomy. In 1972, the Commission was transferred from the Science and Technology Research Division to the President's Secretariat.

PAEC is now the largest science & technology organization of the country, both in terms of scientific/technical manpower and the scope of its activities. Starting with a nuclear power reactor at Karachi (KANUPP) and an experimental research reactor at Nilore, Islamabad (PARR-I) the emphasis in the early years remained focused on the peaceful uses of nuclear energy. Consequently, research centers in agriculture, medicine, biotechnology and other scientific disciplines were set up all over the country. As the emphasis shifted towards concerns for national security, important projects were also initiated in this area.

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

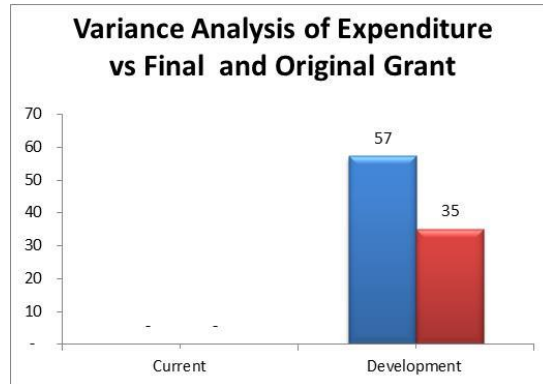
Final budget allocated to Pakistan Atomic Energy Commission for the financial year 2015-16 was Rs. 50,234.535 million against which the Commission utilized Rs. 67,821.023 million. Grant-wise detail of current and development expenditure is as under:

(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
16	Current	7,579,000,000	426,000,000	8,005,000,000	8,005,000,000	-	-
134	Development	30,729,534,000	11,500,001,000	42,229,535,000	59,816,023,193	17,586,488,193	42
	<b>Total</b>	<b>38,308,534,000</b>	<b>11,926,001,000</b>	<b>50,234,535,000</b>	<b>67,821,023,193</b>	<b>17,586,488,193</b>	<b>35</b>

Audit noted that there was an excess of Rs. 17,586.488 million in development grant No. 134 which amounts to 35% of the total budget allocated to the Pakistan Atomic Energy Commission.

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 development grant was 57% of original allocation which changed to 35% after Supplementary Grant was taken.



### 26.3 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
PAEC	1989-90	2	2	2	0	100
	1992-93	6	6	6	0	100
	1993-94	1	1	1	0	100
	1994-95	2	2	2	0	100
	2006-07	1	1	0	1	0
<b>Total</b>		<b>15</b>	<b>15</b>	<b>14</b>	<b>1</b>	<b>93</b>

### 26.4 AUDIT PARAS

#### *Irregularity & Non Compliance*

#### *26.4.1 Irregular and unauthorized withdrawal of funds from Assignment Account - Rs. 93.286 million*

Rule 170A(8) of Federal Treasury Rules states that no money shall be drawn from the assignment account unless it is required for immediate disbursement or the amount has already been expended out of permanent advance or imprest. It shall not be permissible to draw the whole amount

authorized or a part thereof and to place it in separate account at the treasury or in a commercial bank.

Item IV of General Policy of Revised Procedure for Operation of Assignment Account of Federal Government issued by the office of the Controller General of Accounts (CGA) vide letter No. C-II/I-39/08-Vol-V/632 dated 24.09.2008 states that the funds in Assignment Accounts will be part of Consolidated Fund. Amounts remaining unspent at the close of financial year will appear as savings under the respective budget grant unless surrendered in time. Unspent amounts cannot be carried forward to next financial year.

The management Pakistan Atomic Energy Commission (Headquarters), Islamabad withdrew an amount of Rs.44.286 million and 49.000 million on 25.06.2015 and 24.06.2016, respectively from Assignment Account.

Audit observed that the amount withdrawn was deposited into account No. 147-0 maintained with National Bank of Pakistan, Margalla Branch, Islamabad and utilized in subsequent financial years.

Audit is of the view that transfer of funds from Assignment Account to bank account at the close of financial year was irregular and unauthorized.

Management replied that funds were transferred from Assignment Account and deposited into PAEC A/c No 147-0 on closing of financial year when funds were not received from Federal Government only for payment of Salaries. Bridge financing was made with the concurrence of the Member (Finance) and with the approval of Chairman. On the receipt of funds from Government the amount taken from the other accounts has been recouped to Assignment Account.

The management has accepted that the funds were withdrawn from Assignment Account at the close of financial year. The stance of the management regarding bridge financing and subsequent recoupment of funds was not acceptable as the amount once withdrawn from Assignment Account could not be deposited back into Assignment Account. The amount withdrawn was neither recouped nor deposited into Government treasury.

The PAO was informed on 07.12.2016, but DAC was not convened till



the finalization of the Report.

Audit recommends that the irregularity may be got regularized besides stopping the irregular practice forthwith.

#### **26.4.2 Non deposit of Government receipt into Treasury - Rs. 1.119 million**

Rule 7 of Federal Treasury Rules Vol-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. 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.

Para-6(d) of the Revised Delegation of Powers of PAEC states that the PAO shall ensure that the account of receipts are maintained properly and reconciled on monthly basis.

The management of Pakistan Atomic Energy Commission (Headquarters), Islamabad received an amount of Rs.1.119 million as detail given below:

<b>S. No.</b>	<b>Head</b>	<b>Amount (Rs. in million)</b>
<b>1</b>	House rent charges @ 5%.	<b>0.488</b>
<b>2</b>	Earnest money	<b>0.329</b>
<b>3</b>	Private use of car	<b>0.201</b>
<b>4</b>	Interest on earnest money	<b>0.101</b>
		<b>1.119</b>

Audit observed that instead of depositing the amount into Treasury amount was transferred to Budget Wing of PAEC (HQ). Further trail of these funds was not available.

Audit is of the view that retention of Government receipt was irregular and unauthorized.

Management stated that house rent charges deposited into a revolving fund created for repair and maintenance of the residential buildings. The amount recovered on account of private use of car and interest on earnest money has

been transferred to Budget wing of PAEC for further deposit into Government treasury.

The reply was not accepted because the amount was retained without any lawful authority.

The PAO was informed on 07.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the approval of competent authority for opening of revolving funds account may be provided. Government receipt may be deposited into Government treasury and got verified from audit.

***26.4.3 Irregular and unauthorized procurement without competitive rates  
Rs. 38.086 million***

Rule 12(1) Public Procurement Rule, 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 15 (i) of Public Procurement Rules 2004 also states that a procuring agency, prior to the floating of tenders, invitation to proposals or offers in procurement proceedings, may engage in pre-qualification of bidders in case of services, civil works, turnkey projects and in case of procurement of expensive and technically complex equipment to ensure that only technically and financially capable firms having adequate managerial capability are invited to submit bids. Such pre-qualification shall solely be based upon the ability of the interested parties to perform that particular work satisfactorily.

The management of Pakistan Atomic Energy Commission incurred an expenditure of Rs.38.086 million on procurement of goods and stores without floating tenders on the electronic media. The tenders were also not advertised in the national press in order to ascertain the most economical rates. Further the supplier firms were not prequalified in wider public interest. Details are as under:

(Rs. in million)

S.NO	Name of Office	Expenditure
1	Punjab Institute of Nuclear Medicine(PINUM) Faisalabad,	33.076
2	Multan Institute of Nuclear Medicine & Radio Therapy (MINAR) Multan	05.010
	<b>TOTAL</b>	<b>38.086</b>

Audit is of the view that Government was deprived of competitive rates.

The management replied that the purchases through limited/single tenders as mentioned in the list have been made to meet urgent nature of demand of the institutes and in the best interest of institutes.

The reply is not acceptable because purchases were made without open competition.

The PAO was informed on 16.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be stopped immediately besides observance of rules in future.

#### ***26.4.4 Non-recovery of Government dues from Medical Officer for not serving in PAEC - Rs. 1.768 million***

Para 3(I) of terms and conditions to the Surety Bond for trainees at Pakistan Institute of Engineering and Applied Sciences (PIEAS) / other training institutes of Pakistan stipulates states that if the trainee successfully completes the course at the nominated institute and in the nominated field of study/training, he/she shall serve Pakistan Atomic Energy Commission (PAEC) for a period of five years as bonded employee and if he leaves the service, tenders resignation, joins any other Department (Government/semi-Government or any other organization within Pakistan or abroad) without the prior approval of Pakistan Atomic Energy commission and violates any terms and conditions of the bond, trainee/scholar and his/her surety shall be liable to pay the bond money to PAEC in lump sum or in installments as approved by PAEC to which both trainee/scholar and his her surety are bound jointly and severally to pay it and shall not question before any forum in any manner.

Para 2 of Pakistan Atomic Energy Commission (PAEC) Office Memo. No. Estt-1-21(1202)/10 dated 10-3-2011 provides that it will be responsibility of concerned Head of Estt. to take the bond from the employees who are presently studying at Pakistan Institute of Engineering and Applied Sciences (PIEAS) / other training institutes of Pakistan or selected for studies in future and provide the copy of the same to Head of respective training institute along with permission letter.

Para 3(1) of Pakistan Atomic Energy Commission (PAEC) Islamabad letter No. Trg-1-61(266)/12 dated 01-08-2012 further prescribe that the surety should be registered in a court of law as a legal document.

The management of PINUM allowed Dr. Farhaj Ahasan, Medical officer to join Sheikh Zayed Post Graduate Medical Institute, Lahore for two years post graduate diploma (DMRT) with the condition that the officer shall serve PINUM at least five years as bonded employee, but the officer absconded after joining his duties. Resultantly management did not recover the Government dues for Rs.1.768 million causing loss to Government exchequer.

Audit observed that after completion of two years training the officer joined his duties at PINUM Faisalabad on 01.12.2012 and absented himself w.e.f. 13.11.2013.

Audit also observed that the management obtained surety bond for Rs.1.00 million only which was not registered in a court of law

The management replied that recovery was not made from Dr. Farhaj Ahsan, Medical Officer due to non joining his duties after completing the education on Government expense.

Dr. Farhaj Ahsan, Ex-SMO PINUM proceeded for DMRT w.e.f. 01.12.2010 and was requested to Principal Administrator, INMOL, Lahore (where trainee was attached for completing DMRT) to return the surety bond (duly completed) to this Institute at an early date. But the same was not received and Sr. Admin. Officer, INMOL, Lahore was again requested that surety may be obtained from trainee. But he submitted surety bond after joining at PINUM on 08.12.2012.

An amount of Rs. 1.768 million have been paid to him during DRMT Course period i.e. from 01.12.2010 to 30.11.2012 on account of Pay & Allowances and HRS. He was dismissed from PAEC Service w.e.f. 04.03.2015. In his dismissal order, he and his surety was advised to deposit PAEC dues i.e. Rs. one million outstanding against him on account of bond money through demand draft/bank draft/ cheque in favor of PAEC within one month. But recovery has not so far been made.

The reply is not acceptable because the department failed to protect the interest of the Government.

The PAO was informed on 16.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends to make efforts to recover the amounts.

#### ***26.4.5 Unauthorized retention of development funds after completion of project in 2008 - Rs. 4.186 million***

Para 207(1)of the General Financial Rules Volume-1 state that unless in any case Government directs otherwise, every order sanctioning a grant should specify clearly the object for which it is given and the conditions, if any, attached to the grant. In the case of non-recurring grants for specified objects, the order should also specify the time limit within which the grant or each installment of it is to be spent.

A PSDP project “Up-gradation of NIAB” at a revised cost of Rs.276.077 million was completed in the extended period on 30.6.2008 by leaving a balance of Rs.4.186 million.

Audit observed that instead of surrendering to the Government exchequer the amount was retained in another account “NIAB generated income account”.

Audit also observed that out of retained amount the management spent Rs. 3.391 million.

Audit is of the view that retention of unspent balance and subsequent expenditure was irregular and unauthorized.

The management did not reply.

The PAO was informed on 16.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular expenditure may be got regularized and unspent balance may be deposited into the Government treasury.

**26.4.6 Less recovery of utility charges - Rs. 8.520 million**

Para of 26 of General Financial Rules VoI-I provides 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

Management of Atomic Energy Commission supplied electricity and gas to its employees in the residential colonies at its centers through bulk supply meters. Details are as under:

**(Rs. in million)**

S.NO	NAME OF CENTER	PERIOD OF AUDIT	NATURE OF UTILITY	AMOUNT DUE	AMOUNT RECOVERED	LESS RECOVERED
1	BINO BAHAWALPUR	July 2009 to June 2015	Electricity charges	5.439	4.002	1.437
2	NIAB FAISAL ABAD	July 2013 to May 2015	Electricity charges	10.187	6.604	3.583
3	NIAB FAISAL ABAD	June 2015 to June 2016	Electricity charges	5.904	4.312	1.592
4	NIAB FAISAL ABAD	July 2013 to June 2015	Sui Gas Charges	2.073	0.734	1.339
5	NIAB FAISAL ABAD	July 2015 to June 2016	Sui Gas Charges	0.872	0.303	0.569
<b>TOTAL</b>				<b>24.475</b>	<b>15.955</b>	<b>8.520</b>

Audit observed that the department did not get installed the separate electricity/gas meters at each residence in the colonies and the electricity and gas was being supplied at each bungalow through sub-meters from the bulk supply meters at lower rate which resulted into a loss of Rs. 8.520 million

Audit is of the view that extra financial burden was put on national exchequer.

The management of NIAB replied that an amount of Rs. 13.263 million

has been paid to FESCO for external electrification of NIAB Colony. Issuance of Demand Notices is under process by FESCO. As soon as the separate electric meters are installed the main connection will be disconnected.

The management of BINO Bahawalpur replied that efforts have been made for installation of separate electricity meters in the BINO residential colony which was not acceded to by WAPDA.

The management has accepted the audit observation.

The PAO was informed on 16.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be discontinued beside recovery of already paid amount on behalf of the employees.

## CHAPTER 27

### 27. MINISTRY OF PETROLEUM AND NATURAL RESOURCES

#### 27.1 Introduction

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

## **27.2 Comments on Budget & Accounts (Variance Analysis)**

Final budget allocated to the Petroleum & Natural Resources Division for the financial year 2015-16 was Rs. 4,111.037 million including Supplementary Grant of Rs. 2,929.111 million out of which the Division utilized Rs. 3,660.999 million. Grant-wise detail of current and development expenditure is as under:

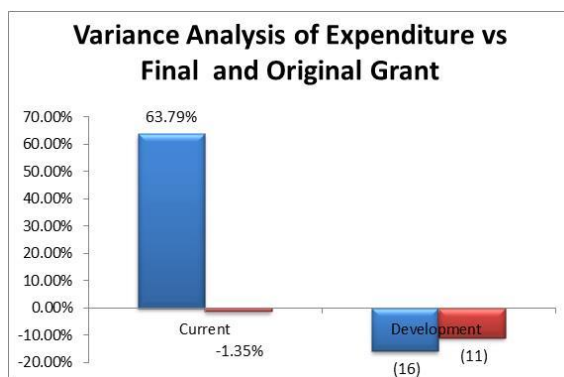
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
85	Current	339,000,000	550,011,000	889,011,000	875,085,888	(13,925,112)	(2)
86	Current	410,000,000	-	410,000,000	405,301,686	(4,698,314)	(1)
87	Current	84,000,000	-	84,000,000	84,000,000	-	-
	Subtotal	833,000,000	550,011,000	1,383,011,000	1,364,387,574	(18,623,426)	(1)
141	Development	348,926,000	2,379,100,000	2,728,026,000	2,296,611,320	(431,414,680)	(16)
	Total	1,181,926,000	2,929,111,000	4,111,037,000	3,660,998,894	(450,038,106)	(11)

Audit noted that there was an overall saving of Rs. 450.038 million, which was due to savings of Rs. 431.415 million in Development Grant.

### *Supplementary Grants obtained without careful cash forecasting*

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, excess in current expenditure was 63.79%, which changed to savings of 1.35% after accounting for Supplementary Grants. In development expenditure, savings against original budget were 16% which reduced to savings of 11% when Supplementary Grants were taken into account.



### 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 Petroleum and Natural	1987-88	2	2	0	2	0
	1988-89	5	5	2	3	40
	1990-91	1	1	1	0	100

<b>Resources</b>	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
<b>Total</b>	<b>94</b>	<b>94</b>	<b>52</b>	<b>42</b>	<b>55</b>	

## **27.4 AUDIT PARAS**

### *Non Production of Record*

#### *27.4.1 Non Production of record*

Section 14(2) of the 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 the 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 HDIP did not provide the following record to audit till date:

- i. Bank statements showing the detail of balances and counter foils of cheque books of 20 bank accounts
- ii. Bank statements showing the detail of balances and counter foils of cheque books of operational Bank Accounts for the period from July 2008 to June 2014 and from July 2015 to onward.
- iii. Source wise estimates and actual collection of receipts for last five years at HQ and sub-offices.

- iv. Inquiries held along with reports.
- v. Inquiry relating to Cylinder Testing Laboratory.
- vi. A certificate regarding theft, embezzlement, fraud etc during the period under audit.

Audit is of the view that in the absence of the relevant record the authenticity of the accounts of the institute could not be ascertained.

The management replied that all relevant record is available.

The DAC in its meeting held on 13.12.2016 directed to get record verified from Audit within 10 days. However, no record was provided as directed by DAC except a copy of inquiry report relating to Cylinder Testing Laboratory.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.

### ***Irregularity & Non Compliance***

#### ***27.4.2 Payment to Pakistan Rangers (Punjab & Sindh) without supporting documents - Rs. 102.417 million***

Rule 19(ii & v) of General Financial Rules (Volume-I) states that as far as possible, legal and financial advice should be taken in the drafting of contracts and before they are finally entered into and no contract involving an uncertain liability or any condition of an unusual character should be entered into without the previous consent of the Ministry of Finance.

As per caption (v) of summary submitted by Ministry of Petroleum and Natural Resources to the Prime Minister of Pakistan referred in MNPR U.O No.G(4)/2003-Gas dated 19.08.2003, the current arrangement may not continue indefinitely, especial in view of the expenses involved and apparent distraction of the Agencies from their core functions. However, it may continue on selective sites to be identified by the companies in consultation with relevant security agencies.

The Ministry of Petroleum and Natural Resources made payment amounting to Rs. 102.417 million during 2014-16 for Security Services at sites of Sui Southern Gas Company Limited (SSGCL) in Sindh and SNGPL in Punjab by Pakistan Rangers, Detail is as under:

S.No	Sanction No.	Date	Amount (Rs.)	Province
1	BA-2(34)/2013-14(pt)	15.04.2015	15,468,860	Punjab
2	BA-2(34)/2013-14(pt)	17.03.2016	34,007,492	
3	BA-2(34)/2013-14(pt)	10.06.2015	4,574,658	
4	BA-2(34)/2013-14(pt)	15.04.2015	24,125,746	Sindh
5	BA-2(34)/2013-14(pt)	10.06.2015	13,231,267	
6	BA-2(34)/2013-14(pt)	17.03.2016	11,009,321	
<b>Total</b>			<b>102,417,344</b>	

Ministry of Petroleum & Natural Resources made payments to Pakistan Rangers on the basis of vouched account submitted by Pakistan Rangers Sindh and Pakistan Rangers Punjab for security duty for protection of sites of SSGCL and SNGPL respectively. On the scrutiny of vouched account submitted by Rangers Authorities to Ministry of Petroleum, Audit observed the following:

- i. The payments were made on the basis of an agreement between Pakistan Rangers and Ministry of Petroleum but neither a copy of contract nor concurrence to the contract by the Ministry of Finance was provided.
- ii. Ministry paid bill of M/s Mehmood & Brothers presented by Pakistan Rangers Sindh. However, record relating to award of contract to the contractor and procurement process followed was not provided to Audit despite requests. (Pakistan Rangers Sindh had also not provided these details/documents during their audit).
- iii. Ministry paid bill of M/s Barki Traders presented by Pakistan Rangers Punjab for hiring of 20 vehicles. However, the procurement process followed for such services has not been shared with Audit.
- iv. Evidence regarding deduction of income tax on hiring of vehicles and other charges was not available in the record.

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

The management did not reply.

Audit recommends immediate production of relevant record besides fixing of responsibility for irregular payment.

#### ***27.4.3 Loss due to violation of HDIP Act - Rs. 370.130 million***

Section 4(o) of HDIP Act, 2006 states that objectives and functions of the institute shall be 'to conduct the functions of demonstration, training, testing, inspection, equipment approval, data processing, technical advice, transfer of technology, refueling and vehicle conversion for use of CNG in automobiles.

The Ministry of Petroleum and Natural Resources Islamabad vide their letter dated 18.09.2000 fixed the annual inspection fee per CNG Rs. 35,000 and Re-Inspection fee Rs. 15,000. The functional CNG station as per record provided to audit were 3,330. Thus annual inspection fee receivable to the HDIP was Rs. 116,550,000. The re-inspection vary year to year as the number of re-inspection was different in each year.

Audit observed as under:

- i. The Oil and Gas Regulatory Authority (OGRA) vide their letter dated 26.12.2007 directed the HDIP management that in future the annual inspection of CNG stations shall be carried out when authorized by the Authority in writing.
- ii. Out of Rs. 50,000 charged as inspection fee from CNG stations Rs. 25,000 was retained by OGRA without incurring any expenditure on such inspections.
- iii. In the annual authorization letters, OGRA did not allow HDIP to inspect all the CNG stations. The number of CNG stations to be inspected varied between 25% to 50% of the total stations. OGRA is also authorizing private inspectors for these inspections. This resulted in loss of Rs. 370.130 million as detailed below:

(Rupees)

Year	Total CNG Station	Fee Receivable	CNG Stations Authorized by OGRA	Fee Received	Revenue Loss
2011-12	3330	116,550,000	377	13,195,000	103,355,000
2012-13	3330	116,550,000	480	16,800,000	99,750,000
2012-13	3330	83,250,000	887	22,175,000	61,075,000
2013-14	3330	83,250,000	1638	40,950,000	42,300,000
2014-15	3330	83,250,000	784	19,600,000	63,650,000
<b>Total</b>		<b>482,850,000</b>		<b>112,720,000</b>	<b>370,130,000</b>

Audit is of the view that due to restrictions raised by OGRA the annual income of the Institute decreased and resultantly the public exchequer had to bear this loss through grant in aid from the annual budget of Government. This loss is further aggravated by retention of disproportionate share of inspection fee by OGRA.

The management replied that HDIP perform activity on the directions of OGRA, therefore real receipts as pointed out by Audit could not be realized. OGRA was requested time and again to allow inspection in accordance with our mandate.

The reply was not accepted because HDIP needs to carry out inspections as laid down in HDIP Act.

The DAC in its meeting held on 13.12.2016 directed to refer the para to PAC for policy decision.

Audit recommends that Ministry of Petroleum and Natural Resources may review the whole arrangement of inspection of CNG stations.

#### ***27.4.4 Non recovery of inspection and testing fee - Rs. 6.29 million***

Section 9(f) of the Hydrocarbon Development Institute of Pakistan Act, 2006 states that the fund of the Institute shall consist of fee and charges for the services rendered.

Para 21.5 of the Hydrocarbon Development Institute of Pakistan Services and financial Rules, 2009 states that the Institute shall establish a non-lapsable fund vesting in the institute to be known as the "HDIP FUND" for the purpose of

meeting expenses in connection with the functions and operations of the institute. Receipts of funds from all sources shall be deposited into the HDIP Fund.

Audit observed that management of HDIP did not recover Rs. 5.04 million from the OGRA, on account of pre-inspection and inspection fee. Similarly, receipt on account of testing fee Rs. 1,251,202 was recoverable from various other companies.

Audit is of the view that it is a financial loss to the Institute due to administrative lapse on the part of the management.

The DAC in its meeting held on 13.12.2016 directed the HDIP to recover the full amount. However, no progress was intimated regarding recovery of outstanding amount.

Audit recommends that amounts may be recovered from the concerned.

#### ***27.4.5 Fraudulent withdrawal from Commercial Bank Accounts - Rs. 10.4 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.

Para 23 of GFR 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 HDIP is maintaining twenty (20) bank accounts in different commercial banks for various purposes. The details are as under:

As per the bank statements produced to audit there were credit entries for Rs. 10,414,417 in three bank accounts in September, 2015 as detailed below:

S. No	Account No.	Account Title	Amount Credited (Rs.)
1	17427900225401	HDIP C.P Fund Account	5,334,000
2	5536-4	HDIP Loan & Advances Account	1,280,000
3	36011000471601	HDIP Seminar Account	3,800,417
<b>Total</b>			<b>10,414,417</b>

The management refused to provide the copies of bank statements to audit by saying that documents were not relates to the audit period. However, during discussion it came into the notice that the above deposits were on account of earlier fraudulent withdrawals by the employees of accounts branch of HDIP.

The Audit observed as under:

- i. Management did not report the fraud to the Auditor General of Pakistan. The PAO was however informed on 19.05.2016.
- ii. The management failed to produce the inquiry report and other relevant record to Audit in spite of repeated written and verbal requests.
- iii. The internal audit of the HDIP had not been carried out by the Ministry for the last many years.
- iv. Independent/effective pre-audit/internal checks/internal control for the payments to be made from Bank Accounts did not exist in the organization.
- v. The actual amount of fraudulent withdrawal could not be determined by Audit because the management did not provide the statements of its all bank accounts.

Audit is of the view that the management violated the financial rules by not producing the record to Audit and by not reporting the fraud.

Audit is also of the view that the internal control systems in the Institute were not in place.

The management replied that Mr. Tahir Khan the accused has been removed from service without any retiring benefits and the amount has been recovered. However, Mr. Tahir Khan has filed a writ petition in the Islamabad High Court.

The reply was not accepted because the management has only provided copy of inquiry report. Record relating to bank accounts mentioned in the para was not provided during verification.

The DAC in its meeting held on 13.12.2016 decided that as the case is subjudice therefore para stands.

Audit recommends as under:

- i. Relevant record should be produced.
- ii. A detailed scrutiny of bank transactions for the last 10 years be carried out.
- iii. A proper internal control system should be in place.
- iv. The signatories and co-signatories of the cheques should also be other than the accounts wing.

***27.4.6 Irregular and unjustified expenditure on hiring of legal Consultant - Rs. 3.805 million***

Para 10 of GFR states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. 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 expenditure should not be prima facie more than the occasion demand.

Management of HDIP hired the services of a retired officer of MP&NR as a legal consultant for a period of two years w.e.f. 01.10.2014 at the monthly lump sum remuneration of Rs. 100,000 by HDIP and Rs. 50,000 by the Director

General, Petroleum Concession (DGPC), Ministry of Petroleum. The officer was provided a vehicle Suzuki Cultus with the Petrol limit of 120 Liters /month. The detail of the expenditure on hiring the services was as under:

<b>S.No</b>	<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>Total (Rs.)</b>
1.	Remuneration paid by HDIP	960,000	1,000,000	1,960,000
2	Remuneration paid by DGPC	430,000	500,000	930,000
3	Vehicle Expenditure i.e. POL, Repair, Depreciation, Salary and overtime of Driver	442,000	473,000	915,000
	<b>Total</b>	<b>1,832,000</b>	<b>1,973,000</b>	<b>3,805,000</b>

Audit observed as under:

- i. The Services were hired without competition.
- ii. Out of total 16 minor employees related cases 10 were heard by different courts during 2014-15 for which Rs. 712,000 were paid to other private councils.
- iii. List of legal consultants appointed at other Stations was not provided.

Audit is of the view that the consultant was hired without open competition and without immediate requirement due to which extra financial burden was put on HDIP budget.

The management replied that approval from the BoG was obtained for hiring of Consultants.

The reply was not accepted because appointment was made without adopting open competition in violation of the rules.

The DAC in its meeting held on 13.12.2016 directed to get the ex-post facto approval from the Finance/Establishment Division under intimation to Audit.

Audit recommends that responsibility may be fixed for the irregular and unjustified appointment.

#### ***27.4.7 Overpayment of gratuity and leave salary - Rs. 1.6 million***

Finance Division Notification No F. 1 (73)-R4/84 dated 15.10.1985 states that in lieu of such leave, leave pay may be claimed at any time during the period at the rate of pay admissible at the time the leave pay is drawn for the actual period of such leave. The rate of leave pay will be the rate admissible on the date such leave would have commenced. The leave pay may be drawn at any time for the period for which duty has already been rendered.

Para 15.2(a) of the HDIP Service and Financial Rules, 2009 states that on attaining the age of superannuation or resignation from service of the institute subject to minimum service of fifteen years in the institute the employees shall be entitled for 1½ months basic pay last drawn for each completed year of service.

The management of HDIP paid gratuity and encashment of LPR on attaining the age of 60 years to its 16 employees during 2013-15.

Audit observed that management paid gratuity and leave encashment after adding one increment in the last pay drawn to the employees who were retired before 31<sup>st</sup> May of that year which resulted into overpayment of Rs. 1.6 million.

Audit is of the view that the additional increment on last pay drawn was not admissible.

The management replied that recovery is being made.

The DAC in its meeting held on 13.12.2016 directed the management to make the recovery within seven days. However, no record was provided as directed by the DAC.

Audit recommends that amount overpaid may be recovered.

#### ***27.4.8 Non achievement of objectives***

The HDIP Act was passed by the Parliament in January, 2006. Under Section 4 of the Act, the objectives and functions of the Institute was defined and

fixed in twenty subsections from 4(a) to 4(t).

Audit observed that management of the HDIP could not achieve the stated objectives as detailed under:

Objective	Remarks
e. To study and recommend measures for controlling environmental pollution relating to hydrocarbon operations;	Only a concept paper was prepared but no study or recommendations were made to the Government.
f. To carry out quality control and standardization of hydrocarbons, as per Pakistan Standards as well as review the specifications of petroleum products and their blends;	Partially performed as the quality control and standardization of Hydrocarbon Gases and locally produced crude oil was not being carried out.
g. To establish and operate a comprehensive computer managed data base relevant to its activities, linked to indigenous and foreign data-bases;	Was not being performed and the Ministry has assigned this task to a private firm named LMKR.
h. To develop and promote use of clean, economic and alternative fuels;	No progress after promulgation of HDIP Act, 2006.
j. To assist educational establishments in the preparation and conduct of courses and training programmes in the field of hydrocarbons and to conduct such courses for national as well as international trainees;	No progress
m. to act as an organization for checking of quality, standards and specifications of hydrocarbons including crude petroleum, petroleum products, liquefied petroleum gas and natural gas;	Partially executed as the quality control and standardization of Hydrocarbon Gases and locally produced crude oil was not being carried out.

Audit is of the view that due to non-performing of these important functions, the country has not benefited in these vital sectors.

The management replied that HDIP performed its functions in light of OGRA directions.

The reply was not accepted because HDIP had to perform its functions as per HDIP Act.

The DAC in its meeting held on 13.12.2016 decided that para may be stand.

Audit recommends that management should strive to meet these very important objectives and functions assigned to the Institute.

#### ***27.4.9 Non-recovery of liquidation damages - Rs. 28.727 million***

Serial No. 14.1 of Tender Documents states that if the contractor fail to supply within time period specified in Local Purchase Order (LPO) the purchaser shall deduct from the contract price @ 0.5% for first week and 1% per week for next four weeks and 1.5% per week exceeding four weeks up to maximum extent of 5%.

The management of Geological Survey of Pakistan, Quetta paid an amount of Rs. 247.999 million to M/s Iqbal Enterprises for purchase of multipurpose rigs with 8x8 and 6x6 trucks under the project titled “Acquisition of four Drilling Rigs for the Geological Survey of Pakistan” during 2015-16.

As per Supply Order dated 04.02.2016 the items were required to be delivered on or before 10.06.2016 but the items were delivered on 12.08.2016. The management imposed liquidation damages amounting to Rs. 28.727 million to the supplier. The Monitoring Committee of the project (MP & NR) in its meeting held on 20.09.2016 also directed to recover the liquidation damages from the supplier.

Audit observed that the management did not recover liquidation damages from the contractor.

Audit is of the view that non-recovery of liquidation damages deprived the Government of its due receipts.

Audit recommends that liquidation damages may be recovered from the supplier and deposited into the Government treasury.

#### ***27.4.10 Non recovery of profit share from LMKR - Rs. 66.618 million***

Para 26 of General Financial Rules states that it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Ministry of Petroleum and Natural Resources entered into agreement with M/s LMKR on 28.09.2009 for the management and operations of Pakistan

Petroleum Exploration and Production Data. As per para 8.7 of article VIII of the contract agreement the contractor shall, after cost recovery, remit fund to the Director General, Petroleum Concessions (DGPC) designated bank accounts, pertaining to DGPC's profit share on quarterly basis.

As per the audited financial statements of M/s LMKR the profit shares of the Ministry of Petroleum and Natural Resources (DGPC) for the period 2012-15 was as under:

S. No.	Year	Profit Share (Rs)
1	2012	19,454,179
2	2013	3,929,020
3	2014	28,010,648
4	2015	9,342,510
<b>Total</b>		<b>60,736,357</b>

Audit observed that profit share was not deposited by the contractor to the Ministry of Petroleum and Natural Resources.

Audit also observed that government suffered financial loss on account of interest due to non-receipt of profit share as detailed below:

S. No.	Year	Profit Share (Rs)	Interest @ 6%
1	2012	19,454,179	3,716,059
2	2013	3,929,020	485,626
3	2014	28,010,648	1,680,638
4	2015	9,342,510	-
<b>Total</b>		<b>60,736,357</b>	<b>5,882,323</b>

Audit is of the view that the contractual obligation were violated which deprived the Ministry from its due share of income and cause financial loss to the Government.

The management did not reply.

Audit recommends that profit share along with interest may be recovered.

#### ***27.4.11 Non recovery of training fund - Rs. 12.094 million (US\$ 115,185)***

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.

Para 26 of General Financial Rules states that it is the duty of the departmental Controlling officers to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

Annexure-3 of Petroleum Policy, 2012 states that E&P companies shall cater for trainings per year as under:

<b>S. No.</b>	<b>Zone</b>	<b>Exploration Phase US\$</b>	<b>Development and production phase US\$</b>
<b>1</b>	Onshore Zone	25,000	50,000
<b>2</b>	Offshore Zone	50,000	250,000

As per guideline for the utilization of training fund, 50% of the fund shall be earmarked by the operator for imparting training and 50% shall be utilized by the Ministry of Petroleum. The unspent amount of the training fund shall be deposited into the DGPC Training Fund Account.

Audit observed as under:

- i. Management despite repeated requests did not provide full zone wise and phase wise details of E&P companies with their annual obligations on account of training fund, expenditure incurred by the companies and the Ministry of Petroleum on training and the amount of outstanding unspent balances with the companies.
- ii. No proper management information system in this regard existed in the Ministry.
- iii. Approved accounting system for maintenance of training funds and its utilization was not available.



- iv. An incomplete statement was provided which showed that certain companies deposited 50% of the obligation share.
- v. No information was provided about the companies having agreements for the offshore zones.
- vi. One of the statement provided by the management shows that us \$ 115,185 were recoverable from the Pakistan Oilfield Limited.

Audit is of the view that authenticity of the accounts cannot be ascertained in the absence of record. On the basis of produced record Audit is of the understanding that heavy amounts are recoverable from the E&P companies.

The management did not reply.

Audit recommends that matter may be inquired into besides production of full record and immediate recovery of known outstanding amounts.

#### ***27.4.12 Unauthorized deduction of Income Tax - Rs. 10.486 million***

Section 49 of the Income Tax Ordinance 2001 states that the income of the Federal Government shall be exempt from tax under this Ordinance.

DGPC under Ministry of Petroleum and Natural Resources is maintaining a bank account No 53168-1 in HBL Corporate Branch Islamabad for maintenance of training fund.

The management provided the Bank Statements for the years July 2012 to June 2015 to Audit.

Audit observed that the bank deducted Income Tax from the profit earned on the Bank deposits. The details are as under:

**(Rupees)**

S. No.	Date	Profit	Income Tax
1	31.12.2012	20,676,747	2,067,674
2	29.06.2013	22,985,903	2,298,590
3	31.12.2013	27,472,753	2,747,275
4	30.06.2014	19,161,061	1,916,106
5	31.12.2014	12,830,434	1,283,043
6	30.06.2015	1,738,044	173,804
<b>Total</b>			<b>10,486,492</b>

Audit is of the view that deduction of income tax was not admissible.

The management did not reply.

Audit recommends that amount should be taken back through appropriate procedure and further deduction should be got stopped.

**27.4.13 Less recovery of training funds from the petroleum exploration and production companies - Rs. 1,364.142 million**

As per article XVII of the model petroleum concession agreement (in the light of Petroleum Policy 2009, the working interest owners shall spent a minimum of \$10,000 on training and \$25000 from the date of 1st commercial discovery. This expenditure will be subject to upward review from time to time.

As per Annexure-3 of Petroleum Policy 2012 states that E&P companies shall incurred expenditure on training per year as below:

S.No	Zone	Exploration Phase (US\$)	Development and production phase (US\$)
1	Onshore Zone	25,000	50,000
2	Offshore Zone	50,000	250,000

As per Guideline for the utilization of training fund, 50% of the fund shall be earmarked by the operator for importing training and 50% shall be utilized by the Ministry of Petroleum. The unspent amount of the training fund shall be deposited into the DGPC Training fund account.

Audit observed that 179 companies had the Licenses of Exploration and 163 had the leases for Development Production. The expenditure to be incurred as per Petroleum Policy, 2012 on training fund was as under.

S. No.	Companies	Phase	Location	Rate/year	Amount US\$
1	167	Exploration	On Shore	25,000	4,175,000
2	12	Exploration	Off Shore	50,000	600,000
3	163	Development /Production	On Shore	50,000	8,150,000
<b>Total</b>					<b>12,925,000</b>
Amount in Rs @ 102/\$ for one year					1,318,350,000
Amount due for three years from 2012-15					3,955,050,000
DGPC Share @ 50%					1,977,525,000
Amount received as per Bank Statement					(613,382,618)
<b>Receivable/outstanding</b>					<b>1,364,142,382</b>

Audit also observed that management failed to receive the due amount of training fund from the companies as per Petroleum Policy, 2012.

Audit is of the view that due to less/non-receipt of due amount the purposes of trainings and consequential benefits could not be achieved.

The management did not reply.

Audit recommends that outstanding amounts should be recovered along with interest from the companies.

***27.4.14 Non-recovery of Production Bonus from Petroleum Production Companies - US\$ 2,219,170 (Rs 230.793 million)***

Para 26 of GFR 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.

Paragraph 4.1.2 of the Petroleum Policy 2012 states that Production bonuses will be payable on a contract area basis as follows:

<b>CUMULATIVE PRODUCTION (MMBOE)</b>	<b>AMOUNT (USD)</b>
At start of commercial production	600,000
30	1,200,000
60	2,000,000
80	5,000,000
100	7,000,000

- i. Local Operator companies will pay their share of production bonuses in the Pakistan Rupees equivalent of United States Dollar converted at the prevailing exchange rate on the day of transaction.
- ii. GHPL/Provincial GHPL will not pay the production bonuses as long as GOP/Provincial Government is the majority shareholder of this company.
- iii. It is intended that production bonuses will be expended on social welfare projects in and around the respective contract areas

according to guidelines to be issued by the Provincial Government from time to time.

The management of DGPC provided a statement showing the recovery status of Production Bonus received and receivable from five petroleum producing companies.

Audit observed that as per statement amount aggregating to US\$ 2,219,170 (Rs. 230.793 million) was outstanding.

Audit is of the view that due to non-recovery of production bonus the beneficiary of the areas were deprived from the benefit of development.

The management did not reply.

Audit recommends that outstanding amount along with interest may be recovered.

## CHAPTER 28

### 28. MINISTRY OF PLANNING AND DEVELOPMENT

#### 28.1 Introduction of Ministry

The functions of the Planning and Development Division as per the Rules of Business, 1973 are:

1. (i) Preparation of comprehensive National Plan for the economic and social development of the country;
- (ii) Formulation, within the framework of the National Plan, of an annual plan and an annual development program;
- (iii) Recommendations concerning orderly adjustments therein in the light of new needs, better information and changing conditions.
2. Monitoring the implementation of all major development projects and programs; identification of bottlenecks and initiation of timely remedial action.
3. Evaluation of on-going and completed projects.
4. Review and evaluation of the progress achieved in the implementation of the National Plan.
5. Identification of regions, sectors and sub-sectors lacking adequate portfolio of projects and taking steps to stimulate preparation of sound projects in those areas.
6. Continuous evaluation of the economic situation and coordination of economic policies.
7. Organization of research in various sectors of the economy to improve the database and information as well as to provide analytical studies which will help economic decision making.
8. Association with the Economic Affairs Division in matters pertaining to external assistance in individual projects, from the stage prior to preliminary discussion up to the stage of final

signing of documents with aid-giving agencies.

9. Development of appropriate cost and physical standards for effective technical and economic appraisal of projects.
10. Coordination of Social Action Programme with World Bank and other donor Agencies.
11. National Logistics Cell.
12. Administrative control of:
  - (i) Economists and Planners Group
  - (ii) Pakistan Institute of Development Economics
  - (iii) Overseas Construction Board
  - (iv) National Fertilizer Development Center
  - (v) Pakistan Planning and Management Institute
  - (vi) Jawaid Azfar Computer Center

The Planning and Development Division will act as the Secretariat of the Planning Commission under the Chairmanship of the Prime Minister which is the apex planning and coordination body. The relationship between the Planning Commission and the Planning and Development Division will be as defined in Cabinet Secretariat (Cabinet Division) Resolution No. 4-6/2006-Min.I dated 20.04.2006.

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

Final budget allocated to the Planning and Development Division for the financial year 2015-16 was Rs. 43,129.709 million including Supplementary Grant of Rs. 305.046 million out of which the Division utilized Rs. 2,670.360 million. Grant-wise detail of current and development expenditure is as under:

**(Rupees)**

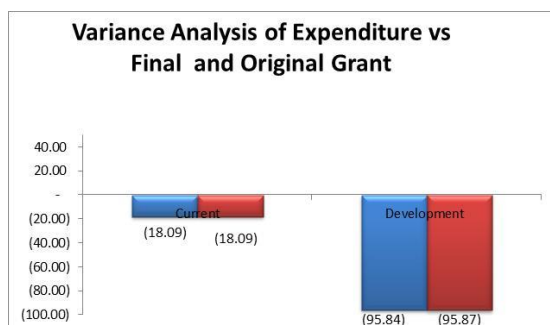
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
88	Current	1,144,000,000	2,000	1,144,002,000	937,072,862	(206,929,138)	(18)
129	Development	41,680,663,000	305,044,000	41,985,707,000	1,733,286,977	(40,252,420,023)	(96)
	<b>Total</b>	<b>42,824,663,000</b>	<b>305,046,000</b>	<b>43,129,709,000</b>	<b>2,670,359,839</b>	<b>(40,459,349,161)</b>	<b>(94)</b>

Audit noted that there was an overall saving of Rs. 40,459.349 million,

which was mainly due to saving of Rs. 40,252.420 million in development grant.

### ***Supplementary Grants obtained without careful cash forecasting***

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 18.09%. In development expenditure, savings against original budget were 95.84% while the saving came to 95.87% when Supplementary Grant was taken into account.



### **28.3 Brief comments on the status of compliance with PAC Directives**

There are no PAC Directives as PAC meeting to examine audit paras pertaining to Ministry has not been held so far.

### **28.4 AUDIT PARAS**

#### ***Non Production of Record***

##### ***28.4.1 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.

Ministry of Planning Development & Reforms, Islamabad was requested vide our requisition No. nil dated 15.08.2016 to provide the following information:

- i. Number of projects completed during last five years of Federal PSDP.
- ii. Number and list of the project for which PC-IV were processed and approved during last five years.
- iii. Number of projects approved but not started so far due to any reason of the ministry.
- iv. PC-Is of approved projects of the ministry.
- v. PC-IVs of the completed projects of the ministry.
- vi. Monitoring Reports of the projects of the ministry.
- vii. Whereabouts of assets of the completed/closed projects.

Despite repeated requests the management did not provide the auditable record.

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 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.



## ***Irregularity & Non compliance***

### **28.4.2 Unnecessary Blockage of development funds - Rs. 11,802.86 million**

Para 10 of GFR provides that every officer incurring or authorizing expenditure from the public fund should be guided by higher standards of propriety.

Ministry of Planning, Development and Reforms was allocated Rs. 11,802.86 million for the following projects under Federal Public Sector Development Program during 2015-16:

**(Rs. in million)**

<b>Sr.#</b>	<b>ID</b>	<b>Project</b>	<b>Allocation</b>
<b>1</b>	ID-7359	Establishment of Urban Planning and policy centre	50.000
<b>2</b>	ID-7360	Integrated infrastructure energy planning & management unit	50.000
<b>3</b>	ID-7361	Land acquisition and site Development of Pakistan Institute of Development Economics for construction of new campus	300.000
<b>4</b>	ID-7362	PPMI Centre of excellence	10.000
<b>5</b>	ID-7363	Rural economy centre	100.000
<b>6</b>	ID-7364	Social entrepreneur centre	50.000
<b>7</b>	ID-7365	Support in monitoring high impact vision 2025 new initiatives	150.000
<b>8</b>	ID-7366	Research/workshops and feasibility studies	250.000
<b>9</b>	ID-7368	Un-funded/Under funded important projects	9,680.270
<b>10</b>	ID-7369	Const. of new "campus of Pakistan Institute of Development Economics" Islamabad	300.000
<b>11</b>	ID-8141	Bureau of infrastructure development	140.000
<b>12</b>	ID-8142	Integrated transport infrastructure planning and	100.000
<b>13</b>	ID-8144	Cluster development based industrial transformation plan	100.000
<b>14</b>	ID-8145	Cluster development based industrial transformation plan	100.000
<b>15</b>	ID-8146	Capacity building for economic development journalists	20.000
<b>16</b>	ID-8263	Cluster development Based mineral sector transformation plan V-2025	100.00
<b>17</b>	ID-8266	Additional fund requirements of CPEC/Projects	282.590
<b>18</b>	ID-8267	Non motorized transport infrastructure support and	20.000
<b>Total</b>			<b>11,802.86</b>

Audit observed that:

1. All the funds were surrendered on 07.06.2016 without execution of any project activity.
2. There was no report of the project wing showing reason for not

starting of the project.

Audit is of the view that non-execution of above projects reflects ill planning on the part of the Ministry.

Audit is also of the view that the activities of the other development projects suffered due to un-necessary blockage of funds and cost of those projects could have increased due to escalation.

The management did not reply.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that practice should be discontinued and the responsibility for the unnecessary blockage of huge PSDP funds should be fixed.

#### ***28.4.3 Non-deduction of Withholding Tax - Rs. 73.480 million***

Section 153(1)(b & c) of the Income Tax Ordinance, 2001 states that Withholding Tax has to be deducted @ 7% on payments made to contractors.

The management of the project titled “Lowering of Water Level in Attaabad Landslide Lake” under the administrative control of the Ministry of Planning Development & Reforms, Islamabad paid an amount of Rs. 967.925 million to M/s Frontier Works Organization and Rs. 81.790 million to M/s NESPAK during 2011-15.

Audit observed that payments were made without deducting Withholding Tax amounting to Rs. 67.755 million from M/s FWO and Rs. 5.725 million from M/s NESPAK.

Audit is of the view that non-deduction of tax deprived the Government of its due receipts.

The management did not reply.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the tax may be recovered and deposited into treasury.

**28.4.4 Non achievement of the annual targets of project “China-Pakistan Economic Corridor Support Project” - Rs. 70.18 Million**

Para 10 of GFR provides that every officer incurring or authorizing expenditure from the public fund should be guided by higher standards of propriety.

Ministry of Planning Development & Reforms got approved a development Project “China-Pakistan Economic Corridor Support Project” at a cost of Rs. 467.680 million on 30.09.2015 with the completion period 39 Months. The project started its activities on March, 2014. The objectives of the project were:

- i. To establish and strengthening China-Pak economic Corridor in the ministry for overall coordination and implementation of Project/activities in coordination with the line ministries.
- ii. The PMU will have the responsibility for reporting on the progress of each component, will prepare annual work plan for the following year, annual funds required for implementation and updated disbursement profile and updated procurement plan

The management incurred total expenditure of Rs. 70.180 million during 2014-16.

Audit observed as under:

- i. PMU did not prepare any progress report, annual work plan, disbursement profile or any procurement plan.
- ii. Monitoring/evaluation of the project was not conducted.

Audit is of the view that the benefit of the expenditure incurred during 2014-16 was not achieved, therefore, the expenditure cannot be treated as useful.

The management did not reply.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility for the non-achievement of project objectives may be fixed.

***28.4.5 Unauthorized execution of project “National Endowment of Scholarship” and loss due to non-investment of funds - Rs. 28.028 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.

Ministry of Planning Development & Reforms got approved a development Project “National Endowment of Scholarship” at a cost of Rs. 10 billion on 08.05.2015 from the Prime Minister through a summary. The completion period of project was 48 months.

As per PC-I funds amounting to Rs. 1.00 billion in the 1<sup>st</sup> year and 3.00 billion in each of the subsequent years were to be transferred to the project which were to be deposited in the bank account of a company titled “National Endowment Scholarship for Talent”. These funds were to be invested in term deposit schemes. The profit earned from investments was to be utilized for payment of scholarship @ Rs. 4,785 per month to the students. During 2015-16, 1,360 Nos. of students were to be financed.

The management of the project received Rs. 1,200.000 million in August, 2015 which was retained in the NIDA account maintained in National Bank of Pakistan and a profit of Rs. 41.271 million was earned up to May, 2016. Further, an amount of Rs. 1,000.000 million in June, 2016. Total amount of Rs. 2,200.000 million was invested for a period of six months @ 6.35% p.a.

Audit observed as under:

1. The project was executed without the approval of ECNEC.
2. Award of scholarships to students is not provided in functions of M/o Planning & Reforms as per Rules of Business, 1973.
3. Due to non investment of Rs. 1.2 billion, which was received in August, 2015 the management could not earn additional profit of Rs. 28 million up to June, 2016.
4. No scholarship was awarded to any student despite the fact that around Rs. 4.00 million per month was earned during 2015-16.

Audit is also of the view that execution of project without the approval of ECNEC and doing business which was not relevant to the functions of the Ministry was unauthorized.

Audit is also of the view that by not investing the amount in time the management suffered a loss of Rs. 28 million and students were deprived of the benefit of scholarships.

The management did not reply.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that approval of the project should be obtained from ECNEC and project activity should be entrusted to the relevant organization/Ministry and responsibility of the loss may be fixed.

#### ***28.4.6 Non recovery of electricity charges - Rs. 12.245 million***

Para 26 of GFR Volume-I due to Government are regularly and promptly assessed realized and duly credited in the Public Account.

The Ministry of Planning, Development and Reform installed a solar system in its premises through a development project in March, 2012 at a cost of Rs. 242.364 million including the grant in aid amounting to Rs. 238.762 million from JICA. The installed capacity of the system was 178.08 KW whereas the generation capacity per year was 272,000 Units per year.

As per power purchased agreement made by the Ministry with IESCO (Section 9.1, Article 1X), the billing for energy delivered by the Complex to IESCO and from IESCO to Complex will be as per the prevailing/existing tariff A-1 of IESCO. IESCO was charging Rs. 9.25 per unit from the Ministry as per bills paid.

The electricity produced as per generation capacity of the system from March, 2012 to July, 2016 was 1,201,333 Units. The cost for generated units @ Rs. 9.25 per unit comes to Rs. 11,112,333.

Audit observed that no adjustment as provided in the agreement was made with IESCO since March, 2012.

Audit is of the view that due to non-recovery of sale proceeds of electricity the public exchequer was deprived of its due receipt and Ministry was paying electricity bills from the public exchequer.

The management did not reply.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that outstanding amount should be recovered and deposited into Government treasury and future generation should be adjusted against the monthly bills.

#### ***28.4.7 Unauthorized payment of honorarium - Rs. 2.818 million***

Para 11 of 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 M/o Planning Development and Reform paid Rs. 1,362,350 and Rs. 1,596,650 for the year 2014-15 and 2015-16 respectively. Details are as under:

<b>(Rupees)</b>			
<b>Sr.#</b>	<b>Name &amp; Designation, BPS</b>	<b>2014-15</b>	<b>2015-16</b>
<b>1.</b>	Tanveer Hussain Bukhari	266,200	0
<b>2.</b>	Syed Naseer Ahmed Gillani, Chief,20	275,600	186,820

3.	Abdur Rehman,, Chief	68,900	0
4.	Shahzad Ahmed Malik, Chief	68,900	0
5.	Dr. Ghulam Asghar Abbasi, Chief	66,550	0
6.	Abdul Jalil, Chief, 20	0	92,455
7.	Ameer Zamir Ahmed, Coordinator	271,200	0
8.	Saleem Mohsin, Deputy Chief,19	220,000	220,065
9.	Abdur Rehman, DS	39,000	0
10.	M. Dawood Khan, Deputy Chief	45,400	0
11.	Iftikhar Hussain Naqvi, DS	40,600	0
12.	Mrs. Nigar Anjum, Deputy Chief,19	0	149,380
13.	Mumtaz Ali Sheikh, Deputy Chief,19	0	100,400
14.	Hazoor Bux Mahar, Deputy Chief,19	0	83,080
15.	Sultan Muhammad, Deputy Chief,19	0	69,205
16.	Saeed Akhtar, Deputy Chief,19	0	69,205
17.	Muhammad Nawaz, Director to Minister	0	291,560
18.	M. Amir Khan, SPS,19	0	225,120
19.	Allah Ditta, SPS,19	0	109,360
	<b>Total</b>	<b>1,362,350</b>	<b>1,596,650</b>

Audit observed that these officers were not on the pay roll of the Ministry.

Audit is of the view that the payment was doubtful.

The management did not reply.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter should be investigated, amount should be recovered from the payees and deposited in Government account.

#### **28.4.8 Less deduction of Income Tax - Rs. 2.169 million**

Section 149(1) of Income Tax Ordinance, 2001 states that every person responsible for paying salary to an employee shall, at the time of payment, deduct tax from the amount paid at the employee's average rate of tax computed at the rates specified in Division I of Part I of the First Schedule on the estimated income of the employee chargeable under the head "Salary" for the tax year in which the payment is made after making adjustment of tax withheld from employee under other heads and tax credit admissible under section 61, 62, 63 and 64 during the tax year after obtaining documentary evidence, as may be necessary.

The management of M/o Planning Development and Reform paid Rs.

10.508 million and Rs. 14,689,146 million as honorarium to the employees during 2014-15 & 2015-16, respectively.

Audit observed that Income Tax was deducted at fixed rate of 7% instead of rates specified in Division-I of Part-I of the First Schedule of Income Tax Ordinance, 2001 due to which Rs. 2.169 million was less deducted.

Audit is of the view that due to less deduction of Income Tax the public exchequer was deprived of its due receipts.

The management did not reply.

The PAO was informed on 22.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends the amount should be recovered from the employees and deposited in to Government account.



## CHAPTER 29

### 29. MINISTRY OF PORTS AND SHIPPING

#### 29.1 Introduction

In view of paramount importance of the marine sector, the Ministry of Ports & Shipping was created on 02.09.2004. The Ministry of Ports & Shipping aims to rationalize port tariffs/freight rates including Terminal Handling Charges, promotion of private investments and public engagement in port and shipping sector.

The following objectives have been envisaged for the Ministry and its organizations:

1. Promote international competitiveness of exports and increase operational effectiveness to meet the challenges of globalization.
2. Enhance good governance through incentives and disciplinary action.
3. Automation of document processing.
4. Rationalization of port charges.
5. Enhanced capacity for handling dry and liquid cargo and its faster clearance.
6. 24 Hours port operations.

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

1. National planning, research and international aspects of:
  - i) Inland water transport;
  - ii) Coastal shipping within the same Province.
2. Diverted cargo belonging to the Federal Government.
3. Navigation and shipping, including coastal shipping but not including shipping confined to one Province; safety of ports and regulation of matters relating to dangerous cargo.

4. Navigation and shipping on inland waterways as regards mechanically propelled vessels and the rule of the road on such waterways; carriage of passengers and goods on inland waterways.
5. Lighthouses, including lightships, beacons and other provisions for safety of shipping.
6. Admiralty jurisdiction; offenses committed on the high seas.
7. Declaration and delimitation of major ports and the constitution and power of authorities in such ports.
8. Mercantile marine; planning for development and rehabilitation of Pakistan merchant navy; international shipping and maritime conferences and ratification of their conventions; training of seamen; pool for national shipping.

Marine Fisheries Department was transferred to Ministry of Ports and Shipping vide Cabinet Division Notification No. 4-5/2011-Min-1 dated 05.04.2011.

Welfare of Seamen was transferred to Ministry of Ports and Shipping vide Cabinet Division Notification No. 4-9/2011-Min.1 dated 29.06.2011.

Directorate of Dock Workers Safety, Karachi

## 29.2 *Comments on Budget & Accounts (Variance Analysis)*

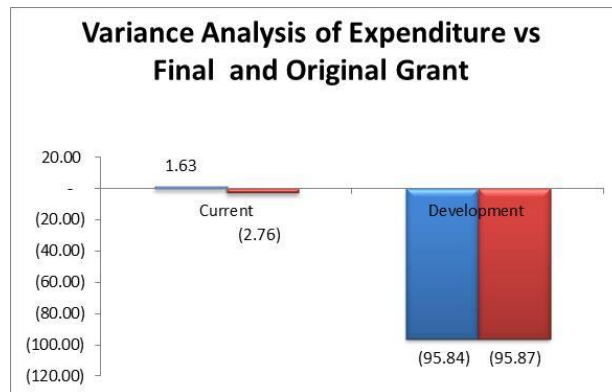
Final budget allocated to the Ports and Shipping for the financial year 2015-16 was Rs. 42,680.730 million including Supplementary Grant of Rs. 335.067 out of which the Division utilized Rs. 2,409.59 million. Grant-wise detail of current and development expenditure is as under:

<b>(Rupees)</b>							
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
89	Current	665,000,000	30,023,000	695,023,000	675,872,442	(19,150,558)	(3)
129	Development	41,680,663,000	305,044,000	41,985,707,000	1,733,286,977	(40,252,420,023)	(96)
	<b>Total</b>	<b>42,345,663,000</b>	<b>335,067,000</b>	<b>42,680,730,000</b>	<b>2,409,159,419</b>	<b>(40,271,570,581)</b>	<b>(94)</b>

Audit noted that there was an overall saving of Rs. 40,271.571 million mainly due to savings of Rs. 40,252.420 million in Development Grant.

### *Supplementary Grants obtained without careful cash forecasting*

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, excess in current expenditure was 1.63%, which changed to savings of 2.76% after accounting for Supplementary Grants. In development expenditure, savings against original budget were 95.84% which increased to savings of 95.87% 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 Ports and Shipping	1992-93	1	1	1	0	100
	2000-01	10	10	6	4	60
	2001-02	1	1	0	1	0
	2006-07	4	4	1	3	25
<b>Total</b>		<b>16</b>	<b>16</b>	<b>8</b>	<b>8</b>	<b>50</b>

## **29.4 AUDIT PARAS**

### ***Non Production of Record***

#### ***29.4.1 Karachi Dock Labour Board refused to get their accounts audited***

The Honorable Supreme Court of Pakistan in its judgment dated 08.07.2013 declared and directed in Para 27(b) that 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.

Section 14(2) of the 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 the 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.

KDLB was established by the Federal Government through SRO No. 1693(1)/73 dated 03.12.1973. The employment of the Dock Workers is regulated through Dock workers (Regulation of employment) Act, 1974. In pursuance of the Section 3 of the Dock workers (Regulation of employment) Ordinance, 1973 the Federal Government vide SRO dated 03.12.1973 notified the Karachi Dock Workers Regulation of Employment Scheme, 1973.

- i. Audit intimations were issued on 10.10.2016 and 21.10.2016 to conduct the audit of KDLB.
- ii. In response to the audit intimations, KDLB vide letter No. KDLB/P/DGA/2016 dated 17.10.2016 and letter No.

KDLB/P/DGA/2016 dated 27.10.2016 stated that Auditor General of Pakistan has no authority to conduct audit of accounts of KDLB.

- iii. The matter was reported to the Secretary, Ministry of Ports and Shipping vide letter No. Coord/Audit Jurisdiction/2016-17/F-517/2156 dated 08.11.2016 to look into the matter and requested to direct the KDLB management to provide auditable record to the audit team.
- iv. Despite clear instructions by the Ministry, the management did not provide the record for audit.
- v. In terms of Article 170(2) of the Constitution of Islamic Republic of Pakistan read with AGP's Ordinance, 2001 the Auditor General of Pakistan has the mandate to audit accounts of any authority or body established by or under the control of the Federal or Provincial Government.
- vi. The Constitutional provisions were further elaborated by the Honorable Supreme Court of Pakistan in its judgment vide suo moto Case No. 12 of 2015.

Audit is of the view that the stance taken by the management is in violation of the orders of the Supreme Court of Pakistan and attracts Section 14(3) of AGP's Ordinance, 2001.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.

### ***Irregularity and Non-compliance***

#### ***29.4.2 Irregular award of work to M/s NTS without inviting tenders***

As per Rule 20 of the Public Procurement Rule 2004, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works.

Ministry of Ports & Shipping hired services of M/s National Testing Services and signed an MOU dated 18.06.2015 for conducting transparent

screening test for the recruitment of posts of Assistants (BPS-14), Steno typist (BPS-14), LDC (BPS-7).

Audit has observed that no tenders were called and the work was awarded to M/s National Testing Services for conducting screening test of the applicants for the advertised posts without observing the above provisions of PPRA Rules. Further, the department has not produced the lists of candidates so that the quantum of actual receipts by NTS from candidates can be worked out

Audit is of the view that engaging the services of NTS without open competition is violation of PPRA Rules 2004.

Management replied that regarding transparency in servicing test for the recruitment of various posts of this Ministry, it is submitted that according to Establishment Division's O.M. No.F.53/1/2008-SP dated 03.03.2015 vide para 1(b), there was not clear instruction mentioning that testing agencies would be hired according to the provision of PPRA's Rules 2004. Furthermore, in the light of instructions mentioned above NTS was a registered agency with SECP under Section 42 of the company order 1984, and have the experience / infrastructure in the relevant field and also not blacklisted by any Government Office. Moreover, the instruction has been noted for future compliance. Since the Ministry did not pay NTS for their services there were no any criteria for competition between the different institutions providing the similar services.

The reply is not convincing as the ministry failed to observe PPRA rules.

The PAO was informed on 15.12.2016, but DAC was not convened till the finalization of the Report.

Audit is of the view that appointment of NTS without inviting tenders is violation of PPRA Rules which resulted in non following of prescribed procedures.

## CHAPTER 30

### 30. MINISTRY OF RELIGIOUS AFFAIRS AND INTER FAITH HARMONY

#### 30.1 Introduction

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 & Khateebis and exchange of visits of scholars of Islamic learning with foreign and international institutions. The Ministry also performs activities like management of Ruet-e-Hilal, Dawah, and infants and minor adoption laws. There are six subordinate offices working as Directorates of Hajj of this Ministry and two autonomous bodies, i.e. Council of Islamic Ideology and Pakistan Madrassah Education Board.

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

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.



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

Final budget allocated to the Ministry of Religious Affairs and Inter Faith Harmony for the financial year 2015-16 was Rs. 983.987 million including Supplementary Grant of Rs. 87.987 million out of which the Division utilized Rs. 929.031 million. Grant-wise detail of current expenditure is as under:

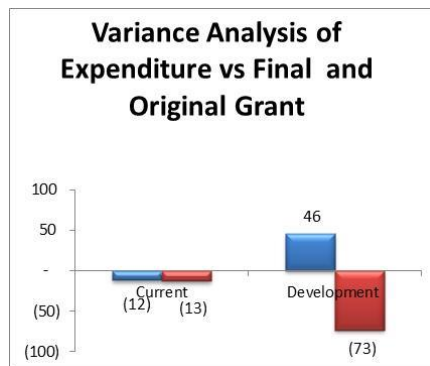
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
91	Current	386,000,000	66,388,000	452,388,000	402,625,424	(49,762,576)	(11)
92	Current	510,000,000	21,599,000	531,599,000	526,405,739	(5,193,261)	(1)
	<b>Total</b>	<b>896,000,000</b>	<b>87,987,000</b>	<b>983,987,000</b>	<b>929,031,163</b>	<b>(54,955,837)</b>	<b>(6)</b>

Audit noted that there was an overall saving of Rs. 54.956 million in final budget allocated to the Ministry.

#### *Supplementary Grants obtained without careful cash forecasting*

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 12% of original grant, which changed to 13% after accounting for Supplementary Grants. In Development Grant there was excess expenditure of 46% which changed to savings of 73% when Supplementary Grants were taken into account.



### 30.3 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
<b>Religious Affairs and</b>	1988-89	2	2	2	0	100

<b>Interfaith Harmony</b>	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
<b>Total</b>		<b>53</b>	<b>53</b>	<b>35</b>	<b>18</b>	66
<b>Religious Affairs and Interfaith Harmony (Devolved M/o Minorities)</b>	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
<b>Total</b>		<b>17</b>	<b>17</b>	<b>1</b>	<b>16</b>	6

## 30.4 AUDIT PARAS

### *Non Production of Record*

#### *30.4.1 Non-production of record of Hajj collection bank accounts*

Section 14(2) of the 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 the 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.

As per Minutes of the meeting dated 28.02.2014 of the Evaluation Committee, the Ministry of Religious Affairs and Interfaith Harmony selected six banks, i.e. HBL, UBL, NBP, MCB, ABL and ZTBL for collection of Hajj dues from the applicants for the Hajj, 2014. As per MOU signed with these banks in March, 2014, the banks agreed to pay a profit ranging from 6% to

7.75% on balances retained by them.

Ministry of Religious Affairs was requested to provide list of bank accounts along with Bank Statements, Bank Reconciliation and Cash Books of each bank account. The Ministry was also requested by Audit to write to the concerned banks for provision of bank statements.

Neither the management provided the Bank Statements, Cash Books and Reconciliation Statements of the Hajj Collection Bank Accounts maintained nor wrote to the concerned banks for provision of bank statements. However, bank statement of only one Hajj Collection Account No. 04835 maintained with MCB Melody Branch, Islamabad was provided which was taken away without informing the audit team.

Audit is of the view that in the absence of requisite record the amount collected, interest earned and expenditure there from could not be ascertained.

The management replied that Hajj Collection Accounts were not maintained by the Ministry.

The reply was not accepted because the Ministry vide letter No. 1(3)/1435-AO(PWF) dated 10.02.2015 wrote to its designated banks that amounts of unsuccessful applicants, drop out, etc. were available with banks and requested each bank to credit those balances to NIDA account of the Ministry. Exact amount to be credited to NIDA account was communicated to each bank.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record demanded by Audit.

## ***Irregularity and non-compliance***

### ***30.4.2 Non adjustment of advances made for Hajj activities - Rs. 4,946.180 million***

Rule 668 of Federal Treasury Rules states that advance granted under special orders of competent authority for departmental or allied purposes, subject to adjustment of detail accounts supported by vouchers or by refund, as may be necessary.

The management of the Ministry of Religious Affairs and Interfaith Harmony advanced Rs. 4,946.180 million to Director General Hajj, Jeddah from Hajj Account NIDA 36135 and Pilgrim Welfare Fund.

The utilization/adjustment accounts of above amounts were not produced to Audit.

Audit is of the view that non-adjustment of advances was violation of rules and may lead to misappropriation.

The management did not reply.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that adjustment accounts may be obtained and produced to Audit.

### ***30.4.3 Non-recovery of profit on amount retained by banks for unsuccessful applicants - Rs. 158.933 million***

Clause 6(a) of the MoU between Ministry of Religious Affairs and Interfaith Harmony and Banks for collection of Applications and Fee for Hajj 2014 dated 17.03.2014 states that the Hajj dues collected under Government Scheme will be transferred by the next business day to the Ministry, in case the second party (the Banks) desires to retain the funds they may do so up to maximum period of sixty days from the date of receipt on payment of mark-up, by whatever name called, to the Ministry @ of 6% on Daily Product Basis to be

calculated from the last date of receipt of Hajj Applications as announced by the Ministry. On retention of any amount beyond sixty days by the Banks the profit rate shall be 7.75% p.a. on Daily Product Basis.

Clause 6(b) of the MoU states that the banks shall submit final reconciled amount of collection of Hajj dues after completion of sixty days and again after completion of Hajj operation along with the deposit of total amount of Hajj dues with the Ministry.

Ministry was requested to provide list of bank accounts along with Bank Statements, Bank Reconciliation Statements and Cash Books of each bank account.

The management provided bank statement of one Hajj Collection account, i.e. No. 04835 maintained in MCB Melody Branch. This statement was taken away by the management without the notice of audit team from its papers after the team left the Ministry on conclusion of that working day. On inquiry made next morning it was informed by the management that the statement has been sent back to the bank and refused to provide a copy of the same.

Details noted from the above referred bank statement for the period from 01.07.2014 to 30.06.2015 by the audit team and list of successful applicants, the position of un-successful applicants and interest payable to Ministry works out as under:

	<b>(Rupees)</b>	
<b>Description</b>	<b>Hajj, 2014</b>	<b>Hajj, 2015</b>
Amount received from successful applicants for Hajj (April/May)	5,257,684,087	4,255,547,434
Less transferred to Ministry	600,000,000	250,000,000
Remaining amount that the bank account should have	4,657,684,087	4,005,547,434
actual amount in the bank account as on 30 <sup>th</sup> June.	5,259,216,109	5,454,760,113
Therefore the amount of un-successful applicants	601,532,022	<b>1,449,212,679</b>
<b>Interest @ 7.75% p.a.</b>	<b>46,618,732</b>	<b>112,313,983</b>
<b>Grand Total of Interest</b>		<b>158,932,715</b>

Audit observed as under:

- i. The interest of Rs. 158.933 million was not recovered by the management.

- ii. Bank statements of Hajj collection accounts were not provided to Audit.
- iii. The aging of the extra balances with banks was not disclosed.
- iv. Amounts on account of un-successful applicants were retained by banks unauthorizdely.

Audit is of the view that due to non-fulfillment of contractual obligations by the banks and weak financial controls at Ministry level, a recurring financial loss was being caused.

The management did not reply.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that reconciliation, on the basis of bank statements of hajj collection accounts and available record with the Ministry, should be made with the banks for Hajj dues and interest accrued thereon (successful and unsuccessful applicants). The amount of interest along with un-withdrawal amount for all the hajj operations up to June 2015 should be recovered and deposited into the Government account.

***30.4.4 Non recovery of Interest on late payment of Hajj dues pertaining to previous years - Rs. 89.162 million***

Clause 6(a) of the MoU between Ministry of Religious Affairs and Interfaith Harmony and Banks for collection of Applications and Fee for Hajj 2013 dated 25.02.2013 states that the Hajj dues collected under Government Scheme will be transferred by the next business day to the Ministry, in case the second party (the Banks) desires to retain the funds they may do so up to maximum period of sixty days from the date of receipt on payment of mark-up, by whatever name called, to the Ministry @ of 5.5% on Daily Product Basis to be calculated from the last date of receipt of Hajj Applications as announced by the Ministry. On retention of any amount beyond sixty days by the Banks the profit rate shall be 7.50% p.a. on Daily Product Basis.

Clause 6(b) of the MoU states that the banks shall submit final reconciled

amount of collection of Hajj dues after completion of sixty days and again after completion of Hajj operation along with the deposit of total amount of Hajj dues with the Ministry.

As per Cash Book of the Hajj Fund account No. 3035236135 maintained in the NBP, Melody Main Branch, Islamabad dues amounting to Rs. 1,080.855 million pertaining to Hajj Operation, 2013 were received by the management.

Audit observed that the management did not recover the interest of Rs. 89.162 million as detailed below:

S. No.	Bank	Date of	Amount	Due Date	Delay (Days)	(Rupees)
		Transfer				Interest @ 7.5% p.a.
1	UBL	01.04.2014	150,000,000	05.03.2013	392	12,082,192
2	HBL	03.04.2014	147,000,000	05.03.2013	394	11,900,959
3	UBL	08.04.2014	90,000,000	05.03.2013	399	7,378,767
4	MCB	08.04.2014	300,000,000	05.03.2013	399	24,595,890
5	MCB	10.04.2014	169,101.74	05.03.2013	401	13,934
6	NBP	11.04.2014	300,000,000	05.03.2013	402	24,780,822
7	HBL	15.04.2014	80,000,000	05.03.2013	406	6,673,973
8	ZTBL	08.05.2014	935,900	05.03.2013	429	82,500
9	HMB	26.11.2014	12,749,805	05.03.2013	631	1,653,108
<b>Total</b>			<b>1,080,854,807</b>			<b>89,162,145</b>

The management did not provide record pertaining to Hajj Operations, 2012.

Audit is of the view that Hajj account was put to loss due to non observance of provisions of MoU.

The management did not reply till finalization of report.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amounts should be recovered from the banks along with interest pertaining to Hajj Operations, 2012.

#### **30.4.5 Less recovery of interest from deposits of successful applicants - Rs. 83.497 million**

Clause 6(a) of the MoU between Ministry of Religious Affairs and Interfaith Harmony and Banks for collection of Applications and Fee for Hajj 2014 dated 17.03.2014 states that the Hajj dues collected under Government

Scheme will be transferred by the next business day to the Ministry, in case the second party (the Banks) desires to retain the funds they may do so up to maximum period of sixty days from the date of receipt on payment of mark-up, by whatever name called, to the Ministry @ of 6% on Daily Product Basis to be calculated from the last date of receipt of Hajj Applications as announced by the Ministry. On retention of any amount beyond sixty days by the Banks the profit rate shall be 7.75% p.a. on Daily Product Basis.

Clause 6(b) of the MoU states that the banks shall submit final reconciled amount of collection of Hajj dues after completion of sixty days and again after completion of Hajj operation along with the deposit of total amount of Hajj dues with the Ministry.

The management of Ministry of Religious Affairs and Interfaith Harmony called applications for Hajj 2014 with the last date 21.04.2014. The detail of the applications received and Hajj dues is as under:

**(Rupees)**

<b>S. No.</b>	<b>Particulars</b>	<b>Applications</b>	<b>Hajj Dues</b>
<b>1</b>	Total Applications	127,586	34,868,878,918
<b>2</b>	Successful applicants	53,814	14,702,390,655
<b>3</b>	Un-Successful	73,772	20,166,488,263

The similar information for Hajj 2015 is as under, for which the last date for application was 08.05.2015.

**(Rupees)**

<b>S. No.</b>	<b>Particulars</b>	<b>Applications</b>	<b>Hajj Dues</b>
<b>1</b>	Total Applications	269,328	72,068,023,944
<b>2</b>	Successful applicants	68,100	18,224,804,337
<b>3</b>	Un-Successful	201,228	53,843,219,607

Audit observed that amount of profit worked out by the management was less than what was actually due. The reason for this discrepancy was that the department calculated interest rate by bifurcating the retention period in two parts, i.e. 6% for first 60 days and 7.75% for period beyond 60 days. Whereas interest @ 7.75% was to be applied whenever the retention exceeded 60 days. This also meant that additional interest was receivable from the banks on the difference between the interest calculated and interest due. Accordingly, Audit has worked out the outstanding interest from banks as under:



(Rupees)

S. No	Bank	Interest due as per MOU <sup>1</sup>	Calculated by the Management	Amount of Interest Received	Difference	Interest on Difference	Total
1	ABL	15,256,837	13,068,507	11,340,293	3,916,544	431,381	4,347,925
2	ZTB	23,036,114	17,997,170	18,000,000	5,036,114	1,205,266	6,241,380
3	NBP	13,497,869	11,504,622	-	13,497,869	1,097,645	14,595,515
4	UBL	44,561,593	38,104,787	38,104,787	6,456,806	1,452,029	7,908,835
5	HBL	57,982,056	50,030,169	50,030,169	7,951,887	2,410,690	10,362,577
6	MCB	117,471,450	82,014,856	82,014,856	35,456,594	4,584,233	40,040,827
	<b>Total</b>	<b>271,805,919</b>	<b>212,720,111</b>	<b>199,490,105</b>	<b>72,315,814</b>	<b>11,181,244</b>	<b>83,497,059</b>

<sup>1</sup> Calculated by Audit by applying interest @ 7.75% on amounts which were retained beyond 60 days.

Audit is of the view that due to no-provision of actual amount of interest the Ministry/Hajj account was put to loss of Rs. 83.497 million.

The management did not reply.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amounts for the Hajj 2015 may also be reconciled and actual amount of interest should be recovered.

#### ***30.4.6 Unnecessary and avoidable expenditure on rent of office building - Rs. 38.912 million***

Para 23 of GFR 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.

Ministry of Religious Affairs and Interfaith Harmony is working in ETPB hired building with 47,378 square feet area. The last agreement was extended for three years w.e.f. 01.07.2012 at the monthly rent of Rs. 1.080 million per month. An amount of Rs. 38.912 million was paid for three years.

The Federal Government constructed a new building named Secretariat, E-Block for those Federal Government Offices which were housed in rental buildings. Space for the Ministry has also been reserved in E-Block.

Audit observed that the Ministry was not shifted to the newly constructed block to save expenditure on monthly rent.

Audit is of the view that due to non-shifting of Ministry to the newly constructed block the public exchequer was put under undue financial burden.

The management did not reply.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that to avoid the future financial burden on public exchequer the Ministry may be shifted to the allocated premises in E Block.

***30.4.7 Loss due to non-investment by Hajj Directorate, Jeddah – Rs. 34.022 million***

Rule 5(vi) of Pilgrim Welfare Fund Rules, 1990 states that funds not required for use during next 3 months may be kept in a short or long term deposit account by DG Hajj to earn profit on spare cash balance which would become part of the Fund.

The management of Ministry of Religious Affairs and Interfaith Harmony transferred funds to Directorate General Hajj, Jeddah for Hajj Operations, 2014. There was a closing balance of SR 12.150 million (PKR 340.216 million) with Directorate General Hajj, Jeddah after completion of Hajj Operations, 2014.

Audit observed that the management did not invest the unspent balance due to which the Hajj Fund was deprived of Rs. 34.022 million @ 10% p.a. as this interest rate was being given by banks on term deposits in Pakistan.

Audit is of the view that non-investment of unspent balance is poor financial management which caused loss of Rs. 34.022 million.

The management did not reply but during discussion it was informed that interest bearing schemes were not available in Saudi Arabia.

The PAO was informed on 18.08.2016, but DAC was not convened till

the finalization of the Report.

Audit recommends that incase funds cannot be invested in Saudi Arabia same may be remitted back to Pakistan for investment during idle periods.

***30.4.8 Unjustified receipt from Ministries/Divisions for Seasonal Hajj Duty - Rs. 27.720 million***

Rule 4 of the Hajj Pilgrims Welfare Fund (PWF) Rules, 1990 states that the Fund shall be expended on employment of Seasonal Duty Staff in Pakistan and Saudi Arabia, meant to serve pilgrims welfare exclusively.

The record of the Ministry of Religious Affairs and Interfaith Harmony showed that 192 of its employees and 99 employees of other Ministries were deputed for Seasonal Duty during Hajj, 2014.

Audit observed that expenses pertaining to employees of other Ministries/Divisions/Departments amounting to Rs. 27.720 million were paid by their respective Offices instead of making payment from Pilgrim Welfare Fund

Audit further observed that charging of expenditure pertaining to employees of other Ministries/Divisions/Departments from their respective offices was not provided in the Hajj Policy and Plan, 2014.

Audit is of the view that the national exchequer was put under undue burden despite availability of sufficient funds in the PWF account.

The management did not reply till finalization of report.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amount may be refunded to the Federal Consolidated Fund and in future the expenditure should be incurred from the PWF account.

***30.4.9 Unauthorized retention and utilization of receipts - Rs. 20.500 million***

Rule 7(1) of FTR 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 unrefunded 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 imposed and collected fine/penalties amounting to Rs.20.500 million during 2014-15 from different Hajj Group Operators on account of violation of their contracts agreements/licences.

Audit observed that instead of depositing the amounts in Government treasury under head "C02636-Fee Fine and Forfeitures", the amounts were deposited in the Pilgrim Welfare Fund.

Audit is of the view that the public exchequer was deprived of its due

receipts which resulted into loss.

The management did not reply.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amounts should be deposited into Government accounts.

#### ***30.4.10 Illegal change in MOUs to favour the Banks***

Para 23 of GFR 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.

Ministry of Religious Affair called Expression of Interest (EOI) from the banks on 26.02.2015 requesting for interest rates, for amounts to be collected on account of Hajj, 2015 and retained for 60 days and beyond 60 days without giving any category of applicant. A draft contract was got approved from Ministry of Law, Justice and Human Rights.

Audit observed that:

- i. The management added the word of “successful applicants” in Clause 11 of the contracts signed with banks without the approval of Ministry of Law, Justice and Human Rights.
- ii. Due to this amendment the banks did not pay interest to the Ministry on the amounts retained with them which pertained to unsuccessful applicants.
- iii. Before Hajj 2015, the words “successful applicants” were not included in the contracts made with banks.
- iv. Financial implication as a result of this illegal change could not be calculated as the bank statements of Hajj Collection Accounts

were not provided to Audit.

Audit is of the view that undue financial benefit was extended to the banks for retention of amounts collected from unsuccessful applicants .

Audit is also of the view that due to this illegal act of the management the Hajj Fund was deprived of its due share of receipt.

The management did not reply.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter should be investigated, responsibility may be fixed and loss may be recovered.

#### ***30.4.11 Non-recovery of advance from airlines - SR 50,875***

Rule 668 of Federal Treasury Rules states that advance granted under special orders of competent authority for departmental or allied purposes, subject to adjustment of detail accounts supported by vouchers or by refund, as may be necessary.

The management of the Ministry of Religious Affairs and Interfaith Harmony provided a statement of Directorate General of Hajj Jeddah showing expenditure of SR. 58,368,821 against allocation of SR 60,119,083 .

Audit observed that an amount of SR 50,875 was shown as recoverable from airlines.

Audit is of the view that due to non-recovery of outstanding amount the public exchequer was put to a loss of SR. 50,875.

The management did not reply.

The PAO was informed on 18.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that amount may be recovered.

## CHAPTER 31

### 31. STATE AND FRONTIER REGIONS DIVISION

#### 31.1 Introduction

In 1948, Quaid-i-Azam decided that a new Division called States and Frontier Regions (SAFRON) Division be established to work directly under him. The main functions of the States and Frontier Regions Division comprise mainly of interaction with FATA, issuance of policy directives regarding Tribal Areas, administrative reforms/control of Khassadars & Levies and Afghan Refugees, etc. According to the provision of Article 246 of the Constitution of the Islamic Republic of Pakistan, Tribal Areas means the areas in Pakistan, which immediately before the commencing day were the Tribal Areas, and include, the Tribal Areas of Balochistan and Khyber Pakhtunkhwa. The States and Frontier Regions Division also handles matters pertaining to former and acceded States of Amb, Bahawalpur, Khairpur, Swat, Chitral, Mekran, Kalat and Dir.

The Division consists of three Wings, i.e. Administration, Refugees and States/Tribal Areas, each headed by a Joint Secretary; who has Deputy Secretaries and Section Officers to assist him. The Chief Commissionerate of Afghan Refugees is an Attached Department, whereas Cadet College, Razmak is an autonomous body under the administrative control of SAFRON.

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

1. Tribal Areas –
  - (a) Administrative and political control in the Federally Administered Tribal Areas;
  - (b) Development plans and programs of Federally Administered Tribal Areas;
  - (c) All matters relating to the FATA Development Corporation;
  - (d) Issues of policy directives to the Governments of Khyber Pakhtunkhwa and Balochistan regarding Tribal Areas;

- (e) Matters relating to the Durand Line;
  - (f) Anti-subversion measures;
  - (g) Agreement with the Tribes;
  - (h) Application of laws to, regulations for, and alterations in Tribal Areas;
  - (i) Administrative reforms;
  - (j) Issue of import licenses to the Tribes;
  - (k) Visits of foreigners to Tribal Areas;
  - (l) Policy regarding detribalization of the Tribal Areas;
  - (m) Powindah Policy;
  - (n) Payment of Maliki Allowance and Individual Service Allowance; and
  - (o) Nomination of candidates from the Federally Administered Tribal Areas for admission to various Medical Colleges against seats reserved for those areas.
2. Administrative control of the contingents of Khassadars and Levies.
  3. Employment of the contingents at (2) above in the Tribal Areas of Khyber Pakhtunkhwa and Balochistan.
  4. Postings and transfers of officers in the Federally Administered Tribal Areas.
  5. Afghan Refugees.
  6. Affairs of the former and acceding States.

Following functions were transferred to SAFRON Division vide Cabinet Division Notification No. 4-17/2010-Min-1 dated 02.12.2010.

- Mainstreaming population factor in development planning process, in SAFRON



- Management and distribution of Zakat and Ushr in the FATA and the related/ancillary matters including distribution setup and monitoring/auditing thereof.

Following function was transferred to SAFRON Division vide Cabinet Division Notification No. 4-9/2011-Min.1 dated 29.06.2011.

- Coordination of medical arrangement and health delivery system for the Afghan Refugees.

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

Final budget allocated to the Division for the financial year 2015-16 was Rs. 82,869.835 million including Supplementary Grant of Rs. 37,348.184 million out of which the Division utilized Rs. 77,611.711 million. Grant wise detail of current and development expenditure is mentioned below:

**(Rupees)**

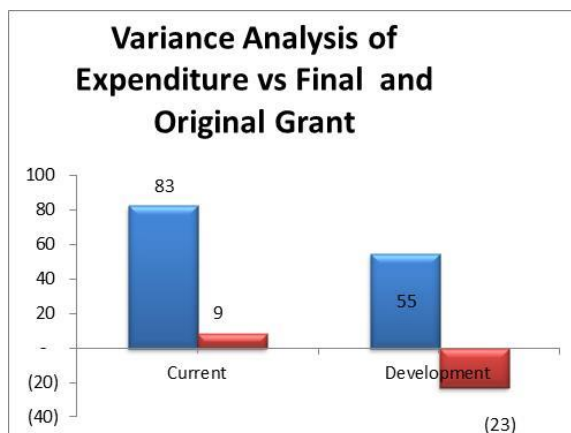
Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
95	Current	96,000,000	17,559,181,000	17,655,181,000	17,654,200,688	(980,312)	(17,655,181,000)
96	Current	6,985,000,000	-	6,985,000,000	8,417,029,074	1,432,029,074	(6,985,000,000)
97	Current	18,271,000,000	-	18,271,000,000	20,691,511,821	2,420,511,821	(18,271,000,000)
98	Current	2,651,000	-	2,651,000	1,855,188	(795,812)	(2,651,000)
99	Current	467,000,000	23,000	467,023,000	374,158,707	(92,864,293)	(467,023,000)
	<b>sub-total</b>	<b>25,821,651,000</b>	<b>17,559,204,000</b>	<b>43,380,855,000</b>	<b>47,138,755,478</b>	<b>3,757,900,478</b>	<b>9</b>
131	Development	19,700,000,000	14,788,980,000	34,488,980,000	28,456,715,764	(6,032,264,236)	(17)
131A	Development	-	5,000,000,000	5,000,000,000	2,016,240,000	(2,983,760,000)	(60)
	<b>sub-total</b>	<b>19,700,000,000</b>	<b>19,788,980,000</b>	<b>39,488,980,000</b>	<b>30,472,955,764</b>	<b>(9,016,024,236)</b>	<b>(23)</b>
	<b>Total</b>	<b>45,521,651,000</b>	<b>37,348,184,000</b>	<b>82,869,835,000</b>	<b>77,611,711,242</b>	<b>(5,258,123,758)</b>	<b>(6)</b>

Audit noted that there was an overall saving of Rs. 5,258.123 million, which was mainly due to saving of Rs. 9,016.024 million in Development Expenditure which was partly offset due to excess expenditure of Rs. 3,757.900 million in Current Expenditure.

#### *Supplementary Grants obtained without careful cash forecasting*

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 83%, which, after accounting for Supplementary Grants changed to 9%. In development expenditure, excess against Original Budget was 55% which, after accounting for Supplementary

Grant changed savings of 23%.



### 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
States and Frontier Regions	1987-88	7	7	7	0	100
	1988-89	13	13	3	10	23
	1989-90	5	5	5	0	100
	1990-91	7	7	5	2	71
	1991-92	12	12	7	5	58
	1992-93	30	30	2	28	7
	1994-95	15	15	13	2	87
	2000-01	4	4	0	4	0
	2005-06	4	4	1	3	25
<b>Total</b>		<b>125</b>	<b>125</b>	<b>71</b>	<b>54</b>	<b>57</b>

### 31.4 AUDIT PARAS

#### *Irregularity & Non Compliance*

#### **31.4.1 Overpayment as Unattractive Area Allowance (UAA) - Rs. 8.738 million**

According to Government of Pakistan Finance Division (Regulation Wing) O.M. No F.5(4)R-13/80 dated 16.06.1980, Unattractive Area Allowance (UAA) was admissible to the Federal Government Employees @ Rs.150 per month for BPS 1-5 and Rs. 250 per month to BPS 16 in the specified station of

Chitral. These rates were revised to Rs. 1,700 per month and Rs. 3,000 per month for employees in BPS 1-15 and BPS 16 respectively with effect from 01.07.2016 vide Government of Pakistan Finance Division (Regulation Wing) Islamabad O.M. No. 27(1)R-5/2012 dated 01.07.2016.

Rule 12(1) of Rules of Business provides that, “No Division shall, without previous consultation with the Finance Division, authorize the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division, which will affect directly or indirectly the finances of the Federation”.

The Commandant Chitral Levies Chitral has incurred a total expenditure of Rs. 9,616,981 as Unattractive Area Allowance (UAA) and paid to the Levy personnel during 2015-16.

Audit observed that the Levy personnel of Chitral were paid UAA at the revised rates during the period 01.07.2015 to 30.06.2016 when the revised rates were not introduced by the Government.

Audit is of the view that the management allowed the UAA to Levy personnel at enhanced rate which was not admissible and resulted into a total overpayment of Rs. 8,737,800 as worked out below.

BPS	No. of Levy personnel	Rate of UAA Due In Rs	Rate of UAA Drawn in Rs	Difference In Rs	Months	Total Overpayment in Rs
1	2	3	4	5	6	7
				(3 – 4)		(5 x 6)
01-to 15	468	150	1,700	1,550	12	8,704,800
16	01	250	3,000	2,750	12	33,000
<b>Total</b>						<b>8,737,800</b>

Audit holds that the excess payment of UAA was made without any approval/order of the Finance Division which was unauthorized and loss to Government.

The management replied that the allowance was being paid to the Levy Force at enhanced rates in light of instructions of Finance Division, in which it was clarified the Force as well as the Civil Servants will draw all the benefits

allowed by the respective Provincial Governments.

The reply of the management was not satisfactory as the Finance Division has enhanced the rates of UAA with effect from 01.07.2016 whereas the department had allowed the revised rates during 2015-16.

The PAO was informed on 17.02.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the overpaid amount may immediately be recovered and deposited into Government treasury.

#### ***31.4.2 Non-recovery from Irrigation Department - Rs. 7.251 million***

Para 26 of GFR Vol-I requires that it is the duty of the Departmental Controlling Officer to see that all sums due to Government are regularly and promptly assessed, realized and duly credited in the Public Account.

The Deputy Commissioner/Commandant Malakand Levies deployed 32 Levy personnel to Irrigation Department for protection of Upper Swat Channel during 2014-15.

Audit observed that an amount of Rs. 7.351 million was incurred on their salaries and uniform, against which only Rs. 100,000 was received from Irrigation Department through book adjustment and the balance amount of Rs. 7.251 million was outstanding.

Audit is of the view that due to non-recovery the Federal Government was put to a loss of Rs. 7.251 million.

The management replied that efforts were being made to recover the Government dues.

The management has accepted the audit observation.

The PAO was informed on 12.02.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that recovery may be made and deposited into

government treasury under the proper Head.

### ***31.4.3 Un-authorized payment of Ration Allowance - Rs. 2.644 million***

Rule 12(1) of Rules of Business provides that, “No Division shall, without previous consultation with the Finance Division, authorize the issue of any orders, other than orders in pursuance of any general or special delegation made by the Finance Division which will affect directly or indirectly the finances of the Federation”.

The office of the Commandant Chitral Levies has drawn an amount of Rs. 2.644 million on account of Ration Allowance and shown paid to the Levy personnels @ Rs. 490 per month during 2015-16.

Audit observed that the payment of Ration Allowance was made without any approval/orders of the Finance Division.

Audit is of the view that the management allowed the said allowance to Levy personnel, which was not admissible and the Government was put to a loss.

The management stated that the allowance is being paid to the Levy Force in light of instructions of Finance Division, in which it is clarified that the force as well as Civil servants will draw all the benefits allowed by the respective Provincial Government.

The reply is not convincing as the management could not produce any approval/orders regarding subject allowance. Moreover, in other districts the said allowance is not being paid to the levy personnel.

The PAO was informed on 17.02.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that subject amount may immediately be recovered and deposited into Government Treasury, besides discontinuation of the irregularity.

## **CHAPTER 32**

### **32. MINISTRY OF SCIENCE AND TECHNOLOGY**

#### **32.1 Introduction**

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

### **32.2 Comments on Budget & Accounts (Variance Analysis)**

Final budget allocated to the Ministry of Science and Technology for the

financial year 2015-16 was Rs. 7,606.443 million including Supplementary Grant of Rs. 706.016 million out of which the Division utilized Rs. 6,884.193 million. Grant-wise detail of current and development expenditure is as under:

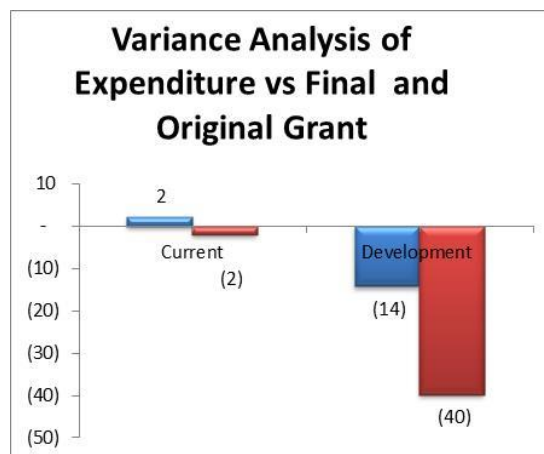
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
93	Current	446,000,000	60,001,000	506,001,000	402,083,244	(103,917,756)	(21)
94	Current	5,394,000,000	196,010,000	5,590,010,000	5,572,283,904	(17,726,096)	(0)
	<b>Subtotal</b>	<b>5,840,000,000</b>	<b>256,011,000</b>	<b>6,096,011,000</b>	<b>5,974,367,148</b>	<b>(121,643,852)</b>	<b>(2)</b>
130	Development	1,060,427,000	450,005,000	1,510,432,000	909,825,664	(600,606,336)	(40)
	<b>Total</b>	<b>6,900,427,000</b>	<b>706,016,000</b>	<b>7,606,443,000</b>	<b>6,884,192,812</b>	<b>(722,250,188)</b>	<b>(9)</b>

Audit noted that there was an overall saving of Rs. 722.250 million.

### *Supplementary Grants obtained without careful cash forecasting*

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, excess in current expenditure was 2% of Original Grant, which changed to savings of 2% after accounting for Supplementary Grants. In development expenditure there were savings of 14% against Original Budget which changed to 40% when Supplementary Grants were taken into account.





### 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
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
<b>Total</b>		<b>222</b>	<b>222</b>	<b>125</b>	<b>97</b>	<b>56</b>

### 32.4 AUDIT PARAS

#### *Non Production of Record*

#### *32.4.1 Pakistan Engineering Council refused to get their accounts audited*

The Honorable Supreme Court of Pakistan in its judgment dated 08.07.2013 declared and directed in Para 27(b) that 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.

Section 14(2) of the 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 the 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.

- i. Pakistan Engineering Council was established through an Act of Parliament.
- ii. Audit intimations were issued on 23.02.2015, 18.05.2015, 26.01.2016 and 31.03.2016 to conduct the audit of Pakistan Engineering Council (PEC).
- iii. In response to the audit intimations, PEC vide letters dated 24.02.2015, 14.04.2015, 01.06.2015, 27.01.2016 stated that the matter would be presented before PEC Governing Body for legal opinion and decision would be communicated.
- iv. The matter was reported to the Secretary, Ministry of Science and Technology vide letter dated 29.06.2015 and the Ministry directed the PEC to facilitate the audit team of Auditor General of Pakistan and provide all auditable record but the management did not provide the record.
- v. In terms of Article 170(2) of the Constitution of Islamic Republic of Pakistan read with AGP's Ordinance, 2001 the Auditor General of Pakistan has the mandate to audit accounts of any authority or body established by or under the control of the Federal or Provincial Government.
- vi. The Constitutional provisions were further elaborated by the Honorable Supreme Court of Pakistan in its judgment vide suo moto Case No. 12 of 2015.

Audit is of the view that the stance taken by the management is in violation of the orders of the Supreme Court of Pakistan and attracts Section 14(3) of AGP's Ordinance, 2001.

Audit is also of the view as the PEC established and controlled by the Federal Government thus it falls under the audit jurisdiction of the Auditor General of Pakistan.

Audit recommends that disciplinary action may be taken against officers involved in hindering the auditorial functions of the Auditor General of Pakistan and defiance of the Order of the Supreme Court of Pakistan dated 08.07.2013, besides provision of auditable record.

### ***Irregularity & Non Compliance***

#### ***32.4.2 Non-recovery of loan - Rs. 5.453 million***

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.

As per Pakistan Council of Renewable Energy Technologies (PCRET) letter No. PCRET.35(5)/76/DDG-RE/09/1782 dated 13.04.2015 communicated repayment schedule @ 20% each year i.e. Rs. 2.726 million in five installments from May, 2015 to May, 2019.

A project titled “Development and Installation of MHP Plant at Canal Fall for Demonstration and Commercial Applications” was approved for Rs. 17.042 on 15.04.2008. The project was to be executed by PCRET and M/s Bismillah Powers Private Limited, Islamabad. The execution period of the project was 24 Months.

Total expenditure on the project incurred up to February, 2012 was Rs. 17.042 million including the Government share of Rs. 13.632 million in the shape of interest free secured loan refundable in five equal installments after two years grace period.

Pakistan Council of Renewable Energy Technologies vide letter No. PCRET.35(5)/76/DDG-RE/09/1010 dated 23.05.2016 send a final notice to the CEO, Bismillah Power Pvt. Limited requested to clear dues of the soft loan of Rs. 13.632 million failing which the management has informed that they will approach the court for recovery of the amount.

Audit observed as under:

- i. The benefit was extended only to the one person without any laid down policy/criteria in violation of the provisions of the rules.
- ii. The contractor did not refund due amount of Rs. 5.453 million (Rs. 2.7264 million + Rs. 2.7264 million) as on 30.06.2016.

Audit is of the view that the non recovery of loan deprived the Government of its due receipts.

Management did not reply

The PAO was informed on 28.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for extending undue financial benefit to an individual and the whole amount may be recovered.

### ***32.4.3 Unnecessary purchases without any use resulting in blockage of funds - Rs. 1.075 million***

Rule 8 of Public Procurement Rules, 2004 states that all procuring agencies shall devise a mechanism, for planning in detail for all proposed procurements with the object of realistically determining the requirements of the procuring agency, within its available resources, delivery time or completion date and benefits that are likely to accrue to the procuring agency in future.

Para 96 of GFR Vol-I provides that it is contrary to the interest of the State that money should be spent hastily or in an ill-considered manner merely because it is available or that the laps of a grant could be avoided.

The management of PCRET purchased following items through tenders from M/s Hitech Associates, Islamabad through invoice dated 13.01.2015.

<b>S. No.</b>	<b>Items</b>	<b>Qty</b>	<b>Unit price (Rs)</b>	<b>Amount (Rs)</b>
<b>1.</b>	Low Iron Tempered Glass 135 cm x 245 cm	42	3215	135,030
<b>2.</b>	Low Iron Tempered Glass 100 cm x 200 cm	200	1944	388,800
<b>3.</b>	Aluminum Frames 135.5 cm x 245.5 cm	50	2565	128,250
<b>4.</b>	Aluminum Frames 100.5 cm x 200.5 cm	200	2116	423,200
			<b>Total</b>	<b>1,075,280</b>

Audit observed that the items were lying in store for the last one and half

year.

Audit is of the view that public funds amounting to Rs. 1.075 million were blocked.

The management did not reply.

The PAO was informed on 28.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

**32.4.4 Unauthorized expenditure on electricity charges out of project funds - Rs. 1.524 million**

Para 12 of GFR Vol-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.

The management of Pakistan Council of Renewable Energy Technologies (PCRET) incurred an expenditure of Rs. 1,524,403 on account of electricity charges of PCRET building out of project funds titled Up-gradation and Extension of PCRET Facilities at Islamabad Center. Details are as under:

S. No.	Vr. No.	Dated	Ch. No.	Date	Month	Amount (Rs.)
1.	15	23.12.2014	A163936	23.12.2014	Nov, 2014	1,004,403
2.	60	15.06.2015	A163984	15.06.2015	May, 2015	520,000
					<b>Total</b>	<b>1,524,403</b>

Audit observed that there was no provision in the project cost for expenditure relating to utilities.

Audit is of the view expenditure without the provision in the PC-I was irregular and unauthorized.

The management did not reply.

The PAO was informed on 28.11.2016, but DAC was not convened till

the finalization of the Report.

Audit recommends that responsibility may be fixed for the irregularity.

#### **32.4.5 Irregular retention of departmental receipt - Rs. 345.252 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.

As per para 7 of minutes of the meeting Secretary Finance and Secretary MoST states that PCSIR shall not incur any expenditure from its own receipts except for research and development in its own labs. This shall not be incurred for payment of salary or pension or other operational expenditure.

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 stands 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 (HQ), Islamabad opened a bank account No. 652871 (NIDA 16-3) in NBP, Foreign Office Branch Islamabad for collection and deposit of departmental receipts. As per bank statement for the period 13.11.2014 to 30.06.2015 the amount credited in the above account was Rs. 384,784,761 and debited Rs. 110,416,317 with a closing balance of Rs 274,368,444. Further, other sub offices are also maintaining bank accounts for their receipts and retained their receipts as under:

<b>(Rupees)</b>				
<b>S No</b>	<b>Office</b>	<b>Bank A/C</b>	<b>Opening</b>	<b>Closing</b>
1	PCSIR-PSTC Quetta	10027	725,694	434,952
2	PCSIR Karchi	277-3	79,657,531	10,870,210
4	PCSIR Peshawar	8191-9	15,044,930	49,000

5	PCSIR Lahore	NIDA-3-3	50,079,734	51,058,156
6	Pak Swiss Training Centre Karachi	1209	-	2,895,933
7	Pak Swiss Training Centre Karachi	80285	9,782,472	0
8	Pak Swiss Training Centre Karachi	80291	5,668,545	0
9	PSCIR Quetta	9665	1,858,363	991,315
10	SIC Karachi	80306	215,823	360,025
11	FRC Karachi	NA	875,678	0
12	IIEE Karachi	1448-9	-	3,451,726
13	IIEE Karachi	1269-9	19,746,474	671,600
14	LRC Karachi	142-6	1,869,063	512
15	PCSIR Skardu	54735	186,053	55,480
16	PCSIR Hyderabad	NA	727,690	45,523
	<b>Total</b>			<b>70,884,432</b>

Audit observed as under:

- i. The management instead of depositing the receipt into the Government treasury retained the receipts in commercial bank accounts.
- ii. The management used its receipt for payment of pension amounting to Rs. 10.510 million which was also irregular.

Audit is of the view that the expenditure from departmental receipts was irregular and unauthorized.

The management did not reply.

The PAO was informed on 24.08.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that responsibility for the irregular and unauthorized expenditure may be fixed and regularization may be obtained from Finance Division.

#### ***32.4.6 Non-framing of Accounting Procedure***

Section of 17(3) of the Pakistan Council for Research in Water Resources (PCRWR) Act, 2007 provides that the accounts of the council shall be maintained in such form and manner as the Federal Government may determine in consultation with the Controller General of Accounts.

Section 5 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.

Audit observed that the management did not devise any Accounting Procedure of the Pakistan Council for Research in Water Resources.

Audit is of the view that non-framing of accounting procedure was in violation of PCRWR Act, 2007.

The management replied that Accounting Procedures would be devised soon.

The PAO was informed on 28.11.2016, but DAC was not convened till the finalization of the Report.

The management has accepted the audit observation.

Audit recommends that the accounting procedure / rules should be made as per provisions of the PCRWR Act, 2007 under intimation to Audit.

#### **32.4.7 Non-auction of off road forty two (42) vehicles**

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

Forty Two (42) vehicles of the Pakistan Council of Research in Water Resources (PCRWR), Islamabad were off-road as per following detail:

S.No.	Vehicle No.	Model	Make & model	Date of off road
<b>HQ, Islamabad vehicles</b>				
1	LHP-2309	1986	Hilux van, 2446	Not available
2	GA-073	2006	Adam Jeep, 2800cc	-do-
3	GB-030	2006	Adam Jeep, 2800cc	-do-
4	IDB-8014	1987	Khyber Suzuki, 1000cc	-do-
5	IDL-9382	2002	Shezore, 2600cc	-do-
6	LHR-6412	1986	Lancer Car 1200cc	-do-
7	IDB-7098	1987	Suzuki Van, 800cc	-do-
8	IDE-6185	1986	Motorcycle Kawasaki, 100cc	-do-



9	IDB-6198	1986	Motorcycle Kawasaki, 100cc	-do-
<b>DRIP Tandojam vehicles</b>				-do-
1	GP-4010	1982	Toyota Hiace Van, 1880cc	26.11.1994
2	GP-5196	1980	Suzuki Pickup, 539cc	11.10.1987
3	GP-4016	1988	Suzuki van,800cc	24.05.2008
4	GP-2010	1984	Suzuki Jeep, 970cc	21.07.2007
5	GP-0004	1987	Suzuki, 800cc	05.11.2005
6	HDG-7818	1986	Kawasaki Motorcycle, 100cc	20.09.2001
7	HDG-7819	1986	Kawasaki Motorcycle, 100cc	01.01.2001
8	HDG-7820	1986	Kawasaki Motorcycle, 100cc	23.03.2001
9	HDG-7821	1986	Kawasaki Motorcycle, 100cc	25.03.2001
10	HDG-7822	1984	Kawasaki Motorcycle, 100cc	30.01.2002
<b>Regional Office, Lahore</b>				04.05.2000
1	GD-425	2005	Adam Zabardast Jeep, 2800cc	2012
2	IDG-9431	1982	Toyota Landcruiser, 3432cc	2008
3	IDB-9382	1987	Mitsubishi Pajero Jeep, 2346cc	2010
4	LHP-2307	1986	Toyota Hiace,2446cc	2004
5	ID-3923	1986	Suzuki van, 539cc	1994
6	LHY-1693	1989	Suzuki van, 800cc	2007
7	IDB-6189	1986	Kawasaki Motorcycle, 100cc	2007
8	IDB-6197	1986	Kawasaki Motorcycle, 100cc	2010
9	IDB-6192	1986	Kawasaki Motorcycle, 100cc	2006
10	IDB-6193	1986	Kawasaki Motorcycle, 100cc	2006
<b>Regional Office, Bahawalpur</b>				
1	BRH-8140	2002	Toyota Hilux single cabin, 2446cc	04.03.2011
2	GA-076	2006	Adam Zabardast Jeep, 2800cc	08.07.2010
3	GB-997	2006	Adam Zabardast Jeep, 2800cc	03.02.2011
4	BRF-6820	1996	Suzuki potohar Jeep, 970cc	30.06.2010
5	IDB-7829	1986	Suzuki FX, 800cc	25.04.2012
6	IDA-6915	1986	Suzuki carry van, 800cc	27.12.2009
7	VRB-8592	1988	Tractor FIAT, 64HP	20.12.2008
8	IDB-6184	1986	Kawasaki Motorcycle, 100cc	12.03.2012
9	IDB-6188	1986	Kawasaki Motorcycle, 100cc	06.12.2005
10	IDB-6196	1986	Kawasaki Motorcycle, 100cc	25.02.2005
<b>WRRC, Peshawar</b>				
1	GA-283	2005	Adam Zabardast Jeep, 2800cc	2010
2	GE-686	2005	Adam Zabardast Jeep, 2800cc	2009
3	IDB-6190	1987	Kawasaki Motorcycle, 100cc	2003

Audit observed that the management did not auction the vehicles even after lapse of 6 to 29 years,

Audit is of the view that non-auction of vehicles deprived the Government of its due receipt.

The management replied that auction of the vehicles are in process.

Reply was not accepted because delay in the auction of the vehicle is resulting wear and tear of the vehicles and devaluing it day by day.

The PAO was informed on 28.11.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the process of auction should be initiated immediately despite observance of all codal formalities under intimation to audit.

## CHAPTER 33

### 33. MINISTRY OF WATER AND POWER

#### 33.1 Introduction

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) Tube well Construction Company;  
(b) National Power Construction Company
10. Indus River System Authority
11. Private Power and Infrastructure Board

### **33.2 Comments on Budget & Accounts (Variance Analysis)**

Final budget allocated to the Water and Power for the financial year 2015-16 was Rs. 32,957.669 million including Supplementary Grant of Rs. 3,700.669 million out of which the Division utilized Rs. 29,817.070 million. Grant-wise detail of current and development expenditure is as under:

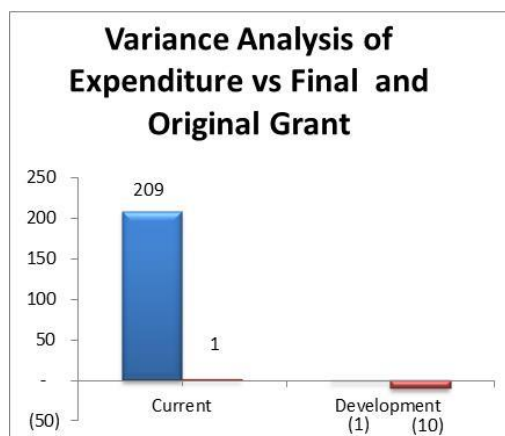
(Rupees)

Grant No	Grant Type	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Final Grant/ Appropriation	Actual Expenditure	Excess/ (Savings)	% age Excess/ (Saving)
101	Current	437,000,000	903,619,000	1,340,619,000	1,348,357,881	7,738,881	1
133	Development	28,820,000,000	2,797,050,000	31,617,050,000	28,468,711,955	(3,148,338,045)	(10)
	<b>Total</b>	<b>29,257,000,000</b>	<b>3,700,669,000</b>	<b>32,957,669,000</b>	<b>29,817,069,836</b>	<b>(3,140,599,164)</b>	<b>(10)</b>

Audit noted that there was an overall saving of Rs. 3,140.599 million.

### *Supplementary Grants obtained without careful cash forecasting*

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 209% of Original Grant, which changed to 1% after accounting for Supplementary Grants. In development expenditure there were savings of 1% against original budget which increased to savings of 10% when supplementary grant was taken into account.



### 33.3 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
	<b>Total</b>	<b>17</b>	<b>17</b>	<b>3</b>	<b>14</b>	<b>18</b>

### 33.4 AUDIT PARAS

#### *Internal Control Weakness*

#### **33.4.1 Loss incurred due to underutilization of Power Plants - Rs. 28,183 million**

All IPPs and GENCOs are supplying electricity to the Central Power Purchase Agency (CPPA) on 'Take or Pay' basis. Under 'Take or Pay' agreement, CPPA is bound to purchase all available electricity from the power plant and if power purchaser would not purchase the available electricity then under 'Take or Pay, arrangement power purchaser is bound to pay capacity charge for idle capacity as well.

Audit has noted that despite demand of electricity in the system, IPPs and GENCOs power plants were not used to their full capacity. Many of these IPPs operate on Residual Furnace Oil (RFO) and the availability of RFO was not a problem. It is also a fact that the prices of oil were quite low since many years. Due to plant underutilization, the consumers of electricity on one hand faced 8-12 hours load shedding and on the other hand this underutilization increased the electricity tariff due to payments made on account of Take or Pay agreement. Details of losses due to underutilization of power plants are given below:

**(Rs. in billion)**

<b>S. No</b>	<b>Power Plants</b>	<b>Loss</b>
<b>1</b>	IPPs established under power policy, 2002	23.866
<b>2</b>	Central Power Generation Company Limited (CPGCL)	1.406
<b>3</b>	Jamshoro Power Company Limited (JPCL)	1.039
<b>4</b>	Northern Power Generation Company Limited (NPGCL)	1.872
	<b>Total</b>	<b>28.183</b>

Audit has calculated the above losses for a few power plants for three years only. The adverse financial impact of plant underutilization on per unit electricity power purchase cost for all power plants needs to be calculated by

NEPRA. Economic losses of plant underutilization are much more than the simple financial losses.

Audit is of the understanding that plant underutilization also results in increase of the rate of per unit wheeling charges of National Transmission and Dispatch Company (NTDC).

The management replied that NEPRA monitors the performance of its licensees through its legal documents and has been vigilant in this regard. Annual Performance Evaluation Reports as per stipulated Performance Standards of all its licensees are prepared. Any direction/order/decision of the Authority is binding on the licensee.

Reply was not accepted because NEPRA, while acknowledging the position of underutilization of power plants, has tried to defend the underutilization. NEPRA has stated that the causes of underutilization are scheduled maintenance, less demand in the system, transmission and distribution system constraints, non-availability of fuel etc. The Authority by referring to the 2002 policy defended the position of payment of capacity charges for capacity which is available but not dispatched in the system by the system operator despite of load demand in the system.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be inquired at appropriate level and responsibility should be fixed for the irregularity.

#### ***33.4.2 Extra financial burden on consumers of Karachi Electric due to non-generation of electricity from its own plants - Rs. 14,561 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.

Central Power Purchasing Agency (CPPA) is daily supplying 650 MW electricity to Karachi Electric which is a privatized entity.

Audit observed that:

- i. K-Electric and CPPA was maintaining two separate generation baskets.
- ii. The power plants of K Electric generation were not utilized to their full capacity.
- iii. CPPA purchased electricity from costliest power plants and supplied electricity to K-Electric at marginal rates.
- iv. The cost of electricity generated from BQPS-I (K-Electric Power Plant) was much lower than that supplied by CPPA.
- v. During the year of 2015, non-prudent transaction has given a loss of Rs. 36,374.273 million to electricity consumers of Ex-WAPDA Distribution companies who are getting electricity from CPPA. The CPPA was required to charge from K-Electric on marginal rate.
- vi. Loss of Rs. 14,561.166 million could have been avoided if the electricity, which K-Electric have purchased from CPPA, had been generated through oil based BQPS-I power plant.

Audit is of the view that purchase of electricity from CPPA by underutilizing its own power plant resulted in extra financial burden to the consumers.

The management replied that the Authority, keeping in view the ECC decision dated 26.08.2008 to treat K-Electric at par with other distribution companies for tariff purposes, approved basket rates for supply of electricity to K-Electric by NTDC. Accordingly, a power purchase agreement was signed between NTDC and K-Electric for the sale/purchase of 650MW on basket rates. Nevertheless, the Authority vide its various monthly and quarterly adjustment decisions, available at NEPRA's website, has continuously been directing K-Electric to place less reliance on NTDC's supply of power and prudently utilize its available resources both own generation and power purchases. Fines have also



been imposed on K-Electric in 2009 and 2015 for imprudent practice of underutilization of its generation.

Furthermore, an explanation has also been issued to both NTDC and K-Electric for the sale/purchase after the expiry of PPA and the case is under proceedings with the Authority.

NEPRA has accepted that losses have occurred but has attributed these to irregularities committed by NTDC and K-electric. Audit is still of the view the if NEPRA, the exclusive Regulator of power sector and tasked to protect the interest of electricity consumers could have intervened in the matter in timely manner and exercise its power under the Act, Rules and Regulations, then these losses could have been avoided.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that NEPRA should calculate the losses for the last 8-9 years and conduct an inquiry to fix responsibility.

#### ***33.4.3 Loss to electricity consumers on account increase of Ps 15/KWH prior to maturity of the Multi Tear Tariff - Rs. 6,412 million***

K-Electric was privatized in 2005, through an open bid, on a fixed multiyear tariff of seven years. NEPRA enhanced tariff of K-Electric by Ps. 15/KWh in 2009. This increase was made after taking over the K-Electric by a new group.

Audit observed the following:

- i. The base tariff on which K-Electric was privatized, through bidding process was fixed for seven years.
- ii. Tariff of K-Electric was revised with an increase of Ps. 15/KWH in 2009 prior to maturity of fix multiyear tariff.

Audit, for the period 2010-14, has calculated the loss to electricity consumers and National exchequer, and resultant gain to K-Electric on account

of increase of Ps. 15/KWH prior to maturity of seven year fix period as Rs. 6,412,200,000.

Year	Units sold by Electricity(GWh)	Loss to electricity consumers, National exchequer and gain to K-Electric on account of increase of Ps. 15/KWH prior to maturity of seven year fix multiyear tariff
2010-11	10072	1,510,800,000
2011-12	10280	1,542,000,000
2012-13	10942	1,641,300,000
2013-14	11454	1,718,100,000
<b>Total loss</b>		<b>6,412,200,000</b>

Audit is of the view that re-opening of fix MYT and increasing the tariff was irregular and unauthorized.

The management replied that K-Electric was awarded the MYT vide the Authority's determination dated 10.09.2002. The MYT was allowed for a period of seven (07) years to be applicable from the date of privatization of K-Electric. In 2005, at the time of privatization of K-Electric, the MYT of 2002 was accepted by the private management of K-Electric and as per the Implementation Agreement (IA) signed between GoP and K-Electric, on November 14, 2005, the MYT became applicable till November 2012.

In 2009, KE was taken over by the Abraaj Group from the Al-Jomaih Group and accordingly the shares held by Al-Jomaih were transferred to the Abraaj Group. Revised Implementation Agreement (IA) was signed on 13.04.2009 between GoP (Secretary, Ministry of Water & Power) and K-Electric, whereby the Tariff Control period for 7 years was revised and made applicable from the Revised Closing Date (i.e. date of signing Amended IA).

NEPRA has accepted the losses but in its response it has given the various reasons and details. NEPRA couldn't be able to response to the audit observations with regard to opening of seven year locked MYT after 4 years of its privatization.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be inquired at appropriate level and overpayment to K-Electric may be got recovered and deposited into Government account.

***33.4.4 Loss due to non-supply of 120 MW electricity by Japan Power Generation Limited (JPGL) - Rs. 5,470 million***

Under Section 7(1) of the NEPRA Act, the Authority shall be exclusively responsible for regulating the provision of electric power services.

Under Section 7 (3)(a) of NEPRA Act, the Authority shall determine tariff, rates, charges and other terms and conditions for supply of electric power services by the generation, transmission and distribution companies and recommend to the Federal Government for notification.

Under Rule 6 of the NEPRA Licensing (Generation) Rule, 2000, the licensee shall charge only such Tariff for the provision of electric power or the ancillary services as may be approved or specified by the Authority.

Rule 8(3) (f) of NEPRA Licensing (Generation) Rules, 2000, states that NEPRA has power to revoke or suspend the license in case of reduction in net capacity of the generation facilities for reasons other than a planned or maintenance outage or supervening impossibility beyond the control of the licensee which is not remedied within the time specified in this behalf in the applicable documents.

Rule 8(1) of NEPRA Licensing (Generation) Rules, 2000, empowers NEPRA to appoint an administrator in respect of generation licensee or suspend or revoke the generation license upon the persistent failure of the licensee to comply with the terms and conditions of the license.

NEPRA granted generation license to Jamshoro Power Generation Limited (JPGL) on 11.05.2004 for a period of 16 years for setting up the installation at Raiwind Road, Lahore. The primary fuel for the power plant is (RFO). As per the information available on PPIB website, the commissioning date of the power was 14 March 2004. The Plant has executed a Power Purchase Agreement with WAPDA on 20.03.1995 for a term of 30 years.

Audit has noted that the JPGL did not supply electricity to power purchaser on regular basis. From January, 2013 to May, 2016 the company supplies record shows that the plant was 100% underutilized which have a generation capacity of 107 MW.

Audit observed as under:

- i. During 2015, the CPPA purchased electricity at a cost of Rs. 14,117.602 million whereas if JPGL had produced electricity from its own power plant, CPPA could have saved Rs. 5,469.605 million.
- ii. On one hand efforts are being made to induct new power plants on take or pay basis but on the other hand no serious efforts are being made to resolve the issues of the existing power plants/companies. By resolving the issues these companies can provide the power to CPPA immediately at cheaper rate because the consumers have already paid the debt portion of the project.
- iii. Under its license, the JPGL was required to supply the electricity to Power Purchaser as per the agreement and in accordance with prudent utility practice.
- iv. NEPRA was required to monitor its licensee and should have issued the notices to the company for its failure to provide the electricity from its plant.
- v. Being a Regulator, NEPRA was required to regulate the affairs of the licensee but the same was not done.

Audit is of the view that by not utilizing power plant of JPGL extra financial burden was put on electricity consumers.

The management replied that the Plant commenced actual commercial operations on 14.03.2000, but its performance was unsatisfactory and had a number of disputes with WAPDA. Certain disputes including but not limited to indexation of Capacity Purchase Price on account of foreign loans was arisen between the JPGL and Power Purchaser. The Company shut down its plant in December, 2008 and referred the matter to the International Chamber of Commerce (ICC) Singapore for Arbitration under Article 15.3 of the PPA in January 2009.

Meanwhile, in view of energy crises in the country, the plant was restarted with the payment of fuel advances to PSO on behalf of JPGL in early 2010. At the time of restart, the Company committed to rectify its fuel losses through installation of Steam Turbines at its own. However, it failed to do so and outstanding fuel advances continued to pile up. Eventually, fuel advances were stopped in September, 2012.

NEPRA has accepted the losses but in its response it has given the various unnecessary reasons and irrelevant details for the losses incurred. Audit is still of the view that if NEPRA, an exclusive regulator of power sector and custodian to protect the interest of electricity consumers, could have intervened in the matter in timely manner that is when dispute between WAPDA and the power producer had arisen. The management stated the history and case position of JPGL but did not state the role played by NEPRA to resolve the issue under NEPRA Act, Rules and Regulations.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that NEPRA should perform its duties and functions given in the NEPRA Act. Following the provisions given in its legal framework, NEPRA should take all efforts so that plant should immediately start providing electricity to the consumers. NEPRA after fulfilling all legal formalities may appoint an administrator and ensure that plant should start supply electricity to CPPA. Audit is of the view that non supply of electricity by the licensee, except of odd, should be treated as irregular activity.

Non supply of electricity by a power plant, even in case of dispute, is a serious energy security threat to the country and needs to be eliminated at all cost.

#### ***33.4.5 Loss due to supply of electricity by Aggreko Rental Power without licence - Rs. 3,747.215 million***

Section 15 of NEPRA Act, 1997 states that no person shall, except under the authority of a license issued by the Authority under this Act and subject to

the conditions specified in this Act and as may be imposed by the Authority, construct, own or operate a generation facility.

Karachi Electric inducted a gas rental power plant in its system for a period of 18 months from June 2009 to November 2010.

Audit observed as under:

- i. Aggreko, a gas based rental power plant of 56 MW, supplied electricity to K-Electric without Generation License.
- ii. Neither the tariff was approved by NEPRA, nor notified.
- iii. As per data provided by NEPRA, Aggreko supplied 550.49 GWH electricity to K-Electric from June 2009 to November 2011. Total cost of this electricity was Rs. 6,055.77 million.
- iv. The average unit rate of electricity supplied by Aggreko was Rs. 11/KWH and for the same period K-Electric own power plant (BQPS-I) generate electricity @ Rs. 4.194/KWH. This shows that the electricity supplied by Aggreko could have be produced by K-Electric through own BQPS-I power plant.

Audit is of the view that by induction of costlier rental power plant K-Electric gave a loss of Rs. 3,747.215 million to electricity consumers of K-Electric, besides generation of electricity without a license and tariff determined by NEPRA.

The management replied that K-Electric communicated an Licensee Proposed Modification-I (LPM-I) on December 04, 2008 for addition of 96.416 MW KTGTPS, 96.416 STGTPS and two Rental Power Plants (RPP's) of 28 MW each at West Wharf and Haroonabad. Afterwards, K-Electric vide its letter April 05, 2011 informed that contract with AGGREKO was not being extended and requested that addition of AGGRKO plants may not be considered for its application for LPM. In view of the said request of K-Electric, rental power plants of AGGREKO located at West Wharf and Haroonabad were excluded from LPM as the same had already completed their contracted period and the contract had been terminated. NEPRA has also stated that the Audit has

compared the power purchase cost of RPP (Rs./11/KWH with fuel cost of KE power plant (Rs. 4.169/KWH).

NEPRA has accepted the losses but in its response it has given the various reasons and details for the incurred losses. NEPRA has also admitted its failure to monitor the issue in timely manner and act accordingly. Audit is still of the view that if NEPRA, an exclusive regulator of power sector and an Authority to protect the interest of electricity consumers could have intervened in the matter in timely manner and exercise its power, with application of mind, given in its Act, Rules and Regulations then these losses could have been avoided.

As regard comparison of power purchase cost per unit O&M cost of KE power plant was not provided by NEPRA but it is believed that O&M cost of KE power plant is around Ps. 60/KWH as evident from O&M cost of other generation companies.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that matter may be investigated at appropriate level and responsibility should be fixed and action may be taken against the organization/person held responsible.

***33.4.6 Loss due to usage of costlier fuel to generate electricity - Rs. 3,405.823 million***

Kot Adu Power Company (KAPCO) units of Block 1 and Block 2 are tri fuel power plants that can be run either on gas or on RFO or on HSD or on mix (gas plus RFO plus HSD) fuel.

Audit has noted these tri fuel power plant were operated on natural gas which was costlier fuel despite the fact the cheaper options were available.

The loss incurred on this account for Block 1 of KAPCO has been determined by the Audit for the period January 2015 to June 2016. This loss comes out as Rs 3,405.823 million.

Audit has calculated this loss for Block 1 having 325 MW generation capacity. The losses for the other two Block of 762 MW and 249 MW needs to be calculated by NEPRA. Audit understands losses for Block 2 will be more than Block-I because of higher plant capacity.

Audit is of the view that use of costlier fuel despite availability of cheaper fuel drained unnecessary national resources and put extra burden on electricity consumers.

The management replied that based on the analysis of generation of power plants and role of dispatcher, various Letters/Explanations are sent to NTDC and GENCO's management, in which they have been directed for submission of detailed reports regarding less utilization & availability of their power plants and to take corrective measures to increase their generating capabilities, which is under process with the Authority. Similarly, various Advisories have been sent to Ministry of Water & Power, for effective utilization of the available generating sources, however, NEPRA is not involved in routine operational matters of the licensees.

NEPRA has accepted the losses but in its response has absolved itself for responsibility. Audit is still of the view the if NEPRA, the exclusive Regulator of power sector and tasked to protect the interest of electricity consumers', could have intervene in the matter in timely manner and exercise its power under the Act, Rules and Regulations then these losses could have been avoided.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter should be inquired and responsibility should be fixed.

***33.4.7 Losses incurred due to burning of gas in less efficient units despite efficient gas based power plants were available within the company - Rs. 3,578.524 million***

Economic Merit Order (EMO) means that plant with higher Energy Purchase Price (EPP) is only run when other plants with lower EPP are being fully utilized.



The most efficient power plant in Central Power Generation Company Limited (CPGCL) is 747 MW Combined Cycle power plant. This is a new power plant commissioned in December, 2014. The efficiency of this plant is 54.88%.

Audit observed that CPGCL while underutilizing the 747 MW power plant generated electricity from other costlier power plants in its complex which caused loss of Rs 3,578.524 million for the period from January 2015 to June 2016.

Audit is of the view that burning of gas in less efficient units despite having efficient gas based power plants is wastage of public money and burden on electricity consumers.

The management replied that the Authority being already cognizant of the issue of allocation of gas to comparatively inefficient plants, raised this issue in Fuel Cost Adjustment (FCA) proceedings for the month of June 2016. The Authority further observed that gas during the instant month was allocated to certain inefficient power plants instead of power plants having higher efficiencies. On the point of allocation of gas to inefficient power plants, NPCC submitted that gas allocation is not done by the system operator.” Based on the analysis of generation of power plants and role of dispatcher, various Letters / Explanations are sent to NTDC and GENCO's management, in which they have been directed for submission of detailed reports regarding less utilization & availability of their power plants and to take corrective measures to increase their generating capabilities which are under process with the Authority.

NEPRA has accepted audit observation but neither initiated the proceedings nor concluded within the given time period as provided in Fine Rules.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that loss should be recovered by fixing responsibility.

**33.4.8 Loss to Electricity Consumers due to over-recovery by DISCOs from the electricity consumers and retaining the over-recovered amount for a longer period and earning on account of interest - Rs. 3,082 million**

Section 31(4)(2) of NEPRA Act, 1997 states that the Authority may, on a monthly basis and not later than a period of seven days, make adjustments in the approved tariff on account of, any variation in the fuel charges and, policy guidelines as the Federal Government may issue and, notify the tariff so adjusted in the official Gazette.

NEPRA adjusted variation in fuel adjustment of Distribution Companies during the period January, 2015 to June, 2016. Per unit decrease/increase on account of variation in fuel charges (Reference to actual) for the period January 2015 to June 2016 for the Ex WAPDA Distribution companies and K-Electric Audit observed as under:

- i. Under Section 31(4) of the NEPRA Act, NEPRA can make adjustment only within seven days whereas the adjustment has not been made within the time period prescribed in NEPRA Act.
- ii. Under Section 31(4) of the NEPRA Act, NEPRA can make adjustment only in approved tariff whereas NEPRA during the month of January 2015 made a provisional adjustment of Rs. 9.8 billion against the Nandipur and Guddu Power Plants.
- iii. Adjustment on account of fuel charges is basically on two accounts one is on fuel price variation (reference to actual) and the other is on account of Generation mix (reference to actual). Audit has noted that there is a wide variation between the reference/projected numbers taken by NEPRA to the actual. This wide variation is raising serious question on the capacity and intention of NEPRA. This wide variation is causing financial loss either to distribution companies or to the electricity consumers.
- iv. The trend of last one and a half year shows that there was continuous over recovery of Rs. 40 billion approximately by distribution companies from January, 2015 to June, 2016.

Audit is of the view that non adjustments of fuel charges within seven days by NEPRA resulted in retention of heavy amounts by distribution companies and thereby extending undue financial benefit of Rs. 3.082 billion @ market rate of 4.2% interest per annum.

The management replied that, no unnecessary delay is involved in processing of the monthly FCA on the part of the Authority. At the same time, the Authority also being cognizant of the late submission of FCA requests by CPPA-G had issued a show cause notice to CPPA/ NTDC on August 27, 2015 under Rule 4 (8) & (9) of the NEPRA (Fines) Rules, 2002, based on the analysis of data provided by CPPA / NTDC for the period from January 2014 to April 2015. Consequent to the unsatisfactory response of CPPA/ NTDC to the show cause notice, the Authority declared NTDC/CPPA a delinquent for deliberately violating the explicit directions of the Authority regarding submission of the Fuel Price Adjustment data in the specified time period and has imposed a fine of Rs. 1,000,000 (Rupees One Million Only) on CPPA/NTDC which was challenged in the Honorable Lahore High Court.

NEPRA has accepted the losses but gave various justifications for incurrance of losses. Justifications given by NEPRA were not accepted because NEPRA is a regulator having all powers for penalizing the DISCOs for violation at their part.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that adjustments should be made within stipulated time as provided in the Act and the benefit earned by the distribution companies by retaining over recovered amount should be transferred to the consumers.

#### ***33.4.9 Irregular adjustment of Partial Loading Adjustment Charges - Rs. 2,441.05 million***

Under Section 7(1) of the NEPRA Act, 1997 the Authority shall be exclusively responsible for regulating the provision of electric power services.

Under Section 7(3)(a) of NEPRA Act, 1997 the Authority shall determine tariff, rates, charges and other terms and conditions for supply of electric power

services by the generation, transmission and distribution companies and recommend to the Federal Government for notification.

Under Rule 6 of the NEPRA Licensing (Generation) Rule, 2000, the licensee shall charge only such Tariff for the provision of electric power or the ancillary services as may be approved or specified by the Authority.

Section 31(4)(2) of NEPRA Act, 1997 states that the Authority may, on a monthly basis and not later than a period of seven days, make adjustments in the approved tariff on account of, any variation in the fuel charges and, policy guidelines as the Federal Government may issue and, notify the tariff so adjusted in the official Gazette.

NEPRA has adjusted the Partial Loading Adjustment Charges (PLAC) for power plants, through its decision of monthly fuel charges adjustment, during the period January 2014 to June 2016.

Audit observed as under:

- i. NEPRA was making adjustments in monthly fuel charges of those power plants the tariff, charges and terms and conditions of which has not been approved by it.
- ii. Partial Loading Adjustment Charges, submitted by CPPA under a separate head of supplemental charges, were being allowed by NEPRA while making adjustments in monthly fuel charges.
- iii. During the period January, 2014 to June, 2016, NEPRA has adjusted an amount of Rs. 2,441.04 million against PLAC.
- iv. Reasons that the plants were operated on partial load were not known to Audit.

Audit is of the view that NEPRA has only empowered to make adjustments in the approved tariff on account of any variation in the fuel charges under Section 31(4)(2) of the NEPRA Act and approval of adjustment in tariff of those companies which were not approved by NEPRA was irregular and unauthorized.

The management replied that CPPA-G while submitting the monthly FCA information certifies in respect of 1994 Power Policy plants that;

- i. Invoices of all Electricity Purchaser have been made strictly in accordance with the rates, terms & conditions as stipulated in the respective Power Purchase Agreements.
- ii. All payments to IPP's are being made after observing all formalities provided in the respective Power Purchase Agreement.
- iii. All sales/purchases have been made in accordance with the Power Purchase Agreement.

Accordingly, the PLAC charges are included in the monthly FCA by CPPA-G as a part of Fuel Cost component as per terms & conditions of their PPAs and anything pertaining to Fuel Cost is to be adjusted through monthly FCA.

Reply was not accepted because NEPRA neither approves nor ratifies Tariff, terms and conditions and PPA of power plants established before NEPRA Act. While on the other hand it is approving fuel adjustment and PLAC of those companies in violation of their Act.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that detailed record with regard to PLAC of power plants should be maintained in NEPRA. No adjustment on account of PLAC should be made without carrying out the technical audit. Power projects which established under power policy of 1994 and executed contracts before establishment of NEPRA, their already approved rates, charges, terms and condition should have been ratified by the NEPRA and that should have been published in the gazette to fulfill the legal requirement of NEPRA Act, Rules and Regulations.

Audit also recommends that the irregular practice of making adjustment of PLAC in the monthly adjustments of fuel charges shall be discontinued besides fixing responsibility for causing loss to consumers.

***33.4.10 Loss due to usage of costlier gas fuel to generate electricity despite having cheaper Residual Furnace Oil - Rs. 1,569.363 million***

As per Jamshoro Power Company Limited (JPCL) license, Units 2, 3 and 4 can be run either on gas or on Residual Furnace Oil (RFO) or on mix (gas plus RFO) fuel.

According to Northern Power Generation Company Limited (NPGCL), license, units 1-6 at Muzaffargarh are dual fuel power plants which could be run either on gas or on RFO or on mix (gas plus RFO) fuel.

Audit observed that from January 2016 to June 2016, the cost of electricity generation through NPGCL and JPCL using RFO was lower than the cost of electricity generation on gas due to which a loss of Rs. 1,569.363 million occurred.

Audit is of the view that usage of costlier fuel to generate electricity despite having cheaper fuel available was wastage of public money and burden on electricity consumers.

The management replied that based on the analysis of generation of power plants and role of dispatcher, various letters/explanations were sent to NTDC and GENCO's management to submit detailed reports regarding less utilization & availability of power plants and to take corrective measures to increase their generating capabilities.

NEPRA has accepted the losses but gave various justifications. Justifications given by NEPRA were not accepted because NEPRA is a regulator having all powers for penalizing the generation companies.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be inquired at appropriate level and responsibility should be fixed.

***33.4.11 Loss due to generating the electricity from costlier units instead of cheaper one - Rs. 501.068 million***

Economic Merit Order (EMO) means that plant with higher Energy Purchase Price (EPP) is only run when other plants with lower EPP are being fully utilized.

Units 1-4 Thermal Power Stations, Jamshoro (TPSJ) located at Jamshoro Complex could generate electricity by using RFO fuel. The most economic burning of RFO was Unit No. 1.

Audit observed that Units Nos. 2, 3 and 4 were operated without exhausting the full capacity of Unit No. 1 which resulted into loss of Rs. 501.068 million during January 2015 to June 2016.

Audit is of the view that periodic round the clock load shedding continued in the country despite availability of resources and the electricity which was provided to the consumer was produced at higher rate by not utilizing most efficient plant.

The management replied that based on the analysis of generation of power plants and role of dispatcher, various letters/explanations were sent to NTDC and GENCO's management to submit detailed reports regarding less utilization & availability of power plants and to take corrective measures to increase their generating capabilities.

NEPRA has accepted the losses but gave various justifications. Justifications given by NEPRA were not accepted because NEPRA is a regulator having all powers for penalizing the generation companies.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the matter may be inquired at appropriate level and responsibility should be fixed.

### ***33.4.12 Irregular adjustment of Open Cycle Charges - Rs. 386.78 million***

Section 31(4)(2) of NEPRA Act, 1997 states that the Authority may, on a monthly basis and not later than a period of seven days, make adjustments in the approved tariff on account of, any variation in the fuel charges and, policy guidelines as the Federal Government may issue and, notify the tariff so adjusted in the official Gazette.

Under Regulation 5 of IPPR, 2005 the transmission or distribution companies before executing a power acquisition contract shall seek the approval of the Authority. The decision of the Authority in respect of power acquisition contract shall be communicated within 60 days.

NEPRA has adjusted the Open Cycle Charges for power plant, through its decision of monthly fuel charges adjustment, during the period January, 2014 to June, 2016.

Audit observed as under:

- i. Operation of combined cycle power plants on open cycle mode is against the prudent utility practices and increasing the generation cost of the electricity.
- ii. Open Cycle Charges, submitted by CPPA under a separate head of supplemental charges, were also being allowed by NEPRA while making adjustments in monthly fuel charges.
- iii. NEPRA has not approved the tariff, rates, charges and terms and conditions of power projects set up under Pakistan Power Policy of 1994 including KAPCO and Hubco.

Audit is of the view that NEPRA has only empowered to make adjustment in the approved tariff on account of any variation in the fuel charges under Section 31(4)(2) of the NEPRA Act and approval of adjustment in tariff of those companies which were not approved by NEPRA was irregular and unauthorized.

The management replied that CPPA-G while submitting the monthly FCA information certifies in respect of 1994 Power Policy plants that;



- i. Invoices of all Electricity Purchaser have been made strictly in accordance with the rates, terms & conditions as stipulated in the respective Power Purchase Agreements.
- ii. All payments to IPP's are being made after observing all formalities provided in the respective Power Purchase Agreement.
- iii. All Sales / Purchases have been made in accordance with the Power Purchase Agreement.

Accordingly, the Open Cycle charges are included in the monthly FCA by CPPA-G as a part of Fuel Cost component as per terms & conditions of their PPAs and anything pertaining to Fuel Cost is to be adjusted through monthly FCA.

Reply was not accepted because NEPRA neither approves nor ratifies Tariff, terms and conditions and PPA of power plants established before NEPRA Act. While on the other hand it is approving fuel adjustment and supplemental charges of those companies in violation of their Act.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that detailed record with regard to open cycle operation of power plants should be maintained in NEPRA. No adjustment on account of open cycle charges should be made without carrying out the technical audit. Power projects which established under power policy of 1994 and executed contract before establishment of NEPRA, their already approved rates, charges, terms and condition should have been ratified by the NEPRA and that should have been published in the gazette to fulfill the legal requirement of NEPRA Act, Rules and Regulations.

Audit also recommends that the irregular practice of making adjustment of open cycle charges in the monthly adjustments of fuel charges shall be discontinued.

## ***Irregularity & Non Compliance***

### ***33.4.13 Non-remit of surplus fund to Federal Consolidated Fund - Rs 197.746 million***

Section 13(2) of NEPRA Act, 1997 states that any surplus of receipts over the actual expenditure in a year, after payment of tax, shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government.

NEPRA has collected an amount of Rs 918.956 million on account of license, application, modification and tariff petition fee during the year 2015-16.

Audit observed as under:

- i. The surplus amount shown in NEPRA expenditure statement as on 30.06.2016 as Rs. 117.979 million was incorrect and instead it should be Rs. 197.746 million as the expenditure of Rs. 79.749 million against depreciation was not actually incurred.
- ii. The actual surplus amount of Rs 197.746 million was required to be paid by NEPRA in Federal Consolidated Fund by 1st July 2016 which was not paid by NEPRA till this audit was carried out, which was a violation of NEPRA Financial Regulation.

Audit is of the view that non remittance of the surplus fund into Federal Consolidated Fund and allocation of fund toward depreciation expense was irregular and unauthorized.

The management replied that Audit has worked out the surplus without taking into account the provisions of Regulation 2 of NEPRA (Financial) Regulations 2010 which provides a mechanism for working out surplus to be transferred to Federal Consolidated Fund (FCF) after retaining funds for taxes, rent and other liabilities of NEPRA.

Reply of the management was not accepted because as per NEPRA Act, regulations should not be inconsistent to the Act. The referred regulation by NEPRA in the reply is inconsistent to the Act and has no legality. Provision for

depreciation is not an actual expenditure, therefore, it should be deposited into Government account.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that surplus amount Rs 197.746 million should be deposited into Government account immediately.

***33.4.14 Irregular and unauthorized expenditure on car policy - Rs. 62.852 million***

Section 46 of NEPRA 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.

Section 47(1) of NEPRA 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.

Section 13(2) of NEPRA Act, 1997 states that any surplus of receipts over the actual expenditure in a year, after payment of tax, shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government.

NEPRA through its Service Regulation introduced a car policy to its employees wherein the ownership of the vehicle will be transferred in the name of the employee after a definite period, i.e. 5 years.

As per these Regulations, the following categories of regular employees of NEPRA were entitled to official vehicle. Contract employees who sign two years contract with NEPRA were also entitled for the official vehicles.

S. No	Designation	NEPRA Grade	Vehicle Brand/Model	Vehicle Maintenance and usage Allowance (Liter/month)
1	Additional Director General/Director	NEG-1 & NEG-2	Toyota Corolla GLI/Honda City (Automatic)	250 &220

	General/Senior Advisor			
2	Director Legal Advisor	NPG 4	Toyota Corolla XLI/Honda City (Manual)	175
3	Deputy Director/ Assistant Legal Advisor	NPG-3	Suzuki Swift (GLX)	120

The vehicles will be replaced after every 5 years. The employees have the option to buy the vehicle after five years at written down book value depreciated @ 20% per annum or 10% of the original cost in case the vehicle is fully depreciated. The vehicle may be used for official as well as for private purposes. The employees will be provided Vehicle Maintenance and Usage Allowance (VM&UA) at rate mentioned in the table. NEPRA paid an amount of Rs 62.852 million for purchase of vehicles under this policy during the year 2014-2016. Audit observed that:

- i. The policy was incorporated in the NEPRA Service Regulation without the approval of the Rules for use of NEPRA official vehicles from Federal Government.
- ii. The regulations were inconsistent to the rules for use of official vehicles and monetization policy of Federal Government.
- iii. This policy was also extended to the officers/professional (Consultants, Advisors and other Contract employees) who is working in NEPRA on contract basis and their services are not being governed under NEPRA Services Regulation. Usually, the term of contract employment is not more than two years.
- iv. This policy was also extended to the officers working in NEPRA on deputation.
- v. NEPRA has made a huge expenditure of Rs 62.852 million in just two years on this account.
- vi. Due to this action the Government was deprived of its due receipt.

Audit is of the view that adoption of car policy without approval of rules from Federal Government is violation of NEPRA Act and heavy loss to the public exchequer because as per NEPRA Act surplus funds were required to deposit in the Federal Consolidated Fund.

The management replied that Section 10 of NEPRA 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. All officers, members of staff, experts, consultants, advisors and other employees employed by the Authority are not be deemed to be civil servants within the meaning of the Civil Servants Act. 1973. The Authority is competent to make regulations, by notification in the official Gazette, for appointment of its officers, members of staff and such other persons and the terms and conditions of their service under Section 47 of NEPRA Act.

The reply was not accepted because regulations were framed and notified without the approval of the rules as required under Section 46 of the NEPRA Act. Authority power to appoint under NEPRA Act is subject to rules and regulations framed to carry out the functions of NEPRA. Under the Act the surplus amount is to be depositing in Government account but NEPRA by incurring such expenditures depriving Government from its due receipts.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that this policy needs to be discontinued at once and inquiry should be made in the matter. This policy has made a loss to the Federal Government to an amount of Rs. 62.852 million just in two years.

#### ***33.4.15 Irregular expenditure on account of honorarium - Rs. 56.855 million***

Fundamental Rule 46(b) states that a local Government may grant or permit 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.

Section 13(2) of NEPRA Act, 1997 states that any surplus of receipts over the actual expenditure in a year, after payment of tax, shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government.

Honorarium means a recurring or non-recurring payment granted to an employee as remuneration for special work of an occasional or intermittent character.

Section 46 of NEPRA 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.

Section 47(1) of NEPRA 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.

Regulation 117 of NSR 2003 states that all NEPRA employees including contract employees shall be granted one honorarium/bonus in a financial year equal to one month's salary. The facility of another honoraria/bonus shall be extended to the support staff only on the eve of Eid-ul-Fitar. The employees having a minimum of 90 days of service during a calendar year shall be eligible for honoraria.

NEPRA paid an amount of Rs. 56,855,362 on account of honorarium/bonus during the year 2015-16. Out of the total amount, an amount of Rs 3.985 million was paid to the consultants and advisors the services of whom were acquired on fixed pay.

Audit observed that honorarium was paid to comply with the provision of NSR 2003. Justification for granting honorarium was not on record and it was only stated that honorarium is due to NEPRA employees being provision in NSR and incentive to the employees for hard work.

Audit is of the view that honorarium is a remuneration for work performed which is occasional in character and either so laborious or of such special merit as to justify a special reward. It should not be part of pay and allowance and did not become due within a financial year whether a special work is performed or not.

The management replied that as per regulation 117 of NSR 2003 states that all NEPRA employees including contract employees shall be granted one

honorarium/bonus in a financial year equal to one month's salary. The facility of another honoraria/bonus shall be extended to the support staff only on the eve of Eid-ul-Fitr

The reply was not accepted because the regulations were framed without the approval of the rules from Federal Government as required under Section 46 of the NEPRA Act. Further, detail of work performed which was occasional in character and either so laborious or of such special merit as to justify a special reward was not recorded in writing. Under the Act the surplus amount is to be depositing in Government account but NEPRA by incurring such expenditures depriving Government from its due receipts.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be discontinued and responsibility should be fixed for misguiding the Authority.

***33.4.16 Irregular expenditure on account of earned leave encashment - Rs. 27.295 million***

Section 13(2) of NEPRA Act, 1997 states that any surplus of receipts over the actual expenditure in a year, after payment of tax, shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government.

Section 46 of NEPRA 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.

Section 47(1) of NEPRA 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.

Section 34 (4) of NSR, 2003 states that the employee will have the option to encash his/her un availed leave at his/her credit at the end of a calendar year or at the time of his/her retirement at the rate of 1/20th of the monthly gross salary

of the employee for the leave earned in the relevant pay grade, for each day of the leave requested by him/her.

NEPRA paid an amount of Rs 27,294,931 on account of earned leave encashment during the year 2015-16

Audit observed that the expenditure was incurred without approval of leave rules from Federal Government.

Audit is of the view that encashment of un-availed leave without approval of rules was irregular and unauthorized.

The management replied that as per Regulation 34(4) of NSR, 2003 the employee will have the option to encash his/her un-availed leave at his/her credit at the end of a calendar year or at the time of his/her retirement at the rate of 1/20<sup>th</sup> of the monthly gross salary of the employee for the leave earned in the relevant pay grade, for each day of the leave requested by him/her.

Furthermore, the understanding of the Audit party is based on the premise that NEPRA is a part of the Government. The fact, however, is that it is a regulatory body, which works separately from the Government and does not receive any funds from the Government for its day to day operations.

The reply was not accepted because the regulations were framed without the approval of the rules from Federal Government as required under Section 46 of the NEPRA Act.

NEPRA stance that they do not receive funds from Government is not true, the Government through Act of Parliament authorized NEPRA to collect the license fee and NEPRA is utilizing this fund. Under the Act provision the surplus amount is to be depositing in Government account but NEPRA by incurring such expenditures depriving Government from its due receipts.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.



Audit recommends that rules should be framed and approved from Federal Government and till approval of the rules payments on account of encashment of un-availed leave should be discontinued.

**33.4.17 Unauthorized fixation of Pay and Allowances to deputationist- Rs 26.734 million**

Serial No.2 of Establishment Division O.M.No.1/13/87-R.I, dated 3-12-1990 states that the Civil Servants on deputation to Foreign Service in Pakistan will receive pay in BPS as admissible under the Government from time to time

Serial No.12 of Establishment Division O.M.No.1/13/87-R.I, dated 3-12-1990 states that the Civil Servants on deputation to Foreign Service in Pakistan will continue to be under the rule-making control of the lending Government, in matters of Pay, Leave, Pension, G.P. Fund, etc. The lending Government accordingly, will have a right to determine, in consultation with the borrowing organization, the terms of his employment under the latter and these terms shall not be varied by the borrowing organization, without consulting the lending Government.

NEPRA hired services of Civil Servants on deputation basis. Details are as under:

S. No	Name	Designation	Date of Joining	NEPRA Grade
1	Mr. Hammad Shamimi	Director General	16.05.2013	NEG-2
2	Mr. Aftab Alam	Director General	18.05.2014	NEG-2
3	Syeda Ayesha Tassaduq	Director	09.01.2015	NPG-4
4	Mr. Muhammad Adnan Dayar	Director	30.10.2015	NPG-4
5	Mr. Muhammad Hanif	Deputy Director	20.01.2015	NPG-3
6	Ms. Maliha Shahid Malik	Deputy Director	22.10.2015	NPG-3
7	Mr. Muhammad Saleem	Deputy Director	26.01.2016	NPG-3
8	Mr. Dost Muhammad Jaffar	Assistant Director	02.01.2012	NPS-2

Audit observed that pay and allowances of the above mentioned officers were fixed as per NEPRA pay scales. Audit calculated one year difference of pay and allowance from the date of joining which becomes Rs. 9 million while LPC of Mr. Muhammad Dayar and Mr. Hammad Shamimi was not provided. While on the other hand NEPRA paid an amount of Rs 17.734 million on account of pension contribution of the deputationist.

Audit is of the view that fixation of pay and allowances as per NEPRA pay package was irregular and unauthorized.

The management replied that the Authority by exercising its powers referred above framed NEPRA Service Regulations, 2003 duly notified in the official gazette including the Deputation Regulations.

Reply was not accepted because the borrowing department could not change the standard terms and conditions of the deputationist. Further, where Audit objects NEPRA's regulations, the management refers Government Rules wherever Audit refer the Government Rules, the management refers NEPRA regulations only to protect their own interest.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that inquiry may be held to fix the responsibility for irregular fixation of pay and allowances besides recovery of already paid amount and deposited into Government account.

#### ***33.4.18 Irregular expenditure on account of legal fee - Rs. 23.527 million***

Under Ministry of Law, Justice and Human Rights policy guidelines for nominations/recommendations for appointment of legal advisors and engagement/placement of advocates on the panel of advocates of various department issued vide letter No F.6/1/2013-LA dated 03.06.2015, every Government department or Semi Government or Public Corporate Body shall seek concurrence of the Law, Justice and Human Rights Division for engagement of lawyer where professional exceed Rs 300,000. In such a case, the concerned Department will send a Panel of at least three Advocates for selection of one of them along with proposed professional fee for approval of the Law, Justice and Human Rights Division. Any failure in doing so will render the engagement of Advocate/Counsel etc. void and no ex-post facto approval will be allowed.

NEPRA incurred an expenditure of Rs 23.527 million on account of appointment of legal advisors and engagement of advocates on panel during the year 2015-16

Audit observed that these appointments and engagement of advocates on panel was not approved from the Law, Justice and Human Rights Division.

Audit is of the view that appointment of legal advisor and engagement of advocates on panel without the approval of the Law, Justice and Human Rights Division was irregular and unauthorized.

The management replied that for engagement of legal counsels, NEPRA has developed its own SOPs and the policies of Ministry of Law are not applicable upon NEPRA. Further, NEPRA is neither a department nor a Division of the Federal Government rather it is an independent regulatory Authority and is governed under the NEPRA Act.

Reply is not accepted because the above mentioned guidelines are applicable to all Government, semi Government or public corporate body. NEPRA regulate its function under the ambit of Government. Thus, guidelines of the Law Division are applicable to NEPRA also.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be discontinued and responsibility should be fixed for the irregularity.

***33.4.19 Irregular payment of encashment of un-availed casual leave to employees - Rs. 9.669 million***

Rule-V (2) of Appendix-3 of FR&SR Volume-II states that Casual Leave is not 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.

Regulation-33(6) of National Electric Power Regulatory Authority Service Regulations 2003 states that an employee who does not avail the 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<sup>th</sup> of his/her gross monthly salary for each day of the leave un-availed.

Management of the National Electric Power Regulatory Authority (NEPRA) paid Rs. 9,668,526 to its employees during 2014-15 as encashment of un-availed casual leave.

Audit observed that payment of encashment of un-availed casual leave to the employees during 2014-15 was irregular and unauthorized as such payment was in violation of the above mentioned rules.

Audit is of the view that encashment of un-availed casual leave was irregular and unauthorized which has resulted in the loss of Rs.9.669 million to the Government/NEPRA.

In the DAC meeting held on 29.04.2016, NEPRA explained that payment of such kind of amount has been discontinued w.e.f. December, 2014 in compliance of DAC decision. However DAC also directed to recover irregular payment as decided in the meeting of DAC held on 18.03.2015

The management replied that NAPRA employees are governed by NEPRA Service Regulations -2003 (NSR-2003), which are made under Sections 10 & 47 of the NEPRA Act, 1997 and payment of encashment of Casual Leave has been made to the employees of the NEPRA in accordance with NEPRA Service Regulations 2003 which was duly approved by the Authority.

However, the encashment of un-availed casual leave was discontinued by the Authority from December, 2014 and not a single payment was made under the subject head after discontinuation, which may be verified.

The reply of the management after DAC was not accepted because NEPRA is deviating from the direction of the DAC and trying to justify the irregular payment after issuance of the directives. In the presence of the clear

directive of the DAC the amount was not recovered. It is also pertinent to mention that NEPRA discontinued encashment of casual leave but at the same time inserted Leave Fare Assistance in the NSR which defeated the purpose of discontinuation of the allowance.

Audit recommends that DAC directives may be implemented and the amount may be recovered from the concerned.

**33.4.20 Irregular expenditure on account of Personal Allowance - Rs. 7.146 million**

Rule 15(4)(c) of Accommodation Allocation Rules, 2002 states that an allottee who is 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 11(7) of Accommodation Allocation Rules, 2002 states that in case of his posting or deputation within the country or abroad, the AGPR/DBA/CAO or the department of the Federal Government Servant, as the case may be, shall not release the House Rent Allowance or issue Last Pay Certificate till issuance of NOC from the Estate Office.

The management of NEPRA in its meeting held on 18.12.2013 decided to reclassify the House Rent Allowance of one of its deputationist, Mr. Hammad Shamimi, Director General as Personal Allowance. Taking lead from the Authority decision of 18.12.2013, the house rent allowance of two other officers who are working on deputation in NEPRA was reclassified as Personal Allowance. Details are as under:

S. No	Name	Designation	Date	Amount
1	Mr. Hammad Shamimi	Director General	January, 2014 to August, 2016	3,787,332
2	Mr. Aftab Alam	Director General	August 2014 to August, 2016	2,740,854
3	Mr. Muhammad Adnan Dayar	Director	January, 2016 to August, 2016	617,844
<b>Total</b>				<b>7,146,030</b>

Audit observed that:

- i. Earlier, an audit para No. 4.4.5 under Cabinet Division was printed in Civil Audit Report of the Federal Government regarding Irregular Payment of House Rent Allowance to two employees posted on deputation in which Audit recommended that the House Rent Allowance being more may be deposited into treasury.
- ii. To avoid the above recommendation the management re-classify House Rent Allowance as Personal Allowance.
- iii. The House Rent Allowance of all officers working in NEPRA on deputation was not reclassified. Probably, this was reclassified for those officers who possess the Government accommodation.

Audit is of the views that to avoid the recovery of House Rent Allowance the management has re-classified it as Personal Allowance which was unauthorized and unethical.

The management replied that in accordance with Regulation 22(1) of NSR, the Authority may allow an officer on deputation to draw the salary in NEPRA pay scale commensurate with the post against which the deputationists are assigned to work in NEPRA. Furthermore, the Regulation 4 (3) of NSR provides that in all matters not expressly provided for in these Regulations, the decisions taken by the Authority in the matter shall be applicable to the employees. The Authority has powers to allow Personal Allowance under Regulation 2(23) (g) of NSR which stipulates that any other emoluments may be classified as salary by the Authority.

Reply of the management was not accepted because the management could not allow such benefit to a particular person(s) without approval of rules from Federal Government. Further, regulations should not be varying person to person. The reason for re-classifying the allowance was also not mentioned in the Authority decision.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be discontinued forthwith and amount already paid should be recovered and deposited into Government account.

***33.4.21 Irregular expenditure on account of cafeteria subsidy- Rs 4.301 million***

Para10(v) of GFR Volume I states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and 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.

Section 13(2) of NEPRA Act, 1997 states that any surplus of receipts over the actual expenditure in a year, after payment of tax, shall be remitted to the Federal Consolidated Fund and any deficit from the actual expenditure shall be made up by the Federal Government.

NEPRA entered into an agreement with M/s Fijji's Grill, Islamabad for running Cafeteria in NEPRA building at rate of Rs. 6,380 per head per month (around Rs. 300 per meal).

Audit observed as under:

- i. No rent for use of space in NEPRA building was charged.
- ii. A subsidy of 50% and 60% for officers and officials respectively were granted for running of Cafeteria viable.
- iii. NEPRA paid an amount of Rs 4.301 million to the owner of Cafeteria during 2015-16 on account of subsidy of its officers and officials.
- iv. It was made obligatory for the officer to join Cafeteria – It's a 'Take or Pay' model contract.

Audit is of the view that grant of subsidy to its officers and officials at the cost of public money were irregular and unauthorized. Non charge of rent and provision of crockery and furniture at NEPRA cost is loss of public money and favor to the contractor.

The management replied that NEPRA is an autonomous body and is mandated under the Act to regulate the electric power sector of Pakistan. Furthermore, the Authority is also mandated to employ employees on such terms and conditions as it deems fit. For the purposes of the Act, the Authority has employed eminent professionals of the power sector, financial experts, legal experts and the professionals of the general cadre.

It is pertinent to mention here that the provision of subsidized food to the employees is a common corporate culture and introducing such culture in NEPRA is very essential for improving the performance of the organization. The Authority constantly striving to introduce best corporate practices at NEPRA and this facility is one of them.

The reply was not accepted because NEPRA Act did not allow promoting a corporate culture by providing food at the cost of electricity consumers. NEPRA stance that they do not receive funds from Government is not true; the Government through Act of Parliament authorized NEPRA to collect the license fee and NEPRA is utilizing this fund. Under the Act the surplus amount required to be deposited in Government account but NEPRA by incurring such expenditures deprived the Government from its due receipts.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the undue favor to the employees as well as to the contractor should be discontinued and amount already paid on this account should be recovered and deposited into Government account.

***33.4.22 Non-recovery from senior advisor on account of over payment of salary- Rs. 3.918 million***

Clause 7 of the Service Agreement entered into between Senior Advisor (Tariff) and NEPRA on 25.05.2010 states that the officer will draw fixed Salary of Rs. 300,000/- per month lump sum subject to deduction of taxes as per Government Rules.

The Senior Advisor (Tariff) was appointed on contract basis initially for the period of three (03) years w.e.f. 10.05.2010 which was extended for further



period of two years w.e.f.10.05.2013 and was again granted two months of extension in service agreement w.e.f. 10.05.2015 on the existing terms and conditions of the service agreement.

Audit observed that Senior Advisor (Tariff) drew lump sum monthly salary of Rs. 626,490(Salary Rs. 576,490after increments and Qualification Allowance Rs. 50,000) during 2014-15 in violation of the service agreement. In this way he was over paid an amount of Rs. 3,917,880 (626,490-300,000 \* 12) during 2014-15.

Audit is of the view that Senior Advisor was paid salary over and above service agreement which resulted in the loss of Rs.3.918 million to the Government/NEPRA.

DAC meeting held on 29.04.2016 was not satisfied with the explanation given by NEPRA and directed to recover the amount.

The management after DAC replied that the case was presented before the Authority in its meeting Admin 15-13 dated 13.02.2013 and the Authority decided that the contractual employees of NEPRA may be compensated by allowing 25% increase in their lump sum salary by signing a new contract with each contract employees with mutual consent w.e.f. January 1, 2013.As for revision of contracts, there is no such fixed rule or requirement regarding revision of contracts as both parties, with mutual consent, can enter into new contracts and can also revise the contracts till the validity of existing contracts.

The reply of the management after DAC was not accepted because NEPRA is deviating from the direction of the DAC and trying to justify the irregular payment after issuance of the directives. In the presence of the clear directive of the DAC the overpaid amount was not recovered from the concerned.

Audit recommends that DAC directives should be implemented and responsibility should be fixed for the irregularity.

**33.4.23 Non-recovery from employees on account of overpayment of salary-  
Rs. 2.932 million**

Clause 8 of the Terms and Conditions of the Service Agreement entered into between Mr. Muhammad Shafique, Legal Advisor and NEPRA on 30.01.2009 states that the officer will draw fixed Salary of Rs. 150,000/- per month lump sum subject to deduction of taxes as per Government Rules with 10% increment for each completed year of service.

Similarly, Clause 9 of the Terms and Conditions of the Service Agreement entered into between Mr. Irfan Munawar Gill, Legal Advisor and NEPRA on 30.09.2011 states that the officer will draw fixed Salary of Rs. 175,000/- per month lump sum subject to deduction of taxes as per Government Rules with 10% increment for each completed year of service.

Mr. Muhammad Shafique and Mr. Irfan Munawar Gill, were appointed as Legal Advisors on contract basis initially for the period of two (02) years and their services were extended till to date on the existing terms and conditions as given in the service agreements. Salaries for the period from initial appointment to 30.06.2015 are worked out as under:

	from	to	Salary Admissible (p.m.)Rs.	Salary Drawn (p.m.)Rs.	Salary over paid during 2014-15(Rs.)
Mr. Irfan Munawar Gill, Legal Advisor	1.10.2011	30.09.2012	175,000	-	-
	1.10.2012	30.09.2013	192,500	-	-
	1.10.2013	30.09.2014	211,750	315,000	309,750
	1.10.2014	30.06.2015	232,925	346,500	1,022,175
Mr. Muhammad Shafique, Legal Advisor	1.02.2009	31.01.2010	150,000	-	-
	1.02.2010	31.01.2011	165,000	-	-
	1.02.2011	31.01.2012	181,500	-	-
	1.02.2012	31.01.2013	199,650	-	-
	1.02.2013	31.01.2014	219,615	-	-
	1.02.2014	31.01.2015	241,577	346,500	734,464
	1.02.2015	30.06.2015	265,734	438,900	865,829
<b>Overpayment</b>					<b>2,932,219</b>

Audit observed that Mr. Irfan Munawar Gill, and Mr. Muhammad Shafique, Legal Advisors drew lump sum monthly salary of Rs. 346,500 and Rs. 438,900 instead of Rs. 232,925/- and Rs. 265,734 respectively during FY 2014-15, in violation of the service agreement. In this way they were over paid salaries of Rs. 2.932 million during FY 2014-15.

Audit is of the view that the terms and condition once agreed by both the parties and finalized in the service agreement cannot be amended in favor of the contractual employee during the currency of agreement. Audit is, therefore, of the opinion that payment of increased salary which was not reflected in the service agreement was irregular and unauthorized which has resulted in the loss of Rs.2.932 million to the Government/NEPRA.

DAC meeting held on 29.04.2016 was not satisfied with the explanation given by NEPRA and directed to recover overpaid amount.

After the meeting of the DAC the management replied the case was presented before the Authority in its meeting Admin 15-13 dated 13.02.2013 and the Authority decided that the contractual employees of NEPRA may be compensated by allowing 25% increase in their lump sum salary by signing a new contract with each contract employees with mutual consent w.e.f. January 1, 2013.As for revision of contracts, there is no such fixed rule or requirement regarding revision of contracts as both parties, with mutual consent, can enter into new contracts and can also revise the contracts till the validity of existing contracts.

Reply was not accepted because NEPRA is deviating from the direction/recommendation of the DAC and trying to justify the irregular payment. In the presence of the clear directive of the DAC the amount was not recovered from the concerned contractual employees.

Audit recommends that DAC directives may be complied with and responsibility may be fixed for the irregularity.

#### ***33.4.24 Irregular appointment as Private Secretary - Rs. 2.025 million***

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

Para10(v) of GFR Volume I states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and 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.

NEPRA appointed Mr. Muhammad Munir Khokhar as Private Secretary (PS) to the Chairman on contingent (contract) basis, without any advertisement, against a maximum salary of NSG 6 i.e. Rs 168,714 with medical facility from 15.10.2015 to 14.10.2016.

Audit observed that the PS was retired after getting superannuation on 14.10.2015. The post of Private Secretary is not a post to be filled by contingent basis. Further, NEPRA has already made a massive induction in last two years.

Audit is of the view that appointment by such method is uncalled for and will promote the bad governance in the organization.

The management replied that NEPRA hired the services of Mr. Munir Khokhar in terms of Regulation 14 of NSR stating that Appointment to various posts shall generally be made on regular basis by initial appointment in accordance with these Regulations. However, if deemed expedient and for reasons recorded in writing the Authority may appoint persons on contract or contingency basis. However, employment on contingency basis shall be restricted to NSG 1 to NSG 6. Due to his exemplary performance the Authority decided to hire the services of Mr. M. Munir Khokhar on contingent basis in terms of the provision of the Regulation 14 of NSR 2003.

Reply was not accepted because appointment without advertisement is violation of fundamental law and undue favor to the candidate at the expense of public exchequer.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that irregular practice should be discontinued and responsibility should be fixed for the irregularity.

### ***33.4.25 Irregular and unauthorized appointments***

Regulation 20 (1&2) of NSR provides that where under special circumstances it is not possible to appoint a person under the prescribed manner the Authority may employ a person by contract a consultant or advisor for carrying out as specialize assignment or a specific job within a specified time and at a suitable remuneration as approved by the Authority.

Where under special circumstances due to exigency of tasks required to be performed by the professionals to assist the Authority in performing its functions and where the appointment of a person under the prescribed manner is considered to delay the availability of a required professional, the Authority may employ through contract a consultant or advisor for carrying out a specific assignment or a job requiring specialized expertise within a specified time.

Regulations 21 of NSR states that in case where a person possessing specific skills or expertise is required to assist the Authority in performing its functions and the required services cannot be immediately availed through direct recruitment, vacant posts in NEPRA may be filled by acquiring the services of any person from other Federal/Provincial Government department or Autonomous/Semi-Autonomous bodies

NEPRA appointed the following officers on deputation, re-employment, contract and through absorption.

Audit observed as under:

- i. NEPRA Regulations appointment on deputation and contract could be made on the basis of specific skill and expertise which could not immediately availed through direct recruitment. Appointment on deputation should not be for general duty.
- ii. The appointment made by NEPRA though deputation are not on the basis of specific skills and expertise rather it is for routine and general duty.
- iii. Audit has also noted that if any service on deputation was required it should be for a minimum period just to bridge the gap

the process of initial appointment but NEPRA is getting the services for the long period.

- iv. Contract appointees were working for the last few years and their contracts were continuously revising. These posts could be filled through initial appointment.
- v. Few Consultants and Advisors appointed by NEPRA were serving in NEPRA and after their superannuation, they were re-employed.
- vi. Legal Assistant and Legal Advisors were working since long and their contracts are revising repeatedly. Approval for appointment from Law, Justice and Human Rights Division was not obtained.
- vii. Consultants appointed through open competitions are also not for a specific and time bound assignment. Their duties are routine duty defeating the purpose of engaging a consultant.
- viii. NEPRA was established in 1997, twenty years have been passed but still running on adhocism.

Supreme Court of Pakistan in its decision has repeatedly recorded its displeasure and reservations to re-employment, deputation and absorption. On these matters, Supreme Court of Pakistan has ordered a detailed decision dated 09.05.2013 in the Criminal Original Petition No 89/2011 reported, as 2013 SCMR-1752 as well as 2015 SCMR-456. The situation explained above is not in line with the court orders. NEPRA has not implemented the court orders yet.

Audit is of the view that appointment through deputation, contract, absorption and re-employment are against orders of Supreme Court of Pakistan and NEPRA Regulations.

The management replied that the Authority by exercising its powers referred above, framed NEPRA Service Regulations -2003 duly notified in the official gazette. Regulation 20 (1&2) of NSR provides that where under special circumstances it is not possible to appoint a person under the prescribed manner the Authority may employ a person by contract a consultant or advisor for carrying out as specialize assignment or a specific job within a specified time and at a suitable remuneration as approved by the Authority.

Reply was not accepted because the practice of the NEPRA is not only violations of its own regulations but also the judgment of Supreme Court of Pakistan dated 09.05.2013 in the Criminal Original Petition No 89/2011. According to Article 189 and 190 of the Constitution of Islamic Republic of Pakistan, 1973, every judgment of the Supreme Court of Pakistan is binding upon the executives. Further, in one observation the management defends its regulations and on the other side it refers O.M. of Establishment Division to protect the service of deputationists.

The PAO was informed on 13.12.2016, but DAC was not convened till the finalization of the Report.

Audit recommends that the irregular practice should be discontinued and all types of appointments mentioned in the para should be addressed in accordance with the orders of the Supreme Court of Pakistan.

#### ***33.4.26 Irregular appointment of Consultant (Tariff)***

National Electric Power Regulatory Authority (NEPRA) vide advertisement made in newspaper. The News dated 29.03.2015 advertised the position of Consultant (Distribution/Tariff) with experience as under:

“Minimum 20 years relevant post qualification experience of a power sector utility or a reputed public or private power sector organization responsible for distribution of electricity will be preferred”.

Management of the National Electric Power Regulatory Authority (NEPRA) appointed Mr. Salman Amin as Consultant (Tariff) vide offer of appointment letter No.MPR-90/1150 dated 14.05.2015 w.e.f. 03.06.2015.

Audit observed that appointment of consultant (Tariff) was irregular and unauthorized as Mr. Salman Amin, CA qualified had 17 years of experience instead of 20 years after holding CA Articles at the time of appointment.

Audit is of the view that appointment of Mr. Salman Amin, Consultant (Tariff) was in violation of terms and conditions laid down in advertisement as he did not meet the requirement of minimum twenty years of experience.

DAC held on 29.04.2016 was not satisfied with the explanation given by NEPRA and para was pended.

The management replied that the Authority during the recruitment process noted that there was a dearth of professionals having relevant experience and in view of the urgency, therefore, unanimously decided to allow three years relaxation to Mr. Salman Amin, one of the candidates, keeping in view his rich experience in the regulatory regime.

Reply was not accepted because as once terms and condition of appointment and experience settled and advertised in newspaper cannot be relaxed by the Authority. The action of the Authority was an undue favor to the candidate. DAC has already shown its dissatisfaction over the NEPRA stance.

Audit recommends that responsibility may be fixed for the irregularity.

#### ***33.4.27 Doubtful payments by M/s NESPAK Limited - Rs. 23.555 million***

Para 10 of the GFR Vol-I states that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety. Among the principles on which emphasis is generally laid are the following:

- i. Every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.
- ii. The expenditure should not be prima facie more than the occasion demands.
- iii. No authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.
- iv. Public moneys should not be utilized for the benefit of a particular person or section of the community unless-
  - (1) the amount of expenditure involved is insignificant, or
  - (2) a claim for the amount could be enforced in a court of law, or
  - (3) the expenditure is in pursuance of a recognized policy or custom.

The PCIW hired the services of consulting firm M/s National Engineering Services Pakistan (NESPAK) Limited for providing technical



consultancy on Kishenganga Hydroelectric Plant and an amount of Rs. 181.764 million were released to the consulting firm during 2008-10.

An amount of Rs. 40.000 million was lying unspent with M/s NESPAK on account of Kishenganga Hydroelectric Plant Hydro Electric Plant up to September, 2010. Out of which an amount of Rs. 23.555 million was paid by NESPAK on behalf of PCIW during 2011-13.

Audit observed that vouched accounts for payment of Rs. 23.555 million were not available with PCIW.

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

The management replied that the amount released to NESPAK was to avoid the surrender of the funds at end of the financial year, as the funds were directly needed for pursuance of court case on Kishenganga.

The reply is not acceptable being irrelevant as no mention of the payment of Rs. 23.555 million was made. Further the management accepted that the amount was transferred just to avoid lapse of funds.

DAC was held on 21.06.2016 but the management did not communicate minutes of meeting despite reminder issued on 27.09.2016 and 23.12.2016.

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

***33.4.28 Irregular hiring the services of consulting firm without competitive rates - Rs. 9.406 million***

Para 10(i) of the GFR Vol-I states that every public officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money.

The PCIW hired the services of consulting firm M/s Haggler Bailly Pakistan (Private) Limited for providing legal advice. An amount of Rs. 9.406 million was paid to the consulting firm during 2010-14.

Audit observed that the selection of the consulting firm was made without competitive rates.

Audit is of the view that hiring the services of consulting firm without competitive rates was held irregular.

The management replied that the selection of the consultant was made under PPRA rules. The payments to the consultants were made subsequent to the inputs from the field visits.

The reply is not acceptable as no documentary evidences in support of reply were provided.

DAC was held on 21.06.2016 but the management did not communicate minutes of meeting despite reminder issued on 27.09.2016 and 23.12.2016.

Audit recommends that responsibility may be fixed for the irregularity.

***33.4.29 Non-deposit of balance amount remitted by the Court of Arbitration – Euro 0.111 million***

Paragraph 13 of the Annexure-G of the Article IX (5) of the Indus Waters Treaty, 1960 states that within fifteen days of the date of institution of a proceeding, each Party shall place sufficient funds at the disposal of its Commissioner to meet in equal shares the initial expenses of the umpires to enable them attend the first meeting of the Court.

Pakistan Commission for Indus Waters (PCIW) paid Euro 2.100 million equivalent to Rs. 253.758 million to Court of Arbitration during the financial years 2010-11 to 2012-13 on account of proceeding of the arbitration on Kishenganga Hydroelectric Plant (KGHEP) on Kishenganga River (Pakistan vs India). On completion of the proceeding of Court of Arbitration, the Court of Arbitration requested the PCIW to provide detail of appropriate bank account for the transfer of Euro 110,968.93.

Audit observed that the unspent balance returned back by the court of arbitration was utilized by the PCIW without lawful authorization.

Audit is of the view that non-deposit of balance remitted by the Court of Arbitration and subsequent to its utilization was irregular and unauthorized.

The management replied that our foreign lawyers and consultants (both local and foreign) were pressing hard for their overdue invoices and were reluctant to carry out further work for us and office of PCIW had been asking for approval of supplementary grant for making payment to lawyers & consultants. It was therefore not possible to further delay the payments that were due.

The reply was not accepted as the balance remitted by the Court of Arbitration was not deposited in to Government account and was wrongly spent by PCIW.

DAC was held on 21.06.2016 but the management did not communicate minutes of meeting despite reminder issued on 27.09.2016 and 23.12.2016.

Audit recommends that responsibility may be fixed for the irregularity.

#### ***33.4.30 Irregular expenditure on purchase of 150 KVA Generator - Rs. 4.940 million***

Para 10 of GFR Vol-I stipulates that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and expenditure should not be prima facie more than the occasion demands. No authority should exercise its powers of sanction expenditure to pass an order which will be directly or indirectly to its own advantage.

Section 2(2) of the Sales tax Special Procedures rules 2007, withholding agent other than a recipient of advertisement services, shall deduct amount equal to one fifth shown in total sales tax invoice issued by a registered person and make payment of the balance amount to him.

The management purchased two Diesel Generators out of project funds. Details are as under;

- i. Model LG110 from M/S Cummins Sales & Service (Pakistan) Ltd. vide cheque No. 300483 dated 12.07.2010 amounting to Rs. 2.027 million.
- ii. 150 KVA from M/S Premier Associates vide invoice No. 140 dated 04.11.2013 costing Rs. 4.940 million.

Audit observed that there was provision of purchase of only one generator in PC-II. Thus, expenditure incurred on the other generator was not covered in the PC-II.

Audit is of the view that in the absence of purchase of one more generator in PC-II, the expenditure on second generator cannot be authenticated.

Management did not reply.

Audit is of the view that the irregularity may be got condoned from the appropriate forum and recovery of short payment of GST may be initiated immediately under intimation to Audit.

#### ***33.4.31 Irregular appointment of Principal River Engineer without open competition - Rs. 1.920 million***

The Establishment Division issued instructions through O.M. No. 6/2/200-R-3 dated 06.05.2010 for the appointment of contract employees for projects. According to these instructions, for projects which have a limited life, appointments of employees of different categories may be made on contract basis after open advertisement in the press. The advertisements should indicate prescribed academic professional qualifications, experience, age limit, provincial/regional quotas, special quotas, etc.

Annexure-I of PC-II of the Project titled “Water Sector Capacity Building and Advisory Services Project” states that one Principal River Engineer will be appointed on contract basis at fixed monthly salary of Rs. 0.150 million.

The management of the project appointed Dr. Amjad Nabi as Principal River Engineer on contract basis for a period of one year at fixed salary of Rs. 0.150 million per month with effect from 15.08.2009. After expiry on 14.08.2010, the contract was extended for a period of one year with effect from

15.08.2010 on the same terms and conditions, but the officer resigned the Job on his personal grounds on May, 02, 2011 along with 30 days notice up to 31.05.2011. The resign was accepted on 11.05.2011 by the Project Director and the officer relinquished the charge of the post on 31.05.2011. However, the officer rejoined w.e.f 01.07.2011 at a salary of Rs. 230,000 without any advertisement and competition.

Audit observed as under:

- i. The vacancy was announced in the press on 07.06.2009 but Dr. Amjad Nabi did not apply for the post.
- ii. On both occasions, the appointment of Principal River Engineer was made without open competition.
- iii. According to the new contract agreement, the officer was appointed at a fixed salary of Rs. 0.230 million per month instead of Rs. 0.150 million as provided in PC-II, resulting in overpayment of Rs. 1.920 million (Rs. 80,000 x 24) up to 30.06.2013.

Audit is of the view that the appointment was irregular and salary was overpaid.

Management did not reply.

Audit recommends fixation of responsibility.

***33.4.32 Irregular and unauthorized payment of honorarium - Rs. 1.295 million***

Para 10 of GFR Vol-I stipulates that every officer incurring or authorizing expenditure from public funds should be guided by high standards of financial propriety and expenditure should not be prima facie more than the occasion demands. No authority should exercise its powers of sanction expenditure to pass an order which will be directly or indirectly to its own advantage.

FR-46 (b) 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 laborious or of such special merit as to justify a special reward.

Para 17 of system of financial control and budgeting Ministries/Divisions have full power to sanction honorarium up to the level of section officer and equivalent.

Caption No. 6 of definition portion of the Financing Agreement between Islamic Republic of Pakistan and International Development Association dated July 14, 2008, the term “incremental operating cost” does not include salary or salary supplements of the recipient’s civil servants and/ or WAPDA staff.

The management of Water Capacity WCAP incurred an expenditure of Rs. 1.295 million on account of honorarium/ cash reward to consultants. Details area as under:

**(Rupees)**

S. No.	Name	Designation	2012-13	2013-14	2014-15	Total
1	Mr. Javed Iqbal Bokhary	Team Leader	50,000	100,000	200,000	350,000
2	Dr. Amjad Nabi	Principal River Engineer	50,000	60,000	100,000	210,000
3	Mr. Zahid Mahmood	F&BMS	50,000	60,000	100,000	210,000
4	Mr. Awais Saleem	Procurement Specialist	50,000	-	-	50,000
5	Mr. M. Hanif Sharif	Director Technical	50,000	-	-	50,000
6	Mr. Ather Hameed	Director Technical	50,000	50,000	150,000	250,000
7	Mr. M. waqar Rana	Legal Expert	-	75,000	-	75,000
8.	Mr. Ghulam Dastagir	Admn Officer	-	-	100,000	100,000
<b>Total</b>						<b>1,295,000</b>

Audit observed that honorarium was paid to the consultants engaged on lump sum monthly remuneration who were not entitled for honorarium.

Audit is of the view that payment of cash reward to the consultants and to Admin officer more than one honorarium equal to basic pay, was irregular and unauthorized.

Management did not reply.

Audit recommends recovery of amount paid to consultants on account of Honorarium and fixation of responsibility under intimation to audit. Audit also recommends that the irregularity of payment of honorarium to one of the project employees more than his pay may also be got condoned from the appropriate forum under intimation to audit.

**33.4.33 Irregular appointment of consultant (Manager Water Resources) - Rs. 4.605 million**

WAPDA advertised the posts under sub-component B1 of WCAP in Daily "DAWN" dated 19.03.2010. An appointment criterion for the post of Manager (Water Resources Database) was M.Sc (GIS/RS) with 15 years relevant experience in GIS/RS Database development for the period of 24 months.

The management of WAPDA appointed Mr. Shafiq ur Rehman as Manager on contract basis on lump sum salary of Rs. 135,000 per month and paid Rs. 4.605 million from 21.10.2010 to 20.07.2013. Details are as under:

<b>Period</b>	<b>Months</b>	<b>Monthly Salary per month</b>	<b>Amount (Rs.)</b>
21.10.2010 to 20.10.2011	12	135,000	1,620,000
21.10.2011 to 20.01.2012	3	140,000 (increase in salary Rs. 5000 on completion of one year as per contract agreement)	420,000
21.01.2012 to 20.10.2012	9	140,000	1,260,000
21.10.2012 to 20.07.2013	9	145,000	1,305,000
<b>Total</b>	<b>33</b>		<b>4,605,000</b>

Audit observed as under:

- i. The officer possessed seven years of relevant experience as against the criteria mentioned in the advertisement of fifteen years.
- ii. He was at Sr. No. 3 in short listed candidates and appointed by neglecting first and second candidate who were fulfilling criteria for the post without assigning any reason.
- iii. His performance was not considered satisfactory and extension of his contract was not recommended by his immediate supervisor.

Audit is of the view that the appointment was made by ignoring merit and extension was granted without considering the output and performance of the consultant.

Management did not reply.

Audit recommends that responsibility may be fixed for the irregularity.



**Annexure-I** Memorandum for Departmental Accounts Committee  
(MAFDAC)

**(Rs. in million)**

<b>S. No.</b>	<b>PAO</b>	<b>No. of Paras</b>	<b>Amount</b>
1	Aviation Division	41	95.449
2	Benazir Income Support Program	35	78,569
3	Board of Investment	12	26
4	Cabinet Division	39	334
5	Climate Change Division	23	131
6	Commerce Division	8	11
7	Controller General of Accounts	108	1,404
8	Defence Production Division	24	912.4316
9	Economic Affairs Division	10	6
10	Election Commission of Pakistan	56	115
11	Establishment Division	95	6,686
12	Federal Education and Professional Training	142	3,736
13	Federally Administered Area (FATA)	315	19,589
14	Finance Division	11	9
15	Higher Education Commission	92	3553.522
16	Housing and Works Division	13	2.148
17	Industries and Production Division	13	128.157
18	Information, Broadcasting and National Heritage	57	996.232
19	Interior Division	366	6,436
20	Inter-Provincial Coordination Division	66	472
21	Ministry of Communication	58	2,988
22	Ministry of OP &HRD	19	106
23	Ministry of Law, Justice & HRD	48	935
24	Ministry of Petroleum and Natural Resources	96	1,484
25	Ministry of Ports & Shipping	7	3
26	Ministry of Religious Affairs	11	7
27	Ministry of Science & Technology	185	3,237
28	Ministry of Textile Industry	24	1,334
29	Ministry of Water & Power	52	4,780
30	Narcotics Control Division	13	80.849
31	National Accountability Bureau	54	210
32	National Assembly Secretariat	17	328
33	National Food Security and Research Division	50	1109.3856
34	National School of Public Policy	58	356
35	Pakistan Atomic Energy Commission	47	524.217
36	Parliamentary Affairs Division	8	17
37	Prime Minister Inspection Commission	10	9
38	Privatization Division	12	5.134
39	SAFRON	31	207
<b>Total</b>		<b>2,326</b>	<b>140,933</b>